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INTERSTATE COMMERCE COMMISSION
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13861/A
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INTERSTATE COMMERCE COMMISSION

No.
Date DEC 7 1982
Fee \$ 100.00
ICC Washington, D. C.

Agatha L. Mergenovich, Secretary
Interstate Commerce Commission
Washington, D. C. 20423

FORMOSA PLASTICS CORPORATION, TEXAS -
COVERED HOPPER CAR LEVERAGED LEASE
Our file 4991-163

Dear Secretary Mergenovich:

* We are special counsel for Formosa Plastics Corporation, Texas ("FPC, Texas") and we enclose three counterparts of the following primary documents to be recorded pursuant to 49 U.S.C. 11303:

1. Equipment Lease Agreement dated as of September 15, 1982 between The Connecticut Bank and Trust Company, not in its individual capacity but solely as Owner Trustee, Lessor, and FPC, Texas, Lessee.
2. Indenture of Trust, Security Agreement and Chattel Mortgage dated as of September 15, 1982 between The Connecticut Bank and Trust Company, as Owner Trustee, and Wilmington Trust Company, as Loan Trustee.

The names and addresses of the parties to the above-mentioned documents are as follows:

1. Formosa Plastics Corporation, Texas
66 Hanover Road
Florham Park, New Jersey 07932

C. D...
Charles A. Schneider

DEC 7 2 15 PM '82
FEE OPERATION BR
RECEIVED

2- Agatha L. Mergenovich, Secretary

2. The Connecticut Bank and Trust Company
One Constitution Plaza
Hartford, Connecticut 06115
3. Wilmington Trust Company
Rodney Square North
Wilmington, Delaware 19899

The equipment covered by the above-mentioned documents consists of 300 ACF Industrial Steel-Center Flow Covered Hopper Cars Nos. FPAX 820001 through FPAX 820300.

A short summary of the documents to appear in the Index is as follows:

(a) Equipment Lease Agreement between The Connecticut Bank and Trust Company, not in its individual capacity but solely as Owner Trustee, Lessor, and Formosa Plastics Corporation, Texas, Lessee, dated as of September 15, 1982, covering 300 ACF Industrial Steel-Center Flow Covered Hopper Cars, and

(b) Indenture of Trust, Security Agreement and Chattel Mortgage dated as of September 15, 1982 between The Connecticut Bank and Trust Company, as Owner Trustee, and Wilmington Trust Company, as Loan Trustee, covering

(i) 300 ACF Industrial Steel-Center Flow Covered Hopper Cars, the Equipment Lease Agreement,

(ii) a Letter of Credit issued by Crocker National Bank and

(iii) various other property rights and collateral concerning the transaction contemplated by the Equipment Lease Agreement.

*

A fee of \$100 is enclosed.

Please date stamp and return the original and any extra copies not needed by the Commission for recordation to the undersigned.

Very truly yours,
HAIGHT, GARDNER, POOR & HAVENS

By



David Jungman

DJ/C.
*Encs.

Interstate Commerce Commission
Washington, D.C. 20423

12/7/82

OFFICE OF THE SECRETARY

David Jungman
Haight, Gardner, Poor & Havens
2850 Texas Commerce Tower
Houston, Texas 77002

Dear Sir:

The enclosed document(s) was recorded pursuant to the provisions of Section 11303 of the Interstate Commerce Act, 49 U.S.C. 11303, on 12/7/82 at 2:15pm, and assigned re-
recording number(s). 13861 & 13861-A

Sincerely yours,

Agatha L. Mergenovich
Agatha L. Mergenovich
Secretary

Enclosure(s)

13861

RECORDATION NO. Filed 1425

DEC 7 1982 -2 15 PM

INTERSTATE COMMERCE COMMISSION

EQUIPMENT LEASE AGREEMENT

Dated as of September 15, 1982

between

THE CONNECTICUT BANK AND TRUST COMPANY,
not in its individual capa-
city but solely as Owner
Trustee, Lessor

and

FORMOSA PLASTICS CORPORATION, TEXAS,
Lessee

300 ACF Industrial Steel-Center Flow
Covered Hopper Cars

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EQUIPMENT LEASE AGREEMENT

This EQUIPMENT LEASE AGREEMENT, dated as of September 15, 1982, between THE CONNECTICUT BANK AND TRUST COMPANY, a Connecticut banking corporation, not in its individual capacity but solely as Owner Trustee under the Trust Agreement, as defined in Section 1 hereof (herein, together with any successor Owner Trustee then acting as such as permitted under the Trust Agreement, called "Lessor"), and FORMOSA PLASTICS CORPORATION, TEXAS, a Delaware corporation (herein, together with its permitted successors and assigns, called "Lessee"),

W I T N E S S E T H :

Section 1. Definitions. (a) General. Unless the context shall otherwise require, (i) the following terms shall have the following meanings for all purposes of this Lease and (ii) such meanings shall be applicable to both the singular and the plural forms of the terms herein defined:

"Appraisal Procedure" shall mean the following procedure for determining the Fair Market Rental Value or the Fair Market Sales Value, as the case may be, of any property: If either party hereto shall have given written notice to the other requesting determination of such value by the Appraisal Procedure, the parties shall consult for the purpose of appointing one qualified independent appraiser by mutual agreement. If no such appraiser shall be so appointed within fifteen days after such notice shall have been given, each party shall appoint an independent appraiser (which shall not be a manufacturer of such property) within twenty-five days after such notice shall have been given, and the two appraisers so appointed shall within thirty days after such notice shall have been given appoint a third independent appraiser (which shall not be a manufacturer of such property). If no such third appraiser shall be so appointed within thirty days after such notice shall have been given, either party may apply to the American Arbitration Association (or any successor thereto) for the appointment of an arbitrator in the City of New York or such other city as shall be agreed upon by the parties, and both parties shall be bound by any appointment made by such Association. Each appraiser appointed pursuant to the foregoing procedure shall be instructed to determine the Fair Market Rental Value or the Fair Market Sales Value, as

the case may be, of the property in question within thirty days after his appointment. If the parties shall have appointed a single appraiser, his determination of value shall be final and binding. If three appraisers shall have been appointed as hereinabove set forth, the values determined by the three appraisers shall be averaged, the determination which shall differ most from such average shall be disregarded, the remaining two determinations shall be averaged, and such average shall be final and binding.

"Base Term" shall mean, with respect to any Unit, the period commencing with the Commencement Date of this Lease and ending on January 4, 1998 or any earlier termination of this Lease with respect to any Unit.

"Basic Rent" shall mean the rent payable pursuant to paragraph (b) of Section 3.

"Business Day" shall have the meaning set forth in the Indenture.

"Certificate of Acceptance" shall have the meaning set forth in paragraph (b) of Section 2.

"Commencement Date" means January 4, 1983.

"Delivery Date" shall mean, with respect to any Unit, the date of delivery to and acceptance by Lessee of said Unit pursuant to the terms of this Lease and the terms of the Participation Agreement.

"Default Rate" shall mean the Past Due Rate.

"Event of Default" shall have the meaning assigned thereto in Section 14.

"Event of Loss" shall mean (x) the refinancing and/or continuation of credit support referred to in Sections 19 (a) and (b), respectively, of the Participation Agreement shall not occur as therein provided or (y), with respect to any Unit, any of the following events or conditions: (i) the destruction of such Unit, (ii) damage to such Unit to an extent which, in the reasonable judgment of the Lessee, shall render repair impracticable or uneconomical, or (iii) the confiscation, theft or seizure of, or the requisition of title to or use of, such Unit (other than a requisition for use by the United States Government), as shall result in the loss of use or possession of such Unit by Lessee for a

period of 270 days or longer. Any determination to be made in the judgment of Lessee as referred to in clause (ii) of the immediately preceding sentence shall be evidenced by a certificate executed by any two Executive Officers of Lessee and delivered to Lessor, the Loan Trustee and each Participant.

"Executive Officer" shall mean the Chairman of the Board of Directors, the President, any Vice President, the Secretary or the Treasurer of any person.

"Fair Market Rental Value" shall mean the rent for the period or periods in question that would be agreed to 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 sell or lease.

"Fair Market Sales Value" shall mean the purchase price that would be agreed to in an arm's-length transaction between an informed and willing buyer-user (other than a user currently in possession or a used equipment scrap dealer) and an informed and willing seller under no compulsion to sell or lease.

"Fixed Amount" means, for the lease period commencing on a Lease Payment Date, the amount set forth on Schedule D hereto for such Lease Payment Date.

"Interim Rent" shall mean the rent payable pursuant to paragraph (a) of Section 3.

"Interim Term" shall mean, with respect to any Unit, the period commencing with the Delivery Date of such Unit and ending on the Commencement Date.

"Lease Payment Date" shall mean April 4, 1983 and each July 4, October 4, January 4 and April 4 occurring thereafter during the Term.

"Lessee" shall mean Formosa Plastics Corporation, Texas, a Delaware Corporation, and its permitted successors and assigns as lessee hereunder of the Units.

"Lessor" shall mean The Connecticut Bank and Trust Company, a Connecticut banking corporation, not in its individual capacity but solely as Owner Trustee under the Trust Agreement, and shall include any successor Owner Trustee under the Trust Agreement.

"Lien" shall mean any interest in property securing an obligation owed to, or a claim by, any person other than the owner of the property, whether such interest shall be based on the common law, statute, contract or conveyance, and including, but not limited to, the security interest lien arising from a mortgage, encumbrance, pledge, conditional sale or trust receipt or from a lease, consignment or bailment for security purposes. Without limitation of the foregoing, the term "Lien" shall include reservations, exceptions, encroachments, easements, rights-of-way, covenants, conditions, restrictions, leases and other title exceptions and encumbrances affecting property. For the purposes of this Lease, a person shall be deemed to be the owner of any property which it shall have acquired or shall hold subject to a conditional sale agreement or other arrangement pursuant to which title to the property shall have been retained by or vested in some other person for security purposes.

"Owner" shall mean Allied Bank of Texas, a Texas banking corporation, and any permitted transferee of all or any part of the right, title and interest of the Owner in and to the Trust Agreement and the Owner Trust in accordance with Article VI of the Trust Agreement and Section 11 of the Participation Agreement.

"Participation Agreement" shall mean the Participation Agreement, dated as of September 15, 1982, among Lessee, the Owner, Lessor, the Letter of Credit Bank, the Lenders and the Loan Trustee, as originally executed and delivered, and as the same may from time to time be amended, supplemented or modified, in accordance with its terms.

"Purchase Price" shall mean, for each Unit, the price therefor certified as correct on the invoice covering such Unit delivered by the Manufacturer pursuant to the Consent of the Manufacturer.

"Renewal Term" shall mean the term referred to in paragraph (b) of Section 19.

"Rent" shall mean and include all Interim Rent, Basic Rent and Supplemental Rent.

"Sublease" shall have the meaning set forth in paragraph (c) of Section 9.

"Supplemental Rent" shall mean all amounts other than Interim Rent and Basic Rent payable by Lessee hereunder,

all advances by any Participant or the Letter of Credit Bank on behalf of the Lessee, pursuant to Section 18 of the Participation Agreement and all amounts required to be paid by Lessor pursuant to Section 2.04 of the Indenture, whether or not designated as "Supplemental Rent" in any particular provision hereof.

"Term" shall mean, with respect to any Unit, the Base Term and any Renewal Term.

"Termination and Loss Value" for each Unit, as of any Lease Payment Date, shall be calculated in accordance with Schedule C hereto.

"this Lease" shall mean this Equipment Lease Agreement as originally executed and delivered, and as this Equipment Lease Agreement is from time to time amended, supplemented or modified, in accordance with its terms and the respective terms of the Participation Agreement, the Trust Agreement and the Indenture. The terms "hereof", "hereby", "hereunder" and other words of similar import refer to this Lease as a whole, and not to any particular Section, paragraph or other subdivision.

"Units" shall mean and include all the ACF industrial steel-center flow covered hopper cars described in Schedule A hereto, which are from time to time subject to the provisions of this Lease, in each case together with any and all parts, instruments, appurtenances, accessories and other equipment and improvements of whatever nature from time to time incorporated in or installed as part of such Units.

"Variable Amount" means, for any Lease Payment Date (including the Commencement Date), or if any such day is not a Business Day, the next succeeding Business Day, the amount of interest due on the outstanding Notes on such Lease Payment Date (or such Business Day), together with the principal amount of Notes due on such Lease Payment Date or Business Day as set forth on Schedule E hereto for such Lease Payment Date (or such Business Day).

(b) Reference to Participation Agreement. Unless the context shall otherwise require, for all purposes of this Lease the following terms shall have the meanings set forth in the Participation Agreement: "Closing Date", "Consent", "Federal Bankruptcy Code", "Letter of Credit Bank", "Letter of Credit", "Letter of Credit Default", "Indenture", "Indemnity Agreement", "Lenders", "Loan Trustee", "Manufacturer", "Notes", "Officer's Certificate", "Operative Documents",

"Participants", "person", "Purchase Order", "Transaction Costs" and "Trust Agreement".

(c) Reference to Trust Agreement. Unless the context shall otherwise require, for all purposes of this Lease the term "Owner Trustee" shall have the meaning set forth in the Trust Agreement.

(d) Reference to Indemnity Agreement. Unless the context shall otherwise require, for all purposes of this Lease the term "Net Return" shall have the meaning set forth in the Indemnity Agreement.

(e) Reference to Indenture. Unless the context shall otherwise require, for all purposes of this Lease the terms "Principal Corporate Trust Office", as applied to the Loan Trustee, "Past Due Rate" and "Trust Indenture Estate" shall have the respective meanings set forth in the Indenture.

Section 2. Lease of Units. (a) Intent to Lease and Hire. Upon delivery of any Unit by the Manufacturer in accordance with the Participation Agreement, and subject to the terms and conditions of this Lease, Lessor hereby agrees to lease to Lessee, and Lessee hereby agrees to lease from Lessor, such Unit, in each case for the Term with respect thereto.

(b) Inspection and Acceptance. Lessor will cause each Unit to be tendered to Lessee at the place of delivery set forth in the Purchase Order. In connection with such tender, Lessor hereby appoints Lessee as agent for Lessor. Lessee, as such agent, will cause an inspector or inspectors designated and authorized by Lessee to inspect the same, and, if such Unit is found to be in good order, to accept delivery of such Unit and to execute and deliver to the Lessor a Certificate of Acceptance (a "Certificate of Acceptance") in the form attached hereto as Schedule B with respect to such Unit.

(c) Certificate of Acceptance. Lessee's execution and delivery of a Certificate of Acceptance with respect to any Unit pursuant to paragraph (b) of this Section 2 shall conclusively establish that, as between Lessor and Lessee, but without limiting or otherwise affecting Lessee's or Lessor's rights, if any, against the Manufacturer, such Unit is acceptable to and accepted by Lessee under this Lease, notwithstanding any defect with respect to design, manufacture or condition or in any other respect, and that such Unit is in good order and condition and conforms to the specifications applicable thereto and to all applicable United States

Department of Transportation and Interstate Commerce Commission requirements and specifications, if any, and to all standards recommended by the Association of American Railroads applicable to new railroad equipment of the same character as the Units as of the date of the execution and delivery of said Certificate of Acceptance.

Section 3. Rent. (a) Interim Rent. Lessee hereby agrees to pay to Lessor Interim Rent for the Interim Term, in immediately available funds, in an amount equal to the Variable Amount. Interim Rent shall be payable on the Commencement Date.

(b) Basic Rent. Lessee hereby agrees to pay to Lessor Basic Rent during the Term, in immediately available funds, in 60 consecutive quarterly installments, in arrears, commencing on April 4, 1983 and payable on each Lease Payment Date thereafter (including any Lease Payment Date on which Termination and Loss Value is to be paid in accordance with the provisions of this Lease) to and including the Lease Payment Date that is the last day of the Term, each such installment to be in an amount equal to the sum of the (i) Fixed Amount and (ii) the Variable Amount for such Lease Payment Date; provided, however, that during any Renewal Term each such installment shall be in the amount determined pursuant to paragraph (b) of Section 19.

(c) Supplemental Rent. Lessee hereby agrees to pay to Lessor, or to whosoever shall be entitled thereto as provided herein, any and all Supplemental Rent promptly as the same shall become due and owing, and in the event of any failure on the part of Lessee so to pay any Supplemental Rent, Lessor shall have all rights, powers, privileges and remedies provided for herein or by law or equity or otherwise in the case of nonpayment of other kinds of Rent. Lessee will pay to Lessor, upon demand, as Supplemental Rent, to the extent not prohibited by applicable law, interest at the Default Rate on any part or installment of Basic Rent not paid when due for any period for which the same shall be overdue, and will pay upon demand, to the extent not prohibited by applicable law, interest at the Default Rate on any part of any payment of Supplemental Rent (other than (i) such interest on delinquent payments, (ii) any payment of Supplemental Rent as to which interest to the date of payment is expressly provided for elsewhere in this Lease and (iii) any payment of Supplemental Rent required by this Lease to be made to any governmental au-

thority (any interest on, or penalty in respect of, payments to any governmental authority required to be made by Lessee under this Lease being payable by Lessee as Supplemental Rent)) due hereunder and not paid when due for any period for which the same shall be overdue, such payment to be made to the person to receive the overdue Supplemental Rent in respect to which such interest is to be paid.

(d) Adjustment of Rent. If Transaction Costs exceed 1% of the aggregate Purchase Price of all Units delivered and accepted hereunder, the Basic Rent and Termination and Loss Values shall be increased, if necessary, so as to preserve the Owner's Net Return.

(e) Reduction of Rent. Lessor and Lessee covenant and agree that Lessor and Lessee shall not, without the written consent of the Loan Trustee, agree to a reduction in the Basic Rent or Termination and Loss Values.

Section 4. Economic Obsolescence Termination. On or after January 4, 1988, unless an Event of Default or other event which, with notice, demand and/or lapse of time, would constitute an Event of Default shall have occurred and be continuing hereunder, the Lessee shall be entitled, at its option, exercisable not more than once a year, upon at least 180 days prior written notice to the Lessor, to terminate this Lease as to all or as to any 50 or multiples of 50 of the Units if the Lessee shall have made a good faith determination that all (but not less than all) of the Units have become obsolete or surplus to the Lessee's needs, which notice shall be accompanied by a certified copy of resolutions adopted by the Board of Directors of the Lessee making such determination and a written statement of the President or a Vice-President of the Lessee setting forth a summary of the basis for such determination; provided, however, that such termination (the date of such termination hereinafter in this Section 4 called the Termination Date) shall not take effect unless the Lessee shall have fully complied with the succeeding paragraphs of this Section 4. If the Lessee elects to terminate this Lease as to less than all the Units, the Units affected shall be the lowest 50 serial numbers of the Units for each multiple of 50 Units affected by such termination. For the purposes of this Section 4, interest rates or similar finance charges payable by the Lessee in connection with the acquisition of similar equipment under conditional sale contracts, leases or other arrangements for deferred payment of the purchase price thereof, shall be disregarded in the determination of obsolescence or surplusage.

During the period from the giving of such notice to the Termination Date, the Lessee, as agent for the Lessor, shall use its best efforts to obtain bids for the purchase of all the Units on an "as is, where is" basis, and the Lessee shall certify to the Lessor in writing the amount of each bid received and the name and address of the person (who shall not be the Lessee or any person, firm or corporation which is an affiliate of the Lessee) submitting such bid. An "affiliate" of the Lessee shall mean any person which possesses, directly or indirectly, the right to vote at least 20% of the voting securities of the Lessee, or any person which, directly or indirectly, controls or is controlled by or is under common control with the Lessee, and "control" (including "controlled by" and "under common control with"), as used with respect to any person, shall mean the possession, directly or indirectly, of the power to direct or control the direction of the management and policies of such person, whether through the ownership of voting securities, by contract or otherwise. On the Termination Date, the Lessor shall, without recourse or warranty, sell all the Units for cash to whomsoever shall have submitted the highest bid therefor prior to the Termination Date, and thereupon the Lessee shall cause to be delivered the Units to the Lessor in accordance with the terms of Section 16. If the sale of all the Units shall not occur on the Termination Date, the Lessee shall not cause such delivery of any of the Units to the Lessor and this Lease shall continue in full force and effect as to all of the Units. The Lessor shall be under no duty to (but may) solicit bids, to inquire into the efforts of the Lessee to obtain bids or otherwise to take any action in connection with any such sale other than as expressly provided in this Section 4.

The total sale price realized at any such sale of the Units shall be retained by the Lessor and, in addition, the Lessee shall pay to the Lessor the excess, if any, of (i) the Termination and Loss Value of the Units computed as of the Termination Date over (ii) the proceeds of such sale less all expenses including reasonable counsels' fees incurred by the Lessor in connection with such sale or with the collection or distribution of such payment. The Lessee shall also be obligated to pay to the Lessor any and all Rent and other sums due hereunder with respect to the Units accrued up to and including the Termination Date. In the event of compliance by the Lessee with all the provisions of this Section 4, the obligations of the Lessee to pay rental hereunder on all rental payment dates commencing after the Termination Date shall terminate.

Section 5. Net Lease; Non-Terminability. This Lease is a net lease, and it is intended, understood, acknowledged and agreed that Lessee will pay all costs, charges, fees, assessments, expenses and taxes (other than taxes solely based on or measured by the net income of, or based on items of tax preference of, any Indemnitee (as defined in Section 8)) of every character, whether foreseen or unforeseen, ordinary or extraordinary, in connection with the manufacture, construction, installation, delivery, ownership, lease, transportation, use, operation, maintenance, repair, service, insurance, replacement, restoration, renewal, improvement and return of the Units.

The Rent which Lessee is or shall be obligated to pay shall be paid without notice or demand, and shall not be affected by any circumstances (except payment), including, without limitation, (i) any set-off, counterclaim, recoupment, abatement, suspension, deduction or defense or other right, power, privilege, remedy or immunity which Lessee may have against or in respect of Lessor, the Loan Trustee, any Participant, the Manufacturer or anyone else for any reason whatsoever, (ii) any defect in the title, merchantability, compliance with specifications, condition, design, operation or fitness for use of, or any damage to or loss of possession or use or destruction of, any or all of the Units or any portion thereof, from whatsoever cause, including, without limitation, confiscation, requisition or other taking by any governmental authority, any person acting under governmental authority, any Liens with respect to any of the Units or otherwise, (iii) any failure to commence, or interruption or cessation in, the use, possession or operation by Lessee of any or all of the Units or any portion thereof by reason of the action of any public or private person, whether by eviction by paramount title or for any other reason whatsoever, (iv) any bankruptcy, insolvency, reorganization, arrangement, composition, readjustment, liquidation, dissolution or other proceeding by or against Lessee or the Letter of Credit Bank or affecting any of their respective property, (v) the prohibition of or other restriction against the Lessee's use of all or any of the Units, the interference with such use by any person or the invalidity, illegality or unenforceability of any of the Operative Documents or any Notes, or any other infirmity hereunder or thereunder, or any lack of power or authority of Lessor or any other person to enter into, or perform in accordance with the terms of, any of the Operative Documents or any Notes, or (vi) any other circumstances or happenings

whatsoever, whether or not similar to any of the foregoing, it being the intention, understanding and agreement of the parties hereto, and the basis of the bargain, that the obligations of Lessee hereunder shall be absolute and unconditional, shall be separate and independent covenants and agreements and shall continue unaffected unless and until the requirement to pay or perform the same shall have been terminated pursuant to an express provision of this Lease. Lessee hereby waives, to the extent permitted by applicable law, any and all rights, powers, privileges, remedies or immunities against or in respect of Lessor which it may now have or which at any time thereafter may be conferred upon it, by statute or otherwise, to terminate, cancel, quit or surrender this Lease or any part or to the abatement, suspension, deferment, diminution or reduction of Rent except in accordance with the express terms hereof. Each Rent payment made by Lessee shall be final, and Lessee does not and shall not have any right or power, and will not seek, to recover all or any part of such payment for any reason whatsoever.

Lessee agrees that, if any proceeding shall be brought for the foreclosure of the Indenture and if the Trust Indenture Estate shall be sold pursuant to such foreclosure of the Indenture, so long as the purchaser under such foreclosure proceeding assumes the obligations of Lessor, Lessee will, in the event that this Lease shall not, prior to such sale, have been terminated or have expired in accordance with its terms, attorn to the purchaser upon any such sale at foreclosure or otherwise, including the Loan Trustee if it should be the purchaser of the Trust Indenture Estate, and will recognize such purchaser as Lessor under this Lease, and this Lease shall continue in full force and effect as a direct lease between Lessee and such purchaser upon and subject to all the terms, covenants, conditions and agreements set forth in this Lease. Lessee agrees that it will execute and deliver, at any time and from time to time, upon the request of the Loan Trustee or any such purchaser, any agreement, instrument or other document which, in the judgment of the party making such request, may be necessary or appropriate in any such foreclosure proceeding, or otherwise, to evidence such attornment.

Lessee agrees that it will duly perform and observe all the covenants, agreements and obligations on its part to be performed and observed under the Participation Agreement and under each of the other Operative Documents to which it is a party.

Section 6. Inspection and Reports. (a) Condition and Operation. If (i) no Event of Default shall have occurred and be continuing, and (ii) this Lease shall not have been previously terminated with respect thereto, or have expired, Lessee shall have all rights of possession and use of and with respect to the Units, free and clear of acts of, claims against, or claims which secure obligations of, Lessor (or persons claiming through Lessor) or the Owner arising out of transactions other than those contemplated by the Operative Documents. Notwithstanding the foregoing, at all reasonable times Lessor, the Loan Trustee and each Participant, and their respective authorized representatives, may at their own expense inspect the Units and inspect and make copies of the books and records of Lessee relative thereto. Neither Lessor, the Loan Trustee nor any of the Participants shall have any duty to make any such inspection or inquiry, and shall not incur any liability or be deemed to assume any responsibility by reason of failing or refusing to make or complete any such inspection or inquiry.

Lessee will, at its own expense and to the extent not prohibited under applicable law or regulation, prepare and file in timely fashion, or, where Lessor shall be so required to file, prepare and deliver to Lessor within a reasonable time prior to the date for filing, any reports with respect to the condition, use or operation of any Unit or Units during any period included in the Term with respect thereto which are required to be filed with any governmental authority.

(b) Liens. Lessee will notify Lessor, the Loan Trustee and each Participant, within thirty days after Lessee shall have become aware of the same, as to (i) any Lien (except Liens expressly permitted under clause (i) and (ii) of Section 7) that shall have attached to any Unit, (ii) the full particulars thereof and (iii) the action, if any, taken or proposed to be taken by Lessee in respect thereof.

(c) Default Notice. Lessee agrees that it will, promptly upon any Responsible Officer's becoming aware of any event or condition which constitutes an Event of Default, or which, after notice or the passage of time, or both, would constitute an Event of Default, furnish Lessor, the Loan Trustee, the Letter of Credit Bank and each Participant with a written notice specifying such event or condition, the nature and status thereof and the action taken or proposed to be taken by Lessee in respect thereof.

For the purposes of this paragraph, a "Responsible Officer" shall mean, with respect to the subject matter of any covenant, agreement or obligation of Lessee in this Lease contained, any corporate officer or assistant officer of Lessee who, in the normal performance of his operational responsibilities, does or should have knowledge of such matter and the requirements of this Lease with respect thereto.

(d) Financial Information. Lessee agrees to deliver (or cause to be delivered) to the Owner, Lessor, the Loan Trustee, each Lender (so long as it or its nominee shall hold any Note) and each subsequent bank or institutional holder of any Note the following financial statements and information at the respective times specified below:

(i) Annual Statements. As soon as practicable after the end of each fiscal year of Lessee and in any event within 150 days thereafter (unless Lessee is required to deliver such statement to another lessor or lender in a shorter period of time, in which case such shorter period shall be applicable), a copy of the annual audit report for such year of Lessee, including therein, financial statements consisting of a balance sheet of Lessee as of the end of such fiscal year, and statements of income and changes in stockholder's equity for such fiscal year in each case certified by independent public accountants of recognized standing selected by Lessee;

(ii) Additional Statements. As soon as practicable within 90 days after the close of the first six months of Lessee's fiscal year (unless Lessee is required to deliver such statement to another lessor or lender in a shorter period of time, in which case such shorter period shall be applicable), and as soon as available and in any event within 60 days after the close of each of the first three quarters of Lessee's fiscal years (unless Lessee is required to deliver such abatement to another lessor or lender in a shorter period of time, in which case such shorter period shall be applicable), a balance sheet of the Lessee, as of the end of such six month period or quarter, as the case may be, and a detailed comparative earnings statement for such six month period or quarter and for the period commencing at the end of the previous fiscal year and ending with the end of such six month period or quarter;

(iii) Certificate of Lessee. With each set of financial statements delivered pursuant to subparagraphs (i) and (ii) above, an Officer's Certificate of Lessee certifying that the signer has reviewed the relevant terms of the Operative Documents, and has made, or caused to be made under his supervision, a review of the transactions and condition of Lessee from the beginning of the accounting period covered by the statements of income being delivered therewith to the date of the certificate, and that such review has not disclosed the existence during such period of any Event of Default (or any event or condition which, after notice or the passage of time or both, would constitute such an Event of Default) or, if any such Event of Default (or other such event or condition) existed or exists, specifying the nature and period of existence thereof and the action taken or proposed to be taken with respect thereto; and

(iv) Requested Information. With reasonable promptness, such other data and information as from time to time may be reasonably requested by any bank or institutional holder of an outstanding Note, any Lender, the Owner, Lessor or the Loan Trustee.

Section 7. Liens. Lessee will not, directly or indirectly, create, incur, assume or suffer to exist any Lien on or with respect to any Unit, any part thereof, the title thereto or any interest therein, except (i) the respective rights of Lessee, Lessor, the Loan Trustee, and each Participant as provided in the Operative Documents, (ii) Liens which shall result from acts of or claims against, or which secure obligations of, Lessor (or persons claiming through Lessor), (iii) Liens permitted under the provisions of paragraph (c) of Section 9 or paragraph (c) of Section 10, (iv) Liens for taxes either not yet due or being contested in accordance with the provisions of Section 16 so long as such contests shall not interfere with the payment or receipt and retention of Rent, (v) materialmen's, mechanics', workmen's, repairmen's, employees' or other like Liens arising in the ordinary course of business, which shall not be delinquent, or which shall have been bonded, or the enforcement of which shall have been suspended (but then only for the duration of such suspension) and (vi) Liens arising out of judgments or awards against Lessee which shall have been bonded or which Lessee shall be contesting in accordance with the provisions of Section 16. Lessee will promptly, at its own expense, take such action as may be necessary duly to discharge any

such Lien not excepted above if the same shall arise at any time.

Section 8. General Indemnity for Taxes. All payments to be made by Lessee hereunder will be free of expense to Lessor, in both its individual and fiduciary capacities, the Loan Trustee, the Letter of Credit Bank and each Participant and their respective successors and assigns (the "Indemnitees") for collection or other charges and will be free of expense to the Indemnitees with respect to any Impositions as hereinafter defined, and Lessee hereby assumes responsibility for, and agrees to pay, hold harmless and indemnify the Indemnitees against, responsibility for, and agrees to pay, hold harmless and indemnify the Indemnitees against, all such Impositions and collection or other charges. As used in this Section 8, "Impositions" shall mean the amount of any local, state, Federal or foreign taxes, fees, withholdings, levies, imposts, duties, assessments, charges, license and registration fees and other governmental charges of any nature whatsoever, either domestic or foreign, including without limitation penalties, fines, additions to tax and interest thereon, however imposed, imposed on, incurred by or asserted against any Indemnitee or the Units on account of, or with respect to (i) this Lease, the Participation Agreement or any other Operative Document or any of the transactions contemplated hereby or thereby or (ii) the manufacture, purchase, acquisition, acceptance or rejection of the Units or any part or portion thereof, or (iii) the ownership, delivery, nondelivery, leasing, re-leasing, sub-leasing, possession, use, operation, maintenance, repair, condition, sale, return, abandonment, disservicing, rebuilding or other application or disposition of the Units or any indebtedness with respect thereto or the rentals, receipts, earnings or gains arising therefrom, or (iv) any payment required to be made to Lenders under the Indenture, or (v) any Rent payment or other payment required to be made to Lessor or the Owner; provided, however, that the Impositions shall not include as to each respective Indemnitee (i) any taxes imposed on or measured by any trustee fees or compensation received by Lessor, (ii) Federal, state or local income taxes on, based on or measured by net income, Capital or net worth or which is in the nature of a franchise tax for the privilege of doing business or which is, or is in the nature of, a capital gains tax, accumulated earnings tax, personal holding company tax, succession or estate tax, or excess profits tax, or based on items of tax preference of, Lessor (in its individual capacity) or any Participant

(provided that the exclusion of state and local taxes in the case of the Owner and the Lessor shall be limited to those imposed by the State of Texas or local entities within the State of Texas), (iii) any value-added tax enacted by the United States to the extent imposed in lieu of taxes with respect to income (iv) Impositions which are by their terms enacted or adopted as a direct substitute for other Impositions which are now or hereinafter in effect, which otherwise would have been imposed on any Indemnitee and which are not Impositions indemnified against under this Section 8, (v) Impositions which are imposed on any Indemnitee to the extent that such Impositions result from the gross negligence or willful misconduct of such Indemnitee that are not attributable to the Lessee, (vi) Impositions which are imposed as a result of a voluntary transfer or other voluntary disposition by the Owner, or (vii) Impositions which are imposed with respect to any period after the termination or expiration of the Term of the Lease, and delivery of the Units to the Lessor as provided in the Lease, provided, further, that nothing stated herein shall prevent Lessee from entering into a separate indemnity agreement pertaining to taxes with the Owner. Lessee shall pay all Impositions for which it assumes liability hereunder when such Impositions are due and will indemnify each Indemnitee to the extent required by this Section 8 within fifteen Business Days after receipt of a request by such Indemnitee for indemnification specifying the amount to be paid, the basis on which such amount was determined and the nature of the Impositions in question.

In the event any returns, statements or reports with respect to Impositions are required to be made, Lessee will make such returns, statements or reports in such manner as to show the interest of Lessor in the Units.

Lessee shall, whenever reasonably requested by Lessor, submit to Lessor copies of returns, statements, reports, billings and remittances, or furnish other evidence satisfactory to Lessor, of Lessee's performance of its duties under this Section 8. Lessee shall also furnish promptly upon request such data as Lessor reasonably may require to permit Lessor's compliance with the requirements of any taxing jurisdiction.

Lessee agrees to pay all amounts due under this Section 8 free of any Impositions and to indemnify each Indemnitee against any Impositions by reason of any payment made by

Lessee so that the Indemnitee to whom or for whose benefit the payment is made shall receive an amount which, net of any Impositions or other charges required to be paid by such Indemnitee in respect thereof, shall be equal to the amount of payment otherwise required hereunder. Without limiting the foregoing, the amount which Lessee shall be required to pay with respect to any Impositions subject to indemnification under this Section 8 shall be an amount sufficient, after considering the tax effects of the Impositions in question and the receipt of indemnification payments hereunder, to provide the Indemnitee with the same anticipated after-tax return on equity and periodic recovery of net cash flow and timing of recognition of income as such Indemnitee would have realized had such Impositions not been incurred or imposed. In the event the Lessee shall pay or indemnify the Lessor for any Impositions imposed on the Lessor or the Trust Estate and such Impositions reduce or are available as a credit against Impositions imposed on, or which would have been imposed on, the Owner (assuming that all other Impositions for the same or a prior period which qualify for such reduction or credit are first allowed) and which are not Impositions indemnified against under this Section 8, then the Owner shall pay to the Lessee (y) the amount of such reduction or credit promptly after the same is realized by the Owner and (z) the amount of any savings in tax realized by the Owner as a result of the payment of the amounts in clause (y) and this clause (z).

In the event that, during the Term, any Imposition accrues or becomes payable or is levied or assessed (or is attributable to any period of time during the Term) which Lessee is or will be obliged to pay or reimburse pursuant to this Section 8, such liability shall continue, notwithstanding the expiration or earlier termination of this Lease, until all such Impositions are paid or reimbursed by Lessee.

If any proceeding (including the written claim or written threat of such proceeding) is commenced against any Indemnitee for any Imposition, such Indemnitee shall promptly notify the Lessee. If reasonably requested by the Lessee in writing, such Indemnitee shall upon receipt of satisfactory assurances and at the expense of the Lessee (including, without limitation, all costs, expenses, losses, legal and accountants' fees and disbursements, penalties and interest) either:

- (i) in good faith contest (after consultation with the Lessee), in the name of the Lessee or such Indemnitee, the validity, applicability or amount of such Imposition by (A) resisting payment thereof if

such Indemnity in its full discretion shall determine such course of action to be appropriate, (B) not paying the same except under protest, if protest is necessary and proper, and (C) if payment be made, use reasonable efforts to obtain a refund thereof in appropriate administrative and judicial proceedings, or

(ii) if such contest may be undertaken by the Lessee in its own name or on behalf of such Indemnitee, permit the Lessee to contest the validity, applicability or amount of such Imposition;

provided that no such contest shall be permitted if it will result in the sale, forfeiture or loss of any Unit or any part thereof or interest therein, or in the creation of a lien thereon which is not fully bonded.

If any Indemnitee shall obtain a refund of all or any part of any Imposition paid by the Lessee or Impositions which are imposed by any foreign government or any taxing authority or governmental subdivision of a foreign country are allowed and utilized by such Indemnitee as a credit against income taxes imposed by the United States of America for the current or any prior period (taking into account any applicable limitation on the aggregate amount of such credit), such Indemnitee shall pay the Lessee the amount of such refund or such credit, as the case may be, plus the amount of any reduction in Impositions as a result of such refund payment or credit; as the case may be, plus the amount of any reduction in Impositions as a result of such refund payment or credit; provided that such amount shall not be payable before such time as the Lessee shall have made all payments then due under this Section 8. If in addition to such refund, such Indemnitee shall receive an amount representing interest on the amount of such refund, the Lessee shall be paid that proportion of such interest which is fairly attributable to such Imposition paid by the Lessee prior to the receipt of such refund.

All amounts payable by Lessee pursuant to this Section 8 shall be paid directly to the Indemnitee which such payment is intended to benefit, except for amounts payable to any government or taxing authority.

Section 9. Maintenance, Marking, Possession, Sublease, Location and Use and Return of Units. (a) Maintenance and Operation. Lessee at its own expense will maintain, service and repair the Units (or cause the same to be maintained, serviced and repaired) to the same extent as Lessee would in

the prudent management of its properties, maintain, service and repair comparable equipment (if owned by Lessee) and, in any event, to the extent necessary to maintain the Units in as good repair, working order and operating condition as when delivered, ordinary wear and tear excepted, eligible for railroad interchange in accordance with the rules of the Association of American Railroads, and in compliance with any applicable requirements of law or of any governmental authority having jurisdiction (regardless of the person upon whom such requirements shall, by their terms, be nominally imposed). Lessee will not permit the Units to be used or operated in violation of any law, or of any rule, regulation or order of any governmental authority having jurisdiction, unless Lessee shall be contesting the validity thereof in good faith and by appropriate proceedings, but only so long as such proceedings shall not involve any danger of the sale, forfeiture or loss of any Unit or interest therein, and shall not result in, or involve any substantial possibility of resulting in, the creation of any Lien on or with respect to any Unit or interest therein, which is not permitted under the provisions of Section 7. Lessee will comply with all applicable maintenance, service, repair and overhaul manuals and service bulletins published by or on behalf of the Manufacturer or cause the same to be complied with. Lessee will maintain or cause to be maintained all records, logs and other materials required by any governmental authority having jurisdiction to be maintained in respect of the Units, regardless of whether such requirements shall, by their terms, be nominally imposed on Lessor, the Loan Trustee or any Participant or their respective successors and assigns.

Lessee, at its own expense, will procure and pay for all permits, franchises, inspections and licenses necessary or appropriate in connection with the Units, the use or operation thereof or any repair, restoration, replacement, renewal, addition or improvement with respect thereto.

Lessor shall not be required to maintain, service or repair, or to make any repair, restoration, replacement, renewal, addition or improvement of any nature or description with respect to, the Units, or, except to the extent specifically provided herein, to incur any cost or expense in connection with this Lease. Lessee expressly waives any right, power, privilege or remedy, now or hereafter conferred by statute or otherwise, to make any repairs, restorations, replacements, renewals, additions or improvements with respect to the Units at the expense of Lessor.

(b) Marking. Lessee will cause each Unit to be, and to continue to be, marked with the identifying number re-

lated to such Unit set forth in Schedule A hereto, and will cause each Unit to be, and to continue to be, marked with the following words, in plain, distinct and conspicuous lettering appearing in a prominent place upon each side of each Unit, in letters not less than one inch in height "Leased from a Bank or Trust Company, as Trustee. Subject to Documents on File with the I.C.C." with appropriate changes thereof as from time to time may be required by law, or as the Lessor and the Participants reasonably request, in order to protect Lessor's title to and the Loan Trustee's security interest in such Unit and the rights of Lessor under this Lease and the rights of the Loan Trustee under the Indenture. Lessee will promptly replace any such identifying number or any letters of any such words which may be removed, defaced or destroyed. The Units may be lettered with the names or initials or other insignia customarily used by Lessee or its affiliates; provided, however, that Lessee will not allow the name of any person other than Lessor and the Loan Trustee to be placed on any Unit as a designation that might reasonably be interpreted as a claim of ownership thereof. 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 Lessor and duly filed and deposited by Lessee in all public offices where this Lease or the Indenture shall have been filed and deposited and (ii) Lessee shall have furnished Lessor, the Loan Trustee and each Participant with an opinion of counsel (who may be an employee of the Lessee, provided, however, that if the opinion of counsel is rendered by an employee of the Lessee, no change in the road number of any Unit shall be made without the prior approval of all the Lenders and Lessor) to the effect that such statement has been so filed and deposited, that such filing and deposit will protect Lessor's and the Loan Trustee's respective rights in such Units and that no other filing, deposit or giving of notice with or to any Federal, state, provincial or local government or agency thereof is necessary to protect the rights of Lessor and the Loan Trustee in such Units.

(c) Possession; Sublease; Security Interests. Lessee will not assign, encumber, transfer or otherwise dispose of, or sublease, any of its interests under this Lease or relinquish possession of any Unit, except that (x) Lessee may take any action permitted by Section 20, (y) unless an Event of Default (or other event or condition which, after notice or the passage of time, or both, would constitute an Event of Default) shall have occurred and be continuing, Lessee may deliver or relinquish possession of any Unit, or part thereof, to any responsible person in the United States (or, if damaged outside of the United States, in the jurisdiction

where damaged) for the purposes of warranty performance, replacement or repair (provided, that the rights of any person who shall receive possession of any such Unit or part shall be subject to all the terms of this Lease), and (z) unless an Event of Default shall have occurred and be continuing, Lessee may, subject to the provisions of Section 9(d), enter into any sublease of a Unit or Units, provided, however, that the Lessee shall remain primarily liable to the Lessor hereunder and that the sublessee under any sublease shall expressly agree that its rights are subordinate to the rights of the Lessor hereunder.

(d) Location and Use. Lessee will not permit more than 20% of the Units to be located at any one time in jurisdictions in which the right, title and interest of Lessor and the security interest of the Loan Trustee are not perfected. For the purposes of this paragraph (d) of Section 9, jurisdictions in which the right, title and Interest of Lessor in the Units and the security interest of the Loan Trustee are perfected shall be the United States and Canada or a province thereof if (x) all action as may be necessary or appropriate in order to protect and preserve the right, title and interest of Lessor in each Unit and to protect and preserve the security interest created by the Indenture as a valid, prior perfected security interest in such Unit has been taken and (y) Lessor, the Loan Trustee and each Participant shall have been furnished with an opinion of counsel admitted in such jurisdiction, which counsel and opinion shall be reasonably satisfactory to each Participant, stating that all such action has been taken and reciting such action. Notwithstanding the foregoing or the provisions of paragraph (c) of this Section 9, until January 4, 1988 no Unit shall be used "predominantly outside the United States" within the meaning of Section 48(a) of the Internal Revenue Code of 1954, as amended, nor shall Lessee sublease any Unit to any person in whose hands such Unit would not qualify as Section 38 property" within the meaning of such Code.

(e) Return of the Units. Upon the expiration of this Lease, Lessee will, at its own cost and expense, return and yield possession of each Unit to Lessor. At the time of its return, each Unit shall be free and clear of all Liens and rights of others (except Liens permitted by clause (ii) of Section 7), and shall be in the condition and repair required to be maintained during the Term under paragraph (a) of this Section 9. Lessee will, if so requested by Lessor, and at Lessee's own expense and risk, (i) appropriately prepare each Unit for shipment, or permit persons designated by Lessor to do so; (ii) provide free storage (at not more than three storage locations in the contiguous 48 states of the United States) for each Unit on Lessee's premises or premises contracted for by Lessee for a period not exceeding

30 days following notification to Lessor by Lessee that all the Units have been assembled and delivered for storage, and transport the same, at any time within such 30-day period, to any connecting carrier for shipment, all as directed by Lessor, the storage of such Units and the movement to the connecting carrier to be at the expense and risk of Lessee (including the insurance required by Section 12 hereof); and in the event that any Unit shall suffer an Event of Loss during such storage period Lessee shall pay Lessor the Termination and Loss Value thereof in the manner prescribed in Section 11 hereof. During any such storage period Lessee will permit Lessor or any person designated by it, including the authorized representatives of any prospective purchaser or lessee of such Unit, to inspect the same at the expense of Lessor.

Section 10. Replacement of Parts; Alterations, Modifications and Additions. (a) Replacement of Parts. Lessee, at its own expense, will promptly replace or cause to be replaced all parts, instruments, appurtenances, accessories, furnishings and other equipment of whatever nature (herein, for the purposes of this Section 10, collectively called "Parts") which, originally or from time to time, have been incorporated in or installed as part of any Unit and which may from time to time become worn out, lost, stolen, destroyed, seized, confiscated, damaged beyond repair or permanently rendered unfit for use for any reason whatsoever. In the ordinary course of maintenance, service, repair, overhaul or testing, Lessee may remove any Parts, provided that Lessee shall (and Lessee hereby agrees that it will) forthwith replace such Parts. Each replacement Part shall be free and clear of all Liens and rights of others (other than any Liens permitted by Section 7) and shall be in as good operating condition as, and shall have a value and utility at least equal to that of, the replaced Part (assuming that such replaced Part shall have been in the condition and repair required to be maintained by the terms hereof).

Each Part at any time removed from any Unit shall remain the property of (and title thereto shall remain in) Lessor, no matter where such Part shall be located at any particular time, until such time as such Part shall have been replaced by a Part incorporated in or installed as part of such Unit and meeting the requirements for a replacement Part specified in the preceding paragraph. At such time as any replacement Part shall become incorporated in or installed as part of such Unit as above provided, without further act or instrument, (i) title to such replacement Part shall thereupon vest in Lessor, (ii) such replacement

Part shall become subject to this Lease and be deemed part of such Unit for all purposes hereof to the same extent as the removed Part, and (iii) title to the removed Part shall thereupon vest in Lessee or such person as shall be designated by Lessee, free and clear of all rights of Lessor.

(b) Alterations Required by Law. Lessee, at its own expense, will make such alterations, modifications and additions of and to any Unit or Units (herein, for the purposes of this paragraph (b), collectively called "required alterations") as may be required from time to time to meet the requirements of law or of any governmental authority having jurisdiction (regardless of upon which person such requirements shall, by their terms, be nominally imposed). Title to all Parts consisting of required alterations shall, without further act or instrument, vest in Lessor.

(c) Additions Desired by Lessee. Lessee, at its own expense, may from time to time make such alterations, modifications and additions of and to any Unit or Units (herein, for the purposes of this paragraph (c), collectively called "voluntary additions") as Lessee may deem desirable in the proper conduct of its business; provided, however, that each such voluntary addition shall not (and Lessee hereby agrees that such voluntary addition will not) cause the value or utility of such Unit or Units to be less than the value or utility thereof immediately prior to such voluntary addition (assuming that such Unit or Units shall at that time have been in the condition required to be maintained by the terms of this Lease). Title to any voluntary addition shall vest in the Lessor except to the extent such voluntary addition shall be capable of being removed from such Unit or Units without causing the value or utility of such Unit or Units to be less than that of such Unit or Units immediately prior to such voluntary addition (assuming that such Unit or Units shall at that time have been in the condition required to be maintained by the terms of this Lease) and, in any event, without causing material damage to such unit or Units. Any addition, modification, change or improvement to any of the Units made by the Lessee under, or pursuant to, the terms of this Section 10 or otherwise shall satisfy the conditions and requirements for advance rulings set forth in Revenue Procedures 75-21 and 75-28 as modified by Revenue Procedure 79-48 (as the same may be from time to time amended, modified or altered) with respect to the cost of improvements, modifications or additions furnished by the Lessee.

Section 11. Loss, Destruction or Damage. (a) Replacement by Lessee. If an Event of Loss referred to in clause (y) of the definition of Event of Loss contained in Section

l of this Lease with respect to any Unit shall occur, Lessee will give Lessor written notice thereof, within 30 days of the Event of Loss, which notice may specify an irrevocable election by the Lessee to replace, within six months, the Unit or Units with another Unit or Units in as good operating condition as the Unit or Units replaced (assuming that such Unit or Units at the time immediately preceding the Event of Loss were in the condition required to be maintained by the terms of this Lease) and which have a Fair Market Value at least equal to that of the Unit or Units replaced at the time immediately preceding the Event of Loss.

(b) Payment of Termination and Loss Value. If an Event of Loss with respect to any Unit shall occur, Lessee will give Lessor written notice thereof within 30 days of the Event of Loss. If no election to replace is made pursuant to Section 11(a), Lessee will pay the appropriate Termination and Loss Value for such Unit (computed as of the date such payment shall be made) to Lessor on the Lease Payment Date that shall first occur at least 30 days after such Event of Loss (together with Basic Rent due on such date with respect to such Unit). Upon the making of such Rent and Termination and Loss Value payment by Lessee in respect of any Unit, the Basic Rent for such Unit shall cease to accrue, the term of this Lease as to such Unit shall terminate and Lessor shall be entitled to recover possession of such Unit. Lessor hereby appoints Lessee its agent to dispose of any Unit suffering an Event of Loss at the best price obtainable on an "as is, where is" basis and Lessee shall notify Lessor prior to any such sale; provided, however, that if it shall be necessary for Lessee immediately to dispose of any Unit which shall have been subject to an Event of Loss, Lessee may notify Lessor of any sale of such Unit to a scrap dealer promptly after such sale; provided, further, that if Lessee is not in default hereunder, Lessee may, by written notice delivered to Lessor concurrently with the notice of such an Event of Loss, elect to purchase the Unit or Units suffering such an Event of Loss at a purchase price equal to the greater of the Termination and Loss Value or the Fair Market Sales Value thereof, such price to be payable promptly after the determination of the amount thereof. Provided that no other Event of Default (or other event or condition which, after notice or the passage of time, or both, would become an Event of Default) shall have occurred and be continuing Lessee shall be entitled to the net proceeds of the sale of any Units having suffered an Event of Loss to the extent that such proceeds do not exceed the aggregate (and provided that the Termination and Loss Value has been paid) of (x) the Termination and Loss Value of such

Unit and (y) the portion of Interim Rent or Basic Rent, as the case may be, with respect to such Unit applicable to the period from the date of such Event of Loss to but not including the Lease Payment Date on which such Termination and Loss Value was paid.

(c) Application of Other Payments Upon an Event of Loss. Any payments received at any time by Lessor or by Lessee from any governmental authority or other person as a result of, or with respect to periods after, the occurrence of an Event of Loss with respect to any Unit shall be applied as follows:

(i) all such payments received at any time by Lessee shall be promptly paid to Lessor for application pursuant to the following provisions of this paragraph (b); and

(ii) so much of such payments as shall not exceed the Termination and Loss Value of such Unit and the portion of Interim Rent or Basic Rent, as the case may be, with respect to such Unit applicable to the period from the date of such Event of Loss to but not including the Lease Payment Date on which such Termination and Loss Value was, or is required to be, paid by Lessee pursuant to paragraph (a) of this Section 11 shall be applied in reduction of Lessee's obligation to pay such amount, if not already paid by Lessee, or, if already paid by Lessee, shall be applied to reimburse Lessee for its payment of such amount, unless an Event of Default (or other event or condition which, after notice or the passage of time, or both, would constitute an Event of Default) shall have occurred and be continuing (in which event, such payments shall be applied against Lessee's obligations under this Lease); and

(iii) the balance, if any, of such payments remaining thereafter shall be paid over to or retained by Lessee.

(d) Application of Certain Payments Not Relating to an Event of Loss. Any payments received at any time by Lessor or by Lessee from any person with respect to any loss or damage to any Unit or Units, or any part thereof or interest therein, not constituting an Event of Loss shall be applied as follows:

(i) in reimbursement to Lessee for repairs or for replacement of property in respect of which such pay-

ment shall have been received, unless an Event of Default (or other event or condition which, after notice or the passage of time, or both, would constitute an Event of Default) shall have occurred and be continuing (in which event, the amount which would have been used so to reimburse Lessee shall be applied against Lessee's obligations under this Lease); and

(ii) the balance, if any, of such payments remaining thereafter to be paid over to or retained by Lessee.

(e) Application of Payments Relating to Requisition of Use. In the event of the requisition (unless such requisition constitutes an Event of Loss in which case the provisions of paragraph (b) of this Section 11 shall apply) for use by the United States Government or by any other government or governmental entity (hereinafter collectively called the "Government") of any Unit during the Term, all of Lessee's obligations (including without limitation the obligation to pay Rent) under this Lease with respect to such Unit shall continue to the same extent as if such requisition had not occurred, except that if such Unit is returned by the Government at any time after the end of the Term, Lessee shall be obligated to return such Unit to Lessor pursuant to the terms hereof, promptly upon such return by the Government rather than at the end of the Term. All payments received by Lessor or Lessee from the Government for the use of such Unit during the Term of this Lease shall be paid over to, or retained by, Lessee, provided no Event of Default (or other event or condition which, after notice or the passage of time, or both, would constitute an Event of Default) shall have occurred and be continuing; and all payments received by Lessor or Lessee from the Government for the use of such Unit after the Term shall be paid over to, or retained by, Lessor.

Section 12. Insurance. (a) Insurance Against Loss or Damage to the Units. Lessee will, at its own cost, maintain or cause to be maintained in effect throughout the Term and during any storage period, with financially sound and reputable insurers, insurance policies insuring against loss or damage to the Units from such risk and in an amount not less than the aggregate Termination and Loss Value for the Units and subject to a deductible which is at all times satisfactory to the Loan Trustee. Any insurance policies carried in accordance with this paragraph (a) shall name (A) Lessor, as owner of the Units, and the Owner and (B) unless and until the Indenture shall have been terminated, the Loan Trustee, as an additional insured with respect to the Units. Such insurance policies shall be made payable to the Loan Trustee

under a standard mortgagee loss payable clause satisfactory to the Loan Trustee (unless and until the Indenture shall have been terminated, at which time such insurance shall be made payable to Lessor), and shall insure Lessor's, the Owner's and the Loan Trustee's interests regardless of any breach or violation by Lessee of any warranties, declarations or conditions contained in such policies.

(b) Insurance Against Public Liability and Property Damage. Lessee will, at its own cost, maintain or cause to be maintained in effect throughout the Term, with financially sound and reputable insurers, insurance policies with respect to the Units, insuring against loss or damage to the person and property of others from such risks and in such amounts as a prudent man engaged in the business of owning railroad rolling stock for use in transporting PVC resin would maintain or cause to be maintained with respect to similar properties. Any insurance policies maintained in accordance with this paragraph (b) shall name (A) Lessor, as owner of the Units, and the Owner and (B) unless and until the Indenture shall have been terminated, the Loan Trustee, as an additional insured thereunder with respect to the Units, and shall insure Lessor's (in its individual capacity and as trustee), the Owner's and the Loan Trustee's interests regardless of any breach of or violation by Lessee of any warranties, declarations or conditions contained in such policies.

(c) General. On or before the Closing Date, and thereafter not less than ten days prior to the expiration date of each expiring policy theretofore delivered pursuant to this Section 12, Lessee will deliver to Lessor, the Loan Trustee and each Participant duplicate originals of all renewals or new policies of insurance (or certificates thereof issued by the insurers thereunder or their duly authorized agents) demonstrating that Lessee is in compliance with the provisions of this Section 12.

Lessee will, and each policy or certificate of insurance required to be maintained or furnished by Lessee under this Section 12 shall provide that the insurer will, (i) promptly notify Lessor, the Letter of Credit Bank and the Loan Trustee in writing of any default in the payment of any premiums or any other act or omission on the part of Lessee of which it shall have knowledge which shall entitle the insurer to cancel the policy and (ii) notify Lessor, the Letter of Credit Bank, and the Loan Trustee in writing, at

least thirty days prior thereto, of the expiration or termination or any change in the coverage of any such insurance (each such policy or certificate to provide that no such termination, expiration or change will be effective until thirty days after such notice is given). In the event that Lessee shall fail to maintain insurance as herein provided, Lessor may, at its option, maintain such insurance, and, in such event, Lessee will reimburse Lessor upon demand for the cost thereof as Supplemental Rent.

Section 13. Indemnification and Expenses. (a) General Indemnity. Whether or not any of the transactions contemplated hereby shall be consummated, Lessee hereby assumes liability for, and agrees to indemnify, protect, save and keep harmless Lessor (in its individual and trust capacities), each Participant, the Loan Trustee, the Letter of Credit Bank, the Trust Estate and the Trust Indenture Estate, and their respective successors, assigns, agents and servants, and any of them (herein, for the purposes of this Section 13, individually called an "Indemnified Party"), from and against, any and all liabilities, obligations, losses, damages, penalties, claims, causes of action, suits, demands, judgments, costs, charges, fees, expenses and disbursements (including reasonable legal fees and expenses), of whatsoever kind and nature (herein, for the purposes of this Section 13 collectively called "Expenses"), imposed on, asserted against or incurred or suffered by any Indemnified Party in any way relating to or arising out of the Operative Documents, the purchase, acceptance, rejection, manufacture, ownership, leasing, operation, use, maintenance, modification, disservicing, rebuilding or return of or in respect of the Units, or any portion thereof or interest therein, including, without limitation, latent and other defects, whether or not discoverable by Lessor, the Owner, the Loan Trustee or Lessee, any claim for patent, trademark or copyright infringement, any claim arising under the strict liability doctrine in tort, any claim arising from (i) injury to persons or property growing out of or in connection with the ownership or use of the Units, or any portion thereof or interest therein, or resulting from the condition of any thereof, or (ii) violation or breach by Lessee of any representation, warranty, agreement or condition contained in the Operative Documents or of conditions, agreements, laws, regulations, requirements and rules affecting or relating to the Units, or any portion thereof or affecting any interest therein; provided, however, that Lessee shall not be required to indemnify any Indemnified Party against

(A) Expenses referred to in Section 8 of the Participation Agreement, (B) any Expenses incurred by any Indemnified Party attributable to (i) its willful misconduct, (ii) its gross negligence or (iii) its willful or grossly negligent failure to perform its obligations under the Operative Documents in accordance with their respective terms, (C) Expenses described in Section 8 (except to the extent that indemnification is provided for in said Section 8) and (D) except as otherwise specifically provided in this Lease, or unless an Event of Default shall have occurred and be continuing under this Lease, the Purchase Price of the Units and Expenses relating to or arising out of the disposition of any Unit by Lessor after possession of such Unit shall have been surrendered to Lessor at the end of the Term, except for Expenses otherwise fairly attributable to any failure by Lessee fully to perform and observe any of its covenants, agreements and obligations hereunder.

(b) Indemnity for Costs and Expenses in Connection with Lease and other Operative Documents. Without in any way limiting the provisions of Section 8, paragraph (a) of this Section 13 or Section 8 of the Participation Agreement, Lessee will (i) pay (or cause to be paid) the ongoing fees, expenses and disbursements of Lessor, in its individual capacity, as lessor under this Lease, as issuer of the Notes under the Indenture and as Owner Trustee under the Trust Agreement, with respect to the administration of this Lease and the Trust Estate, the ongoing fees, expenses and disbursements of the Letter of Credit Bank under the Letter of Credit and the ongoing fees, expenses and disbursements (including, without limitation, recording and filing fees) of the Loan Trustee as Loan Trustee under the Indenture; and (ii) pay (or cause to be paid) all the costs and expenses incurred by Lessor, the Loan Trustee, the Letter of Credit Bank and the Participants in connection with (x) the preparation of, and the entering into, giving or withholding of, any amendment, supplement, waiver or consent with respect to the Operative Documents (whether or not the same shall have become effective), (y) any Event of Loss and Event of Default (or other event or condition which, after notice or the passage of time, or both, would constitute an Event of Default) and (z) any costs associated with or arising out of the transfer or prepayment of the Notes (other than transfer taxes).

(c) Payments, Survival and Other Provisions. All amounts payable by Lessee pursuant to this Section 13 shall

be payable directly to the persons entitled to indemnification. Lessee shall be obligated under this Section 13 as primary obligor whether or not any Indemnified Party shall also be indemnified with respect to the same matter under any other agreement by any other person, and any Indemnified Party seeking to enforce the indemnification may proceed directly against Lessee under this Section 13 without first resorting to any such other rights of indemnification. If any action, suit or proceeding shall be brought against any Indemnified Party in connection with any claim indemnified against under paragraph (a) of this Section 13, Lessee may (and, upon such Indemnified Party's request, will), at Lessee's own expense, resist and defend such action, suit or proceeding, or cause the same to be resisted or defended by counsel selected by Lessee and approved by such Indemnified Party, and, in the event of any failure by Lessee to do so, Lessee will pay all costs and expenses (including, without limitation, legal fees and expenses) incurred by such Indemnified Party in connection with such action, suit or proceeding. In the event that Lessee shall be required to make any payment under this Section 13, the amount payable (which Lessee hereby agrees to pay) shall be an amount which, after deduction of all taxes required to be paid by the particular Indemnified Party in respect of the receipt thereof under the laws of the United States or of any political subdivision thereof (after giving credit for any savings in respect of any such taxes by reason of deductions, credits or allowances in respect of the payment of the expense indemnified against, and of any other such taxes), shall be equal to the amount of the expense indemnified against. Upon the payment in full of any indemnities under this Section 13 by Lessee, and provided that no Event of Default (or other event or condition which, after notice or the passage of time, or both, would constitute an Event of Default) shall have occurred and be continuing, Lessee shall be subrogated to any right of such Indemnified Party in respect of the matter against which indemnity shall have been given. Any payment received by any Indemnified Party from any person (except Lessee or the Letter of Credit Bank) as a result of any matter with respect to which such Indemnified Party is indemnified by Lessee under this Section 13 shall be paid over to Lessee to the extent necessary to reimburse Lessee for indemnification payments previously made.

The indemnities contained in this Section 13 shall survive the sale or transfer of any Note, the resignation or removal of any particular person as Trustee under the Trust

Agreement, or as Loan Trustee under the Indenture, and the termination or expiration of this Lease and the Indenture with respect to all events, facts, conditions or other circumstances occurring or existing prior to such sale, transfer, resignation, removal, termination or expiration, and, without limiting the generality of paragraph (f) of Section 22, said indemnities are made expressly for the benefit of, and shall be enforceable by, any Indemnified Party.

Section 14. Events of Default. Each of the following events or conditions shall constitute an Event of Default (whether or not any such event or condition shall be voluntary or involuntary, or come about or be effected by operation or law or pursuant to or in compliance with any judgment, decree or order of any court or any order, rule or regulation of any governmental authority):

(a) Lessee shall fail to make any payment of Basic Rent or Termination and Loss Value when due and such failure shall continue for 15 days; or

(b) Lessee shall fail to make any payment of Supplemental Rent (other than any payment of Termination and Loss Value) when due and such failure shall continue for 15 days; or

(c) Lessee shall fail to perform or observe any covenant, condition or agreement to be performed or observed by it under Sections 9(a) or 12(b) of this Lease and, in the case of Section 9(a) of this Lease, such failure shall continue unremedied for 30 days after written notice of such failure shall have been given to Lessee and the Letter of Credit Bank; or

(d) Lessee shall fail to perform or observe any other covenant, condition or agreement to be performed or observed by it hereunder, under the Participation Agreement or under any of the other Operative Documents (other than such failure by Lessee which shall have been cured by or on behalf of the Letter of Credit Bank), and such failure shall continue unremedied by such person for sixty days after written notice of such failure shall have been given to Lessee and the Letter of Credit Bank; or

(e) any representation or warranty made by Lessee herein, in the Participation Agreement or in any of the

other Operative Documents or in any instrument, certificate or other document furnished Lessor, the Loan Trustee or any Participant in connection herewith or therewith, or pursuant hereto or thereto, shall have been or shall be incorrect or misleading in any material respect when made; or

(f) Lessee shall commence a voluntary case under any chapter of the Federal Bankruptcy Code, or shall consent to the commencement of an involuntary case against Lessee under said Code; or

(g) Lessee shall institute proceedings for liquidation, rehabilitation, readjustment or composition (or for any related or similar purpose) under any law (other than the Federal Bankruptcy Code) relating to financially distressed debtors, their creditors or property, or shall consent to the institution of any such proceedings against Lessee; or

(h) Lessee shall be insolvent (within the meaning of any applicable law), or shall be unable, or shall admit in writing its inability, to pay its debts generally as they come due, or shall make an assignment for the benefit of creditors or enter into any arrangement for the adjustment or composition of debts or claims; or

(i) a court or other governmental authority or agency having jurisdiction in the premises shall enter a decree or order (i) for the appointment of a receiver, liquidator, assignee, trustee or sequestrator (or other similar official) of Lessee, or of any part of the property of Lessee, or for the winding-up or liquidation of the affairs of Lessee, and such decree or order shall remain in force undischarged and unstayed for a period of more than ninety days, or (ii) for the sequestration or attachment of any property of Lessee without its unconditional return to the possession of Lessee, or its unconditional release from such sequestration or attachment, within sixty days thereafter; or

(j) a court having jurisdiction in the premises shall enter an order for relief in an involuntary case commenced against Lessee under the Federal Bankruptcy Code, and such order shall remain in force undischarged and unstayed for a period of more than sixty days; or

(k) a court or other governmental authority or agency having jurisdiction in the premises shall enter a decree or

order approving or acknowledging as properly filed or commenced against Lessee a petition or proceedings for liquidation, rehabilitation, readjustment or composition (or for any related or similar purpose) under any law (other than the Federal Bankruptcy Code) relating to financially distressed debtors, their creditors or property, and any such decree or order shall remain in force undischarged and unstayed for a period of more than sixty days;

provided, however, the events or conditions described in clauses (d) through (k) above shall not constitute an Event of Default hereunder unless either (x) a Letter of Credit Default shall have occurred and be continuing or (y) the Letter of Credit Bank shall have given its written consent to such event or condition constituting an Event of Default hereunder and provided, further, that the events described in subsections (i), (j) and (k) above shall be Events of Default only if occurring in the United States, the Republic of China or a member of the European Economic Community.

Section 15. Remedies. Upon the occurrence of any Event of Default and at any time thereafter so long as the same shall be continuing, Lessor, at Lessor's option, may declare this Lease to be in default, and at any time after such declaration, so long as all outstanding Events of Default shall not have been cured, Lessor, at Lessor's option, may exercise one or more of the following rights, powers, privileges or remedies as Lessor in Lessor's sole discretion shall elect, to the extent not prohibited by, and subject to compliance with any mandatory requirements of, applicable law then in effect:

(a) demand that Lessee (and Lessee hereby agrees that, upon the demand of Lessor, Lessee will) return possession of the Units promptly to Lessor in the manner and condition required by, and otherwise in accordance with, the provisions of paragraphs (a) and (b) and the first two sentences of paragraph (e) of Section 9, as if possession of the Units were being returned at the end of the Term; demand that Lessee (and Lessee hereby agrees that, upon the demand of Lessor, Lessee will) provide free storage for the Units or any portion thereof designated by Lessor for such time as shall be necessary (but in any event not for a period in excess of 30 days), in the sole discretion of Lessor, appropriately to prepare the Units for shipment to such point or points on any railroad line in the United States or America as shall be designated by Lessor after Lessor shall have so declared

this Lease to be in default, and Lessee shall bear the entire expense and risk of such storage, such preparation and such shipment. Lessor, at Lessor's option, may (and Lessor is hereby granted, or Lessee will cause to be granted to Lessor, an express right to) take immediate possession of the Units and remove all or any portion of the Units by summary proceedings or otherwise, all without liability to Lessee (or to any person claiming by, through or under Lessee) for or by reason of such entry or taking of possession whether for the restoration of damage to property caused by such entry or taking of possession or otherwise (any and all such liability being waived, to the extent that Lessee may effectively do so);

(b) unless Lessor shall have exercised Lessor's rights under, and recovered the full amount of the damages provided for in, paragraph (d) of this Section 15, sell the Units or any portion thereof at public or private sale, as Lessor may determine, free and clear of any rights of Lessee and without any duty to account to Lessee with respect to such sale or for the proceeds thereof (except to the extent required by paragraph (e) of this Section 15 if Lessor shall elect to exercise the rights under said paragraph), in which event Lessee's obligation to pay Basic Rent hereunder for the period commencing after the date of receipt by Lessor of the proceeds of such sale shall terminate (except to the extent that Basic Rent is to be included in computations under paragraph (e) of this Section 15 if Lessor shall elect to exercise the rights under said paragraph);

(c) hold, keep idle or lease to others the Units or any portion thereof, as Lessor in Lessor's sole discretion may determine, free and clear of any rights of Lessee and without any duty to account to Lessee with respect to such action or inaction or for any proceeds with respect thereto, except the Lessee's obligation to pay Basic Rent for the period commencing after Lessee shall have been deprived of possession pursuant to this Section 15 shall be reduced by the net proceeds, if any, received by Lessor from leasing the Units, or any portion thereof, to any person other than Lessee for such period or any portion thereof;

(d) whether or not Lessor shall have exercised, or shall thereafter at any time exercise, any of the rights, powers or privileges under paragraph (a) or (c) of this Section 15, Lessor, by notice to Lessee specifying a payment date which shall be a Lease Payment Date not earlier than

ten days after the date of such notice, may demand that Lessee pay to Lessor (and Lessee hereby agrees that Lessee will pay to Lessor) on the payment date specified in such notice, as liquidated damages for loss of the benefit of the bargain, and not as a penalty (in lieu of the Basic Rent due for periods commencing after the Lease Payment Date specified in such notice), any unpaid Basic Rent and Supplemental Rent due for periods up to and including the Lease Payment Date specified in such notice, plus whichever of the following amounts Lessor, in its sole discretion, shall specify in such notice (together with interest on such amounts at the Default Rate from such Lease Payment Date to the date of actual payment): (i) an amount equal to the excess, if any, of the Termination and Loss Value of the Units, computed as of the payment date specified in such notice, over the Fair Market Rental Value of the Units for the remainder of the Term, after discounting such Fair Market Rental Value quarter-annually (effective on Lease Payment Dates) to present worth as of the payment date specified in such notice at the rate per annum of 8% or (ii) an amount equal to the excess, if any, of the Termination and Loss Value as of the payment date specified in such notice (calculated as aforesaid) over the Fair Market Sales Value of the Units as of the payment date specified in such notice;

(e) if Lessor shall have sold the Units pursuant to paragraph (b) of this Section 15, Lessor may, if Lessor shall so elect, demand that Lessee pay to Lessor (and Lessee hereby agrees that Lessee will pay to Lessor) as liquidated damages for loss of the benefit of the bargain, and not as a penalty (in lieu of the Basic Rent due for periods after the Lease Payment Date next succeeding the date of such sale), any unpaid Basic Rent and Supplemental Rent due for periods to and including the Lease Payment Date next succeeding the date of such sale, plus the amount by which the Termination and Loss Value of the Units computed as of the date of such sale (calculated in the manner referred to in paragraph (d) of this Section 15) shall exceed the amount of the net proceeds of such sale; and

(f) Lessor may exercise any other right, power, privilege or remedy which may be available to Lessor under applicable law or proceed by appropriate court action to enforce the terms hereof or to recover damages for the breach hereof or to rescind this Lease.

In addition, Lessee shall be liable, except as otherwise provided above, for any and all unpaid Rent due hereunder before or during the exercise of any of the foregoing

rights, powers, privileges or remedies and for all legal fees and other costs and expenses incurred by Lessor, the Loan Trustee or any Participant by reason of the occurrence of any Event of Default or the exercise of any of Lessor's rights, powers, privileges or remedies with respect thereto, including all costs and expenses incurred in connection with the surrender of the Units in accordance with Section 9 and this Section 15 or in placing the Units in the condition required hereby, together, in each case, with interest thereon at the Default Rate. For the purposes of paragraph (d) of this Section 15, the Fair Market Rental Value and the Fair Market Sales Value of the Units shall be determined by mutual written agreement of Lessor and Lessee or, upon request by Lessor at any time prior to such mutual agreement, by the Appraisal Procedure, the costs of which shall be borne by Lessee.

At any sale pursuant to this Section 15, any Participant, the Loan Trustee and the Letter of Credit Bank may bid for and purchase any or all of the Units.

No express or implied waiver by Lessor of any Event of Default shall in any way be, or be construed to be, a waiver of any other Event of Default. To the extent that it may effectively do so, Lessee hereby waives and releases any rights, powers, privileges, immunities or remedies now or hereafter conferred by statute or otherwise which may require Lessor to sell, lease or otherwise use the Units in mitigation of Lessor's damages as set forth in this Section 15, or which may otherwise limit or modify any of Lessor's rights, powers, privileges or remedies under this Section 15, or delay or hinder the exercise thereof by Lessor.

No right, power, privilege or remedy herein conferred upon or reserved to Lessor or otherwise referred to is intended to be exclusive of any other right, power, privilege or remedy, and every right, power, privilege and remedy shall be cumulative and concurrent and in addition to any other legal or equitable right, power, privilege and remedy conferred or reserved hereunder or now or hereafter existing in law or in equity, and the exercise or beginning of exercise by Lessor of any one or more of such rights, powers, privileges or remedies shall not preclude the simultaneous or later exercise by Lessor of any or all of such other rights, powers, privileges or remedies. The failure of Lessor to insist upon the strict performance of any provision, or to exercise any right, power, privilege or remedy contained or referred to in this Lease, shall not be construed

as a waiver or a relinquishment thereof for the future. Receipt by Lessor of any Rent payable hereunder with knowledge of the breach of any provision contained in this Lease shall not constitute a waiver of such breach (other than the instant failure to pay such Rent).

Lessor shall be entitled to injunctive relief in case of the violation, or attempted or threatened violation, of any provision of this Lease, and to a decree compelling observance or specific performance of each provision of this Lease, and to any other legal or equitable remedy.

Section 16. Permitted Contests. If no Event of Default (or other event or condition which, after notice or the passage of time, or both, would constitute an Event of Default) shall have occurred and be continuing, Lessee need not pay, discharge or remove any tax, charge, levy, assessment or Lien or any other imposition on or against the Units or any portion thereof or interest therein, so long as Lessee shall be contesting the existence, amount or validity thereof in good faith by appropriate legal or administrative proceedings timely instituted and diligently prosecuted which shall operate to prevent the collection or satisfaction of the tax, charge, levy, assessment, Lien or other imposition so contested, and the sale or forfeiture of any Unit or Units, or any part thereof or interest therein, to satisfy the same or otherwise resulting from such noncompliance, and which shall not, in the judgment of Lessor and the Loan Trustee, materially affect the interests or rights, powers, privileges, remedies or immunities of Lessor, the Loan Trustee or the Participants; provided, however, that Lessee shall have given such security as may be required in said proceedings; and provided, further, that neither Lessor, the Loan Trustee nor any Participant would be in any danger of criminal liability, or other liability or obligation for which no indemnification is provided hereunder, by reason of such nonpayment or noncompliance. Lessor will, at the request and expense of Lessee, cooperate fully with Lessee in any such proceedings. Without limiting the generality of Section 13 hereof, Lessee hereby assumes liability for, and agrees to hold Lessor, the Loan Trustee and each Participant harmless against, any costs and expenses that it or they may incur related to any such contest, and Lessee hereby agrees to pay promptly any final judgment enforcing any such tax, charge, levy, assessment, Lien or imposition and cause the satisfaction of record of the same.

Section 17. Further Assurances. Lessee will, at its own expense, promptly and duly execute and deliver, or cause

to be promptly and duly executed and delivered, to Lessor, the Loan Trustee and each Participant such agreements, instruments and other documents (including, without limitation, any assurances and any conveyances, assignments, bills of sale, financing statements and continuation statements as may be necessary or advisable), and will take such further action, at Lessee's own expense, as may be necessary or as Lessor, the Loan Trustee or any Participant may from time to time reasonably request, in order to carry out more effectively the intent and purpose of this Lease, to establish, maintain, protect and preserve the rights, powers, privileges, remedies and immunities reserved or created, or intended to be reserved or created, by or in favor of Lessor, hereunder, to establish, maintain, protect and preserve Lessor's title to the Units and to create, protect and preserve, for the benefit of the holders of the Notes, a valid prior perfected security interest in the Trust Indenture Estate, which action shall include, without limitation, if requested by Lessor, the Loan Trustee or any Participant, at Lessee's own expense, the recording or filing of counterparts hereof, or of such other agreements, instruments and documents with respect hereto (including financing statements and continuation statements) in accordance with the laws of such jurisdictions, as Lessor, the Loan Trustee or any Participant may from time to time reasonably request. Lessee will maintain appropriate records clearly identifying and specifying the location of each Unit, and Lessee will permit Lessor, the Loan Trustee and each Participant, by its agents, accountants, independent contractors, experts and attorneys, to examine such records, take extracts therefrom and discuss the same with Lessee's officers and agents at reasonable times during business hours and as often as may reasonably be requested.

Section 18. Notices. All notices required or permitted under the terms and provisions hereof shall be in writing, and any such notice shall, except to the extent otherwise provided in Section 21, be deemed to have been duly given when delivered personally, or when deposited in the United States mail, with proper postage for certified mail (return receipt requested), prepaid, addressed, (i) if to Lessee, at Point Comfort, Texas, cc: 66 Hanover Road, Florham Park, New Jersey 07932, attention: Secretary, or at such other address as Lessee shall from time to time designate in writing to Lessor and the Loan Trustee, (ii) if to Lessor, at One Constitution Plaza, Hartford, Connecticut 06115, Attention: Corporate Trust Department, or at such other address as Lessor shall from time to time designate in writing to Lessee and the Loan Trustee, and (iii) if to the Loan Trustee, to it at its Principal Corporate Trust Office,

or at such other address as the Loan Trustee shall from time to time designate in writing to Lessor and Lessee.

Section 19. Lease Expiry Options. (a) Purchase Option. Unless an Event of Default (or other condition which, after notice or the passage of time, or both, would constitute an Event of Default) shall have occurred and be continuing, Lessee may, upon the expiry of the Base Term, purchase all or any 50 or multiples of 50 of the Units for an amount equal to the aggregate of the Fair Market Sales Value of all Units provided, however, that if the Lessee elects to purchase less than all of the Units, the Units purchased shall be the lowest 50 serial numbers of the Units for each multiple of 50 Units purchased. The Lessee shall give to the Lessor written notice of such an election to purchase at least 180 days prior to the expiry of the Base Term. If on or before 180 days prior to the expiry of the Base Term, the Lessor and the Lessee are unable to agree upon a determination of the Fair Market Sales Value of each Unit, such value shall be determined in accordance with the Appraisal Procedure. Upon payment of the purchase price of the Units, the Lessor shall, upon request of the Lessee, execute and deliver to the Lessee, or to the Lessee's assignee or nominee, a deed and bill of sale for the Units, transferring such Units to the Lessee (subject to the Lessee obtaining the requisite governmental approvals) on an "as-is, whereis" basis, without representation or warranty. The Lessor shall cooperate with the Lessee in obtaining any governmental authorizations or consents which may be required in order to effectuate such transfer.

(b) Renewal Option. Provided that no Event of Default shall have occurred and be continuing, Lessee shall have the following renewal option: Lessee shall have the option to renew and extend this Lease as to all or any 50 or multiples of 50 of the Units then leased hereunder for a renewal term of three years ("Renewal Term") upon and subject to the terms and conditions herein contained for the Base Term of this Lease; provided, however, that if the Lessee elects to renew and extend this Lease as to less than all of the Units, the Units subject to such renewal shall be the lowest 50 serial numbers of the Units for each multiple of 50 Units subject to such renewal; and provided, further, that the Basic Rent payable for and during such Renewal Term shall be an amount equal to the Fair Market Rental Value of such Units as of the beginning of such Renewal Term. The Renewal Term shall commence immediately upon the expiry of the Base Term. Lessee shall give Lessor written notice of any such election at least 180 days prior to the expiry of the Base Term.

(c) Delivery of Equipment. Unless Lessee has elected to purchase the Units then leased hereunder or to renew this Lease in respect of such Units as provided in this Section 19, all of such Units shall be returned to Lessor at the end of the original term, or the Renewal Term, as the case may be, in accordance with Section 9 hereof.

Section 20. Assignment; Modification; Acceptance of Surrender. (a) Assignment. Lessee will not assign any of its rights or obligations hereunder, except that Lessee may assign its rights hereunder, or transfer such rights by operation of law, to any corporation organized under the laws of the United States of America, or any state thereof, with which or into which Lessee shall merge or consolidate or to which Lessee shall transfer all or substantially all its assets if the following conditions precedent shall have been fulfilled: (i) Lessee shall have delivered to Lessor, the Loan Trustee and each Participant an instrument satisfactory in form and substance to Lessor, the Loan Trustee and each Participant in which such assignee assumes this Lease and agrees to be liable for the due payment of Rent and for the due performance and observance of all the terms, covenants, conditions and agreements contained herein and in each of the other Operative Documents on Lessee's part to be performed and observed, (ii) the Letter of Credit Bank shall have delivered a written confirmation that the Letter of Credit will remain in full force and effect and legally binding in accordance with its terms, notwithstanding such assignment or transfer, (iii) no Event of Default (or other event or condition which, after notice or the passage of time, or both, would constitute an Event of Default) shall have occurred and be continuing as of the date of such assignment or transfer, and no Event of Default (or other such event or condition) will result from such assignment or transfer, and Lessee shall have delivered to Lessor, the Loan Trustee and each Participant an Officer's Certificate to such effects, and (iv) Lessee shall have caused to be delivered to Lessor, the Loan Trustee and each Participant an opinion of counsel addressed, and satisfactory in form and substance, to Lessor, the Loan Trustee and each Participant as to the validity, binding effect and enforceability of the instruments and documents specified in clauses (i) and (ii) above. No such assignment or transfer shall have the effect of releasing Formosa Plastics Corporation, Texas or any successor corporation which shall theretofore have become such in the manner prescribed in this paragraph (a) of Section 20, from its obligations hereunder or under the other Operative Documents.

(b) Modification. Unless and until Lessee shall have received written notice from the Loan Trustee that the security interest created by the Indenture in the Trust Indenture Estate shall have been released, no amendment or modification of, supplement to or waiver by or consent of Lessor in respect of any of the provisions of this Lease shall be effective unless and until the Loan Trustee shall have joined in such amendment, supplement, modification, waiver or consent, or shall have given its prior written consent thereto. In addition, no amendment or modification of, supplement to or waiver by or consent of Lessor in respect of any of the provisions of this Lease shall be effective without the prior written consent thereto of the Letter of Credit Bank.

(c) Acceptance of Surrender. Except for a surrender at the end of the Term pursuant to paragraph (e) of Section 9, no surrender to Lessor of this Lease or of the Units or any portion thereof or interest therein shall be valid or effective unless and until agreed to and accepted in writing by a duly authorized officer of Lessor and of the Loan Trustee, and no act by any other representative or agent of Lessor or the Loan Trustee, or other act by Lessor or the Loan Trustee, shall constitute an acceptance of any such surrender.

Section 21. Indenture as Security for Notes. In order to secure the indebtedness evidenced by the Notes, the Indenture provides, among other things, for the assignment by Lessor to the Loan Trustee of certain of the rights of Lessor in this Lease and Lessor's interest in and to the Units and for the creation of a prior perfected security interest in the Trust Indenture Estate in favor of the Loan Trustee for the benefit of the holders from time to time of the Notes. Lessee hereby acknowledges notice of and consents to the assignment of Lessor's right, title and interest in, to and under this Lease and in and to the Units to the Loan Trustee to the extent provided in the Indenture, and agrees that, until it shall receive notice from the Loan Trustee stating that the Indenture has been satisfied and discharged, (i) Lessee will make all payments (other than Supplemental Rent in respect of Lessee's obligations to Lessor or the Owner) payable to Lessor hereunder to the Loan Trustee in immediately available funds at such place as the Loan Trustee may specify from time to time in writing delivered to Lessee prior the due date for the payment to be made; and Lessee hereby consents to the application and

distribution of payments as provided in the Indenture; (ii) the Loan Trustee may enforce any and all of the terms of this Lease as though the Loan Trustee had been expressly made a party hereto; (iii) no action taken, suffered or omitted by Lessor shall adversely affect or limit any rights, powers, privileges, remedies or immunities of the Loan Trustee, and Lessee will not assert against the Loan Trustee any claim or defense that it may now or hereafter have against Lessor; (iv) such assignment will not release Lessor from any of Lessor's obligations under this Lease, and will not constitute an assumption of any such obligations on the part of the Loan Trustee (other than the obligation to apply such amounts as provided in the Indenture); and (v) all notices, offers, demands, consents, requests, waivers, approvals, statements, instruments, papers, communications or other documents given by Lessee will also be delivered to the Loan Trustee, and no such notice, offer, demand, consent, request, waiver, approval, statement, instrument, paper, communication or other document shall be of any effect unless and until so made to and received by the Loan Trustee.

Section 22. Miscellaneous. (a) Disclaimer of Warranties, Etc. NEITHER LESSOR, IN ITS INDIVIDUAL CAPACITY OR AS OWNER TRUSTEE, NOR THE LOAN TRUSTEE, NOR THE LETTER OF CREDIT BANK, NOR ANY PARTICIPANT SHALL BE DEEMED TO HAVE MADE, AND LESSOR HEREBY EXPRESSLY DISCLAIMS, ANY REPRESENTATION OR WARRANTY, EXPRESS OR IMPLIED, AS TO THE TITLE, MERCHANTABILITY, COMPLIANCE WITH SPECIFICATIONS, CONDITION, SAFETY, DESIGN, OPERATION OR FITNESS FOR ANY PARTICULAR OR GENERAL USE OF, OR AS TO THE QUALITY OF THE MATERIAL, EQUIPMENT OR WORKMANSHIP IN, THE UNITS OR ANY PORTION THEREOF, OR ANY OTHER REPRESENTATION OR WARRANTY WHATSOEVER, EXPRESS OR IMPLIED, WITH RESPECT TO THE UNITS OR ANY PORTION THEREOF, except that Lessor warrants that the Units will be free of Liens resulting from acts of or claims against Lessor (or persons claiming through Lessor) and the Owner and not permitted hereby, it being intended, understood and agreed that, except as explicitly provided herein, all risks incident thereto, as between Lessor and Lessee, are to be borne by Lessee. The provisions of this paragraph (a) of this Section 22 have been negotiated, and, except to the extent otherwise explicitly stated, the foregoing provisions are intended, understood, acknowledged and agreed to be a complete exclusion and negation of any warranties by Lessor, express or implied, with respect to the Units, whether arising under the Uniform Commercial Code or any similar law

now or hereafter in effect, or otherwise. Lessor agrees that, if (i) an Event of Default (or other event or condition which, after notice or the passage of time, or both, would constitute an Event of Default) shall not have occurred and be continuing, (ii) this Lease shall not have been previously terminated with respect thereto, or have expired, and (iii) the Loan Trustee shall have consented in writing thereto (unless and until the Indenture shall have been terminated), Lessor will, upon request of Lessee, assign to Lessee such claims as Lessor may have under any warranty with respect to any Unit made by the Manufacturer or any contractor and any other claims Lessor may have against the Manufacturer or any contractor or subcontractor with respect to the same, including, but not limited to, any claim for enforcement of any warranty or indemnity against the Manufacturer or any contractor or subcontractor or other person under the Purchase Order, and, upon such assignment, Lessee may prosecute such claims in the name of Lessor, as the purchaser and owner of such Unit. Lessor agrees to execute such documents and assignments and take such action as may be reasonably requested by Lessee to provide to Lessee all of the rights and benefits contemplated by the preceding sentence.

(b) Severability. Any provisions of this Lease which shall be prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be 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. To the extent that Lessee may effectively do so, Lessee hereby waives any provision of law which shall render any provision hereof prohibited or unenforceable in any respect.

(c) Written Changes Only. Subject to the provisions of paragraph (b) of Section 20, no term or provision of this Lease may be changed, waived, discharged or terminated orally, but only by an instrument in writing signed by the party against whom the enforcement of the change, waiver, discharge or termination shall be sought.

(d) Nature of This Lease. This Lease shall constitute an agreement of lease, and nothing herein shall be construed as conveying to Lessee any title to or ownership of the Units, the rights and interest of Lessee hereunder with respect to and in the Units being those of a lessee only.

(e) Payments. All computations of interest and amounts equivalent to interest under this Lease shall be made on the basis of a 360-day year of twelve 30-day months, except if and to the extent otherwise specified. All payments of Rent, and all other payments to be made in respect hereof, shall be made in immediately available funds. Notwithstanding any provision hereof to the contrary, any payment of Rent due on a day which is not a Business Day shall be made on the next succeeding Business Day.

(f) Benefits and Binding Effect. This Lease shall be binding upon, and shall inure to the benefit of and be enforceable by, Lessee and Lessor and their respective successors and assigns permitted hereunder (whether or not such successors and assigns shall be expressly referred to in any provision hereof). Notwithstanding the foregoing, to the extent that any provision of this Lease shall purport to confer directly upon the Loan Trustee or any Participant or Participants or the Letter of Credit Bank any right, power, privilege, remedy or immunity, such provision shall inure to the benefit of, and be enforceable by, the Loan Trustee or any such Participant or Participants or the Letter of Credit Bank, as the case may be.

(g) Headings. The captions and headings in, and the Index to, this Lease are for convenience of reference only, and shall not define or limit any of the terms or provisions hereof or affect the construction or interpretation thereof.

(h) Governing Law. The terms of this Lease and all rights and obligations hereunder shall be governed by the laws of the State of New York; provided, however, that the parties shall be entitled to any additional rights arising out of the filing, recording or deposit hereof, if any, and of any assignment hereof, as shall be conferred by the laws of the several jurisdictions in which this Lease or any assignment hereof shall be filed, recorded or deposited.

(i) No Merger. There shall be no merger of this Lease or of the leasehold interest hereby created with the title to the Units or any portions thereof or interest therein by reason of the fact that the same person may acquire or hold directly or indirectly this Lease or the leasehold interest created hereby or any interest in this Lease or in any such leasehold interest as well as the title to the Units.

(j) Immunities; Satisfaction or Undertakings. Anything herein to the contrary notwithstanding, each and all

of the representations, undertakings and agreements herein made on the part of Lessor are made and intended not as personal representations, undertakings and agreements by or for the purpose or with the intention of binding it personally but are made and intended for the purpose of binding only the Trust Estate as such term is used in the Trust Agreement, and this Lease is executed and delivered by The Connecticut Bank and Trust Company solely in the exercise of the powers expressly conferred upon it as trustee under the Trust Agreement; and no personal liability or responsibility is assumed hereunder by or shall at any time be enforceable against the said trust company or the Owner on account of any representation, undertaking or agreement hereunder of Lessor or the Owner, either expressed or implied, all such personal liability, if any, being expressly waived by Lessee and by all persons claiming by, through or under Lessee; provided, however, that Lessee or any person claiming by, through or under it, making claim hereunder, may look to the Owner Trust for satisfaction of the same.

(k) Right to Perform. If Lessee shall fail to comply with any of its covenants herein contained, either Lessor or the Owner or the Letter of Credit Bank may, but shall not be obligated to, make advances to perform the same and to take all such action as may be necessary to obtain such performance. Any payment so made by any such party and all costs and expenses (including, without limitation, reasonable attorneys' fees and expenses) incurred in connection therewith shall be payable by Lessee to the party making the same upon demand as Supplemental Rent hereunder, with interest at the Default Rate.

THE CONNECTICUT BANK AND TRUST
COMPANY, not in its individual
capacity but solely as Owner
Trustee, Lessor

By 

FORMOSA PLASTICS CORPORATION,
TEXAS, Lessee

By 

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

On this 7th day of December, 1982, before me personally appeared Chas. H. McCulliffe to me personally known, who, being by me duly sworn, ~~says~~ that he is the Secretary of FORMOSA PLASTICS CORPORATION, TEXAS, that one of the seals affixed to the foregoing instrument is the corporate seal of said Corporation, and that said instrument was signed and sealed on behalf of said Corporation by authority of its Board of Directors, and he acknowledged that the execution of the foregoing instrument was the free act and deed of said Corporation.

Nancy A. Rice
Notary Public

NANCY A. RICE
Notary Public, State of New York
No. 31-8560530
Qualified in New York County
Commission Expires March 30, 1984

My Commission expires
March 30, 1984

STATE OF CONNECTICUT)
) ss.:
COUNTY OF HARTFORD)

On this 7th day of December, 1982, before me personally appeared CLARK M. WHITCOMB to me personally known, who, being by me duly sworn, says that he is an authorized officer of THE CONNECTICUT BANK AND TRUST COMPANY, that one of the seals affixed to the foregoing instrument is the corporate seal of said Corporation, and that said instrument was signed and sealed on behalf of said Corporation by authority of its Board of Trustees, and he acknowledged that the execution of the foregoing instrument was the free act and deed of said Corporation.

Nancy A. Rice
Notary Public

NANCY A. RICE
Notary Public, State of New York
No. 31-8560530
Qualified in New York County
Commission Expires March 30, 1984

My Commission expires
March 30, 1984

SCHEDULE A

Description of the Units

Number of Units

Description

300

400-100 Ton Roller Bearing CF 5701 Center Flow covered hopper cars, equipped with 20" hatches and #5131 Pneumatic outlets, built generally to specification no. SCL-CF-SS1 Rev. 4/77, for the transportation of PVC Resin and lined with two coat 6 mil Double Cover Polyclutch interior lining. The Units have road numbers FPAX 820001 to 820300.

✓

SCHEDULE B

Certificate of Acceptance

To: The Connecticut Bank and Trust Company,
as Owner Trustee (the "Owner Trustee")
under a Trust Agreement
One Constitution Plaza
Hartford, Connecticut 06115

Attention of Corporate Trust Department.

I, the duly authorized representative for the Owner Trustee and Formosa Plastics Corporation, Texas (the "Lessee") under the Equipment Lease Agreement dated as of September 15, 1982, respectively, do hereby certify that I inspected, approved and accepted delivery thereunder on behalf of the Owner Trustee, of the following Units of Equipment:

TYPE OF EQUIPMENT: ACF Industrial Steel-Center
Flow covered hopper cars

DATE ACCEPTED:

NUMBER OF UNITS: 300

RAILROAD ROAD NUMBERS: FPAX 820001 - 820300

I do further certify that the foregoing Units are in good order and condition, and conform to the specifications and requirements applicable thereto as provided in the aforesaid Equipment Lease Agreement.

Authorized Representative
of Owner Trustee and Lessee

Termination and Loss Values
Expressed as a Percentage
of Purchase Price

	<u>Termination and Loss Value</u>
<u>The period beginning December 7, 1982 and ending April 3, 1983</u>	108.5951299%
The three month period ending the third day of	
<u>July 1983</u>	109.7421830
October 1983	110.6649751
January 1984	111.4954111
April 1984	108.5124499
July 1984	108.9649243
October 1984	109.2955564
January 1985	109.4995986
April 1985	105.8933491
July 1985	105.7737725
October 1985	105.5132616
January 1986	105.1063267
April 1986	100.8679177
July 1986	100.1411097
October 1986	99.3829152
January 1987	98.5920203
April 1987	94.0633536
July 1987	93.2028984
October 1987	92.3054685
January 1988	91.3695203
April 1988	86.6897435
July 1988	85.6718727
October 1988	84.6104628
January 1989	83.5037010
April 1989	82.3497004
July 1989	81.1464964
October 1989	79.8920444
January 1990	78.5842156
April 1990	77.2233113
July 1990	75.8715302
October 1990	74.4928196
January 1991	73.0822572
April 1991	71.6408123
July 1991	70.1780804
October 1991	68.6835056

Cont. ...

Schedule C (Cont'd.)

January 1992	67.15570648
April 1992	65.5955941
July 1992	64.0134148
October 1992	62.3972524
January 1993	60.7456270
April 1993	59.0595253
July 1993	57.3504077
October 1993	55.6051312
January 1994	53.8221146
April 1994	52.0024253
July 1994	50.1588946
October 1994	48.2770230
January 1995	46.3551254
April 1995	44.3943561
July 1995	42.4090965
October 1995	40.3833454
January 1996	38.3153132
April 1996	36.2062475
July 1996	34.0722848
October 1996	31.8957608
January 1997	29.6747822
April 1997	27.3743152
July 1997	25.0224937
October 1997	22.5632078
January 1998	19.9999817

Fixed Amount Per Million of
Purchase Price

	<u>Cash Flow to</u> <u>Lessor</u>
Lease payment dates beginning April 4, 1983 through and including April 4, 1990	-0-
<u>Lease Payment Date</u>	
July 4, 1990	\$ 5,119.06
October 4, 1990	6,330.82
January 4, 1991	2,813.70
April 4, 1991	13,846.98
July 4, 1991	6,923.49
October 4, 1991	6,923.49
January 4, 1992	3,077.11
April 4, 1992	15,139.00
July 4, 1992	7,569.50
October 4, 1992	7,569.50
January 4, 1993	3,364.22
April 4, 1993	16,547.31
July 4, 1993	8,273.65
October 4, 1993	8,273.65
January 4, 1994	3,677.18
April 4, 1994	18,082.36
July 4, 1994	9,041.18
October 4, 1994	9,041.18
January 4, 1995	4,018.30
April 4, 1995	19,755.58
July 4, 1995	9,877.79
October 4, 1995	9,877.79
January 4, 1996	4,390.13
April 4, 1996	21,579.39
July 4, 1996	10,789.69
October 4, 1996	10,789.69
January 4, 1997	16,596.09
April 4, 1997	30,804.68
July 4, 1997	30,804.68
October 4, 1997	30,804.68
January 4, 1998	30,804.68

Variable Amount* Per Million
of Purchase Price

<u>Lease Payment Date</u>	<u>Principal Amount Outstanding at the beginning of the Period</u>	<u>Principal Amount Due</u>
January 4, 1983	\$637,500.00	\$ 0.00
April 4, 1983	637,500.00	5,304.68
July 4, 1983	632,195.32	5,516.86
October 4, 1983	626,678.46	5,757.54
January 4, 1984	620,940.92	5,967.04
April 4, 1984	614,973.88	6,205.72
July 4, 1984	608,768.16	6,453.95
October 4, 1984	602,314.21	6,712.11
January 4, 1985	595,602.10	6,980.59
April 4, 1985	588,621.50	7,259.82
July 4, 1985	581,361.69	7,550.21
October 4, 1985	573,811.48	7,852.22
January 4, 1986	565,959.26	8,166.31
April 4, 1986	557,792.95	8,492.96
July 4, 1986	549,299.99	8,832.68
October 4, 1986	540,467.32	9,185.98
January 4, 1987	531,281.33	9,553.42
April 4, 1987	521,727.91	9,935.56
July 4, 1987	511,792.35	10,332.98
October 4, 1987	501,459.37	10,746.30
January 4, 1988	490,713.06	11,176.15
April 4, 1988	479,536.91	11,623.20
July 4, 1988	467,913.71	12,088.13
October 4, 1988	455,825.58	12,571.65
January 4, 1989	443,253.92	13,074.52
April 4, 1989	430,179.40	13,597.50
July 4, 1989	416,581.90	14,141.40
October 4, 1989	402,440.50	14,707.06
January 4, 1990	387,733.45	15,295.34
April 4, 1990	372,438.11	15,907.15
July 4, 1990	356,530.95	11,424.38
October 4, 1990	345,106.58	10,669.60
January 4, 1991	334,436.98	14,613.50
April 4, 1991	319,823.48	4,164.76
July 4, 1991	315,658.72	11,254.84
October 4, 1991	304,403.88	11,705.03
January 4, 1992	292,698.85	16,019.62
April 4, 1992	276,679.23	4,598.51
July 4, 1992	272,080.72	12,351.95
October 4, 1992	259,728.77	12,846.03

Cont. ...

Schedule E (Cont'd.)

<u>Lease Payment Date</u>	<u>Principal Amount Outstanding at the beginning of the Period</u>	<u>Principal Amount Due</u>
January 4, 1993	\$246,882.75	\$17,565.14
April 4, 1993	229,317.61	5,084.67
July 4, 1993	224,232.94	13,561.71
October 4, 1993	210,671.23	14,104.17
January 4, 1994	196,567.06	19,264.81
April 4, 1994	177,302.25	5,630.22
July 4, 1994	171,672.02	14,896.61
October 4, 1994	156,775.41	15,492.48
January 4, 1995	141,282.93	21,135.06
April 4, 1995	120,147.88	6,243.18
July 4, 1995	113,904.69	16,370.70
October 4, 1995	97,533.99	17,025.53
January 4, 1996	80,508.47	23,194.21
April 4, 1996	57,314.26	6,932.72
July 4, 1996	50,381.54	17,999.72
October 4, 1996	32,381.82	18,719.71
January 4, 1997	13,662.11	13,662.11
April 4, 1997	-0-	-0-
July 4, 1997	-0-	-0-
October 4, 1997	-0-	-0-
January 4, 1998	-0-	-0-

* The Variable Amount is equal to the sum of (i) the principal amount due and (ii) the product obtained by multiplying the principal amount outstanding at the beginning of the period, the Applicable Rate and the ratio of the number of days in any Payment Period to 360.