

LEASE AGREEMENT

Lease Agreement dated as of June 17, 1976, between CI TRANSPORTATION LEASING CORPORATION, a Delaware corporation ("Lessor"), and ILLINOIS CENTRAL GULF RAILROAD COMPANY, a Delaware corporation ("Lessee").

1. LEASE OF EQUIPMENT

Lessor hereby agrees to lease to Lessee, and Lessee hereby agrees to lease from Lessor, upon the terms and conditions hereinafter set forth (i) 250 rehabilitated boxcars (the "Boxcars") and (ii) railroad crossties having an aggregate acquisition and delivery cost of \$1,250,000 (the "Ties") (the Boxcars and the Ties being hereinafter collectively referred to as the "Equipment" and each such Boxcar and each such Tie being sometimes referred to as a "unit" or a "unit of Equipment") covered by Lessee's invitation to bid published on April 23, 1976 and described on Exhibit A hereto. Deliveries of Boxcars shall be in minimum groups of ten units, except for the final delivery. Deliveries of Ties shall be in minimum dollar amounts of \$250,000 except for the final delivery. The proportion of Ties shall not exceed 22% of the total dollar amount of the Equipment. The aggregate cost ("Lessor's Cost of Boxcars") for the acquisition, rehabilitation and delivery of all the Boxcars shall not exceed \$4,375,000. The aggregate cost ("Lessor's Cost of Ties") for the acquisition and delivery of all the ties shall not exceed \$1,250,000.

2. REHABILITATION OF BOXCARS; SALE AND LEASE BACK OF TIES

(a) Lessor has agreed under a Rehabilitation Agreement dated as of the date hereof (the "Rehabilitation Agreement") between Lessee and Lessor to purchase from Lessee, in order to secure reusable components, 250 used boxcars for a maximum purchase price of \$4,900 per boxcar (or an aggregate maximum purchase price of \$1,225,000). Such purchase price shall hereinafter be referred to as the "Boxcars Acquisition Cost." Such

reusable components have been conveyed by Lessee to Lessor by a bill of sale (the "Bill of Sale") dated as of the date hereof.

(b) Lessee has also agreed under the Rehabilitation Agreement to rehabilitate for Lessor boxcars using, where possible, such parts as may be obtained from the used boxcars referred to in Section 2(a) above in order to produce 250 boxcars for lease as the "units of Equipment" hereunder at a rehabilitation price of \$12,600 per boxcar (or an aggregate rehabilitation price of \$3,150,000). Such rehabilitation price shall hereinafter be referred to as the "Rehabilitation Cost."

(c) Lessee hereby agrees to acquire and sell to Lessor the Ties to be leased back by Lessor to Lessee immediately following such sale as herein provided.

3. LEASE TERM

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

(b) The term of lease under this Lease Agreement of the Ties shall commence on the date of delivery thereof to Lessee (immediately following the sale by Lessee to Lessor) and shall end 120 months after the date (the "Ties Commencement Date") which shall be the earlier of (i) the date as of which all the Ties shall have been accepted by Lessee or (ii) December 31, 1976.

4. RENT, NET LEASE

Lessee shall pay to Lessor rent, quarterly in arrears, for the Boxcars in 40 installments, each of which shall be in an amount equal to 3.5586% of Lessor's Cost of Boxcars.

Lessee shall pay to Lessor rent, quarterly in arrears, for the Ties in 40 installments, each of which shall be in an amount equal to 4.1285% of Lessor's Cost of Ties. The first installments of rent shall be payable on the first quarterly anniversaries of the Boxcars Commencement Date and the Ties Commencement Date. Subsequent installments of rent shall be payable thereafter on each successive quarterly anniversary of the applicable Commencement Date. In addition, Lessee shall pay Lessor interim rent quarterly for the period commencing with the date of payment by Lessor of any part of Lessor's Cost of Boxcars or Lessor's Cost of Ties and ending on the last day of each calendar quarter and on the applicable Commencement Date, which interim rent shall be in an amount equal to 125% of the prime commercial rate ("Prime Rate") of Continental Illinois National Bank and Trust Company of Chicago from time to time in effect of any part of Lessor's Cost of Boxcars or Lessor's Cost of Ties paid by Lessor prior to the applicable Commencement Date computed from the respective dates so paid to the date of payment of such interim rent, and computed for the actual number of days elapsed on the basis of a year consisting of 360 days. Changes in the interim rent due to changes in said Bank's prime rate shall be effective when and as said Bank changes its prime rate. All rent and other amounts due from Lessee to Lessor shall be paid to Lessor at its office at 231 South LaSalle Street, Chicago, Illinois 60693, or at such other place as Lessor shall specify in writing. In the event any rent or other amounts due hereunder shall not be made promptly when due, Lessee shall pay Lessor, as additional rent hereunder, interest on such overdue amount from the due date thereof to the date of payment thereof at a rate equal to the lesser of (i) 10% per annum or (ii) the maximum rate permitted by law.

This Lease Agreement provides for a net lease and the rent and other amounts due hereunder from Lessee to Lessor shall not be subject to any defense, claim, reduction, set-off or adjustment for any reason whatsoever. Lessee shall promptly pay all costs, expenses and obligations of every kind and nature incurred in connection with the use or operation of the Equipment which may arise or be payable

during the lease term of such Equipment hereunder, whether or not such cost, expense or obligation is specifically referred to herein.

5. PAYMENTS FOR EQUIPMENT

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

Lessor shall from time to time on or before the Ties Commencement Date (not more than once in any week) make such payments as Lessee may request under a Certificate of Acceptance in the form of Exhibit C hereto (a "Certificate of Acceptance for Ties") for the purchase of Ties. Each such Certificate of Acceptance for Ties (except the last) shall cover Ties with an aggregate Lessor's Cost of Ties of not less than \$250,000.

6. ACCEPTANCE OF EQUIPMENT

Acceptance of a unit of Equipment by Lessee under a Certificate of Acceptance shall constitute Lessee's acknowledgement that the Equipment is in good order and condition; is of the manufacture, design and capacity selected by Lessee; and is suitable for Lessee's purposes. If Lessee has not accepted all of the Boxcars or Ties, as the case may be, by the applicable Commencement Date, then this Lease Agreement shall cover only those units of Equipment which have theretofore been so accepted.

7. DISCLAIMER OF LESSOR'S WARRANTIES

Lessee agrees and acknowledges that all units of Equipment have been or will be ordered and rehabilitated by Lessee

in accordance with Lessee's specifications and that LESSOR DOES NOT MAKE ANY EXPRESS OR IMPLIED WARRANTY WHATSOEVER OF TITLE, MERCHANTABILITY, FITNESS FOR ANY PURPOSE, OR OTHERWISE REGARDING THE EQUIPMENT OR ANY UNIT THEREOF. Lessor shall, at Lessee's sole expense, take all action reasonably requested by Lessee to make available to Lessee to the fullest extent possible any rights of Lessor with respect to the Boxcars 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 Boxcars) and any rights of Lessor with respect to the Ties under any express or implied warranties of any manufacturer or vendor of the Ties.

8. LESSEE'S WARRANTIES

Lessee represents and warrants that:

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

(b) Lessee is duly authorized to execute and deliver the Rehabilitation Agreement, the Bill of Sale and this Lease Agreement, and is and will continue to be duly authorized to lease Equipment hereunder and to perform its obligations hereunder and thereunder.

(c) The execution and delivery of the Rehabilitation Agreement, the Bill of Sale and this Lease Agreement by Lessee, and the performance by Lessee of its obligations hereunder and thereunder, do not and will not conflict with any provision of law or of the charter or by-laws of Lessee or of any indenture, mortgage, deed of trust or agreement or instrument binding upon Lessee or to which Lessee is a party. Lessee has in the negotiation, execution and delivery of the Rehabilitation Agreement, the Bill of Sale and this Lease Agreement complied in all respects with the competitive bidding regulations prescribed by the Interstate Commerce Commission ("ICC") in 49 CFR Part 1010 pursuant to 15 U.S.C. § 20.

(d) The execution, delivery and performance of the Rehabilitation Agreement, the Bill of Sale and this Lease Agreement by Lessee and the consummation by Lessee of the transactions contemplated hereby and thereby does not require the consent, approval or authorization of, or notice to, any Federal or State governmental authority or public regulatory body, except for (i) the recording of this Lease Agreement with the ICC in accordance with Section 20c of the Interstate Commerce Act, and (ii) the filing with the ICC within 30 days after the date of execution and delivery hereof of the statement required by 15 U.S.C. § 20 and 49 CFR § 1010.4.

(e) Lessee's financial statement as at March 31, 1976, a copy of which has been furnished to Lessor, has been prepared in conformity with the Uniform System of Accounts for Railroad Companies prescribed by the ICC applied on a basis consistent with that of the preceding fiscal year and presents fairly the financial condition of Lessee as at the date thereof, and the results of its operations for the period then ended, and since such date there has been no material adverse change in its financial condition.

(f) The Rehabilitation Agreement, the Bill of Sale and this Lease Agreement are the legal, valid and binding obligations of Lessee enforceable in accordance with their respective terms.

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

(h) The fair market value of the reusable component parts included in each used boxcar to be purchased by Lessor under the Rehabilitation Agreement and the Bill of Sale is not in excess of the Acquisition Cost therefor (\$4,900), and the fair market value of each

Boxcar after the rehabilitation thereof shall be at least equal to the Lessor's Cost of Boxcars for such Boxcar (a maximum of \$17,500 per Boxcar).

(i) Each Boxcar 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, and the Ties will constitute new property, the original use of which will commence with Lessor within the meaning of Section 167(c)(2) of the Internal Revenue Code of 1954, as amended.

(j) Each Boxcar on the date of delivery thereof will have an estimated useful life of at least three years beyond the expiration of the term of lease under this Lease Agreement for such unit of Equipment and an estimated fair market value at the end of such lease term of at least 20% of Lessor's Cost of Boxcars, 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.

Each Tie on the date of delivery thereof will have an estimated useful life of at least two and one-half years beyond the expiration of the term of lease under this Lease Agreement for such unit of Equipment and an estimated fair market value at the end of such lease term of at least 20% of Lessor's Cost of Ties, without including in such fair market value any increase or decrease for inflation or deflation during the term of the lease for such unit of Equipment.

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

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

(a) The Equipment shall be the exclusive property of Lessor, and Lessee shall have no rights therein except the right to use it so long as Lessee is not in

default hereunder. It is the intention of the parties hereto that the Equipment shall be and remain personal property and Lessee shall not permit the Equipment to become or remain a fixture to any real estate or an accession to any personalty not leased hereunder.

(b) Lessee agrees that the Equipment will be used solely in the conduct of its business, with due care to prevent injury thereto or to any person or property and in conformity with all applicable laws, ordinances, rules, regulations and other requirements of any insurer or governmental body (including, without limitation, any requirements regarding licensing or registration, or evidencing title to the Equipment, all of which shall be done in such manner as shall have previously been approved in writing by Lessor). Lessee agrees that the Ties shall all be installed and maintained on Lessee's main lines or switching yards (other than any such lines or yards located in the States of Louisiana and Alabama). Lessor, or any duly authorized representative thereof, may during reasonable business hours from time to time inspect the Equipment and Lessee's records with respect thereto wherever the same may be located (which records, in the case of Ties, shall indicate the location of installed Ties by milepost). Lessee shall give Lessor notice of the location of the installation of Ties within sixty (60) days after such installation.

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

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

(d) Lessee shall not permit any lien, charge, encumbrance, security interest, or other similar interest to arise or remain on any Equipment other than (i) with respect to the Ties only, the lien of Lessee's present mortgages, (ii) 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, (iii) liens of current taxes not delinquent, and (iv) inchoate materialmen's or mechanics liens arising in the ordinary course of business and not delinquent.

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

"CI TRANSPORTATION LEASING CORPORATION, OWNER-LESSOR".

or other appropriate words designated by Lessor, with appropriate changes thereof and additions thereto as from time to time may be required by law in order to protect the title of Lessor to such unit and the rights

of Lessor under this Lease Agreement. Lessee will not place any such unit in operation or exercise any control or dominion over the same until such names and words shall have been so marked on both sides thereof and will replace promptly any such names and word or words which may be removed, defaced or destroyed. Lessee shall maintain on each unit of Equipment the serial and other identifying numbers, if any, set forth on the applicable Certificate of Acceptance. Lessee will not change the identifying number of any Boxcar 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. Lessee will also place a distinctive marking approved by Lessor on each Tie leased hereunder. Except as above provided, Lessee, so long as this Lease Agreement shall remain in effect, will not allow the name of any person, association or corporation to be placed on the units as a designation that might be interpreted as a claim of ownership; provided, however, that Lessee may cause the units to be lettered with the names or initials or other insignia customarily used by Lessee or its affiliates on railroad equipment used by them of the same or a similar type for convenience of identification of their right to use the units as permitted under this Lease Agreement.

10. MAINTENANCE OF EQUIPMENT

Lessee shall at all times keep the Equipment in good repair and efficient condition and working order, reasonable wear and tear excepted. Lessee shall supply all parts, service, and other items required in the operation and maintenance of the Equipment. Lessee shall not, without the written consent of Lessor, make any additions to the Equipment. All parts, replacements, substitutions and additions to or for any Equipment shall immediately become Equipment and the property of Lessor; provided, however, that any additions to the

units which can be removed without material damage to the units shall become the property of Lessee on the termination of this Lease Agreement. Lessee assumes all risk of, and Lessee's obligations under this Lease Agreement shall continue unmodified despite, any loss, theft, destruction, damage, condemnation, requisition or taking by eminent domain or other interruption or termination of use of any Equipment regardless of the cause thereof.

11. EVENT OF LOSS

(a) Upon the happening of any loss, theft, destruction, damage, condemnation, requisition, taking by eminent domain or other interruption or termination of use of any unit of Equipment regardless of the cause thereof (herein collectively called an "Event of Loss"), Lessee shall promptly make all repairs and replacements necessary to restore or repair such unit of Equipment so that the Equipment thereafter subject to lease hereunder is substantially equivalent to, and of a value not less than, the Equipment subject to lease hereunder prior to such Event of Loss; provided, however, that Lessee may instead on the next quarterly rent payment date following such Event of Loss, furnish Lessor with an affidavit of an officer of Lessee setting forth the fact of such Event of Loss and pay to Lessor the Stipulated Loss Value (as defined in Exhibit D hereto, with respect to the Boxcars, and as defined in Exhibit E hereto, with respect to the Ties, and in either case determined as of such next subsequent rent payment date) of such unit of Equipment. Upon payment of (i) such Stipulated Loss Value, (ii) any rent accrued and unpaid on such unit of Equipment to and including the rent payment date immediately preceding such next rent payment date and (iii) any other amounts owing by Lessee hereunder, whether as additional rent, indemnification or otherwise, Lessor shall transfer to Lessee, without any representation or warranty of any kind, express or implied, whatever title to such unit of Equipment it may have. Upon such transfer the lease of such unit of Equipment hereunder shall end.

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

12. INSURANCE

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

(b) The policies of insurance required under this Section 12 shall be valid and enforceable policies issued by insurers of recognized responsibility comparable to Lessee's present insurers. Upon the execution of each Certificate of Acceptance, and thereafter not less than 10 days prior to the expiration dates of any expiring policies theretofore furnished under this Section 12, originals of the policies and satisfactory evidence of the payment of premiums thereon shall be delivered by Lessee to Lessor except that Lessor may accept copies of the policies and certificates of

insurance in lieu of original policies. Such policies may be blanket policies covering other equipment not covered by this Lease Agreement, provided that any blanket policy shall in an accompanying certificate of insurance or rider specifically designate the units of Equipment described in such Certificate of Acceptance as being included therein and covered thereby to the full extent of the amounts herein required and shall name Lessor as an additional insured party thereunder with respect to such units of Equipment. All such policies shall contain an agreement by the insurers that such policies shall not be cancelled without at least 10 days' prior written notice to Lessor and that the insurer will give notice to Lessor in the event of nonpayment of premium by Lessee when due.

13. TAXES

Lessee agrees to pay and discharge (and does hereby agree to indemnify and hold Lessor harmless from and against) all sales, use, personal property, leasing, leasing use, stamp or other taxes, levies, imposts, duties, charges or withholdings of any nature (together with any penalties, fines or interest thereon) imposed against Lessor, Lessee or the Equipment by any Federal, State or local government or taxing authority upon or with respect to the Equipment or upon the purchase, rehabilitation, ownership, delivery, lease, possession, use, operation, return, sale or other disposition thereof hereunder or in connection herewith, or upon the rentals, receipts, or earnings arising therefrom, or upon or with respect to this Lease Agreement (excluding, however, taxes on, or measured by, the net income of Lessor imposed by the United States or the jurisdiction in which the principal office of Lessor is located) unless, and to the extent only that, any such tax, levy, impost, duty, charge or withholding is being contested by Lessee in good faith and by appropriate proceedings. Lessee agrees to file, on behalf of Lessor, all required tax returns and reports concerning the Equipment with all appropriate governmental agencies and to furnish Lessor 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 Boxcars or Lessor's Cost of Ties for any unit, Lessee shall not be obligated under this Section 13 for indemnification with respect to such taxes.

14. INDEMNIFICATION AND EXPENSES

(a) Lessee agrees to and does hereby indemnify and hold Lessor and its agents, employees, stockholders, officers and directors, harmless from and against any and all expense, liability or loss whatsoever, including (without limitation) reasonable legal fees and expenses, relating to or in any way arising out of the Rehabilitation Agreement, the Bill of Sale or this Lease Agreement, or the purchase, ownership, delivery, lease, possession, rental, use, operation, return, sale or disposition of the Equipment hereunder or in connection herewith (including without limitation, expense, liability or loss relating to or in any way arising out of injury to persons or property, patent or invention rights or strict liability in tort). Lessor shall give Lessee and Lessee shall give Lessor notice of any event or condition which requires indemnification by Lessee hereunder, or any allegation of such event or condition, promptly upon obtaining knowledge thereof, and, to the extent that Lessee makes or provides to the satisfaction of Lessor for payment under the indemnity provisions hereof, Lessee shall be subrogated to Lessor's rights with respect to such event or condition and shall have the right to determine the settlement of claims thereon, it being agreed that except to the foregoing extent, Lessor shall have the right to determine such settlement. Lessee shall pay all amounts due hereunder promptly on notice thereof from Lessor.

(b) If as to any Boxcar Lessor shall not be entitled under any circumstances (including any Change in Tax Law, as hereinafter defined) other than as set forth in paragraph (d) below to any portion or all of

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

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

(c) If Lessor in computing its Federal taxable income or its taxable income for purpose of computing its liability to any state or local taxing authority in which the principal office of Lessor is located, for any part of the lease term of any unit of Equipment shall under any circumstances (including any Change in Tax Law) other than as set forth in paragraph (d) below lose the benefit of or the right to claim or there shall be disallowed or recaptured all or any portion of depreciation deductions for Federal, State or local income tax purposes for such unit of Equipment based on depreciation of the Lessor's Cost of Boxcars or the Lessor's Cost of Ties, as the case may be, for such unit over a depreciable life of 12 years to a net salvage value of 10% using any of the depreciation methods described in Section 167(b) of the Internal Revenue Code of 1954, as amended (including the methods referred to in clauses (y) and (z) of Section 27 hereof) which Lessor, in its complete discretion, may select, then Lessee shall pay Lessor on each rent payment date during the remaining lease term of such unit, as additional rent hereunder, an amount which, after deduction of all taxes required to be paid by Lessor in respect of the receipt thereof, shall be sufficient to yield to Lessor the same after tax cash flow as of each rent payment date as would have been realized by Lessor in respect of this Lease Agreement if such loss, disallowance, or recapture of depreciation deductions or the right to claim the same had not occurred, which amount shall, if subsequent circumstances require, be thereafter adjusted (or further appropriate adjustments shall be made in respect thereof) when and to the extent necessary so that Lessor's after tax cash flow as of each rent payment date shall be as aforesaid. In addition, Lessee shall also pay Lessor on demand, as additional rent hereunder, an amount which, after

deduction of all taxes required to be paid by Lessor in respect of the receipt thereof, shall be equal to the amount of any interest (net of any actual decrease in Federal, State or local income tax caused by any allowable deduction of such interest from taxable income) or penalties, including any additions to tax because of underpayment of estimated tax, which may be assessed against Lessor in connection with such loss, disallowance, or recapture of depreciation deductions or the right to claim the same.

(d) Lessee shall not be required to pay Lessor the amounts provided for in paragraphs (b) and (c) above if the loss or disallowance of investment credit or depreciation deductions, as the case may be, or the right to claim the same, shall result from the occurrence of any of the following events:

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

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

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

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

(v) Lessee shall have paid Lessor the Stipulated Loss Value of such unit of Equipment pursuant to Section 11(a) hereof.

(e) In the event a claim shall be made by the Internal Revenue Service or any State or local taxing authority which, if successful, would result in a loss of such investment credit or depreciation deductions under circumstances which would require Lessee to indemnify Lessor for such loss, Lessor hereby agrees to notify Lessee promptly of such claim, to not make payment of the tax claimed for at least 30 days after giving such notice, to give to Lessee any relevant information requested by it relating to such claim which may be particularly within the knowledge of Lessor and, if Lessee shall, within 30 days after Lessor request that such claim be contested, to take such action in connection with contesting such claim, including appropriate appeals from lower court decisions, as Lessee shall reasonably request in writing from time to time, but only if Lessee shall, contemporaneously with such initial request, have (i) made provision for Lessor's indemnification in a manner satisfactory to Lessor for any liability or loss which Lessor may from time to time incur as the result of contesting such claim and reimbursement for all costs and expenses, including legal fees and disbursements, which Lessor may incur in connection with the contesting of such claim and (ii) furnished Lessor with an opinion of independent tax counsel satisfactory to Lessor to the effect that a meritorious defense exists to such claim;

provided, however, that at any time after having received such request from Lessee, Lessor at its sole option, may forego any and all administrative appeals, proceedings, hearings and conferences with the Internal Revenue Service or any State or local taxing authority, as the case may be, in respect of such claim and may, at its sole option, either pay the tax claimed and sue for a refund in the appropriate United States District Court, the United States Court of Claims, or appropriate State court, as the case may be, as Lessor shall elect, or contest such claim in the United States Tax Court, or appropriate State court, as the case may be, considering, however, in good faith such request as Lessee shall make concerning the most appropriate forum in which to proceed.

(f) References in Section 13 and in paragraphs (b) through (e) of this Section 14 and in paragraph (a) of Section 27 to Lessor shall be deemed to mean any affiliated group of which Lessor is a part which files a consolidated return for Federal income tax purposes, provided that only Lessor shall be obligated with respect to the covenants and duties therein expressed to be imposed on Lessor.

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

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

(i) Any amount payable in accordance with this Section 14 shall be payable on Lessee's receipt of Lessor's

invoice therefor. Each such invoice shall be accompanied by a statement from the head of the tax department of Lessor's parent corporation, Continental Illinois Corporation, that he has examined Lessor's determination of the amount due and that, in his opinion, such amount due has been properly calculated pursuant to this Section 14.

15. RETURN OF EQUIPMENT

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

A. With respect to Boxcars

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

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

(3) transport the same to any place on the lines of railroad operated by it or any of its affiliates or to any connecting carrier for shipment, all as directed by Lessor; and

B. With respect to Ties, remove and transport such units to Lessor at such point in Cook County, Illinois, or other location or locations on Lessee's lines as Lessor shall specify.

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

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, (iv) within 45 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, (v) 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 (vi) from time to time, such other information as Lessor or the Agent may reasonably request.

17. EVENTS OF DEFAULT

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

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

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

(iii) Default in the performance of any of Lessee's agreements herein set forth (and not

constituting an event of default under either of the preceding clauses of this paragraph (a)) and continuance of such default for 30 days after notice thereof from Lessor to Lessee;

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

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

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 installments of rent owing hereunder to and including the rent payment date immediately preceding the date on which notice is given under said clause, from the respective due dates of such installments, and interest on all other costs, expenses and

losses for which Lessor is entitled to payment under said clause from the respective dates incurred by Lessor.

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

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

(b) So long as Lessee shall not be in default under this Lease Agreement, Lessee shall be entitled to the possession of the units and to the use thereof upon its lines of railroad or with respect only to the Boxcars 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 Boxcars 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 Boxcars. Lessee agrees that during the term of this Lease Agreement Lessee will use its best efforts to prevent the use of any Boxcar 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

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 re-deposit whenever required) any and all further instruments required by law or reasonably requested by Lessor for the purpose of proper protection, to Lessor's satisfaction, of Lessor's interest in the units, or for the purpose of carrying out the intention of this Lease Agreement or the assignment thereof by Lessor; and Lessee will promptly furnish to Lessor evidences of all such filing, registering, recording or depositing, and an opinion or opinions of counsel for Lessee will respect thereto satisfactory to Lessor.

This Lease Agreement shall be filed and recorded with the Interstate Commerce Commission.

22. PURCHASE OPTIONS

Lessee shall have separate options (the "Purchase Options") to purchase for cash all of the Boxcars and all of the Ties then under lease upon the last business day of or prior to the expiration of the lease term hereunder for such

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

23. RENEWAL OPTIONS

Lessee shall have an option to renew for two (2) additional terms of one (1) year each the lease term of all of the Boxcars then under lease and an option for one (1) additional renewal term of one (1) year each the lease term of all of the Ties then under lease provided no event of default or event which might mature into an event of default has occurred and is then continuing immediately prior to the commencement of the renewal term being then elected by Lessee. If Lessee desires to exercise any 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. In the case of the Ties the fair market rental value shall be determined on the basis of the fair market rental value of the Ties to Lessee on an "as is, where is" installed basis. If Lessee and Lessor are unable to agree upon such fair market rental value within 30 days after receipt by Lessor of such notice, such fair market rental value shall be determined by an independent appraiser selected by mutual agreement of Lessor and Lessee. The fee of such appraiser shall be paid by Lessee. All of the provisions of the Lease shall be applicable during any such renewal term except for the amount of each installment of rent which shall be as hereinabove provided. "Lease term" as used in the Lease shall, except where the context otherwise requires, be deemed to include any such renewal term.

24. CERTAIN DEFINITIONS

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

25. CONDITIONS TO LESSOR'S OBLIGATIONS

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

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

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

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

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

(i) resolutions of the Board of Directors of Lessee, certified by its Secretary or an Assistant Secretary, authorizing the lease of such Equipment hereunder and the execution, delivery and performance by Lessee of the Rehabilitation Agreement, the Bill of Sale and this Lease Agreement;

(ii) a favorable opinion of counsel for Lessee, acceptable to Lessor, to the effect that:

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

(B) Lessee is duly authorized to execute and deliver the Rehabilitation Agreement, the Bill of Sale and this Lease Agreement, and is duly authorized to lease Equipment hereunder and to perform its obligations hereunder and thereunder.

(C) The execution and delivery of the Rehabilitation Agreement, the Bill of Sale and this Lease Agreement by Lessee, and the performance by Lessee of its obligations hereunder and thereunder, do not and will not

during such term of the Lease, and (D) setting forth the manner in which such fair market value and useful life were determined; and

(iv) an appraisal certificate (required with the first payment requested hereunder for Ties) issued by the Vice President and Chief Engineer of Lessee (who shall have been appointed by Lessor for such purpose) to the effect that (A) the Ties on the date of delivery thereof to Lessor will have an estimated useful life of at least two and one-half years beyond the expiration of the term of Lease for the Ties under this Lease Agreement and an estimated fair market value at the end of such term of at least 20% of Lessor's Cost of Ties, without including in such fair market value any increase or decrease for inflation or deflation during such term of the Lease, and (B) setting forth the manner in which such fair market value and useful life were determined.

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

(i) an invoice covering the units of Equipment for which such payment is requested;

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

(iii) a Certificate of Acceptance of Lessee covering the units of Equipment for which such payment is requested;

(iv) in the case of any payment requested for Ties, a warranty bill of sale to Lessor therefor, in form satisfactory to Lessor;

(v) an opinion of Lessee's counsel, satisfactory to Lessor, that acceptance by Lessor of the units of Equipment for which such payment is requested and payment therefor by Lessor shall be effective to transfer to Lessor good title to such units of Equipment, free of all claims, liens or encumbrances of any nature (except, in the case of Ties, the possible lien of Lessee's present mortgages); and

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

26. COMMENCEMENT DATE

On the Boxcars Commencement Date, and on the Ties Commencement Date, Lessee shall furnish to Lessor in form and substance satisfactory to Lessor:

(a) A certificate of the President or a Vice President and the Treasurer or an Assistant Treasurer of the Lessee, dated such Commencement Date, to the effect that:

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

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

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

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

(v) The Boxcars or the Ties, as the case may be, have been delivered to and accepted by Lessee for lease under this Lease Agreement, and the Lease Agreement is in full force and effect.

(b) Resolutions of the Board of Directors of Lessee, certified by its Secretary or an Assistant Secretary on such Commencement Date, authorizing the lease of such Equipment hereunder and the execution, delivery and performance by Lessee of the Rehabilitation Agreement, the Bill of Sale and this Lease Agreement;

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

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

27. MISCELLANEOUS

(a) Notwithstanding any other provisions of this Lease Agreement, Lessor shall not be obligated to make payment of the Lessor's Cost for such unit of Equipment if on or prior to the requested date of payment there shall have been (i) an amendment to the Internal Revenue

Code of 1954, as amended (the "Code") which changes the Federal income tax rate (in excess of the corporate surtax exemption) of Lessor from 48%, or (ii) any amendment, modification, addition or change made in or to the provisions of the Code, the Treasury Regulations under the Code (including the Treasury Regulations relating to the Asset Depreciation Range System of depreciation under Section 167(m) of the Code), published Internal Revenue Service Revenue Procedures, Revenue Rulings or other administrative interpretations, or applicable judicial precedents (all of the foregoing amendments, modifications, additions or changes referred to in this clause (ii) being hereinafter collectively referred to as a "Change in Tax Law"), which Change in Tax Law in the opinion of Lessor or in the opinion of its counsel might preclude Lessor from taking (x) investment credit on a Boxcar at the rate of 10% on the Lessor's Cost of Boxcars on the basis that 72% of such unit is "new section 38 property", or (y) depreciation deductions with respect to the Lessor's Cost of Ties and 72% of Lessor's Cost of Boxcars over a depreciable life of 12 years to a net salvage value of 10% thereof, computed initially under the double declining balance method of depreciation provided in Section 167(b)(2) of the Code and then changing to the sum-of-the-years digits method of depreciation provided in Section 167(b)(3) of the Code, with the annual allowance determined without reduction for salvage and with the first year's depreciation deduction being maximized by the election of either the "half year convention" or the "modified half year convention" pursuant to Treasury Regulation Section 1.167(a)-11(c)(2) (as in effect on the date of execution of this Lease Agreement), or (z) depreciation deductions with respect to the remaining 28% of Lessor's Cost of Boxcars over a depreciable life of 12 years to a net salvage value of 10% thereof, computed initially using the 150% declining balance method of depreciation and then changing to the straight-line method of depreciation provided in Section 167(b)(1) of the Code, with the annual allowance determined without reduction for salvage and with the first year's

depreciation deduction being maximized by the election of either the "half year convention" or the "modified half year convention" pursuant to Treasury Regulation Section 1.167(a) - 11(c)(2) (as in effect on the date of execution of this Lease Agreement).

(b) Notwithstanding any other provisions of this Lease Agreement to the contrary:

(i) As of the earlier of (A) the date as of which all Boxcars and all Ties shall have been accepted by Lessee or (B) December 31, 1976, the Lessee agrees that it will not permit the proportion of Ties to exceed 22% of the total dollar amount of Equipment. If the proportion of Ties shall exceed 22% of the total dollar amount of the Equipment on December 31, 1976, Lessee covenants and agrees to accept Boxcars for lease hereunder thereafter so that the proportion of Ties does not exceed 22% of the total dollar amount of Equipment as of the earlier of (X) the date as of which a sufficient number of Boxcars have been delivered so as to meet the proportion described in this sentence, or (Y) March 31, 1977. The earlier of such clause (X) or (Y) shall be the Boxcars Commencement Date hereunder.

(ii) If any Boxcars are delivered after December 31, 1976, pursuant to the foregoing clause (i), then Lessee shall pay to Lessor rent, quarterly in arrears, for all such Boxcars in 40 installments, each of which shall be in an amount equal to 3.7916% of Lessor's Cost of Boxcars, provided that the Lessor is entitled to the maximum 10% investment credit presently allowable under Section 38(a) of the Internal Revenue Code of 1954, as amended, for property with a useful life of more than 7 years on not less than the Rehabilitation Cost for such Boxcars. If as to any such Boxcar Lessor shall not be entitled under any circumstances (including any Change of Tax Law), other than as set forth in paragraph (d) of Section 14 hereof, to any portion or all of the maximum 10% investment credit presently allowable under said Section 38(a), then, Lessee shall pay Lessor, upon demand, a sum determined in accordance with paragraph (b) of Section 14 hereof.

(c) As provided in Section 48(d) of the Code, Lessor agrees to elect for purposes of the investment credit to treat Lessee as having acquired the Ties.

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

(e) Any notice hereunder shall be in writing and, if mailed, shall be deemed to be given when sent by registered or certified mail, postage prepaid, and addressed: (i) if to Lessee, at its address shown below, (ii) if to Lessor, at 231 South LaSalle Street, Chicago, Illinois 60693, or (iii) to any party at such other address as it may, by written notice received by the others, designate as its address for purposes of notice hereunder.

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

Lease Agreement has been delivered for acceptance by Lessor in Chicago, Illinois, shall be governed by the laws of the State of Illinois, shall be binding upon Lessor and Lessee and their respective successors and assigns, and shall inure to the benefit of Lessor and Lessee and the successors and assigns of Lessor.

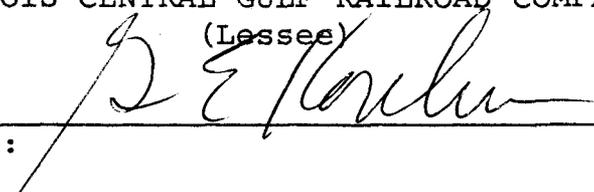
(g) The section headings in this Lease Agreement are for convenience of reference only and shall not be considered to be a part of this Lease Agreement.

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

ILLINOIS CENTRAL GULF RAILROAD COMPANY

(Lessee)

By _____
Title:



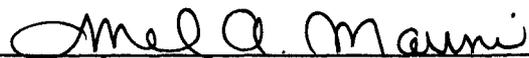
(CORPORATE SEAL)

Attest:


Assistant Secretary

Address:
233 North Michigan Avenue
Chicago, Illinois 60601

CI TRANSPORTATION LEASING
CORPORATION (Lessor)

By 
Title: 2nd Vice President

(CORPORATE SEAL)

ATTEST:

By 
Assistant Secretary

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

On this 18th day of JUNE , 1976, before me personally appeared G. E. KONKER , 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.

Donald P. Higgins
Notary Public

(SEAL)

My Commission Expires: SEP 22 1977

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

On this 17th day of June , 1976, before me personally appeared Mel A. MARINI , to me personally known, who being by me duly sworn, says that he is a Vice President of CI TRANSPORTATION LEASING CORPORATION, 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.

Adam E. Szmurlo
Notary Public

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

(SEAL)

My Commission Expires: DECEMBER 10, 1979

EXHIBIT A
TO
LEASE AGREEMENT

BOXCARS

<u>ILLINOIS CENTRAL GULF RAILROAD CAR NUMBERS</u>	<u>UNIT COST OF REHABILITATION</u>	<u>UNIT COST OR REUSED PARTS</u>	<u>TOTAL AGGREGATE UNIT COST</u>
ICG 514309	\$12,600	\$4,900	\$17,500
514310			
514319			
514322			
514323			
ICG 514326	"	"	"
514332			
514335			
514336			
514349			
ICG 514352	"	"	"
514362			
514366			
514372			
514375			
ICG 514385	"	"	"
514387			
514398			
514399			
564401			
ICG 514402	"	"	"
514406			
514408			
514412			
514415			
ICG 514417	"	"	"
514421			
564422			
514430			
514432			

<u>ILLINOIS CENTRAL GULF RAILROAD CAR NUMBERS</u>	<u>UNIT COST OF REHABILITATION</u>	<u>UNIT COST OR REUSED PARTS</u>	<u>TOTAL AGGREGATE UNIT COST</u>
ICG 514435	\$12,600	\$4,900	\$17,500
514436			
564439			
514440			
514446			
ICG 514455	"	"	"
514456			
514460			
564461			
514465			
ICG 514468	"	"	"
514476			
514481			
514497			
514498			
ICG 514500	"	"	"
514502			
514504			
514519			
514521			
ICG 514530	"	"	"
514534			
514535			
514541			
514544			
ICG 514558	"	"	"
514561			
514569			
514573			
514575			
ICG 514579	"	"	"
514591			
514596			
514599			
514615			

<u>ILLINOIS CENTRAL GULF RAILROAD CAR NUMBERS</u>		<u>UNIT COST OF REHABILITATION</u>	<u>UNIT COST OR REUSED PARTS</u>	<u>TOTAL AGGREGATE UNIT COST</u>
ICG	514640	\$12,600	\$4,900	\$17,500
	514641			
	514646			
	564651			
	514652			
ICG	514676	"	"	"
	514678			
	514679			
	514687			
	514690			
ICG	514699	"	"	"
	564702			
	514707			
	514713			
	514717			
ICG	514718	"	"	"
	514721			
	514731			
	514744			
	514746			
ICG	514749	"	"	"
	514751			
	514754			
	514755			
	514773			
ICG	514779	"	"	"
	514791			
	514794			
	514797			
	514800			
ICG	514801	"	"	"
	514803			
	564804			
	514809			
	514810			

<u>ILLINOIS CENTRAL GULF RAILROAD CAR NUMBERS</u>	<u>UNIT COST OF REHABILITATION</u>	<u>UNIT COST OR REUSED PARTS</u>	<u>TOTAL AGGREGATE UNIT COST</u>
ICG 514815 514817 514818 514827 514828	\$12,600	\$4,900	\$17,500
ICG 514841 514845 514852 514853 514854	"	"	"
ICG 514857 514858 514871 514872 514873	"	"	"
ICG 514884 514886 514887 514895 514905	"	"	"
ICG 514919 514935 514938 514940 514947	"	"	"
ICG 514957 514958 514970 514971 514974	"	"	"
ICG 514975 514979 514992 514995 515008	"	"	"

ILLINOIS CENTRAL
GULF RAILROAD
CAR NUMBERS

UNIT COST OF
REHABILITATION

UNIT COST
OR REUSED
PARTS

TOTAL
AGGREGATE
UNIT COST

ICG	515009	\$12,600	\$4,900	\$17,500
	515017			
	515019			
	515022			
	515041			
ICG	514330	"	"	"
	514377			
	514389			
	514503			
	514510			
ICG	514603	"	"	"
	514604			
	514642			
	514643			
	514663			
ICG	514756	"	"	"
	514798			
	514812			
	514851			
	514863			
ICG	514951	"	"	"
	514998			
	564120			
	564123			
	565020			
ICG	565028	"	"	"
	565032			
	565037			
	565040			

<u>ILLINOIS CENTRAL GULF RAILROAD CAR NUMBERS</u>		<u>UNIT COST OF REHABILITATION</u>	<u>UNIT COST OR REUSED PARTS</u>	<u>TOTAL AGGREGATE UNIT COST</u>
ICG	567104 567105 567106 567107 567108	\$12,600	\$4,900	\$17,500
ICG	567109 567110 567112 567114 567116	"	"	"
ICG	567121 567123 567126 567127 567133	"	"	"
ICG	567137 567138 567141 567144 567146	"	"	"
ICG	567148 567152 567155 567157 567158	"	"	"
ICG	567163 567169 567171 567172 567175	"	"	"
ICG	567178 567182 567183 567184 567185	"	"	"

<u>ILLINOIS CENTRAL GULF RAILROAD CAR NUMBERS</u>	<u>UNIT COST OF REHABILITATION</u>	<u>UNIT COST OR REUSED PARTS</u>	<u>TOTAL AGGREGATE UNIT COST</u>
ICG 567187	\$12,600	\$4,900	\$17,500
567190			
567191			
567193			
567197			
ICG 567199	"	"	"
567201			
567202			
567206			
567215			
ICG 567218	"	"	"
567219			
567220			
567223			
567224			
ICG 567225	"	"	"
567227			
567229			
567230			
567232			
ICG 567238	"	"	"
567239			
567240			
567243			
567245			
ICG 567246	"	"	"
567247			
567248			
567249			
567250			
ICG 567252	"	"	"
567253			
567257			
567258			
567259			

<u>ILLINOIS CENTRAL GULF RAILROAD CAR NUMBERS</u>	<u>UNIT COST OF REHABILITATION</u>	<u>UNIT COST OR REUSED PARTS</u>	<u>TOTAL AGGREGATE UNIT COST</u>
ICG 567264	\$12,600	\$4,900	\$17,500
567265			
567267			
567270			
567272			
ICG 567277	"	"	"
567278			
567282			
567283			
567284			
ICG 567285			
567286			
567288			
567291			
567292			
567294			
	<hr/>	<hr/>	<hr/>
	\$3,150,000	\$1,225,000	\$4,375,000

RAILROAD CROSSTIES

\$1,250,000 in aggregate cost of creosoted railroad crossties in assorted sizes.

EXHIBIT B

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

CERTIFICATE OF ACCEPTANCE
(BOXCARS)

Gentlemen:

1. The undersigned officer of Illinois Central Gulf Railroad Company is your authorized representative designated under the Rehabilitation Agreement dated as of June 17, 1976 (the "Rehabilitation Agreement") between you and Illinois Central Gulf Railroad Company (the "Railroad Company"). As such authorized representative, the undersigned hereby represents and certifies to you as follows:

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

2. The undersigned, Illinois Central Gulf Railroad Company ("Lessee"), is the Lessee under the Lease Agreement dated as of June 17, 1976 (the "Lease Agreement") between you and the Lessee. As such Lessee, we hereby request you to pay the attached invoices for the rehabilitation and delivery of the boxcars described below. We hereby represent and certify to you as follows:

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

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

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

3. This Certificate of Acceptance shall be and become a part of the Lease Agreement, and the boxcars described below are hereby declared to be leased by us thereunder. The Lease Agreement was filed and recorded with the Interstate Commerce Commission on _____, 1976 at __: __ .M. with Recordation No. _____.

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

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

By _____
Its _____
Dated: _____, 1976

Accepted :

CI TRANSPORTATION LEASING CORPORATION

By _____

Dated: _____, 1976

DESCRIPTION OF BOXCARS

Total No.
of Items

Lessee's Identifying
Nos.

Delivery and
Acceptance Date

Invoice
Amount

EXHIBIT C

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

CERTIFICATE OF ACCEPTANCE
(TIES)

Gentlemen:

1. The undersigned officer of Illinois Central Gulf Railroad Company is your authorized representative designated by you to accept, on your behalf, delivery of the Ties covered by the Lease Agreement dated as of June 17, 1976 (the "Lease Agreement") between you and Illinois Central Gulf Railroad Company (the "Railroad Company"). As such authorized representative, the undersigned hereby represents and certifies to you that the railroad crossties described below have been duly delivered in good order to the Railroad Company, have been duly inspected and accepted on the date there shown by the undersigned as your authorized representative and conform in all respects to the specifications therefor.

2. The undersigned, as Lessee under the Lease Agreement, hereby requests you to pay the attached invoices for the ties described below. We hereby represent and certify to you as follows:

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

(b) that the ties described below have been delivered to us, as Lessee under the Lease Agreement,

on the date indicated and have been duly inspected and are hereby accepted by us for lease under the Lease Agreement; and

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

3. This Certificate of Acceptance shall be and become a part of the Lease Agreement, and the Ties described below are hereby declared to be leased by us thereunder.

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

Dated: _____, 197_

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

By _____

Its _____

Dated: _____, 197_

Accepted:

CI TRANSPORTATION LEASING CORPORATION

By _____

Dated: _____, 197_

Thereafter, But On or Before Rent		
Payment Date No.	35	37.746525
Thereafter, But On or Before Rent		
Payment Date No.	36	35.034059
Thereafter, But On or Before Rent		
Payment Date No.	37	32.249949
Thereafter, But On or Before Rent		
Payment Date No.	38	29.409963
Thereafter, But On or Before Rent		
Payment Date No.	39	26.513161
Thereafter, But On or Before Rent		
Payment Date No.	40	23.558591
Thereafter.		20.000000

EXHIBIT E

STIPULATED LOSS VALUE
FOR TIES

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

STIPULATED LOSS VALUE TABLE

		<u>%</u>
On or Before Rent Payment Date No.	1	103.593522
Thereafter, But On or Before Rent Payment Date No.	2	103.011423
Thereafter, But On or Before Rent Payment Date No.	3	102.381387
Thereafter, But On or Before Rent Payment Date No.	4	101.702558
Thereafter, But On or Before Rent Payment Date No.	5	100.974059
Thereafter, But On or Before Rent Payment Date No.	6	100.163754
Thereafter, But On or Before Rent Payment Date No.	7	99.270178
Thereafter, But On or Before Rent Payment Date No.	8	98.291835
Thereafter, But On or Before Rent Payment Date No.	9	97.227205
Thereafter, But On or Before Rent Payment Date No.	10	96.083830
Thereafter, But On or Before Rent Payment Date No.	11	94.860297
Thereafter, But On or Before Rent Payment Date No.	12	93.555168

Thereafter, But On or Before Rent		
Payment Date No.	13	92.166980
Thereafter, But On or Before Rent		
Payment Date No.	14	90.699922
Thereafter, But On or Before Rent		
Payment Date No.	15	89.152580
Thereafter, But On or Before Rent		
Payment Date No.	16	87.523515
Thereafter, But On or Before Rent		
Payment Date No.	17	85.811260
Thereafter, But On or Before Rent		
Payment Date No.	18	84.020002
Thereafter, But On or Before Rent		
Payment Date No.	19	82.148326
Thereafter, But On or Before Rent		
Payment Date No.	20	80.194789
Thereafter, But On or Before Rent		
Payment Date No.	21	78.157922
Thereafter, But On or Before Rent		
Payment Date No.	22	76.041911
Thereafter, But On or Before Rent		
Payment Date No.	23	73.845336
Thereafter, But On or Before Rent		
Payment Date No.	24	71.566752
Thereafter, But On or Before Rent		
Payment Date No.	25	69.204689
Thereafter, But On or Before Rent		
Payment Date No.	26	66.763327
Thereafter, But On or Before Rent		
Payment Date No.	27	64.241246
Thereafter, But On or Before Rent		
Payment Date No.	28	61.636998
Thereafter, But On or Before Rent		
Payment Date No.	29	58.949108
Thereafter, But On or Before Rent		
Payment Date No.	30	56.181756
Thereafter, But On or Before Rent		
Payment Date No.	31	53.333517
Thereafter, But On or Before Rent		
Payment Date No.	32	50.402940
Thereafter, But On or Before Rent		
Payment Date No.	33	47.388548
Thereafter, But On or Before Rent		
Payment Date No.	34	44.294519

Thereafter, But On or Before Rent		
Payment Date No.	35	41.119424
Thereafter, But On or Before Rent		
Payment Date No.	36	37.861807
Thereafter, But On or Before Rent		
Payment Date No.	37	34.520190
Thereafter, But On or Before Rent		
Payment Date No.	38	31.118173
Thereafter, But On or Before Rent		
Payment Date No.	39	27.654674
Thereafter, But On or Before Rent		
Payment Date No.	40	24.128537
Thereafter		20.000000

EXHIBIT F

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.