

9/4/79

Interstate Commerce Commission
Washington, D.C. 20423

OFFICE OF THE SECRETARY

Paul Willard
IteI Corp.

Dear Sir

The enclosed document(s) was recorded pursuant to the provisions of Section 11303 of the Interstate Commerce Act, 49 U.S.C. 11303, on 9/4/79 at 12:30pm , and assigned re-
recording number(s). 10785

Sincerely yours,

Agatha L. Mergenovich
Agatha L. Mergenovich
Secretary

Enclosure(s)

SE-30
(7/79)

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LEASE AGREEMENT

INTERSTATE COMMERCE COMMISSION

THIS LEASE AGREEMENT ("Agreement"), made as of this...29th day of June 1979, between ITEL CORPORATION, a Delaware Corporation, acting through its Rail Lease Division, Two Embarcadero Center, San Francisco, California 94111 ("IteL Rail"), as Lessor, and Grand Trunk Western Railroad Company, 131 West Lafayette Boulevard, Detroit, Michigan 48226, a Michigan corporation ("Lessee"), as Lessee.

1. Scope of Agreement

A. IteL Rail agrees to lease to Lessee, and Lessee agrees to lease from IteL Rail, freight cars of the type and description set forth in any equipment schedules (hereafter "Schedules") executed by the parties concurrently herewith or hereafter and made a part of this Agreement. The scheduled items of equipment are hereinafter referred to as the "Car" or "Cars."

B. It is the intent of the parties to this Agreement that IteL Rail shall at all times be and remain the lessor of all Cars. Lessee agrees that it will at no time take any action or file any document which is inconsistent with the foregoing intent and that it will take such action and execute such documents as may be necessary to accomplish this intent.

2. Term

A. This Agreement shall remain in full force until it shall have been terminated as to all of the Cars as provided herein. The term of lease with respect to all of the Cars described on each Schedule shall be for fifteen (15) years (The "Initial Lease Term") commencing upon the date when all Cars on such Schedule have been delivered as set forth in Section 3A hereof.

B. If this Agreement has not been earlier terminated and no default has occurred and is continuing, it shall automatically be extended for not more than five consecutive periods of twelve months each (the "Extended Lease Term") with respect to all of the Cars described on each Schedule, provided, however, that IteL Rail or Lessee may terminate this Agreement on or after the Initial Lease Term as to all, but not fewer than all, of the Cars on any such Schedule by written notice delivered to the other not less than twelve months prior to the end of the Initial Lease Term or any Extended Lease Term.

3. Supply Provisions

A. IteL Rail will inspect each of the Cars tendered by the manufacturer for delivery to Lessee. Prior to such inspection, however, Lessee shall confirm in writing to IteL Rail that a sample Car (one for each different type of Car on each Schedule) made available for Lessee's inspection prior to the commencement of deliveries conforms to the specifications of the equipment agreed to by Lessee. Upon such approval by

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Lessee and Itel Rail's determination that the Car conforms to the specifications ordered by Itel Rail and to all applicable governmental regulatory specifications, and provided this agreement has not been terminated, Itel Rail will accept delivery thereof at the manufacturer's facility and shall notify Lessee in writing of such acceptance. Each Car shall be deemed delivered to Lessee upon acceptance by Itel Rail. The Cars shall be moved to Lessee's railroad line at no cost to Lessee as soon after acceptance of delivery by Itel Rail as is consistent with mutual convenience and economy. Due to the nature of railroad operations in the United States, Itel Rail can neither control nor determine when the Cars leased hereunder will actually be available to Lessee for its use on its railroad tracks. Notwithstanding that Lessee may not have immediate physical possession of the Cars leased hereunder, Lessee agrees to pay to Itel Rail the rent set forth in this Agreement. To move the Cars to Lessee's railroad line and insure optimal use of the Cars, Itel Rail agrees to assist Lessee in monitoring Car movements and, when deemed necessary by Lessee and Itel Rail, to issue movement orders with respect to such Cars to other railroad lines in accordance with ICC and AAR interchange agreements and rules. The term "Initial Loading" of each Car for the purposes hereof is defined as the earlier of (i) the first loading of freight of each Car on the railroad line of Lessee or (ii) the thirty-first (31st) day after acceptance of delivery of each Car at the manufacturer's facility by Itel Rail.

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B. Lessee agrees that so long as it shall have on lease any Cars, it shall not lease freight cars of the type or types described on the Schedule or Schedules from any other party until it shall have received all of the Cars on the Schedule or Schedules. Once Cars have been delivered to Lessee, Lessee shall give Itel Rail at least 35 days' prior written notice of its intention to lease similar freight cars, of the type or types described on the Schedule or Schedules from any other party. Lessee shall give preference to Itel Rail and shall load the Cars leased from Itel Rail prior to loading substantially similar freight cars of the type or types described on the Schedule or Schedules leased from other parties or purchased by Lessee subsequent to the date of this Agreement or interchanged with railroads; provided, however, that this shall in no event require Lessee to load the Cars in a service less desirable to both Itel Rail and Lessee or prevent or prohibit Lessee from fulfilling its obligations to provide transportation and facilities upon reasonable request therefor to shippers on its railroad tracks.

C. Additional Cars shall be leased from Itel Rail by Lessee only upon the mutual agreement of the parties hereto. Upon such agreement, such additional Cars shall be identified in Schedules to this Agreement and shall benefit from and be subject to this Agreement upon execution of the Schedules by Itel Rail and Lessee. Notwithstanding the execution of any Schedules, including Schedules for additional Cars, the delivery of any Car to Lessee shall be subject to manufacturers' delivery schedules and the mutual acknowledgment of the parties that the addition of such Cars is not likely to reduce Utilization (as defined in Section 6) of all Cars on lease to Lessee to less than 67.5 per cent in any calendar quarter. If, due to the factors listed in the preceding sentence, fewer than all of the Cars listed on a Schedule shall be delivered to Lessee, the lease term shall be deemed to have commenced on the date the final Car of the most recent group of Cars was delivered to Lessee.

4. Railroad Markings and Record Keeping

A. Itel Rail and Lessee agree that on or before delivery of any Cars to Lessee, said Cars will be lettered with the railroad markings of Lessee and may also be marked with the name and/or other insignia used by Lessee. Such name and/or insignia shall comply with all applicable regulations.

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B. Lessee shall during the term of this Agreement prepare and file all documents relating to the registration, maintenance and record keeping functions involving the Cars. Such documents shall include but are not limited to the following: (i) appropriate application for relief at Lessee's option from AAR Car Service Rules 1 and 2; (ii) registration in the Official Railway Equipment Register and the Universal Machine Language Equipment Register; and (iii) such reports as may be required from time to time by the ICC and/or other regulatory agencies.

C. All record keeping performed by Lessee hereunder and all record of payments, charges and correspondence related to the Cars shall be separately recorded and maintained by Lessee in a form suitable for reasonable inspection by Itel Rail from time to time during regular business hours. Lessee shall supply Itel Rail with such reports, including daily telephone reports of the number of Cars on Lessee's tracks, regarding the use of the Cars by Lessee on its railroad line as Itel Rail may reasonably request.

5. Maintenance, Taxes and Insurance

A. Except as otherwise provided herein, Itel Rail will pay all costs, expenses, fees and charges incurred in connection with the use and operation of each of the Cars during its lease term and any extension thereof, including but not limited to repairs, maintenance and servicing, unless the same was occasioned by the fault of Lessee. Lessee shall inspect all Cars interchanged to it to insure that such Cars are in good working order and condition and shall be liable to Itel Rail for any repairs required for damage not noted at the time of interchange.

B. Except as provided above, Itel Rail shall make or cause to be made such inspections of, and maintenance and repairs to, the Cars as may be required. Upon request of Itel Rail, Lessee shall perform any necessary maintenance and repairs to Cars on Lessee's railroad tracks as may be reasonably requested by Itel Rail. Itel Rail shall also make, at its expense, all alterations, modifications or replacement of parts as shall be necessary to maintain the Cars in good operating condition throughout the lease term of such Cars. Lessee may make running repairs to facilitate continued immediate use of a Car, but shall not otherwise make any repairs, alterations improvements or additions to the Cars without Itel Rail's prior written consent. If Lessee makes an alteration, improvement or addition to any Car without Itel Rail's prior written consent, Lessee shall be liable to Itel Rail for any revenues lost due to any alteration. Title to any alteration, improvement or addition shall be and remain with Itel Rail.

C. Lessee will at all times while this Agreement is in effect be responsible for the Cars while on Lessee's railroad tracks in the same manner that Lessee is responsible under Rule 7 of the AAR Car Service and Car Hire Agreement Code of Car Service Rules—Freight for freight cars not owned by Lessee on Lessee's railroad tracks. Lessee shall protect against the consequences of an event of loss involving the Cars while on Lessee's railroad tracks, and against the consequences of an event of loss involving bodily injury or property damage, by obtaining insurance or by providing evidence of self insurance satisfactory to Itel Rail. Lessee shall furnish Itel Rail concurrently with the execution hereof and thereafter at intervals of not more than 12 calendar months with certificates of insurance with respect to the insurance required as aforesaid signed by an independent insurance broker. All insurance shall be taken out in the name of the Lessee and Itel Rail (or its assignee) as their interests may appear.

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D. Lessee agrees to pay all taxes, (except net income, gross receipts, excess profits, and similar taxes imposed upon Itel Rail) assessments and other governmental charges of whatsoever kind or character relating to each Car and on the lease, or which may be accrued, levied, assessed or imposed during the lease term. Itel Rail and Lessee will comply with all state and local laws requiring the filing of ad valorem tax returns on the Cars.

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but specifically
excluding demurrage

6. Lease Rental

A. Lessee agrees to pay the following rent to Itel Rail for the use of the Cars:

(i) Itel Rail shall receive all payments including but not limited to mileage charges, car hire payments, and incentive car hire payments (all of which payments made to Lessee are hereinafter collectively referred to as "Payments") made to Lessee by other railroad companies for their use or handling of the Cars if such Payments for all of such Cars delivered to Lessee on an aggregate basis for each calendar year shall be equal to or less than 67.5 per cent of the Base Payment. For the purposes of the Agreement, Base Payment (including Mileage Revenue as defined below) shall be defined as an amount equal to the Payments which would have been paid to Lessee by other railroad companies if the Utilization had been 100 per cent. For the purpose of this Agreement, Utilization of the Cars shall be determined by a fraction, the numerator of which is the aggregate number of days in each calendar year that car hire payments are earned by Lessee on the Cars, commencing from the Initial Loading, and the denominator of which is the aggregate number of days in each calendar year that the Cars are on lease to Lessee, commencing from the Initial Loading. For the purposes hereof, Mileage Revenue shall be an amount equal to the applicable charge per line-haul mile specified in the Code of Car Hire Rules and Interpretations—Freight, multiplied by 15 multiplied by the number of days in the applicable calendar year, multiplied by the number of such Cars then subject to the Agreement. In addition, Itel Rail will receive, as additional rental, all monies earned by the Cars prior to their Initial Loading.

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(ii) In the event Payments exceed 67.5 per cent of Base Payment in any calendar year, Itel Rail shall receive an amount equal to 67.5 per cent of the Base Payment, plus an amount equal to one-half of all mileage charges earned in excess of Excess Mileage Revenue. For the purposes hereof, Excess Mileage Revenue shall be an amount equal to the applicable charge per line-haul mile specified in the Code of Car Hire Rules and Interpretations—Freight, multiplied by 30 multiplied by the number of days in the applicable calendar year, multiplied by the number of such Cars then subject to the Agreement, multiplied by the Utilization of such Cars.

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(iii) If Itel Rail pays other railroads to move Cars in accordance with Section 3A, except for any expenses incurred to deliver such Cars to Lessee's railroad line, Lessee shall reimburse Itel Rail for such expenses only from and out of the monies received by Lessee pursuant to subsection 6A(ii).

(iv) The rental charges payable to Itel Rail by Lessee shall be paid from the Payments received by Lessee in the following order until Itel Rail receives the amounts due it pursuant to this section: (1) incentive car hire payments; (2) straight car hire payments; (3) mileage charges.

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(v) In the event damage beyond repair or destruction of a Car has been reported in accordance with Rule 7 of the AAR Car Service and Car Hire Agreement Code of Car Hire Rules—Freight and the appropriate amount due as a result thereof is received by Itel Rail, said damaged or destroyed Car will be removed from the coverage of this Agreement as of the date that payment of car hire payments ceased.

B. (i) The calculations required above shall be made within five months after the end of each calendar year. However, to enable Itel Rail to meet its financial commitments, Lessee shall mail to Itel Rail a report for each month in which car hire is earned ("Service Month") setting forth the total straight car hire and incentive car hire (collectively referred to as "Earnings") earned in such month. Such report shall be mailed within 55 calendar days after the end of the Service Month and shall be in hours and dollars earned. Lessee shall remit 100 per cent of reported earnings in immediately available funds to Itel Rail on the first working day after the seventieth day after the end of the Service Month. All mileage dollars collected each month since the previous report, regardless of the Service Month to which such mileage applies, shall be added to the Earnings payments sent to Itel Rail. Lessee is responsible for insuring that each report and payment are received by Itel Rail no later than the last business day of the month in which the same are due.

(ii) Since the parties desire to adjust the amounts paid pursuant to the above more frequently than at the end of each calendar year, Itel Rail shall within three months after the end of each calendar quarter, calculate on a quarterly basis the appropriate amount of rental payment due to Itel Rail. Any amounts due either party pursuant to the preceding sentence shall be paid promptly following such calculations provided, however, that following the yearly calculation, any amount paid to either party in excess of the amounts required by such yearly calculation shall be promptly refunded to the appropriate party.

C. If at any time during a calendar quarter, the number of days that the Cars have not earned car hire payments and incentive car hire payments is such as to make it mathematically certain that the Payments in such calendar quarter cannot be equal to or greater than 67.5 per cent of Base Payment, Itel Rail may, at its option and upon not less than 10 days prior written notice to Lessee, terminate this Agreement as to such Cars as Itel Rail shall determine; provided, however, that prior to such termination Lessee may at its option, within ten days of receipt of a notice from Itel Rail of the Payments for such calendar quarter, pay Itel Rail an amount equal to the difference between the Payments Itel Rail received for such calendar quarter and the Payments Itel Rail would have received had the Payments been equal to 67.5 per cent of Base Payment. For the purposes of this subsection 6C only, any Car which is not available to earn Payments because it is undergoing repair or maintenance during the said quarter shall be excluded from the calculation of Utilization for the entire period during which it is undergoing such repair or maintenance.

D. Itel Rail may, at its option, terminate this Agreement if the ICC shall, at any time, (1) issue an order reducing incentive car hire for Cars on an annual basis to three months or less without a corresponding increase in straight car hire or other monies available to both Itel Rail and Lessee at least equal in amount to such reduction, (2) determine that Lessee may not apply its incentive car hire receipts in payment of the rental charges set forth in this section or (3) require that Lessee spend funds not earned by the Cars in order for Lessee to continue to meet its obligations set forth in this section.

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E. If at any time after the date of this Agreement, the Interstate Commerce Commission shall enter any order or stay changing the Payments, Itel shall promptly make a monetary equivalent change in the Payments. The change described in the preceding sentence will be made by changing the number "67.5 percent" each time it appears in other paragraphs in this Agreement to a percentage which, when multiplied by the then current Base Payment, will provide Itel Rail with an amount equal to 67.5 percent of the Base Payment in effect at the date of this Agreement, as subsequently adjusted by "Routine Change Orders". "Routine Change Orders" are defined as orders changing straight car hire, incentive car hire or mileage payments in response to maintenance, labor or other cost variations. However, at no time will the provisions of this paragraph change the number "67.5 percent" in the other paragraphs of this Agreement to a number lower than "67.5 percent".

F. Subsequent to the Initial Loading, if any Car, remains on Lessee's railroad tracks for more than seven consecutive days, Itel Rail may, at its option and upon not less than 24 hours prior written notice, terminate this Agreement as to such Car and withdraw such Car from Lessee's railroad tracks. If any such Car remains on Lessee's railroad tracks more than seven consecutive days because Lessee has not given preference to the Cars as specified in Section 3B, Lessee shall be liable for and remit to Itel Rail an amount equal to the Payments Lessee would have earned if such Cars were in the physical possession and use of another railroad for the entire period. If Utilization during the calendar quarter exceeds 67.5 percent, the number "seven" in the two preceding sentences shall be changed to the number "twenty".

7. Possession and Use

A. So long as Lessee shall not be in default under this Agreement, Lessee shall be entitled to the possession, use and quiet enjoyment of the Cars in accordance with the terms of this Agreement and in the manner and to the extent Cars are customarily used in the railroad freight business. However, Lessee's rights shall be subject and subordinate to the rights of any owner or secured party under any financing agreement entered into by Itel Rail in connection with the acquisition of Cars, i.e., upon notice to Lessee from any such secured party or owner that an event of default has occurred and is continuing under such financing agreement, such party may require that all rent shall be made directly to such party and/or that the Cars be returned to such party. Lessee agrees that to the extent it has physical possession and can control use of the Cars, the Cars will at all times be used and operated under and in compliance with the laws of the jurisdiction in which the same may be located and in compliance with all lawful acts, rules and regulations and orders of any governmental bodies or officers having power to regulate or supervise the use of such property, except that either Itel Rail or Lessee may in good faith and by appropriate proceedings contest the application of any such rule, regulation or order in any reasonable manner at the expense of the contesting party.

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B. Lessee will not directly or indirectly create, incur, assume, or suffer to exist any mortgage, pledge, lien, charge, encumbrance, or other security interest or claim on or with respect to the Cars or any interest therein or in this Agreement or Schedule thereto, except as may be incurred in financing the acquisition of the Cars. Lessee will promptly, at its expense, take such action as may be necessary to duly discharge any such mortgage, pledge, lien, charge, encumbrances, security interest, or claim if the same shall arise at any time.

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8. Default

A. The occurrence of any of the following events shall be an event of default:

(i) The nonpayment by Lessee of any sum required herein to be paid by Lessee within ten days after the date any such payment is due.

(ii) The breach by Lessee of any other term, covenant, or condition of this Agreement, which is not cured within ten days after written notice of such breach.

(iii) Any act of insolvency by Lessee, or the filing by Lessee of any petition or action under any bankruptcy, reorganization, insolvency or moratorium law, or any other law or laws for the relief of, or relating to, debtors.

(iv) The filing of any involuntary petition under any bankruptcy, reorganization, insolvency or moratorium law against Lessee that is not dismissed within sixty (60) days thereafter, or the appointment of any receiver or trustee to take possession of the properties of Lessee, unless such petition or appointment is set aside or withdrawn or ceases to be in effect within sixty (60) days from the date of said filing or appointment.

(v) The subjection of any of Lessee's property to any levy, seizure, assignment, application or sale for or by any creditor or governmental agency which is not stayed within 10 days.

(vi) Any action by Lessee to discontinue rail service on all or a portion of its tracks or abandon any of its rail properties pursuant to applicable provisions of the Interstate Commerce Act or the laws of any state, provided such action would materially affect Lessee's ability to load the Cars.

B. Upon the occurrence of any event of default, ITEL Rail may, at its option, terminate this Agreement (which termination shall not release Lessee from any obligation to pay to ITEL Rail any and all rent or other sums that may then be due or accrued to such date or from the obligation to perform any duty or discharge any other liability occurring prior thereto) and may

(i) Proceed by any lawful means to enforce performance by Lessee of such obligations or to recover damages for a breach thereof (and Lessee agrees to bear ITEL Rail's costs and expenses, including reasonable attorneys' fees, in securing such enforcement), or

(ii) By notice in writing to Lessee, terminate Lessee's right of possession and use of the Cars, whereupon all right and interest of Lessee in the Cars shall terminate; and thereupon ITEL Rail may enter at its own risk upon any premises where the Cars may be located and take possession of them and henceforth hold, possess and enjoy the same free from any right of Lessee.

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9. Termination

Upon the termination of this Agreement as to any Cars, Lessee will surrender possession of such Cars to Itel Rail by delivering the same to Itel Rail. A Car shall be no longer subject to this Agreement upon the removal of Lessee's railroad markings from the Car and the placing thereon of such markings as may be designated by Itel Rail, either, at the option of Itel Rail, (1) by Lessee upon return of such Cars to Lessee's railroad line or (2) by another railroad line which has physical possession of the Car at the time of or subsequent to termination of the lease term as to such Car. If such Cars are not on the railroad line of Lessee upon termination, any cost of assembling, delivering, storing, and transporting such Cars to Lessee's railroad line or the railroad line of a subsequent lessee shall be borne by Itel Rail. If such Cars are on the railroad line of Lessee upon such expiration or termination or are subsequently returned to Lessee's railroad line, Lessee shall at its own expense within thirty working days remove Lessee's railroad markings from the Cars and place thereon such markings as may be designated by Itel Rail. After the removal and replacement of markings, Lessee shall use its best efforts to load such Cars with freight and deliver such Cars to a connecting carrier for shipment. Lessee shall provide up to sixty (60) days free storage on its railroad tracks for Itel Rail or the subsequent lessee of any terminated Car. If any Car is terminated pursuant to subsections 6C or 6F or section 8 prior to the end of its lease term, Lessee shall pay to Itel Rail \$350.00 per Car so terminated.

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10. Indemnities

Itel Rail will defend, indemnify and hold Lessee harmless from and against (1) any and all loss or damage of or to the Cars, usual wear and tear excepted, unless occurring while Lessee has physical possession of Cars and (2) any claim, cause of action, damage, liability, costs or expense which may be asserted against Lessee with respect to the Cars (other than loss or physical damage to the Cars as provided in (1) above) unless occurring through the fault of Lessee, including without limitation the construction, purchase and delivery of the Cars to Lessee's railroad line, ownership, leasing or return of the Cars, or as a result of the use, maintenance, repair, replacement, operation or the condition thereof (whether defects, if any, are latent or are discoverable by Itel Rail or Lessee).

11. Representations, Warranties and Covenants

Lessee represents, warrants and covenants that:

(i) Lessee is a corporation duly organized, validly existing and in good standing under the laws of the state where it is incorporated and has the corporate power, authority and is duly qualified and authorized to do business wherever necessary, to carry out its present business and operations and to own or hold under lease its properties and to perform its obligations under this Agreement.

(ii) The entering into and performance of this Agreement will not violate any judgment, order, law or regulation applicable to Lessee, or result in any breach of, or constitute a default under, or result in the creation of any lien, charge, security interest or other encumbrance upon any assets of Lessee or on the Cars pursuant to any instrument to which Lessee is a party or by which it or its assets may be bound.

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(iii) There is no action or proceeding pending or threatened against Lessee before any court or administrative agency or other governmental body which is likely to result in any material adverse effect on the business, properties and assets, or conditions, financial or otherwise, of Lessee.

(iv) There is no fact which Lessee has not disclosed to Itel Rail in writing, nor is Lessee a party to any agreement or instrument or subject to any charter or other corporate restriction which, so far as the Lessee can now reasonably foresee, will individually or in the aggregate materially adversely affect the business, condition or any material portion of the properties of the Lessee or the ability of the Lessee to perform its obligations under this Agreement.

12. Inspection

Itel Rail shall at any time during normal business hours have the right, upon reasonable notice to Lessee, to enter the premises where the Cars may be located for the purpose of inspecting and examining the Cars to insure Lessee's compliance with its obligations hereunder. Lessee shall notify Itel Rail on a timely basis of any accident connected with the malfunctioning or operation of the Cars, including in such report the time, place and nature of the accident and the damage caused, the names and addresses of any persons injured and of witnesses, and other information pertinent to Lessee's investigation of the accident. Lessee shall also notify Itel Rail in writing within five (5) days after any attachment, tax lien or other judicial process shall attach to any Car. Lessee shall furnish to Itel Rail promptly upon its becoming available, a copy of its annual report submitted to the ICC and, when requested, copies of any other income or balance sheet statements required to be submitted to the ICC.

13. Miscellaneous

A. This Agreement and the Schedules contemplated hereby shall be binding upon and shall inure to the benefit of the parties hereto and their respective successors and assigns, except that Lessee may not without the prior written consent of Itel Rail assign this Agreement or any of its rights hereunder or sublease the Cars to any party, and any purported assignment or sublease in violation hereof shall be void.

B. Both parties agree to execute the documents contemplated by this transaction and such other documents as may be required in furtherance of this Agreement and in furtherance of any financing agreement entered into by Itel Rail in connection with the acquisition of the Cars in order to confirm the financing party's interest in and to the Cars, this Agreement and Schedules hereto and to confirm the subordination provisions contained in Section 7.

C. Within 60 days of the execution of this agreement Itel Rail will confirm to Lessee in writing that (1) Itel Rail has arranged for financing of the Cars described on Schedules 1,2,3,4,5,6,7, and (2) Itel Rail will deliver the Cars in accordance with the delivery dates set forth on Schedules 1,2,3,4,5,6,7 subject to the provisions set forth in Section 3C. If Itel Rail is unable to confirm to Lessee in writing, items (1) and (2) as listed above, this Agreement shall automatically terminate unless extended by mutual agree-

D. It is expressly understood and agreed by the parties hereto that this Agreement constitutes a lease of the Cars only and no joint venture or partnership is being created. Notwithstanding the calculation of rental payments, nothing herein shall be construed as conveying to Lessee any right, title or interest in the Cars except as a lessee only. ment of both parties.

E. No failure or delay by Itel Rail shall constitute a waiver or otherwise affect or impair any right, power or remedy available to Itel Rail nor shall any waiver or indulgence by Itel Rail or any partial or single exercise of any right, power or remedy preclude any other or further exercise thereof or the exercise of any other right, power or remedy.

F. This Agreement shall be governed by and construed according to the laws of the State of California.

G. All notices hereunder shall be in writing and shall be deemed given when delivered personally or when deposited in the United States mail, postage prepaid, certified or registered, addressed to the president of the other party at the address set forth above.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the date first above written.

ITEL CORPORATION, RAIL LEASE DIVISION	GRAND TRUNK WESTERN RAILROAD COMPANY
BY: <u><i>Carl M. Lutz</i></u>	BY: <u><i>[Signature]</i></u>
TITLE: <u><i>President Rail Div</i></u>	TITLE: <u>Vice President - Administration</u>
DATE: <u><i>July 27, 1979</i></u>	DATE: <u>June 29, 1979</u>

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Rider No. 1 to the Lease Agreement made as of the 29th day of June 19 79, between Itel Corporation acting through its Rail Lease Division ("Itel Rail") and Grand Trunk Western Railroad Company ("Lessee"), as Lessee.

1. In the event the Agreement runs to completion of the Initial Lease Term, and the Equipment is then re-leased, sold, or re-leased and sold, Itel Rail, as owner of the Cars, shall pay Lessee a fee measured by the "Net Proceeds from Disposition" (as defined below), such fee to be paid at the time the sums comprising the "Net Proceeds from Disposition" are actually received, and the amount of such fee will be calculated as follows:

Lessee shall be paid an amount equal to 50 per cent of the "Net Proceeds of Disposition" in excess of an amount equal to 55 per cent of the original equipment cost of the Cars.

2. For the purposes of this Agreement "Net Proceeds from Disposition" shall mean the present value, at the end of the Initial Lease Term, of all sums received in the form of re-lease payments and sale price proceeds discounted from the point in time of their receipt to the end of such lease terms on a monthly basis at a 10 per cent nominal annual interest rate. Such sums will be net of all necessary and reasonable expenses incurred as a result of such sale or re-leasing, including any expenses incurred in reconditioning or repairing of the Cars in order to make the Cars more saleable or otherwise marketable.

ITEL CORPORATION, RAIL LEASE DIVISION

BY: _____

Carl M. Lynch

TITLE: _____

President - Rail Div.

DATE: _____

July 27, 1979

**GRAND TRUNK WESTERN
RAILROAD COMPANY**

BY: _____

[Signature]

TITLE: Vice President - Administration

DATE: June 29, 1979

Rider No. 2 to the Lease Agreement made as of the 29 day of June 19 79, between ITEL Corporation acting through its Rail Lease Division ("ITel Rail") and Grand Trunk Western Railroad Company ("Lessee"), as Lessee.

1. In the event that the ICC shall no longer have jurisdiction in establishing rates of payments, the Payments shall be as set forth in the Association of American Railroads' Circular OT-10 as amended or superseded.

2. The said Lease Agreement is hereby amended as follows:-

Delete the first sentence of Section 6.A.(i) and substitute the following:-

"(i) ITEL Rail shall receive all Payments including but not limited to mileage charges, car hire Payments, and incentive car hire Payments but specifically excluding demurrage (all of which Payments made to Lessee are hereinafter collectively referred to as "Payments") made to Lessee by other railroad companies for their use or handling of the Cars if such Payments for all of such Cars delivered to Lessee on an aggregate basis for each calendar year shall be equal to or less than 67.5 per cent of the Base Payment."

3. Except as expressly modified herein, all the terms and provisions of the Agreement shall remain in full force and effect.

ITEL CORPORATION, RAIL LEASE DIVISION

BY:

Carl M. Lyle

TITLE:

President Rail Div

DATE:

July 27, 1979

GRAND TRUNK WESTERN RAILROAD COMPANY

BY:

[Signature]

TITLE:

Vice President Administration

DATE:

June 29, 1979

STATE OF Michigan)
COUNTY OF Wayne)

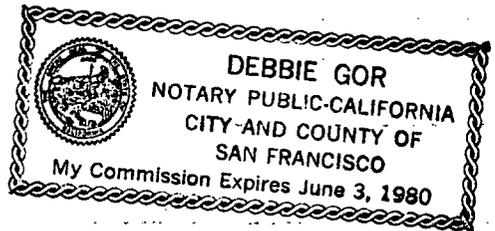
On this 29th day of June 1979, before me personally appeared William Glavin, to me personally known, who being by me duly sworn says that such person is Vice President - Administration of Grand Trunk Western Railroad Company, that the foregoing Rider No. 2 was signed on behalf of said corporation by authority of its board of directors, and such person acknowledged that the execution of the foregoing instrument was the free act and deed of said corporation.

J. A. Brewer
Notary Public
J. A. BREWER
Notary Public, Wayne County, Mich.
My Commission Expires Dec. 16, 1981

STATE OF California
COUNTY OF San Francisco

On this 27th day of July, before me personally appeared Carl H. Taylor, to me personally known, who being by me duly sworn says that such person is President of ITEL Corporation, Rail Lease Division, that the foregoing Rider No. 2 was signed on behalf of said corporation by authority of its board of directors, and such person acknowledged that the execution of the foregoing instrument was the free act and deed of such corporation.

Debbie Gor
Notary Public



EQUIPMENT SCHEDULE NO. 1

Istel Corporation, Rail Lease Division hereby Leases the following
Cars to Grand Trunk Western Railroad Company subject
to the terms and conditions of that certain Lease Agreement dated
as of June 29, 1979

A.A.R. Mech. Desig.	Description	Numbers	Dimensions			Doors Width	No. of Cars
			Length	Inside Width	Height		
GB	Gondola, Steel, 100 Ton	GTW 148000- GTW 148099	52' 6"	9' 6"	5' 0"	N/A	100

The Cars described on this Equipment Schedule No. 1 shall be delivered no later than the first quarter of calendar year 1980.

ITEL CORPORATION, RAIL LEASE DIVISION

GRAND TRUNK WESTERN
RAILROAD COMPANY

BY: Carl W. Fygh

BY: [Signature]

TITLE: President - Rail Div.

TITLE: Vice President - Administration

DATE: July 27, 1979

DATE: June 29, 1979

EQUIPMENT SCHEDULE NO. 2

Itel Corporation, Rail Lease Division hereby Leases the following
Cars to Grand Trunk Western Railroad Company subject
to the terms and conditions of that certain Lease Agreement dated
as of June 29, 1979

A.A.R. Mech. Desig.	Description	Numbers	Dimensions			Doors Width	No. of Cars
			Length	Inside Width	Height		
GB	Gondola, Steel, 100 Ton	GTW 148100- GTW 148299	52' 6"	9' 6"	5' 0"	N/A	200

The Cars described on this Equipment Schedule No. 2 shall be delivered no later than the second quarter of calendar year 1980.

ITEL CORPORATION, RAIL LEASE DIVISION

GRAND TRUNK WESTERN
RAILROAD COMPANY

BY: Carl N. Taylor

BY: [Signature]

TITLE: President - Rail Div.

TITLE: Vice President - Administration

DATE: July 27, 1979

DATE: June 29, 1979

EQUIPMENT SCHEDULE NO. 3

Itel Corporation, Rail Lease Division hereby Leases the following
Cars to Grand Trunk Western Railroad Company subject
to the terms and conditions of that certain Lease Agreement dated
as of June 29, 1979

A.A.R. Mech. Desig.	Description	Numbers	Dimensions			Doors Width	No. of Cars
			Length	Inside Width	Height		
GB	Gondola, Steel, 100 Ton	GTW 148300- GTW 148399	52' 6"	9' 6"	5' 0"	N/A	100

With respect only to the Cars described on this Equipment Schedule No. 3, the following shall apply:

1. The number "69.5 per cent" shall be substituted for the number "67.5 per cent" each time it appears.
2. Lessee shall be entitled to claim the benefits of any available Investment Tax Credit for Federal income tax purposes in connection with the acquisition of the Cars bearing the identifying numbers GTW 148300-GTW 148399 set forth on this Equipment Schedule No. 3 to the Agreement. Such Cars shall be new equipment when delivered to Lessee hereunder and Itel Rail agrees to execute such documents as may be required to permit Lessee to claim any Investment Tax Credits relating to such Cars.
3. The Cars will be delivered no later than the third quarter of calendar year 1980.
4. Except as expressly modified herein, all the terms and provisions of the Agreement shall remain in full force and effect.

ITEL CORPORATION, RAIL LEASE DIVISION

GRAND TRUNK WESTERN
RAILROAD COMPANY

BY: Carl P. Taylor

BY: [Signature]

TITLE: President - Rail Div.

TITLE: Vice President - Administration

DATE: July 27, 1979

DATE: June 29, 1979

EQUIPMENT SCHEDULE NO. 4

Itel Corporation, Rail Lease Division hereby Leases the following
Cars to Grand Trunk Western Railroad Company subject
to the terms and conditions of that certain Lease Agreement dated
as of June 29, 1979

A.A.R. Mech. Desig.	Description	Numbers	Dimensions			Doors Width	No. of Cars
			Length	Inside Width	Height		
GB	Gondola, Steel, 100 Ton	GTW 148400- GTW 148599	52' 6"	9' 6"	5' 0"	N/A	200

With respect only to the Cars described on this Equipment Schedule No. 4, the following shall apply:

1. The number "69.5 per cent" shall be substituted for the number "67.5 per cent" each time it appears.
2. Lessee shall be entitled to claim the benefits of any available Investment Tax Credit for Federal income tax purposes in connection with the acquisition of the Cars bearing the identifying numbers GTW 148400-GTW 148599 set forth on this Equipment Schedule No. 4 to the Agreement. Such Cars shall be new equipment when delivered to Lessee hereunder and Itel Rail agrees to execute such documents as may be required to permit Lessee to claim any Investment Tax Credits relating to such Cars.
3. The Cars will be delivered no later than the first quarter of calendar year 1981.
4. Except as expressly modified herein, all the terms and provisions of the Agreement shall remain in full force and effect.

ITEL CORPORATION, RAIL LEASE DIVISION

GRAND TRUNK WESTERN
RAILROAD COMPANY

BY: Carl M. Lynch

BY: [Signature]

TITLE: President - Rail Div.

TITLE: Vice President - Administration

DATE: July 27, 1979

DATE: June 29, 1979

EQUIPMENT SCHEDULE NO. 5

Itel Corporation, Rail Lease Division hereby Leases the following Cars to Grand Trunk Western Railroad Company subject to the terms and conditions of that certain Lease Agreement dated as of June 29, 1979

A.A.R. Mech. Desig.	Description	Numbers	Dimensions			Doors Width	No. of Cars
			Length	Inside Width	Height		
GB	Gondola, Steel, 100 Ton	GTW 148600- GTW 148799	52' 6"	9' 6"	5' 0"	N/A	200

With respect only to the Cars described on this Equipment Schedule No. 5, the following shall apply:

1. The number "69.5 per cent" shall be substituted for the number "67.5 per cent" each time it appears.
2. Lessee shall be entitled to claim the benefits of any available Investment Tax Credit for Federal income tax purposes in connection with the acquisition of the Cars bearing the identifying numbers GTW 148600-GTW 148799 set forth on this Equipment Schedule No. 5 to the Agreement. Such Cars shall be new equipment when delivered to Lessee hereunder and Itel Rail agrees to execute such documents as may be required to permit Lessee to claim any Investment Tax Credits relating to such Cars.
3. The Cars will be delivered no later than the end of calendar year 1981.
4. Except as expressly modified herein, all the terms and provisions of the Agreement shall remain in full force and effect.

ITEL CORPORATION, RAIL LEASE DIVISION

GRAND TRUNK WESTERN
RAILROAD COMPANY

BY: Carl P. Lynch

BY: [Signature]

TITLE: President - Rail Div.

TITLE: Vice President - Administration

DATE: July 27, 1979

DATE: June 29, 1979

EQUIPMENT SCHEDULE NO. 6

Itel Corporation, Rail Lease Division hereby Leases the following Cars to Grand Trunk Western Railroad Company subject to the terms and conditions of that certain Lease Agreement dated as of June 29, 1979

A.A.R. Mech. Desig.	Description	Numbers	Length	Dimensions		Doors Width	No. of Cars
				Inside Width	Height		
GB	Gondola, Steel, 100 Ton	GTW 148800- GTW 148899	52' 6"	9' 6"	5' 0"	N/A	100

With respect only to the Cars described on this Equipment Schedule No. 6, the following shall apply:

1. The number "69.5 per cent" shall be substituted for the number "67.5 per cent" each time it appears.
2. Lessee shall be entitled to claim the benefits of any available Investment Tax Credit for Federal income tax purposes in connection with the acquisition of the Cars bearing the identifying numbers GTW 148800-GTW 148899 set forth on this Equipment Schedule No. 6 to the Agreement. Such Cars shall be new equipment when delivered to Lessee hereunder and Itel Rail agrees to execute such documents as may be required to permit Lessee to claim any Investment Tax Credits relating to such Cars.
3. The Cars will be delivered no later than the second quarter of calendar year 1982.
4. Except as expressly modified herein, all the terms and provisions of the Agreement shall remain in full force and effect.

ITEL CORPORATION, RAIL LEASE DIVISION

GRAND TRUNK WESTERN
RAILROAD COMPANY

BY: Carl M. Layh

BY: [Signature]

TITLE: President Rail Div

TITLE: Vice President - Administration

DATE: July 27, 1979

DATE: June 29, 1979

EQUIPMENT SCHEDULE NO. 7

Itel Corporation, Rail Lease Division hereby Leases the following
Cars to Grand Trunk Western Railroad Company subject
to the terms and conditions of that certain Lease Agreement dated
as of June 29, 1979

A.A.R. Mech. Desig.	Description	Numbers	Dimensions			Doors Width	No. of Cars
			Length	Inside Width	Height		
GB	Gondola, Steel, 100 Ton	GTW 148900- GTW 148999	52' 6"	9' 6"	5' 0"	N/A	100

With respect only to the Cars described on this Equipment Schedule No. 7, the following shall apply:

1. The number "69.5 per cent" shall be substituted for the number "67.5 per cent" each time it appears.
2. Lessee shall be entitled to claim the benefits of any available Investment Tax Credit for Federal income tax purposes in connection with the acquisition of the Cars bearing the identifying numbers GTW 148900-GTW 148999 set forth on this Equipment Schedule No. 7 to the Agreement. Such Cars shall be new equipment when delivered to Lessee hereunder and Itel Rail agrees to execute such documents as may be required to permit Lessee to claim any Investment Tax Credits relating to such Cars.
3. The Cars will be delivered no later than the end of calendar year 1982.
4. Except as expressly modified herein, all the terms and provisions of the Agreement shall remain in full force and effect.

ITEL CORPORATION, RAIL LEASE DIVISION

GRAND TRUNK WESTERN
RAILROAD COMPANY

BY: Carl N. Lynch

BY: [Signature]

TITLE: President - Rail Div.

TITLE: Vice President - Administration

DATE: July 27, 1979

DATE: June 29, 1979

STATE OF MICHIGAN)
COUNTY OF WAYNE)

On this 29th day of June, 1979, before me personally appeared William Glavin, to me personally known, who being by me duly sworn says that such person is Vice President - Administration of Grand Trunk Western Railroad Company, that the foregoing Lease Agreement, Rider No. 1 and Equipment Schedule Nos. 1,2,3,4,5,6,7 were signed on behalf of said corporation by authority of its board of directors, and such person acknowledged that the execution of the foregoing instrument was the free act and deed of said corporation.

J. A. Brewer
Notary Public
J. A. BREWER

Notary Public, Wayne County, Mich.
My Commission Expires Dec. 16, 1981

STATE OF *California*)
COUNTY OF *SAN FRANCISCO*)

On this 27th day of July, before me personally appeared *Carl N. Taylor*, to me personally known, who being by me duly sworn says that such person is *president* of ITEL Corporation, Rail Lease Division, that the foregoing Lease Agreement, Rider No. 1 and Equipment Schedule Nos. 1,2,3,4,5,6,7 were signed on behalf of said corporation by authority of its board of directors, and such person acknowledged that the execution of the foregoing instrument was the free act and deed of such corporation.

Debbie Gor
Notary Public

