

ASSIGNMENT OF LEASE AND
AGREEMENT TO ACQUIRE AND LEASE

WHEREAS, Trust Company for USL, INC., as Trustee under a Trust Agreement dated January 1, 1973 (the "Lessor"), and Canadian National Railway Company, as Lessee (the "Lessee"), have entered into an Equipment Lease dated January 1, 1973 (the "Lease"), a copy of which is attached hereto as Exhibit A and is hereby incorporated herein and an Agreement to Acquire and Lease dated as of January 1, 1973 (the "Acquisition Agreement"), a copy of which is attached hereto as Exhibit B and is hereby incorporated herein, providing for the acquisition and lease by the Lessor to the Lessee of certain railroad rolling stock;

WHEREAS, United California Bank and Bank of California (the "Assignees") have agreed to loan the Lessor an aggregate amount sufficient to purchase the railroad rolling stock which is to be the subject matter of the Lease:

NOW, THEREFORE, in consideration of the premises and inducement for the Assignees to make the aforesaid loans and in order to secure the payment of principal of and interest on the Interim Notes evidencing said loans, the Lessor hereby assigns, transfers and sets over unto the Assignees, all of the Lessor's right, title and interest under the Acquisition Agreement and the Lease including without limitation the Lessor's right to receive and collect all rentals and other sums payable to or receivable by the Lessor under or pursuant to the provisions of the Acquisition Agreement and the Lease.

6855-2
RECORDATION NO. _____ Filed & Recorded
FEB 22 1973 - 11 05 AM
INTERSTATE COMMERCE COMMISSION

Attest:

UNITED CALIFORNIA BANK,
as Assignee

(Seal)

[Signature]
Secretary Vice President

By [Signature]
Its Vice President
ant.

Attest:

BANK OF CALIFORNIA N.A.,
as Assignee

(Seal)

[Signature]
Secretary

By [Signature]
Its Vice President

Attest:

TRUST COMPANY FOR USL, INC.,
as Trustee under Canadian National
Railway Trust No. 5

(Seal)

[Signature]
Secretary

By [Signature]
Its President

STATE OF CALIFORNIA)
)
CITY AND COUNTY OF SAN FRANCISCO)

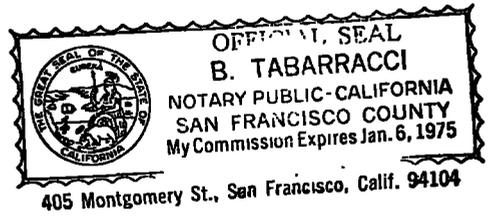
ss.

On this *16th* day of *February* 1973, before me personally appeared *LLOYD STASIOVSKI*, to me personally known, who being by me duly sworn, says that he is the *ASS'T VICE PRESIDENT* of UNITED CALIFORNIA BANK, that one of the seals affixed to the foregoing instrument is the corporate seal of said corporation, 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.

B. Tabarracci

(Seal)

My commission expires: *1-6-75*

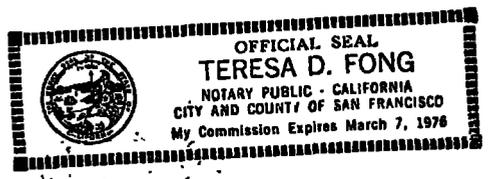


STATE OF CALIFORNIA)
)
CITY AND COUNTY OF SAN FRANCISCO)

ss.

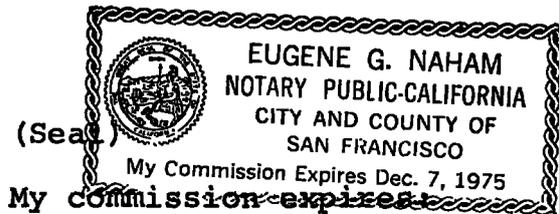
On this *15th* day of *February*, 1973, before me personally appeared *BEN MAUSHARDT*, to me personally known, who being by me duly sworn, says that he is the *President* of TRUST COMPANY FOR USL, INC., that one of the seals affixed to the foregoing instrument is the corporate seal of said corporation, 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.

Teresa D. Fong



STATE OF CALIFORNIA)
) ss.
CITY AND COUNTY OF SAN FRANCISCO)

On this *20th* day of *February*, 1973, before me personally appeared *WILLIAM PRICE*, to me personally known, who being by me duly sworn, says that he is the *VICE PRESIDENT* of BANK OF CALIFORNIA, that one of the seals affixed to the foregoing instrument is the corporate seal of said corporation, 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.



My commission expires *12/7/75*

Eugene G. Naham

EUGENE G. NAHAM

EXHIBIT A

EQUIPMENT LEASE

Dated as of January 1, 1973.

Among

TRUST COMPANY FOR USL, INC.,

as Trustee

and

CANADIAN NATIONAL RAILWAY COMPANY,

as Lessee

and

UNITED STATES LEASING INTERNATIONAL, INC.,

as Agent for
the Trustee

C.N. Trust No. 5

TABLE OF CONTENTS

<u>Section</u>	<u>Heading</u>	<u>Page</u>
PARTIES		1
RECITALS		1
DEFINED TERMS		1
1.	Manufacture and Delivery of Equipment.....	2
1.1.	Intent to Lease	2
1.2.	Certificates of Acceptance	2
1.3.	Acceptance of Equipment	2
2.	Rents and Payment Dates	3
2.1.	Rent for Equipment	3
2.2.	Rent Payment Dates	3
2.3.	Place of Rent Payment	3
2.4.	Net Lease	3
3.	Term of the Lease	4
4.	Ownership and Marking of the Equipment	4
4.1.	Retention of Title	4
4.2.	Duty to Number and Mark Equipment	4
4.3.	Prohibition Against Certain Designations	5
4.4.	Indemnification for Improper Marking	5
5.	Disclaimer of Warranties	5
6.	Lessee's Indemnity	6
6.1.	Scope of Indemnity	6
6.2.	Continuation of Indemnities and Assumptions ...	6
6.3.	Termination of Certain Indemnities and Assump- tions	7
7.	Rules, Laws and Regulations	7
8.	Use and Maintenance of Equipment	7

<u>Section</u>	<u>Heading</u>	<u>Page</u>
9.	Liens on the Equipment	8
10.	Filing, Payment of Fees and Taxes	8
10.1.	Filing	8
10.2.	Payment of Taxes	8
11.	Payment for Casualty Occurrence for Equipment	9
11.1.	Duty of Lessee to Notify Lessor	9
11.2.	Sum Payable for Casualty Loss	9
11.3.	Rent Termination	10
11.4.	Disposition of Equipment	10
11.5.	Casualty Prior to Commencement of Periodic Rent	10
11.6.	Casualty Value	10
11.7.	Risk of Loss	10
11.8.	Eminent Domain	11
12.	Annual Reports	11
12.1.	Duty of Lessee to Furnish	11
12.2.	Lessor's Inspection Rights	11
13.	Return of Equipment Upon Expiration of Term.....	11
14.	Default	12
14.1.	Events of Default	12
14.2.	Cumulative Remedies	14
14.3.	Lessor's Failure to Exercise Rights	14
14.4.	Divisible Leases and Defaults	14
15.	Return of Equipment Upon Default	14
15.1.	Lessee's Duty to Return	14
15.2.	Intention of Parties	15
15.3.	Lessor Appointed Lessee's Agent	15
16.	Assignments by Lessor and Lessee: Use and Possession:	15
16.1.	Assignments by Lessor	15
16.2.	Lessee's Rights to the Equipment	16
16.3.	Use and Possession on Lines Other than Lessee's	17
16.4.	Merger or Consolidation of Lessee	17
16.5.	Sublease to National Railways	17
17.	Representations and Warranties	17

<u>Section</u>	<u>Heading</u>	<u>Page</u>
18.	Opinions of Counsel for Lessee and Lessor	18
18.1.	Opinion of Counsel for Lessee	18
18.2.	Opinion of Counsel for Lessor	19
19.	Interest on Overdue Rentals and Amounts Paid by Lessor	20
20.	Option to Purchase	20
20.1.	Right of Lessee to Purchase	20
20.2.	Fair Market Value	20
20.3.	Continuation of Certain Provisions	21
20.4.	Right of Lessee to Renew	21
20.5.	Fair Rental Value	21
20.6.	Return of Equipment	22
21.	Limitations on Liability of the Lessor to the Lessee	22
22.	Miscellaneous	22
22.1.	Successors and Assigns	22
22.2.	Partial Invalidity	23
22.3.	Notices	23
22.4.	Amendment and Substitution of Schedules	24
22.5.	Execution in Counterparts	25
22.6.	Governing Law	25

Attachments

Schedule A -- Description of Equipment
Schedule B -- Certificate of Acceptance
Schedule C -- Schedule of Casualty Values

EQUIPMENT LEASE

THIS AGREEMENT dated as of January 1, 1973 among TRUST COMPANY FOR USL, INC., a trust company organized under the laws of the State of Illinois, not in its individual capacity but as Trustee under a Trust Agreement dated as of January 1, 1973 (the "Lessor"), UNITED STATES LEASING INTERNATIONAL, INC., a California corporation, as agent for the Lessor (the "Agent") and CANADIAN NATIONAL RAILWAY COMPANY, a Canadian corporation (the "Lessee").

W I T N E S S E T H:

WHEREAS the Lessee has agreed to purchase certain railroad equipment (hereinafter referred to collectively as the "Equipment" and individually "Item of Equipment") described in Schedule A attached hereto and made a part hereof from the manufacturer thereof identified in said Schedule A (the "Manufacturer") for the purchase prices set forth in said Schedule A; and

WHEREAS the Lessee desires to lease the Equipment at the rentals and for the terms and upon the conditions hereinafter provided; and

WHEREAS the Lessor and the Lessee have heretofore entered into an Agreement to Acquire and Lease dated as of January 1, 1973 (the "Acquisition Agreement") providing for the acquisition by the Lessor from said manufacturer of the Equipment and the lease thereof to the Lessee subject to the delivery of the Equipment by said manufacturer and acceptance thereof by the Lessee, as lessee, and the completion of arrangements by the Lessor to finance the acquisition of the Equipment; and

WHEREAS the Acquisition Agreement provides that in the event the financing by the Lessor of its acquisition of any Items of Equipment is not completed as contemplated in the Acquisition Agreement for any reason whatsoever, the Lessee is required to purchase such Items of Equipment from the Lessor;

NOW, THEREFORE, in consideration of the premises and of the sums to be paid and the covenants hereinafter provided to be kept and performed, the parties hereto agree as follows:

DEFINED TERMS

Except as the context otherwise specifies or requires, each of the following terms shall, when used in this Agreement, have the meaning indicated:

Trust Agreement: The term "Trust Agreement" shall mean the Trust Agreement dated as of January 1, 1973 among Trust Company for USL, Inc., as Trustee, United States Leasing International, Inc., as agent for the Trustee, and BIRMINGHAM TRUST NATIONAL BANK, UNION TRUST COMPANY OF MARYLAND and IDAHO FIRST NATIONAL BANK, as Trustors, as supplemented or amended from time to time.

Trustors: The term "Trustors" shall mean Birmingham Trust National Bank, Union Trust Company of Maryland and Idaho First National Bank, and any corporation succeeding to their respective interests, by merger, consolidation or acquisition of all or substantially all of their respective assets as an entirety.

Interim Rent Commencement Date: The term "Interim Rent Commencement Date" as to any Item of Equipment shall mean the date of payment by the Lessor of the manufacturer's invoice for such Item of Equipment.

Periodic Rent Commencement Date: The term "Periodic Rent Commencement Date" shall mean July 25, 1973.

SECTION 1. MANUFACTURE AND DELIVERY OF EQUIPMENT.

1.1. Intent to Lease. As more fully set forth in the preambles hereto and the Acquisition Agreement referred to therein the Lessor is acquiring the Equipment, and upon delivery of each Item of Equipment by the Manufacturer thereof, the Lessor shall lease and let such Item of Equipment to the Lessee and the Lessee shall hire such Item of Equipment from the Lessor for the rental and on and subject to the terms and conditions herein set forth.

1.2. Certificates of Acceptance. Upon delivery of each Item of Equipment by the Manufacturer thereof the Lessee will inspect such Item of Equipment and if such Item of Equipment tendered for delivery appears to meet the specifications, the Lessee will accept delivery thereof and execute and deliver to such Manufacturer and Lessor duplicate Certificates of Acceptance (the "Certificates of Acceptance"), substantially in the form of Schedule B attached hereto and made a part hereof whereupon such Item shall for all purposes be deemed to have been delivered to and accepted by the Lessee and shall be subject thereafter to all of the terms and conditions of this Agreement.

1.3. Acceptance of Equipment. The Lessee's execution and delivery to the Lessor of the Certificates of Acceptance with respect to each Item of Equipment shall conclusively establish that each Item of Equipment is acceptable to and accepted by the Lessee here-

under, notwithstanding any defect with respect to design, manufacture, condition or in any other respect, and that each Item of Equipment is in good order and condition and appears to conform to the specifications applicable thereto and to all applicable Canadian Transport Commission and United States Department of Transportation and all other foreign or domestic governmental agency requirements and specifications, if any. The Lessee represents that it has no knowledge of any such defect.

SECTION 2. RENTS AND PAYMENT DATES.

2.1. Rent for Equipment. The Lessee agrees to pay the Lessor the following Rent for each Item of Equipment leased hereunder:

(a) Periodic Rent. For each Item of Equipment thirty (30) semiannual installments of Periodic Rent each payable in arrears in the amount provided for in Schedule A.

(b) Daily Interim Rent. For each Item of Equipment the amount per day provided therefor in Schedule A hereto for the period, if any, from the Interim Rent Commencement Date to but not including the Periodic Rent Commencement Date.

References to Schedule A in this Section 2.1 (and the amounts of Daily Interim Rental and Periodic Rent to be paid pursuant to said Schedule) shall mean either Schedule A-I or A-II as specified in Section 22.4 hereof.

2.2. Rent Payment Dates. (a) The total amount of Daily Interim Rent for all Items of Equipment delivered to the Lessee hereunder shall be due and payable on the Periodic Rent Commencement Date. The thirty (30) installments of Periodic Rent for each Item of Equipment shall be due and payable semiannually commencing six calendar months after the Periodic Rent Commencement Date.

2.3. Place of Rent Payment. All payments provided for in this Lease to be made to the Lessor shall be made to the Lessor at 1211 West 22nd Street, Oak Brook, Illinois 60521, or at such other place as the Lessor, or its assigns shall specify in writing.

2.4. Net Lease. This Lease is a "net lease" and the Lessee shall not be entitled to any abatement of rent or reduction thereof, including, but not limited to, abatements or reductions due to any present or future claims of the Lessee against the Lessor under this Lease or otherwise or against the Manufacturer of the Equipment, nor,

except as otherwise expressly provided herein, shall this Lease terminate, or the respective obligations of the Lessor or the Lessee be otherwise affected, by reason of any defect in or failure of title of the Lessor to the Equipment or any defect in or damage to or loss or destruction of all or any of the Equipment from whatsoever cause, the taking or requisitioning of the Equipment by condemnation or otherwise, the lawful prohibition of the Lessee's use of the Equipment, the interference with such use by any private person or corporation, the invalidity or unenforceability or lack of due authorization or other infirmity of this Lease, or lack of right, power or authority of the Lessor to enter into this Lease, or for any other cause whether similar or dissimilar to the foregoing, any present or future law to the contrary notwithstanding, it being the intention of the parties hereto that the rents and other amounts payable by the Lessee hereunder shall continue to be payable in all events unless the obligation to pay the same shall be terminated pursuant to Section 11 hereof, or until, pursuant to Section 13 hereof, the Equipment is placed and ready for delivery to Lessor on the Lessee's lines, or is stored for the Lessor on the Lessee's lines, or leaves the Lessee's lines for off-line delivery to the Lessor.

SECTION 3. TERM OF THE LEASE.

The term of this Lease as to each Item of Equipment shall begin on the date of delivery to and acceptance by the Lessee of such Item of Equipment and subject to the provisions of Section 11 hereof and of the obligation of the Lessee to purchase the Equipment on July 25, 1973 under certain circumstances as provided for in Section 7 of the Acquisition Agreement, shall terminate on July 25, 1988 with the option of purchase or renewal provided in Section 20 hereof.

SECTION 4. OWNERSHIP AND MARKING OF THE EQUIPMENT.

4.1. Retention of Title. The Lessor, as between the Lessor and the Lessee, shall and hereby does retain full legal title to the Equipment notwithstanding the delivery thereof to and the possession and use thereof by the Lessee.

4.2. Duty to Number and Mark Equipment. The Lessee will cause each Item of Equipment to be kept numbered with its road number as set forth in Schedule A and will keep and maintain, plainly, distinctly, permanently and conspicuously marked by a plate or stencil printed in contrasting color upon each side of each Item of Equipment in letters not less than one inch in height as follows:



"Leased from United States Leasing International, Inc., as agent for Owner-Trustee and Subject to a Security Interest Recorded with the I. C. C. and the Registrar General of Canada"

with appropriate changes thereof and additions thereto as from time to time may be required by law in order to protect the title of the Lessor to such Item of Equipment and its rights under this Agreement. The Lessee will not place any such Item of Equipment in operation or exercise any control or dominion over the same until required legend shall have been so marked on both sides thereof and will replace promptly any such names and word or words which may be removed, defaced or destroyed. The Lessee will not change the road number of any Item of Equipment except with the consent of the Lessor and in accordance with a statement of new road numbers to be substituted therefor, which consent and statement previously shall have been filed with the Lessor by the Lessee and filed, recorded or deposited in all public offices where this Agreement shall have been filed, recorded or deposited.

4.3. Prohibition Against Certain Designations. Except as above provided, the Lessee will not allow the name of any person, association or corporation to be placed on the Equipment as a designation that might be interpreted as a claim of ownership; provided, however, that the Lessee may cause the Equipment to be lettered with the names or initials or other insignia customarily used by the Lessee or its affiliates on railroad equipment used by it of the same or a similar type for convenience of identification.

4.4. Indemnification for Improper Marking. The Lessee shall indemnify the Lessor, the Agent and the Trustors and their respective successors and assigns against any liability, loss or expense incurred by any of them as a result of the aforesaid marking of the Equipment with such name, initials or insignia.

SECTION 5. DISCLAIMER OF WARRANTIES.

AS BETWEEN LESSOR AND LESSEE, LESSOR LEASES THE EQUIPMENT, AS-IS WITHOUT WARRANTY OR REPRESENTATION EITHER EXPRESS OR IMPLIED, AS TO (A) THE FITNESS OR MERCHANTABILITY OF ANY ITEM OR ITEMS OF EQUIPMENT, (B) THE LESSOR'S TITLE THERETO, (C) THE LESSEE'S RIGHT TO THE QUIET ENJOYMENT THEREOF, OR (D) ANY OTHER MATTER WHATSOEVER, IT BEING AGREED THAT ALL SUCH RISKS, AS BETWEEN THE LESSOR AND THE LESSEE, ARE TO BE BORNE BY THE LESSEE. The Lessor hereby appoints

and constitutes the Lessee its agent and attorney-in-fact during the term of this Lease to assert and enforce, from time to time, in the name and for the account of the Lessor and the Lessee, as their interests may appear, but in all cases at the sole cost and expense of the Lessee, whatever claims and rights the Lessor may have as owner of the Equipment against any manufacturers or contractors in respect thereof.

SECTION 6. LESSEE'S INDEMNITY.

6.1. Scope of Indemnity. The Lessee shall defend, indemnify and save harmless the Lessor, the Agent and the Trustors and their respective successors and assigns from and against:

(a) any and all loss or damage of or to the Equipment, usual wear and tear excepted, and

(b) any claim, cause of action, damages, liability, cost or expense (including counsel fees and costs in connection therewith) which may be incurred in any manner by or for the account of any of them (i) relating to the Equipment or any part thereof, including without limitation the construction, purchase, delivery, installation, ownership, leasing or return of the Equipment or as a result of the use, maintenance, repair, replacement, operation or the condition thereof (whether defects are latent or discoverable by the Lessor or by the Lessee), except counsel fees or other costs or expenses incurred by the Agent, Trustors or Lessor, with respect to their initial participation in this transaction, including counsel fees, costs and expenses incurred in the execution of all necessary documents, (ii) by reason or as the result of any act or omission of the Lessee for itself or as agent or attorney-in-fact for the Lessor hereunder, (iii) as a result of claims for patent infringements, or (iv) as a result of claims for negligence or strict liability in tort.

6.2. Continuation of Indemnities and Assumptions. The indemnities and assumptions of liability in this Section 6 contained shall continue in full force and effect notwithstanding the termination of this Agreement, or the termination of the term hereof in respect of any one or more Items of Equipment, whether by expiration of time, by operation of law or otherwise. The Lessee shall be entitled to control, and shall assume full responsibility for, the defense of such claim or liability.

6.3. Termination of Certain Indemnities and Assumptions. Notwithstanding anything contained in this Section 6, the Lessee shall not be obligated to indemnify or assume liability in respect of an Item of Equipment for any claim, cause of action, damages or liability to the extent that such claim, cause of action, damages or liability arises solely as a result of a situation or event occurring after such Item of Equipment has been returned to the Lessor pursuant to Section 13 or 15 hereof or after this Agreement with respect to such Item of Equipment has otherwise terminated; provided, however, that such indemnities and assumption of liability shall not apply in respect of any matters referred to in subsection (a) or clause (i) or (ii) of subsection (b) of Section 6.1 hereof, occurring after the termination of this Agreement, except for any such matters occurring after the termination arising in connection with the Lessee's assembling, delivering, storing or transporting of the Equipment as provided in Section 13 or as the case may be, 15, hereof. The foregoing does not guarantee a residual value.

SECTION 7. RULES, LAWS AND REGULATIONS.

The Lessee agrees to comply with all governmental laws, regulations, requirements and rules (including the rules of the Canadian Transport Commission and the United States Department of Transportation and the current Interchange Rules and supplements thereto of the Mechanical Division Association of American Railroads) with respect to the use, maintenance and operation of each Item of Equipment subject to this Agreement. In case any equipment or appliance is required to be installed on such Item of Equipment in order to comply with such laws, regulations, requirements and rules, the Lessee agrees to make such changes, additions and replacements at its own expense.

SECTION 8. USE AND MAINTENANCE OF EQUIPMENT.

The Lessee shall use the Equipment only in the manner for which it was designed and intended and so as to subject it only to ordinary wear and tear. The Lessee shall, at its own cost and expense, maintain and keep the Equipment in good order, condition and repair, ordinary wear and tear excepted, suitable for use in interchange. The Lessee shall not modify any Item of Equipment without the written authority and approval of the Lessor which shall not be unreasonably withheld. Any parts installed or replacements made by the Lessee upon any Item of Equipment (except such as are not required pursuant to Section 7 hereof and can be removed without damage to, or in any way affecting or impairing either the originally intended function or the use of, such Item of Equipment) shall be considered accessions to such Item of Equipment and title thereto shall be immediately vested in the Lessor, without cost or expense to the Lessor.

SECTION 9. LIENS ON THE EQUIPMENT.

The Lessee shall pay or satisfy and discharge any and all claims against, through, or under the Lessee and its successors or assigns which, if unpaid, might constitute or become a lien or a charge upon the Equipment, and any liens or charges which may be levied against or imposed upon any Item of Equipment as a result of the failure of the Lessee to perform or observe any of its covenants or agreements under this Lease, but the Lessee shall not be required to pay or discharge any such claims so long as it shall, in good faith and by appropriate legal proceedings contest the validity thereof in any reasonable manner which will not affect or endanger the title and interest of the Lessor to the Equipment. The Lessee's obligations under this Section 9 shall survive termination of the Lease.

SECTION 10. FILING, PAYMENT OF FEES AND TAXES.

10.1. Filing. Prior to the delivery and acceptance of the first Item of Equipment, the Lessor will at the sole cost and expense of the Lessor, make suitable arrangements to have this Agreement deposited with the Registrar General of Canada pursuant to Section 86 of the Railway Act of Canada and to publish notice of such deposit in the Canada Gazette pursuant to said Section 86 and duly filed, registered or recorded in conformity with Section 20c of the Interstate Commerce Act and in such other places within or without Canada and the United States as the Lessor may reasonably require for the protection of its title. The Lessee will, from time to time, do and perform any other act and will execute, acknowledge, deliver, file, register and record (and will re-file, re-register, or re-record whenever required) any and all further instruments known to be required by law or reasonably requested by the Lessor, for the purpose of protecting the Lessor's title to the Equipment to the satisfaction of the Lessor's counsel or for the purpose of carrying out the intention of this Agreement, and in connection with any such action, will deliver to the Lessor proof of such filings and an opinion of the Lessee's counsel that such action has been properly taken. The Lessee will pay all costs, charges and expenses incident to any such filing, re-filing, registering, re-registering, recording and re-recording of any such instruments or incident to the taking of such action.

10.2. Payment of Taxes. The Lessee, or the Lessor at the Lessee's expense, shall report, pay and discharge when due all license and registration fees, assessments, sales, use and property taxes, gross receipts taxes arising out of receipts from use or operation of Equipment, and other taxes, fees and governmental charges

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similar or dissimilar to the foregoing (excluding any net income tax, provided that the Lessee agrees to pay that portion of any such net income tax which is in direct substitution for, or which relieves the Lessee from, a tax which the Lessee would otherwise be obligated to pay under the terms of this Section and any Canadian sales, included in the purchase price of the Equipment), together with any penalties or interest thereon, imposed by any province, state, federal or local government upon any Item of Equipment and whether or not the same shall be assessed against or in the name of the Lessor, the Agent, the Lessee, or the Trustors; provided, however, that the Lessee shall not be required to pay or discharge any such tax or assessment (i) so long as it shall, in good faith and by appropriate legal proceedings, contest the validity thereof in any reasonable manner which will not affect or endanger the title and interest of the Lessor to the Equipment; however, the Lessee shall reimburse the Lessor for any damages or expenses resulting from such failure to pay or discharge, or (ii) as to assessments against or in the name of anyone other than the Lessee, until 20 days after written notice thereof shall have been given to the Lessee.

SECTION 11. PAYMENT FOR CASUALTY OCCURRENCE FOR EQUIPMENT.

11.1. Duty of Lessee to Notify Lessor. In the event that any Item of Equipment shall be or become lost, stolen, destroyed, or, in the opinion of the Lessee, irreparably damaged or damaged beyond economic repair, or shall be requisitioned or taken over by any governmental authority under the power of eminent domain or otherwise during the term of this Lease (any such occurrence, except for any requisition which by its terms does not exceed the remaining term of this Lease, being hereinafter called a Casualty Occurrence), the Lessee shall promptly and fully (after it has knowledge of such Casualty Occurrence) inform the Lessor in regard thereto.

11.2. Sum Payable for Casualty Loss. When the aggregate Casualty Value (as herein defined) of Items of Equipment having suffered a Casualty Occurrence (exclusive of Items of Equipment having suffered a Casualty Occurrence with respect to which a payment shall have been made to the Lessor pursuant to this Section 11) shall exceed \$250,000, the Lessee, on the next succeeding Rent Payment Date, shall pay to the Lessor a sum equal to the Casualty Value of such Item or Items of Equipment as of the date of such payment; provided that notwithstanding the foregoing the Lessee shall on the last Rent Payment Date of each calendar year pay to Lessor a sum equal to the Casualty Value of any Item or Items of Equipment which have suffered a casualty occurrence during such calendar year or any prior year for which no payment has previously been made to the Lessor pursuant to this Section 11.2.

11.3. Rent Termination. Upon (and not until) payment of the Casualty Value in respect of any Item or Items of Equipment, the obligation to pay rent for such Item or Items of Equipment (including the Periodic Rent installment due on the Casualty Value payment date) shall terminate, but the Lessee shall continue to pay rent for all other Items of Equipment. The Lessee shall pay when due all rent payments as to an Item or Items due prior to the date on which the Casualty Value thereof is payable.

11.4. Disposition of Equipment. The Lessee shall, as agent for the Lessor, dispose of such Item or Items of Equipment as soon as it is able to do so for the best price obtainable. Any such disposition shall be on an "as is", "where is" basis without representation or warranty, express or implied. As to each separate Item of Equipment so disposed of the Lessee may retain all amounts of such price plus any insurance proceeds and damages received by the Lessee by reason of such Casualty Occurrence. In disposing of such Item or Items of Equipment, the Lessee shall take such action as the Lessor shall reasonably request to terminate any contingent liability which the Lessor might have arising after such disposition from or connected with such Item or Items of Equipment.

11.5. Casualty Prior to Commencement of Periodic Rent. If the Lessee shall have notified the Lessor that an Item or Items of Equipment have suffered a Casualty Occurrence prior to the Periodic Rent Commencement Date hereunder with respect thereto, the Casualty Value for such Item or Items shall be paid on the Periodic Rent Commencement Date and shall be an amount equal to 101% of the cost of said Item or Items paid by the Lessor in addition to the Daily Interim Rent for said Item or Items otherwise payable on said date.

11.6. Casualty Value. The Casualty Value of each Item of Equipment shall be an amount determined as of the date the Casualty Value is paid as provided in this Section 11 (and not the date of the Casualty Occurrence) equal to that percentage of the original cost to the Lessor of such Item of Equipment as set forth in the Schedule of Casualty Value attached hereto as Schedule C. References to Schedule C in this Section 11.6 (and the amounts to be paid as determined by said Schedule) shall mean either Schedule C-I or C-II as specified in Section 22.4 hereof.

11.7. Risk of Loss. The Lessee shall bear the risk of and, except as hereinabove in this Section 11 provided, shall not be released from its obligations hereunder in the event of any Casualty Occurrence to any Item of Equipment after the date hereof.

11.8. Eminent Domain. In the event that during the term of this Lease the use of any Item of Equipment is requisitioned or taken by any governmental authority under the power of eminent domain or otherwise for a period which does not exceed the remaining term of this Lease, the Lessee's duty to pay rent shall continue for the duration of such requisitioning or taking. The Lessee shall be entitled to receive and retain for its own account all sums payable for any such period by such governmental authority as compensation for requisition or taking of possession.

SECTION 12. ANNUAL REPORTS.

12.1. Duty of Lessee to Furnish. On or before April 1 in each year, commencing with the year 1974 the Lessee will furnish to the Lessor an accurate statement, as of the end of the preceding calendar year (a) showing the amount, description and numbers of the Items of Equipment then leased hereunder, the amount, description and numbers of all Items of Equipment that may have suffered a Casualty Occurrence during the preceding 12 months or longer period between successive statements (or since the date of this Lease, in the case of the first such statement), and such other information regarding the condition or repair of the Equipment as Lessor may reasonably request, and (b) stating that, in the case of all Equipment repainted during the period covered by such statement, the markings required by Section 4,2 hereof shall have been preserved or replaced.

12.2. Lessor's Inspection Rights. The Lessor shall have the right, at its sole cost and expense, by its authorized representative, to inspect the Equipment and the Lessee's records with respect thereto, at such times as shall be reasonably necessary to confirm to the Lessor or its assigns the existence and proper maintenance thereof during the continuance of this Lease.

SECTION 13. RETURN OF EQUIPMENT UPON EXPIRATION OF TERM.

Duty of Lessee to Return Equipment. Upon the expiration of the term of this Lease with respect to any Item of Equipment, the Lessee will, at its own cost and expense, at the request of the Lessor, deliver possession of such Item of Equipment to the Lessor upon such storage tracks of the Lessee as the Lessor may designate, or in the absence of such designation, as the Lessee may select, and permit the Lessor to store such Item of Equipment on such tracks for a period not exceeding 90 days and transport the same at any



time within such 90 days period to any reasonable place on the lines of railroad operated by the Lessee or to any connecting carrier for shipment, all as directed by the Lessor upon not less than 30 days' written notice to Lessee. All movement and storage of each such Item is to be at the risk and expense of the Lessee. During any such storage period the Lessee will permit the Lessor or any person designated by it, including the authorized representative or representatives of any prospective purchaser of any such Item, to inspect the same. The assembling, delivery, storage and transporting of the Equipment as hereinbefore provided are of the essence of this Lease, and upon application to any court of equity having jurisdiction in the premises the Lessor shall be entitled to a decree against the Lessee requiring specific performance of the covenants of the Lessee to so assemble, deliver, store and transport the Equipment.

SECTION 14. DEFAULT.

14.1. Events of Default. If, during the continuance of this Lease, one or more of the following events ("Events of Default") shall occur:

(a) Default shall be made in the payment of any part of the rental provided in Section 2 hereof or the sums due under Section 11 or 20 hereof and such default shall continue for ten days; or

(b) The Lessee shall make or permit any unauthorized assignment or transfer of this Lease, or of possession of the Equipment, or any portion thereof, and shall fail or refuse to cause such assignment or transfer to be cancelled by agreement of all parties having any interest therein and to recover possession of such Equipment within 30 days; or

(c) Default shall be made in the observance of performance of any warranty, representation or any other of the covenants, conditions and agreements on the part of the Lessee contained herein or in any other agreement in writing between the Lessee and the Lessor, the Trustor or the Agent concerning the Equipment, such Agreement having been executed by an officer of the Lessee, and such default shall continue for 30 days after written notice from the Lessor to the Lessee, specifying the default and demanding the same to be remedied; or

(d) Any other proceeding shall be commenced by or against the Lessee for any relief under any bankruptcy or insolvency laws, or laws relating to the relief of



debtors, readjustments of indebtedness, reorganizations, arrangements, compositions or extensions (other than a law which does not permit any readjustment of the obligations of the Lessee hereunder), and, if instituted against the Lessee, are consented to or are not dismissed within 60 days after such proceedings shall have been commenced, unless all the obligations of the Lessee under this Lease shall have been duly assumed in writing, pursuant to a court order or decree, by a trustee or trustees appointed in such proceedings or otherwise given a status comparable to obligations incurred by such a trustee or trustees within 30 days after such appointment, if any, or 60 days after such proceeding shall have been commenced, whichever is earlier;

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

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

(2) By notice in writing to the Lessee, terminate the Lessee's rights and privileges under this Agreement, whereupon all right of the Lessee to the use of the Equipment shall absolutely cease and terminate as though this Agreement had never been made, but the Lessee shall remain liable as hereinafter provided; and thereupon, the Lessor may by its agents enter upon the premises of the Lessee or other premises where any of the Equipment may be located and take possession of all or any of such Equipment and thenceforth hold, possess and enjoy the same free from any right of the Lessee, or its successors or assigns, to use the Equipment for any purpose whatever, but the Lessor, shall, nevertheless, have a right to recover from the Lessee any and all amounts which may have accrued to the date of such termination (computing the rental for any number of days less than a full rental period by a fraction of which the numerator is such accrued number of days and the denominator is the total number of day in such full rental period) and also to recover forthwith from the Lessee (i) as damages for loss of the bargain and not as a penalty, a sum, with respect to each Item of Equipment, which represents the excess of the present worth, at the time of such termination, of all rentals for such Item which would otherwise have accrued hereunder from the date of such



termination to the end of the term of this Agreement over the then present worth of the then fair rental value of such Item for such period computed by discounting from the end of such term to the date of such termination rentals which the Lessor reasonably estimates to be obtainable for the use of the Item during such period, such present worth to be computed in each case on a basis of a 4 1/2% per annum discount, compounded semiannually from the respective dates upon which rentals would have been payable hereunder had this Lease not been terminated, and (ii) any damages and expenses including reasonable attorney's fees, in addition thereto which the Lessor shall have sustained by reason of the breach of any covenant or covenants of this Lease, other than for the payment of rent.

14.2. Cumulative Remedies. The remedies in this Lease provided in favor of the Lessor shall not be deemed exclusive, but shall be cumulative and shall be in addition to all other remedies in its favor existing at law or in equity. The Lessee hereby waives any mandatory requirements of law, now or hereafter in effect, which might limit or modify any of the remedies herein provided, to the extent that such waiver is permitted by law. The Lessee hereby waives any and all existing or future claims of any right to assert any off-set against the rent payments due hereunder, and agrees to make the rent payments regardless of any off-set or claim which may be asserted by the Lessee on its behalf in connection with the lease of the Equipment.

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

14.4. Divisible Leases and Defaults. If and so long as this Lease shall be deemed to be a divisible and severable contract between Lessor and Lessee, as a result of separate assignments by the Lessor pursuant to Section 16 hereof, an Event of Default which occurs and is continuing beyond the applicable period of grace, if any, in any of the said assigned and separate portions of this Lease shall constitute an Event of Default in all other assigned and separate portions of this Lease, all as if such Event of Default occurred in such other assigned and separate portion.

SECTION 15. RETURN OF EQUIPMENT UPON DEFAULT.

15.1. Lessee's Duty to Return. If the Lessor shall terminate this Lease pursuant to Section 14 hereof, the Lessee

shall forthwith deliver possession of the Equipment to the Lessor. For the purpose of delivering possession of any Item of Equipment to the Lessor as above required, the Lessee shall at its own cost, expense and risk (except as hereinafter stated):

(a) Forthwith place such Equipment in such reasonable storage place on the Lessee's lines of railroad as the Lessor may designate or, in the absence of such designation, as the Lessee may select;

(b) Permit the Lessor to store such Equipment in such reasonable storage place on the Lessee's lines of railroad for a period not exceeding 90 days at the risk of the Lessee; and

(c) Transport the Equipment, at any time within such 90 days' period, to any place on the lines of railroad operated by the Lessee or to any connecting carrier for shipment, all as the Lessor may reasonably direct upon not less than 30 days' written notice to the Lessee.

15.2. Intention of Parties. The assembling, delivery, storage and transporting of the Equipment as hereinbefore provided are of the essence of this Lease, and upon application to any court of equity having jurisdiction in the premises, the Lessor shall be entitled to a decree against the Lessee requiring specific performance of the covenants of the Lessee so as to assemble, deliver, store and transport the Equipment.

15.3. Lessor Appointed Lessee's Agent. Without in any way limiting the obligations of the Lessee under the foregoing provisions of this Section 15, the Lessee hereby irrevocably appoints the Lessor as the agent and attorney of Lessee, with full power and authority, at any time while the Lessee is obligated to deliver possession of any Items of Equipment to Lessor, to demand and take possession of such Item in the name and on behalf of Lessee from whosoever shall be at the time in possession of such Item.

SECTION 16. ASSIGNMENTS BY LESSOR AND LESSEE: USE AND POSSESSION.

16.1. Assignments by Lessor. This Lease shall be assignable in whole or in part by Lessor without the consent of Lessee, but Lessee shall be under no obligation to any assignee of the Lessor except upon written notice of such assignment from the Lessor. In the event that separate assignments are executed by the Lessor in respect of this Lease and the rental and other sums due and to become due hereunder, the Lessor and the Lessee agree that so long

as such separate assignments remain in force and effect this Lease shall be deemed to be and shall be construed as a divisible and severable contract between the Lessor and the Lessee for the leasing of Equipment covered by each such separate assignment, all to the same extent and with the same force and effect as though a separate lease had been entered into by the Lessor and the Lessee in respect of such Equipment; provided, however, Lessor and Lessee agree that an Event of Default as defined in Section 14.1 hereof as to any such assigned and separate portion of this Lease shall nevertheless constitute an Event of Default in all other assigned and separate portions of this Lease, pursuant to the provisions of Section 14.4 hereof. Upon notice to the Lessee of any such assignment the Rental and other sums payable by the Lessee which are the subject matter of the assignment shall be paid to the assignee. Without limiting the foregoing, the Lessee further acknowledges and agrees that (i) the rights of any such assignee in and to the sums payable by the Lessee under any provisions of this Lease shall not be subject to any abatement whatsoever, and shall not be subject to any defense, set-off, counterclaim or recoupment whatsoever whether by reason of or defect in Lessor's title, or any interruption from whatsoever cause (other than from a wrongful act of the assignee) in the use, operation or possession of the Equipment or any part thereof, or any damage to or loss or destruction of the Equipment or any part thereof, or by reason of or any other indebtedness or liability, howsoever and whenever arising, of the Lessor to the Lessee or to any other person, firm or corporation or to any governmental authority or for any cause whatsoever, it being the intent hereof that, except in the event of a wrongful act on the part of the assignee, the Lessee shall be unconditionally and absolutely obligated to pay the assignee all of the rents and other sums which are the subject matter of the assignment, and (ii) the assignee shall have the sole right to exercise all rights, privileges and remedies (either in its own name or in the name of the Lessor for the use and benefit of the assignee) which by the terms of this Lease are permitted or provided to be exercised by the Lessor.

16.2. Lessee's Rights to the Equipment. So long as the Lessee shall not be in default under this Agreement, the Lessee shall be entitled to the possession and use of the Equipment in accordance with the terms of this Agreement, but, without the prior written consent of the Lessor, the Lessee shall not assign, transfer or encumber its leasehold interest under this Agreement in any of the Equipment (except to the extent that the provisions of any mortgage now or hereafter created on any of the liens of railroad of the Lessee may subject such leasehold interest to the lien thereof). The

Lessee shall not, without the prior written consent of the Lessor, part with the possession or control of, or suffer or allow to pass out of its possession or control, any of the Equipment, except to the extent permitted by the provisions of Sections 16.3, 16.4 or 16.5 hereof.

16.3. Use and Possession on Lines Other Than Lessee's. So long as the Lessee shall not be in default under this Agreement, the Lessee shall be entitled to the possession of the Equipment and to the use thereof by the Lessee or by any other corporation which constitutes one of the "National Railways" as that term is defined in the Canadian National Railways Act, or upon lines of railroads over which the Lessee or any such corporation has trackage or other operating rights or over which equipment of the Lessee or any such corporation is regularly operated pursuant to contract and also to permit the sub-letting or lease temporarily or to permit the emergency use by other parties of any Item of Equipment in the normal course of business, but only upon and subject to all the terms and conditions of this Agreement. No assignment, sublease or interchange entered into by the Lessee hereunder shall relieve the Lessee of any liability or obligations hereunder which shall be and remain those of a principal and not a surety.

16.4. Merger or Consolidation of Lessee. Nothing in this Section 16 shall be deemed to restrict the right of Lessee to assign or transfer its leasehold interest under this Agreement in the Equipment or possession of the Equipment to any corporation (which shall have duly assumed the obligations hereunder of Lessee) into or with which the Lessee shall have become merged or consolidated or which shall have acquired the property of Lessee as an entirety or substantially as an entirety.

16.5. Sublease to National Railways. Nothing in this Section 16 shall be deemed to restrict the right of the Lessee to sublease the Equipment to any corporation which constitutes one of the "National Railways" as that term is defined in the Canadian National Railways Act. No such sublease shall relieve the Lessee of any liability or obligation hereunder which shall be and remain those of a principal and not a surety.

SECTION 17. REPRESENTATIONS AND WARRANTIES.

17.1. The Lessor and the Agent each for itself represent and warrant as follows:

- (a) On the delivery date for each Item of Equipment the Lessor shall have such title thereto as it received from the manufacturer or supplier thereof.



(b) Any sale, assignment, transfer, mortgage or other disposition which the Lessor or the Agent may make of this Agreement or any Item of Equipment covered thereby, whether prior or subsequent to execution and delivery thereof, shall be made expressly subject to the terms and provisions of this Agreement and all rights of the Lessee thereunder.

(c) Neither the Lessor nor the Agent have created nor will they create any claim, lien or encumbrance against any Item of Equipment so as to interfere with or impair

(i) the Lessee's possession and use of such Item of Equipment in accordance with the terms of this Agreement; or

(ii) the title to any Item of Equipment which may be transferred or conveyed to the Lessee under other provisions of this Agreement.

17.2. The Lessee represents and warrants the truth and accuracy of the matters contained in paragraphs (a) through (f) of Section 18.1 hereof.

SECTION 18. OPINIONS OF COUNSEL FOR LESSEE AND LESSOR.

18.1. Opinion of Counsel for Lessee. Concurrently with the delivery and acceptance of the first Item of Equipment hereunder, the Lessee will deliver to the Lessor five counterparts of the written opinion of counsel for the Lessee addressed to the Lessor, the Agent and to the Secured Parties to the effect that:

(a) The Lessee is a corporation legally incorporated and validly existing, in good standing, under the laws of Canada;

(b) The Lessee has the corporate or other power and authority to own its property and carry on its business as now being conducted and is duly qualified to do business as a foreign corporation in all states in which such qualification is necessary to carry out the terms of this Agreement.

(c) This Agreement and the Acquisition Agreement have been duly authorized, executed and delivered by the Lessee and constitute the valid, legal and binding agreements of the Lessee enforceable in accordance with their



respective terms subject to applicable bankruptcy, reorganization, insolvency and moratorium laws from time to time in effect;

(d) Once this Agreement is deposited in the office of the Registrar-General of Canada and upon the giving of notice of such deposit in the Canada Gazette in accordance with Section 86 of the Railway Act of Canada, no other filing, recording or depositing or notices in respect thereof is necessary to protect the Lessor's title to the Equipment in Canada;

(e) No approval, consent or withholding of objection is required from any Canadian regulatory body with respect to the entering into or performance of the Acquisition Agreement or this Agreement;

f) The execution and delivery by Lessee of this Agreement and the Acquisition Agreement do not violate any provision of any law, any order of any court or Canadian governmental agency, the Act of Incorporation or By-laws of the Lessee, or any indenture, agreement, or other instrument to which Lessee is a party or by which it, or any of its property is bound, and will not be in conflict with, result in the breach of, or constitute (with due notice and/or lapse of time) a default under any indenture, agreement, or other instrument, or result in the creation or imposition of any lien, charge or encumbrance of any nature whatsoever upon any of the property or assets of Lessee, except as contemplated and permitted hereby; and

(g) As to any other matters which Lessor shall reasonably request.

18.2. Opinion of Counsel for Lessor. Concurrently with the delivery of the opinion of counsel for the Lessee as provided in Section 18.1 hereof, the Lessor will deliver to the Lessee five counterparts of the written opinion of General Counsel for the Agent and special counsel for the Lessor, in scope and substance satisfactory to the Lessee with respect to the matters set forth in (a), (b), (c) and (f) of such Section 18.1 as such matters may appropriately pertain to the Lessor, the Agent or both of them.



SECTION 19. INTEREST ON OVERDUE RENTALS AND AMOUNTS PAID BY LESSOR.

Anything to the contrary herein contained notwithstanding any nonpayment of rentals due hereunder, or amounts expended by the Lessor on behalf of the Lessee, shall result in the obligation on the part of the Lessee to pay also an amount equal to 8 1/2% (or the lawful rate, whichever is less) of the overdue rentals and amounts expended for the period of time during which they are overdue or expended and not repaid.

SECTION 20. OPTION TO PURCHASE.

20.1. Right of Lessee to Purchase. Provided that the Lessee is not in default, Lessee shall have the right to purchase all or any portion of the Items of Equipment then leased hereunder at the expiration of the original or any renewal lease term at a price equal to the then "fair market value" (as defined). The Lessee shall give the Lessor written notice 180 days prior to the end of the original or any renewal lease term of its election to exercise the purchase option provided for in this Section, which notice shall designate the Items of Equipment (the "Purchased Equipment") in respect of which the Lessee is exercising such purchase option. Payment of the option price shall be made at the place of payment specified in Section 2 hereof in United States funds there current against delivery of a bill of sale transferring and assigning to the Lessee all right, title and interest of the Lessor in and to the Purchased Equipment and containing a warranty against liens or claims of persons claiming by, through or under the Lessor except liens and claims which the Lessee assumed or is obligated to discharge under the terms of the Agreement. The Lessor shall not be required to make any representation or warranty as to the condition of the Purchased Equipment or any other matters.

20.2. Fair Market Value. The "fair market value" shall be such amount as is mutually agreed upon by the Lessor and the Lessee; provided that if the Lessor and the Lessee are unable to agree upon the fair market value of the Purchased Equipment within 30 days after receipt by the Lessor of the notice of the Lessee's election to exercise the purchase option, the fair market value shall be determined by a qualified independent appraiser. The term appraiser shall mean such independent appraiser as the Lessor and the Lessee may mutually agree upon or, failing such agreement, a panel of three independent appraisers, one of whom shall be selected by the Lessor, the second by the Lessee and the third to be designated by the first and second appraisers so selected. The appraisers shall be instructed to make such determination within a period of thirty days following appointment and shall promptly communicate such determination in writing to the Lessor and Lessee. The determination so made shall be conclusively binding upon the Lessor and Lessee. The expenses and fee of the appraiser shall be borne equally by

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the Lessor and the Lessee. Upon payment of the purchase price, the Lessor shall, upon request by the Lessee, execute and deliver to the Lessee, or to the Lessee's assignee or nominee, a bill of sale [without warranties] for the Equipment such as will transfer to the Lessee such title to the Equipment as the Lessor derived from the Manufacturer free and clear of all liens, security interests and/or encumbrances arising through the Lessor. The fair market value as finally determined shall bear interest for the period, if any, from the date of expiration of the original or renewal lease term, as the case may be, to the date of payment at the rate of 8% per annum.

20.3. Continuation of Certain Provisions. Notwithstanding any election of the Lessee to purchase, the provisions of Section 11 hereof shall continue in full force and effect until the date of purchase and the passage of ownership of the Equipment purchased by the Lessee upon the date of purchase unless the purchase price has been agreed upon by the parties pursuant to this Section 20, in which event such purchase price shall govern.

20.4. Right of Lessee to Renew. Provided that the Lessee is not in default, the Lessee shall have the option to renew and extend this Lease as to all or any portion of the Items of Equipment then leased hereunder (which option may be exercised concurrently with the exercise of the option to purchase provided for in Section 20.1 hereof) for two additional renewal terms of five years each upon and subject to the terms and conditions herein contained for the original term of this Lease excepting only that the Periodic Rent for each such renewal term, which shall be payable semiannually in advance during each such term, shall be an amount equal to the "fair rental value" (as defined) of such Items of Equipment. Each such renewal term shall commence immediately upon the expiration of the preceding term. The Lessee shall give the Lessor written notice not less than 180 nor more than 270 days prior to the end of the original term or the then current renewal term of its election to exercise either renewal option provided for by this Section 20.4, which notice shall designate the Items of Equipment (the "Renewal Equipment") in respect of which the Lessee is exercising such renewal option.

20.5. Fair Rental Value. The "fair rental value" shall be an amount mutually agreed upon by the Lessor and the Lessee; provided that if the Lessor and the Lessee are unable to agree upon the fair rental value of the Renewal Equipment within 30 days after receipt by the Lessor of the notice of the Lessee's election to exercise any renewal option, the fair rental value shall be determined by a qualified independent appraiser. The term appraiser

shall mean such independent appraiser as the Lessor and the Lessee may mutually agree upon or, failing such agreement, a panel of three independent appraisers, one of whom shall be selected by the Lessor, the second by the Lessee and the third to be designated by the first and second appraisers so selected. The appraisers shall be instructed to make such determination within a period of thirty days following appointment and shall promptly communicate such determination in writing to the Lessor and Lessee. The determination so made shall be conclusively binding upon the Lessor and Lessee. The expenses and fee of the appraiser shall be borne equally by the Lessor and the Lessee.

20.6. Return of Equipment. Unless the Lessee has given the Lessor 180 days notice as required in connection with exercise of the foregoing option to purchase, all the Equipment then leased hereunder shall be returned to the Lessor in accordance with Section 13 hereof.

SECTION 21. LIMITATIONS ON LIABILITY OF THE LESSOR TO THE LESSEE.

It is expressly understood and agreed by and between the Lessor, the Agent and the Lessee, anything herein to the contrary notwithstanding, that each and all of the representations, covenants, undertakings and agreements herein made on the part of the Lessor, while in form purporting to be the representations, covenants, undertakings and agreements of Trust Company for USL, Inc., are nevertheless each and every one of them made and intended not as personal representations, covenants and undertakings and agreements of it in its individual corporate capacity or for the purpose or with the intention of binding it in its individual corporate capacity, but are made and intended for the purpose of binding only the Trust as that term is used in the Trust Agreement; such Trust is the Lessor hereunder, and this Agreement is executed and delivered by Trust Company for USL, Inc., not in its own right but solely in the exercise of the powers conferred upon it as such Trustee; and no liability or responsibility in its individual corporate capacity is assumed by nor shall at any time be asserted or enforceable against such corporation or the Agent, or any incorporator or any past, present or future subscriber to the capital stock of, the Trustee or the Agent, on account of this Agreement or on account of any representation, covenant, undertaking or agreement of such corporation or the Agent in this Agreement contained, either expressed or implied, all such individual corporate liability, if any, being expressly waived and released by the Lessee herein and by all persons claiming by, through or under the Lessee; excepting, however, that the Lessee or any person claiming by, through or under it, making claim hereunder, may look to said Trust for satisfaction of the same.

SECTION 22. MISCELLANEOUS.

22.1. Successors and Assigns. Whenever any of the parties hereto is referred to, such reference shall be deemed to include the heirs, executors, administrators, successors and assigns of such

party, and all the covenants, premises and agreements in this Agreement contained by or on behalf of any of the parties thereto, shall bind and inure to the benefit of the respective heirs, executors, administrators, successors and assigns of such party whether so expressed or not.

22.2. Partial Invalidity. The unenforceability or invalidity of any provision or provisions of this Agreement shall not render any other provision or provisions herein contained unenforceable or invalid; provided that nothing contained in this Section 22.2 shall be construed to be derogation of any rights or immunities of the Lessor in its fiduciary capacity or in its individual capacity or the Trustors or the Agent under Section 21 hereof.

22.3. Notices. All communications provided for herein shall be in writing and shall be deemed to have been given (unless otherwise required by the specific provisions hereof in respect of any matter) when delivered personally or when deposited in the Canadian certified mails or in the United States mail, registered, postage prepaid, addressed as follows:

If to the Lessor or to
the Agent:

Agent under C.N. Trust No. 5
United States Leasing International,
Inc.
633 Battery Street
San Francisco, California 94111
Attention: Vice President
Lease Underwriting Group
and to
Trust Company for USL, Inc., Trustee
under C.N. Trust No. 5
Oakbrook Executive Plaza
1211 West 22nd Street
Oakbrook, Illinois 60521

If to the Lessee:

Canadian National Railway Company
935 Lagachetiere Street West
Montreal, Canada
Attention: Treasurer

or addressed to either party at such other address as such party shall hereafter furnish to the other party in writing. A copy of any notice required or permitted to be given to the Lessor shall also be furnished in the same manner as above, addressed to the Agent at the above address and to the Trustors as follows:

Birmingham Trust National Bank
112-118 North 20th Street
Birmingham, Alabama 35202
Attention: Ralph Cook
Executive Vice President

Union Trust Company of Maryland
Baltimore and St. Paul Streets
Baltimore, Maryland 21203
Attention: William Ryland
Vice President

Idaho First National Bank
c/o Idaho First Lease Co.
10th and Idaho Streets
Boise, Idaho 83707
Attention: Stephen Collins

If any subsequent holder of any Note shall have presented the same to the Lessor for inspection accompanied by a written designation of the address to which notice in respect of such Note is to be given, then wherever herein it is provided that notice shall be given to the holder or holders of the Notes, the notice shall be addressed to such holder at the address so given but unless and until such subsequent holder or holders shall so present a Note to the Lessor and designate the address, all communications herein provided to be made or given to the holder or holders of the Notes shall be sufficiently given if addressed to the Secured Party to whom such Notes were originally delivered at its address above given.

22.4. Amendment and Substitution of Schedules. Attached hereto are copies of Schedule A-I and Schedule C-I (the "Original Schedules") and Schedule A-II and Schedule C-II (the "Alternate Schedules"). From and after the date of execution hereof, references herein to Schedules A and C respectively, shall mean Schedule A-I and Schedule C-I, respectively, and the Daily Interim Rental and Periodic Rent and the Casualty Value shall be determined as set forth in said Original Schedules; provided, however, in the event that, on or before the due date of the 10th installment of Periodic Rent, the Lessor or the Agent shall notify the Lessee (a copy of which notice shall be furnished to the Secured Party) that the Trustor is not entitled in determining its Federal income tax liability to take a deduction in respect of the depreciation of each Item of Equipment over a 14 year Asset Guideline Period, using Asset Guideline Class 40.1, but such deduction must be taken over a 15 year Asset Guideline Period using Asset Guideline Class 00.25 under Section 167(m) of the Internal Revenue Code of 1954, as amended, and under the Regulations to be promulgated thereunder and under Rev. Proc. 72-10, then from and after the giving of such notice, all references herein to Schedule A and Schedule C, respectively, shall mean Schedule A-II and Schedule C-II, respectively, and the Daily

Interim Rental and Periodic Rent and the Casualty Value shall be determined as set forth in said Alternate Schedules. Any aggregate increase in Daily Interim Rent shall be paid in the next following Periodic Rent payment date.

22.5. Execution in Counterparts. This Agreement may be executed, acknowledged and delivered in any number of counterparts, each of such counterparts constituting an original but all together only one Agreement.

22.6. Governing Law. This Agreement shall be construed and enforced in accordance with and governed by the laws of the State of Illinois; provided, however, that the parties shall be entitled to all rights conferred by any applicable statute, rule or regulation of the Dominion of Canada or the United States of America.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed by their respective officers thereunder duly authorized and their corporate seals to be hereto affixed as of the day and year first above written.

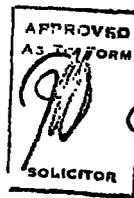
TRUST COMPANY FOR USL, INC.
As Trustee under C.N. Trust No. 5

By Ben Maushardt
its _____
LESSOR

(CORPORATE SEAL)

Attest:

Joyne L. Miller
Assistant Secretary



CANADIAN NATIONAL RAILWAY COMPANY

By [Signature]
its Vice President
LESSEE

(CORPORATE SEAL)

Attest:

[Signature]
Assistant Secretary

UNITED STATES LEASING INTERNATIONAL,
INC.

By *Arthur Meyer*
Its Vice President AGENT FOR LESSOR

(CORPORATE SEAL)

Attest:

Gene L. Miller
Asst. Secretary

Attachments

- Schedule A - Description of Equipment
- Schedule B - Certificate of Acceptance
- Schedule C - Casualty Value

EQUIPMENT DESCRIPTION

MANUFACTURER: General Motors of Canada Limited
[Diesel Division]

PLANT OF MANUFACTURER: London, Ontario

DESCRIPTION OF EQUIPMENT: 42 2000 H.P. Gp-38-2 Diesel Electric Locomotives, bearing identifying numbers CN5519 through CN5560 both inclusive.

PRICE: U.S. \$337,288.00 per locomotive

TOTAL PRICE: U.S. \$14,166,096.00 for all 42 items

DELIVER TO: Canadian National Railway Company, as designated by the Railroad

OUTSIDE DELIVERY DATE: July 25, 1973

LEASE TERM: 15 years commencing July 25, 1973

PERIODIC RENT PAYMENTS: Ten (10) semi-annual payments, each in arrears, at U.S. \$10,717.33 per locomotive, or an aggregate of U.S. \$450,127.86 for all 42 locomotives, followed by twenty (20) semi-annual payments, each in arrears, at U.S. \$21,221.49 per locomotive, or an aggregate of U.S. \$891,302.58 for all 42 locomotives.

DAILY INTERIM RENT: U.S. \$92.92 per day per locomotive.

All above U.S. dollar figures are based on an assumed conversion exchange of U.S. \$1 equal to Can. \$1.00. In the event the final price of any locomotive covered by this Schedule is great or less than the amount shown above in U.S. Dollars, the Periodic Rent and Daily Interim Rent for such Item shall be proportionately increased or decreased, provided that the final price for each locomotive must not exceed \$354,200.00 in United States Dollars.

SCHEDULE A-I
(to Lease --- Security Agreement)

CN. Trust No. 5
(14- year Guideline Basis)



EQUIPMENT DESCRIPTION

MANUFACTURER: General Motors of Canada Limited
[Diesel Division]

PLANT OF MANUFACTURER: London, Ontario

DESCRIPTION OF EQUIPMENT: 42 2000 H.P. GP-38-2 Diesel Elec-
tric Locomotives, bearing identify-
ing numbers CN5519 through CN5560
both inclusive.

PRICE: U.S. \$337,288.00 per locomotive

TOTAL PRICE: U.S. \$14,166,096.00 for all 42 items

DELIVER TO: Canadian National Railway Company,
as designated by the Railroad

OUTSIDE DELIVERY DATE: July 25, 1973

LEASE TERM: 15 years commencing July 25, 1973

PERIODIC RENT PAYMENTS: Ten (10) semi-annual payments, each
in arrears, at U.S. \$10,717.33 per
locomotive, or an aggregate of U.S.
\$450,127.86 for all 42 locomotives,
followed by twenty (20) semi-annual
payments, each in arrears, at U.S.
\$21,474.79 per locomotive, or an
aggregate of U.S. \$901,941.18 for all
42 locomotives.

DAILY INTERIM RENT: U.S. \$93.63 per day per locomotive.

All above U.S. dollar figures are based on an assumed con-
version exchange of U.S. \$1 equal to Can. \$1.00. In the event the
final price of any locomotive covered by this Schedule is greater or
less than the amount shown above in U.S. Dollars, the Periodic Rent
and Daily Interim Rent for such Item shall be proportionately increased
or decreased, provided that the final price for each locomotive must
not exceed \$354,200.00 in United States Dollars.

SCHEDULE A-II
(to Lease --- Security Agreement)

CN. Trust No. 5
(15-year Guideline Basis)

CERTIFICATE OF ACCEPTANCE

TO: Trust Company for USL, Inc., as Trustee
under Trust Agreement dated as of January 1, 1973

UNITED STATES LEASING INTERNATIONAL, INC., as Agent
for the Trustees

GENERAL MOTORS OF CANADA LIMITED [DIESEL DIVISION],
as Manufacturer

I, duly appointed inspector and authorized representative of Canadian National Railway Company ("Lessee") for the purpose of the Agreement to Acquire and Lease dated as of January 1, 1973 among Trust Company for USL, Inc., Trustee under the Trust Agreement dated January 1, 1973, as Lessor, United States Leasing International, Inc., as Agent for the Trustee, and the Lessee, and the Equipment Lease, dated as of January 1, 1973 among the Trustee, the Agent and the Lessee do hereby certify that I have inspected, received, approved and accepted delivery, on behalf of Lessee under said Agreements of the following Items of Equipment:

TYPE OF EQUIPMENT: 2000 H.P. GP-38-2 Diesel Electric Locomotives

PLACE ACCEPTED:

DATE ACCEPTED:

NUMBER OF UNITS:

NUMBERED:

I do further certify that the foregoing Equipment is in good order and condition, and appears to conform to the specifications applicable thereto and to all applicable Canadian Transport Commission and the United States Department of Transportation or other Canadian or United States agency governmental requirements and specifications.

The execution of this Certificate will in no way relieve or decrease the responsibility of the Manufacturer of the Equipment for any warranties it has made with respect to the Equipment.

Dated: _____, 1973.

Inspector and Authorized Representative of Canadian National Railway Company

SCHEDULE B
(to Lease - Security Agreement)

(C.N. Trust No. 5)



SCHEDULE OF CASUALTY VALUE

CASUALTY VALUE: The following per cent of original cost to Lessor of an Item of Equipment, including all taxes and delivery charges, is to be paid in United States Dollars on a Periodic Rent installment payment date, pursuant to Section 11 of the Lease as the result of an Item becoming the subject of a Casualty Occurrence, depending upon when the Casualty Value is paid:

<u>After Rental Payment No.</u>	<u>Payable on Date and in lieu of Payment No.</u>	<u>Casualty Value Payable Per Item (in lieu of rental payment for such item due on such date)</u>
0	1	108.625
1	2	109.125
2	3	110.750
3	4	112.000
4	5	113.000
5	6	113.750
6	7	114.125
7	8	114.375
8	9	114.125
9	10	113.750
10	11	113.000
11	12	108.875
12	13	104.500
13	14	100.750
14	15	95.875
15	16	90.875
16	17	85.500
17	18	81.000
18	19	76.250
19	20	71.375
20	21	66.250
21	22	61.000
22	23	55.750
23	24	50.250
24	25	45.125
25	26	40.500
26	27	35.875
27	28	31.000
28	29	26.125
29	30	21.125
30	Thereafter	15.000

SCHEDULE C-I
(to Lease - Security Agreement)

(CN. Trust No. 5)
(14-Year Guideline Basis)



SCHEDULE OF CASUALTY VALUE

CASUALTY VALUE: The following per cent of original cost to Lessor of an Item of Equipment, including all taxes and delivery charges, is to be paid in United States Dollars on a Periodic Rent installment payment date, pursuant to Section 11 of the Lease as the result of an Item becoming the subject of a Casualty Occurrence, depending upon when the Casualty Value is paid:

<u>After Rental Payment No.</u>	<u>Payable on Date and in lieu of Payment No.</u>	<u>Casualty Value Payable Per Item (in lieu of rental payment for such item due on such date)</u>
0	1	107.250%
1	2	108.375
2	3	109.875
3	4	111.250
4	5	112.250
5	6	113.000
6	7	113.500
7	8	113.750
8	9	113.750
9	10	113.500
10	11	112.875
11	12	108.875
12	13	104.625
13	14	101.125
14	15	96.500
15	16	91.500
16	17	86.375
17	18	82.125
18	19	77.625
19	20	72.875
20	21	68.125
21	22	63.125
22	23	58.000
23	24	52.875
24	25	47.500
25	26	42.125
26	27	36.750
27	28	31.250
28	29	25.875
29	30	20.760
30	Thereafter	15.000

SCHEDULE C-II
(to Lease - Security Agreement)

(C.N. Trust No. 5)
(15-Year Guideline Basis)



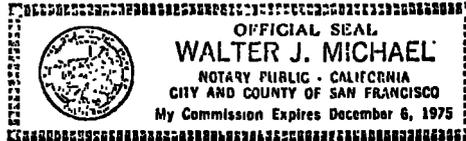
STATE OF CALIFORNIA)
CITY AND COUNTY OF SAN FRANCISCO) SS

On this 9th day of January, 1973 before me personally appeared Ben Maushardt to me personally known, who being by me duly sworn, says that he is the President of Trust Company for USL, Inc., that one of the seals affixed to the foregoing instrument is the corporate seal of said corporation; 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.

(SEAL)

Walter J. Michael

My Commission expires:



STATE OF CALIFORNIA)
) SS
CITY AND COUNTY OF)
SAN FRANCISCO)

On this 9th day of January, 1973, before me, personally appeared Peter Mezey, to me personally known, who being by me duly sworn, says that he is a Vice President of UNITED STATES LEASING INTERNATIONAL, INC., that one of the seals affixed to the foregoing instrument is the corporate seal of said corporation, 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.

Walter J. Michael

(SEAL)

My Commission expires:

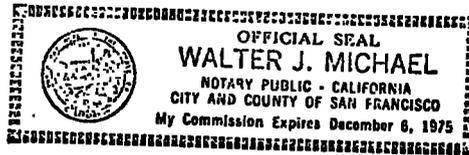


EXHIBIT B

AGREEMENT TO ACQUIRE AND LEASE

Dated as of January 1, 1973

AMONG

TRUST COMPANY FOR USL, INC.,

Trustee

AND

UNITED STATES LEASING INTERNATIONAL, INC.,

Agent for the Trustee

AND

CANADIAN NATIONAL RAILWAY COMPANY,

Lessee

(C.N. Trust No. 5)

TABLE OF CONTENTS

<u>Section</u>	<u>Heading</u>	<u>Page</u>
PARTIES		1
RECITALS		1
1.	Assignment	1
2.	Purchase of Equipment; Requirement of Final Acceptance and Closing of Interim Loans	2
3.	Acceptance of Equipment	2
4.	Indemnity	3
5.	Consent and Agreement	3
6.	Ruling	3
7.	Requirement of Term Loan Closing	4
8.	Third Party Beneficiary	4

Attachments

Exhibit 1 - Consent and Agreement

AGREEMENT TO ACQUIRE AND LEASE

RE:

CANADIAN NATIONAL RAILWAY COMPANY
(C.N. Trust No. 5)

AGREEMENT TO ACQUIRE AND LEASE dated as of January 1, 1973 among TRUST COMPANY FOR USL, INC., a trust company organized under the laws of the State of Illinois, not in its individual capacity but solely as Trustee (the "Trustee"), under a Trust Agreement dated as of January 1, 1973 (the "Trust Agreement"), executed by BIRMINGHAM TRUST NATIONAL BANK, UNION TRUST COMPANY OF MARYLAND and IDAHO FIRST NATIONAL BANK, as Trustors (the "Trustors"), UNITED STATES LEASING INTERNATIONAL, INC., a California corporation, as Agent for the Trustee (the "Agent"), and CANADIAN NATIONAL RAILWAY COMPANY, a Canadian corporation (the "Lessee").

RECITALS:

A. The Lessee has agreed to purchase certain railroad equipment (hereinafter referred to collectively as the "Equipment" and individually "Item of Equipment"), described in the Equipment Lease (the "Lease") which is attached as Exhibit B to the Trust Agreement, from General Motors of Canada, Limited [Diesel Division] (the "Manufacturer");

B. The Lessee desires to lease, rather than to purchase the Equipment; and

C. The Trustee is willing to purchase the Equipment and lease it to the Lessee on the terms and conditions of this Agreement.

THE LESSEE AND THE TRUSTEE HEREBY AGREE:

Section 1. Assignment. The Lessee assigns to the Trustee all of its rights against (but none of its duties or obligations to) the Manufacturer in connection with the Equipment. The Lessee represents that after execution by the Manufacturer of a Consent and Agreement substantially in the form attached hereto as Exhibit 1, such Manufacturer will be bound to the Trustee to sell and deliver the Equipment at the prices and places and prior to June 30, 1973 (the "Outside Delivery Date") as specified in the Schedule to the Lease. The Lessee shall at all times be and remain solely liable for the performance of all duties and obligations under all agreements of any nature between the Lessee and the Manufacturer.

(C.N. Trust No. 5)



Section 2. Purchase of Equipment; Requirement of Final Acceptance and Closing of Interim Loans. Subject to the provisions hereof, the Trustee will purchase and pay for each Item of Equipment (a) which has been delivered to Lessee prior to the Outside Delivery Date, (b) for which a Certificate of Acceptance in the form provided for in the Lease has been executed by the Lessee and received by the Trustee, and (c) for which a loan has been made to finance the purchase thereof by one or more of the various interim lenders (the "Interim Lenders") whose commitments Trustee has obtained (subject to documentation) to make interim loans to the Trustee on February 15, 1973, March 16, 1973 and April 15, 1973 to finance the Trustee's acquisition of the Items of Equipment so delivered and accepted not less than 5 business days prior to such respective dates and enable the Trustee to perform its obligations hereunder. Concurrently with such delivery and acceptance and the making of such loan, Trustee, as provided herein, will lease such Item of Equipment to the Lessee and the Lessee will hire the same from Trustee, on the terms and conditions of the Lease. If for any reason whatsoever any condition described in this Section 2 shall not have occurred with respect to any Item of Equipment, then (i) as to such Item and the full purchase price thereof, this Agreement shall terminate without further action by either party and without liability of either party to the other; (ii) the Lessee shall remain solely liable to the Manufacturer under all agreements between the Lessee and the Manufacturer with respect to that portion of the purchase price of the Equipment not then paid; and (iii) the Lessee shall pay, indemnify and save the Trustee harmless from and against any and all liabilities, claims, demands and expenses (including legal expenses and court costs) arising with respect to such Item or Items of Equipment on account of the execution by the Trustee of this Agreement or acceptance of such Item or Items of Equipment. Neither the Trustee nor the Trustor shall have any obligations hereunder to the Lessee in respect of Items of Equipment not delivered and accepted on or before the Outside Delivery Date, or to pay a purchase price in excess of \$354,200 in United States dollars for any Item of Equipment or to pay an aggregate purchase price in excess of \$14,876,400 in United States dollars for all Items of Equipment.

Section 3. Acceptance of Equipment. The Lessee shall immediately inspect each Item of Equipment upon delivery thereof and will accept those Items of Equipment which conform to the obligations of the Manufacturer thereof. The Lessee agrees not to unreasonably withhold such acceptance. Such acceptance shall be for the account of the Trustee and thereupon title to each Item of Equipment so accepted shall vest in the Trustee, and the Trustee shall own each such Item of Equipment, subject, however, to a lease of each such Item of Equipment to Lessee on the terms and conditions of the form of the Lease.

Section 4. Indemnity. The Lessee hereby agrees to indemnify and hold the Trustee and the Trustors and their respective successors, assigns, directors, officers and agents, harmless from and against any and all losses, claims, liabilities and expenses which arise out of or relate to the manufacture, purchase, acceptance, rejection, ownership and delivery of the Equipment (including claims for patent, trademark or copyright infringement and claims for strict liability in tort).

Section 5. Consent and Agreement. It is a condition precedent to the obligation of the parties hereto that the Manufacturer shall, prior to the delivery by the Manufacturer of the first Item of Equipment to the Lessee, execute a Consent and Agreement in substantially the form attached hereto.

Section 6. Ruling. It is a condition to the obligations of the parties hereto that the Trustee, prior to December 31, 1973 (or such later date as may be mutually agreed upon by the parties hereto), shall have received, and shall have delivered to the Lessee and the Trustors, written or telegraphic notice that the Trustee has received a favorable ruling from the Internal Revenue Service in accordance with the terms and conditions of Section 5(b) of the Trust Agreement. In the event that such ruling has not been received prior to such date (or such later date as may be mutually agreed upon by the parties hereto) (i) as to any portions of the purchase price of the Equipment which the Trustee has not then paid, the obligation of the Trustee to pay such portions of the purchase price shall terminate without further action by either party and without liability of either party to the other, (ii) the Lessee shall remain solely liable for those portions of the purchase price for the Equipment not then paid, (iii) as to any Items of Equipment which the Trustee has paid for, the Lessee shall within ten days purchase from the Trustee such Item of Equipment on an AS-IS-WHERE-IS basis for the same purchase price as that paid for it by the Trustee (including all taxes), and in addition shall pay the Trustee all unpaid Daily Interim Rental, if any, and Fixed Rental, if any, due and unpaid under the Lease through the date of such purchase by the Lessee, and (iv) the Lessee shall pay, indemnify and save the Trustee, the Trustors and the Agent harmless from and against any and all liabilities, claims, demands and expenses (including legal expenses and court costs) arising on account of the execution by the Trustee and the Agent of this Agreement, the delivery of the Equipment, or the delivery and acceptance by the Lessee of the Equipment under the Lease, whether such delivery is made before or after the Outside Delivery Date.

7/14 -
Section 7. Requirement of Term Loan Closing. The obligation of the Trustee to lease the Equipment as lessor under the Lease for any period following July 25, 1973 is subject to the condition that, on July 25, 1973, one or more term lenders shall have made term loans at the rate of 7-3/4% per annum (or such other rate per annum as the Agent and the Lessee may mutually agree upon) to the Trustee to provide term financing of the Items of Equipment then leased under the Lease, and the Trustors shall have made the advances provided for by the Trust Agreement in respect of such Items of Equipment, all as contemplated by the Trust Agreement. In the event that such conditions have not been satisfied or complied with for any reason whatsoever then the Lessee shall on July 25, 1973 purchase from the Trustee all Items of Equipment then leased under the Lease, on an AS-IS-WHERE-IS basis for an amount equal to 101% of the purchase price paid for such Items by the Trustee (including all taxes) and shall pay the Trustee an amount equal to .020139% of the Purchase Price of the said Equipment for the period, if any, from the date such Equipment was purchased by the Trustee to but not including July 25, 1973 and the Lessee shall pay, indemnify and save the Trustee, the Trustors and the Agent harmless from and against any and all liabilities, claims, demands and expenses (including legal expenses and court costs) arising on account of or in connection with the execution by the Trustee and the Agent of this Agreement.

If the Agent has not by May 7, 1973 obtained the commitment of one or more term lenders to make the term loans at the rate of 7-3/4% per annum, then the Lessee shall have the exclusive right to obtain the commitment of the term lenders to make the term loans. If the lessee thereafter obtains the commitment of one or more term lenders to make the term loans at the rate of 7-3/4% per annum, the Agent shall pay to the Lessee .4% of the aggregate amount of such commitment as a commitment fee. If the Lessee is unable to obtain a commitment for the term loans at the rate of 7-3/4% per annum, but is able to do so at a rate per annum other than 7-3/4%, no such commitment fee shall be due and owing by the Agent to the Lessee.

Section 8. Third Party Beneficiary. The Trustors are hereby made Third Party beneficiaries of the Lessee's obligations hereunder.



IN WITNESS WHEREOF, the parties hereto have executed this Agreement to Acquire and Lease as of the day and year first above written.

TRUST COMPANY FOR USL, INC.
as Trustee under C.N. Trust No. 5

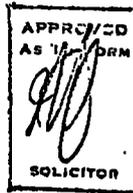
By *Ben Manshardt*
Its _____ President

UNITED STATES LEASING INTERNATIONAL,
INC., as Agent for the Trustee

By *Peter Meyer*
Its _____ Vice President

[SEAL]

CANADIAN NATIONAL RAILWAY COMPANY,
Lessee



By *[Signature]*
Its _____

By *[Signature]*
Its _____ Secretary

Attachments
Exhibit 1 to Acquisition Agreement - Consent and Agreement



CONSENT AND AGREEMENT

The undersigned, GENERAL MOTORS OF CANADA, LIMITED [DIESEL DIVISION], (the "Manufacturer"), acknowledges receipt of a copy (proof date January 5, 1973) of an Agreement to Acquire and Lease (the "Acquisition Agreement") dated as of January 1, 1973, among TRUST COMPANY FOR USL, INC., not in its individual capacity but solely as Trustee under a Trust Agreement dated as of January 1, 1973 (the "Trustee"), UNITED STATES LEASING INTERNATIONAL, INC., as Agent for the Trustee (the "Agent") and CANADIAN NATIONAL RAILWAY COMPANY (the "Lessee") and as an inducement to the parties thereto to make the same thereunder:

1. Consents to the assignment by the Lessee to the Trustee of all of the Lessee's rights against the Manufacturer in connection with the Items of Equipment described in Schedule A hereto.

2. Agrees that none of the duties or obligations of the Lessee under any agreements of any nature between the Manufacturer and the Lessee have been assigned to or in any manner assumed by the Trustee.

3. Agrees prior to each delivery to cause each Item of Equipment to be marked:

"Leased from United States Leasing International, Inc. as Agent for Owner-Trustee and subject to a Security Agreement recorded with the I.C.C. and the Registrar General of Canada."

4. Indemnifies and saves the Trustee and the Lessee harmless from any liability, loss, damage, claim and expense which may arise out of any claims for patent infringement relative to the Equipment, except in cases of designs specified by the Lessee and not developed or purported to be developed by the Manufacturer or any company controlled by the Manufacturer, and articles and materials specified by the Lessee and not manufactured by the Manufacturer or by any company controlled by the Manufacturer.

5. In accordance with Section 3 of the Acquisition Agreement agrees that upon delivery and acceptance of

EXHIBIT 1
(to Agreement to Acquire and Lease)

any Item of Equipment title thereto shall vest in the Trustee and upon request of the Trustee or the Lessee the Manufacturer will execute and deliver an invoice covering the same in the name of the Trustee, a Bill of Sale satisfactory in form and substance to the Trustee in favor of the Trustee warranting good title thereto free and clear of all liens and encumbrances excepting only the Equipment Lease (the "Lease") referred to in the Acquisition Agreement, and an opinion of counsel for the Manufacturer that said Bill of Sale is valid and effective to transfer good title free and clear of all liens and encumbrances excepting only the Lease. The original of such documents and other materials shall be furnished to the Trustee with copies to the Lessee.

6. This Consent and Agreement shall not release the Lessee from any of its obligations to the Manufacturer under the Memorandum of Agreement dated April 27, 1972 between the Manufacturer and the Lessee, as amended or modified, in the event these obligations are not met under the foregoing Agreement to Acquire and Lease.

Dated:

GENERAL MOTORS OF CANADA, LIMITED
[DIESEL DIVISION]

By _____
Its _____
Manufacturer

Attachments to Executed Consent and Agreement:

Schedule A - Description of Equipment.

DESCRIPTION OF EQUIPMENT

MANUFACTURER:

General Motors of Canada,
Limited [Diesel Division]

EQUIPMENT:

42 2000 H.P. GP-38-2 Diesel-
Electric Locomotives bearing
identifying numbers CN 5519
through CN 5560, both inclusive

SCHEDULE A
(to Consent and Agreement)

(C.N. Trust No. 5)



LESSEE'S CONSENT AND AGREEMENT TO ASSIGNMENT OF
LEASE AND AGREEMENT TO ACQUIRE AND LEASE

The undersigned, as the Lessee under the Lease and Agreement to Acquire and Lease referred to in the foregoing Assignment, hereby

- (a) acknowledges receipt of a copy of the Assignment,
- (b) consents to all the terms and conditions thereof, and
- (c) agrees (i) as long as Assignees are the holders of any outstanding Notes issued by Trust Company for USL, Inc. as Trustee under Canadian National Trust No. 5, that Lessee shall pay directly to the Assignees at the respective addresses for payments shown in Schedule A hereto each Assignee's distributive share percentage of all sums assigned pursuant to the Assignment which are due or become due under the Lease or the Agreement to Acquire and Lease (ii) that the rights of the Assignees specified in Section 16.1 of the Lease are hereby acknowledged and (iii) that (a) the rights of any such Assignees in and to the sums payable by the Lessee under any provisions of the Agreement to Acquire and Lease shall not be subject to any abatement whatsoever and shall not be subject to any defense set-off, counterclaim or recoupment whatsoever whether by reason of or defect in Trustee's title, or any interruption from whatsoever cause (other than from a wrongful act of the Assignees) in the use, operation or possession of the equipment or any part thereof, or any damage to or loss or destruction of the equipment or any part thereof, or by reason of or any other indebtedness or liability, howsoever and whenever arising, of the Trustee to the Lessee or to any other person firm or corporation or to any governmental authority or for any cause whatsoever, it being the intent hereof that, except in the event of a wrongful act on the part of the Assignees, the Lessee shall be unconditionally and absolutely obligated to pay the Assignees all of the rents and other sums which are the subject matter of the Assignment and (b) the Assignees shall have the sole right to exercise all rights, privileges and remedies (either in their own name or in the name of the Trustee for the use and benefit of the Assignees) which by the terms of the Agreement to Acquire and Lease are permitted or provided to be exercised by the Trustee. The distributive share percentage of each Assignee is 50%.

Attest:

CANADIAN NATIONAL RAILWAY COMPANY

(Seal)


ASSISTANT Secretary



By


Its Vice-President

SCHEDULE A

United California Bank
405 Montgomery Street
San Francisco, California 94104

The Bank of California
400 California Street
San Francisco, California 94104

