RECORDATION NO. 8887 C

JUL 15 1977 -2 15 PM

INTERSTATE COMMERCE COMMISSION

CRAVATH, SWAINE & MOORE

ONE CHASE MANHATTAN PLAZA

NEW YORK, N.Y. 10005

212 HANOVER 2-3000

INTERNATIONAL TELEX: 620976
TELETYPE: 710-581-0338
TELEX: 125547

MAURICE T. MOORE
BRUCE BROMLEY
ROSWELL L. GILPATRIC
ALBERT R. CONNELLY
FRANK H. DETWEILER
GEORGE G. TYLER
CHARLES R. LINTON
WILLIAM B. MARSHALL
RALPH L. McAFEE
ROYALL VICTOR
ALLEN H. MERRILL
HENRY W. DeKOSMIAN
ALLEN F. MAULSBY
STEWARD R. BROSS, JR.
HENRY P. RIORDAN
JOHN R. HUPPER
SAMUEL C. BUTLER
WILLIAM J. SCHRENK, JR.
BENJAMIN F. CRANE
FRANCIS F. RANDOLPH, JR.
JOHN F. HUNT, JR.
GEORGE J. GILLESPIE, III
RICHARD S. SIMMONS
WAYNE E. CHAPMAN
THOMAS D. BARR
MELVIN L. BEDRICK
GEORGE T. LOWY
ROBERT ROSENMAN
JAMES H. DUFFY
ALAN J. HRUSKA
JOHN E. YOUNG
JAMES M. EDWARDS
DAVID G. ORMSBY
DAVID L. SCHWARTZ
RICHARD J. HIEGEL
FREDERICK A. O. SCHWARZ, JR.
CHRISTINE BESCHAR
ROBERT S. RIFKIND
DAVID BOIES
DAVID O. BROWNWOOD
PAUL M. DODYK
RICHARD M. ALLEN
THOMAS R. BROME
ROBERT D. JOFFE
ROBERT F. MULLEN
ALLEN FINKELSON
RONALD S. ROLFE
JOSEPH R. SAHID
PAUL C. SAUNDERS
MARTIN L. SENZEL
CARLYLE E. MAW
L. R. BRESLIN, JR.
HAROLD R. MEDINA, JR.
COUNSEL

4, PLACE DE LA CONCORDE
75008 PARIS, FRANCE
TELEPHONE: 265-81-54
TELEX: 290530

TERMINAL HOUSE
52, GROSVENOR GARDENS
LONDON, SW1W 0AU, ENGLAND
TELEPHONE: 01-730-5203
TELEX: 917840

CABLE ADDRESSES
CRAVATH, N.Y.
CRAVATH, PARIS
CRAVATH, LONDON S.W.1

RECORDATION NO. 8887 Filed & Recorded

RECEIVED JUL 15 1977 -2 15 PM

JUL 15 2 10 PM INTERSTATE COMMERCE COMMISSION

I.C.C.
FEE OPERATION BR.

RECORDATION NO. 8887 Filed & Recorded

JUL 15 1977 -2 15 PM

INTERSTATE COMMERCE COMMISSION

1864051

JUL 15 1977

Date

Fee $ 200

ICC Washington D.C.

RECORDATION NO. 8887 Filed & Recorded

JUL 15 1977 -2 15 PM

INTERSTATE COMMERCE COMMISSION

July 15, 1977

Dear Sirs:

Pursuant to Section 20c of the Interstate Commerce Act and the Commission's rules and regulations thereunder, as amended, I enclose herewith on behalf of First Security Bank of Utah, National Association, for filing and recordation counterparts of the following documents:

(1) Hulk Purchase Agreement dated as of July 1, 1977, between Illinois Central Gulf Railroad Company, Seller, and First Security Bank of Utah, National Association, Buyer;

(2) Rehabilitation Agreement dated as of July 1, 1977, between Illinois Central Gulf Railroad Company, Contractor, and First Security Bank of Utah, National Association, Company;

(3) Lease Agreement dated as of July 1, 1977, between Illinois Central Gulf Railroad Company, Lessee, and First Security Bank of Utah, National Association, Lessor; and

(4) Trust Indenture and Mortgage dated as of July 1, 1977, between First Security Bank of Utah, National Association, Owner Trustee, and First Security Bank of Utah, National Association, Indenture Trustee.

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

(a) Buyer-Company-Lessor-Owner Trustee-Indenture Trustee:

First Security Bank of Utah, National Association,
79 South Main Street,
Salt Lake City, Utah 84111; and

(b) Seller-Contractor-Lessee:

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

Please file and record the documents referred to above and cross-index them under the names of the Buyer-Company-Lessor-Owner Trustee-Indenture Trustee and Seller-Contractor-Lessee.

Equipment covered by the Lease Agreement and the Trust Indenture and Mortgage consists of the following units of Illinois Central Gulf Railroad Equipment:

70 70-ton Insulated Box Cars bearing identifying numbers ICG 150325-150394

250 70-ton CUF Box Cars bearing identifying numbers ICG 593000-593099; ICG 593200-593349

200 70-ton CUF Box Cars bearing identifying numbers ICG 593500-593699

10 70-ton Woodchip Hopper Cars bearing identifying numbers ICG 866400-866409

20 70-ton 41' Covered Hopper Cars bearing identifying numbers ICG 705100-705119

25 70-ton 65' Gondola Cars bearing identifying numbers ICG 247100-247124

25 100-ton Covered Hopper Cars bearing identifying numbers ICG 729000-729024

50 70-ton CUF D/D Box Cars bearing identifying numbers ICG 593800-593849

50 70-ton SUF D/D Box Cars bearing identifying numbers ICG 569000-569049

50 70-ton 60' Flat Cars bearing identifying numbers ICG 910300-910349

Equipment covered by the Rehabilitation Agreement, the Hulk Purchase Agreement and the Trust Indenture and Mortgage consists of the following units of Illinois Central Gulf Railroad (ICG) equipment:

70	70-ton Insulated Box Cars
250	70-ton CUF Box Cars
200	70-ton CUF Box Cars
10	70-ton Woodchip Hopper Cars
20	70-ton 41' Covered Hopper Cars
25	70-ton 65' Gondola Cars
25	100-ton Covered Hopper Cars
50	70-ton CUF D/D Box Cars
50	70-ton SUF D/D Box Cars
50	70-ton 60' Flat Cars

Enclosed is a check for $200 for the required recordation fee pursuant to 49 CFR 1116.1. Please accept for recordation one counterpart of each of the enclosed documents, stamp the remaining counterparts with your recordation number and return them to the delivering messenger along with your fee receipt.

Very truly yours,

Kris F. Heinzelman

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

Encls.

G

BY HAND

RECORDATION NO. 8887-B Filed & Recorded

JUL 15 1977 -2 15 PM

INTERSTATE COMMERCE COMMISSION

LEASE AGREEMENT

dated as of July 1, 1977

between

ILLINOIS CENTRAL GULF RAILROAD COMPANY

and

FIRST SECURITY BANK OF UTAH, NATIONAL ASSOCIATION,
not in its individual capacity, but solely
as Owner Trustee under a Trust Agreement
dated as of July 1, 1977, with
NB5 Financial Services
and
The Budd Leasing Corp.

LEASE AGREEMENT

LEASE AGREEMENT dated as of July 1, 1977, between FIRST SECURITY BANK OF UTAH, NATIONAL ASSOCIATION, a national banking association ("Lessor"), not in its individual capacity but solely as trustee under a Trust Agreement (the "Trust Agreement") dated as of the date hereof with NB5 Financial Service and The Budd Leasing Corp. ("Owners"), and ILLINOIS CENTRAL GULF RAILROAD COMPANY, a Delaware corporation ("Lessee").

1. LEASE OF EQUIPMENT

Lessor hereby agrees to lease to Lessee, and Lessee hereby agrees to lease from Lessor, upon the terms and conditions hereinafter set forth certain railroad cars (the "Cars") (the Cars being hereinafter sometimes referred to as the "Equipment" and each such Car being sometimes referred to as a "unit" or a "unit of Equipment") described in Exhibit A hereto. Deliveries of Cars shall be in minimum groups of ten units, except for the final delivery. The aggregate cost for the acquisition, rehabilitation and delivery of all the Cars ("Lessor's Cost of Cars") shall not exceed $15,000,000.

2. REHABILITATION OF CARS

(a) Lessor has agreed under a Hulk Purchase Agreement dated as of the date hereof (the "Hulk Purchase Agreement"), between Lessee and Lessor to purchase from Lessee, in order to secure reusable components, the following used cars for the following purchase prices:

No. of Cars	Type of Cars	Purchase Price per Car
70	Insulated Box	$6,250
250	Cushioned Underframe Box	6,000
200	Cushioned Underframe Box	5,200
10	Woodchip Hopper	4,900
20	41' Covered Hopper	5,100
25	65' Gondola	4,500
25	Covered Hopper	6,000
50	Cushioned Underframe Double Door Box	5,500

No. of Cars	Type of Cars	Purchase Price per Car
50	Standard Underframe Double Door Box	5,000
50	60' Flat	4,200

Aggregate Purchase Price $4,126,000

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

(b) Lessee, in the capacity of an independent contractor has agreed under a Rehabilitation Agreement dated as of the date hereof (the "Rehabilitation Agreement") to rehabilitate for Lessor cars using, where possible, such parts as may be obtained from the used cars referred to in Section 2(a) above in order to produce the following cars for lease as units of Equipment hereunder at the following rehabilitation price:

Number	Type of Cars	Rehabilitation Price Per Car
70	Insulated Box	$17,250
250	Cushioned Underframe Box	14,000
200	Cushioned Underframe Box	14,900
10	Woodchip Hopper	9,800
20	41' Covered Hopper	9,100
25	65' Gondola	11,000
25	Covered Hopper	14,100
50	Cushioned Underframe Double Door Box	16,900
50	Standard Underframe Double Door Box	19,000
50	60' Flat	9,000

Aggregate Rehabilitation Price ... $10,840,000

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

3. LEASE TERM

The term of lease under this Lease Agreement of each Car shall commence on the date of delivery of such Car

to Lessee and shall end on January 15, 1990, unless sooner terminated as herein provided.

4. RENT, NET LEASE

Lessee agrees to pay to Lessor, as rental for each unit subject to this Lease, one interim rental payment payable on January 15, 1978, and 24 consecutive payments payable on each January 15 and July 15 in each year, commencing July 15, 1978. The interim rental payment payable on January 15, 1978, shall be in an amount equal to .032610% of Lessor's Cost of Cars subject to this Lease, for each day elapsed from the Closing Date for such unit to and including the date of such payment. The next 24 rental payments shall each be in an amount equal to 5.8698% of the Cost of Cars then subject to this Lease. All rent and other amounts due from Lessee to Lessor shall be paid to Lessor in immediately available funds on the date such payment is due, at Lessor's office at: 79 South Main Street, Salt Lake City, Utah 84111, 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 December 31, 1977 (but not more than once in any week), make such payments as Lessee may request under a Certificate of Acceptance in the form of Exhibit B hereto (a "Certificate of Acceptance") for the purchase of the used cars under the Hulk Purchase Agreement and for the rehabilitation of the

cars under the Rehabilitation Agreement, subject to the conditions respectively set forth in the Hulk Purchase Agreement and the Rehabilitation Agreement. Each such Certificate of Acceptance (except the last) shall cover not less than ten Cars.

6. ACCEPTANCE OF EQUIPMENT

Acceptance of a unit of Equipment by Lessee under a Certificate of Acceptance shall constitute Lessee's acknowledgement that a unit of Equipment is in good order and condition; is of the manufacture, design and capacity selected by Lessee and specifications acceptable to Lessee; and is suitable for Lessee's purposes. If Lessee has not accepted all of the Cars by December 31, 1977, then this Lease Agreement shall cover only those units of Equipment which have theretofore been so accepted.

7. DISCLAIMER OF LESSOR'S WARRANTIES

Lessee agrees and acknowledges that all units of Equipment have been or will be ordered and rehabilitated by the Contractor in accordance with Lessee's specifications and that LESSOR HEREBY DISCLAIMS ANY OTHER REPRESENTATION OR WARRANTY, EITHER EXPRESS OR IMPLIED, AS TO ANY MATTER WHATSOEVER, INCLUDING WITHOUT LIMITATION, THE DESIGN OR CONDITION OF THE EQUIPMENT, MERCHANTABILITY, OR ITS FITNESS FOR ANY PARTICULAR PURPOSE, THE QUALITY OF WORKMANSHIP OF THE EQUIPMENT OR CONFORMITY OF THE EQUIPMENT TO THE PROVISIONS AND SPECIFICATIONS OF ANY PURCHASE ORDER OR ORDERS RELATING THERETO, NOR SHALL LESSOR BE LIABLE FOR INCIDENTAL OR CONSEQUENTIAL DAMAGES (INCLUDING STRICT LIABILITY IN TORT). Lessor shall, at Lessee's sole expense, take all action reasonably requested by Lessee to make available to Lessee to the fullest extent possible any rights of Lessor with respect to the Cars under any express or implied warranties it may have under the Rehabilitation Agreement (including any warranties relating to any material acquired for the rehabilitation of the Cars).

8. LESSEE'S WARRANTIES

Lessee represents and warrants that:

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

(b) Lessee is duly authorized to execute and deliver the Hulk Purchase Agreement, the Bills 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 Hulk Purchase Agreement, the Bills 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.

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

(e) Lessee's financial statement as at December 31, 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 position of Lessee as at the date thereof, and the results of its operations for the period then ended, and since such date there has been no material adverse change in its financial position.

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

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

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

(j) Each Car, on the date of delivery thereof, will have an estimated useful life beyond the expiration of the original term of lease under this Lease Agreement for such unit of Equipment equal to at least 25% of such original term, and an estimated fair market value at the end of such lease term of at least 20% of the total of Cars Acquisition Cost plus the Rehabilitation Cost for such Car, without including in such fair market value any increase or decrease for inflation or deflation during the term of the lease for such unit of Equipment.

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

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

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

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

(c) Lessee agrees to comply in all respects with all laws of the jurisdictions in which the units may be operated, with the interchange rules of the Association of American Railroads, if applicable, and with all lawful rules of the Department of Transportation and the ICC and any other legislative, executive, administrative or judicial body exercising any power or jurisdiction over the units. In the event that such laws or rules require the alteration of the units or in case any equipment or appliance on any such unit shall be required to be changed or replaced, or in case any additional or other equipment or appliance is required to be installed on such unit in order to comply with such laws, regulations, requirements and rules, Lessee agrees to make such alterations, changes, additions and replacements at its own expense; and Lessee agrees at its own expense to use, maintain and operate such unit in full compliance with such laws, regulations, requirements and rules so long as the units are subject to this Lease Agreement; provided, however, that Lessee may, in good faith, contest the validity or application of any such law, regulation, requirement or rule in any reasonable manner which does not adversely affect the property or rights of the Lessor hereunder; and further provided, however, that subject to the provisions of Section 15 hereof any additions to the units which can be removed without material damage to the units shall be so removed and shall become the property of Lessee on the termination of this Lease Agreement.

(d) Lessee shall not permit any lien, charge, encumbrance, security interest or other similar interest to arise or remain on any Equipment other than (i) liens placed by Lessor or liens of persons claiming against Lessor but not

Lessee, which arise out of obligations which Lessee is not required by this Lease Agreement to pay or discharge, (ii) liens of current taxes not delinquent, (iii) inchoate materialmen's or mechanics' liens arising in the ordinary course of business and not delinquent, and (iv) any liens attaching to the leasehold interest of the Lessee under this Lease Agreement by reason of any existing or future mortgage to which the Lessee is a party covering substantially all of Lessee's railroad property.

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

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

or other appropriate words designated by Lessor, with appropriate changes thereof and additions thereto as from time to time may be required by law in order to protect the title of Lessor to such unit and the rights of Lessor under this Lease Agreement. Lessee will not place any such unit in operation or exercise any control or dominion over the same until such names and words shall have been so marked on both sides thereof and will replace promptly any such names and word or words which may be removed, defaced or destroyed. Lessee shall maintain and display in its usual manner on each unit of Equipment the serial and other identifying numbers, if any, set forth on the applicable Certificate of Acceptance. Lessee will not change the identifying number of any Car except in accordance with a statement of new identifying numbers to be substituted therefor, which statement previously shall have been filed with Lessor by Lessee and filed, recorded or deposited by Lessee in all public offices where this Lease Agreement shall have been filed, recorded or deposited. Except as above provided, Lessee, so long as this Lease Agreement shall remain in effect, will not allow the name of any person, association or corporation to be placed on the units as a designation that might be interpreted as a claim of ownership; provided, however, that Lessee may cause the units to be lettered with the names or initials or other insignia customarily used by Lessee or its affiliates on railroad equipment used by them of the same or a similar type for convenience of identification of their right to use the units as permitted under this Lease Agreement.

10. MAINTENANCE OF EQUIPMENT

Lessee shall at all times keep the Equipment in good repair and efficient condition and working order, reasonable wear and tear excepted. Lessee shall supply all parts, service, and other items required in the operation and maintenance of the Equipment. Lessee shall not, without the written consent of Lessor, make any additions to the Equipment. All parts, replacements, substitutions and additions to or for any Equipment shall immediately become Equipment and the property of Lessor; provided, however, that, subject to the provisions of Section 15 hereof, any additions to the units which can be removed without material damage to the units shall become the property of Lessee on the termination of this Lease Agreement. Lessee assumes all risk of, and Lessee's obligations under this Lease Agreement shall continue unmodified despite, any loss, theft, destruction, damage, condemnation, requisition or taking by eminent domain or other interruption or termination of use of any Equipment regardless of the cause thereof.

11. EVENT OF LOSS

(a) Upon the happening of any loss, theft, destruction, damage, condemnation, requisition, taking by eminent domain or other material interruption or termination of use of any unit of Equipment regardless of the cause thereof (herein collectively called an "Event of Loss"), Lessee shall promptly make all repairs necessary to restore or repair such unit of Equipment so that the Equipment thereafter subject to lease hereunder is substantially equivalent to, and of a value not less than, the Equipment subject to lease hereunder prior to such Event of Loss; or, if in the reasonable opinion of the Lessee, such unit of Equipment cannot be so repaired or is permanently unfit for service on the next rent payment date following such Event of Loss, furnish Lessor with an affidavit of an officer of Lessee setting forth the fact of such Event of Loss and pay to Lessor the Stipulated Loss Value (as defined in Exhibit C hereto, determined as of such next subsequent rent payment date) of such unit of Equipment, together with (i) any rent accrued and unpaid on such unit of Equipment to and including such rent payment date and (ii) any other amounts owing by Lessee hereunder, whether as additional rent, indemnification or otherwise. Lessor shall transfer to Lessee title to such unit of Equipment free of any liens or encumbrances created by or through Lessor. Upon such transfer the lease

of such unit of Equipment hereunder shall end.

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

12. INSURANCE

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

(b) The policies of insurance required under this Section 12 shall be valid and enforceable policies, wherever any unit of the Equipment may be located, issued by insurers of recognized responsibility. Upon the execution of each Certificate of Acceptance, and thereafter not less than 10 days prior to the expiration dates of any expiring policies theretofore furnished under this Section 12, certificates of insurance and satisfactory evidence of the payment of premiums thereon shall be delivered by Lessee to Lessor. Such policies may be blanket policies covering other equipment not covered by this Lease Agreement, provided that any blanket policy shall in an accompanying certificate of insurance or rider specifically designate the units of

Equipment described in such Certificate of Acceptance as being included therein and covered thereby to the full extent of the amounts herein required and shall name Lessor as an additional insured party thereunder with respect to such units of Equipment. All such policies shall contain an agreement by the insurers that such policies shall not be canceled without at least 30-days' prior written notice to Lessor; provided, however, that such agreement for such 30-days' notice is obtainable through the reasonable efforts of Lessee; provided further, however, that if such agreement for such notice is not so obtainable, such policies shall contain an agreement by the insurers that such policies shall not be canceled without at least 10-days' prior written notice to Lessor. All such policies shall contain an agreement by the insurers that the insurer will give notice to Lessor in the event of nonpayment of premium by Lessee when due.

13. TAXES

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

14. INDEMNIFICATION AND EXPENSES

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

(b) If as to any Car, Lessor shall not be entitled under any circumstances (including any Change in Tax Law, 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), <u>then</u>, Lessee shall pay Lessor, upon demand, the sum of (1) the amount of said maximum investment credit which Lessor shall have so lost, had recaptured or failed to receive; (2) the amount of any interest (net of any actual decrease in Federal income

tax caused by any allowable deduction of such interest from taxable income) or penalties, including any additions to tax because of underpayment of estimated tax which may be assessed against Lessor in connection therewith; and (3) the amount of any taxes required to be paid by Lessor in respect of the receipt of amounts referred to in clauses (1) and (2) above and the receipt of amounts pursuant to this clause (3). If, at any subsequent time, Lessor shall be allowed and receive a refund with respect to any portion or all of said maximum investment credit which it lost, had recaptured or failed to receive at any time previous and for which payment had been made to Lessor by Lessee pursuant to this paragraph (b), then, promptly after receipt of said refund, Lessor shall pay Lessee the sum of (i) all amounts with respect to such allowance paid to Lessor by the Federal government (including refunds of investment credit, interest, and penalties and any additional interest paid to Lessor by the Federal government on such refunds) reduced by all taxes required to be paid by Lessor in respect of the receipt of such amounts from the Federal government, and (ii) the amount of any taxes saved by Lessor in respect of its payment to Lessee of amounts referred to in clause (i) above and its payment to Lessee of amounts pursuant to this clause (ii). Lessor agrees to use its best efforts to take the maximum investment credit to which it shall reasonably deem itself entitled with respect to the Cars on its Federal income tax return for the earliest possible year for which it can be taken.

(c) If Lessor in computing its Federal taxable income or its taxable income for purpose of computing its liability to any state or local taxing authority in which the principal office of Lessor is located, for any part of the lease term of any unit of Equipment shall under any circumstances (including any Change in Tax Law) other than as set forth in paragraph (d) below lose the benefit of or the right to claim or there shall be disallowed or recaptured all or any portion of depreciation deductions for Federal, state or local income tax purposes for such unit of Equipment based on depreciation of Lessor's Cost of Cars for such unit over a depreciable life of 12 years to a net salvage value of 10% using, with respect to (i) Rehabilitation Cost, the double declining balance method of depreciation provided in Section 167(b)(2) of the Code and then changing to the sum-of-the--years digits method of depreciation provided in Section 167(b)(3) of the Code, all without the consent of the Commissioner, with the annual allowance determined without reduction for salvage and with the first year's depreciation

deduction being maximized by the election of the "half year convention" pursuant to Treasury Regulation Section 1.167(a)-11(c)(2) (as in effect on the date of execution of this Lease Agreement), and (ii) Cars Acquisition Cost, the 150% declining balance method of depreciation and then changing to the straight-line method of depreciation provided in Section 167(b)(1) of the Code, with the annual allowance determined without reduction for salvage and with the first year's depreciation deduction being maximized by the election of the "half-year convention" pursuant to Treasury Regulation Section 1.167(a)-11(c)(2) (as in effect on the date of execution of this Lease Agreement), then Lessee shall pay Lessor on each rent payment date during the remaining lease term of such unit, as additional rent hereunder, an amount which, after deduction of all taxes required to be paid by Lessor in respect of the receipt thereof, shall be sufficient to yield to Lessor the same after-tax cash flow as of each rent payment date as would have been realized by Lessor in respect of this Lease Agreement if such loss, disallowance, or recapture of depreciation deductions or the right to claim the same had not occurred, which amount shall, if subsequent circumstances require, be thereafter adjusted (or further appropriate adjustments shall be made in respect thereof) when and to the extent necessary so that Lessor's after-tax cash flow as of each rent payment date shall be as aforesaid. In addition, Lessee shall also pay Lessor on demand, as additional rent hereunder, an amount which, after deduction of all taxes required to be paid by Lessor in respect of the receipt thereof, shall be equal to the amount of any interest (net of any actual decrease in Federal, state or local income tax caused by any allowable deduction of such interest from taxable income) or penalties, including any additions to tax because of underpayment of estimated tax, which may be assessed against Lessor in connection with such loss, disallowance or recapture of depreciation deductions or the right to claim the same.

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

(i) Lessor shall fail to claim such investment credit or depreciation deductions in its income tax returns for the appropriate years or shall fail to

follow the proper procedures in claiming such investment credit or depreciation deductions and such failure to claim or follow such procedures, as the case may be, shall preclude Lessor from claiming such investment credit or depreciation deductions;

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

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

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

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

(e) In the event a claim shall be made by the Internal Revenue Service or any state or local taxing authority which, if successful, would result in a loss of such investment credit or depreciation deductions under circumstances which would require Lessee to indemnify Lessor for such loss, Lessor hereby agrees to notify Lessee promptly of such claim, to not make payment of the tax claimed for at least 30 days after giving such notice, unless such payment or contest thereof is required by law or regulation to be made prior to the expiration of such 30-day period (in which case Lessor shall notify Lessee of such shorter period) to give to Lessee any relevant information requested by it relating to such claim which may be particularly within the knowledge of Lessor and, if Lessee shall request within 30 days after the giving of such notice that such claim be

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

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

(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 or 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 Fed-

eral income tax consequences to Lessor more favorable than the tax benefits presently existing on the date hereof.

(i) Any amount payable in accordance with this Section 14 shall be payable on Lessee's receipt of Lessor's invoice therefor. Each such invoice shall be accompanied by a detailed statement reflecting the calculation of amounts due hereunder from the head of the tax department of either of the Owners, as appropriate, that he has examined Lessor's determination of the amount due and that, in his opinion, such amount due has been properly calculated pursuant to this Section 14.

15. RETURN OF EQUIPMENT

Upon final termination of the lease term hereunder of any unit of Equipment (other than a termination under Section 11(a)), Lessee shall forthwith deliver possession of such unit to Lessor, which unit shall be in the same condition as when received, ordinary wear and tear excepted, and shall meet the standards then in effect under the applicable rules of any governmental agency or other organization with jurisdiction over such unit and the applicable standards then in effect for such unit under interchange rules of the Association of American Railroads, subject to Lessee's good faith contest, pursuant to Section 9(c) hereof, of the validity or application of any standard, law, regulation, requirement or rule, which contest is made in a reasonable manner and does not adversely affect the property or rights of Lessor. For the purpose of delivering possession of any unit or units to Lessor as above required, Lessee shall at its own cost, expense and risk:

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

(2) permit Lessor to store such units on such tracks at the risk of Lessee until such units have been sold, leased or otherwise disposed of by Lessor, provided that Lessor agrees to pay Lessee's reasonable storage charges for any storage after 90 days, and

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

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

Without in any way limiting the obligation of Lessee under the foregoing provisions of this Section 15, Lessee hereby irrevocably appoints Lessor as the agent and attorney-in-fact of Lessee, with full power and authority, at any time while Lessee is obligated to deliver possession of any unit to Lessor, to demand and take possession of such unit in the name and on behalf of Lessee from whomsoever shall be in possession of such unit at the time.

16. FINANCIAL STATEMENTS

Lessee shall furnish or cause to be furnished to Lessor, (i) within 120 days after each fiscal year of Lessee, a copy of the annual audit report of Lessee and any consolidated subsidiaries, prepared on a consolidated basis and in conformity with generally accepted accounting principles (subject to conforming railroad qualifications) applied on a basis consistent with that of the preceding year, and signed by nationally recognized independent certified public accountants, (ii) within 120 days after each fiscal year of Lessee, a copy of the ICC Rail Form R1 of Lessee for such year, prepared on an unconsolidated basis and in conformity with the Uniform System of Accounts for Railroad Companies prescribed by the ICC applied on a basis consistent with that of the preceding fiscal year, and signed by a proper accounting officer of the Lessee, (iii) within 60 days after each

quarter (except the last quarter) of each fiscal year of Lessee, a copy of its unaudited unconsolidated financial statement, prepared in conformity with the Uniform System of Accounts for Railroad Companies prescribed by the ICC and consisting of at least a balance sheet as at the close of such quarter and a profit and loss statement and analysis of surplus for such quarter and for the period from the beginning of such fiscal year to the close of such quarter, and signed by a proper accounting officer of Lessee, (iv) with the annual audit report each year, a certificate of a responsible officer of Lessee to the effect that, except as otherwise specified therein, (x) all units of Equipment are in existence and in good and efficient condition and have been marked as required by paragraph (e) of Section 9 hereof, and (y) no event of default, or event which might mature into an event of default, has occurred and is continuing under this Lease Agreement, and (v) from time to time, such other information as Lessor may reasonably request.

17. EVENTS OF DEFAULT

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

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

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

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

(iv) Lessee or any material subsidiary becomes insolvent or admits in writing its inability to pay its debts as they mature, or applies for, consents to or acquiesces in the appointment of a trustee or a receiver for Lessee or any such subsidiary or any property of

either thereof; or, in the absence of such application, consent or acquiescence, a trustee or receiver is appointed for Lessee or any such subsidiary, or for a substantial part of the property of any thereof, and is not discharged within 60 days; or any bankruptcy, reorganization, debt arrangement or other proceeding under any bankruptcy or insolvency law or any dissolution or liquidation proceeding is instituted by or against Lessee or any such subsidiary, and, if instituted against Lessee or any such subsidiary is consented to or acquiesced in by Lessee or any such subsidiary or remains for 60 days undismissed.

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

(vi) any other proceedings shall be commenced by or against Lessee for any relief which includes, or might result in, any modification of the obligations of Lessee hereunder under any bankruptcy or insolvency laws, or laws relating to the relief of debtors, readjustments of indebtedness, reorganizations, arrangements, compositions or extensions (other than a law which does not permit any readjustments of the obligations of Lessee hereunder), and, unless such proceedings shall have been dismissed, nullified, stayed or otherwise rendered ineffective (but then only so long as such stay shall continue in force or such ineffectiveness shall continue), all the obligations of Lessee under this Lease Agreement shall not have been and shall not continue to have been duly assumed in writing, pursuant to a court order or decree, by a trustee or trustees or

receiver or receivers appointed (whether or not subject to ratification) for Lessee or for the property of Lessee in connection with any such proceedings in such manner that such obligations shall have the same status as obligations incurred by such a trustee or trustees or receiver or receivers, within 30 days after such appointment, if any, or 60 days after such proceedings shall have been commenced, whichever shall be earlier.

When used herein, unless the context otherwise requires, the term "event of default" shall mean any event described in the foregoing clauses (i) through (vi) 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 tranfer to Lessee, without any representation or warranty of any kind, express or implied whatever title to such unites of Equipment it may have;

(5) by notice to Lessee, declare this Lease Agreement terminated without prejudice to Lessor's rights in respect of obligations then accrued and remaining unsatisfied; or

(6) avail itself of any other remedy or remedies provided for by any statute or otherwise available at law, in equity, or in bankruptcy or insolvency proceedings.

The remedies herein set forth or referred to shall be cumulative. The references to additional rent in clauses (3) and (4) of this paragraph (b) shall each include, without limitation, interest at the applicable rate specified, in the first paragraph of Section 4, to the date of receipt by Lessor of the amount payable under said clause, on instalments of rent owing hereunder to and including the rent payment date immediately preceding the date on which notice is given under said clause, from the respective due dates of such instalments, and interest on all other costs, expenses and losses for which Lessor is entitled to payment under said clause from the respective dates incurred by Lessor.

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

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

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

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

19. ASSIGNMENT BY LESSOR

Lessor and any direct or remote assignee of any right, title or interest of Lessor hereunder shall have the

right at any time or from time to time to assign part or all of its right, title and interest in and to this Lease Agreement. Without limiting the foregoing, Lessor and any such assignee shall have the right at any time or from time to time to transfer its right title and interest, subject to Lessee's rights under this Lease Agreement and subject to the provisions of Section 14(d)(iii), in and to any unit or units of Equipment.

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

20. LESSOR'S RIGHT TO PERFORM

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

21. RECORDING; FURTHER ASSURANCES

Lessee will, at its expense, cause this Lease Agreement and any assignment hereof to be filed and recorded with the Interstate Commerce Commission in accordance with Section 20c of the Interstate Commerce Act prior to the delivery and acceptance hereunder of any unit of Equipment. Lessee will from time to time do and perform any other act and will execute, acknowledge, deliver, file, register, record and deposit (and will refile, re-register, re-record or redeposit whenever required) any and all further instruments required by law or reasonably requested by Lessor for the purpose of proper protection, to Lessor's satisfaction, of Lessor's interest in the units, or for the purpose of carrying out the intention of this Lease Agreement or the assignment thereof by Lessor; and Lessee will promptly furnish to Lessor evidences of all such filing, registering, recording or depositing, and an opinion or opinions of counsel for Lessee with respect thereto satisfactory to Lessor.

22. PURCHASE OPTION

Lessee shall have an option (the "Purchase Option") to purchase for cash all of the Cars then under lease upon the last business day of or prior to the expiration of the lease term hereunder for such units of Equipment provided no event of default or event which might mature into an event of default has occurred and is then continuing hereunder. If Lessee desires to exercise the Purchase Option, it shall give to Lessor written notice of its election to purchase at least 90 days (and not more than 180 days) before the expiration of the lease term for such units of Equipment, stating Lessee's opinion as to the fair market value of the Equipment to be purchased, and upon expiration of such lease term, Lessee shall purchase such Equipment and shall pay to Lessor in immediately available funds the purchase price for such Equipment, determined as hereinafter provided. The purchase price of the Equipment shall be the fair market value thereof as of the date of purchase. If Lessee and Lessor are unable to agree upon the fair market value of the Equipment within 30 days after receipt by Lessor of such notice, such fair market value shall be determined by an independent appraiser selected by mutual agreement of Lessor and Lessee. The fee of such appraiser shall be paid by Lessee. Upon payment by Lessee to Lessor of the purchase price for the Equipment at such expiration, and upon payment by Lessee of all rent and any

other amounts owing to Lessor under this Lease Agreement, Lessor shall transfer to Lessee, and warranty the same title to such Equipment as was originally conveyed to Lessor.

23. RENEWAL OPTION

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

24. CERTAIN DEFINITIONS

When used herein, the term "subsidiary" shall mean a corporation of which Lessee or its other subsidiaries own, directly or indirectly, such number of outstanding shares as have the power (disregarding any voting power, solely by reason of the happening of any default, of shares of any class) to elect a majority of the board of directors. When used herein, the term "material subsidiary" shall mean any subsidiary having a net worth of at least $15,000,000.

25. CONDITIONS TO LESSOR'S OBLIGATIONS

(a) Lessor shall not be obligated hereunder unless on or before, but no more than 10 days before, the first delivery date (the "First Delivery Date") of Cars for rehabilitation pursuant to the Rehabilitation Agreement:

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

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

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

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

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

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

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

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

(3) the execution and delivery of the Hulk Purchase Agreement, the Bills 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;

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

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

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

(7) this Lease Agreement has been duly filed and recorded with the ICC pursuant to Section 20c of the Interstate Commerce Act, such filing and recording will protect Lessor's interests in and to the units of Equipment, and no further filing or recording (or giving of notice) with any other Federal, state or local government is necessary in order to protect the interests of Lessor in and to the units;

(C) an appraisal certificate (required with the first payment requested hereunder for Cars) issued by Alexander Kerr, an independent appraiser, to the effect that (I) the fair market value of the reusable component parts included in the used cars purchased by Lessor from Lessee under the Hulk Purchase Agreement was not and is not in excess of the Cars Acquisition Cost for such cars (set forth in Section 2(a) herein), (II) the fair market value of the Cars upon completion of their rehabilitation under the Rehabilitation Agreement is at least equal to the Total Cost thereof set forth in Exhibit A hereto, (III) the units of Equipment on the date of delivery thereof to Lessor upon completion of their rehabilitation under the Rehabilitation Agreement will have an estimated useful life beyond the expiration of the original term of lease for such units under this Lease Agreement equal to at least 25% of such original term, and an estimated fair market value at the end of such term of at least 20% of the Cost of such units, without including in such fair market value any increase or decrease for inflation or deflation during such term of the Lease, and (IV) setting forth the manner in which such fair market value and useful life were determined; and

(b) As a further condition to Lessor's obligation hereunder, 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 pursuant to Section 5 hereof:

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

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

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

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

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

26. MISCELLANEOUS

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

(b) Any notice hereunder shall be in writing and, if mailed, shall be deemed to be given when sent by registered or certified mail, postage prepaid, and addressed: (i) if to Lessee, at its address shown below, (ii) if to Lessor, at 79 South Main Street, Salt Lake City, Utah 84111, attention of Corporate Trust Division, with a copy to Itel Capital Services Corporation, One Embarcadero Center, San Francisco, California, 94111, attention of Contract Administration, or (iii) to any party at such other address as it may, by written notice received by the others, designate as its address for purposes of notice hereunder.

(c) If this Lease Agreement or any provision hereof shall be deemed invalid, illegal, or unenforceable in any respect or in any jurisdiction, the validity, legality and enforceability of this Lease Agreement in other respects and other jurisdictions shall not be in any way impaired or affected thereby. Each of the parties hereto acknowledges that the other party shall not by act, delay, omission or otherwise be deemed to have waived any of its rights or remedies under this Lease Agreement unless such waiver is in writing, and such writing shall be binding only to the extent therein provided and only upon the party signing it. A waiver on any one occasion shall not be construed as a waiver on any future occasion. Without limiting the foregoing, Lessor's rights and Lessee's duties shall in no way be

affected by Lessor's inspection of, or failure to inspect, the Equipment or any of the documents referred to in this Lease Agreement or by Lessor's failure to inform Lessee of any failure to comply with any of Lessee's obligations under this Lease Agreement. Lessee hereby waives any right to assert that Lessor cannot enforce this Lease Agreement or that this Lease Agreement is invalid because of any failure of Lessor to qualify to do business in any jurisdiction. This Lease Agreement has been delivered for acceptance by Lessee in Chicago, Illinois, shall be governed by the laws of the State of Illinois, shall be binding upon Lessor and Lessee and their respective successors and assigns, and shall inure to the benefit of Lessor and Lessee and the successors and assigns of Lessor.

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

(e) Whenever the term "Lessor" is used in this Lease it shall mean First Security Bank of Utah, National Association not in its individual capacity but solely as trustee, any assignee, in whole or in part, of the rights of the Lessor hereunder, including any Secured Party, and, as appropriate, the Owners.

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

It is expressly understood and agreed by and between the parties hereto, anything in this Agreement to the contrary notwithstanding, that each and all of the representations, undertakings and agreements herein made on the part of the Lessor are each and every one of them made and intended not as personal representations, undertakings and agreements by First Security Bank of Utah, National Association or for the purpose or with the intention of binding the said bank personally but are made and intended

for the purpose of binding only the Trust Estates as such term is used in the Trust Agreement, and this Agreement is executed and delivered by the said bank solely in the exercise of the powers expressly conferred upon the said bank as trustee under the Trust Agreement; and that no personal liability or personal responsibility is assumed by or shall at any time be asserted or enforceable against the said bank (except for the willful misconduct or gross negligence of said bank) or on account of any representation, undertaking or agreement of the Lessor or the Owners, either expressed or implied, all such personal liability, if any being expressly waived and released by the Lessee and by all persons claiming by, through or under the Lessee; provided, however, that the Lessee or any person claiming by, through or under the Lessee, making claim hereunder, may look to said Trust Estates for satisfaction of the same.

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

ILLINOIS CENTRAL GULF RAILROAD COMPANY, Lessee,

By

_____

(Corporate Seal)

Attest:

_____

FIRST SECURITY BANK OF UTAH, NATIONAL ASSOCIATION, not in its individual capacity, but solely as trustee, Lessor,

By

Authorized Officer

(Seal)

Attest:

Authorized Officer

for the purpose of binding only the Trust Estates as such term is used in the Trust Agreement, and this Agreement is executed and delivered by the said bank solely in the exercise of the powers expressly conferred upon the said bank as trustee under the Trust Agreement; and that no personal liability or personal responsibility is assumed by or shall at any time be asserted or enforceable against the said bank (except for the willful misconduct or gross negligence of said bank) or on account of any representation, undertaking or agreement of the Lessor or the Owners, either expressed or implied, all such personal liability, if any being expressly waived and released by the Lessee and by all persons claiming by, through or under the Lessee; provided, however, that the Lessee or any person claiming by, through or under the Lessee, making claim hereunder, may look to said Trust Estates for satisfaction of the same.

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

ILLINOIS CENTRAL GULF RAILROAD COMPANY, Lessee,

By

VICE PRESIDENT

(Corporate Seal)

Attest:

SECRETARY

FIRST SECURITY BANK OF UTAH, NATIONAL ASSOCIATION, not in its individual capacity, but solely as trustee, Lessor,

By

Authorized Officer

(Seal)

Attest:

Authorized Officer

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

On this 8th day of July 1977, before me personally appeared G. C. KONKEL, 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.

Robert H. Hughes
Notary Public

(Seal)

My Commission Expires: NOV 23 1980

STATE OF UTAH,)
) ss.:
COUNTY OF SALT LAKE,)

On this day of 1977, before me personally appeared , to me personally known, who being by me duly sworn, says that he is of FIRST SECURITY BANK OF UTAH, NATIONAL ASSOCIATION, that one of the seals affixed to the foregoing instrument is the seal of said national banking association, that said instrument was signed and sealed on behalf of said national banking association by authority of its Board of Directors; and he acknowledged that the execution of the foregoing instrument was the free act and deed of said national banking association.

Notary Public

(Seal)

My Commission Expires:

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

On this day of 1977, before me personally appeared , to me personally known, who being by me duly sworn, says that he is a Vice President of ILLINOIS CENTRAL GULF RAILROAD COMPANY, that one of the seals affixed to the foregoing instrument is the corporate seal of said corporation, that said instrument was signed and sealed on behalf of said corporation by authority of its Board of Directors; and he acknowledged that the execution of the foregoing instrument was the free act and deed of said corporation.

Notary Public

(Seal)

My Commission Expires:

STATE OF UTAH,)
) ss.:
COUNTY OF SALT LAKE,)

On this 1st day of July 1977, before me personally appeared Robert S. Clark, to me personally known, who being by me duly sworn, says that he is Authorized Officer of FIRST SECURITY BANK OF UTAH, NATIONAL ASSOCIATION, that one of the seals affixed to the foregoing instrument is the seal of said national banking association, that said instrument was signed and sealed on behalf of said national banking association by authority of its Board of Directors; and he acknowledged that the execution of the foregoing instrument was the free act and deed of said national banking association.

Hazel V. Lloyd
Notary Public

(Seal)

My Commission Expires: June 10, 1980

EXHIBIT A

CARS

Car Type	Unit Rehabilitation Cost	Unit Car Acquisition Cost	Total Unit Cost of Car	Lessee's Car Numbers (Inclusive)
70-ton Insulated Box	$17,250	$6,250	$23,500	ICG 150325-150394
70-ton CUF Box	14,000	6,000	20,000	ICG 593000-593099; ICG 593200-593349
70-ton CUF Box	14,900	5,200	20,100	ICG 593500-593699
70-ton Woodchip Hopper	9,800	4,900	14,700	ICG 866400-866409
70-ton 41' Covered Hopper	9,100	5,100	14,200	ICG 705100-705119
70-ton 65' Gondola	11,000	4,500	15,500	ICG 247100-247124
100-ton Covered Hopper	14,100	6,000	20,100	ICG 729000-729024
70-ton CUF D/D Box	16,900	5,500	22,400	ICG 593800-593849
70-ton SUF D/D Box	19,000	5,000	24,000	ICG 569000-569049
70-ton 60' Flat	9,000	4,200	13,200	ICG 910300-910349

CUF--Cushioned Underframe

SUF--Standard Underframe

D/D--Double Door

EXHIBIT B

CERTIFICATE OF ACCEPTANCE

First Security Bank of Utah,
National Association
79 South Main Street
Salt Lake City, Utah 84111

Gentlemen:

1. The undersigned officer of Illinois Central Gulf Railroad Company is your authorized representative designated under the Rehabilitation Agreement dated as of July 1, 1977 (the "Rehabilitation Agreement"), between you and Illinois Central Gulf Railroad Company (the "Railroad Company"). As such authorized representative, the undersigned hereby represents and certifies to you as follows:

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

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

2. The undersigned Illinois Central Gulf Railroad Company (the "Lessee"), is the lessee under the Lease Agreement dated as of July 1, 1977 (the "Lease Agreement"), between you and the Lessee. As such Lessee, we hereby request you to pay the attached invoices for the rehabilitation and delivery of the cars described below. We hereby represent and certify to you that the cars described below have been delivered to us, as Lessee under the Lease Agreement, on the dates indicated and have been duly inspected and are hereby accepted by us for lease under the Lease Agreement.

3. This Certificate of Acceptance shall be and become a part of the Lease Agreement, and the cars described

below are hereby declared to be leased by us thereunder. The Lease Agreement was filed and recorded with the Interstate Commerce Commission on , 1977, at : .m. with Recordation No. .

Officer and authorized representative, as aforesaid, and signing as to the matters in paragraph 1 above
Dated: , 1977

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

by

Its
Dated: , 1977

Accepted:

FIRST SECURITY BANK OF UTAH, NATIONAL ASSOCIATION, not in its individual capacity, but solely as trustee under a trust agreement dated as of July 1, 1977, with NB5 Financial Services and The Budd Leasing Corp.

by

Dated: , 1977

DESCRIPTION OF CARS

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

EXHIBIT C

STIPULATED LOSS VALUE
FOR
CARS

"Stipulated Loss Value" of any Car as of a particular date shall mean the product derived from multiplying (i) the percentage figure opposite the notation for the appropriate rental period set forth in Table 1, as increased by the applicable percentage pursuant to Table 2, by (ii) Lessor's Cost of Cars applicable to such Car. Stipulated Loss Value does not include any amounts for which Lessor may be entitled to indemnification under Sections 13 and 14 of the Lease Agreement.

TABLE 1

		%
On or before January 15, 1978		93.7779
Thereafter, But On or Before Rent Payment Date No.	1	93.2448
Thereafter, But On or Before Rent Payment Date No.	2	92.3269
Thereafter, But On or Before Rent Payment Date No.	3	91.1177
Thereafter, But On or Before Rent Payment Date No.	4	89.6371
Thereafter, But On or Before Rent Payment Date No.	5	87.8916
Thereafter, But On or Before Rent Payment Date No.	6	85.8918
Thereafter, But On or Before Rent Payment Date No.	7	83.6422
Thereafter, But On or Before Rent Payment Date No.	8	81.1546
Thereafter, But On or Before Rent Payment Date No.	9	78.4334
Thereafter, But On or Before Rent Payment Date No.	10	75.4900
Thereafter, But On or Before Rent Payment Date No.	11	72.3448
Thereafter, But On or Before Rent Payment Date No.	12	69.0571

	%
Thereafter, But On or Before Rent Payment Date No. 13	65.6283
Thereafter, But On or Before Rent Payment Date No. 14	62.0519
Thereafter, But On or Before Rent Payment Date No. 15	58.3210
Thereafter, But On or Before Rent Payment Date No. 16	54.4285
Thereafter, But On or Before Rent Payment Date No. 17	50.3670
Thereafter, But On or Before Rent Payment Date No. 18	46.1364
Thereafter, But On or Before Rent Payment Date No. 19	41.8249
Thereafter, But On or Before Rent Payment Date No. 20	37.4760
Thereafter, But On or Before Rent Payment Date No. 21	33.1073
Thereafter, But On or Before Rent Payment Date No. 22	28.7578
Thereafter, But On or Before Rent Payment Date No. 23	24.3831
Thereafter, But On or Before Rent Payment Date No. 24	20.0000
Thereafter	20.0000

TABLE 2

The percentages set forth in Table 1 of this Exhibit B have been computed without regard to recapture of the investment credit (as referred to in Section 14 of the Lease Agreement). Consequently, the Stipulated Loss Value of any Car suffering an event of loss on or before the third, fifth or seventh anniversary of the date of delivery of such Car shall be increased by the applicable percentage figure set forth below:

Anniversary of Delivery and Acceptance	%
Third	14.2557
Fifth	9.5038
Seventh	4.7519

EXHIBIT D

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

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