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1-178A004

17398
RECORDATION NO. _____ FILED 1423

JUN 27 1991 10 00 AM

INTERSTATE COMMERCE COMMISSION

$15.00 filing fee

June 26, 1991

New Member

Grand Trunk Western Railroad Company
Lease Financing Dated as of June 1, 1991

Dear Mr. Strickland:

Pursuant to 49 U.S.C. § 11303 and the Commission's rules and regulations thereunder, as amended, I enclose herewith on behalf of Grand Trunk Western Railroad Company, for filing and recordation counterparts of the following documents:

Lease of Railroad Equipment dated as of June 1, 1991, between Grand Trunk Western Railroad Company, as Lessee, and John Hancock Mutual Life Insurance Company, as Lessor.

The names and addresses of the parties to the aforementioned agreement are as follows:

1. Lessor:

John Hancock Mutual
Life Insurance Company
197 Clarendon Street
Boston, Massachusetts 02117

2. Lessee:

Grand Trunk Western Railroad Company
1333 Brewery Park Boulevard
Detroit, Michigan 48207

Counterpart & W. Harrison

JUN 27 10 21 AM '91

Please file and record the documents referred to in this letter and index them under the names of the Lessor and the Lessee.

The equipment covered by the aforementioned documents is listed on Exhibit A attached hereto. The equipment bears the legend "Ownership Subject to a Security Agreement Filed with the Interstate Commerce Commission".

There is also enclosed a check for $15 payable to the Interstate Commerce Commission, representing the fee for recording the Lease of Railroad Equipment.

Please stamp all counterparts of the enclosed documents with your official recording stamp. You will wish to retain one copy of the instruments for your files. It is requested that the remaining counterparts be delivered to the bearer of this letter.

Very truly yours,

Laurance V. Goodrich

Laurance V. Goodrich
as Agent for
Grand Trunk Western
Railroad Company

Mr. Sidney L. Strickland, Jr.,
Interstate Commerce Commission,
Washington, D.C. 20423

Encls.

LEASE OF RAILROAD EQUIPMENT
Schedule A - List of Equipment

Quantity	Equipment Mechanical Designation	Description	Railroad Road Numbers **	Unit Cost ($000's) ADR	MACRS	TOTAL
9 (E1)	GP - 9	Rebuilt Diesel Electric Locomotives	GTW 4618-4626	$75	$375	$450
9 (E2)	GP 38 - 2	Rebuilt Diesel Electric Locomotives	GTW 5726-5734	$0	$800	$800
1 (E3)	GP 38 -2	Rebuilt Deisel Electric Locomotive	GTW 6203	$275	$525	$800
1 (E4)	GP 40 - 2	Rebuilt Diesel Electric Locomotives	GTW 6420	$275	$550	$825

L-24-A

* - E designations used to tie Units to Closings in Schedule C.

Builder's Specifications: See Attached Exhibits.

Place of Delivery: E1-E4 Battle Creek, Michigan.

** - Notwithstanding anything herein to the contrary, this Schedule A and the Lease to which it is attached will cover only those Units that are rebuilt or reconstructed by the Builder, delivered and settled for. After December 31, 1991, if necessary, this Schedule A will be amended (and a supplement will be filed with the Interstate Commerce Commission) to describe only those Units actually delivered to the Lessee pursuant to this Lease and to designate the particular Railroad Road Numbers thereof.

Exhibit A

Interstate Commerce Commission
Washington, D.C. 20423

6/27/91

OFFICE OF THE SECRETARY

Laurance V. Goodrich
Cravath, Swain & Moore
Worldwide Plaza
825 Eighth Avenue
New York, N.Y. 10019

Dear Sir:

The enclosed dcoument(s) was recorded pursuant to the provisions of Section 11303 of the Insterstate Commerce Act, 49 U.S.C. 11303, on 6/27/91 at 10:30am , and assigned recordation number(s). 17398 & 17399

Sincerely yours,

Sidney L. Strickland, Jr.

Sidney L. Strickland, Jr.
Secretary

A

17398

RECORDATION NO. _____ FILED 1425

JUN 27 1991 10 30 AM

INTERSTATE COMMERCE COMMISSION

CERTIFICATE OF TRUE COPY

STATE OF NEW YORK)
) ss:
COUNTY OF NEW YORK)

I, Laurance V. Goodrich, a member of the Bar of the State of New York, do hereby certify that I have compared the attached copies of the attached documents with an executed original counterpart thereof and find the said attached copies to be in all respects true, correct and complete copies of the aforesaid executed original counterpart.

IN WITNESS WHEREOF, the undersigned has hereunto affixed his signature this 26 th day of June, 1991.

Laurance V. Goodrich
Laurance V. Goodrich

Subscribed and sworn to
before me this 26 th day
of June, 1991

Caryn W. Sherman
Notary Public

My Commission expires:

CARYN W. SHERMAN
Notary Public, State of New York
No. 31-4633991
Qualified in New York County
Commission Expires August 31, 1992

[CS&M Ref. 2097-101A]

17398

RECORDATION NO. _____ FILED 1425

JUN 27 1991 10 30 AM

INTERSTATE COMMERCE COMMISSION

LEASE OF RAILROAD EQUIPMENT

Dated as of June 1, 1991

Between

GRAND TRUNK WESTERN RAILROAD COMPANY,
as Lessee,

and

JOHN HANCOCK MUTUAL LIFE INSURANCE COMPANY,
as Lessor,

[Covering 20 Rebuilt Locomotives]

The original counterpart of this Lease
is held by the Lessor

LEASE OF RAILROAD EQUIPMENT

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LEASE OF RAILROAD EQUIPMENT dated as of June 1, 1991, between GRAND TRUNK WESTERN RAILROAD COMPANY, a Michigan corporation (the "Lessee") and JOHN HANCOCK MUTUAL LIFE INSURANCE COMPANY, a Massachusetts mutual life insurance company (the "Owner" or "Lessor").

Capitalized terms used herein, if not otherwise defined herein, shall have their respective meanings as set forth in Schedule D hereto.

In consideration of the agreements hereinafter set forth, the Lessor hereby leases such Units as are accepted under this Lease to the Lessee and the Lessee hereby leases such Units from the Lessor, upon the following terms and conditions.

SECTION 1. Delivery and Acceptance of Units. The Lessor hereby appoints the Lessee its agent for inspection and acceptance of the Units. Upon such delivery, the Lessee will cause an employee or agent of the Lessee to inspect the same, and if such Unit is found to be acceptable, to accept delivery of such Unit on behalf of the Lessor and itself hereunder whereupon such Unit shall be deemed to have been delivered to and irrevocably accepted by the Lessee, and such acceptance shall constitute an acknowledgement by the Lessee that such Unit meets the Specifications for such Unit and shall be subject thereafter to all the terms and conditions of this Lease. The Lessee will promptly execute and deliver to the Lessor a Certificate of Acceptance for each such Unit. Delivery and acceptance of the Units shall be subject to the limitations that

(i) the MACRS Portion of the aggregate Purchase Price of all Units purchased by the Owner under the Purchase Agreement on Closing Dates after September 30, 1991, shall not exceed 40% of the MACRS Portion of the aggregate Purchase Price of all Units purchased by the Owner under this Lease;

(ii) no Closing Date shall occur after December 31, 1991; and

(iii) no Unit shall be accepted after its Outside Date shown in Schedule C attached hereto (except that Units may be substituted between Closing Dates).

SECTION 2. Rent. The Lessee agrees to pay to the Lessor, as rent for each Unit subject to this Lease, 30

consecutive semiannual payments in arrears each in the amount of 5.92704% of the Purchase Price thereof on January 2 and July 2 of each year commencing July 2, 1992 ("Basic Rent").

Basic Rent will be indexed to the 7.75% Treasury note maturing February 2001 or, if a ten year Treasury note is issued after April 23, 1991 and before a calculation hereunder is to be made, the most recently issued ten year Treasury note (the "Index"). The Index on April 9, 1991, was 8.01%.

Basic Rent for Equipment settled for on each Closing Date will be set five business days prior to the funding by noting the yield of the Index reported in the Wall Street Journal on that date and adjusting the implicit rate of the Basic Rent for that Closing Date upward or downward as the case may be at the ratio of 84.5% of the change in the Index. The Lessor and the Lessee agree to amend the Lease after January 2, 1992, if necessary, to adjust Interim Rent and Basic Rent for the Index but no such amendment shall be necessary to effect the adjustment of Basic Rent. Basic Rent shall then be the average (weighted by the dollar amount paid on all Closing Dates) of the Basic Rent determined for each Closing Date.

The implicit rate is the rate which amortizes the cost of the funding over thirty rental payments. For the purpose of calculating the implicit rate the interim period to January 2, 1992 will be ignored.

Additionally, the Lessee agrees to pay to the Lessor on January 2, 1992, as interim rent an amount equal to .032928% of the Purchase Price of each Unit ("Interim Rent") (or, if Basic Rent is adjusted for the Index, an amount equal to Basic Rent divided by 180) for each day from and including the Closing Date of such Unit to and including January 1, 1992, using a 360 day year of twelve 30 day months.

The Lessee and the Lessor agree that Interim Rent, Basic Rent and Casualty Values are subject to adjustment as provided in Section 12 of the Participation Agreement and in the Tax Indemnity Agreement.

In addition to the foregoing Basic Rent, the Lessee agrees to pay to the Lessor, or to whosoever shall be entitled thereto, any and all Supplemental Rent, promptly as the same shall become due and owing, or, where no due date is specified, promptly after demand by the person entitled thereto.

If any of the payment dates for Basic Rent referred to above is not a Business Day, the Basic Rent otherwise payable on such date shall be payable with the same force and effect on the next succeeding Business Day.

This Lease is a net lease and the Lessee shall not be entitled to any abatement of Rent, reduction thereof or setoff against Rent, including, but not limited to, abatements, reductions or setoffs due or alleged to be due to, or by reason of, any past, present or future claims of the Lessee against the Lessor under this Lease or otherwise, nor shall this Lease, except as otherwise expressly provided herein, terminate, or the respective obligations of the Lessor or the Lessee be otherwise affected, by reason of any defect in or failure of title of the Lessor to any of the Units or damage to or loss of possession or loss of use or destruction of all or any of the Units from whatsoever cause, any liens, encumbrances or rights of others with respect to any of the Units, the prohibition of or other restriction against Lessee's use of all of the Units, the taking or requisitioning of any of the Units by condemnation or otherwise, the interference with such use by any person or entity, the invalidity or unenforceability or lack of due authorization of this Lease, any insolvency, bankruptcy, reorganization or similar proceeding against the Lessee, or for any other cause whether similar or dissimilar to the foregoing, any present or future law to the contrary notwithstanding, it being the intention of the parties hereto that the Lessee's obligations to pay Rent shall be absolute and unconditional and the Rent payable by the Lessee hereunder shall continue to be payable in all events in the manner and at the times herein provided unless the obligation to pay the same shall be terminated pursuant to the express provisions of this Lease. To the extent permitted by applicable law, the Lessee hereby waives any and all rights which it may now have or which at any time hereafter may be conferred upon it, by statute or otherwise, to terminate, cancel, quit or surrender the lease of any of the Units except in accordance with the express terms hereof. Each payment of Rent paid by the Lessee hereunder shall be final and the Lessee shall not seek to recover all or any part of such payment for any reason whatsoever. All payments under this Lease shall be made by bank wire transfer of immediately available funds, as provided in Schedule E hereto.

SECTION 3. Term of Lease. The term of this Lease as to each Unit shall begin on the date of the delivery to and acceptance by the Lessee of such Unit and, subject to

the provisions of Sections 6, 9 and 12 hereof, shall terminate on January 2, 2007. The obligations of the Lessee hereunder (including, but not limited to, the obligations under Sections 2, 5, 6, 8 and 13 hereof) and under the Tax Indemnity Agreement shall survive the expiration or termination of the term of this Lease and the full payments of all amounts payable under this Lease.

SECTION 4. Identification Marks. The Lessee, so long as this Lease shall remain in effect, will cause each Unit to be kept numbered with the road number set forth in Schedule A hereto and will keep and maintain, plainly, distinctly, permanently and conspicuously marked on each side of such Unit, in letters not less than one inch in height, the words "OWNERSHIP SUBJECT TO A SECURITY AGREEMENT FILED WITH THE INTERSTATE COMMERCE COMMISSION" or other appropriate markings designated by the Lessor, with appropriate changes thereof and additions thereto as from time to time may be required by law in order to protect the Lessor's title to such Unit and the rights of the Lessor under this Lease. The Lessee will not place any such Unit in operation or exercise any control or dominion over the same until such legend shall have been so marked on both sides thereof and will replace promptly any such legend which may be removed, obliterated, defaced or destroyed. The Lessee will not change the road number of any Unit unless and until (i) a statement of new number or numbers to be substituted therefor shall have been filed with the Lessor and filed by the Lessee in all public offices where this Lease shall have been filed, recorded and deposited and (ii) the Lessee shall have furnished the Lessor an opinion of counsel to that effect and to the further effect that such filing, recordation and deposit will protect the Lessor's interest in such Units and that no filing, recording, depositing or giving of notice with or to any other Federal, state or local government or agency thereof is necessary to protect the interests of the Lessor in such Units.

Except as provided in the preceding paragraph, the Lessee will not allow the name of any person, association or corporation to be placed on the Units as a designation that might be interpreted as a claim of ownership; provided, however, that the Lessee may cause the Units to be lettered with the names or initials or other insignia customarily used by the Lessee or its affiliates.

SECTION 5. Impositions. All payments to be made by the Lessee hereunder (including all payments to be made under this Section 5) will on an after tax basis be free of expense to any Indemnified Person for collection or other charges and will be free of expense to any Indemnified Person with respect to any Impositions now or hereafter

levied or imposed upon or in connection with or measured by this Lease or any sale, rental, use, payment, shipment, delivery or transfer of title under the terms hereof, all of which Impositions the Lessee assumes and agrees to pay within five Business Days of demand in addition to the payments to be made by it provided for herein and against which the Lessee agrees to indemnify each Indemnified Person. The Lessee will also pay promptly, and will indemnify and hold each Indemnified Person harmless from, all Impositions which may be imposed upon any Unit or for the use or operation thereof or upon the earnings arising therefrom or upon any Indemnified Person solely by reason of its ownership thereof and will keep at all times all and every part of such Unit free and clear of all Impositions which might in any way affect the title of the Lessor or result in a lien upon any such Unit; provided, however, that the Lessee shall be under no obligation to pay any Impositions so long as it is diligently contesting in good faith and by appropriate legal proceedings such Impositions, appropriate reserves have been established in respect thereof and the nonpayment thereof does not adversely affect the title, property or rights of the Lessor hereunder. If any Impositions shall have been charged or levied against any Indemnified Person directly and paid by such Indemnified Person, the Lessee shall reimburse such Indemnified Person within five Business Days of presentation of an invoice therefor; provided, however, that the Lessee shall not be obligated to reimburse such Indemnified Person for any Impositions so paid unless such Indemnified Person shall have been legally liable with respect thereto (as evidenced by an opinion of counsel for such Indemnified Person, such counsel to be reasonably acceptable to the Lessee) or unless the Lessee shall have approved the payment thereof.

In the event any reports with regard to Impositions are required to be made on the basis of individual Units or otherwise, the Lessee will, where permitted to do so under applicable rules or regulations, make and timely file such reports in such manner as to show the interest of the Lessor in the Units as shall be reasonably satisfactory to the Lessor or, where not so permitted, will notify the Lessor of such requirement and will prepare and deliver such reports to the Lessor within a reasonable time prior to the time such reports are to be filed in such manner as shall be reasonably satisfactory to the Lessor. Upon reasonable request, the Lessee will furnish copies of each such report to the Lessor.

In the event that the Lessee becomes liable for the payment or reimbursement of any Impositions pursuant to this Section 5, such liability shall continue, notwithstanding the expiration of this Lease, until all such Impositions are

paid or reimbursed by the Lessee.

The parties hereto acknowledge that the Units will become a part of the mass of property used by the Lessee in its operations as a common carrier by rail. Consequently, the parties agree that the Lessee shall include the Units in the ad valorem tax returns to be filed by the Lessee in the applicable states or localities and that the Lessor shall not include the Units in any ad valorem tax returns filed by it in such states or localities unless such inclusion is required by law.

SECTION 6. Maintenance; Payment for Casualty Occurrences; Insurance. The Lessee agrees that, at its own cost and expense, it will maintain and keep each Unit which is subject to this Lease in the same operating order, repair and condition as when accepted by the Lessee under the Lease, ordinary wear and tear excepted, and according to the Lessee's standards for similar equipment owned or leased by the Lessee, in compliance with all applicable regulatory requirements and in the condition required by any applicable interchange rules of the Association of American Railroads ("Interchange Rules").

In the event that any Unit shall be or become worn out, lost, stolen, totally destroyed or, in the opinion of the Lessee, irreparably damaged, from any cause whatsoever, or taken or requisitioned by condemnation or otherwise by the United States Government for a period which shall exceed the then remaining term of this Lease or by any other governmental entity resulting in loss of possession by the Lessee for the lesser of a period of 90 consecutive days or a period which shall exceed the then remaining term of this Lease (each such occurrence being hereinafter called a "Casualty Occurrence") prior to the return of such Unit in the manner set forth in Section 13 hereof, the Lessee shall, within 30 days after it shall have learned that such Unit has suffered a Casualty Occurrence, fully notify the Lessor thereof and shall continue making all payments provided for in this Lease in respect of such Unit until the next occurring Casualty Payment Date. On such Casualty Payment Date the Lessee shall pay to the Lessor the Casualty Value of such Unit as of the date of such payment in accordance with Schedule B hereto plus the Basic Rent in respect of such Unit then due and payable. Upon the making of all such payments by the Lessee in respect of any Unit, the Basic Rent for such Unit shall thereafter cease to accrue, the term of this Lease as to such Unit shall terminate and (except in the case of the loss, theft or complete

destruction of such Unit) the Lessor shall be entitled to recover possession of such Unit.

Whenever any Unit shall suffer a Casualty Occurrence at or after the end of the term of this Lease or at or after termination of this Lease and before such Unit shall have been returned in the manner provided in Section 13 hereof, the Lessee shall promptly and fully notify the Lessor with respect thereto and pay to the Lessor an amount equal to the Casualty Value of such Unit set forth in Schedule B hereto as of the Casualty Payment Date immediately preceding such Casualty Occurrence. Upon the making of any such payment by the Lessee in respect of any Unit (except in the case of the loss, theft or complete destruction of such Unit), the Lessor shall be entitled to recover possession of such Unit.

The Lessor hereby appoints the Lessee its agent, to dispose of (at Lessee's expense) any Unit suffering a Casualty Occurrence or any component thereof, at the best price obtainable under the circumstances on an "as is, where is, and with all faults" basis in accordance with the Lessee's normal procedures. Provided that the Lessee has previously paid the Casualty Value to the Lessor and provided no Default has occurred and is continuing, the Lessee shall be entitled to the net proceeds of such sale after deductions of any cost or expense incurred in disposing of such Unit to the extent they do not exceed the Casualty Value of such Unit, and shall pay any such excess to the Lessor.

Except as hereinabove in this Section 6 provided, the Lessee shall not be released from its obligations hereunder in the event of, and shall bear the responsibility for and risk of, any Casualty Occurrence to any Unit after delivery to and acceptance thereof by the Lessee hereunder.

The Lessee will, at all times while this Lease is in effect, at its own expense, cause to be carried and maintained types and amounts of insurance in respect of the Units at the time subject hereto and the use and operation thereof, including, without limitation, property insurance and public liability insurance, in such amounts, for such risks, on such terms, with such endorsements and with such insurance companies as are at least comparable to industry standards for Class I railroads, it being understood that the industry standard for Class I railroads at present allows for self-insurance for Casualty Occurrences and that, at the date hereof, the Lessee carries a $25 million liability policy with a $10 million retention. The Lessee hereby assigns and transfers to the Lessor, as its interests may appear, all right, title and interest in and

to any insurance proceeds paid under any policy of insurance to the extent such proceeds relate to the Units or the use and operation thereof as aforesaid. The Lessee shall deliver to the Lessor evidence of the insurance required to be maintained pursuant to this Section 6 not less than 15 days prior to the expiration dates of the expiring policies.

In the event of failure on the part of the Lessee to provide and furnish any of the aforesaid insurance, the Lessor, after notice to the Lessee, may, but shall not be obligated to, procure such insurance and the Lessee shall, upon demand, reimburse the Lessor for all expenditures made by the Lessor for such insurance, together with interest thereupon computed at the rate set forth in Section 15 in respect of overdue Rent from the date of the Lessor's payment until reimbursed by the Lessee.

Any policies of insurance carried in accordance with this Section 6 shall name the Lessor as an additional insured and loss payee as its interests may appear.

If the Lessor shall receive any insurance proceeds from insurance maintained by the Lessee pursuant hereto or condemnation payments in respect of a Unit suffering a Casualty Occurrence, the Lessor shall, if no Default exists and subject to the Lessee having made payment of the Casualty Value in respect of such Unit, pay such proceeds or condemnation payments (up to the amount of the Casualty Value paid) to the Lessee. All insurance proceeds received by the Lessor in respect of any Unit not suffering a Casualty Occurrence shall, if no Default exists, be paid to the Lessee upon proof satisfactory to the Lessor that any damage to such Unit in respect of which such proceeds were paid has been fully repaired.

SECTION 7. Annual Reports. On or before March 31 in each year, commencing with the calendar year 1992, the Lessee will cause to be furnished to the Lessor an accurate statement, as of the preceding December 31, showing the amount, description and numbers of the Units (a) then leased hereunder, (b) that have suffered a Casualty Occurrence during the preceding 12 months (or since the date of this Lease in the case of the first such statement) and (c) then undergoing repairs (other than running repairs) or then withdrawn from use pending such repairs and setting forth such other information regarding the condition and state of repair of the Units as the Lessor may reasonably request, and stating that, in the case of all Units repainted or

repaired during the period covered by such statement, the markings required by Section 4 hereof have been preserved or replaced. The Lessee shall promptly notify the Lessor in writing of any material change in its insurance program. The Lessor shall have the right (but not the obligation) at its sole cost, risk and expense, by its authorized representatives, to inspect the Units and the Lessee's records and maintenance policies with respect thereto (including those relating to any use of the Units outside the United States) at such reasonable times as the Lessor may request during the term of this Lease.

SECTION 8. Disclaimer of Warranties; Compliance with Laws and Rules; Indemnification. THE LESSEE ACKNOWLEDGES AND AGREES THAT (I) EACH UNIT IS OF A SIZE, DESIGN, CAPACITY AND MANUFACTURE SELECTED BY AND ACCEPTABLE TO THE LESSEE, (II) THE LESSEE IS SATISFIED THAT EACH UNIT IS SUITABLE FOR ITS PURPOSES, (III) THE LESSOR IS NOT A MANUFACTURER NOR A DEALER IN PROPERTY OF SUCH KIND, (IV) THE LESSOR LEASES EACH UNIT "AS-IS", "WHERE-IS", "WITH ALL FAULTS", AND LESSOR DISCLAIMS ANY OTHER WARRANTY OR REPRESENTATION, EITHER EXPRESS OR IMPLIED, AS TO ANY MATTER WHATSOEVER, INCLUDING WITHOUT LIMITATION, THE CONDITION, FITNESS FOR ANY PARTICULAR PURPOSE, DESIGN, OPERATION OR MERCHANTABILITY THEREOF, THE QUALITY OF THE MATERIAL OR WORKMANSHIP THEREOF OR CONFORMITY THEREOF TO SPECIFICATIONS, FREEDOM FROM PATENT OR TRADEMARK INFRINGEMENT OR THE ABSENCE OF ANY LATENT OR OTHER DEFECT, WHETHER OR NOT DISCOVERABLE, OR COMPLIANCE OF ANY UNIT WITH ANY APPLICABLE LAW, AND (V) THE LESSOR SHALL NOT BE LIABLE FOR INCIDENTAL OR CONSEQUENTIAL DAMAGES (INCLUDING LIABILITY IN TORT, STRICT OR OTHERWISE), it being agreed that all such risks, as between the Lessor and the Lessee, are to be borne by the Lessee. The Lessor shall have no responsibility or liability to the Lessee or any other person with respect to any of the following: (i) any liability, loss or damage caused or alleged to be caused directly or indirectly by any Units or by any inadequacy thereof or deficiency or defect therein or by any other circumstances in connection therewith; (ii) the use, operation or performance of any Units or any risks relating thereto; (iii) any interruption of service, loss of business or anticipated profits or consequential damages; or (iv) the subleasing, delivery, operation, servicing, maintenance, repair, improvement or replacement of any Units. The Lessee's delivery of a Certificate of Acceptance shall be conclusive evidence as between the Lessee and the Lessor that all Units described therein are in all the foregoing respects satisfactory to the Lessee, and the Lessee will not assert any claim of any nature

whatsoever against the Lessor or any Indemnified Person based on any of the foregoing matters.

The Lessee agrees to comply in all respects (including, without limitation, with respect to the use, maintenance and operation of each Unit) with all Applicable Laws and any applicable Interchange Rules, and in the event that, prior to the expiration of this Lease or any renewal thereof and the return of all Units as provided in Section 10 or 13 hereof, such laws or rules require any alteration, replacement, addition or modification of or to any part of any Unit, the Lessee will comply therewith at its own expense; provided, however, that the Lessee may, at its own expense, in good faith diligently contest the validity or application of any Applicable Law in any reasonable manner which does not, in the reasonable opinion of the Lessor, adversely affect the property or rights of the Lessor under this Lease. So long as no Default shall have occurred and be continuing, the Lessee, at its own cost and expense, may furnish additions, modifications and improvements to any Unit during the term of this Lease provided that such additions, modifications and improvements (a) are readily removable without causing material damage to such Unit and (b) do not diminish its utility, value or economic life provided, however, that the Lessee will repair in a good and workmanlike manner any Unit which has suffered damage from any such removal. The additions, modifications and improvements made by the Lessee under the first sentence of this paragraph shall be owned by the Lessor, and the additions, modifications and improvements made by the Lessee under the second sentence of this paragraph shall (unless any such addition, modification or improvement is a replacement of or substitution for any such original part or unless such addition, modification or improvement is not removed by the Lessee at the time of delivery of possession by the Lessee pursuant to Section 10 or 13 hereof) be owned by the Lessee.

The Lessee agrees to indemnify, protect and hold harmless on an after tax basis each Indemnified Person from and against all losses, damages, injuries, liabilities, claims and demands whatsoever, regardless of the cause thereof, and expenses in connection therewith, including, but not limited to, counsel fees and expenses, patent liabilities, penalties and interest, arising out of or as a result of (i) the entering into or the performance of the Documents or any of the instruments or agreements referred to therein or herein or contemplated thereby or hereby, or any amendment, supplement, modification or waiver thereof or

any transactions contemplated thereby, (ii) the ownership of any Unit, (iii) the ordering, acquisition, use, subleasing, operation, maintenance, condition, rebuilding, purchase, delivery, rejection, storage or return of any Unit, (iv) any Default or any damage caused by a Default by the Lessee hereunder or (v) any accident in connection with the operation, use, condition, rebuilding, possession, storage or return of any Unit resulting in damage to property or injury or death to any person, except as otherwise provided in the proviso to Section 13 of this Lease, including without limitation any claim based upon doctrines of product liability or strict or absolute liability in tort or by statute imposed. Each Indemnified Person shall give the Lessee, promptly upon obtaining knowledge thereof, written notice of any claim or liability to be indemnified against hereunder in respect of such Indemnified Person; provided, however, that the failure of such Indemnified Person to so notify the Lessee shall not affect the validity of the indemnified claim unless the Lessee's ability to contest the claim is materially adversely affected. The indemnities arising under this paragraph shall continue in full force and effect notwithstanding the delivery of the Units or the full payment and performance of all obligations under this Lease or the expiration or termination of the term of this Lease. The foregoing indemnities will not constitute a guarantee of the residual value of the Units.

The Lessee agrees to prepare and deliver to the Lessor within a reasonable time prior to the required date of filing (or, to the extent permissible, file on behalf of the Lessor) any and all reports of which the Lessee is aware (other than income tax returns) to be filed by the Lessor with any Federal, state or other regulatory authority by reason of the ownership by the Lessor of the Units or the leasing thereof to the Lessee.

SECTION 9. Default. If, during the continuance of this Lease, one or more of the following events (an "Event of Default") shall occur:

A. default shall be made in the payment of Interim Rent, Basic Rent or Casualty Value by the Lessee or the Guarantor and such default shall continue for five days;

B. default shall be made in the observance or performance of any other of the covenants, conditions and agreements on the part of the Lessee or the Guarantor contained herein or in the Participation

Agreement or in the Tax Indemnity Agreement (including a failure to pay Supplemental Rent) and such default shall continue for 30 days after the earlier of the date of (i) actual knowledge of such default by a Responsible Officer or (ii) written notice from the Lessor to the Lessee specifying the default and demanding that the same be remedied;

C. a petition for reorganization under Title 11 of the United States Code, as now constituted or as hereafter amended, shall be filed by or against the Lessee or the Guarantor; provided, however, if such petition was not filed by the Lessee or the Guarantor, as the case may be, it shall not become an event of default until 60 days after such petition has been filed;

D. any other proceeding shall be commenced by or against the Lessee or the Guarantor for any relief which includes, or might result in, any modification of the obligations of the Lessee or the Guarantor hereunder or under the Participation Agreement under any bankruptcy or insolvency laws, or laws relating to the relief of debtors, readjustments of indebtedness, reorganizations, arrangements, compositions or extensions (other than a law which does not permit any readjustments of such obligations); provided, however, if such proceedings were not commenced by the Lessee or the Guarantor, as the case may be, it shall not become an event of default until 60 days after such proceedings shall have been commenced; or

F. any of the Lessee's or the Guarantor's representations or warranties made herein or in the Participation Agreement or any statement or certificate at any time given in writing pursuant hereto or in connection herewith (other than in the Tax Indemnity Agreement) shall be breached or found to be false or misleading in any material respect;

then, in any such case, the Lessor, at its option, may:

(a) proceed by appropriate court action, either at law or in equity, to enforce performance by the Lessee of the applicable covenants of this Lease or to recover damages for the breach thereof;

(b) by notice in writing to the Lessee

terminate this Lease, whereupon all rights of the Lessee to the use of the Units shall absolutely cease and terminate as though this Lease had never been made, but the Lessee shall remain liable as herein provided; and thereupon the Lessor may by its agents enter upon the premises of the Lessee or other premises where any of the Units may be and take possession of all or any of such Units and thenceforth hold, possess, sell (at public or private sale), operate, keep idle, lease to others and enjoy the same free from any right of the Lessee, or its successors or assigns, to use the Units for any purposes whatever and without any duty to account to the Lessee for such action or inaction or for any proceeds arising therefrom; but the Lessor shall, nevertheless, have a right to recover from the Lessee (i) any and all amounts which under the terms of this Lease may be then due or which may have accrued to the date of such termination (computing Basic Rent for any number of days less than a semiannual period by multiplying the Basic Rent for such semiannual period by a fraction of which the numerator is such number of days and the denominator is 180); and (ii) as damages for loss of the bargain and not as a penalty an amount equal to the excess, if any, of the Casualty Value as of the payment date for Basic Rent on or next preceding the date of termination over the amount the Lessor reasonably estimates to be the sales value of such Unit (as is, where is) at such time; provided, however, that in the event the Lessor shall have sold any Unit, in a commercially reasonable manner, the Lessor, in lieu of collecting any amounts payable to the Lessor by the Lessee pursuant to the preceding clause (ii) of this part (b) with respect to such Unit, may, if it shall so elect, demand that the Lessee pay the Lessor and the Lessee shall pay to the Lessor on the date of such sale, as liquidated damages for loss of a bargain and not as a penalty, an amount equal to the excess, if any, of the Casualty Value for such Unit, as of the payment date for Basic Rent on or next preceding the date of termination over the net proceeds of such sale; provided further, however, that in lieu of selling any Unit as set forth in the foregoing clause, the Lessor may transfer title to and the ownership interest in such Unit to the Lessee by quitclaim bill of sale and recover from the Lessee as liquidated damages for loss of a bargain and not as a penalty an amount equal to the Casualty Value for such Unit as of the payment date for Basic Rent on or next preceding the date of termination.

In addition, the Lessee shall be liable, except as otherwise provided above, for any and all unpaid amounts due hereunder before, during or after the exercise of any of the foregoing remedies and for all reasonable attorneys' fees and other costs and expenses incurred by reason of the occurrence of any Event of Default or the exercise of the Lessor's remedies with respect thereto, including all costs and expenses incurred in connection with the return of any Unit.

Should the Lessee fail to make any payment or to do any act as provided by this Lease, then the Lessor shall have the right (but not the obligation), without notice to the Lessee of its intention to do so and without releasing the Lessee from any obligation hereunder to make or to do the same, to make advances to preserve the Units or the Lessor's title thereto, and to pay, purchase, contest or compromise any insurance premium, encumbrance, charge, tax, lien or other sum which in the reasonable judgment of the Lessor appears to affect the Units, and in exercising any such rights, the Lessor may insure any liability and expend whatever amounts in its reasonable discretion it may deem necessary therefor. All sums so incurred or expended by the Lessor shall be due and payable by the Lessee within ten days of notice thereof.

The Lessee agrees to give prompt written notice to the Lessor of any Default.

The remedies in this Lease provided in favor of the Lessor shall not be deemed exclusive, but shall be cumulative, and shall be in addition to all other remedies in its favor existing at law or in equity. The Lessee hereby waives any mandatory requirements of law, now or hereafter in effect, which might limit or modify the remedies herein provided, to the extent that such waiver is not, at the time in question, prohibited by law. The Lessee hereby waives any and all existing or future claims to any offset against the Basic Rent due hereunder, and agrees to pay Basic Rent regardless of any offset or claim which may be asserted by the Lessee or on its behalf.

The failure of the Lessor to exercise the rights granted it hereunder upon the occurrence of any of the contingencies set forth herein shall not constitute a waiver of any such right upon the continuation or recurrence of any such contingencies or similar contingencies.

SECTION 10. Return of Units Upon Default. If this Lease shall terminate pursuant to Section 9 hereof, the Lessee shall forthwith deliver possession of the Units to the Lessor. Each Unit so delivered shall be in the operating order, repair and condition required pursuant to Section 6 hereof, meet the standards then in effect and/or the applicable rules of any governmental agency or other organization with jurisdiction, have removed therefrom all additions, modifications and improvements which the Lessee owns pursuant to Section 8 hereof and be in compliance with all Applicable Laws. For the purpose of delivering possession of any Unit to the Lessor as above required, the Lessee shall at its own cost, expense and risk:

(a) forthwith and in the usual manner (including, but not by way of limitation, giving prompt telegraphic and written notice to all railroads to which any Unit has been interchanged to return such Unit so interchanged) place such Unit upon such storage tracks of the Lessee in the United States as the Lessee reasonably may designate; provided, however, that the Lessee shall consult with the Lessor as to the place of return of such Units and endeavor in good faith, whenever practicable, to comply with such advice;

(b) permit the Lessor to store such Unit on such tracks of the Lessee in the United States at the risk of the Lessee without charge for insurance, rent or storage until such Unit has been sold, leased or otherwise disposed of by the Lessor; and

(c) transport the same to any place on the lines of railroad operated by it or any of its affiliates or to any interchange point with a connecting carrier for shipment, all as directed by the Lessor.

The assembling, delivery, storage, insuring and transporting of the Units as hereinbefore provided shall be at the expense and risk of the Lessee and are of the essence of this Lease; and upon application to any court of equity having jurisdiction in the premises, the Lessor shall be entitled to a decree against the Lessee requiring specific performance of the covenants of the Lessee so to assemble, deliver, store, insure and transport the Units. During any storage period, the Lessee will, at its own cost and expense, insure, maintain and keep the Units in good order and repair and will permit the Lessor or any person designated by it, including the authorized representative or representatives of any prospective purchaser of any such Unit, to

inspect the same; provided, however, that the Lessee shall not be liable except in the case of negligence of the Lessee or of its employees or agents for any injury to, or death of, any person exercising, either on behalf of the Lessor or any prospective purchaser, the rights of inspection granted under this sentence.

The Lessee hereby waives any and all claims against the Lessor and its agents for damages of whatever nature in connection with any retaking of the Units in any reasonable manner.

All amounts earned in respect of the Units after the date of termination of this Lease shall belong to the Lessor and, if received by the Lessee, shall be promptly turned over to the Lessor. In the event any Unit is not assembled, delivered and stored, as hereinabove provided the Lessee shall, in addition, pay to the Lessor for each day thereafter an amount equal to .032928% of the Purchase Price of such Unit. Nothing contemplated by this paragraph, including the payment by the Lessee of any amounts pursuant hereto shall be deemed to relieve the Lessee of its obligation to assemble, deliver, store, insure and transport the Units or affect the Lessor's rights and remedies with respect to such obligation.

Without in any way limiting the obligation of the Lessee under the foregoing provisions of this Section 10, the Lessee hereby irrevocably appoints the Lessor as the agent and attorney-in-fact of the Lessee, with full power and authority, at any time while the Lessee is obligated to deliver possession of such Unit in the name and on behalf of the Lessee from whosoever shall be in possession of such Unit at the time. This power of attorney is coupled with an interest and is irrevocable.

SECTION 11. Assignment; Possession and Use. This Lease shall be assignable in whole but not in part by the Lessor without the consent of the Lessee to (i) any Affiliate of the Lessor and (ii) to any other person with a net worth of at least $25,000,000, provided that no such transfer under this clause (ii) may be made on or prior to December 31, 1991. The Lessee shall be under no obligation to any assignee of the Lessor except upon written notice of such assignment from the Lessor.

Without the prior written consent of the Lessor, the Lessee shall not assign or transfer its leasehold interest under this Lease in any of the Units or sublease any of the Units, except to the extent permitted by the provisions of the next succeeding paragraph hereof; and any

such assignment or transfer without said consent shall be void. The Lessee, at its own expense, will promptly discharge or cause to be duly discharged any and all sums claimed by any person which if unpaid, might become a lien, charge, security interest or other encumbrance upon or with respect to any Unit or the interest of the Lessor or the Lessee therein, and will promptly discharge any such lien, charge, security interest or other encumbrance which arises. The Lessee shall not, without the prior written consent of the Lessor, part with the possession or control of, or suffer or allow to pass out of its possession or control, any of the Units, except to the extent permitted by the provisions of the next paragraph hereof.

So long as no Default exists hereunder, the Lessee shall be entitled to the possession of the Units and to the use of the Units by it in any lawful manner whatsoever in the United States of America and Canada upon lines of railroad owned or operated by it or any affiliate or upon lines of railroad over which the Lessee or any affiliate has trackage or other operating rights or over which railroad equipment of the Lessee or any such affiliate is regularly operated pursuant to contract and shall be entitled to permit the use of the Units by affiliates or connecting and other carriers in the usual interchange of traffic pursuant to interchange or run-through agreements and to sublease the Units to any of its affiliates or to any railroad company incorporated in the United States of America or any state thereof or the District of Columbia, but only upon and subject to all the terms and conditions of this Lease, for a term not exceeding the applicable term of this Lease and so long as the maintenance of the Units is consistent with the obligations of the Lessee under this Lease; provided, however, that at any given time prior to June 30, 1998, no more than 25% of the Units may be located in Canada and thereafter no more than 40% of the Units may be located in Canada. The Lessee may receive and retain compensation for the use of any of the Units from other railroads so using such Units. Any sublease permitted by this paragraph shall be by its express terms subject and subordinate to the rights and remedies of the Lessor under this Lease in respect of the Units covered by such sublease.

The Lessee confirms that as of the date hereof the only expected use of any Unit outside of the United States of America will be in use in Canada on a temporary basis which is not expected to exceed a total of 90 days in any taxable year of the Lessor.

The Lessee will not knowingly sublease any Units to any person which is at the time a party in interest with respect to any employee benefit plan the assets of which

were used by the Lessor in making its investment pursuant to this Agreement, all within the meaning of ERISA.

So long as no Default exists hereunder, this Lease may not be terminated, except as expressly provided for herein, and the quiet enjoyment of the Lessee's rights of possession and use provided under this Section shall not be interfered with by the Lessor or any person claiming through the Lessor.

Nothing in this Section 11 shall be deemed to restrict the right of the Lessee to assign or transfer its leasehold interest under this Lease in the Units or possession of the Units to any corporation incorporated under the laws of any state of the United States of America or the District of Columbia (which shall have duly assumed the obligations of the Lessee hereunder) into or with which the Lessee shall have become merged or consolidated or which shall have acquired the railroad properties of the Lessee as an entirety or substantially as an entirety; provided that (i) such assignee or transferee will not, upon the effectiveness of such merger, consolidation or acquisition (collectively "transaction"), be in Default under any provision of this Lease; (ii) such assignee or transferee shall expressly assume the obligations of the Lessee under this Lease, the Participation Agreement and the Tax Indemnity Agreement; (iii) the obligations of such assignee or transferee shall be guaranteed by the Guarantor; and (iv) the net worth of such assignee or transferee immediately after such transaction shall not be less than the net worth of the Lessee immediately before such transaction.

SECTION 12. Renewal Option; Purchase Option; Termination Option. Provided that this Lease has not been earlier terminated and the Lessee is not in Default hereunder, the Lessee may elect, by irrevocable written notice delivered to the Lessor not less than 180 days, nor more than 360 days, prior to the end of the original term of this Lease (or, in the event the Lessee extends the term of this Lease for an additional one-year term not less than 180 days, nor more than 360 days, prior to the end of such extended term) to extend the term of this Lease in respect of all but not less than all, the Units then covered by this Lease for an additional one-year period commencing on the scheduled expiration of the original term or the first extended term of this Lease, as the case may be, at a semiannual rental payable in arrears in semiannual payments, each in an amount equal to the Fair Market Rental. Such rental payments will be made on January 2 and July 2 in each year of the applicable extended term. The determination of Fair Market Rental so made shall be conclusively binding upon both Lessor and Lessee and the Lessee shall within ten days of such determination then either exercise or not exercise the option. The expenses and fees of the Appraiser shall be paid by the Lessee.

Provided that this Lease has not been earlier

terminated and the Lessee is not in Default hereunder, at the end of the original term of this Lease or at the end of any renewal period as provided for in the first paragraph of this Section 12, the Lessee may elect to purchase all but not less than all the Units then subject to this Lease at the then Fair Market Value of such Units by giving written notice to the Lessor not less than 180 days prior to the expiration of such term. The determination of Fair Market Value shall be conclusively binding upon both Lessor and Lessee and the Lessee shall within ten days of such determination then either exercise or not exercise its option. The fees and expenses of the Appraiser shall be paid by the Lessee.

Provided that this Lease has not been earlier terminated and the Lessee is not in Default hereunder, the Lessee shall have the option to terminate this Lease on January 2, 2004, by purchasing all of the Units then subject to this Lease by paying an amount equal to the 41.50% of the Purchase Price of the Units by giving irrevocable written notice to the Lessor no earlier than July 2, 2003 and no later than November 2, 2003.

SECTION 13. Return of Units Upon Expiration of Term. After the expiration of the original or any extended term of this Lease, the Lessee will, at its own cost and expense, at the request of the Lessor, deliver possession of the Units to the Lessor upon such storage tracks of the Lessee in the United States as the Lessee may reasonably designate (and the Lessee shall consult with the Lessor as to the place of return of such Units and endeavor in good faith, whenever practicable, to comply with such advice) and permit the Lessor to store each such Unit on such tracks for a period not exceeding 30 days, and transport such units at any time within such 30-day period, to one or more interchange points with connecting carriers for shipment, all as directed by the Lessor, the movement, storage and insurance of such Units to be at the expense and risk of the Lessee (except that the Lessee shall receive from the Lessor the fair market value of a daily storage charge for any Unit stored more than 15 days). During any such storage period, the Lessee will permit the Lessor or any person designated by it, including the authorized representative or representatives of any prospective purchaser of any Unit, to inspect the same; provided, however, that the Lessee shall not be liable, except, in the case of negligence of the Lessee or of its employees or agents, for any injury to, or death of, any person exercising, either on behalf of the Lessor or any prospective purchaser, the rights of inspection granted under this sentence. Each Unit returned to the Lessor pursuant to this Section 13 shall (i) be in the operating order, repair and condition required pursuant to Section 6 hereof, (ii) meet the standards then in effect and/or the applicable rules of any governmental agency or other

organization with jurisdiction, (iii) have removed therefrom by the Lessee without cost or expense to the Lessor all additions, modifications and improvements which the Lessee owns pursuant to Section 8 hereof and (iv) be in compliance with all Applicable Laws. The assembling, delivery, storage, insurance and transporting of the Units as hereinbefore provided are of the essence of this Lease, and, upon application to any court having jurisdiction in the premises, the Lessor shall be entitled to a decree against the Lessee requiring specific performance of the covenants of the Lessee so to assemble, deliver, store and transport the Units.

In the event any Unit is not assembled, delivered and stored at the end of the term of this Lease, or any extended term, then the Lessee shall pay the Lessor for each day thereafter an amount equal to .032928% of the Purchase Price of such Unit. Nothing contemplated by this paragraph, including the payment by the Lessee of any amounts pursuant hereto, shall be deemed to relieve the Lessee of its obligations to assemble, deliver, store, insure and transport the Units or affect the Lessor's rights and remedies with respect to such obligations.

SECTION 14. Recording; Expenses. The Lessee, at its own expense, will cause this Lease to be filed with the Interstate Commerce Commission pursuant to 49 U.S.C. Section 11303 and deposited with Registrar General of Canada (notice of such deposit to be forthwith given in The Canada Gazette) pursuant to Section 90 of the Railway Act of Canada. The Lessee will from time to time do and perform any other act and will execute, acknowledge, deliver, file, register, record and deposit (and will refile, reregister, rerecord or redeposit whenever required) any and all other instruments required by law or reasonably requested by the Lessor for the purpose of proper protection, to the Lessor's reasonable satisfaction, of the Lessor's interest in the Units, or for the purpose of carrying out the intention of this Lease; and the Lessee will promptly furnish to the Lessor evidence of all such filing, registering, recording or depositing, and an opinion or opinions of counsel for the Lessee with respect thereto satisfactory to the Lessor. This Lease shall be filed with the Interstate Commerce Commission and deposited with the Registrar General of Canada pursuant to Section 90 of the Railway Act of Canada and provision will have been made for publication of notice of such deposit in The Canada Gazette prior to the delivery and acceptance hereunder of any Unit.

SECTION 15. Interest on Overdue Obligations and Rent. Anything to the contrary herein contained notwithstanding, any nonpayment of Rent shall result in the obligation on the part of the Lessee promptly to pay an amount equal to the prime rate of Chase Manhattan Bank, N.A. plus two per cent per annum for the period of time during which it is overdue or such lesser amount as may be legally enforceable.

SECTION 16. Notices. Any notice required or permitted to be given by any party hereto to any other party or parties shall be deemed to have been received by the addressee on the date of actual receipt (if such date is a Business Day, otherwise on the next Business Day), addressed as follows:

(a) if to the Lessor, at 200 Clarendon Street, Boston, Massachusetts 02117; attention of Bond and Corporate Finance Department T-57;

(b) if to the Lessee, at 1333 Brewery Park Boulevard, Detroit, Michigan 48207, Attention of Treasurer;

or addressed to either such party at such other address as such party shall hereafter furnish to the other party in writing.

SECTION 17. Effect and Modification of Lease. Except for the Participation Agreement and the Tax Indemnity Agreement, this Lease exclusively and completely states the rights of the Lessor and the Lessee with respect to the leasing of the Units and supersedes all other agreements, oral or written, with respect thereto. No variation or modification of this Lease and no waiver of any of its provisions or conditions shall be valid unless in writing and signed by duly authorized officers of the Lessor and the Lessee. The headings of the sections of this Lease and the Table of Contents are inserted for purposes of convenience only and shall not be construed to affect the meaning or construction of any other provision hereof.

SECTION 18. Execution. This Lease may be executed in several counterparts, such counterparts together constituting but one and the same instrument, but the counterpart delivered to the Lessor and marked "Original Counterpart" shall be deemed to be the original counterpart. It is not necessary that each party hereto sign the same

counterpart as long as each party shall sign a counterpart and such counterpart is delivered to Cravath, Swaine & Moore at their offices in New York, New York, whereupon this Lease shall become effective. Although this Lease is dated as of the date first set forth above for convenience, the actual date or dates of execution hereof by the parties hereto is or are, respectively, the date or dates shown under their signatures.

SECTION 19. Law Governing; Severability. The terms of this Lease and all rights and obligations hereunder shall be governed by and construed in accordance with the laws of the State of New York; provided, however, that the parties shall be entitled to all rights conferred by 49 U.S.C. Section 11303 and such additional rights arising out of the filing, recording or deposit hereof, if any.

Any provision of this Lease which is prohibited or unenforceable in any jurisdiction, shall be, as to such jurisdiction, ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof, and any such prohibition or unenforceability in any jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction.

This Lease shall be binding upon and shall inure to the benefit of, and shall be enforceable by, the parties hereto and their respective successors and permitted assigns.

All warranties, representations, indemnities and covenants made by any party hereto, herein or in any certificate or other instrument delivered by any such party or on behalf of any such party, shall be considered to have been relied upon by the other party hereto regardless of any investigation made by such party or on behalf of such party.

IN WITNESS WHEREOF, each of the parties hereto, pursuant to due authority, has caused this instrument to be duly executed in its name by its officers, thereunto duly authorized, all as of the date first above written, and each

of the undersigned signatories hereto declares pursuant to 28 U.S.C. Section 1746 under penalty of perjury that the foregoing is true and correct and was executed on the date indicated below its signature.

JOHN HANCOCK MUTUAL LIFE INSURANCE COMPANY,

by

Title: Investment Officer
Name: Steven M. Ray

Executed on 6/27/91.

GRAND TRUNK WESTERN RAILROAD COMPANY,

by

Title:
Name:

Executed on _____.

of the undersigned signatories hereto declares pursuant to 28 U.S.C. Section 1746 under penalty of perjury that the foregoing is true and correct and was executed on the date indicated below its signature.

JOHN HANCOCK MUTUAL LIFE INSURANCE COMPANY,

by

_____

Title:
Name:

Executed on _____.

GRAND TRUNK WESTERN RAILROAD COMPANY,

by

Title: Treasurer
Name: Bonnie Reyes

Executed on 6/27/91.

LEASE OF RAILROAD EQUIPMENT
Schedule A - List of Equipment

Quantity	Equipment Mechanical Designation	Description	Railroad Road Numbers **	Unit Cost ($000's) ADR	MACRS	TOTAL
9 (E1)	GP - 9	Rebuilt Diesel Electric Locomotives	GTW 4618-4626	$75	$375	$450
9 (E2)	GP 38 - 2	Rebuilt Diesel Electric Locomotives	GTW 5726-5734	$0	$800	$800
1 (E3)	GP 38 -2	Rebuilt Deisel Electric Locomotive	GTW 6203	$275	$525	$800
1 (E4)	GP 40 - 2	Rebuilt Diesel Electric Locomotives	GTW 6420	$275	$550	$825

* - E designations used to tie Units to Closings in Schedule C.

Builder's Specifications: See Attached Exhibits.

Place of Delivery: E1-E4 Battle Creek, Michigan.

** - Notwithstanding anything herein to the contrary, this Schedule A and the Lease to which it is attached will cover only those Units that are rebuilt or reconstructed by the Builder, delivered and settled for. After December 31, 1991, if necessary, this Schedule A will be amended (and a supplement will be filed with the Interstate Commerce Commission) to describe only those Units actually delivered to the Lessee pursuant to this Lease and to designate the particular Railroad Road Numbers thereof.

Exhibit 1
to
Schedule A

LEASE OF RAILROAD EQUIPMENT

Exhibit I to Schedule A -- Rebuilding Specifications

ELECTRIC DIESEL LOCOMOTIVES

CARBODY - All fixtures, controls and components removed and reconditioned or renewed. Exterior is sand blasted, straightened, patched, repaired, or renewed where necessary, primed and painted. GP 9 Units are rebuilt by removing the cab and short hood, removing the floor of the short hood, sand blasting frame, installing all new conduits, all new air and water pipes, applying new fuel tank, air reservoirs, traction motor ducts, ballast in short hood frame, electrical cabinet with all new components, a.c. cabinet at equipment rack, new cab with control stand with a short nose and clean cab configuration.

ENGINE - Disassembled, cleaned, inspected, all components qualified, renewed or rebuilt according to latest manufacturer recommended procedures. Remanufactured injectors and governor applied. Engine is load tested in the locomotive for six hours.

COMPRESSOR - Rebuilt compressor applied.

MAIN TRACTION ALTERNATOR - AR10 disassembled, cleaned, inspected and reassembled with new bearing.

TRUCKS - Disassembled, cleaned, inspected, welded, ground, rebushed, assembled with new or qualified springs and brake rigging. Rebuilt traction motors and new wheel sets applied.

ELECTRICAL SYSTEMS - All traction equipment, motors, main generator or traction alternator, companion alternator, auxiliary generator, and traction blower, are cleaned, disassembled, inspected, reworked according to individual specification, reassembled using new bearings and installed. Wiring is inspected, tested and replaced as necessary. Relays, contactors and switch gear are rebuilt or qualified according to the individual specification. GP 9 Units are completely rewired and a new electrical control system used

in a new electrical cabinet. GP 9 Units are thereby modernized to a "state of the art" configuration.

AIR SYSTEM - A schedule of 26L air brake is standard for all rebuilt Units. When Units were previously so equipped, all fittings, pipes and fixtures are inspected and tested. On GP 9 Units a new equipment rack with fixtures, all new pipes and newly rebuilt 26L valves are installed and tested.

MISCELLANEOUS REPAIRS - Rewiring as necessary, wreck repair as necessary.

ADDITIONS - Electronic speed indicator/recorder, radio and telemetry devices applied. Electric cab heaters, 18kw auxiliary generators installed.

ADDITIONAL SPECIFICATIONS FOR GP 38-2 AND GP 40-2 UNITS
These units have electrical control cabinets with modular excitation control and solid state components along with improved switch gear (high voltage/high current) and more precise controls. Circuits are tested and repaired if defective. Qualified modules are applied.

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LEASE OF RAILROAD EQUIPMENT

Schedule B - Casualty Value Schedule
Percentage of Purchase Price

Date	Casualty Value
January 2, 1992	103.68383
July 2, 1992	103.36009
January 2, 1993	102.77791
July 2, 1993	101.95653
January 2, 1994	100.92229
July 2, 1994	99.69085
January 2, 1995	98.28293
July 2, 1995	96.70607
January 2, 1996	94.97695
July 2, 1996	93.09038
January 2, 1997	91.04410
July 2, 1997	88.83021
January 2, 1998	86.44595
July 2, 1998	83.89485
January 2, 1999	81.20157
July 2, 1999	78.36961
January 2, 2000	75.42776
July 2, 2000	72.36504
January 2, 20001	69.18671
July 2, 2001	65.87884
January 2, 2002	62.44635
July 2, 2002	58.87499
January 2, 2003	55.16934
July 2, 2003	51.31568
January 2, 2004	47.32029
July 2, 2004	43.16915
January 2, 2005	38.86853
July 2, 2005	34.40297
January 2, 2006	29.77660
July 2, 2006	24.97333
January 2, 2007	19.99686

LEASE OF RAILROAD EQUIPMENT

Schedule C - Schedule of Closings

Assumed Closing Dates	Outside Closing Dates	Equipment Assumed To Be In Closing	Tax Allocation ADR	Tax Allocation MACRS	Total Purchase Price
			($000's)		
June 27, 1991	July 31, 1991	4 E-1, 6 E-2,	$300	$6,300	$6,600
September 26, 1991	September 30, 1991	2 E-1, 2 E-2, 1 E-3	$425	$2,875	$3,300
December 27, 1991	December 31, 1991	3 E-1, 1 E-2, 1 E-4	$500	$2,475	$2,975
			$1,225	$11,650	$12,875

The following capitalized terms are defined as follows:

ADR Portion: The portion of the Purchase Price shown on Schedule C to the Lease which is intended to be depreciated by the method described in Section 1(g)(ii) of the Tax Indemnity Agreement.

Affiliate: A company controlled by, in control of or in common control with another company.

Applicable Laws: All laws of the jurisdictions in which the operations of the Lessee involving the Units may extend, and all lawful rules of the Department of Transportation, the Interstate Commerce Commission and any other legislative, executive, administrative or judicial body exercising any power or jurisdiction over the Units, to the extent that such laws and rules affect the title, operation or use of the Units.

Appraiser: Such independent appraiser as the Owner may select with the approval of the Lessee, or, failing such approved selection, an independent appraiser selected by two independent appraisers, one of whom shall be selected by the Owner and one by the Lessee; and if no such Appraiser is selected within 15 days, either party may apply to have the appointment made by the American Arbitration Association and both parties shall be bound by such appointment. The Appraiser shall be instructed to make the determination within a period of 30 days following appointment, and shall promptly communicate such determination in writing to the Owner and the Lessee.

Basic Rent: All amounts of rent described as such in the first paragraph of Section 2 of the Lease, as the same may be adjusted as described therein.

Builder: The company performing the rebuilding work on the Units in this transaction, Grand Trunk Western Railroad Company.

Business Day: Calendar days, excluding Saturdays, Sundays and any other day on which banking institutions in New York, New York, Detroit, Michigan, or Boston, Massachusetts are authorized or obligated to remain closed.

Bills of Sale: one or more bills of sale transferring title to the Owner and warranting that at the date of such Bill of Sale the Lessee had legal title to the

Equipment and good and lawful right to sell the same and that title to such Equipment transferred by such bill or bills of sale was free of all claims, liens, security interests and other encumbrances of any nature whatsoever (other than those created by the Documents).

Casualty Payment Date: The next Basic Rent Date occurring after a Casualty Occurrence or, if the Casualty Occurrence is later than the last date shown on Schedule B of the Lease, 30 days after the Casualty Occurrence.

Casualty Value: An amount equal to that percentage of the Purchase Price of such Unit suffering a Casualty Occurrence as is set forth in Schedule B to the Lease opposite the applicable Casualty Payment Date.

Certificate of Acceptance: A certificate to be executed by a duly authorized employee or agent of the Lessee which shall state that the Unit or Units shown thereon have been inspected and irrevocably accepted on behalf of the Lessee and Owner on the date shown thereon and are marked in accordance with Section 4 of the Lease.

Closing Date: Such Business Day on which all of the conditions precedent set forth in Sections 5 and 6 shall have been satisfied and as to which the notice required by Section 6(a) thereof shall have been given.

CN: Canadian National Railway Company, a crown corporation in Canada.

CN Advance: Any form of indebtedness, advance of funds, intercompany credit or investment by CN (or a subsidiary of CN other than the Guarantor or a subsidiary of the Guarantor) in the Guarantor or any subsidiary of the Guarantor.

Code: The Internal Revenue Code of 1986, as amended to the date hereof.

Default: An Event of Default under the Lease or an event which, with the giving of notice or the passage of time or both, would constitute an Event of Default under the Lease.

Delivery Date: A date on which any Equipment is accepted under the Lease by the Lessee.

Equipment: The Units as shown in Schedule A to the Lease as are accepted by the Lessee under the Lease.

ERISA: The Employee Retirement Income Security Act of 1974, as amended.

Fair Market Rental: An amount equal to the value which would be obtained in an arm's-length transaction between an informed and willing lessee (other than a lessee currently in possession) and an informed and willing lessor under no compulsion to lease and, in such determination, (i) it shall be assumed that the Units are in the condition and repair in which they are required to be maintained pursuant to the Lease and that they are free and clear of all liens, claims, security interests and encumbrances, (ii) the value of the additions, modifications and improvements as to which Lessee retains title pursuant to Section 8 of the Lease shall not be included and (iii) costs of removal from the location of current use shall not be a deduction from such value. If, within 30 days following receipt of the notice required by Section 12 of the Lease, the Owner and the Lessee are unable to agree upon a determination of the Fair Market Rental of the relevant Units, such rental shall be determined in accordance with this definition by an Appraiser.

Fair Market Value: An amount equal to the value which would be obtained in an arm's length transaction between an informed and willing purchaser (other than a lessee currently in possession) and an informed and willing seller under no compulsion to sell and, in such determination, the same assumptions applicable to the determination of Fair Market Rental shall be applied. If, within 30 days following receipt of the notice required by Section 12 of the Lease the Owner and the Lessee are unable to agree upon a determination of the Fair Market Value of the Units, such Fair Market Value shall be determined by the Appraisal procedure set forth in the definition of Fair Market Rental. The Appraiser shall be instructed to make the determination of Fair Market Value within a period of 30 days following appointment and shall promptly communicate such determination in writing to the Owner and the Lessee.

First Delivery Date: The first date on which any Equipment is accepted under the Lease by the Lessee.

GAAP: generally accepted accounting principles.

Impositions: Any local, state, Federal or foreign taxes (other than any United States Federal income tax and, to the extent that any Indemnified Person received credit therefor against its United States Federal income tax liability, any foreign income tax payable by such Indemnified

Person in consequence of the receipt of payments provided herein and other than the aggregate of all state and city net income taxes and franchise or "doing business" taxes imposed in the United States of America (other than sales or use taxes) or taxes in lieu of or in the nature of sales or use taxes except any such tax which is in substitution for or relieves the Lessee from the payment of taxes which it would otherwise be obligated to pay or reimburse as herein provided), assessments, documentary stamp taxes, or governmental fees or charges and any charges, fines or penalties in connection therewith.

Indemnified Persons: The Owner, its Affiliates and their respective successors, assigns, agents and servants.

Interim Rent: All amounts of rent described as such in the fifth paragraph of Section 2 of the Lease, as the same may be adjusted as described therein.

MACRS Portion: The portion of the Purchase Price shown on Schedule C to the Lease which is intended to be depreciated as Modified Asset Cost Recovery Property under the Code.

Maximum Purchase Price: $14,162,500.

Permitted Liens: (i) The interests of the Lessee and the Lessor under the Lease; (ii) the interest of the Lessee and any sublessee as provided in any sublease permitted pursuant to Section 11 of the Lease; (iii) any liens on the Units for taxes, assessments, levies, fees and other governmental and similar charges not due and payable or the amount or validity of which is being diligently contested so long as there exists no material danger of sale, forfeiture, loss or loss of use of the Equipment or any Unit; (iv) any liens of mechanics, suppliers, materialmen, laborers, employees, repairmen and other like liens arising in the ordinary course of business securing obligations which are not due and payable or the amount or validity of which is being diligently contested so long as there exists no material danger of sale, forfeiture, loss or loss of use of the Equipment or any Unit; (v) the rights of the Owner under the Documents; and (vi) liens arising out of any judgment or award against the Lessee (or any sublessee permitted pursuant to Section 11 of the Lease) with respect to which an appeal or proceeding for review is being prosecuted in good faith and with respect to which there shall have been secured a stay of execution pending such appeal or proceeding for review.

Participation Agreement: The Participation and Guarantee Agreement dated as of June 1, 1991 among the Grand Trunk Western Railroad Company, as Lessee; John Hancock

Mutual Life Insurance Company, as Owner; and Grand Trunk Corporation, as Guarantor.

Person: Includes individuals, companies, partnerships, corporations, governments and divisions thereof and all other entities.

Purchase Price: The total cost shown for each Unit of Equipment in Schedule A to the Lease.

Rent: Collectively, Interim Rent, Basic Rent and Supplemental Rent.

Responsible Officer: Means any corporate officer of the Lessee or the Guarantor, as the case may be, who in the performance of his operational responsibilities should have knowledge of the requirements of this Lease (in the case of a corporate officer of the Lessee) or the Guarantee (in the case of a corporate officer of the Guarantor).

Specifications: the rebuilding work to be performed to each Unit, as applicable, as shown in Exhibit I to Schedule A to the Lease.

Supplemental Rent: All amounts, liabilities and obligations (other than Basic Rent) which the Lessee is obligated to pay under the Lease or the Participation Agreement to or on behalf of the other parties thereto, including but not limited to Casualty Values.

Tangible Net Worth: An amount equal to total assets excluding (1) total intangible assets under GAAP (such as the excess of cost over the book value of acquired businesses accounted for by the purchase method, patents, patent rights, formulas and deferred expenses such as debt discounts and expenses, organizational expense, experimentation and development expense, etc.) and (2) any amounts due from an officer, director or an affiliate (other than a CN Advance or due from an affiliate consolidated in the financial statements of the Guarantor) minus total liabilities, all as determined in accordance with GAAP.

Transaction Expenses: Such expenses as are defined in Section 8 of the Participation Agreement.

Tax Indemnity Agreement: The Tax Indemnity Agreement dated as of June 1, 1991, between Grand Trunk Western Railroad Company and John Hancock Mutual Life Insurance Company.

Units: The locomotives listed in Schedule A to the Lease.

Schedule E
to Lease

SCHEDULE OF INFORMATION FOR PAYMENT AND NOTICES

JOHN HANCOCK MUTUAL LIFE INSURANCE COMPANY

GENERAL ACCOUNT

1. All payments on account of the Lease or other obligations in accordance with the provisions thereof shall be made by bank wire transfer of immediately available funds for credit, not later than 12 noon, Boston time, to:

The First National Bank of Boston
ABA No. 011000390
100 Federal Street
Boston, Massachusetts 02110
Attention: Insurance Division
Account of: John Hancock Mutual Life Insurance Company
Account Number: 279-80008
On Order Of: Grand Trunk Western Railroad Company

2. All other communications shall be delivered or mailed to:

John Hancock Mutual Life Insurance Company
John Hancock Place
P.O. Box 111
Boston, Massachusetts 02117
Attention: Bond and Corporate Finance Department T-57

Schedule E
to Lease

SCHEDULE OF INFORMATION FOR PAYMENT AND NOTICES

JOHN HANCOCK MUTUAL LIFE INSURANCE COMPANY

GUARANTEED BENEFIT SUB-ACCOUNT

1. All payments on account of the Lease or other obligations in accordance with the provisions thereof shall be made by bank wire transfer of immediately available funds for credit, not later than 12 noon, Boston time, to:

Manufacturers Hanover Trust Company
ABA No. 021000306
4 New York Plaza
New York, New York 10005
Account of: John Hancock Leasing Corporation
Account Number: 144-0-00632

2. All other communications shall be delivered or mailed to:

John Hancock Mutual Life Insurance Company
John Hancock Place
P.O. Box 111
Boston, Massachusetts 02117
Attention: Bond and Corporate Finance Department T-57