

CRAVATH, SWAINE & MOORE RECORDATION NO. 9347 Filed & Recorded

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NEW YORK, N.Y. 10005

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INTERNATIONAL TELEEX: 620976

TELETYPE: 710-581-0338

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RECORDATION NO. 9347 Filed & Recorded

APR 27 1978 - 3 10 PM

INTERSTATE COMMERCE COMMISSION

Date APR 27 1978

RECORDATION NO. 9347 Filed & Recorded Fee \$ 200

APR 27 1978 - 3 10 PM Washington, D. C. April 26, 1978

INTERSTATE COMMERCE COMMISSION
Illinois Central Gulf Railroad Company
Lease Financing of Railroad Equipment

MAURICE T. MOORE
BRUCE BROMLEY
ALBERT R. CONNELLY
FRANK H. DETWEILER
GEORGE G. TYLER
WILLIAM B. MARSHALL
RALPH L. McAFEE
ROYALL VICTOR
ALLEN H. MERRILL
HENRY W. DE KOSMIAN
ALLEN F. MAULSBY
STEWART R. BROSS, JR.
HENRY P. RIORDAN
JOHN R. HUPPER
SAMUEL C. BUTLER
WILLIAM J. SCHRENK, JR.
BENJAMIN F. CRANE
FRANCIS F. RANDOLPH, JR.
JOHN F. HUNT
GEORGE J. GILLESPIE, III
RICHARD S. SIMMONS
WAYNE E. CHAPMAN
THOMAS D. BARR
MELVIN L. BEDRICK

GEORGE T. LOWY
ROBERT ROSENMAN
JAMES H. DUFFY
ALAN J. HRUSKA
JOHN E. YOUNG
JAMES M. EDWARDS
DAVID G. ORMSBY
RICHARD J. HIEGEL
DAVID L. SCHWARTZ
RICHARD J. HIEGEL
FREDERICK A. O. SCHWARZ, JR.
CHRISTINE BESHAR
ROBERT S. RIFKIND
DAVID O. BROWNWOOD
PAUL M. DODYK
RICHARD M. ALLEN
THOMAS R. BROME
ROBERT D. JOFFE
ROBERT F. MULLEN
ALLEN FINKELSON
RONALD S. ROLFE
JOSEPH R. SAHID
PAUL C. SAUNDERS
MARTIN L. SENZEL

COUNSEL
ROSSELL L. GILPATRICK
INTERSTATE COMMERCE COMMISSION
NEW YORK

L. R. BRESLIN, JR.
GEORGE B. TURNER
JOHN H. MORSE
HAROLD R. MEDINA, JR.
CHARLES S. LINTON

4, PLACE DE LA CONCORDE
75002 PARIS, FRANCE
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33 THROGMORTON STREET
LONDON, EC2N 2BR, ENGLAND
TELEPHONE 01-6007401
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TABLE ADDRESSES:
CRAVATH, N.Y.
CRAVATH, PARIS
CRAVATH, LONDON E.C.2

RECORDATION NO. 9347 Filed & Recorded

APR 27 1978 - 3 10 PM

INTERSTATE COMMERCE COMMISSION

Dear Sir:

Enclosed herewith for filing pursuant to Section 20c of the Interstate Commerce Act are execution copies of the following documents, each dated as of March 1, 1978:

(a) Hulk Purchase Agreement between:

Illinois Central Gulf Railroad Company - Vendor
(the "Railroad")
233 North Michigan Avenue
Chicago, Illinois 60601

and

The Connecticut Bank and Trust Company, - Vandee
as Trustee (the "Owner Trustee")
One Constitution Plaza
Hartford, Connecticut 06115;

(b) Rehabilitation Agreement between:

the Railroad - Vendor

and

the Owner Trustee; - Vandee

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CERTIFICATION UNIT

(c) Lease Agreement between:

the Railroad *Lessee*

and

the Owner Trustee; and *- Lessor*

(d) Trust Indenture and Mortgage between:

the Owner Trustee *- trustee*

and

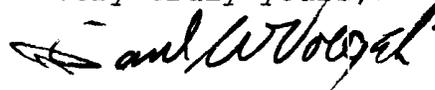
First Security Bank of Utah, National Association,
as Indenture Trustee

79 South Main Street

Salt Lake City, Utah 84111 *- trustee*

Please record one of the six enclosed copies of each enclosed document and stamp the other five copies and the copy of this letter enclosed herewith with the recordation data and return such copies to the delivering messenger who will wait. A check in the amount of \$200 is enclosed in payment of the applicable recording fee. The Equipment covered by the enclosed documents is listed on Schedule A attached to this letter.

Very truly yours,



Paul W. Voegeli

The Acting Secretary,
Interstate Commerce Commission,
Washington, D. C. 20423

Encls.

L

BY HAND

Interstate Commerce Commission
Washington, D.C. 20423

4/27/78

OFFICE OF THE SECRETARY

Paul W. Voegeli
Ctavath, Swaine & Moore
One Chase Manhattan Plaza
New York, N.Y. 10005

Dear **Sir:**

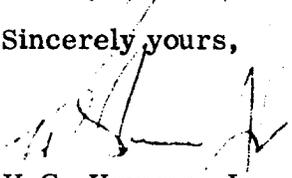
The enclosed document(s) was recorded pursuant to the
provisions of Section 20(c) of the Interstate Commerce Act,

49 U.S.C. 20(c), on **4/27/78** at **3:50pm**,

and assigned recordation number(s) **9347, 9347-A, 9347-B & 9347-C, &**

Sincerely yours,

9291-B


H.G. Homme, Jr.
Acting Secretary

Enclosure(s)

SE-30-T
(6/77)

Interstate Commerce Commission
Washington, D.C. 20423

4/27/78

OFFICE OF THE SECRETARY

Paul W. Voegeli
Clavath, Swaine & Moore
One Chase Manhattan Plaza
New York, N.Y. 10005

Dear **Sir:**

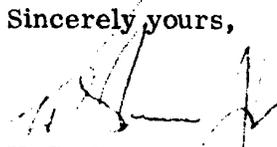
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and assigned recordation number(s) **9347, 9347-A, 9347-B & 9347-C, &**

Sincerely yours,

9291-B


H.G. Homme, Jr.
Acting Secretary

Enclosure(s)

SE-30-T
(6/77)

9347
RECORDATION NO. Filed & Recorded

APR 27 1978 - 3 10 PM

INTERSTATE COMMERCE COMMISSION

HULK PURCHASE AGREEMENT

dated as of March 1, 1978

between

ILLINOIS CENTRAL GULF RAILROAD COMPANY

and

THE CONNECTICUT BANK AND TRUST COMPANY,
not in its individual capacity, but
solely as Owner Trustee under a Trust
Agreement dated as of March 1, 1978,
with ITT Industrial Credit Company

HULK PURCHASE AGREEMENT dated as of March 1, 1978, between ILLINOIS CENTRAL GULF RAILROAD COMPANY, a Delaware corporation (the "Railroad") and THE CONNECTICUT BANK AND TRUST COMPANY, a Connecticut banking corporation (the "Buyer"), not in its individual capacity, but solely as owner trustee under a Trust Agreement dated as of the date hereof (the "Trust Agreement") with ITT Industrial Credit Company (the "Owner").

The Railroad is a party to the three Conditional Sale Agreements and the Equipment Trust Agreement listed in Exhibit A hereto (such four agreements being hereinafter sometimes collectively called the Existing Security Agreements, and the secured party under each being hereinafter called an Existing Secured Party). The Existing Security Agreements relate to the used railroad equipment described in Exhibit A hereto. Such railroad equipment is no longer fit for service by the Railroad, and, accordingly, the Railroad intends so to notify each Existing Secured Party and to pay or cause to be paid to the relevant Existing Secured Party the applicable casualty value specified in the relevant Existing Security Agreement in respect of all or some of such equipment whereupon the equipment in respect of which such casualty value is paid will be released from the relevant Existing Security Agreements pursuant to their terms. The Railroad desires that the relevant Existing Secured Party sell such of said equipment as shall be specifically identified in the Bills of Sale referred to in Section 1 hereof (collectively, the "Hulks" and individually, a "Hulk"), and the Buyer desires to purchase the Hulks for the Purchase Price set forth in Exhibit A (the "Purchase Price").

The Buyer is simultaneously with the execution hereof entering into a Rehabilitation Agreement dated as of March 1, 1978 (the "Rehabilitation Agreement") with the Railroad, in the form of Annex A hereto, pursuant to which the Railroad, as an independent contractor, will rehabilitate the Hulks as provided therein, and a Lease Agreement dated as of March 1, 1978 (the "Lease") with the Railroad, in the form of Annex B hereto, pursuant to which the Railroad will lease from the Buyer the units of railroad equipment rehabilitated under the Rehabilitation Agreement.

NOW, THEREFORE, in consideration of the mutual cov-

enants and agreements hereinafter contained the parties hereto hereby agree as follows:

1. The Railroad will, prior to delivery of each group of Hulks for rehabilitation pursuant to the Rehabilitation Agreement, cause the relevant Existing Secured Party to deliver to the Buyer a Bill or Bills of Sale transferring title to such group of Hulks, and the Railroad will deliver to the Buyer an opinion of counsel to the effect that, at the date of such Bill or Bills of Sale, such Existing Secured Party had legal title to such Hulks and good and lawful right to sell the same and that title to such Hulks transferred to the Buyer by such Bill or Bills of Sale was free of all claims, liens, security interests, security titles and other encumbrances of any nature whatsoever. On or after the date of such Bill or Bills of Sale, the Railroad will cause the Hulks in such group to be delivered to an authorized representative of the Buyer at such point or points within the United States of America as shall be specified by the Railroad. The sale and delivery of the Hulks pursuant to this Agreement shall commence as soon as practicable and shall be completed on or before such date as shall permit the completion of rehabilitation of each Hulk by August 31, 1978.

2. The Buyer at the times hereafter specified will pay to the relevant Existing Secured Party the Purchase Price of each Hulk in each group subject to all the terms and conditions of this Agreement, including without limitation the receipt by the Buyer, on or before the date of such payment, of (a) a payment request of the Railroad with respect thereto, (b) the Bill or Bills of Sale with respect thereto specified in and in accordance with the provisions of Section 1 hereof, (c) a Certificate or Certificates of Acceptance signed by the Buyer's authorized representative stating that the Hulks in such group have been delivered to and accepted on behalf of the Buyer, and (d) a written opinion of counsel for the Railroad or for the relevant Existing Secured Party dated the date of such Bill or Bills of Sale, addressed to the Buyer and stating that such Bill or Bills of Sale are valid and effective to transfer the legal title to such Hulks to the Buyer and that the Hulks are free and clear of all claims, liens, security interests, security titles and other encumbrances of any nature whatsoever.

Each such Bill of Sale shall contain the following information with respect to each type of Hulk included in the group of Hulks covered thereby: quantity, description and the Railroad's identifying numbers. Subject only to the

conditions set forth in this Agreement, the Buyer will pay the Purchase Price of each Hulk delivered and accepted as aforesaid to the relevant Existing Secured Party on the date the Bill of Sale therefor is delivered to the Buyer.

The Railroad hereby assigns to the Buyer, as of the date of payment of the Purchase Price in respect of any Hulk (the "Hulk Payment Date"), all right, title and interest of the Railroad in and to such Hulk under the relevant Existing Security Agreement or otherwise.

3. The obligation of the Buyer to pay to the relevant Existing Secured Party the Purchase Price of the Hulks shall be subject to receipt by the Buyer on or before any such Hulk Payment Date of the documents set forth in Section 2 hereof, and satisfaction on or before such date of the conditions set forth in Section 25(a) of the Lease.

4. The Buyer may assign and/or transfer its rights, but not its obligations, under this Agreement. All the rights of the Buyer hereunder shall inure to the benefit of the Buyer's assigns.

5. Notwithstanding the delivery of any Bill or Bills of Sale hereunder, the Railroad agrees that all responsibility with respect to any Hulk covered by such Bill or Bills of Sale, its use and operation and risk of loss thereof, shall remain with the Railroad until such Hulk is delivered to and accepted by the authorized representative of the Buyer, as provided above, and the Railroad agrees to indemnify and hold the Buyer harmless from any claim made against the Buyer by reason of the transfer of title to the Hulks prior to such delivery and acceptance or with respect to the validity of such title, free from all claims, liens, security interests, security title or encumbrances of any nature other than those of the Buyer at the time of such delivery and acceptance. Upon such delivery and acceptance, all responsibility and risk of loss with respect to such Hulk shall pass to the Buyer.

6. In the event that any Hulk is excluded from the Rehabilitation Agreement pursuant to the fourth paragraph of Article 2 thereof or the fourth paragraph of Article 3 thereof, the Railroad shall, within 10 business days after such exclusion, pay to the Buyer an amount equal to the Hulk Purchase Price of the Hulks so excluded together with interest on such Hulk Purchase Price at the rate of .029208% for each day elapsed from and including the date of payment of such Hulk

Purchase Price by the Buyer under this Agreement, to but not including the date of payment by the Railroad to the Buyer pursuant to this sentence. The Railroad shall give the Buyer at least five business days notice of any such payment, which notice shall specify the portion thereof representing payment of the Hulk Purchase Price and the portion thereof representing interest thereon. The Buyer shall take such other steps, including the execution of instruments of transfer, for the purpose of assigning to the Railroad all right, title and interest of the Buyer in and to the Hulks, and the Buyer shall take such other steps, including the execution of instruments of transfer, as may reasonably be requested by the Railroad for the purpose of acknowledging and perfecting the interest of the Railroad in any Hulk so excluded from the Rehabilitation Agreement, and the Buyer shall have no further obligation or liability in respect of the Hulks so excluded.

7. The Railroad hereby represents and warrants to the Buyer, its successors and assigns, that this Agreement was duly authorized by it and lawfully executed and delivered for a valid consideration.

The Railroad hereby covenants and agrees with the Buyer that not later than the date of payment for each Hulk, the Railroad will discharge in full all obligations (other than those to an Existing Secured Party equal to the Purchase Price), if any, secured by encumbrances with respect thereto.

8. This Agreement shall be governed by and construed in accordance with the laws of the State of Illinois.

9. This Agreement may be executed in any number of counterparts, each of which 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.

10. No recourse shall be had in respect of any obligation due under this Agreement, or referred to herein, against any incorporator, stockholder, director or officer, as such, past, present or future, of the parties hereto, whether by virtue of any constitutional provision, statute or rule of law, or by enforcement of any assessment or penalty or otherwise, all such liability, whether at common law, in equity, by any constitutional provision, statute or otherwise, of such incorporators, stockholders, directors or officers, as such, being forever released as a condition of

and as consideration for the execution of this Agreement.

It is expressly understood and agreed by and between the parties hereto, anything in this Agreement to the contrary notwithstanding, that each and all of the representations, undertakings and agreements herein made on the part of the Buyer are each and every one of them made and intended not as personal representations, undertakings and agreements by The Connecticut Bank and Trust Company, or for the purpose or with the intention of binding the said bank personally but are made and intended for the purpose of binding only the Trust Estate as such term is used in the Trust Agreement, and this Agreement is executed and delivered by the said bank solely in the exercise of the powers expressly conferred upon the said bank as trustee under the Trust Agreement; and that no personal liability or personal responsibility is assumed by or shall at any time be asserted or enforceable against the said bank (except for the wilful misconduct or gross negligence of said bank), all such personal liability, if any, being expressly waived and released by the Railroad and by all persons claiming by, through or under the Railroad; provided, however, that the Railroad or any person claiming by, through or under the Railroad, making claim hereunder, may look to said Trust Estate for satisfaction of the same.

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

ILLINOIS CENTRAL GULF RAILROAD
COMPANY,

by 

Vice President

[Corporate Seal]

Attest:



Secretary

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

by

Authorized Officer

[Corporate Seal]

Attest:

Authorized Officer

HULK PURCHASE AGREEMENT

EXHIBIT A

[Each item of Equipment is a 70-Ton Boxcar]

<u>Quantity</u>	<u>Type of Existing Security Agreement</u>	<u>Description or Date of Existing Security Agreement</u>	<u>Hulk Purchase Price</u>	<u>Total Purchase Price</u>
6	C.S.A.**	IC	4,436	26,616
44		1-2-68	4,208	185,152
50	E.T.A.*	GMO P	8,002	400,100
25	C.S.A.**	GMO 2-1-69	9,528	238,200
2	C.S.A.**	GMO	11,215	22,430
13		7-1-69	10,014	130,182
		Total		<u>\$1,002,680</u>

* Equipment Trust Agreement

** Conditional Sale Agreement

ANNEX A
TO THE
HULK
PURCHASE
AGREEMENT

REHABILITATION AGREEMENT

dated as of March 1, 1978

between

ILLINOIS CENTRAL GULF RAILROAD COMPANY

and

THE CONNECTICUT BANK AND TRUST COMPANY,
not in its individual capacity, but solely
as Owner Trustee under a Trust Agreement
dated as of March 1, 1978,
with ITT INDUSTRIAL CREDIT 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 the Hulks. Subject to the terms and conditions hereinafter set forth, the Contractor, as an independent contractor, agrees to rehabilitate the Hulks for the Company as its property and agrees to deliver the Equipment as hereinbelow provided, and the Company agrees that it will pay the Contractor the Rehabilitation Cost (as hereinafter defined) of the Equipment, each Hulk of which will be rehabilitated in accordance with the specifications referred to in Schedule B 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:

"OWNED BY A BANK OR TRUST COMPANY, AS TRUSTEE,
UNDER A TRUST AGREEMENT AND SUBJECT TO A
LEASE AND SECURITY AGREEMENT FILED
UNDER THE INTERSTATE COMMERCE
ACT, SECTION 20c"

The Contractor agrees that the design, quality and component parts of the 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 to the Equipment; 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 Rehabilitation Cost (as hereinafter defined) 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 Hulks 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 as an independent contractor acting on behalf of 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 Hulks, 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 Hulks, the cost of such materials to be part of the Rehabilitation Cost (as hereinafter defined). Complete legal title to such materials, free and clear 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 Equipment of which such materials shall be a part. Every contract for the purchase of such materials shall be entered into by the Contractor as an 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 Hulks 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 charge for any purpose whatsoever upon the Hulks or upon any materials used in the rehabilitation thereof.

ARTICLE 2. Delivery. The Contractor will deliver the 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 Schedule C hereto; provided, however, that no unit of Equipment shall be delivered under this Agreement until the Lease 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 Equipment will be railroad equipment free and clear of all liens, claims or charges of any nature whatsoever, other than those arising from acts of the Company (such acts not to include any acts of the Contractor acting on behalf of the Company), arising from acts of the Contractor and that 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, the Contractor shall not commence rehabilitation on any Hulk which cannot be rehabilitated and accepted hereunder on or before August 31, 1978. Any such Hulk, and any other Hulk that for any reason is not in fact rehabilitated and accepted by the Lessee under the Lease on or before August 31, 1978, shall be excluded from this Agreement and not included in the term "Equipment" as used in this Agreement. 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 the Company shall have no further obligation or liability in respect of such Hulks so excluded.

The Equipment shall be subject to inspection and approval prior to delivery by an officer of the Lessee 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 Equipment, each such 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 (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; provided, further, however, that the Company shall have no obligation to accept any unit of Equipment unless the Lessee has simultaneously accepted such unit under the Lease pursuant to Section 6 thereof.

On acceptance of each of the units of 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. Prior to such acceptance, the Contractor shall have responsibility for and bear risk of loss of or damage to the units of Equipment.

ARTICLE 3. Cost of Rehabilitation. The aggregate cost of rehabilitation of the Equipment is set forth in Schedule C 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 "Rehabilitation Cost" as used herein shall mean the cost or costs as so increased or decreased. The term "Cost of the Equipment" for any unit of Equipment shall be deemed to constitute the Rehabilitation Cost and the Hulk Purchase Price (as defined in the Hulk Purchase Agreement) of such unit.

The Equipment shall be delivered and settled for on one or more Closing Dates, on or prior to August 31, 1978, fixed as hereinafter provided (the Equipment being 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 10 units of Equipment. Subject to the provisions of Article 4 hereof, the Company hereby promises to pay or cause to be paid, in immediately available funds to the Contractor, at such place in Chicago, Illinois, or New York, New York, as the Contractor may designate, on the Closing Date with respect to a Group, an amount equal to the Rehabilitation Cost of all units of Equipment in such Group as set forth in the invoices therefor; provided, however, that at no time shall the aggregate Rehabilitation Cost theretofore paid to the Contractor plus the Rehabilitation Cost which is required to be paid on such Closing Date exceed \$2,593,080.

The term "Closing Date" with respect to a Group of Equipment shall mean each date specified by the Contractor for settlement of a Group of Equipment, in a written notice to the Company specifying the Rehabilitation Cost of such Group.

The Contractor shall not commence rehabilitation on any Hulk, the Rehabilitation Cost of which, when added to the aggregate Rehabilitation Cost for all Hulks on which the rehabilitation has previously been completed or commenced would, but for the provisions of this sentence, exceed \$2,593,080 (hereinafter called the Maximum Rehabilitation Cost) or such higher amount as the Company may at its option agree to prior to delivery of any unit of Equipment that,

but for such agreement, would otherwise be excluded from this Agreement. Any such Hulk shall be excluded from this Agreement and not included in the term "Equipment" as used in this Agreement. 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 the Company shall have no further obligation or liability in respect of such Hulks so excluded.

ARTICLE 4. Conditions to Obligations of the Company; Additional Documents to be Provided by the Contractor.

(a) The obligation of the Company to pay the Contractor the Rehabilitation Cost for any unit of Equipment is subject to (1) satisfaction of the conditions set forth in Sections 2 and 3 of the Hulk Purchase Agreement on or prior to the date specified therein and (2) receipt by the Company on or before, but not more than 10 days before, the first Hulk Payment Date (as defined in the Hulk Purchase Agreement) of the following:

(i) an opinion of counsel for the Contractor, dated such date, to the effect that:

(A) this Agreement has been duly authorized, executed and delivered by the Contractor, and constitutes a legal, valid, binding and enforceable agreement of the Contractor;

(B) the Contractor has the full corporate power, authority and legal right to enter into and perform its obligations under this Agreement, and the execution, delivery and performance of this Agreement has been duly authorized by all necessary corporate action on the part of the Contractor, does not require any stockholder approval or approval or consent of any trustee or holders of any indebtedness or obligations of the Contractor, or such required approvals and consents have heretofore been duly obtained;

(C) the Contractor is a corporation duly incorporated, validly existing and in good standing under the laws of the State of Delaware and is duly qualified to do business and in good standing in all other jurisdictions in which the business, properties and activities of the Contractor require such qualification;

(D) neither the execution and delivery of this Agreement nor the consummation of the trans-

actions herein contemplated or the fulfillment of, or compliance with, the terms and provisions hereof will conflict with, or result in a breach of, any of the terms, conditions or provisions of the certificate of incorporation (as amended) or the by-laws (as amended) of the Contractor or of any bond, debenture, note, mortgage, indenture, agreement or other instrument to which it or its property may be bound, or constitute (with the giving of notice or the passage of time or both) a default thereunder;

(E) neither the execution and delivery by the Contractor of this Agreement nor the consummation of the transactions herein contemplated nor the fulfillment of, or compliance with, the terms and provisions hereof will conflict with, or result in a breach of, any of the terms, conditions or provisions of any law, or any regulation, order, injunction or decree of any court or governmental instrumentality or arbitrator;

(F) no mortgage, deed of trust, claim, lien, security interest or other encumbrance of any nature whatsoever which now covers or affects any property or interest therein of the Contractor now attaches or hereafter will attach to any unit of Equipment or in any manner affects or will affect adversely the right, title and interest of the Company therein;

(G) neither the execution and delivery by the Contractor of this Agreement, nor the consummation of any of the transactions by the Contractor contemplated hereby requires the consent or approval of, the giving of notice to, or the registration with, or the taking of any other action in respect of, the Interstate Commerce Commission or any other Federal, state, foreign or other governmental authority or agency;

(H) to the knowledge of such counsel, there are no pending or threatened actions or proceedings before any court, arbitrator, administrative agency or governmental body which will materially adversely affect the condition, business or operations of the Contractor or the ability of the

Contractor to perform its obligations under this Agreement.

(ii) A certificate of an officer of the Contractor, dated as of such date, to the effect that the Contractor is not in default under, and to his knowledge there is no event which with the passage of time would place the Contractor in default under, this Agreement, and to the further effect that the representations and warranties of the Contractor contained in Article 11 of this Agreement are true and correct as of the date of such certificate with the same effect as if made on such date.

In addition to the foregoing conditions, the Contractor shall not commence rehabilitation of any unit of Equipment hereunder subsequent to, and the Company shall have no obligation to pay the Rehabilitation Cost of any unit of Equipment the rehabilitation of which has not commenced prior to, receipt of a written notice from the Company notifying the Contractor of (i) the occurrence of any Event of Default, as defined in the Lease, or event which with lapse of time and/or demand, could constitute such an Event of Default and (ii) the material falseness of any of the representations and warranties of the Contractor made by it in Article 11 of this Agreement at and as of the time such representations and warranties were so made.

(b) Although not conditions to the obligations of the Company hereunder, on or prior to each Closing Date with respect to the Group of Equipment for which settlement is then being made the Contractor shall provide to the Company the following documents with respect to the units of Equipment being settled for on such Closing Date:

(A) an opinion of counsel for the Contractor, dated such Closing Date, to the effect that at the time of delivery to the Company of such units of Equipment, title to such units was free from all claims, liens, security interests and other encumbrances of the Contractor or of any one claiming through the Contractor;

(B) a statement from the Contractor to the Company warranting to the Company that, at the time of delivery of such units of Equipment, title to such units was free of all claims, liens, security interests and other encumbrances of the Contractor or of anyone claiming through the Contractor; and covenanting to defend the title to such units against demands of all

persons whomsoever based on claims of the Contractor or anyone claiming through the Contractor;

(C) a Certificate or Certificates of Acceptance with respect to such units of Equipment as contemplated by Article 2 hereof and Section 5 of the Lease; and

(D) an invoice of the Contractor for such units of Equipment accompanied by or having endorsed thereon a certification by the Company as to its approval thereof.

ARTICLE 5. Contractor's Warranty of Materials and Workmanship. The Contractor warrants that the units of Equipment will be rehabilitated in accordance with 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 material and 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 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 of Equipment 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. Notice. 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 One Constitution Plaza, Hartford, Connecticut 06115, attention of Corporate Trust Department, with a copy to ITEL Corporation, Leasing Division, One Embarcadero Center, San Francisco, California 94111, attention of Contract Administration; and

(b) to the Contractor, at 233 North Michigan Avenue, Chicago, Illinois 60601, attention of 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 Rehabilitation Cost of all units of 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 hereof 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 and for all claims for damages in respect of such Equipment arising as a result of any default by the Contractor or 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 re-assigned 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, 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 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 Rehabilitation Cost of the Equipment and such failure shall continue for more than 10 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 by 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 Hulks.

ARTICLE 11. Contractor's Representations and Warranties. The Contractor represents and warrants as follows:

(a) The Contractor is a corporation duly incorporated and validly existing and in good standing under the laws of the State of Delaware, is duly qualified to do business and is in good standing in such other jurisdictions in which the business and activities of the Contractor require such qualification.

(b) The Contractor has full power, authority and legal right to carry on its business as now conducted, and is duly authorized and empowered to execute and deliver this Agreement and to fulfill and comply with the terms, conditions and provisions hereof; this Agreement has been duly authorized, executed and delivered and, assuming due authorization, execution and delivery thereof by the Company, constitutes a valid, legal and binding agreement, enforceable in accordance with its terms.

(c) Neither the execution and delivery of this Agreement nor the consummation of the transactions herein contemplated or the fulfillment of, or compliance with, the terms and provisions hereof will conflict with, or result in a breach of, any of the terms, conditions or provisions of the certificate of incorporation (as amended) or the by-laws (as amended) of the Contractor or of any bond, debenture, note, mortgage, indenture, agreement or other instrument to which the Contractor is now a party or by which it or its property may be bound, or constitute (with the giving of notice or the passage of time or both) a default thereunder, or result in the creation or imposition of any lien, charge, security interest or other encumbrance of any nature whatsoever upon any property of the Contractor or upon the Hulks or the units of Equipment pursuant to the terms of any such agreement or instrument.

(d) Neither the execution and delivery by the Contractor of this Agreement nor the consummation of the transactions herein contemplated nor the fulfillment of, or compliance with, the terms and provisions hereof will conflict with, or result in a breach of, any of the terms, conditions or provisions of any law, or any regulation, order, injunction or decree of any court, governmental instrumentality or arbitrator.

(e) No authorization or approval is required from any governmental or public body or authority in connection with the execution and delivery by the Contractor of this Agreement, or the fulfillment of or compliance with the terms, conditions and provisions hereof.

(f) The Contractor has not directly or indirectly offered or sold any interest in this Agreement or any securities to, solicited offers to buy any interest in

this Agreement or any securities from, or otherwise approached or negotiated in respect of the purchase or sale or other disposition of any interest in this Agreement or securities with, any person so as to bring this transaction within the provisions of Section 5 of the Securities Act of 1933, as amended. The Contractor will not offer any interest in this Agreement or any securities to, or solicit any offer to buy any thereof from any other person or approach or negotiate with any other person in respect thereof, so as to bring this transaction within the provisions of Section 5 of said Securities Act.

ARTICLE 12. Article Headings. All article headings are inserted for convenience only and shall not affect the construction or interpretation of this Agreement.

ARTICLE 13. Effect and Modification of Agreement. This Agreement and the Schedules attached hereto exclusively and completely state the rights and agreements of the Contractor and the Company with respect to the rehabilitation of the Hulks and supersede all purchase agreements, purchase orders and other agreements, oral or written, with respect to the rehabilitation of the Hulks. 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 14. Law Governing. The terms of this Agreement and all rights and obligations hereunder shall be governed by the laws of the State of Illinois.

ARTICLE 15. 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 16. 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 acknowl-

edgments hereto annexed.

ARTICLE 17. Immunities. No recourse shall be had in respect of any obligation due under this Agreement, or referred to herein, against any incorporator, stockholder, director or officer, as such, past, present or future, of the parties hereto, whether by virtue of any constitutional provision, statute or rule of law, or by enforcement of any assessment or penalty or otherwise, all such liability, whether at common law, in equity, by any constitutional provision, statute or otherwise, of such incorporators, stockholders, directors or officers, as such, being forever released as a condition of and as consideration for the execution of this Agreement.

It is expressly understood and agreed by and between the parties hereto, anything in this Agreement to the contrary notwithstanding, that each and all of the representations, undertakings and agreements herein made on the part of the Company are each and every one of them made and intended not as personal representations, undertakings and agreements by The Connecticut Bank and Trust Company or for the purpose or with the intention of binding the said bank personally but are made and intended for the purpose of binding only the Trust Estate as such term is used in the Trust Agreement, and this Agreement is executed and delivered by the said bank solely in the exercise of the powers expressly conferred upon the said bank as trustee under the Trust Agreement; and that no personal liability or personal responsibility is assumed by or shall at any time be asserted or enforceable against the said bank (except for the wilful misconduct or gross negligence of said bank), all such personal liability, if any, being expressly waived and released by the Contractor and by all persons claiming by, through or under the Contractor; provided, however, that the Contractor or any person claiming by, through or under the Contractor, making claim hereunder, may look to said Trust Estate for satisfaction of the same.

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,

[Corporate Seal]

by

Vice President

Attest:

Secretary

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

[Corporate Seal]

by

Authorized Officer

Attest:

Authorized Officer

STATE OF ILLINOIS,)
) ss.:
COUNTY OF COOK,)

On this day of April 1978, before me personally appeared , 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.

Notary Public

My commission expires

[NOTARIAL SEAL]

SCHEDULE A

Quantity

Description

140

70-Ton Boxcars

SCHEDULE B

ILLINOIS CENTRAL GULF RAILROAD

General Specifications

70 Ton 50'-6" Box Cushion Underframe
 Series ICG 592700-592999 (50 Cars) Orig. Built - ACF - 1965

- Body - Welded Steel Construction
- Underframe - Welded Design
- Brakes - AB-1012 Auto Slack Adjuster
- Cushion Underframe (Hydraulic Unit) - ACF Freight Saver 20" Travel
- Draft Gear - High Capacity 3-1/4" Travel
- Doors - Side - 10'-0" Sliding Type Centered on Lat. Center Line of Car
- Lining - Side - 3/4" Plywood
- Lining - End - 3/4" Plywood
- Floors - 1-3/4" N.S.F.
- Inside Fixtures - 3-DF-2 Belt Rails, Adjacent Door, Lading Strap Anchors
- Trucks - 70 Ton Capacity - Ride Control or Barber S-2-C with 3-11/16" travel springs. Friction Bearings
- Wheels - 33" Diameter - One wear

Dimensions:

Length:	Between pulling Face of Couplers.....	57'-9-1/2"
	Over Strikers.....	55'-2"
	Over End Sills.....	50'-8-1/4"
	Inside - Between End Linings.....	50'-6-1/8"
	Center to Center Bolsters.....	40'-10"
Width:	Truck Wheel Base.....	5'-8"
	Over Side Plates.....	9'-5-3/8"
	Over Side Sills.....	9'-11-5/8"
Height:	Inside - Between Side Linings.....	9'-4-1/8"
	Inside.....	10'-5-1/2"
	Side Door Opening - Clear.....	9'-10-3/4"
	Rail to Top of Floor.....	3'-7-13/16"
	Rail to Center Line of Coupler.....	2'-10-1/2"

Estimated Light Weight: 64,200#
 Cubic Capacity 4,941

Office of Mechanical Engineer
 Date: March 31, 1978 Spec. 0-434-E

ILLINOIS CENTRAL GULF RAILROAD

General Specifications

70 Ton 50'-6" Box-Standard Underframe
ICG Series 562300-562922 (50 cars)

Orig. Built - Pull-Std. - 1967

Body	-	Welded Steel Construction
Underframe	-	Welded Design
Brakes	-	AB-1012 - Auto Slack Adjuster
Draft Gear	-	High Capacity 3-1/4" Travel
Doors - Side	-	10'-0" Sliding type centered on Lat. Center Line of Car
Lining - Side	-	3/4" Plywood
Lining - End	-	3/16" Steel Plate
Floors	-	1-3/4" N.S.F.
Inside Fixtures	-	9 Belt SL-2
Trucks	-	70 Ton Capacity - Ride Control or Barber S-2-C with 3-11/16" travel springs. Roller Bearings.
Wheels	-	33" diameter - One wear

Dimensions:

Length:	Between pulling face of couplers	55' 7"
	Over strikers	52' 11-1/2"
	Over endsills	50' 9-5/8"
	Inside - between end linings	50' 8-5/8"
	Center to center bolsters	40' 10"
	Truck wheel base	5' 8"
Width:	Over side plates	9' 11-5/8"
	Over side sills	9' 11-5/8"
	Inside - between side linings	9' 4-1/8"
	Side door opening	10' 0"
Height:	Inside	10'-6"
	Side door opening - clear	9' 11-1/4"
	Rail to top of floor	3' 7-7/8"
	Rail to center line of coupler	2' 10-1/2"

Estimated Light Weight: 62,700#
Cubic Capacity: 4,984

Office of Mechanical Engineer
Date: March 31, 1978

Spec. 0-436-E

ILLINOIS CENTRAL GULF RAILROAD

General Specifications

70 Ton 50'-6" Box Standard Underframe
 CG Series 568400-568899 (40 Cars)

Orig. Built - Pull-Std. - 1969

- Body - Riveted and Welded Steel Construction
- Underframe - Welded Design
- Brakes - ABD-1012 - Auto Slack Adjuster
- Draft Gear - High Capacity 3-1/4" Travel
- Doors - Side - 10'-0" Sliding Type Centered on Lat. Center Line of Car
- Lining - Side - 3/4" Plywood
- Lining - End - 3/16" Steel Plate
- Floors - 1-3/4" N.S.F.
- Inside Fixtures - 4-DF-2 Belt Rails, Lading Strap Anchors
- Trucks - 70 Ton Capacity - Ride Control with 3-11/16" travel springs. Roller Bearings
- Wheels - 33" Diameter - One wear

Dimensions:

Length:	Between pulling face of couplers.....	55'-5-1/2"
	Over Strikers.....	52'-10"
	Over End Sills.....	50'-8-1/4"
	Inside - Between End Linings.....	50'-7-1/4"
	Center to Center Bolsters.....	40'-10"
	Truck Wheel Base.....	5'-8"
Width:	Over Side Plates.....	9'-11-5/8"
	Over Side Sills.....	9'-11-5/8"
	Inside - Between Side Lings.....	9'-4-1/8"
	Side Door Opening.....	10'-0"
Height:	Inside.....	10'-6"
	Side Door Opening - Clear.....	9'-10"
	Rail to Top of Floor.....	3'-7-5/16"
	Rail to Center Line of Coupler.....	2'-10-1/2"

Estimated Light Weight: 58,800#
 Cubic Capacity 4,960

Office of Mechanical Engineer

Date: March 31, 1978

Spec. 0-439-E

ANNEX B
TO HULK PURCHASE AGREEMENT

LEASE AGREEMENT

dated as of March 1, 1978

between

ILLINOIS CENTRAL GULF RAILROAD COMPANY

SCHEDULE C

<u>Aggregate Amortization Cost</u>		<u>Schedule of Delivery</u>
\$2,593,080		May through August 1978
	<u>Aggregate Total Cost</u>	
	\$3,595,760	

ANNEX B
TO HULK PURCHASE AGREEMENT

LEASE AGREEMENT

dated as of March 1, 1978

between

ILLINOIS CENTRAL GULF RAILROAD COMPANY

and

THE CONNECTICUT BANK AND TRUST COMPANY,
not in its individual capacity, but solely
as Owner Trustee under a Trust Agreement
dated as of March 1, 1978, with
ITT Industrial Credit Company

LEASE AGREEMENT dated as of March 1, 1978, between THE CONNECTICUT BANK AND TRUST COMPANY, a Connecticut banking corporation ("Lessor"), not in its individual capacity but solely as trustee under a Trust Agreement (the "Trust Agreement") dated as of the date hereof with ITT Industrial Credit Company ("Owner"), 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 certain railroad cars (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") described in 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 \$3,595,760.

2. REHABILITATION OF CARS

(a) Lessor has agreed under a Hulk Purchase Agreement dated as of the date hereof (the "Hulk Purchase Agreement"), to purchase from the current owners thereof which are Trustees under existing Equipment Trust Agreements with the Lessee or Vendors under existing Conditional Sale Agreements with the Lessee (such Trustees or Vendors being hereinafter referred to as Vendors) the following used cars for the following aggregate purchase price:

<u>No. of Cars</u>	<u>Type of Cars</u>	<u>Aggregate Purchase Price</u>
140	70-Ton Boxcars	\$1,002,680

Such purchase price shall hereinafter be referred to as the "Cars Acquisition Cost". Such used cars shall be conveyed by the Vendors, as more fully set forth in the Hulk Purchase Agreement, to Lessor by bills of sale (the "Bills of Sale").

(b) Lessee, in the capacity of an independent

contractor (the "Contractor") has agreed under a Rehabilitation Agreement dated as of the date hereof (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 aggregate rehabilitation price:

<u>Number</u>	<u>Type of Cars</u>	<u>Aggregate Rehabilitation Price</u>
140	70 Ton-Box	\$2,595,080

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 on January 15, 1994, unless sooner terminated as herein provided.

4. RENT, NET LEASE

Lessee agrees to pay to Lessor, as rental for each unit subject to this Lease, one interim rental payment payable on January 15, 1979, and 30 consecutive payments payable on each January 15 and July 15 in each year, commencing July 15, 1979. The interim rental payment payable on January 15, 1979, shall be in an amount equal to the sum of (a) .029208% of the Cars Acquisition Cost of each unit subject to this Lease, for each day elapsed from and including the date of payment of the Cars Acquisition Cost for each unit under the Hulk Purchase Agreement to but not including the Closing Date therefor under the Rehabilitation Agreement plus (b) .029208% of Lessor's Cost of Cars of each unit subject to this Lease, for each day elapsed from and including the Closing Date under the Rehabilitation Agreement for such unit to and but not including the date of such payment. The next 24 rental payments shall each be in an amount equal to 5.2574% of the Lessor's Cost of Cars of each unit then subject to this Lease, and the final 6 rental payments shall each be in an amount equal to 2.6287% of the Lessors's Cost of Cars of each unit then subject to this Lease. All rent and

other amounts due from Lessee to Lessor shall be paid to Lessor in immediately available funds on the date such payment is due, at Lessor's office at: One Constitution Plaza, Hartford, Connecticut 06115, Attention of Corporate Trust Department, or at such other place as Lessor shall specify in writing. In the event any rent or other amounts due hereunder shall not be paid promptly when due, Lessee shall pay Lessor, as additional rent hereunder, interest on any such overdue amount from the due date thereof to the date of payment thereof at a rate equal to the lesser of (i) 10.25% per annum or (ii) the maximum rate permitted by law.

This Lease is a net lease. Lessee's obligation to pay all rentals and other amounts hereunder shall be absolute and unconditional and, except as herein provided, Lessee shall not be entitled to any abatement of rent, reduction thereof or setoff against rent, including, but not limited to, abatements, reductions or setoffs due or alleged to be due by reason of any past, present or future claims of Lessee against Lessor or the Owners under this Lease; nor, except as otherwise expressly provided herein, shall this Lease terminate, or the respective obligations of Lessor or Lessee be otherwise affected, by reason of any defect in or damage to or loss of possession or loss of use or destruction of all or any of the units from whatsoever cause, any liens, encumbrances or rights of others with respect to any of the units, the prohibition of or other restriction against Lessee's use of all or any of the units, the interference with such use by any person or entity, the invalidity or unenforceability or lack of due authorization of this Lease, any insolvency of or the bankruptcy, reorganization or similar proceeding against Lessee, or for any other cause whether similar or dissimilar to the foregoing, any present or future law to the contrary notwithstanding, it being the intention of the parties hereto that the rents and other amounts payable by Lessee hereunder shall continue to be payable in all events in the manner and at the times herein provided unless the obligation to pay the same shall be terminated pursuant to the express provisions of this Lease. To the extent permitted by applicable law, Lessee hereby waives any and all rights which it may now have or which at any time hereafter may be conferred upon it, by statute or otherwise, to terminate, cancel, quit or surrender the lease of any of the units except in accordance with the express terms hereof. Each rental or other payment made by Lessee hereunder shall be final, and Lessee shall not seek to recover all or any part of such payment from Lessor or the Owners for any reason whatsoever.

5. PAYMENTS FOR EQUIPMENT

Lessor shall from time to time on or before August 31, 1978 (but 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 the rehabilitated cars under the Rehabilitation Agreement, subject to the conditions set forth in the Rehabilitation Agreement. Each such Certificate of Acceptance (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 conforms to specifications acceptable to Lessee, is suitable for Lessee's purposes and is leased under this Lease. If Lessee has not accepted all of the Cars by August 31, 1978, 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 the Contractor in accordance with Lessee's specifications and that LESSOR HEREBY DISCLAIMS ANY OTHER REPRESENTATION OR WARRANTY, EITHER EXPRESS OR IMPLIED, AS TO ANY MATTER WHATSOEVER, INCLUDING WITHOUT LIMITATION, THE DESIGN OR CONDITION OF THE EQUIPMENT, MERCHANTABILITY, OR ITS FITNESS FOR ANY PARTICULAR PURPOSE, THE QUALITY OF WORKMANSHIP OF THE EQUIPMENT OR CONFORMITY OF THE EQUIPMENT TO THE PROVISIONS AND SPECIFICATIONS OF ANY PURCHASE ORDER OR ORDERS RELATING THERETO, NOR SHALL LESSOR BE LIABLE FOR INCIDENTAL OR CONSEQUENTIAL DAMAGES (INCLUDING STRICT LIABILITY IN TORT). 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 Hulk Purchase Agreement and this Lease Agreement, and is and will continue to be duly authorized to lease Equipment hereunder and to perform its obligations hereunder and thereunder.

(c) The execution and delivery of the Hulk Purchase Agreement and this Lease Agreement by Lessee, and the performance by Lessee of its obligations hereunder and thereunder, do not and will not conflict with any provision of law 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.

(d) The execution, delivery and performance of the Hulk Purchase Agreement and this Lease Agreement by Lessee and the consummation by Lessee of the transactions contemplated hereby and thereby do not require the consent, approval or authorization of, or notice to, any Federal or state governmental authority or public regulatory body. This Lease Agreement will be recorded with the Interstate Commerce Commission ("ICC") in accordance with Section 20c of the Interstate Commerce Act.

(e) Lessee's financial statement as at December 31, 1977, a copy of which has been furnished to Lessor, has been prepared in conformity with the Uniform System of Accounts for Railroad Companies prescribed by the ICC applied on a basis consistent with that of the preceding fiscal year and presents fairly the financial position 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 position.

(f) The Hulk Purchase Agreement and this Lease Agreement are 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 will to a material extent adversely affect the financial condition or continued operation of Lessee and its subsidiaries on a consolidated basis (except as previously disclosed in writing by Lessee to Lessor).

(h) The fair market value of the reusable component parts included in each used car to be purchased by Lessor under the Hulk Purchase Agreement and the Bills of Sale is not in excess of the Cars Acquisition Cost for such Car and the fair market value of each Car after the rehabilitation thereof shall be at least equal to the total of the Cars Acquisition Cost plus the 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 20 years, 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 the 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 here-

under. 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 at its own risk and upon reasonable notice to the Lessee and 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 ICC and any other legislative, executive, administrative or judicial body exercising any power or jurisdiction over the units. In the event that such laws or rules require the alteration of the units or in case any equipment or appliance on any such unit shall be required to be changed or replaced, or in case any additional or other equipment or appliance is required to be installed on such unit in order to comply with such laws, regulations, requirements and rules, Lessee agrees to make such alterations, changes, additions and replacements at its own expense; and Lessee agrees at its own expense to use, maintain and operate such unit in full compliance with such laws, regulations, requirements and rules so long as the units are subject to this Lease Agreement; provided, however, that Lessee may, in good faith, contest the validity or application of any such law, regulation, requirement or rule in any reasonable manner which does not adversely affect the property or rights of the Lessor hereunder; and further provided, however, that subject to the provisions of Section 15 hereof any additions to the units which can be removed without material damage to the units shall be so removed and 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, (iii) inchoate materialmen's or mechanics' liens arising in the ordinary course of business and not delinquent, and (iv) any liens attaching to the leasehold interest of the Lessee under this Lease Agreement by reason of any existing or future mortgage to which the Lessee is a party covering substantially all of Lessee's railroad property.

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

"OWNED BY A BANK OR TRUST COMPANY, AS TRUSTEE, UNDER
A TRUST AGREEMENT AND SUBJECT TO A LEASE AND SECURITY
AGREEMENT FILED UNDER THE INTERSTATE COMMERCE ACT,
SECTION 20c"

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 and display in its usual manner 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, subject to the provisions of Section 15 hereof, 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 material 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 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; or, if in the reasonable opinion of the Lessee, such unit of Equipment cannot be so repaired or is permanently unfit for service on the next 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, together with (i) any rent accrued and unpaid on such unit of Equipment to and including such rent payment date and (ii) any other amounts owing by Lessee hereunder, whether as additional rent, indemnification or otherwise. Lessor shall transfer to Lessee title to such unit of Equipment free of any liens or encumbrances created by or through Lessor. 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, naming Lessor as an additional insured with respect to liability insurance and as an additional loss payee with respect to physical damage insurance, 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, wherever any unit of the Equipment may be located, issued by insurers of recognized responsibility. 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, certificates of insurance and satisfactory evidence of the payment of premiums thereon shall be delivered by Lessee to Lessor. 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 canceled without at least 30-days' prior written notice to Lessor; provided, however, that such agreement for such 30-days' notice is obtainable through the reasonable efforts of Lessee; provided further, however, that if such agreement for such notice is not so obtainable, such policies shall contain an agreement by the insurers that such policies shall not be canceled without at least 10-days' prior written notice to Lessor. All such policies shall contain an agreement by the insurers 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 Hulk Purchase Agreement, the Rehabilitation Agreement, the Bills of Sale or this Lease Agreement, or the purchase, ownership, delivery, lease, possession, rental, use, operation, return, sale or disposition of the Equipment hereunder or in connection herewith (including, without limitation, expense, liability or loss relating to or in any way arising out of injury to persons or property, patent or invention rights or strict or absolute 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 (in the case of Lessor, actual knowledge by its trust office) 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) other than as set forth in paragraph (e) below to any portion or all of the maximum 10% investment credit presently allow-

able 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 the Rehabilitation Cost for each such unit of Equipment under any circumstances (including any change in tax law) other than as set forth in such paragraph (e), 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 purposes 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 (e) 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 Lessor's Cost of Cars for such unit over a depreciable life of 12 years to a gross salvage value of 10% which will be reduced by 10% of Lessor's Cost of Cars pursuant to Section 167(f) of the Code using, with respect to (i) Rehabilitation Cost, 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, as to Cars accepted and leased under this Lease on or prior to June 30, 1978, being maximized by the election of 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), and (ii) the Cars Acquisition Cost, 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, as to Cars accepted and leased under this Lease on or prior to June 30, 1978, being maximized by the election of 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), 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 rate of return 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 rate of return 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) In the event and to the extent that Lessor is required to include in its gross income for Federal income tax purposes the value of (i) any addition, modification or improvement to the Equipment made by Lessee, under and pursuant to the terms of this Lease Agreement or otherwise, which addition, modification or improvement is not readily removable without causing material damage to the Equipment, or (ii) any addition, modification or improvement made by Lessee under paragraph (c) of Section 9 of this Lease Agreement (all such additions, modifications or improvements described in this sentence being hereinafter called "alterations"), Lessee shall pay to Lessor on each of the dates provided in this Lease Agreement for payment of the installments of rental hereunder such additional rentals which, after deduction of all taxes required to be paid by Lessor on the receipt thereof under the laws of the United States or any political subdivision thereof and after taking into account any present or future tax benefits that Lessor reasonably anticipates it will derive from its additional investment in the Equipment (including without limitation any available current deduction, current and future depreciation deductions and investment credit), when taken together with the amount of any rental installments due on such dates under this Lease Agreement (but with appropriate adjustment on any such date for any such rental installment which for any reason shall not in fact be paid by the Lessee), shall be sufficient to yield to Lessor the same after-tax rate of return as of each rent payment date as would have been realized by Lessor in respect of this Lease Agreement if the value of any such alteration had not been includible in Lessor's gross income. The Stipulated Loss Values payable with respect to the Equipment shall be adjusted in amounts calculated in a similar such manner. In the event that Lessor is required to include in its gross income for Federal income tax purposes the value of any alterations, and Lessor has so notified Lessee, Lessee agrees to provide Lessor with a description of such alterations in reasonable detail and to specify the value thereof.

(e) 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 follow-

ing 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 (f) 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.

(f) 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, unless such payment or contest thereof is required by law or regulation to be made prior to the expiration of such 30-day period (in which

case Lessor shall notify Lessee of such shorter period) 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 tax counsel selected by Lessee and reasonably 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.

(g) References in Section 13 and in paragraphs (b) through (f) of this Section 14 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.

(h) 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.

(i) 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.

(j) 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 the Owner 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 such unit to Lessor, which unit shall be in the same condition as when received, ordinary wear and tear excepted, and shall meet the standards then in effect under the applicable rules of any governmental agency or other organization with jurisdiction over such unit and the applicable standards then in effect for such unit under the interchange rules of the Association of American Railroads, subject to Lessee's good faith contest, pursuant to Section 9(c) hereof, of the validity or application of any standard, law, regulation, requirement or rule, which contest is made in a reasonable manner and does not adversely affect the property or rights of Lessor. 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 90 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.

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, upon reasonable notice and at Lessor's risk 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 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 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) default in the performance of any of Lessee's agreements herein set forth (and not constituting an event of default under the preceding clause of this paragraph (a)) and continuance of such default for 30 days after notice thereof from Lessor to Lessee;

(iii) any representation or warranty except for Lessee's representations in Sections 8(i) and 8(j) hereof 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;

(iv) a petition for reorganization under Section 77 of the Bankruptcy Act, as now constituted or as said Section 77 may hereafter be amended, shall be filed by or against Lessee and, unless such petition shall have been dismissed, nullified, stayed or otherwise rendered ineffective (but then only so long as such stay shall continue in force or such ineffectiveness shall continue), all the obligations of Lessee under this Lease Agreement shall not have been and shall not continue to have been duly assumed in writing, pursuant to a court order or decree, by a trustee or trustees appointed (whether or not subject to ratification) in such proceedings in such manner that such obligations shall have the same status as obligations incurred by such trustee or trustees, within 30 days after such appointment, if any, or 60 days after such petition shall have been filed, whichever shall be earlier; or

(v) any other proceedings shall be commenced by or against Lessee for any relief which includes, or might result in, any modification of the obligations of Lessee hereunder under any bankruptcy or insolvency laws, or laws relating to the relief of debtors, readjustments of indebtedness, reorganizations, arrangements, compositions or extensions (other than a law which does not permit any readjustments of the obligations of Lessee hereunder), and, unless such proceedings shall have been dismissed, nullified, stayed or otherwise rendered ineffective (but then only so long as such stay shall continue in force or such ineffectiveness shall continue), all the obligations of Lessee under this Lease Agreement shall not have been and shall not continue to have been duly assumed in writing, pursuant to a court order or decree, by a trustee or trustees or receiver or receivers appointed (whether or not subject to ratification) for Lessee or for the property of Lessee in connection with any such proceedings in such manner that such obligations shall have the same status as obligations incurred by such a trustee or trustees or receiver or receivers, within 30 days after such appointment, if any, or 60 days after such proceedings shall have been commenced, whichever shall be earlier.

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, indemnification or otherwise, and (v) all costs and expenses, including (without limitation) reasonable legal fees and expenses, incurred by Lessor as a result of Lessee's default hereunder, exceeds (B) the amount received by Lessor upon such public or private sales of such units of Equipment;

(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 instalments 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 instalments, 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 its right title and interest, subject to Lessee's rights under this Lease Agreement and subject to the provisions of Section 14(e)(iii), in and to 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 with respect thereto satisfactory to Lessor.

22. FIRST REFUSAL OPTION

Unless an event of default shall have occurred and be continuing at the end of the term of this Lease Agreement, or any event which might mature into an event of default shall have occurred and be continuing at such time, Lessor shall not, at or following the end of the term of this Lease Agreement, sell any unit (including any sale prior to the end of such term for delivery of such unit at or following the end of such term) unless:

(a) Lessor shall have received from a responsible purchaser a bona fide offer in writing to purchase such unit;

(b) Lessor shall have given Lessee notice (i) setting forth in detail the identity of such purchaser, the proposed purchase price, the proposed date of purchase and all other material terms and conditions of such purchase, and (ii) offering to sell such unit to Lessee upon the same terms and conditions as those set forth in such notice; and

(c) Lessee shall not have notified Lessor, within 20 days following receipt of such notice, of its election to purchase such unit upon such terms and conditions.

If Lessee shall not have so elected to purchase such unit, Lessor may at any time sell such unit to any party at a price and upon other terms and conditions no less favorable to Lessor than those specified in such notice.

Upon payment of the purchase price of any unit, Lessor shall upon request of Lessee execute and deliver to Lessee, or to Lessee's assignee or nominee, a bill of sale

(without warranties) for such unit such as will transfer to Lessee such title to such unit as Lessor derived from the Vendor, free and clear of all liens, security interests and other encumbrances arising through Lessor.

23. RENEWAL OPTION

Lessee shall have an option to renew for a maximum of two (2) 2-year periods 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 instalment of rent which shall be as hereinafter 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. When used herein, the term "material subsidiary" shall mean any subsidiary having a net worth of at least \$15,000,000.

25. CONDITIONS TO LESSOR'S OBLIGATIONS; ADDITIONAL DOCUMENTS TO BE FURNISHED BY LESSEE

(a) Lessor shall not be obligated hereunder unless on or before, but no more than 10 days before, the first Hulk Payment Date under the Hulk Purchase Agreement:

(i) 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;

(ii) no litigation or governmental proceedings shall be threatened or pending against Lessee or any subsidiary which in Lessor's reasonable opinion will to a material extent adversely affect the financial condition or continued operation of Lessee and its subsidiaries on a consolidated basis;

(iii) no event of default, or event which might mature into an event of default, shall have occurred or be continuing hereunder;

(iv) Lessee shall have furnished to Lessor, in form and substance satisfactory to Lessor, the following on or prior to such date hereunder:

(A) 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 Hulk Purchase Agreement, the Rehabilitation Agreement and this Lease Agreement;

(B) a favorable opinion of counsel for Lessee, acceptable to Lessor, dated such date to the effect that:

(1) Lessee is a corporation duly organized and existing in good standing under the laws of the State of Delaware;

(2) Lessee is duly authorized to execute and deliver the Hulk Purchase Agreement and this Lease Agreement, and is duly authorized to lease Equipment hereunder and to perform its obligations hereunder and thereunder;

(3) the execution and delivery of the Hulk Purchase Agreement and this Lease Agreement by Lessee, and the performance by Lessee of its obligations hereunder and thereunder, do not and will not conflict with any provision of law 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;

(4) the execution, delivery and performance of the Hulk Purchase Agreement and this Lease Agreement by Lessee and the consummation by Lessee of the transactions contemplated hereby and thereby do not require the consent, approval or authorization of, or notice to, any Federal or state governmental authority or public regulatory body;

(5) the Hulk Purchase Agreement and this Lease Agreement are 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);

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

(7) 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;

(C) an appraisal certificate (required with the first payment requested hereunder for Cars) issued by Alexander Kerr, an independent appraiser, to the effect that (I) the fair market value of the reusable component parts included in the used cars purchased by Lessor from Lessee under the Hulk Purchase Agreement was not and is not in excess of the Cars Acquisition Cost for such cars (set forth in Section 2(a) herein), (II) the fair market value of the Cars upon completion of their rehabilitation under the Rehabilitation Agreement is at least equal to the Total Cost thereof set forth in Exhibit A hereto, (III) the units of Equipment 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 20 years, and an estimated fair market value at the end of such term of at least 20% of the Total Cost of such units, without including in such fair market value any increase or decrease for inflation or deflation during such term of the Lease, and (IV) setting forth the manner in which such fair market value and useful life were determined; and

(b) Although not a condition to Lessor's obligations hereunder, Lessee agrees to furnish to Lessor, in form and substance satisfactory to Lessor, the following on or prior to the date of each requested payment pursuant to Section 5 hereof:

(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 Hulk Purchase Agreement and 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; and

(iv) 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. MISCELLANEOUS

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

(b) 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 233 North Michigan Avenue, Chicago, Illinois 60601, Attention of Treasurer, (ii) if to Lessor, at One Constitution Plaza, Hartford, Connecticut 06115, attention of Corporate Trust Department, with a copy to ITEL Corporation, Leasing Division, One Embarcadero Center, San Francisco, California, 94111, attention of Contract Administration, 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.

(c) 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 Lessee 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.

(d) 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.

(e) Whenever the term "Lessor" is used in this Lease it shall mean The Connecticut Bank and Trust Company not in its individual capacity but solely as trustee, any assignee, in whole or in part, of the rights of the Lessor hereunder, including any Secured Party, and, as appropriate, the Owner.

(f) No recourse shall be had in respect of any obligation due under this Lease Agreement, or referred to herein, against any incorporator, stockholder, director or officer, as such, past, present or future, of the parties hereto, whether by virtue of any constitutional provision, statute or rule of law, or by enforcement of any assessment or penalty or otherwise, all such liability, whether at common law, in equity, by any constitutional provision, statute or otherwise, of such incorporators, stockholders, directors or officers, as such, being forever released as a condition of and as consideration for the execution of this Lease Agreement.

It is expressly understood and agreed by and between the parties hereto, anything in this Lease Agreement to the contrary notwithstanding, that each and all of the representations, undertakings and agreements herein made on the part of the Lessor are each and every one of them made and intended not as personal representations, undertakings and agreements by The Connecticut Bank and Trust Company or for the purpose or with the intention of binding the said bank personally but are made and intended for the purpose of binding only the Trust Estate as such term is used in the Trust Agreement, and this Lease Agreement is executed and delivered by the said bank solely in the exercise of the powers expressly conferred upon the said bank as trustee under the Trust Agreement; and that no personal liability or personal responsibility is assumed by or shall at any time be

asserted or enforceable against the said bank (except for the wilful misconduct or gross negligence of said bank), all such personal liability, if any being expressly waived and released by the Lessee and by all persons claiming by, through or under the Lessee; provided, however, that the Lessee or any person claiming by, through or under the Lessee, making claim hereunder, may look to said Trust Estate for satisfaction of the same.

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

[Corporate Seal]

Vice President

Attest:

Secretary

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

By

[Corporate Seal]

Authorized Officer

Attest:

Authorized Officer

CARS

<u>Car Type</u>	<u>Aggregate Rehabilitation Cost</u>	<u>Aggregate Car Acquisition Cost</u>	<u>Aggregate Total Cost of Cars</u>	<u>Lessee's Car Numbers (Inclusive)</u>
70-Ton Boxcars	\$2,593,080	\$1,002,680	\$3,595,760	ICG 562332 ICG 562338 ICG 562355 ICG 562360 ICG 562391 ICG 562396 ICG 562418 ICG 562420 ICG 562423 ICG 562428 ICG 562429 ICG 562440 ICG 562478 ICG 562497 ICG 562526 ICG 562530 ICG 562533 ICG 562567 ICG 562575 ICG 562587 ICG 562595 ICG 562613 ICG 562624 ICG 562655 ICG 562660 ICG 562680 ICG 562681 ICG 562701 ICG 562709 ICG 562710 ICG 562711 ICG 562722 ICG 562730 ICG 562775 ICG 562798 ICG 562801 ICG 562808 ICG 562809 ICG 562811 ICG 562830 ICG 562835

CARS

<u>Car Type</u>	<u>Aggregate Rehabilitation Cost</u>	<u>Aggregate Car Acquisition Cost</u>	<u>Aggregate Total Cost of Cars</u>	<u>Lessee's Car Numbers (Inclusive)</u>
				ICG 562852
				ICG 562857
				ICG 562867
				ICG 562870
				ICG 562882
				ICG 562889
				ICG 562896
				ICG 562902
				ICG 562910
				ICG 568403
				ICG 568419
				ICG 568432
				ICG 568455
				ICG 568484
				ICG 568487
				ICG 568488
				ICG 568501
				ICG 568508
				ICG 568524
				ICG 568547
				ICG 568556
				ICG 568560
				ICG 568565
				ICG 568568
				ICG 568571
				ICG 568573
				ICG 568577
				ICG 568580
				ICG 568582
				ICG 568584
				ICG 568586
				ICG 568595
				ICG 568596
				ICG 568597
				ICG 568611
				ICG 568625
				ICG 568683
				ICG 568719
				ICG 568736
				ICG 568742

CARS

<u>Car Type</u>	<u>Aggregate Rehabilitation Cost</u>	<u>Aggregate Car Acquisition Cost</u>	<u>Aggregate Total Cost of Cars</u>	<u>Lessee's Car Numbers (Inclusive)</u>
				ICG 568745
				ICG 568752
				ICG 568755
				ICG 568782
				ICG 568787
				ICG 568798
				ICG 568838
				ICG 568854
				ICG 568868
				ICG 592703
				ICG 592718
				ICG 592720
				ICG 592721
				ICG 592726
				ICG 592728
				ICG 592730
				ICG 592732
				ICG 592734
				ICG 592756
				ICG 592758
				ICG 592759
				ICG 592761
				ICG 592762
				ICG 592763
				ICG 592772
				ICG 592776
				ICG 592782
				ICG 592783
				ICG 592802
				ICG 592808
				ICG 592809
				ICG 592821
				ICG 592822
				ICG 592844
				ICG 592853
				ICG 592857
				ICG 592859
				ICG 592879
				ICG 592887
				ICG 592888

CARS

<u>Car Type</u>	<u>Aggregate Rehabilitation Cost</u>	<u>Aggregate Car Acquisition Cost</u>	<u>Aggregate Total Cost of Cars</u>	<u>Lessee's Car Numbers (Inclusive)</u>
				ICG 592903
				ICG 592904
				ICG 592911
				ICG 592912
				ICG 592922
				ICG 592926
				ICG 592929
				ICG 592936
				ICG 592941
				ICG 592949
				ICG 592952
				ICG 592958
				ICG 592963
				ICG 592968
				ICG 592977
				ICG 592984
				ICG 592989
				ICG 592994
				ICG 592995

CERTIFICATE OF ACCEPTANCE

The Connecticut Bank and Trust Company, Trustee
One Constitution Plaza
Hartford, Connecticut 06115

Gentlemen:

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

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

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

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

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
Recordation No.

, 1978, at : .m. with

Officer and authorized repre-
sentative, as aforesaid, and
signing as to the matters in
paragraph 1 above

Dated: , 1978

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

by

Its

Dated: , 1978

Accepted:

THE CONNECTICUT BANK AND TRUST
COMPANY, not in its individual
capacity, but solely as trustee
under a trust agreement dated as
of March 1, 1978, with ITT
Industrial Credit Company

by

Dated: , 1978

DESCRIPTION OF CARS

Total No.
of Items

Lessee's Identifying
Nos.

Invoice
Amount

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 Table 1, as increased by the applicable percentage pursuant to Table 2, 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.

TABLE 1

	<u>%</u>
On or before January 15, 1979	91.7176
Thereafter, But On or Before Rent	
Payment Date No. 1	91.5574
Thereafter, But On or Before Rent	
Payment Date No. 2	91.0471
Thereafter, But On or Before Rent	
Payment Date No. 3	90.2550
Thereafter, But On or Before Rent	
Payment Date No. 4	89.1860
Thereafter, But On or Before Rent	
Payment Date No. 5	87.8776
Thereafter, But On or Before Rent	
Payment Date No. 6	86.3113
Thereafter, But On or Before Rent	
Payment Date No. 7	84.5185
Thereafter, But On or Before Rent	
Payment Date No. 8	82.4879
Thereafter, But On or Before Rent	
Payment Date No. 9	80.2442
Thereafter, But On or Before Rent	
Payment Date No. 10	77.7890
Thereafter, But On or Before Rent	
Payment Date No. 11	75.2003
Thereafter, But On or Before Rent	
Payment Date No. 12	72.4919

		<u>8</u>
Thereafter, But On or Before Rent Payment Date No.	13	69.6584
Thereafter, But On or Before Rent Payment Date No.	14	66.6939
Thereafter, But On or Before Rent Payment Date No.	15	63.5924
Thereafter, But On or Before Rent Payment Date No.	16	60.3476
Thereafter, But On or Before Rent Payment Date No.	17	56.9528
Thereafter, But On or Before Rent Payment Date No.	18	53.4011
Thereafter, But On or Before Rent Payment Date No.	19	49.6852
Thereafter, But On or Before Rent Payment Date No.	20	45.7976
Thereafter, But On or Before Rent Payment Date No.	21	41.7386
Thereafter, But On or Before Rent Payment Date No.	22	37.5811
Thereafter, But On or Before Rent Payment Date No.	23	33.3597
Thereafter, But On or Before Rent Payment Date No.	24	29.1440
Thereafter, But On or Before Rent Payment Date No.	25	27.5424
Thereafter, But On or Before Rent Payment Date No.	26	26.0626
Thereafter, But On or Before Rent Payment Date No.	27	24.6643
Thereafter, But On or Before Rent Payment Date No.	28	23.1966
Thereafter, But On or Before Rent Payment Date No.	29	21.6359
Thereafter, But On or Before Rent Payment Date No.	30	20.0000
Thereafter		20.0000

TABLE 2

The percentages set forth in Table 1 of this Exhibit C have been computed without regard to recapture of the investment credit (as referred to in Section 14 of the

Lease Agreement). Consequently, the Stipulated Loss Value of any Car suffering an event of loss on or before the third, fifth or seventh anniversary of the date of delivery of such Car shall be increased by the applicable percentage figure set forth below:

<u>Anniversary of Delivery and Acceptance</u>	<u>%</u>
Third	14.0000
Fifth	9.3333
Seventh	4.6667

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.