



An **IC Industries** Company

John B. Goodrich
Secretary and Treasurer

**Illinois Central
Gulf Railroad**
Two Illinois Center
233 North Michigan Avenue
Chicago, IL 60601
(312) 565 1600

RECORDATION NO. 8602 Filed & Recorded
DEC 8 1976 BIA
INTERSTATE COMMERCE COMMISSION

December 6, 1976

6-343A079

DEC 8 1976

Fee \$ 50-

ICC Washington, D. C.

Honorable Robert L. Oswald
Secretary
Interstate Commerce Commission
Washington, D. C. 20423

RECEIVED
DEC 8 3 05 PM '76
I.C.C.
FEE OPERATION

Dear Mr. Oswald:

Enclosed for recording with the Interstate Commerce Commission are counterparts of a Lease Agreement dated as of November 1, 1976. 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: CI Transportation Leasing Corporation
231 South La Salle Street
Chicago, Illinois 60693

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

The Equipment covered by the Lease is described in the attached Schedule A.

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,

John B. Goodrich

Enc.

Counterparts BIA



CI TRANSPORTATION LEASING CORPORATION

SUBSIDIARY OF CONTINENTAL ILLINOIS LEASING CORPORATION
231 SOUTH LA SALLE STREET, CHICAGO, ILLINOIS 60693

December 1, 1976

Illinois Central Gulf Railroad
233 North Michigan Avenue
Chicago, Illinois 60601

Gentlemen:

This will refer to the Lease Agreement dated as of November 1, 1976 between you and us covering the lease of Cars.

This letter will confirm your agreement to pay us a commitment fee (computed for the actual number of days elapsed on the basis of a year consisting of 360 days) of 1/2 of 1% per annum on the unused amount of our commitment under the Lease Agreement. Such commitment fee shall commence on October 11, 1976 and shall be payable in one installment covering the period commencing October 11, 1976 and ending on the Commencement Date to be payable on the Commencement Date. The term "Commencement Date" shall have the meaning provided for in the Lease Agreement.

Please indicate your acceptance and approval of the foregoing at the place provided below on the attached copy hereof and return the same to us.

Very truly yours,

CI TRANSPORTATION LEASING CORPORATION

By J. M. Nash
Executive Vice President

ACCEPTED AND APPROVED as of the
date of the foregoing letter

ILLINOIS CENTRAL GULF RAILROAD COMPANY

By J. B. Boodin

LEASE AGREEMENT

Lease Agreement dated as of November 1, 1976, between CI TRANSPORTATION LEASING CORPORATION, a Delaware corporation, ("Lessor"), and ILLINOIS CENTRAL GULF RAILROAD COMPANY, a Delaware corporation ("Lessee").

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:

45 rehabilitated 50 ton, 50 foot boxcars

(the "Cars") (the Cars being hereinafter sometimes referred to as the "Equipment" and each such Car being sometimes referred to as a "unit" or a "unit of Equipment") covered by Lessee's invitation to bid published on September 24, 1976 and described on Exhibit A hereto. Deliveries of Cars shall be in minimum groups of ten units, except for the final delivery. The aggregate cost for the acquisition, rehabilitation and delivery of all the Cars ("Lessor's Cost of Cars") shall not exceed \$787,500.

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 Lessee, in order to secure reuseable components, the following used cars for the following maximum purchase price:

<u>No. of Cars</u>	<u>Type of Cars</u>	<u>Maximum Purchase Price per Car</u>
45	50 ton, 50 foot boxcars	\$ 4,900
	Aggregate Maximum Purchase Price	\$ 220,500

Such purchase price shall hereinafter be referred to as the "Cars Acquisition Cost". Such reusable components will be conveyed by Lessee to Lessor by a bill of sale (the "Bill of Sale").

(b) Lessee has also agreed under the Rehabilitation 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) above in order to produce the following cars for lease as units of Equipment hereunder at the following rehabilitation price:

<u>Number</u>	<u>Type of Cars</u>	<u>Maximum Rehabilitation Price Per Car</u>
45	50 ton, 50 foot boxcars	\$ 12,600
	Aggregate Maximum Rehabilitation Price	\$ 567,000

Such rehabilitation price shall hereinafter be referred to as the "Rehabilitation Cost".

3. LEASE TERM

The term of lease under this Lease Agreement of each Car shall commence on the date of delivery of such Car to Lessee and shall end 120 months after the date (the "Commencement Date") which shall be the earlier of (i) the date as of which all Cars shall have been accepted by Lessee, or (ii) December 31, 1976.

4. RENT, NET LEASE

Lessee shall pay to Lessor rent, quarterly in arrears, for the Cars in 40 installments, each of which shall be in an amount equal to 3.5586% 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. In addition, Lessee shall 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, which interim rent shall be in an amount equal to 125% of the prime commercial rate ("Prime Rate") of Continental Illinois National Bank and Trust Company of Chicago from time to time in effect multiplied by that 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 on the basis of a year consisting of 360 days. Changes in the interim rent due to changes in said Bank's Prime Rate shall be effective when and as said Bank changes its Prime Rate. All rent and other amounts due from Lessee to Lessor shall be paid to Lessor at its office at: 231 South LaSalle Street, Chicago, Illinois 60693, 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) 10% 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, set-off 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.

5. PAYMENTS FOR EQUIPMENT

Lessor shall from time to time on or before the Commencement Date (not more than once in any week) make such payments as Lessee may request under a Certificate of Acceptance in the form of Exhibit B hereto (a "Certificate of Acceptance for Cars") for the purchase of the used cars under the Rehabilitation Agreement and for the rehabilitation of the cars under such Rehabilitation Agreement. Each such Certificate of Acceptance for Cars (except the last) shall cover not less than ten 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.

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 and that LESSOR DOES NOT MAKE ANY EXPRESS OR IMPLIED WARRANTY WHATSOEVER OF TITLE, MERCHANTABILITY, FITNESS FOR ANY PURPOSE, 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, the Bill of Sale 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 Rehabilitation Agreement, the Bill of Sale 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 or of the charter or by-laws of Lessee or of any indenture, mortgage, deed of trust or agreement or instrument binding upon Lessee or to which Lessee is a party. Lessee has in the negotiation, execution and delivery of the Rehabilitation Agreement, the Bill of Sale and this Lease Agreement complied in all respects with the competitive bidding regulations prescribed by the Interstate Commerce Commission ("ICC") in 49 CFR Part 1010 pursuant to 15 U.S.C. § 20.

(d) The execution, delivery and performance of the Rehabilitation Agreement, the Bill of Sale and this Lease Agreement by Lessee and the consummation by Lessee of the transactions 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, except the filing with the ICC within 30 days after the date of execution and delivery hereof of the statement required by 15 U.S.C. § 20 and 49 CFR § 1010.4. Additionally, this Lease Agreement will be recorded with the ICC in accordance with Section 20c of the Interstate Commerce Act.

(e) Lessee's financial statement as at June 30, 1976, 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 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 Bill of Sale and this Lease Agreement are the legal, valid and binding obligations of Lessee enforceable in accordance with their respective terms.

(g) There are no pending or threatened actions or proceedings before any court or administrative agency which may 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 Bill 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 three 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 20% of the total of Cars Acquisition Cost plus Rehabilitation Cost 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.

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 in the opinion of Lessor adversely affect the property or rights of the Lessor hereunder; and further provided, however, that any additions to the units 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 which Lessee is not required by this Lease Agreement to pay or discharge, (ii) liens of current taxes not delinquent, and (iii) inchoate materialmen's or mechanics liens arising in the ordinary course of business and not delinquent.

(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:

"CI TRANSPORTATION LEASING CORPORATION, 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 units which can be removed without material damage to the units 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 Exhibit C hereto, 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 the rent payment date immediately preceding 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, or event which might mature into an 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 Exhibit D. Such insurance policy or policies shall provide that all losses thereunder will be adjusted with Lessee or 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 each Certificate of Acceptance, and thereafter not less than 10 days 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 10 days' prior written notice to Lessor and that the insurer will give notice to Lessor in the event of nonpayment of premium by Lessee when due.

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. 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 reasonable request a copy of each such return or report, including evidence of payment, within 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 Bill 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

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 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 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 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 12 years to a net salvage value of 10% using, with respect to (i) Rehabilitation Cost, any of the methods described in clause (y) of Section 27(a) hereof, and (ii) Acquisition Cost, any of the methods described in clause (z) of Section 27(a) hereof, which Lessor, in its complete discretion, may select, 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 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 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.

(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 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 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 court, 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 in paragraphs (b) through (e) of this Section 14 and in paragraph (a)

of Section 27 to Lessor shall be deemed to mean any affiliated group of which Lessor is a part which files a consolidated return for Federal income tax purposes, provided that only Lessor shall be obligated with respect to the covenants and duties therein expressed to be imposed on Lessor.

(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 Lessor's invoice therefor. Each such invoice shall be accompanied by a detailed statement reflecting the calculation of amounts due hereunder from the head of the tax department of Lessor's parent corporation, Continental Illinois Corporation, that he has examined Lessor's 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 purpose of delivering possession of any unit or units to Lessor as above required, Lessee shall at its own cost, expense and risk:

(1) forthwith place such units upon such storage tracks of Lessee as Lessor reasonably may designate,

(2) 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 180 days, and

(3) 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 hereinbefore 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 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 120 days after each fiscal year of Lessee, a copy of the annual audit report of Lessee and any consolidated subsidiaries, prepared on a consolidated basis and in conformity with generally accepted accounting principles (subject to conforming railroad qualifications) applied on a basis consistent with that of the preceding year, and signed by nationally recognized independent certified public accountants, (ii) within 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 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 audit 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 paragraph (e) of Section 9 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 or the Agent may reasonably request.

17. EVENTS OF DEFAULT

(a) The following shall be events of default hereunder:

(i) Default, and continuance thereof for 15 days, in the payment of any rent or other amount hereunder;

(ii) Any obligation of Lessee or any material subsidiary 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 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 material subsidiary 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 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 such subsidiary, and, if instituted against Lessee or any such subsidiary is consented to or acquiesced in by Lessee or any such subsidiary or remains for 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:

(1) 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;

(2) repossess any or all units of Equipment without prejudice to any remedy or claim hereinafter referred to;

(3) elect to sell any or all units of Equipment, after giving 30 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 preceding 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, indemnifi-

cation 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;

(4) 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 (3) above plus, to the extent not otherwise recovered from Lessee pursuant to said clause (3) above, (i) any rent and other amounts owing hereunder to and including the rent payment date immediately preceding the date such notice is given, (ii) all costs and expenses incurred in searching for, taking, removing, keeping, storing, repairing and restoring such units of Equipment, and (iii) all other amounts owing by Lessee hereunder, whether as additional rent, indemnification or otherwise, and (iv) 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;

(5) 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

(6) 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 (3) and (4) of this paragraph (b) shall each

include, without limitation, interest at the applicable rate specified, in the first 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 preceding 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 the units or any of them. 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 its 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 so 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 not 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, set off, 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, cause this Lease Agreement and any assignment hereof to be filed and recorded with the Interstate Commerce Commission in accordance with Section 20c of the Interstate Commerce Act prior to the delivery and acceptance hereunder of any unit of Equipment. 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, re-register, re-record 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 will 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 90 days (and not more than 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 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 any 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, the same title to such Equipment as was originally conveyed to 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 then being 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 90 days (and not more than 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 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 such renewal term.

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 subsidiary which in Lessor's reasonable opinion may 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 and the execution, delivery and performance by Lessee of the Rehabilitation Agreement, the Bill of Sale and this Lease Agreement;

(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, the Bill of Sale 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 Bill of Sale 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 or of the charter or by-laws of Lessee or of any indenture, mortgage, deed of trust or agreement or instrument binding upon Lessee or to which Lessee is a party. Lessee has in the negotiation, execution and delivery of the Rehabilitation Agreement, the Bill of Sale and this Lease Agreement complied in all respects with the competitive bidding regulations prescribed by the ICC in 49 CFR Part 1010 pursuant to 15 U.S.C. §20.

(D) The execution, delivery and performance of the Rehabilitation Agreement, the Bill of Sale and this Lease Agreement by Lessee 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, except the filing with the ICC within 30 days after the date of execution

and delivery hereof of the statement required by 15 U.S.C. § 20 and 49 CFR § 1010.4. Additionally, this Lease Agreement has been recorded with the ICC in accordance with Section 20c of the Interstate Commerce Act.

(E) The Rehabilitation Agreement, the Bill of Sale and this Lease Agreement are the legal, valid and binding obligations of Lessee 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 may, 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) This Lease Agreement has been duly filed and recorded with the ICC pursuant to Section 20c of the Interstate Commerce Act, such filing and recording 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 from Lessee under the Rehabilitation Agreement was not and will not be in excess of the maximum purchase price for such cars (set forth in Section 2(a) herein), (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 Rehabilitation

50 ton, 50 foot boxcar

\$17,500

(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 three years beyond the expiration of the term of lease for the Cars under this Lease Agreement and an estimated fair market value at the end of such term of at least 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; and

(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 which such payment is requested;

(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 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 and the Treasurer or an Assistant Treasurer 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 subsidiary which will, in the opinion of such officers, to a material extent adversely affect the financial condition or continued operation of Lessee 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 subsection (e) of Section 8 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 on such Commencement Date, authorizing the lease of such Equipment hereunder and the execution, delivery and performance by Lessee of the Rehabilitation Agreement, the Bill of Sale and 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 Rehabilitation 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 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:

<u>Type of Car</u>	<u>Percentage</u>
50 ton, 50 ft. boxcar	72%

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

<u>Type of Car</u>	<u>Percentage</u>
50 ton, 50 ft. boxcar	72%

over a depreciable life of 12 years to a net salvage value of 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)(3) 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 12 years to a net salvage value of 10% thereof, computed initially using the 150% declining balance method of depreciation 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) Notwithstanding any other provisions of this Lease Agreement to the contrary:

(i) Lessee covenants and agrees to accept Cars for lease hereunder until March 31, 1977. If any Cars are delivered after December 31, 1976, the Commencement Date hereunder shall be the earlier of (x) the date as of which all Cars are delivered, or (y) March 31, 1977.

(ii) If any Cars are delivered after December 31, 1976, pursuant to the foregoing clause (i), then Lessee shall pay to Lessor rent, quarterly in arrears, for all such Cars in 40 installments, each of which shall be in an amount equal to 3.79167% of Lessor's Cost of Cars, provided that the Lessor is entitled to the maximum 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 7 years on not less than the Rehabilitation Cost for such Cars. If as to any such Car Lessor shall not be entitled under any circumstances (including any Change of Tax Law), other than as set forth in paragraph (d) of Section 14 hereof, to any portion or all of the maximum 10% investment credit presently allowable under said Section 38(a), then, Lessee shall pay Lessor, upon demand, a sum determined in accordance with paragraph (b) of Section 14 hereof.

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

(d) 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 231 South LaSalle Street, Chicago, Illinois 60693 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.

(e) 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 jurisdictions 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 Chicago, Illinois, shall be governed by the laws of the State of Illinois, 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.

(f) 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.

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 *B. E. Harkins*
Title: VICE PRESIDENT

(CORPORATE SEAL)

Attest:

R. G. Niese
ASSISTANT Secretary

Address:
233 North Michigan Avenue
Chicago, Illinois 60601

CI TRANSPORTATION LEASING CORPORATION
(Lessor)

By *J. M. North*
Title: Executive Vice President

(CORPORATE SEAL)

ATTEST:

By *John J. Helgen*
Title: ASSISTANT SECRETARY

STATE OF ILLINOIS)
) SS.
COUNTY OF C O O K)

On this 6th day of DECEMBER, 1976, before me personally appeared G. E. KONIKER, to me personally known, who being by me duly sworn, says that he is a 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 of said corporation.

Daniel P. Higgins
Notary Public

(SEAL)

My Commission Expires: SEP 22 1977

STATE OF ILLINOIS)
) SS.
COUNTY OF C O O K)

On this 1st day of DECEMBER, 1976, before me personally appeared J. M. Nachbin, to me personally known, who being by me duly sworn, says that he is Exec. V. P. of CI TRANSPORTATION LEASING CORPORATION, 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.

Adam E. Szmurlo
Notary Public

ADAM E. SZMURLO
538 NO. GARFIELD
LOMBARD, ILL. 60148

(SEAL)

My Commission Expires: December 10, 1979

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568
518

EXHIBIT A

CARS

CAR TYPE: 50 ton, 50 foot boxcar

<u>ILLINOIS CENTRAL GULF RAILROAD CAR NUMBERS</u>	<u>UNIT REHABILITATION COST</u>	<u>UNIT CAR ACQUISITION COST</u>	<u>TOTAL UNIT COST OF CAR</u>
	\$ 12,600	\$ 4,900	\$ 17,500
ICG 516399	"	"	"
ICG 516433	"	"	"
ICG 516491	"	"	"
ICG 516275	"	"	"
ICG 516276	"	"	"
ICG 516308	"	"	"
ICG 516321	"	"	"
ICG 516341	"	"	"
ICG 516435	"	"	"
ICG 516457	"	"	"
ICG 516475	"	"	"
ICG 516489	"	"	"
ICG 516518	"	"	"
ICG 516524	"	"	"
ICG 516556	"	"	"
ICG 516569	"	"	"
ICG 516577	"	"	"
ICG 516582	"	"	"
ICG 516420	"	"	"
<u>ICG 568007</u>	"	"	"
ICG 518015	"	"	"
ICG 518025	"	"	"
ICG 518028	"	"	"
ICG 568033	"	"	"
ICG 518035	"	"	"
ICG 518045	"	"	"
ICG 518050	"	"	"
ICG 518062	"	"	"
ICG 518064	"	"	"
ICG 518070	"	"	"
ICG 518081	"	"	"

516
518
568

ICG 518082	"	"	"
ICG 568090	"	"	"
ICG 518102	"	"	"
ICG 518104	"	"	"
ICG 568105	"	"	"
ICG 568130	"	"	"
ICG 518136	"	"	"
ICG 518143	"	"	"
ICG 518144	"	"	"
ICG 518169	"	"	"
ICG 568173	"	"	"
ICG 518179	"	"	"
ICG 516375	"	"	"
ICG 518066	"	"	"

EXHIBIT B

CERTIFICATE OF ACCEPTANCE

CI Transportation Leasing Corporation
231 South LaSalle Street
Chicago, Illinois 60693

Gentlemen:

1. The undersigned officer of Illinois Central Gulf Railroad Company is your authorized representative designated under the Rehabilitation Agreement dated as of November 1, 1976 (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 November 1, 1976 (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 _____, 1976 at ___:___ .M. with Recordation No. _____.

Officer and authorized representative,
as aforesaid, and signing as to the
matters in paragraph 1 above
Dated: _____, 1976

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

By _____
Its _____
Dated: _____, 1976

Accepted:

CI TRANSPORTATION LEASING CORPORATION

By _____

Dated: _____, 1976

DESCRIPTION OF CARS

Total No.
of Items

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 product derived from 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. 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

	%
On or Before Rent Payment Date No..... 1	103.374525
Thereafter, But On or Before Rent Payment Date No..... 2	103.093870
Thereafter, But on or Before Rent Payment Date No..... 3	102.715005
Thereafter, But on or Before Rent Payment Date No..... 4	102.236274
Thereafter, But on or Before Rent Payment Date No..... 5	101.655994
Thereafter, But on or Before Rent Payment Date No..... 6	101.005601
Thereafter, But on or Before Rent Payment Date No..... 7	100.283914
Thereafter, But on or Before Rent Payment Date No..... 8	99.489732
Thereafter, But on or Before Rent Payment Date No..... 9	98.621835
Thereafter, But on or Before Rent Payment Date No..... 10	97.686860
Thereafter, But on or Before Rent Payment Date No..... 11	96.683676
Thereafter, But on or Before Rent Payment Date No..... 12	95.611133
Thereafter, But on or Before Rent Payment Date No..... 13	89.660378
Thereafter, But on or Before Rent Payment Date No..... 14	88.450954

Thereafter, But on or Before Rent		
Payment Date No.....	15	87.174054
Thereafter, But on or Before Rent		
Payment Date No.....	16	85.828542
Thereafter, But on or Before Rent		
Payment Date No.....	17	84.413263
Thereafter, But on or Before Rent		
Payment Date No.....	18	82.932207
Thereafter, But on or Before Rent		
Payment Date No.....	19	81.384268
Thereafter, But on or Before Rent		
Payment Date No.....	20	79.768320
Thereafter, But on or Before Rent		
Payment Date No.....	21	73.275512
Thereafter, But on or Before Rent		
Payment Date No.....	22	71.524546
Thereafter, But on or Before Rent		
Payment Date No.....	23	69.706609
Thereafter, But on or Before Rent		
Payment Date No.....	24	67.820575
Thereafter, But on or Before Rent		
Payment Date No.....	25	65.865296
Thereafter, But on or Before Rent		
Payment Date No.....	26	63.843446
Thereafter, But on or Before Rent		
Payment Date No.....	27	61.753903
Thereafter, But on or Before Rent		
Payment Date No.....	28	59.595527
Thereafter, But on or Before Rent		
Payment Date No.....	29	52.559471
Thereafter, But on or Before Rent		
Payment Date No.....	30	50.263772
Thereafter, But on or Before Rent		
Payment Date No.....	31	47.899607
Thereafter, But on or Before Rent		
Payment Date No.....	32	45.465824
Thereafter, But on or Before Rent		
Payment Date No.....	33	42.961251
Thereafter, But on or Before Rent		
Payment Date No.....	34	40.388533
Thereafter, But on or Before Rent		
Payment Date No.....	35	37.746525
Thereafter, But on or Before Rent		
Payment Date No.....	36	35.034059

Thereafter, But on or Before Rent		
Payment Date No.....	37	32.249949
Thereafter, But on or Before Rent		
Payment Date No.....	38	29.409963
Thereafter, But on or Before Rent		
Payment Date No.....	39	26.513161
Thereafter, But on or Before Rent		
Payment Date No.....	40	23.558591
Thereafter		20.000000

EXHIBIT D

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.

REHABILITATION AGREEMENT dated as of
November 1, 1976, between ILLINOIS CENTRAL
GULF RAILROAD COMPANY (hereinafter called
the Contractor) and CI TRANSPORTATION LEASING CORPORATION
(hereinafter called the Company)

WHEREAS, the Company desires to rehabilitate the units of standard gauge railroad equipment (hereinafter referred to individually as a Unit and collectively as Equipment or Units of the Equipment) described in Item 1 of Annex A attached hereto to be rehabilitated from materials acquired and owned by the Company or to be purchased by the Contractor as an independent contractor acting on behalf of the Company and owned by the Company, and with labor and other services to be paid for by the Company pursuant hereto, such Equipment to be the property of the Company;

WHEREAS, the Company has acquired right, title and interest in certain used cars acquired from the Contractor pursuant to a bill of sale (hereinafter called the Bill of Sale);

WHEREAS, the Company has requested the Contractor to rehabilitate the Equipment, title thereto and to all materials used in connection therewith to remain in the Company throughout the period of rehabilitation and thereafter, and the Contractor desires to perform such work for the Company;

NOW, THEREFORE, in consideration of the mutual promises, covenants and agreements hereinafter set forth, the parties hereto do hereby agree as follows:

ARTICLE 1. Rehabilitation of Equipment. Subject to the terms and conditions hereinafter set forth, the Contractor, as an independent contractor, agrees to rehabilitate the Equipment for the Company and as its property and agrees to deliver the rehabilitated Equipment as hereinbelow provided, and the Company agrees that it will pay the Contractor the Cost of Rehabilitation of the Equipment, each Unit of which will be rehabilitated to the specifications referred to in Item 1 of Annex A hereto and in accordance with such modifications thereof as may have been agreed upon in writing by the Contractor and the Company (which specifications and

modifications, if any, are hereinafter called the Specifications) and will, at or before delivery thereof to the Company or its duly appointed representative pursuant to Article 2 hereof have the following ownership markings stencilled on each side thereof in a conspicuous place in letters not less than one inch in height:

CI TRANSPORTATION LEASING CORPORATION, OWNER-LESSOR"

The Contractor agrees that the design, quality and component parts of the rehabilitated Equipment will conform, on the date of completion of rehabilitation thereof, to all Department of Transportation and Interstate Commerce Commission requirements and specifications and to all standards recommended by the Association of American Railroads reasonably interpreted as being applicable; provided, however, that if any such requirements, specifications or standards shall have been promulgated or amended after the respective dates on which the Equipment was ordered, the Cost of Rehabilitation of the Equipment affected thereby may be appropriately adjusted by written agreement of the Contractor and the Company.

The Contractor agrees that in the rehabilitation of the Equipment there shall be used exclusively articles, supplies, materials and parts (hereinafter collectively called materials) acquired and owned by the Company and furnished to the Contractor or to be purchased by the Contractor as an independent contractor acting on behalf of the Company and owned by the Company.

The Company hereby authorizes the Contractor to act for the Company in the purchase, for the account of the Company, of all materials necessary in the rehabilitation of the Equipment, and the Contractor as an independent contractor, agrees to enter into appropriate contracts, at the lowest practicable prices, with the sellers of materials necessary for the rehabilitation of the Equipment, the cost of such materials to be part of the Cost of Rehabilitation. Complete legal title to such materials, free of any liens, claims or charges of any nature whatsoever, shall be vested in the Company prior to the delivery to the Company for acceptance of any Unit of which such materials shall be a part. Every contract for the purchase of such materials shall be entered into by the Contractor as independent contractor and shall

expressly recite that the purchase is for the Company and that title to the materials upon purchase shall be vested directly and solely in the Company. The Company agrees that all title to and property in the materials purchased for the rehabilitation of the Equipment shall be vested in the Company free and clear of all liens, charges and other encumbrances of any other kind and nature, whether of the Contractor or others, and, except as specifically provided herein, the Contractor hereby specifically waives any right it has or may have to claim any lien or charges for any purpose whatsoever upon the Equipment or upon any materials used in the rehabilitation thereof.

ARTICLE 2. Delivery. The Contractor will deliver the rehabilitated Equipment to the Company, freight charges, if any, prepaid, at such point or points within the United States of America as shall be determined by the mutual agreement of the Contractor and the Company and in accordance with the delivery schedule set forth in Item 1 of Annex A hereto; provided, however, that no rehabilitated Unit of Equipment shall be delivered under this Agreement until the Lease Agreement dated as of November 1, 1976 between the Company, as lessor, and the Contractor, as lessee (hereinafter called the Lease Agreement) shall have been filed and recorded with the Interstate Commerce Commission in accordance with Section 20c of the Interstate Commerce Act.

The Contractor represents and warrants that at the time of delivery, the rehabilitated Equipment will be railroad equipment free and clear of all liens, claims or charges of any nature whatsoever arising from acts of the Contractor and that, to the best of its knowledge, no amortization or depreciation will have been claimed by any person with respect thereto.

The Contractor's obligation as to time of delivery is subject to delays resulting from causes beyond the Contractor's reasonable control, including, but not limited to, acts of God, acts of government such as embargoes, priorities and allocations, war or war conditions, riot or civil commotion, sabotage, strikes, labor shortages, differences with workmen, accidents, fire, flood, explosion, damage to plant, equipment or facilities or delays in receiving necessary materials or delays of carriers or subcontractors.

Notwithstanding the preceding provisions of this Article 2, any Unit of the Equipment not delivered and accepted on or before March 31, 1977 shall be excluded from this Agreement and not included in the terms "Equipment" or "Units" as used in this Agreement, and the Company shall be relieved of its obligation to pay for such Equipment. In the event of any such exclusion the Contractor and the Company shall execute an agreement supplemental hereto limiting this Agreement to the Equipment not so excluded herefrom and providing for the assignment to the Contractor of all right, title and interest of the Company in and to the materials owned by the Company and furnished to the Contractor or purchased by the Contractor on behalf of the Company for utilization in the rehabilitation of the excluded Equipment, and the Company shall take such other steps, including the execution of instruments of transfer, as may reasonably be requested by the Contractor for the purpose of acknowledging and perfecting the interest to the Contractor in any Unit so excluded from this Agreement or such materials and the Company shall have no further obligation or liability in respect of Units so excluded or such materials.

The Equipment shall be subject to inspection and approval prior to delivery by an officer of the Contractor designated by the Company as its authorized representative for such purpose, and the Contractor shall grant to any such representative reasonable access to its plant. From time to time upon the completion of the rehabilitation of each Unit or a number of Units of the Equipment, each Unit shall thereupon be presented to an authorized representative of the Company for inspection at the Contractor's plant and, if each such Unit conforms to the Specifications and the other requirements, specifications and standards set forth or referred to in Article 1 hereof, such authorized representative shall promptly execute and deliver to the Contractor, in such number of counterparts or copies as may be reasonably requested, a certificate of acceptance in the form of Exhibit B to the Lease Agreement (hereinafter called a Certificate of Acceptance) stating that such Unit or Units have been inspected and accepted on behalf of the Company and are marked in accordance with Article 1 hereof; provided, however, that the Contractor shall not thereby be relieved of its warranty and indemnities contained in Articles 5 and 6 hereof.

On acceptance of each of the Units of the Equipment, pursuant to this Article 2 on behalf of the Company as aforesaid, the Company assumes with respect thereto the responsibility and risk of loss or damage.

ARTICLE 3. Cost of Rehabilitation. The cost of rehabilitation per Unit of the Equipment is set forth in Item 1 of Annex A hereto. Such cost is subject to such increase or decrease as may be or has been agreed to by the Contractor and the Company. The term "Cost of Rehabilitation" as used herein shall mean the cost or costs as so increased or decreased. Payment of Lessor's Cost of Cars (as defined in the Lease Agreement) for any Unit shall be deemed to constitute payment (i) under the Bill of Sale for any materials contained in such Unit and conveyed by the Bill of Sale, and (ii) for rehabilitation hereunder.

The Equipment shall be settled for on one or more Closing Dates fixed as hereinafter provided (the Equipment settled for on a Closing Date being hereinafter called a Group); provided, however, that each Group other than the Group for which settlement shall be made on the final Closing Date shall contain at least ten Units. Subject to the provisions of Article 4 hereof, the Company hereby promises to pay in immediately available funds to the Contractor at such place as the Contractor may designate, on the Closing Date with respect to a Group, an amount equal to the Cost of Rehabilitation of all Units of the Equipment in such Group as set forth in the invoices therefor.

The term "Closing Date" with respect to a Group of the Equipment shall mean each date specified by the Contractor for settlement of a Group of Equipment.

If on any Closing Date the aggregate Cost of Rehabilitation of the Equipment for which settlement has theretofore been and is then being made under this Agreement would, but for the provisions of this sentence, exceed the Maximum Cost of Rehabilitation specified in Item 2 of Annex A hereto (or such higher amount as the Company may at its option agree to prior to delivery of any Unit that, but for such agreement, would otherwise be excluded from this Agreement), the Contractor will, upon request of the Company, execute an

agreement supplemental hereto excluding from this Agreement such Unit or Units then proposed to be settled for and specified by the Company as will, after giving effect to such exclusion, reduce such aggregate Cost of Rehabilitation to not more than the Maximum Cost of Rehabilitation specified in Item 2 of Annex A hereto (or such higher amount as afore-said) and the Company shall take such other steps, including the execution of instruments of transfer, for the purpose of assigning to the Contractor all right, title and interest of the Company in and to the materials owned by the Company and furnished to the Contractor or purchased by the Contractor on behalf of the Company for utilization in the rehabilitation of the excluded Equipment, and the Company shall take such other steps, including the execution of instruments of transfer, as may reasonably be requested by the Contractor for the purpose of acknowledging and perfecting the interest of the Contractor in any Unit so excluded from this Agreement or such materials and the Company shall have no further obligation or liability in respect of Units so excluded or such materials.

All payments provided for in this Agreement shall be made in such coin or currency of the United States of America as at the time of payment shall be legal tender for the payment of public and private debts.

ARTICLE 4. Conditions to Obligations of the Company.
The obligations of the Company to pay to the Contractor the amount required to be paid pursuant to the second paragraph of Article 3 hereof with respect to the Group of Equipment for which settlement is then being made is subject to the satisfaction of the conditions set forth in Section 25 of the Lease Agreement.

ARTICLE 5. Contractor's Warranty of Workmanship.
The Contractor warrants that the Units of the Equipment will be rehabilitated to the Specifications and with the other requirements, specifications and standards set forth or referred to in Article 1 above and warrants that the Equipment will be free from defects in workmanship or design under normal use and service for a period of one year from the date of delivery thereof.

The Contractor further agrees that neither the inspection as provided in Article 2 of this Agreement, nor any

examination or acceptance of any Units of the Equipment as provided in said Article 2, shall be deemed a waiver or modification by the Company of any of its rights under this Article or Article 6.

ARTICLE 6. Indemnities. The Contractor agrees to indemnify, protect and hold harmless the Company from and against all losses, damages, injuries, liabilities, claims and demands whatsoever, regardless of the cause thereof, and expenses in connection therewith, including, but not limited to, counsel fees and expenses, patent, trademark and copyright liabilities, penalties and interest, arising out of or as the result of the entering into or the performance of this Agreement or the ordering, acquisition, ownership, rehabilitation, assembly or delivery of any Unit or any material utilized in connection therewith or any accident in connection therewith resulting in damage to property or injury or death to any person or any breach of warranty relating thereto. The indemnities arising under this Article shall continue in full force and effect notwithstanding the full payment of all obligations under this Agreement or the expiration or other termination of this Agreement.

ARTICLE 7. Notices. Any notice hereunder to the party designated below shall be deemed to be properly served if delivered or mailed to it at the following specified addresses:

- (a) to the Company, at 231 South LaSalle Street
Chicago, Illinois 60693,
- (b) to the Contractor, at 233 North Michigan
Avenue, Chicago, Illinois 60601, Attention of
the Treasurer,

or such other addresses as may have been furnished in writing by such party to the other party to this Agreement.

ARTICLE 8. Assignments by the Contractor. All or any of the rights, benefits or advantages of the Contractor under this Agreement, including the right to receive the Cost of Rehabilitation of all Units of the Equipment, may be assigned by the Contractor and reassigned by any assignee at any time or from time to time; provided, however, that no such assignment shall subject any such assignee to, or

relieve the Contractor from, any of the Contractor's warranties, indemnities or other obligations contained in this Agreement or relieve the Contractor or a successor or successors to its manufacturing property and business from any of its obligations to rehabilitate and deliver the Equipment in accordance with the Specifications or to respond to its warranties, indemnities or other obligations whether contained herein or created by law, or relieve the Company of its obligations to the Contractor under this Agreement, which, according to their terms and context, are intended to survive an assignment; provided, however, that except as otherwise provided in this Agreement any security interest in each Group of the Equipment assigned hereunder shall forthwith cease and terminate upon payment to the Contractor or the assignee, as applicable, by the Company of the amounts payable with respect to such Group pursuant to Article 3 and the Contractor and such assignee will execute and deliver all documents and instruments as the Company may reasonably request.

Upon any such assignment, either the assignor or the assignee shall give written notice to the Company, together with a counterpart or copy of such assignment, stating the identity and post office address of the assignee (if not otherwise stated in the assignment), and such assignee shall by virtue of such assignment acquire all the Contractor's right, title and interest in and to the rights, benefits and advantages of the Contractor thereby assigned subject only to such reservation as may be contained in such assignment. From and after the receipt by the Company of the notification of any such assignment, all payments thereafter to be made by the Company hereunder shall, to the extent so assigned, be made to the assignee in such manner as it may direct.

ARTICLE 9. Assignment by the Company. All or any portion of the rights, benefits or advantages of the Company under this Agreement, including, without limitation, (a) title to the materials utilized in the rehabilitation of the Equipment, (b) the right to accept delivery of the Equipment and to be named in the instrument of conveyance therefor to be delivered by the Contractor, (c) the right to receive any and all monies due or to become due to the Company in respect of the Equipment arising as a result of any default by the Contractor and for indemnification under Article 6 hereof, and (d) all rights of the Company to perform under this

Agreement and compel performance of the terms hereof, may be assigned by the Company and reassigned by any assignee at any time or from time to time. Upon any such assignment, either the assignor or the assignee shall give written notice to the Contractor, stating the identity and post office address of the assignee (if not otherwise stated in the assignment), and such assignee shall by virtue of such assignment acquire all the Company's right, title and interest in and to the rights, benefits and advantages of the Company thereby assigned subject only to such reservation as may be contained in such assignment.

ARTICLE 10. Defaults. In the event that any one or more of the following events of default shall occur and be continuing, to wit:

(a) the Company shall fail to pay in full, when due and payable hereunder, any sum payable by the Company as herein provided for the Cost of Rehabilitation of the Equipment and such failure shall continue for more than ten days following the final date for such payment; or

(b) the Company shall, for more than 30 days after the Contractor shall have demanded in writing performance thereof, fail or refuse to comply with any covenant, agreement, term or provision of this Agreement on its part to be kept or performed or to make provision satisfactory to the Contractor for such compliance; or

(c) the Company shall make or suffer any unauthorized assignment or transfer of this Agreement or any interest herein or any unauthorized transfer of the right to possession of any Unit of the Equipment;

then at any time after the occurrence of such an event of default under this Agreement the Contractor shall have the rights and remedies of a secured party provided in Article 9 of the Uniform Commercial Code as adopted of the State of Illinois, and in addition, those provided in this Agreement.

In case the Contractor shall rightfully demand possession of the Equipment in pursuance of this Agreement upon an event of default and shall reasonably designate a point or

points for the delivery of the Equipment to the Contractor, the Company shall forthwith and in the usual manner cause the Equipment to be moved to such point or points as shall be designated by the Contractor and shall there deliver the Equipment or cause it to be delivered to the Contractor, and, at the option of the Contractor, the Contractor may keep the Equipment on any lines or premises designated by the Contractor until the Contractor shall have leased, sold or otherwise disposed of the same. Additionally, the Company shall take such steps, upon the request of the Contractor, to confirm in the Contractor all right, title and interest of the Company in and to the materials owned by the Company and furnished to the Contractor but not yet paid for or purchased by the Contractor on behalf of the Company for utilization in the rehabilitation of the Equipment.

ARTICLE 11. Article Headings. All article headings are inserted for convenience only and shall not affect the construction or interpretation of this Agreement.

ARTICLE 12. Effect and Modification of Agreement. This Agreement and the Annexes attached hereto, exclusively and completely state the rights and agreements of the Contractor and the Company with respect to the rehabilitation of the Equipment and supersede all purchase agreements, purchase orders and other agreements, oral or written, with respect to the rehabilitation of the Equipment. No variation of this Agreement and no waiver of any of its provisions or conditions shall be valid unless in writing and duly executed on behalf of the Company and the Contractor.

ARTICLE 13. Law Governing. The terms of this Agreement and all rights and obligations hereunder shall be governed by the laws of the State of Illinois; provided, however, that the parties shall be entitled to all rights conferred by Section 20c of the Interstate Commerce Act.

ARTICLE 14. Successors and Assigns. As used herein the terms Contractor and Company shall be deemed to include the successors and assigns of the Contractor and the Company, as the case may be.

ARTICLE 15. Execution. This Agreement may be simultaneously executed in any number of counterparts, each of which when so executed shall be deemed to be an original,

and such counterparts together shall constitute but one and the same contract, which shall be sufficiently evidenced by any such original counterpart. Although this Agreement is dated for convenience as of the date specified in the introductory paragraph of this Agreement, the actual date or dates of execution hereof by the parties hereto is or are, respectively, the date or dates stated in the acknowledgments hereto annexed.

IN WITNESS WHEREOF, the parties hereto, each pursuant to due corporate authority, have caused these presents to be signed in their respective corporate names by duly authorized officers and their respective corporate seals to be hereunto affixed and duly attested, all as of the day, month and year first above written.

ILLINOIS CENTRAL GULF RAILROAD COMPANY

By *J. E. ...*
Vice President

[CORPORATE SEAL]

ATTEST:

B. E. ...
Assistant Secretary

CI TRANSPORTATION LEASING CORPORATION

By *John ...*
Title: Executive Vice President

[CORPORATE SEAL]

ATTEST:

John S. ...
Title: ASSISTANT SECRETARY

ANNEX A

CAR TYPE: 50 ton, 50 foot boxcar

<u>ILLINOIS CENTRAL GULF RAILROAD CAR NUMBERS</u>	<u>ITEM 1 UNIT COST OF REHABILITATION</u>	<u>ITEM 2 TOTAL (MAXIMUM) COST OF REHABILITATION</u>	<u>MONTHS OF DELIVERY</u>	<u>SPECIFICATIONS</u>
	\$ 12,600	\$ 567,000	October December, 1976*	See Exhibit A attached
GMO 9214	"		"	"
GMO 9234	"		"	"
GMO 9239	"		"	"
GMO 9275	"		"	"
GMO 9276	"		"	"
GMO 9308	"		"	"
GMO 9321	"		"	"
GMO 9341	"		"	"
GMO 9375	"		"	"
GMO 9435	"		"	"
GMO 9457	"		"	"
GMO 9475	"		"	"
GMO 9489	"		"	"
GMO 9518	"		"	"
GMO 9524	"		"	"
GMO 9556	"		"	"
GMO 9569	"		"	"
GMO 9577	"		"	"
GMO 9582	"		"	"
ICG 516420	"		"	"
GMO 56007	"		"	"
GMO 56015	"		"	"
GMO 56025	"		"	"
GMO 56028	"		"	"
GMO 56033	"		"	"
GMO 56035	"		"	"
GMO 56045	"		"	"
GMO 56050	"		"	"
GMO 56062	"		"	"
GMO 56064	"		"	"

* / Delivery may be delayed until March 31, 1977

GMO 56066	"	"	"
GMO 56070	"	"	"
GMO 56081	"	"	"
GMO 56082	"	"	"
GMO 56090	"	"	"
GMO 56102	"	"	"
GMO 56104	"	"	"
GMO 56105	"	"	"
GMO 56130	"	"	"
GMO 56136	"	"	"
GMO 56143	"	"	"
GMO 56144	"	"	"
GMO 56169	"	"	"
GMO 56173	"	"	"
GMO 56179	"	"	"

EXHIBIT A

SPECIFICATIONS FOR REHABILITATED CARS

Illinois Central Gulf Railroad