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1722 EYE STREET, N.W.
WASHINGTON, D.C. 20006
TELEPHONE 202 736 8000
FACSIMILE 202 736 8711

FOUNDED 1866

HONG KONG
LONDON
SHANGHAI
SINGAPORE
TOKYO

WRITER'S DIRECT NUMBER
(202) 736-8198

WRITER'S E-MAIL ADDRESS
thynes@sidley.com

July 25, 2000

Mr. Vernon A. Williams
Secretary
Surface Transportation Board
1925 K Street, N.W.
Washington, D.C. 20423-0001

RECORDATION NO. 23015 FILED
JUL 25 '00 2-16 PM
TS
SURFACE TRANSPORTATION BOARD

Dear Mr. Williams:

I have enclosed an original and one counterpart of the document described below, to be recorded pursuant to Section 11301 of Title 49 of the U.S. Code.

This document is an Equipment Lease Agreement (and accompanying Notice of Assignment), a primary document, dated August 4, 1998 (as amended and restated as of July 24, 2000).

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

LESSOR:

3517021 Canada Inc.
Suite 1800, Bankers Hall East
855 2nd Street
Calgary, Alberta T2P 4Z5

LESSEE:

Canadian Pacific Railway Company
Gulf Canada Square
401 – 9th Avenue, SW
Calgary, Alberta T2P 4Z4

ASSIGNEE (of Lessor's rights and benefits):

Kreditanstalt fur Wiederaufbau
Palmengartenstrasse 5-9
D 60325 Frankfurt am Main
Germany
Attention: Department KIIIC

A description of the equipment covered by the document follows:

Make	Model	Type	Road Number
General Motors	SD-90 MAC 4300	Diesel Electric	CP9100 to CP9160 (inclusive)

A fee of $26.00 is enclosed. Please return the original and any extra copies not needed by the Board for recordation to the person hand-delivering the documents.

A short summary of the document to appear in the index follows:

Equipment Lease Agreement dated as of August 4, 1998 (as amended and restated with effect as of July 24, 2000), between 3517021 Canada Inc. ("Lessor") and Canadian Pacific Railway Company ("Lessee"), pertaining to Sixty-One Model SD-90 MAC 4300 Locomotives bearing Road Numbers CP9100-CP9160, inclusive, and accompanying Notice of Assignment of Lessor's rights and benefits to Kreditanstalt ("Secured Party").

Sincerely,

Terence M. Hynes/SKS

Terence M. Hynes

Enclosures

EQUIPMENT LEASE AGREEMENT

Dated as of August 4, 1998

RECORDATION NO. 23015 FILED
TS
JUL 25 '00 2-16 PM
SURFACE TRANSPORTATION BOARD

Between

3517021 CANADA INC.
as Lessor

- and -

CANADIAN PACIFIC RAILWAY COMPANY
as Lessee

Pertaining to Sixty-One Model SD90MAC Locomotives bearing
Road Numbers CP9100 to CP9160

CERTAIN OF THE RIGHT, TITLE AND INTEREST OF THE LESSOR IN AND TO THIS LEASE, THE EQUIPMENT COVERED HEREBY AND THE RENT DUE AND TO BECOME DUE HEREUNDER HAVE BEEN ASSIGNED AS COLLATERAL SECURITY TO, AND ARE SUBJECT TO A SECURITY INTEREST IN FAVOUR OF, KREDITANSTALT FÜR WIEDERAUFBAU UNDER A GENERAL SECURITY AGREEMENT DATED AS OF JULY 24, 2000 BETWEEN THE LESSOR AS DEBTOR AND KREDITANSTALT FÜR WIEDERAUFBAU AS SECURED PARTY. INFORMATION CONCERNING SUCH SECURITY INTEREST MAY BE OBTAINED FROM KREDITANSTALT FÜR WIEDERAUFBAU AT ITS ADDRESS SET FORTH IN THE ACKNOWLEDGMENT OF ASSIGNMENT SECTION OF THIS LEASE.

Memorandum of Equipment Lease Agreement dated as of August 4, 1998 filed with the Surface Transportation Board pursuant to 49 U.S.C. §11301 on July ____, 2000 at _____ A.M. Recordation Number _____ and deposited in the Office of the Registrar General of Canada pursuant to Section 105 of the *Canada Transportation Act* on July ____, 2000 at _____ A.M.

EQUIPMENT LEASE AGREEMENT

THIS EQUIPMENT LEASE AGREEMENT (this "**Lease**"), dated as of August 4, 1998 between 3517021 CANADA INC., a Canadian corporation ("**Canco**") and CANADIAN PACIFIC RAILWAY COMPANY, a Canadian corporation ("**CPRC**"), as amended and restated with effect as of July 24, 2000.

WITNESSETH:

WHEREAS, CPRC and Diesel Division, General Motors of Canada Limited ("**GM**") are parties to an equipment purchase agreement made as of February 27, 1998 (the "**Purchase Agreement**") calling for GM to manufacture and deliver to CPRC, and CPRC to accept and pay for, certain General Motors diesel electric locomotives, specifically sixty-one Model SD90MAC locomotives to bear road numbers CP9100 to CP9160, inclusive (collectively, the "**Locomotives**");

WHEREAS, CPRC and Canco are parties to a purchase agreement assignment dated as of August 4, 1998 pursuant to which CPRC has assigned the Assigned Rights (as defined therein) to Canco including the right upon valid tender to GM to purchase the Locomotives pursuant to the Purchase Agreement at the respective purchase prices specified therein and the right to take title to the Locomotives and be named the purchaser in all bills of sale to be delivered by GM for the Locomotives and the right to temporary custody and possession of the Locomotives;

WHEREAS, Canco has so purchased the Locomotives and taken title and delivery of the Locomotives;

WHEREAS, Canco and Kreditanstalt für Wiederaufbau (the "**Secured Party**") are parties to a loan agreement (the "**Loan Agreement**") dated as of July 24, 2000 pursuant to which the Secured Party is refinancing in part the purchase price of the Locomotives paid pursuant to the Purchase Agreement;

WHEREAS, Canco has granted the Secured Party a security interest in the Locomotives pursuant to a general security agreement (the "**General Security Agreement**") dated as of July 24, 2000;

WHEREAS, CPRC desires that it be permitted to use the Locomotives, solely as a lessee thereof, and Canco is willing to grant such temporary custody and possession to CPRC upon the terms and conditions hereinafter provided;

WHEREAS, it is a condition of the Loan Agreement that Canco and CPRC amend and restate the original equipment lease agreement (the "**Original Lease**") dated as of August 4, 1998 entered into between them in the manner set forth in this Lease;

WHEREAS, both Canco and CPRC are registrants under Part IX of the *Excise Tax Act* (Canada) having business numbers 866215486 and 100769694 respectively;

NOW THEREFORE, in consideration of the mutual covenants herein contained, and intending to be legally bound hereby, the parties hereto agree to amend and restate the Original Lease in its entirety as follows:

1. CPRC hereby agrees to lease from Canco and Canco hereby agrees to lease to CPRC the Locomotives for the term and rents and other payments to be paid hereunder and upon the terms and conditions hereof. This Lease will commence with respect to each Locomotive upon delivery of such Locomotive to CPRC within Canada such delivery to be evidenced by a Notice of Delivery signed by CPRC or its authorized representative. The parties confirm that such delivery has taken place. The term of this Lease ends on August 4, 2003, provided however, that either party may terminate this Lease, without penalty, upon 30 days' (or such lesser notice as the recipient of such notice may accept) prior written notice to the other party. Each of CPRC and Canco confirms to each other that this Lease is in full force and effect as of the date of execution and delivery hereof.

2. Title to, ownership of, and all property in the Locomotives shall at all times be and remain exclusively in Canco. CPRC's only rights therein are to quiet enjoyment and possession, custody and use as lessee hereunder on the terms and conditions of this Lease so long as no Default has occurred.

3. As rent for the possession and use of the Locomotives, CPRC agrees to pay to Canco for each Locomotive an amount equal to U.S. $600 (exclusive of any applicable provincial or federal taxes) per day for each day during the term of this Lease from and including the day of delivery of such Locomotive to CPRC to but excluding the date each Locomotive is redelivered to Canco on termination of this Lease. Rent will be payable monthly for each month on the last business day of each month. The amount of rent is subject to review on an annual basis.

4. CPRC shall permit no liens, security interests, or encumbrances (other than the rights of other carriers under usual interchange of traffic rules and Permitted Liens (as defined in the Loan Agreement)) arising by, through or under it to attach to the Locomotives, and it agrees to:

(a) Indemnify and save Canco harmless from any and all claims, expenses or liabilities of whatsoever kind, including but not limited to attorney's fees and costs, which may arise during the time any of the Locomotives are in the possession of CPRC or any Permitted Sublessee (as defined below) and subject to this Lease, except to the extent such claims, expenses or liabilities arise by, through, or under Canco; and

(b) Pay any and all taxes (excluding any tax measured by Canco's net income and any franchise, capital, net worth or similar tax imposed on Canco, or any tax imposed in lieu of any of the foregoing), fines, charges and penalties that may accrue or be assessed or imposed upon the Locomotives or Canco or upon any payment due hereunder, because of Canco's title and ownership of any Locomotive or because of the use, operation, management or handling of the Locomotives during the term of this Lease or the payment of such amount. The obligations of CPRC described in this Section 4 shall survive termination of this Lease.

5. (a) During the term hereof, CPRC shall cause the Locomotives to be maintained in accordance with the manufacturer's written recommendations and the requirements of the Loan Agreement. Except as otherwise provided in the Purchase Agreement, risk of loss of the Locomotives shall at all times during the term hereof be with CPRC.

(b) If a Locomotive is lost, destroyed or irreparably damaged (as reasonably determined by Canco following receipt of a notice of such loss, damage or destruction from CPRC) from any cause, whatsoever and howsoever arising while this Lease is in effect, CPRC shall either (i) substitute the lost, destroyed or irreparably damaged Locomotive as permitted under Section 8.1(h) of the Loan Agreement or (ii) pay Canco an amount (the "**Casualty Value**") equal to the greater of: (A) the U.S. Surface Transportation Board depreciated ledger value of such Locomotive, or (B) the net book value (cost less accumulated depreciation) to Canco of such Locomotive, or (C) the amount Canco is obligated to pay under the terms and provisions of the Loan Agreement with respect to such Locomotive (including any premium and/or breakage costs payable thereunder), together with all rent accrued and unpaid with respect to such Locomotive up to but not including the date on which the Casualty Value was paid. Payment of the Casualty Value shall be made no later than the next rent payment date after the determination that the Locomotive has been lost, destroyed or irreparably damaged. Upon payment of such amount and provided no Default has occurred, CPRC may dispose of the Locomotive on an "as is, where is" basis and retain for its own account the proceeds of such disposition up to the amount paid Canco pursuant to this section. All proceeds in excess of the amount paid to Canco pursuant to this paragraph shall be paid over to Canco. On Canco's receipt of this Casualty Value payment and accrued rent, such Locomotive shall no longer be subject to this Lease and rent with respect to such Locomotive shall cease to accrue.

(c) CPRC shall insure or self-insure the Locomotives in accordance with its usual practice for locomotives owned by it but subject to the requirements of the Loan Agreement.

(d) CPRC shall operate and use the Locomotives in accordance with the provisions of the Loan Agreement.

(e) CPRC agrees that Canco will deposit this Lease with the Registrar General of Canada pursuant to S.105 of the *Canada Transportation Act* and with the U.S. Surface Transportation Board pursuant to 49 U.S.C. §11301, and will execute any documents reasonably required by Canco in connection therewith.

6. CPRC acknowledges that it takes its possessory interest in the Locomotives subject to those provisions of the Purchase Agreement relating to warranty, exclusion of certain warranties, remedies (and limitations of remedies) and limitation of liability and indemnities.

7. This Lease may not be assigned by CPRC, but the Locomotives may be sublet to subsidiaries of CPRC or to any Class I railroad as permitted by Section 8.1(i) of the Loan Agreement without the consent of Canco or to any other Person (as defined in the Loan Agreement) with the prior written consent of Canco (including the consent of its assign, the Secured Party), provided that any sublessee shall agree to be bound by the

provisions of this Lease and the Loan Agreement and that such sublease is permitted by the terms and provisions of the Loan Agreement (a "**Permitted Sublessee**"). CPRC acknowledges, and each Permitted Sublessee shall acknowledge, that its rights under this Lease, or such sublease, are and shall be subordinate to the security held by the Secured Party in the Locomotives.

8. In the event: (i) CPRC, in violation of its obligations hereunder, fails to pay (or cause payment to be made) or perform any of its obligations hereunder when due and such nonpayment or nonperformance remains unremedied for thirty (30) days, (ii) CPRC fails to perform any of its obligations undertaken with respect to the Loan Agreement or (iii) an Event of Default under the Loan Agreement occurs (any of the events described in clauses (i), (ii) or (iii) being a "**Default**"), then Canco or its assignee or designee (including, without limitation, the Secured Party) may, in addition to any other remedies it may have, declare this Lease to be terminated with respect to any one or more or all of the Locomotives.

9. Upon any termination hereof, whether following a Default or by expiry of the term or pursuant to notice under section 1, Canco may require CPRC to, and CPRC shall, forthwith deliver such Locomotive(s) to Canco in the condition in which they were required to be maintained under this Lease f.o.b. at a designated interchange on CPRC's railway, or Canco may by its agents enter upon the premises of CPRC or such other premises where any Locomotive may be located and take possession of and remove all or any Locomotive(s), and thenceforth hold, possess and enjoy the same free from any right of CPRC, or its successors or assigns. In such event, Canco or its assignee or designee may use the Locomotive(s) for any purposes whatsoever, and may sell its rights in the Locomotive(s) to others upon such terms as Canco or its assignee or designee may see fit in its sole discretion, it being understood and agreed that if this Lease is terminated following a Default, CPRC shall remain liable to Canco or its assignee or designee for amounts payable hereunder plus an amount equal to all expenses of Canco or its assignee or designee incident to such sale including, but not limited to, the expenses of withdrawing the Locomotive(s) from the service of CPRC, providing for the care and custody of the Locomotive(s), preparing the Locomotive(s) for sale, and selling Canco's rights in the Locomotive(s). CPRC shall pay the foregoing amounts from time to time upon demand by Canco or its assignee or designee.

10. CPRC will cause each Locomotive to bear the road numbers set out above and will not change such road numbers without first executing and delivering to Canco and its assigns (including, without limitation, the Secured Party) such agreements, documents and instruments and effecting such Registrations as are required or advisable to ensure that the intent of paragraph 14 hereof and Section 4.09 of the General Security Agreement are observed at all material times. With respect to each Locomotive being operated in Mexico at any time after ten percent (10%) or more of the Equipment (as defined in the Loan Agreement) is being operated in Mexico, if it is required or advisable to better perfect, preserve and protect the rights and interests of Canco and its assigns (including the Secured Party) in and to the Locomotives, CPRC will at all times maintain a plate or stencil printed in contrasting colours on each side of each such Locomotive in letters not less than one inch (1") in height, reading substantially as follows:

"SUBJECT TO A SECURITY AGREEMENT AND LEASE, EACH RECORDED WITH THE U.S. SURFACE TRANSPORTATION BOARD AND THE REGISTRAR GENERAL OF CANADA"

or

"OWNERSHIP SUBJECT TO A SECURITY AGREEMENT AND LEASE, EACH FILED WITH THE U.S. SURFACE TRANSPORTATION BOARD AND THE REGISTRAR GENERAL OF CANADA"

with appropriate changes thereto as from time to time may be required by applicable law in order to protect Canco's and the Secured Party's right, title and interest in and to such Locomotive, its rights under this Lease and the rights of the Secured Party.

11. Upon termination of this Lease, CPRC will, to the extent such logs and/or records are maintained separately with respect to the Locomotives, deliver to Canco or its assignee or designee, all maintenance logs and records kept with respect to the Locomotives and, to the extent not separately maintained, shall make the same available to such persons for review and make copies or extracts therefrom as they relate to the Locomotives.

12. CPRC will duly execute and deliver to Canco such further documents and assurances and take such further action as Canco may from time to time reasonably request in order to effectively carry out the intent and purpose of this Lease and to establish and protect the rights and remedies created in favour of Canco hereunder.

13. This Agreement shall be binding upon CPRC and Canco and shall enure to the benefit of CPRC and its successors and Canco and its successors and assigns, including, without limitation, the Secured Party. Neither this Lease nor any of CPRC's rights hereunder shall be assigned or made subject to any security interest (other than Permitted Liens as defined in the Loan Agreement) without the prior written consent of the Secured Party.

14. It is the intent of the parties that Canco (and the Secured Party as assignee of Canco under the General Security Agreement) shall be entitled to the benefits of Section 106(5) of the *Canada Transportation Act* and Section 1168 of the U.S. Bankruptcy Code and all provisions of this Lease shall be interpreted in conformity with this intention.

15. Each reference in this Lease to any agreement (including this Lease and any other defined term that is an agreement) shall be construed so as to include such agreement (including any attached schedules) and each amendment, supplement, other modification, amendment and restatement, novation and replacement of it made at or before the time in question.

16. No provision of this Lease may be amended, supplemented, otherwise modified, amended and restated, novated, replaced, waived, suspended or terminated in whole or in part without the prior written consent of the Secured Party, except that the written

consent of the Secured Party shall not be required for any change in the amount of rent payable under paragraph 3 above provided that it is a commercially reasonable amount.

17. This Lease may be executed in any number of counterparts, but only one of such counterparts shall be an original counterpart for the purposes of perfection of a security interest in this Lease. That original will be identified by the execution by the Secured Party of a receipt for such original on the signature page of this Lease. No security interest may be created through the transfer or possession of any counterpart of this Lease other than through possession or transfer of that counterpart that is identified as the original counterpart for the purposes of perfection of a security interest in this Lease.

18. This Lease shall be governed by and construed in accordance with the laws of the Province of Alberta and the laws of Canada applicable therein.

IN WITNESS WHEREOF, each party hereto has caused this Lease to be executed by its authorized representative.

CANADIAN PACIFIC RAILWAY COMPANY

By: _____
Name:
Title:

3517021 CANADA INC.

By: _____
Name:
Title:

Notice of Assignment

Canco has assigned this Lease and all of its rights and benefits hereunder, and has granted a security interest in the Locomotives to Kreditanstalt Für Wiederaufbau (the "**Secured Party**") pursuant to a General Security Agreement between Canco and the Secured Party dated July 24, 2000. No further assignment of this Lease or any rights hereunder by Canco is permitted or will be valid without the prior written consent of the Secured Party. Notwithstanding such assignment, Canco remains liable to observe and perform, and the Secured Party shall have no obligation to perform, the obligations of Canco under this Lease.

3517021 CANADA INC.

by: _____

Acknowledgement of Assignment

TO: KREDITANSTALT FÜR WIEDERAUFBAU
Palmengartenstrasse 5-9
D 60325 Frankfurt am Main
Attention: Department KIIIC

For valuable consideration, the receipt and sufficiency of which is acknowledged, CPRC acknowledges and consents to the foregoing assignment and agrees with the Secured Party that the Secured Party may exercise in its own name all rights and remedies of Canco under or in respect of the Lease, including without limitation the right to terminate the Lease on notice or following a Default, and the right following termination to seize, sell, lease or otherwise dispose of the Locomotives.

CANADIAN PACIFIC RAILWAY COMPANY

By: _____

Individual Form of Acknowledgment

I, BRIAN R. McDIARMID, certify that I am the person described in and who executed the foregoing instrument and that I acknowledge that I executed the same as my free act and deed. I further declare under penalty of perjury under the laws of the United States of America that the foregoing is true and correct. Executed on July 18, 2000.

Signature