Illinois Central Gulf

An IC Industries Company

William H. Sanders
Corporate Counsel

Illinois Central Gulf Railroad
Two Illinois Center
233 North Michigan Avenue
Chicago, IL 60601
(312) 565-2000

May 1, 1978

RECEIVED
MAY 5 10 47 AM '78
CERTIFICATION UNIT

Honorable H. Gordon Homme, Jr.
Acting Secretary
Interstate Commerce Commission
Washington, D. C. 20423

RECORDATION NO. 9365 Filed & Recorded
MAY 5 1978 - 10 55 AM
INTERSTATE COMMERCE COMMISSION

Dear Mr. Homme:

Enclosed for recording with the Interstate Commerce Commission are counterparts of a Lease Agreement dated as of May 1, 1978. There has been no previous recording in connection with this transaction.

Also enclosed is a check for $50.00 payable to the Interstate Commerce Commission to cover the recording fee.

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

Lessor: Sea-Texas, a partnership consisting of Seattle-First National Bank, a national banking association, and Texas Commerce Bank National Association, a national banking association,
c/o Seafirst Leasing Department
P. O. Box 3586
Seattle, Washington 98124

Lessee: Illinois Central Gulf Railroad Company
233 North Michigan Avenue
Chicago, Illinois 60601

The Equipment covered by the Lease Agreement consists of 480 freight cars described and identified by number in Exhibit A to said Agreement.

Upon completion of the recording, please deliver to the bearer of this letter all counterparts not required for retention in your file.

Very truly yours,

W. H. Sanders

Enc.

RECORDATION NO. 9365 Filed & Recorded

MAY 5 1978 • 10 55 AM

INTERSTATE COMMERCE COMMISSION

LEASE AGREEMENT

Lease Agreement dated as of May 1, 1978, between ILLINOIS CENTRAL GULF RAILROAD COMPANY, a Delaware corporation (the "Lessee") and SEA-TEXAS, a partnership (the "Lessor") consisting of SEATTLE-FIRST NATIONAL BANK, a national banking association, and TEXAS COMMERCE BANK NATIONAL ASSOCIATION, a national banking association (hereinafter collectively referred to as the "Partners" and individually as a "Partner").

1. LEASE OF EQUIPMENT.

Lessor hereby agrees to lease to Lessee, and Lessee hereby agrees to lease from Lessor, upon the terms and conditions hereinafter set forth --

20	100-ton covered hoppers
45	60' flatcars
40	Pulpwood flat cars
375	70-ton boxcars

(the "Cars") (the Cars are sometimes referred to as the "Equipment" and each such Car is sometimes referred to as a "unit" or a "unit of Equipment") described on annexed Exhibit A. The aggregate cost for the acquisition, rehabilitation and delivery of all the Cars ("Lessor's Cost of Cars") shall not exceed $11,700,000.

2. REHABILITATION OF CARS.

A. Lessor has agreed under a Rehabilitation Agreement dated as of the date hereof (the "Rehabilitation Agreement") between Lessee and Lessor to purchase from the owners thereof, in order to secure reusable components, the following used Cars at purchase prices not to exceed the following maximum amounts:

No. of Cars	Types of Cars	Maximum Purchase Price for Cars
20	100-ton covered hoppers	$ 173,722
45	60' flatcars	$ 242,000
40	Pulpwood flatcars	$ 187,553
375	70-ton boxcars	$3,153,101

The actual purchase prices of the Cars shall hereinafter be referred to as the "Cars Acquisition Cost." Such reusable components will be conveyed to Lessor by bills of sale (the "Bills of Sale").

B. Lessee has also agreed under the Rehabiitation Agreement to rehabilitate for Lessor cars using, where possible, such parts as may be obtained from the used Cars referred to in Section 2.A in order to produce the following Cars at rehabilitation prices not to exceed the following maximum amounts:

Number	Types of Cars	Maximum Rehabilitation Price for Cars
20	100-ton covered hoppers	$ 324,700
45	60' flatcars	$ 365,850
40	Pulpwood flatcars	$ 390,000
375	70-ton boxcars	$6,808,980

The actual rehabilitation prices for the Cars shall hereinafter be referred to as the "Rehabilitation Cost."

3. LEASE TERM.

A. Basic Lease Term. The basic term of lease under this Lease Agreement of each Car shall end one hundred eighty (180) months after the date (the "Commencement Date") which is the earlier of (i) the date as of which all Cars have been rehabilitated in accordance with the Rehabilitation Agreement and accepted by Lessee for lease hereunder or (ii) December 31, 1978.

B. Interim Lease Term. The interim term of lease under this Lease Agreement of each Car shall commence on the date Lessor purchases such Car from the owners thereof pursuant to the Rehabilitation Agreement and shall end on the Commencement Date.

4. RENT, NET LEASE.

Lessee shall pay to Lessor rent during the basic lease term (as defined in Section 3.A), quarterly in arrears, for the Cars in sixty (60) installments, each of which shall be in an amount equal to 2.65496% of Lessor's Cost of Cars. The first installment of rent shall be payable on the first quarterly anniversary of the Commencement Date. Subsequent installments of rent shall be payable thereafter on each successive quarterly anniversary of the Commencement Date.

Lessee shall also pay Lessor interim rent quarterly for the period commencing with the date of payment by Lessor of any part of Lessor's Cost of Cars and ending on the last day of each calendar quarter and on the Commencement Date. Such interim rent shall also be payable for Cars which are repurchased as provided in Section 6. Interim rent shall be in an amount equal to .0291% per day of any part of Lessor's Cost of Cars paid by Lessor prior to the Commencement Date computed from the dates so paid to the date of payment of such interim rent, and computed for the actual number of days elapsed.

The foregoing rents have been computed to produce for the Partners a net after-tax yield in respect of this Lease Agreement on the assumption that the weighted dollar average of Rehabilitation Costs is 67.75% of Lessor's Cost of Cars for all of the Equipment subject to this Lease Areement; if at the Commencement Date such average of Rehabilitation Costs is for any reason less than 67.75% of Lessor's Cost of Cars for all Equipment then leased under this Lease Agreement, the rent shall be adjusted to cause the net after-tax yield to Lessor in respect of this Lease Agreement to be equal to the net after-tax yield which the Partners would have realized had such assumption been correct.

All rent and other amounts due from Lessee to Lessor shall be paid to Lessor at its office to the attention of Seafirst Leasing Department, Contract Administrator, P.O. Box 3586, Seattle, Washington 98124, or at such other place as Lessor shall specify in writing. In the event any rent or other amounts due hereunder shall not be made promptly when due, Lessee shall pay Lessor, as additional rent hereunder, interest on such overdue amount from the due date thereof to the date of payment thereof at a rate equal to the lesser of (i) twelve percent (12%) per annum or (ii) the maximum rate permitted by law.

This Lease Agreement provides for a net lease and the rent and other amounts due hereunder from Lessee to Lessor shall not be subject to any defense, claim, reduction, setoff, abatement or adjustment for any reason whatsoever. Lessee shall promptly pay all costs, expenses and obligations of every kind and nature incurred in connection with the use or operation of the Equipment which may arise or be payable during the lease term of such Equipment hereunder, whether or not such cost, expense or obligation is specifically referred to herein.

This Lease Agreement shall not, except as otherwise expressly provided herein, terminate, 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 in the manner and at the times herein provided unless the obligation to pay the same shall be terminated pursuant to the express provisions of this Lease Agreement.

5. PAYMENTS FOR EQUIPMENT.

Lessor shall prior to the Commencement Date make payment for the purchase of the used Cars in accordance with the Rehabilitation Agreement. Lessor shall also from time to time, but not more than once in any week, prior to the Commencement Date make such payments as Lessee may request under a Certificate of Acceptance in the form of annexed Exhibit B (a "Certificate of Acceptance"). Each such Certificate of Acceptance (except the last) shall cover not less than ten (10) Cars.

6. ACCEPTANCE OF EQUIPMENT.

Acceptance of a unit of Equipment by Lessee under a Certificate of Acceptance shall constitute Lessee's acknowledgement that a unit of Equipment is in good order and condition; is of the manufacture, design and capacity selected by Lessee; and is suitable for Lessee's purposes. If Lessee has not accepted all of the Cars by the Commencement Date, then this Lease Agreement shall cover only those units of Equipment which have theretofore been so accepted and on the Commencement Date Lessee shall repurchase from Lessor (i) all Cars which have not theretofore been so accepted at a price equal to the Cars Acquisition Cost for such Cars and (ii) all unused materials purchased and paid for by Lessor for rehabilitation pursuant to the Rehabilitation Agreement.

7. DISCLAIMER OF LESSOR'S WARRANTIES.

Lessee agrees and acknowledges that all units of Equipment have been or will be ordered and rehabilitated by Lessee in accordance with Lessee's specifications, that Lessee leases all of the units of Equipment in their "as is" condition and that LESSOR DOES NOT MAKE ANY EXPRESS OR IMPLIED WARRANTY WHATSOEVER OF TITLE, MERCHANTABILITY, FITNESS FOR ANY PURPOSE, DESIGN OR CONDITION, OR OTHERWISE REGARDING THE EQUIPMENT OF ANY UNIT THEREOF. Lessor shall, at Lessee's sole expense, take all action reasonably requested by Lessee to make available to Lessee to the fullest extent possible any rights of Lessor with respect to the Cars under any express or implied warranties it may have under the Rehabilitation Agreement (including any warranties relating to any material acquired for the rehabilitation of the Cars).

8. LESSEE'S WARRANTIES.

Lessee represents and warrants that:

A. Lessee is a corporation duly organized and existing in good standing under the laws of the State of Delaware.

B. Lessee is duly authorized to execute and deliver the Rehabilitation Agreement and this Lease Agreement, and is and will continue to be duly authorized to lease Equipment hereunder and to perform its obligations hereunder and thereunder.

C. The execution and delivery of the Bills of Sale by the owners of the Cars, the Rehabilitation Agreement and this Lease Agreement by Lessee, and the performance by Lessee of its obligations hereunder and thereunder, do not and will not conflict with any provision of law (including without limitation the provisions of 15 U.S.C. § 20) or of the charter or bylaws of Lessee or of any indenture, mortgage, deed of trust or agreement or instrument binding upon Lessee or to which Lessee is a party.

D. The execution, delivery and performance of the Bills of Sale by the owners of the Cars, the Rehabilitation Agreement and this Lease Agreement by Lessee and the consummation by Lessee of the transactions contemplated hereby and thereby do not require the consent, approval of authorization of, or notice to, any Federal or State governmental authority or public regulatory body.

E. Lessee's financial statement as at December 31, 1977, a copy of which has been furnished to Lessor, has been prepared in conformity with the Uniform System of Accounts for Railroad Companies prescribed by the Interstate Commerce Commission (the "ICC") applied on a basis consistent with that of the preceding fiscal year and presents fairly the financial condition of Lessee as at the date thereof, and the results of its operations for the period then ended, and since such date there has been no material adverse change in its financial condition.

F. The Rehabilitation Agreement, the Bills of Sale and this Lease Agreement are legal, valid and binding obligations enforceable in accordance with their respective terms.

G. There are no pending or threatened actions or proceedings before any court or administrative agency which will to a material extent adversely affect the financial condition or continued operation of Lessee and its subsidiaries on a consolidated basis (except as previously disclosed in writing by Lessee to Lessor).

H. The fair market value of the reusable component parts included in each used Car to be purchased by Lessor under the Rehabilitation Agreement and the Bills of Sale is not in excess of the Cars Acquisition Cost for such Car and the fair market value of each Car after the rehabilitation thereof shall be at least equal to the total of the Cars Acquisition Cost plus Rehabilitation Cost for such Car.

I. Each Car will constitute "new Section 38 property" within the meaning of Section 48(b) of the Internal Revenue Code of 1954, as amended, to the extent of the Rehabilitation Cost therefor.

J. Each Car on the date of delivery thereof will have an estimated useful life of at least four (4) years beyond the expiration of the term of lease under this Lease Agreement for such unit of Equipment and an estimated fair market value at the end of such lease term of at least twenty percent (20%) of Lessor's Costs of Cars for such Car, without including in such fair market value any increase or decrease for inflation or deflation during the term of the lease for such unit of Equipment.

K. The Equipment will not be used in connection with the performance of any prime government contract, or subcontract or purchase order thereunder, with respect to which the provisions of the Renegotiation Act of 1951, as amended, are applicable.

L. Upon the purchase by the Lessor of the used Cars pursuant to Section 2, no mortgage, deed of trust, indenture, lease or other lien or security interest of any nature whatsoever which now covers or affects any property or interest will attach or thereafter will attach to the Equipment or in any manner affects or will affect adversely Lessor's right, title and interest herein, provided, that this representation and warranty shall not be considered breached by any lien attaching to the leasehold interest of Lessee under this Lease Agreement by reason of any existing or future mortgage to which Lessee is a party covering substantially all of Lessee's railroad property.

9. OWNERSHIP, LOCATION, USE OF AND LIENS ON EQUIPMENT.

A. The Equipment shall be the exclusive property of Lessor, and Lessee shall have no rights therein except the right to use it so long as Lessee is not in default hereunder. It is the intention of the parties hereto that the Equipment shall be and remain personal property and Lessee shall not permit the Equipment to become or remain a fixture to any real estate or an accession to any personalty not leased hereunder.

B. Lessee agrees that the Equipment will be used solely in the conduct of its business, with due care to prevent injury thereto or to any person or property and in conformity with all applicable laws, ordinances, rules, regulations and other requirements of any insurer or governmental body (including, without limitation, any requirements regarding licensing or registration, or evidencing title to the Equipment, all of which shall be done in such manner as shall have previously been approved in writing by Lessor). Lessor, or any duly authorized representative thereof, may during reasonable business hours from time to time inspect the Equipment and Lessee's records with respect thereto wherever the same may be located.

C. Lessee agrees to comply in all respects with all laws of the jurisdictions in which the units may be operated, with the interchange rules of the Association of American Railroads, if applicable, and with all lawful rules of the Department of Transportation and the Interstate Commerce Commission and any other legislative, executive, administrative or judicial body exercising any power or jurisdiction over the units. In the event that such laws or rules require the alteration of the units, or in case any equipment or appliance on any such unit

shall be required to be changed or replaced, or in case any additional or other equipment or appliance is required to be installed on such unit in order to comply with such laws, regulations, requirements and rules, Lessee agrees to make such alterations, changes, additions and replacements at its own expense; and Lessee agrees at its own expense to use, maintain and operate such unit in full compliance with such laws, regulations, requirements and rules so long as the units are subject to this Lease Agreement; provided, however, that Lessee may, in good faith, contest the validity or application of any such law, regulation, requirement or rule in any reasonable manner which does not adversely affect the property or rights of the Lessor hereunder; and further provided, that any such additions to the units made by Lessee which can be removed without material damage to the units shall become the property of Lessee on the termination of this Lease Agreement.

D. Lessee shall not permit any lien, charge, encumbrance, security interest, or other similar interest to arise or remain on any Equipment other than (i) liens placed by Lessor or liens of persons claiming against Lessor but not Lessee, which arise out of obligations to which Lessee is not required by this Lease Agreement to pay or discharge, (ii) liens of current taxes not delinquent, (iii) inchoate materialmen's or mechanics' liens arising in the ordinary course of business and not delinquent, and (iv) any liens attaching to the leasehold interest of Lessee under this Lease Agreement by reason of any existing or future mortgage to which Lessee is a party covering substantially all of Lessee's railroad property.

E. Lessee shall place and maintain on each side of each Car a notice (in letters not less than one inch in height) conspicuously disclosing Lessor's ownership thereof as follows:

"SEA-TEXAS, a partnership, OWNER-LESSOR"

or other appropriate words designated by Lessor, with appropriate changes thereof and additions thereto as from time to time may be required by law in order to protect the title of Lessor to such unit and the rights of Lessor under this Lease Agreement. Lessee will not place any such unit in operation or exercise any control or dominion over the same until such names and words 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. Lessee shall maintain on each unit of Equipment the serial and other identifying numbers, if any, set forth on the applicable Certificate of Acceptance. Lessee will not change the identifying number of any Car except in accordance with a statement of new identifying numbers to be substituted therefor, which statement previously shall have been filed with Lessor by Lessee and filed, recorded or deposited by Lessee in all public offices

where this Lease Agreement shall have been filed, recorded or deposited. Except as above provided, Lessee, so long as this Lease Agreement shall remain in effect, will not allow the name of any person, association or corporation to be placed on the units as a designation that might be interpreted as a claim of ownership; provided, however, that Lessee may cause the units to be lettered with the names or initials or other insignia customarily used by Lessee or its affiliates on railroad equipment used by them of the same or a similar type for convenience of identification of their right to use the units as permitted under this Lease Agreement.

10. MAINTENANCE OF EQUIPMENT.

Lessee shall at all times keep the Equipment in good repair and efficient condition and working order, reasonable wear and tear excepted. Lessee shall supply all parts, service, and other items required in the operation and maintenance of the Equipment. Lessee shall not, without the written consent of Lessor, make any additions to the Equipment. All parts, replacements, substitutions and additions to or for any Equipment shall immediately become Equipment and the property of Lessor; provided, however, that any additions to the Equipment which can be removed without material damage to the Equipment shall become the property of Lessee on the termination of this Lease Agreement. Lessee assumes all risk of, and Lessee's obligations under this Lease Agreement shall continue unmodified despite, any loss, theft, destruction, damage, condemnation, requisition or taking by eminent domain or other interruption or termination of use of any Equipment regardless of the cause thereof.

11. EVENT OF LOSS.

A. Upon the happening of any loss, theft, destruction, damage, condemnation, requisition, taking by eminent domain or other interruption or termination of use of any unit of Equipment regardless of the cause thereof (herein collectively called an "Event of Loss"), Lessee shall promptly make all repairs and replacements necessary to restore or repair such unit of Equipment so that the Equipment thereafter subject to lease hereunder is substantially equivalent to, and of a value not less than, the Equipment subject to lease hereunder prior to such Event of Loss; provided, however, that Lessee may instead on the next quarterly rent payment date following such Event of Loss, furnish Lessor with an affidavit of an officer of Lessee setting forth the fact of such Event of Loss and pay to Lessor the Stipulated Loss Value (as defined in annexed Exhibit C, determined as of such next subsequent rent payment date) of such unit of Equipment. Upon payment of (i) such Stipulated Loss Value, (ii) any rent accrued and unpaid on such unit of Equipment to and including such next rent payment date and (iii) any other amounts owing by Lessee

hereunder, whether as additional rent, indemnification or otherwise, Lessor shall transfer to Lessee, without any representation or warranty of any kind, express or implied, whatever title to such unit of Equipment it may have. Upon such transfer the lease of such unit of Equipment hereunder shall end.

B. When Lessee has fulfilled the requirements of Paragraph A regarding an Event of Loss, Lessor shall (if no event of default has occurred and is continuing), reimburse Lessee for its costs thus incurred to the extent of any proceeds received by Lessor because of such Event of Loss either under any policies of insurance provided for in Section 12 or as satisfaction of any claim (other than one to which an insurer is or may be subrogated) by Lessor against any person or persons liable in respect of such Event of Loss, after subtracting in each instance all costs and expenses, including (without limitation) reasonable legal fees and expenses, incurred by Lessor and not otherwise reimbursed by Lessee in respect thereto.

12. INSURANCE.

A. Lessee will cause to be carried and maintained at all times during the term of this Lease Agreement physical damage and liability insurance covering the Equipment in the name of Lessor and Lessee in such amounts and in such form as is commonly maintained on comparable equipment by companies similarly situated. Lessee currently maintains the insurance coverage described in annexed Exhibit D. Such insurance policy or policies shall provide that all losses thereunder will be adjusted with Lessee and Lessor and will be payable to Lessor and Lessee as their respective interests shall appear.

B. The policies of insurance required under this Section 12 shall be valid and enforceable policies issued by insurers of recognized responsibility comparable to Lessee's present insurers. Upon the execution of the first Certificate of Acceptance, and thereafter not less than thirty (30) days (if insurance industry practice so allows) prior to the expiration dates of any expiring policies theretofore furnished under this Section 12, originals of the policies and satisfactory evidence of the payment of premiums thereon shall be delivered by Lessee to Lessor except that Lessor may accept copies of the policies and certificates of insurance in lieu of original policies. Such policies may be blanket policies covering other equipment not covered by this Lease Agreement, provided that any blanket policy shall in an accompanying certificate of insurance or rider specifically designate the units of Equipment described in such Certificate of Acceptance as being included therein and covered thereby to the full extent of the amounts herein required and shall name Lessor as an additional insured party thereunder with respect to such units of Equipment. All such policies shall

contain an agreement by the insurers that such policies shall not be cancelled without at least thirty (30) days' (if insurance industry practice so allows) prior written notice to Lessor.

13. TAXES.

Lessee agrees to pay and discharge (and does hereby agree to indemnify and hold Lessor harmless from and against) all sales, use, personal property, leasing, leasing use, stamp or other taxes, levies, imposts, duties, charges or withholdings of any nature (together with any penalties, fines or interest thereon) imposed against Lessor, Lessee or the Equipment by any Federal, state or local government or taxing authority upon or with respect to the Equipment or upon the purchase, rehabilitation, ownership, delivery, lease, possession, use, operation, return, sale or other disposition thereof hereunder or in connection herewith, or upon the rentals, receipts, or earnings arising therefrom, or upon or with respect to this Lease Agreement (excluding, however, taxes on, or measured by, the net income of Lessor imposed by the United States or the jurisdiction in which the principal office of Lessor is located) unless, and to the extent only that, any such tax, levy, impost, duty, charge or withholding is being contested by Lessee in good faith and by appropriate proceedings which do not adversely affect the property or rights of the Lessor hereunder. In addition, Lessee shall pay on demand the amount of any Federal, state and local taxes required to be paid by Lessor in respect of the receipt of amounts referred in this Section 13. Lessee agrees to file, on behalf of Lessor, all required tax returns and reports concerning the Equipment with all appropriate governmental agencies and to furnish Lessor upon request a copy of each such return or report, including evidence of payment, within thirty (30) days after the due date of such filing. To the extent that any taxes hereinabove referred to in this Section 13 are included in Lessor's Cost of Cars for any unit, Lessee shall not be obligated under this Section 13 for indemnification with respect to such taxes.

14. INDEMNIFICATION AND EXPENSES.

A. Lessee agrees to and does hereby indemnify and hold Lessor and its agents, employees, stockholders, officers and directors, harmless from and against any and all expense, liability or loss whatsoever, including (without limitation) reasonable legal fees and expenses, relating to or in any way arising out of the Rehabilitation Agreement, the Bills of Sale or this Lease Agreement, or the purchase, ownership, delivery, lease, possession, rental, use, operation, return, sale or disposition of the Equipment hereunder or in connection herewith (including without limitation, expense, liability or loss relating to or in any way arising out of injury to persons or property, patent or invention rights or strict liability in tort). Lessor shall give Lessee

and Lessee shall give Lessor notice of any event or condition which requires indemnification by Lessee hereunder, or any allegation of such event or condition, promptly upon obtaining knowledge thereof, and, to the extent that Lessee makes or provides to the satisfaction of Lessor for payment under the indemnity provisions hereof, Lessee shall be subrogated to Lessor's rights with respect to such event or condition and shall have the right to determine the settlement of claims thereon, it being agreed that except to the foregoing extent, Lessor shall have the right to determine such settlement. Lessee shall pay all amounts due hereunder promptly on notice thereof from Lessor.

B. If as to any Car Lessor shall not be entitled under any circumstances (including any Change in Tax Law, as hereinafter defined), other than as set forth in Paragraph D below, to any portion or all of the maximum ten percent (10%) investment credit presently allowable under Section 38(a) of the Internal Revenue Code of 1954, as amended, for property with a useful life of more than seven (7) years on not less than the Rehabilitation Cost for such unit of Equipment, or if at any time Lessor shall lose, have recaptured or be deemed not to be entitled to any portion or all of said maximum investment credit on the Rehabilitation Cost for each such unit of Equipment under any circumstances (including any Change in Tax Law), other than as set forth in such Paragraph D, then, Lessee shall pay Lessor upon demand, the sum of (1) the amount of said maximum investment credit which Lessor shall have so lost, had recaptured or failed to receive; (2) the amount of any interest (net of any actual decrease in Federal income tax caused by any allowable deduction of such interest from taxable income) or penalties, including any additions to tax because of underpayment of estimated tax which may be assessed against Lessor in connection therewith; and (3) the amount of any Federal, state and local taxes required to be paid by Lessor in respect of the receipt of amounts referred to in clauses (1) and (2) above and the receipt of amounts pursuant to this clause (3). If, at any subsequent time, Lessor shall be allowed and receive a refund with respect to any portion or all of said maximum investment credit which it lost, had recaptured or failed to receive at any time previous and for which payment had been made to Lessor by Lessee pursuant to this Paragraph B, then, promptly after receipt of said refund, Lessor shall pay Lessee the sum of (i) all amounts with respect to such allowance paid to Lessor by the Federal government (including refunds of investment credit, interest, and penalties and any additional interest paid to Lessor by the Federal government on such refunds) reduced by all taxes required to be paid by Lessor in respect of the receipt of such amounts from the Federal government, and (ii) the amount of any taxes saved by Lessor in respect of its payment to Lessee of amounts referred to in clause (i) above and its payment to Lessee of amounts pursuant to this clause (ii). Lessor agrees to use its best efforts to take the

maximum investment credit to which it shall reasonably deem itself entitled with respect to the Cars on its Federal income tax return for the earliest possible year for which it can be taken.

C. If Lessor in computing its Federal taxable income or its taxable income for purpose of computing its liability to any state or local taxing authority in which the principal office of Lessor is located, for any part of the lease term of any unit of Equipment shall under any circumstances (including any Change in Tax Law), other than as set forth in Paragraph D below, lose the benefit of or the right to claim or there shall be disallowed or recaptured all or any portion of depreciation deductions for Federal, state or local income tax purposes for such unit of Equipment based on depreciation of the Lessor's Cost of Cars for such unit over a depreciable life of twelve (12) years to a net salvage value of ten percent (10%) using any of the depreciation methods described in Section 167(b) of the Internal Revenue Code of 1954, as amended (to the extent of the methods referred to in clauses (y) and (z) of Section 27 hereof) which Lessor, in its complete discretion, may select, with the annual allowance determined without reduction for salvage, then Lessee shall pay Lessor on each rent payment date during the remaining lease term of such unit, as additional rent hereunder, an amount which, after deduction of all Federal, state and local taxes required to be paid by Lessor in respect of the receipt thereof, shall be sufficient to yield to Lessor the same after-tax cash flow as of each rent payment date as would have been realized by Lessor in respect of this Lease Agreement if such loss, disallowance, or recapture of depreciation deductions or the right to claim the same had not occurred, which amount shall, if subsequent circumstances require, be thereafter adjusted (or further appropriate adjustments shall be made in respect thereof) when and to the extent necessary so that Lessor's after-tax cash flow as of each rent payment date shall be as aforesaid. In addition, Lessee shall also pay Lessor on demand, as additional rent hereunder, an amount which, after deduction of all Federal, state and local taxes required to be paid by Lessor in respect of the receipt thereof, shall be equal to the amount of any interest (net of any actual decrease in Federal, state or local income tax caused by any allowable deduction of such interest from taxable income) or penalties, including any additions to tax because of underpayment of estimated tax, which may be assessed against Lessor in connection with such loss, disallowance, or recapture of depreciation deductions or the right to claim the same.

D. Lessee shall not be required to pay Lessor the amounts provided for in Paragraphs B and C above if the loss or disallowance of investment credit or depreciation deductions, as the case may be, or the right to claim the same, shall result from the occurrence of any of the following events:

i. Lessor shall fail to claim such investment credit or depreciation deductions in its income tax returns for the appropriate years or shall fail to follow the proper procedures in claiming such investment credit or depreciation deductions and such failure to claim or follow such procedures, as the case may be, shall preclude Lessor from claiming such investment credit or depreciation deductions;

ii. Lessor shall not have sufficient income to benefit from such investment credit or depreciation deductions;

iii. Lessor shall voluntarily transfer legal title to the Equipment (other than a transfer pursuant to Section 11.A hereof) or Lessor shall dispose of or reduce its interest in such Equipment, if such transfer, disposal or reduction (A) shall be the direct cause of such loss, (B) shall occur at any time when no event of default has occurred and is continuing, and (C) shall not be pursuant to the written consent of Lessee;

iv. Lessor shall fail to take timely action in contesting a claim made by the Internal Revenue Service or any state or local taxing authority with respect to the disallowance of the investment credit or depreciation deductions pursuant to Paragraph E below and the failure to take such action in a timely manner shall preclude all rights to contest such claim, unless Lessee shall agree to such failure; or

v. Lessee shall have paid Lessor the Stipulated Loss Value of such unit of Equipment pursuant to Section 11.A hereof, except as provided in Paragraph G of this Section 14.

E. In the event a claim shall be made by the Internal Revenue Service or any state or local taxing authority which, if successful, would result in a loss of such investment credit or depreciation deductions under circumstances which would require Lessee to indemnify Lessor for such loss, Lessor hereby agrees to notify Lessee promptly of such claim, to not make payment of the tax claimed for at least thirty (30) days after giving such notice, to give to Lessee any relevant information requested by it relating to such claim which may be particularly within the knowledge of Lessor and, if Lessee shall request within thirty (30) days after the giving of such notice that such claim be contested, to take such action in connection with contesting such claim, including appropriate appeals from lower court decisions, as Lessee shall reasonably request in writing from time to time, but only if Lessee shall, contemporaneously with such initial request, have (i) made provision for Lessor's indemnification in

a manner satisfactory to Lessor for any liability or loss which Lessor may from time to time incur as the result of contesting such claim and reimbursement for all costs and expenses, including legal fees and disbursements, which Lessor may incur in connection with the contesting of such claim and (ii) furnished Lessor with an opinion of independent tax counsel satisfactory to Lessor to the effect that a meritorious defense exists to such claim; provided, however, that at any time after having received such request from Lessee, Lessor at its sole option, may forego any and all administrative appeals, proceedings, hearings and conferences with the Internal Revenue Service or any state or local taxing authority, as the case may be, in respect of such claim and may, at its sole option, either pay the tax claimed and sue for a refund in the appropriate United States District Court, the United States Court of Claims, or appropriate state courts, as the case may be, as Lessor shall elect, or contest such claim in the United States Tax Court, or appropriate state court, as the case may be, considering, however, in good faith such request as Lessee shall make concerning the most appropriate forum in which to proceed.

F. References in Section 13 and this Section 14 and in Paragraph A of Section 27 to "Lessor" shall be deemed to include either Partner and any affiliated group of which either Partner is a part which files a consolidated or combined return for Federal, state or local income tax purposes, provided that only Lessor and the Partners shall be obligated with respect to the covenants and duties therein expressed to be imposed on Lessor. Notwithstanding the foregoing, Lessee shall not be required to indemnify or hold harmless Lessor or the Partners with respect to any claims made by one Partner against the other Partner or the Partnership based on disputes between the Partners.

G. All of the indemnities and agreements of Lessee contained in Section 13 and in this Section 14 shall survive and continue in full force and effect notwithstanding termination of this Lease Agreement or of the lease of any or all units of Equipment hereunder.

H. Any payments required to be made by Lessee pursuant to this Section 14 as a result of a Change in Tax Law shall be reduced by all tax savings which have theretofore been or in the current taxable year will be realized by Lessor on account of any Change in Tax Law resulting in Federal income tax consequences to Lessor more favorable than the tax benefits presently existing on the date hereof.

I. Any amount payable in accordance with this Section 14 shall be payable on Lessee's receipt of the invoice of Lessor or either Partner. Each such invoice shall be accompanied by a

statement from an officer of the tax department of either of the Partners that he has examined the determination of the amount due and that, in his opinion, such amount due has been properly calculated pursuant to this Section 14.

15. RETURN OF EQUIPMENT.

Upon final termination of the lease term hereunder of any unit of Equipment (other than a termination under Section 11.A), Lessee shall forthwith deliver possession of the units to Lessor in the same condition as when received, ordinary wear and tear excepted. For the purposes of delivering possession of any unit or units to Lessor as above required, Lessee shall at its own cost, expense and risk:

i. Forthwith place such units upon such storage tracks of Lessee as Lessor reasonably may designate;

ii. Permit Lessor to store such units on such tracks at the risk of Lessee until such units have been sold, leased or otherwise disposed of by Lessor, provided that Lessor agrees to pay Lessee's reasonable storage charges for any storage after one hundred eighty (180) days; and

iii. Transport the same to any place on the lines of railroad operated by it or any of its affiliates or to any connecting carrier for shipment, all as directed by Lessor; and

the removal, assembling, delivery, storage (except as above provided) and transporting of the units as hereinabove provided shall be at the expense and risk of Lessee and are of the essence of this Lease Agreement, and upon application to any court of equity having jurisdiction in the premises Lessor shall be entitled to a decree against Lessee requiring specific performance of the covenants of Lessee so to remove, assemble, deliver, store and transport the units. During any storage period, Lessee shall maintain insurance on the units of Equipment in accordance with Section 12 hereof and shall upon notice permit Lessor or any person designated by it, including the authorized representative or representatives of any prospective purchaser of any such unit, to inspect the same; provided, however, that Lessee shall not be liable, except in the case of negligence of Lessee or of its employees or agents, for any injury to, or the death of, any person exercising, either on behalf of Lessor or any prospective purchaser, the rights of inspection granted under this sentence.

Without in any way limiting the obligation of the Lessee under the foregoing provisions of this Section 15, Lessee hereby irrevocably appoints Lessor as the agent and attorney-in-fact of

Lessee, with full power and authority, at any time while Lessee is obligated to deliver possession of any unit to Lessor, to demand and take possession of such unit in the name and on behalf of Lessee from whomsoever shall be in possession of such unit at the time.

16. FINANCIAL STATEMENTS.

Lessee shall furnish or cause to be furnished to Lessor (i) within one hundred twenty (120) days after each fiscal year of Lessee, a copy of the annual audited report of Lessee and any consolidated subsidiaries, prepared in conformity with generally accepted accounting principles and signed by nationally recognized independent certified public accountants, (ii) within one hundred twenty (120) days after each fiscal year of Lessee, a copy of the ICC Rail Form R1 of Lessee for such year, prepared on an unconsolidated basis and in conformity with the Uniform System of Accounts for Railroad Companies prescribed by the ICC applied on a basis consistent with that of the preceding fiscal year, and signed by a proper accounting officer of the Lessee, (iii) within sixty (60) days after each quarter (except the last quarter) of each fiscal year of Lessee, a copy of its unaudited unconsolidated financial statement, prepared in conformity with the Uniform System of Accounts for Railroad Companies prescribed by the ICC and consisting of at least a balance sheet as at the close of such quarter and a profit and loss statement and analysis of surplus for such quarter and for the period from the beginning of such fiscal year to the close of such quarter, and signed by a proper accounting officer of Lessee, (iv) with the annual audited report each year, a certificate of a responsible officer of Lessee to the effect that, except as otherwise specified therein, (x) all units of Equipment are in existence and in good and efficient condition and have been marked as required by Section 9.E hereof and (y) no event of default, or event which might mature into an event of default, has occurred and is continuing under this Lease Agreement, and (v) from time to time, such other information as Lessor may reasonably request.

17. EVENTS OF DEFAULT.

A. The following shall be events of default hereunder:

i. Default, and continuance thereof for ten (10) days, in the payment of any rent or other amount hereunder;

ii. Any obligation of Lessee or any material subsidiary of Lessee for borrowed money or payment of rent (other than any such obligation of any such subsidiary to Lessee or any other subsidiary) becomes or is declared to be due and payable prior to its express maturity by reason of

default by Lessee or any such subsidiary in the performance or observation of any obligation or condition;

iii. Default in the performance of any of Lessee's agreements herein set forth (and not constituting an event of default under either of the preceding clauses of this Paragraph A) and continuance of such default for thirty (30) days after notice thereof from Lessor to Lessee;

iv. Any representation or warranty made by Lessee in this Lease Agreement is untrue in any material respect, or any statement, report, schedule, notice or other writing furnished by Lessee to Lessor in connection herewith is untrue in any material respect on the date as of which the facts set forth are stated or certified; or

v. Lessee or any subsidiary of Lessee becomes insolvent or admits in writing its inability to pay its debts as they mature, or applies for, consents to or acquiesces in the appointment of a trustee or a receiver for Lessee or any such subsidiary or any property of either thereof; or, in the absence of such application, consent or acquiescence, a trustee or receiver is appointed for Lessee or any such subsidiary, or for a substantial part of the property of any thereof, and is not discharged within sixty (60) days; or any bankruptcy, reorganization, debt arrangement or other proceeding under any bankruptcy or insolvency law or any dissolution or liquidation proceeding is instituted by or against Lessee or any material subsidiary of Lessee, and, if instituted against Lessee or any material subsidiary of Lessee is consented to or acquiesced in by Lessee or any material subsidiary of Lessee or remains for sixty (60) days undismissed.

When used herein, unless the context otherwise requires, the term "event of default" shall mean any event described in the foregoing clauses (i) through (v) and the term "event which might mature into an event of default" shall mean any event which with the lapse of time, or with notice to Lessee and lapse of time, would constitute an event of default. Lessee shall give Lessor prompt notice of any event of default or of any event which might mature into an event of default.

B. Upon the happening of an event of default, Lessor shall (except to the extent otherwise required by law) be entitled to:

i. Proceed by appropriate court action or actions to enforce performance by Lessee of the applicable covenants and terms of this Lease Agreement or to recover damages for the breach thereof;

ii. Repossess any or all units of Equipment without prejudice to any remedy or claim hereinafter referred to;

iii. Elect to sell any or all units of Equipment, after giving fifteen (15) days' notice to Lessee, at one or more public or private sales and recover from Lessee as liquidated damages for Lessee's default hereunder an amount equal to the amount, if any, by which (A) the sum of (i) the aggregate Stipulated Loss Value of such units of Equipment on the date such notice is given, (ii) all rent owing hereunder to and including the rent payment date immediately following the date such notice is given, (iii) all costs and expenses incurred in searching for, taking, removing, keeping, storing, repairing, restoring, and selling such units of Equipment, (iv) all other amounts owing by Lessee hereunder, whether as additional rent, indemnification or otherwise, and (v) all costs and expenses, including (without limitation) reasonable legal fees and expenses, incurred by Lessor as a result of Lessee's default hereunder, exceeds (B) the amount received by Lessor upon such public or private sales of such units of Equipment;

iv. Upon notice to Lessee receive prompt payment from Lessee of an amount equal to the aggregate Stipulated Loss Value on the date such notice is given of all units of Equipment which have not been sold by Lessor pursuant to clause (iii) above plus, to the extent not otherwise recovered from Lessee pursuant to said clause (iii) above, (1) any rent and other amounts owing hereunder to and including the rent payment date immediately following the date such notice is given, (2) all costs and expenses incurred in searching for, taking, removing, keeping, storing, repairing and restoring such units of Equipment, and (3) all other amounts owing by Lessee hereunder whether as additional rent, indemnification or otherwise, and (4) all costs and expenses, including (without limitation) reasonable legal fees and expenses, incurred by Lessor as a result of Lessee's default hereunder; provided that upon receipt of payment in full of such amount, Lessor shall transfer to Lessee, without any representation or warranty of any kind, express or implied, whatever title to such units of Equipment it may have;

v. By notice to Lessee, declare this Lease Agreement terminated without prejudice to Lessor's rights in respect of obligations then accrued and remaining unsatisfied; or

vi. Avail itself of any other remedy or remedies provided for by any statute or otherwise available at law, in equity, or in bankruptcy or insolvency proceedings.

The remedies herein set forth or referred to shall be cumulative. The references to additional rent in clauses iii and iv of this Paragraph B shall each include, without limitation, interest at the applicable rate specified in the fourth paragraph of Section 4, to the date of receipt by Lessor of the amount payable under said clause, on installments of rent owing hereunder to and including the rent payment date immediately following the date on which notice is given under said clause, from the respective due dates of such installments, and interest on all other costs, expenses and losses for which Lessor is entitled to payment under said clause from the respective dates incurred by Lessor.

18. SUBLEASE, ASSIGNMENT, MERGER, ETC. BY LESSEE.

A. So long as Lessee shall not be in default under this Lease Agreement, Lessee shall be entitled to the possession and use of the units of Equipment in accordance with the terms of this Lease Agreement, but, without the prior written consent of Lessor, Lessee shall not assign, transfer or sublet its leasehold interest under this Lease Agreement in any of the units. Lessee shall not, without the prior written consent of Lessor, part with the possession or control of, or suffer or allow to pass out of its possession or control, any of the units, except to the extent permitted by the provisions of Paragraph B below.

B. So long as Lessee shall not be in default under this Lease Agreement, Lessee shall be entitled to the possession of the units and to the use thereof upon the lines of railroad or upon the lines of any affiliate or upon lines of railroad over which Lessee has trackage or other operating rights or over which railroad equipment of Lessee is regularly operated pursuant to contract, and also to permit the use of the units upon other railroads in the usual interchange of traffic, if customary at the time, but only upon and subject to all the terms and conditions of this Lease Agreement. Lessee may receive and retain compensation for such use from other railroads to using any of the Cars. Lessee agrees that during the term of this Lease Agreement Lessee will use its best efforts to prevent the use of any Car outside the United States of America. No assignment, sublease or interchange entered into by Lessee hereunder shall relieve Lessee of any liability or obligations hereunder which shall be and remain those of a principal and a surety.

C. Nothing in this Section 18 shall be deemed to restrict the right of Lessee to assign or transfer its leasehold interest under this Lease Agreement in the Equipment or possession of the Equipment to any corporation (which shall have expressly assumed in writing the due and punctual payment and performance of all obligations hereunder of Lessee) into or with which Lessee shall have become merged or consolidated or which

shall have acquired the property of Lessee as an entirety or substantially as an entirety.

19. ASSIGNMENT BY LESSOR.

Lessor and any direct or remote assignee of any right, title or interest of Lessor hereunder shall have the right at any time or from time to time to assign part or all of its right, title and interest in and to this Lease Agreement. Without limiting the foregoing, Lessor and any such assignee shall have the right at any time or from time to time to transfer, subject to Lessee's rights under this Lease Agreement, any unit or units of Equipment.

Lessor may obtain financing through a financial institution and secure such financial institution ("Secured Party") by granting a security interest or other lien on any or all of the Equipment, this Lease Agreement and sums due under this Lease Agreement. In such event (a) the security agreement or lien instrument will specifically provide that it is subject to Lessee's rights as herein provided; (b) such assignment of this Lease Agreement will not relieve Lessor from its obligations hereunder or be construed to be an assumption by Secured Party of such obligations (but Secured Party may perform, at its option, some or all of Lessor's obligations); (c) upon request by Secured Party, Lessee will make all payments of rental and other amounts due hereunder directly to Secured Party; (d) Lessee's obligations hereunder, including (without limitation) its obligation to pay rent and other amounts due hereunder, shall not be subject to any reduction, abatement, defense, setoff, counterclaim or recoupment for any reason whatsoever, which, however, shall not prevent Lessee from asserting any claim separately against Lessor; and (e) Lessee will not, after obtaining knowledge of any such assignment, consent to any modification of this Lease Agreement without the consent of Secured Party.

20. LESSOR'S RIGHT TO PERFORM.

If Lessee fails to make any payments required by this Lease Agreement, or to perform any of its other agreements contained herein, Lessor may itself, but shall not be required to, make any such payments or perform any such obligations. The amount of any such payment and Lessor's expenses, including (without limitation) reasonable legal fees and expenses in connection therewith and with such performance, shall thereupon be and become payable by Lessee to Lessor upon demand as additional rent hereunder.

21. RECORDING; FURTHER ASSURANCES.

Lessee will, at its expense, prior to the delivery and acceptance hereunder of any unit of Equipment (i) execute and

file such Uniform Commercial Code financing statements as Lessor may reasonably request from time to time, (ii) cause this Lease Agreement and any assignment hereto to be filed and recorded with the Interstate Commerce Commission in accordance with Section 20c of the Interstate Commerce Act, and (iii) cause this Lease Agreement and any assignment hereto to be filed and recorded with the Registrar General of Canada, with notice of deposit having been published in the Canada Gazette, in accordance with Section 86 of the Railway Act of Canada. Lessee will from time to time do and perform any other act and will execute, acknowledge, deliver, file, register, record and deposit (and will refile, reregister, rerecord or redeposit whenever required) any and all further instruments required by law or reasonably requested by Lessor for the purpose of proper protection, to Lessor's satisfaction, of Lessor's interest in the units, or for the purpose of carrying out the intention of this Lease Agreement or the assignment thereof by Lessor; and Lessee will promptly furnish to Lessor evidences of all such filing, registering, recording or depositing, and an opinion or opinions of counsel for Lessee with respect thereto satisfactory to Lessor.

22. PURCHASE OPTION.

Lessee shall have an option (the "Purchase Option") to purchase for cash all of the Cars then under lease upon the last business day of or prior to the expiration of the lease term hereunder for such units of Equipment provided no event of default or event which might mature into an event of default has occurred and is then continuing hereunder. If Lessee desires to exercise the Purchase Option, it shall give to Lessor written notice of its election to purchase at least ninety (90) days (and not more than one hundred eighty (180) days) before the expiration of the lease term for such units of Equipment, stating Lessee's opinion as to the fair market value of the Equipment to be purchased, and upon expiration of such lease term, Lessee shall purchase such Equipment and shall pay to Lessor in immediately available funds the purchase price for such Equipment, determined as hereinafter provided. The purchase price of the Equipment shall be the fair market value thereof as of the date of purchase. If Lessee and Lessor are unable to agree upon the fair market value of the Equipment within thirty (30) days after receipt by Lessor of such notice, such fair market value shall be determined by an independent appraiser selected by mutual agreement of Lessor and Lessee. The fee of such appraiser shall be paid by Lessee. Upon payment by Lessee to Lessor of the purchase price for the Equipment at such expiration, and upon payment by Lessee of all rent and other amounts owing to Lessor under this Lease Agreement, Lessor shall transfer to Lessee, without any representation or warranty of any kind, express or implied, whatever title to such Equipment Lessor may have free and clear of any lien or encumbrance created by or through Lessor.

23. RENEWAL OPTION.

Lessee shall have an option to renew for two (2) additional terms of one (1) year each the lease term of all of the Cars then under lease provided no event of default or event which might mature into an event of default has occurred and is then continuing immediately prior to the commencement of the renewal term being then elected by Lessee. If Lessee desires to exercise such option to renew, it shall give Lessor written notice of its election to renew at least ninety (90) days (and not more than one hundred eighty (180) days) prior to the commencement of the renewal term then being elected stating Lessee's opinion as to the fair market rental value for the Equipment to be leased during such renewal term, and upon the expiration of the then current term the lease of such Equipment shall be renewed for such renewal term at the fair market rental value as hereinafter provided. A determination shall be made of the fair market rental value of the Equipment as of the date of the expiration of such current term. If Lessee and Lessor are unable to agree upon such fair market rental value within thirty (30) days after receipt by Lessor of such notice, such fair market rental value shall be determined by an independent appraiser selected by mutual agreement of Lessor and Lessee. The fee of such appraiser shall be paid by Lessee. All of the provisions of the Lease shall be applicable during any such renewal term except for the amount of each installment of rent which shall be as hereinabove provided. "Lease Term" as used in the Lease shall, except where the context otherwise requires, be deemed to include any renewal terms.

24. CERTAIN DEFINITIONS.

When used herein, the term "subsidiary" shall mean a corporation of which Lessee or its other subsidiaries own, directly or indirectly, such number of outstanding shares as have the power (disregarding any voting power, solely by reason of the happening of any default, of shares of any class) to elect a majority of the board of directors.

25. CONDITIONS TO LESSOR'S OBLIGATIONS.

Lessor shall not be obligated to make payment for any unit of Equipment hereunder unless at the date such payment is requested by Lessee:

A. All of Lessee's representations and warranties in Section 8 of this Lease Agreement shall be true and correct as though made as of such date;

B. No litigation or governmental proceedings shall be threatened or pending against Lessee or any material subsidiary

of Lessee which in Lessor's reasonable opinion will to a material extent adversely affect the financial condition or continued operation of Lessee and its subsidiaries on a consolidated basis;

C. No event of default, or event which might mature into an event of default, shall have occurred or be continuing hereunder;

D. Lessee shall have furnished to Lessor, in form and substance satisfactory to Lessor, the following on or prior to the date of the first requested payment hereunder:

i. Resolutions of the Board of Directors of Lessee, certified by its Secretary or an Assistant Secretary, authorizing the lease of such Equipment hereunder, the execution, delivery and performance by Lessee of the Rehabilitation Agreement and this Lease Agreement, and the execution and delivery of the Certificates of Acceptance, designating the title of the officers of Lessee authorized to execute and deliver the Certificates of Acceptance;

ii. A favorable opinion of counsel for Lessee, acceptable to Lessor, to the effect that:

a. Lessee is a corporation duly organized and existing in good standing under the laws of the State of Delaware.

b. Lessee is duly authorized to execute and deliver the Rehabilitation Agreement and this Lease Agreement, and is duly authorized to lease Equipment hereunder and to perform its obligations hereunder and thereunder.

c. The execution and delivery of the Rehabilitation Agreement, the Bills of Sale and this Lease Agreement, and the performance by Lessee and the owners of the used Cars of their obligations hereunder and thereunder do not and will not conflict with any provision of law (including without limitation the provisions of 15 U.S.C. § 20) or of the charter or bylaws of Lessee or of any indenture, mortgage, deed of trust or agreement or instrument binding upon Lessee or to which Lessee is a party.

d. The execution, delivery and performance of the Rehabilitation Agreement, the Bills of Sale and this Lease Agreement and the consummation by Lessee of the transaction contemplated hereby and thereby does not require the consent, approval or authorization of, or notice to, any Federal or state governmental authority or public regulatory body.

e. The Rehabilitation Agreement, the Bills of Sale and this Lease Agreement are legal, valid, and binding obligations enforceable in accordance with their respective terms (except as may be affected by bankruptcy, reorganization, insolvency and similar laws affecting the rights of creditors generally).

f. There are to the knowledge of such counsel no pending or threatened actions or proceedings before any court or administrative agency which will, in the opinion of such counsel, to a material extent adversely affect the financial condition or continued operation of Lessee and its subsidiaries on a consolidated basis.

g. Uniform Commercial Code financing statements have been executed and filed as required under the laws of Illinois, this Lease Agreement has been duly filed and recorded with the ICC pursuant to Section 20c of the Interstate Commerce Act, and such filings and recordings will protect Lessor's interests in and to the units of Equipment, and no further filing or recording (or giving of notice) with any other federal, state or local government is necessary in order to protect the interests of Lessor in and to the units;

iii. An appraisal certificate (required with the first payment requested hereunder for Cars) issued by Mr. Alex Kerr, an independent appraiser, to the effect that (a) the fair market value of the reusable component parts included in the used Cars purchased by Lessor under the Rehabilitation Agreement does not exceed the Cars Acquisition Cost for such cars (set forth in Section 2.A), (b) the fair market value of the Cars upon completion of their rehabilitation under the Rehabilitation Agreement was at least equal to the following:

	Type of Car	Fair Market Value Upon Completion of Rehabilitiation
20	100-ton covered hoppers	$ 498,422
45	60' flatcars	$ 607,850
40	Pulpwood flatcars	$ 577,553
375	70-ton boxcars	$9,962,081

(c) the Cars on the date of delivery thereof to Lessor upon completion of their rehabilitation under the Rehabilitation Agreement will have an estimated useful life of at least four (4) years beyond the expiration of the Lease Term (excluding any renewal terms) for the Cars under this Lease Agreement and an estimated fair market value at the end of such term of at least twenty percent (20%) of Lessor's Cost

of Cars for such Cars, without including in such fair market value any increase or decrease for inflation or deflation during such term of the Lease, and (d) setting forth the manner in which such fair market value and useful life were determined.

iv. Original or true and accurate copies of policies, certificates or riders of insurance required by Section 12 hereof.

E. Lessee shall have furnished to Lessor, in form and substance satisfactory to Lessor, the following on or prior to the date of each requested payment hereunder:

i. An invoice covering the units of Equipment for which such payment is requested;

ii. A Certificate of Acceptance signed by an officer of Lessee (as the authorized representative of Lessor hereunder and under the Rehabilitation Agreement) confirming delivery to, and acceptance by, Lessor of the units of Equipment for which such payment is requested;

iii. A Certificate of Acceptance of Lessee covering the units of Equipment for such such payment is requested after completion of the rehabilitation of such units in accordance with the Rehabilitation Agreement;

iv. An opinion of Lessee's counsel, satisfactory to Lessor, that acceptance by Lessor of the units of Equipment for which such payment is requested and payment therefor by Lessor shall be effective to transfer to Lessor good title to such units of Equipment, free of all claims, liens or encumbrances of any nature; and

v. Such other releases, financing statements, waivers and other documents as Lessor may reasonably request to insure that the Equipment will not be subject to any lien, charge, encumbrance, security interest or other similar interest.

26. COMMENCEMENT DATE.

On or prior to the Commencement Date Lessee shall furnish to Lessor in form and substance satisfactory to Lessor:

A. A certificate of the President or a Vice President of the Lessee, dated such Commencement Date, to the effect that:

i. All of Lessee's representations and warranties in Section 8 of this Lease Agreement are true and correct as though made as of such date;

ii. No litigation or governmental proceedings are threatened or pending against Lessee or any material subsidiary of Lessee which will, in the opinion of such officers, to a material extent adversely affect the financial condition or continued operation of Leseee and its subsidiaries on a consolidated basis;

iii. No event of default, or event which might mature into an event of default, has occurred and is continuing hereunder;

iv. Since the date of this Lease Agreement, there has been no material adverse change in the financial condition of the Lessee from that shown by the financial statement referred to in Section 8.E hereof; and

v. The Cars have been delivered to and accepted by Lessee for lease under this Lease Agreement, and the Lease Agreement is in full force and effect.

B. Resolutions of the Board of Directors of Lessee, certified by its Secretary or an Assistant Secretary, authorizing the lease of such Equipment hereunder and the execution, delivery and performance by Lessee of this Lease Agreement;

C. An opinion of counsel for Lessee, acceptable to Lessor, dated such Commencement Date and addressed to Lessor, to the same effect as the opinion given to Lessor pursuant to Section 25.D.ii hereof on the first payment date hereunder; and

D. Such other documents and evidence with respect to the Rehabilitation Agreement, the Bill of Sale and this Lease Agreement as Lessor may reasonably request in order to establish the consummation of the transactions contemplated by the Rehabilitation Agreement, the Bill of Sale and this Lease Agreement, the taking of all corporate proceedings in connection herewith and compliance with all conditions set forth in the Rehabilition Agreement, the Bill of Sale and this Lease Agreement.

27. MISCELLANEOUS.

A. Notwithstanding any other provisions of this Lease Agreement, Lessor shall not be obligated to make payment of all or any portion of the Lessor's Cost of Cars for such Cars if on or prior to the requested date of payment there shall have been (i) an amendment to the Internal Revenue Code of 1954, as amended (the "Code") which changes the federal income tax rate (in excess of the corporate surtax exemption) of Lessor from 48%, or (ii) any amendment, modification, addition or change made in or to the provisions of the Code, the Treasury Regulations under the Code

(including the Treasury Regulations relating to the Asset Depreciation Range System of depreciation under Section 167(m) of the Code), published Internal Revenue Service Revenue Procedures, Revenue Rulings or other administrative interpretations, or applicable judicial precedents (all of the foregoing amendments, modifications, additions or changes referred to in this clause (ii) being hereinafter collectively referred to as a "Change in Tax Law"), which Change in Tax Law in the opinion of Lessor or in the opinion of its counsel might preclude Lessor from taking (x) investment credit on a Car at the rate of 10% on Lessor's Rehabilitation Cost of Cars on the basis that the following percentages of Lessor's Cost of Cars are "new Section 38 property:

Type of Car	Percentage
100-ton covered hoppers	65.15%
60' flatcars	60.12%
Pulpwood flatcars	67.53%
70-ton boxcars	68.35%

or (y) depreciation deduction on Lessor's Rehabilitation Cost represented by the following percentages of Lessor's Cost of Cars:

Type of Car	Percentage
100-ton covered hoppers	65.15%
60' flatcars	60.12%
Pulpwood flatcars	67.53%
70-ton boxcars	68.35%

over a depreciable life of twelve (12) years to a net salvage value of ten percent (10%) thereof, computed initially under the double declining balance method of depreciation provided in Section 167(b)(2) of the Code and then changing to the sum of the years-digits method of depreciation provided in Section 167(b)(1) of the Code, all without the consent of the Commissioner, with the annual allowance determined without reduction for salvage and with the first year's depreciation deduction being maximized by the election of either the "half year convention" or the "modified half year convention" pursuant to Treasury Regulation Section 1.167(a)-11(c)(2) (as in effect on the date of execution of this Lease Agreement), or (z) depreciation deductions with respect to the remaining percentage of Lessor's Cost of Cars for each type of Car (the Cars Acquisition Cost) over a depreciable life of twelve (12) years to a net salvage value of ten percent (10%) thereof, computing initially using the one hundred fifty percent (150%) declining balance method of depreciation provided in Section 167(b)(2) of the Code and then changing to the straight-line method of depreciation provided in Section 167(b)(1) of the Code, with the annual allowance determined

without reduction for salvage and with the first year's depreciation deduction being maximized by the election of either the "half year convention" or the "modified half year convention" pursuant to Treasury Regulation Section 1.167(a)-11(c)(2) (as in effect on the date of execution of this Lease Agreement).

B. Any provision in this Lease Agreement that Lessee shall take any action shall require Lessee to do so at its sole cost and expense.

C. Any notice hereunder shall be in writing and, if mailed, shall be deemed to be given when sent by registered or certified mail, postage prepaid, and addressed: (i) if to Lessee, at its address shown below, (ii) if to Lessor, at Seafirst Leasing Department, Attention Contract Administrator, P.O. Box 3586, Seattle, Washington 98124, with a copy to Texas Commerce Bank National Association, P.O. Box 2558, Houston, Texas 77001, Attention Equipment Leasing Division, or (iii) to any party at such other address as it may, by written notice received by the others, designate as its address for purposes of notice hereunder.

D. If this Lease Agreement or any provision hereof shall be deemed invalid, illegal, or unenforceable in any respect or in any jurisdiction, the validity, legality and enforceability of this Lease Agreement in other respects and other jurisdiction shall not be in any way impaired or affected thereby. Each of the parties hereto acknowledges that the other party shall not by act, delay, omission or otherwise be deemed to have waived any of its rights or remedies under this Lease Agreement unless such waiver is in writing, and such writing shall be binding only to the extent therein provided and only upon the party signing it. A waiver on any one occasion shall not be construed as a waiver on any future occasion. Without limiting the foregoing, Lessor's rights and Lessee's duties shall in no way be affected by Lessor's inspection of, or failure to inspect, the Equipment or any of the documents referred to in this Lease Agreement or by Lessor's failure to inform Lessee of any failure to comply with any of Lessee's obligations under this Lease Agreement. Lessee hereby waives any right to assert that Lessor cannot enforce this Lease Agreement or that this Lease Agreement is invalid because of any failure of Lessor to qualify to do business in any jurisdiction. This Lease Agreement has been delivered for acceptance by Lessor in Seattle, Washington, shall be governed by the laws of the State of Washington, shall be binding upon Lessor and Lessee and their respective successors and assigns, and shall inure to the benefit of Lessor and Lessee and the successors and assigns of Lessor.

E. The section headings in this Lease Agreement are for convenience of reference only and shall not be considered to be a part of this Lease Agreement.

F. This Lease Agreement may be signed in any number of copies, any one of which shall be considered as the original Lease Agreement.

IN WITNESS WHEREOF, the parties hereto have caused this instrument to be executed and their corporate seals to be affixed hereto all as of the date first above written.

ILLINOIS CENTRAL GULF RAILROAD COMPANY (Lessee)

By _____
Title VICE PRESIDENT

[CORPORATE SEAL]

ATTEST:

By _____
Title SECRETARY

Address: 233 North Michigan Ave.
Chicago, Illinois 60601

SEA-TEXAS, a Partnership (Lessor)

BY SEATTLE-FIRST NATIONAL BANK

By _____
Title Vice President

[CORPORATE SEAL]

ATTEST:

By _____
Title Leasing Officer

Address: P.O. Box 3586
Seattle, Washington
98124

BY TEXAS COMMERCE BANK NATIONAL ASSOCIATION

By Carol Cody Derder
Title Assistant Vice President

[CORPORATE SEAL]

ATTEST:

By Peter E. Schmitt
Title VICE PRESIDENT

Address: P.O. Box 2558
Houston, Texas 77001

STATE OF ILLINOIS)
) ss.
COUNTY OF COOK)

On this 28TH day of APRIL, 1978, before me personally appeared G.E. KONKER, to me personally known, who being by me duly sworn, says that he is the Vice President of ILLINOIS CENTRAL GULF RAILROAD COMPANY, 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 ofsaid corporation.

[SEAL]

Robert H. Hughes
NOTARY PUBLIC in and for the State of Illinois Residing at OLYMPIA FIELDS

My Commission Expires: NOV 25 1980

STATE OF WASHINGTON)
) ss.
COUNTY OF KING)

On this 27th day of April, 1978, before me personally appeared Ray A Henderson, to me personally known, who being by me duly sworn, says that he is a Vice President of SEATTLE-FIRST NATIONAL BANK, that one of the seals affixed to the foregoing instrument is the corporate seal of said national banking

association, that said instrument was signed and sealed on behalf of said national banking association 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 national banking association.

[SEAL]

Jane Elgee
NOTARY PUBLIC in and for the ~~State~~ of Washington Residing at Bothell

STATE OF TEXAS)
) ss.
COUNTY OF HARRIS)

BEFORE ME, the undersigned authority, on this day personally appeared CAROL CODY HERDER, ASSISTANT Vice President of TEXAS COMMERCE BANK NATIONAL ASSOCIATION, known to me to be the person whose name is subscribed to the foregoing instrument, and acknowledged to me that he executed the same for the purposes and considerations therein expressed, in the capacity therein stated, and as the act and deed of said national banking association.

GIVEN under my hand and seal of office this 3RD day of MAY, 1978.

[SEAL]

Phyllis J. Gilliam
NOTARY PUBLIC in and for the State of Texas, County of HARRIS

PHYLLIS J. GILLIAM
Notary Public in and for Harris County, Texas
My Commission Expires August 17, 1979

EXHIBIT A

70-Ton Boxcars -- Total 375

Illinois Central Gulf Railroad Car Numbers:

ICG 514027	ICG 513800	ICG 550098	ICG 550211	ICG 567303	ICG 567497	ICG 567740
ICG 514031	ICG 513801	ICG 550100	ICG 550214	ICG 567305	ICG 567498	ICG 567742
ICG 514032	ICG 513813	ICG 550101	ICG 550220	ICG 567309	ICG 567499	ICG 567749
ICG 514041	ICG 513814	ICG 550105	ICG 550222	ICG 567318	ICG 567501	ICG 567753
ICG 514048	ICG 513822	ICG 550109	ICG 550223	ICG 567342	ICG 567514	ICG 567756
ICG 514054	ICG 513826	ICG 550110	ICG 550226	ICG 567346	ICG 567516	ICG 567757
ICG 514064	ICG 513831	ICG 550111	ICG 550229	ICG 567365	ICG 567517	ICG 567765
ICG 514071	ICG 513834	ICG 550113	ICG 550233	ICG 567376	ICG 567530	ICG 567775
ICG 514088	ICG 513843	ICG 550114	ICG 550235	ICG 567386	ICG 567534	ICG 567776
ICG 514091	ICG 513847	ICG 550115	ICG 550239	ICG 567389	ICG 567537	ICG 567778
ICG 550001	ICG 513852	ICG 550117	ICG 550242	ICG 567390	ICG 567540	ICG 567782
ICG 550004	ICG 513858	ICG 550120	ICG 550246	ICG 567395	ICG 567545	ICG 567786
ICG 550012	ICG 513877	ICG 550121	ICG 550249	ICG 567398	ICG 567552	ICG 567792
ICG 550013	ICG 513878	ICG 550122	ICG 550251	ICG 567399	ICG 567555	ICG 567793
ICG 550015	ICG 513881	ICG 550123	ICG 550254	ICG 567407	ICG 567565	ICG 567794
ICG 550020	ICG 513897	ICG 550128	ICG 550261	ICG 567409	ICG 567585	ICG 567799
ICG 550025	ICG 513901	ICG 550129	ICG 550262	ICG 567421	ICG 567592	ICG 567800
ICG 550026	ICG 513906	ICG 550130	ICG 550263	ICG 567423	ICG 567597	ICG 567805 *
ICG 550027	ICG 513916	ICG 550134	ICG 550265	ICG 567443	ICG 567598	ICG 567807
ICG 550028	ICG 513918	ICG 550135	ICG 550267	ICG 567454	ICG 567632	ICG 567811
ICG 550034	ICG 513920	ICG 550136	ICG 550271	ICG 567455	ICG 567633	ICG 567816
ICG 550037	ICG 513930	ICG 550138	ICG 550272	ICG 567457	ICG 567634	ICG 567820
ICG 550038	ICG 513931	ICG 550141	ICG 550273	ICG 567458	ICG 567642	ICG 567824
ICG 550041	ICG 513932	ICG 550147	ICG 550275	ICG 567461	ICG 567644	ICG 567833
ICG 550043	ICG 513938	ICG 550150	ICG 550276	ICG 567462	ICG 567658	ICG 567846
ICG 550044	ICG 513941	ICG 550153	ICG 550277	ICG 567465	ICG 567662	ICG 567866
ICG 550045	ICG 513950	ICG 550163	ICG 550278	ICG 567467	ICG 567663	ICG 567868
ICG 550056	ICG 513960	ICG 550164	ICG 550279	ICG 567468	ICG 567672	ICG 567877
ICG 550060	ICG 513978	ICG 550165	ICG 550280	ICG 567473	ICG 567675	ICG 567882
ICG 550061	ICG 513980	ICG 550167	ICG 550282	ICG 567488	ICG 567680	
ICG 550062	ICG 513983	ICG 550172	ICG 550283	ICG 567491	ICG 567685	
ICG 550064	ICG 513985	ICG 550173	ICG 550284		ICG 567689	
ICG 550067	ICG 513995	ICG 550182	ICG 550285		ICG 567702	
ICG 550068	ICG 514004	ICG 550185	ICG 550286		ICG 567703	
ICG 550073	ICG 514012	ICG 550186	ICG 550287		ICG 567713	
ICG 550076	ICG 514016	ICG 550188	ICG 550289		ICG 567722	
ICG 550083	ICG 514020	ICG 550189	ICG 550291		ICG 567727	
ICG 550087	ICG 514022	ICG 550196	ICG 550295		ICG 567734	
ICG 550088	ICG 514024	ICG 550203	ICG 550296		ICG 567737	
ICG 550093	ICG 514025	ICG 550206	ICG 550297		ICG 567738	

* Changed to 5[illegible] in Rec. No. 9365-A.

ICG	511304	ICG	511530	ICG	561969
	511305		511537		561970
	511313		511541		561971
	511315		511542		591804
	511316		511548		591806
	511322		511559		591821
	511328		511565		591839
	511343		511568		591886
	511345		511576		591903
	511364		511579		591929
	511373		511582		591979
	511384		511583		591980
	511385		511587		591989
	511388		511595		592004
	511391		511597		592007
	511396				592019
	511398				592030
	511419				592034
	511433				592041
	511434		561600		592045
	511437		561607		592056
	511439		561608		592061
	511455		561619		592071
	511457		561624		592076
	511459		561636		592084
	511467		561644		592101
	511470		561661		592102
	511476		561670		592108
	511490		561699		592111
	511491		561730		592131
	511496		561745		592133
	511503		561747		592145
	511505		561768		592149
	511506		561775		592151
	511509		561822		592163
	511514		561836		592174
	511515		561866		592190
	511516		561917		592194
	511526		561932		
	511528		561947		
			561960		

Note: All numbers preceded by the letters "ICG"

100-Ton Covered Hoppers -- Total 20

Illinois Central Gulf Railroad Car Numbers:

755001
755019
755042
755054
755055
755059
755064
755097
755127
755143
764302
764324
765399
764454
764461
764494
764504
764510
764512
764526

Note: All numbers preceded by the letters "ICG"

60' Flatcars -- Total 45

Illinois Central Gulf Railroad Car Numbers:

ICG	910127	960105	ICG	960209
	910132	960112		960210
	910133	960114		960213
	910139	960121		960215
	910145	960124		960216
	910146	960185		960217
	910149	960186		960218
	910151	960189		960223
	910154	960190		
	910156	960191		
	910159	960192		
	910164	960193		
	910165	960195		
	910166	960196		
	910167	960197		
	910172	960199		
	910175	960201		
	910176	960206		
	910177			

Note: All numbers preceded by the letters "ICG"

Pulpwood Flatcars -- Total 40

Illinois Central Gulf Railroad Car Numbers:

ICG	820073
	820165
	820243
	820249
	820392
	820422
	820463
	820471
	820479
	820553
	820630
	820688
	820712
	820776
	820792
	820793
	820950
	820997
	821302
	821346
	821365
	821368
	821381
	821387
	821465
	821488
	821549
	821604
	821617
	821641
	821661
	821711
	821713
	821753
	821767
	821774
	821790
	821801
	821834
	821840

Note: All numbers preceded by the letters "ICG"

EXHIBIT B

CERTIFICATE OF ACCEPTANCE

Sea-Texas, a partnership
c/o Seattle-First National Bank
Seafirst Leasing Department
Attention: Contract Administrator
P.O. Box 3586
Seattle, Washington 98124

and

c/o Texas Commerce Bank
National Association
Attention: Equipment Leasing Division
P.O. Box 2558
Houston, Texas 77001

Gentlemen:

1. The undersigned officer of Illinois Central Gulf Railroad Company is your authorized representative designated under the Rehabilitation Agreement dated as of May 1, 1978 (the "Rehabilitation Agreement") between you and Illinois Central Gulf Railroad Company (the "Railroad Company"). As such authorized representative, the undersigned hereby represents and certifies to you as follows:

(a) That the cars described below have been duly delivered in good order by the Railroad Company under the Rehabilitation Agreement, have been duly inspected and accepted on the respective dates there shown by the undersigned as your authorized representative and conform in all respects to the requirements and specifications of the Rehabilitation Agreement; and

(b) That each such car was at its delivery properly marked on each side thereof with the legend provided in Section 9.E of the Lease Agreement between you and the Railroad Company hereinafter referred to.

2. The undersigned, Illinois Central Gulf Railroad Company ("Lessee"), is the Lessee under the Lease Agreement dated as of May 1, 1978 (the "Lease Agreement") between you and the Lessee. As such Lessee, we hereby request you to pay the attached invoices for the rehabilitation and delivery of the cars described below. We hereby represent and certify to you as follows:

(a) That all of our representations and warranties set forth in Section 8 of the Lease Agreement are true and correct as of the date hereof as though made on this date;

(b) That the cars described below have been delivered to us, as Lessee under the Lease Agreement, on the dates indicated and have been duly inspected and are hereby accepted by us for lease under the Lease Agreement; and

(c) That no event of default, or event which might mature into an event of default, has occurred and is continuing under the Lease Agreement.

3. This Certificate of Acceptance shall be and become a part of the Lease Agreement, and the cars described below are hereby declared to be leased by us thereunder. The Lease Agreement was filed and recorded with the Interstate Commerce Commission on _____, 1978 at _____ _.m. with Recordation No. _____. The Lease Agreement was filed and recorded with the Registrar General of Canada on _____, 1978 at _____ _.m. with notice of deposit having been published in the Canada Gazette on _____, 1978.

_____

Officer and authorized representative, as aforesaid, and signing as to the matters in Paragraph 1 above

Dated _____, 1978

ILLINOIS CENTRAL GULF RAILROAD COMPANY, Lessee, and signing as to the matters in Paragraphs 2 and 3 above

By _____

Its _____

Dated _____, 1978

DESCRIPTION OF CARS

Total No. of Items	Car Type	Lessee's Identifying Nos.	Invoice Amount

EXHIBIT C

STIPULATED LOSS VALUE FOR CARS

"Stipulated Loss Value" of any Car as of a particular date shall mean the amount derived by multiplying (i) the percentage figure opposite the notation for the appropriate rental period set forth in the table appearing below by (ii) Lessor's Cost of Cars applicable to such Car and adding the amount of any investment tax credit recapture compensation as set forth below. Stipulated Loss Value does not include any amounts for which Lessor may be entitled to indemnification under Sections 13 and 14 of the Lease Agreement.

STIPULATED LOSS VALUE TABLE

	Percentage
On or before Commencement Date . .	100% + expenses + interim rent
Thereafter, but on or before Rent Payment Date No. 1	89.986%
Thereafter, but on or before Rent Payment Date No. 2	89.961%
Thereafter, but on or before Rent Payment Date No. 3	89.883%
Thereafter, but on or before Rent Payment Date No. 4	89.754%
Thereafter, but on or before Rent Payment Date No. 5	89.576%
Thereafter, but on or before Rent Payment Date No. 6	89.354%
Thereafter, but on or before Rent Payment Date No. 7	89.085%
Thereafter, but on or before Rent Payment Date No. 8	88.769%
Thereafter, but on or before Rent Payment Date No. 9	88.406%
Thereafter, but on or before Rent Payment Date No. 10	88.001%
Thereafter, but on or before Rent Payment Date No. 11	87.551%
Thereafter, but on or before Rent Payment Date No. 12	87.056%

Thereafter, but on or before Rent Payment Date No.	13	86.517%
Thereafter, but on or before Rent Payment Date No.	14	85.935%
Thereafter, but on or before Rent Payment Date No.	15	85.311%
Thereafter, but on or before Rent Payment Date No.	16	84.645%
Thereafter, but on or before Rent Payment Date No.	17	83.935%
Thereafter, but on or before Rent Payment Date No.	18	83.182%
Thereafter, but on or before Rent Payment Date No.	19	82.390%
Thereafter, but on or before Rent Payment Date No.	20	81.557%
Thereafter, but on or before Rent Payment Date No.	21	80.681%
Thereafter, but on or before Rent Payment Date No.	22	79.762%
Thereafter, but on or before Rent Payment Date No.	23	78.806%
Thereafter, but on or before Rent Payment Date No.	24	77.809%
Thereafter, but on or before Rent Payment Date No.	25	76.769%
Thereafter, but on or before Rent Payment Date No.	26	75.686%
Thereafter, but on or before Rent Payment Date No.	27	74.568%
Thereafter, but on or before Rent Payment Date No.	28	73.409%
Thereafter, but on or before Rent Payment Date No.	29	72.208%
Thereafter, but on or before Rent Payment Date No.	30	70.964%
Thereafter, but on or before Rent Payment Date No.	31	69.686%
Thereafter, but on or before Rent Payment Date No.	32	68.367%
Thereafter, but on or before Rent Payment Date No.	33	67.009%
Thereafter, but on or before Rent Payment Date No.	34	65.613%
Thereafter, but on or before Rent Payment Date No.	35	64.198%
Thereafter, but on or before Rent Payment Date No.	36	62.754%
Thereafter, but on or before Rent Payment Date No.	37	61.282%

Thereafter, but on or before Rent Payment Date No.	38	59.770%
Thereafter, but on or before Rent Payment Date No.	39	58.239%
Thereafter, but on or before Rent Payment Date No.	40	56.677%
Thereafter, but on or before Rent Payment Date No.	41	55.085%
Thereafter, but on or before Rent Payment Date No.	42	53.458%
Thereafter, but on or before Rent Payment Date No.	43	51.818%
Thereafter, but on or before Rent Payment Date No.	44	50.154%
Thereafter, but on or before Rent Payment Date No.	45	48.465%
Thereafter, but on or before Rent Payment Date No.	46	46.739%
Thereafter, but on or before Rent Payment Date No.	47	45.002%
Thereafter, but on or before Rent Payment Date No.	48	43.240%
Thereafter, but on or before Rent Payment Date No.	49	41.453%
Thereafter, but on or before Rent Payment Date No.	50	39.629%
Thereafter, but on or before Rent Payment Date No.	51	37.791%
Thereafter, but on or before Rent Payment Date No.	52	35.928%
Thereafter, but on or before Rent Payment Date No.	53	34.038%
Thereafter, but on or before Rent Payment Date No.	54	32.109%
Thereafter, but on or before Rent Payment Date No.	55	30.166%
Thereafter, but on or before Rent Payment Date No.	56	28.195%
Thereafter, but on or before Rent Payment Date No.	57	26.197%
Thereafter, but on or before Rent Payment Date No.	58	24.158%
Thereafter, but on or before Rent Payment Date No.	59	22.103%
Thereafter, but on or before Rent Payment Date No.	60	20.020%
Thereafter		20.000%

INVESTMENT TAX CREDIT RECAPTURE COMPENSATION

Investment tax credit recapture compensation shall be computed as shown on the following schedule:

Loss During Year (After accepted for lease pursuant to the Lease Agreement)	ITC Recapture Compensation (As a % of Rehabilitation Cost)
1-3	19.23077%
4-5	12.82051%
6-7	6.41026%
Thereafter	-0-

EXHIBIT D

LESSEE'S INSURANCE COVERAGE

Liability Coverage provides Bodily Injury, Property Damage, Federal Employers Liability Act, including Care, Custody and Control and including Contractual Liability.

Blanket Fire Coverage provides coverage for fire, lightning and extended coverage including collision and overturn and derailment of diesels.

Interstate Commerce Commission
Washington, D.C. 20423

5/5/78

OFFICE OF THE SECRETARY

W.H. Sanders
Illinois Central Gulf RR.Co.
233 North Michigan Avenue
Chicago, Illinois 60601

Dear Sir:

The enclosed document(s) was recorded pursuant to the provisions of Section 20(c) of the Interstate Commerce Act, 49 U.S.C. 20(c), on 5/5/78 at 10:55am, and assigned recordation number(s) 9365.

Sincerely yours,

H.G. Homme, Jr.
Acting Secretary

Enclosure(s)

SE-30-T
(6/77)