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May 1, 1980

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FEDERAL BUREAU OF INVESTIGATION
WASHINGTON, D.C.

No. 122A-03
Date MAY 1 1980
Fee \$ 60.00
DC Washington, D.C.

Agatha L. Mergenovich, Secretary
Interstate Commerce Commission
Washington, D.C. 20423

Dear Madam:

Enclosed for recordation under the provisions of 49 U.S.C. §11303(a) are two counterparts of a Conditional Sale Agreement dated as of September 30, 1979 and a Conditional Sale Agreement Supplement No. 1 thereto ("Documents").

The names and addresses of the parties to the Documents are, as follows:

- VENDOR: Continental Illinois National Bank and Trust Company of Chicago
231 South LaSalle Street
Chicago, Illinois 60693
- VENDEE: Illinois Central Gulf Railroad Company
233 North Michigan Avenue
Chicago, Illinois 60601

A general description of the railroad equipment covered by the Documents is set forth in the attached Schedule I to Conditional Sale Agreement Supplement No. 1.

The undersigned is agent for the Vendor named above for the purpose of recording the Documents and has knowledge of the matters set forth therein.

FEE OPERATIONAL
MAY 1 1980

Agatha L. Mergenovich
Secretary

Agatha L. Mergenovich, Secretary
May 1, 1980
Page Two

Please return the counterparts of the Documents not needed for recordation purposes to Cary J. Malkin, Esq., Mayer, Brown & Platt, 231 South LaSalle Street, Chicago, Illinois 60604 or to the bearer hereof.

Also enclosed is a check in the amount of \$60.00 payable to the order of the Interstate Commerce Commission covering the required recordation fees.

Very truly yours,

ALVORD AND ALVORD
Agent for Continental Illinois
National Bank and Trust Company
of Chicago

By Charles T. Kappler
Charles T. Kappler

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INTERSTATE COMMERCE COMMISSION

ILLINOIS CENTRAL GULF
RAILROAD COMPANY

CONDITIONAL SALE
AGREEMENT
DATED AS OF SEPTEMBER 30, 1979

CONTINENTAL ILLINOIS NATIONAL BANK
AND TRUST COMPANY OF CHICAGO

INDEX TO
CONDITIONAL SALE AGREEMENT

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EXHIBITS

- EXHIBIT A - Form of Conditional
Sale Agreement Supplement
(See Article 1)
- EXHIBIT B - Form of Certificate of Acceptance
(See Article 2)
- EXHIBIT C - Litigation (See Article
3(e))
- EXHIBIT D - Subsidiaries (See
Article 3(f))
- EXHIBIT E - Form of Opinion of P. W.
Johnston, Jr., Esq.
(See Article 4(a)(x))
- EXHIBIT F - Form of Compliance Certificate
(See Article 4(a)(xii))

CONDITIONAL SALE AGREEMENT, dated as of September 30, 1979, between CONTINENTAL ILLINOIS NATIONAL BANK AND TRUST COMPANY OF CHICAGO (herein called the "Vendor") and ILLINOIS CENTRAL GULF RAILROAD COMPANY, a Delaware corporation (herein called the "Railroad").

WHEREAS, Mississippi Valley Company, a Delaware corporation (herein called the "Selling Subsidiary"), and the Railroad intend from time to time to sell and deliver Equipment (as hereinafter defined) to the Vendor; and

WHEREAS, the Vendor has agreed to sell and deliver to the Railroad, and the Railroad has agreed to purchase, the Equipment;

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

Article 1. Certain Definitions. Certain terms not otherwise defined in this Agreement shall have the following meanings:

"Agreement" shall mean this Conditional Sale Agreement, as the same may be amended or supplemented (including as supplemented by Supplements) from time to time.

"Annual Payment Date" shall have the meaning given thereto in Article 5 hereof.

"Annual Period" shall mean the period from and including January 1 to and including December 31, with the first such period commencing on January 1, 1980.

"Base Value" shall mean, for each unit of Equipment, 75% of the Market Value of such unit.

"Casualty Occurrence" shall have the meaning given thereto in Article 9 hereof.

"Certificate of Acceptance" shall mean a certificate of the Railroad in the form of Exhibit B hereto.

"Code" shall mean the Internal Revenue Code of 1954, as amended.

"Closing Date" shall mean the date when all requirements listed in Article 4 hereof for a Supplement have been met by the Railroad.

"Commitment Fee" shall mean an amount equal to 1/2 of 1% per annum on the daily average of (i)(A) \$25,000,000 (or

such reduced amount as may be fixed by the Railroad pursuant to the fifth paragraph of Article 5 hereof) minus (ii) the Principal, payable quarterly for the preceding three calendar months as more fully provided in Article 5 hereof.

"Compliance Certificate" shall mean a certificate of the Company in the form of Exhibit F hereto, with such changes therein as the Vendor from time to time may reasonably request for the purpose of having such certificate more fully disclose the matters required to be certified therein and the method of computation thereof.

"Conditional Sale Price Base" shall mean the lesser of (i) \$25,000,000 (or such reduced amount as may be fixed by the Railroad pursuant to the fifth paragraph of Article 5 hereof) or (ii) the aggregate Base Value of all Equipment subjected to Supplements.

"Consolidated Mortgage" shall mean the Consolidated Mortgage, dated November 1, 1949, from Illinois Central Railroad Company to Guaranty Trust Company of New York, as Trustee, as from time to time hereafter amended or supplemented.

"Employee Benefit Plan" shall have the meaning set forth in Section 3(3) of ERISA.

"Equipment" shall mean items of railroad rolling stock (other than passenger or work equipment of types other than locomotives) described in one or more Supplements hereto.

"ERISA" shall mean the Employee Retirement Income Security Act of 1974.

"Event of Default" shall mean any of the events described in Article 19 hereof.

"ICC" shall mean the Interstate Commerce Commission of the United States of America or any successor thereto.

"Independent Appraiser" shall have the meaning given thereto in Article 4(a)(iv) hereof.

"Market Value" shall mean for each unit of the Equipment an amount equal to the market value thereof (as determined by an Independent Appraiser).

"Plan" shall mean any plan described in Section 4021(a) of ERISA and not excluded pursuant to Section 4021(b) thereof under which the Railroad or any Related Company has contributed.

"Prime Rate" shall mean the rate per annum from time to time announced by the Vendor for 90-day unsecured commercial

loans made at Chicago, Illinois to large commercial borrowers of the highest credit standing.

"Principal" shall mean, at any date, (i) the lesser of the Conditional Sale Price Base or the Vendor Purchase Price, minus (ii) that portion of the amount described in clause (i) of this definition which has been previously paid to the Vendor by the Railroad pursuant to this Agreement.

"Related Company" shall mean any trade or business, whether or not incorporated, which, together with the Railroad, is under common control as described in Section 414(c) of the Code.

"Service Fee" shall mean an amount equal to 7% of the Prime Rate from time to time in effect times \$25,000,000 (or such reduced amount as may be fixed by the Railroad pursuant to the fifth paragraph of Article 5 hereof), payable quarterly in advance for the next succeeding quarterly period as more fully provided in Article 5 hereof; provided, that if the Railroad reduces the maximum potential amount of the Conditional Sale Price Base pursuant to the fifth paragraph of Article 5 hereof at any time during the quarter following the payment of such Service Fee and the Railroad shall have paid to the Vendor all amounts then payable by the Railroad hereunder, the Vendor will pay to the Railroad promptly after the close of such quarter the excess, if any, of the Service Fee paid to the Vendor for such quarter over the Service Fee which would have been payable for such quarter to the Vendor on the basis of the daily average of the maximum potential amount of the Conditional Sale Price Base during such quarter.

"Subsidiary" shall mean any corporation of which more than 50% (by number of votes) of the Voting Stock is owned by the Railroad or one or more corporations which are themselves Subsidiaries of the Railroad within the meaning of this definition.

"Supplement" shall mean a Conditional Sale Agreement Supplement in the form of Exhibit A hereto which may be executed and delivered from time to time by the Vendor and the Railroad.

"Unmatured Event of Default" shall mean any event which, if it continues uncured will, with lapse of time or notice or lapse of time and notice, constitute an Event of Default.

"Vendor Purchase Price" shall mean, at any date, the amount then and theretofore paid by the Vendor to the Selling Subsidiary and the Railroad, as appropriate, for the purchase of the Equipment.

"Voting Stock" shall mean securities of any class or classes, the holders of which are ordinarily entitled to elect a majority of the corporate directors (or persons performing similar functions).

Article 2. Sale and Delivery. Pursuant to this Agreement, the Vendor from time to time will sell and deliver to the Railroad, and the Railroad from time to time will purchase from the Vendor and accept delivery of and pay for (as hereinafter provided), the Equipment identified in Supplements which may be executed and delivered from time to time. The unit or units of Equipment subject to a Supplement shall be presented to an inspector of the Railroad for inspection, and if each such unit is found to be in good order, such inspector or an authorized representative of the Railroad shall execute and deliver to the Vendor a Certificate of Acceptance stating that such unit or units have been inspected and accepted on behalf of the Vendor and are marked in accordance with Article 8 hereof.

On delivery of each such unit hereunder at the place specified for delivery, the Railroad will assume the responsibility and risk of, and shall not be released from its obligations hereunder in the event of, any damage to or the destruction or loss of such unit.

Article 3. Warranties of the Railroad. To induce the Vendor to make the sale hereunder, the Railroad warrants to the Vendor that:

(a) Corporate Existence, etc. It is a corporation duly existing and in good standing under the laws of the State of Delaware; each Subsidiary is a corporation duly existing and in good standing under the laws of the State of its respective incorporation; each of the Railroad and each Subsidiary has all requisite power and authority and all necessary licenses and permits to own and operate its properties and to carry on its business as now conducted and as presently proposed to be conducted; and each of the Railroad and each Subsidiary has duly qualified and is authorized to do business and is in good standing as a foreign corporation in each jurisdiction where the character of its properties or the nature of its activities makes such qualification necessary.

(b) Power, Authorization, etc. The execution, delivery and performance by the Railroad of this Agreement and the other transactions contemplated in connection herewith (i) are within the corporate powers of the Railroad, (ii) have been duly authorized by all necessary corporate action (including, without limitation, all necessary shareholder action) of the Railroad, (iii) have received, or the Railroad has given, as

appropriate, all necessary consents, approvals or authorizations of, or notices to, any Federal or State governmental authorities or regulatory bodies, (iv) do not and will not conflict with, result in a violation of, or constitute a default under, any provision of law, or of the charter or by-laws of the Railroad or of any agreement or indenture or court or administrative decree or order binding upon or applicable to the Railroad, and (v) do not and will not subject any of the Equipment to any claims, liens, security interests or other encumbrances created by the Consolidated Mortgage or any other indenture or agreement binding upon the Railroad (except liens of the Vendor pursuant to this Agreement). Without limiting the foregoing, the Railroad has in the negotiation, execution and delivery of this Agreement complied in all respects with (A) the competitive bidding requirements of 15 U.S.C. § 20 and the regulations prescribed by the ICC in 49 C.F.R. Part 1010 pursuant to 15 U.S.C. § 20 and (B) 111-2/3 111. Rev. Stat. §§ 8a and 27(c).

(c) Binding Obligation. This Agreement is the legal, valid and binding obligation of the Railroad enforceable in accordance with its terms.

(d) Financial Statements. Its audited consolidated financial statement as at December 31, 1978 and its unaudited consolidated financial statement as at June 30, 1979, copies of which have been furnished to the Vendor, have been prepared in conformity with generally accepted accounting principles (subject to conforming railroad qualifications) applied on a basis consistent with that of the preceding fiscal year, and accurately present the financial condition of the Railroad and its Subsidiaries as at such dates and the results of their operations for the periods then ended, and since such dates there has been no material adverse change in their financial condition or operations.

(e) Litigation. Except as described in Exhibit C, no litigation (including, without limitation, derivative actions), arbitration proceedings or governmental proceedings are pending or threatened against the Railroad or any Subsidiary which will materially and adversely affect the consolidated financial condition or continued operations of the Railroad and its Subsidiaries. Other than any liability incident to such litigation or proceedings, neither the Railroad nor its Subsidiaries have any material contingent liabilities not provided for or disclosed in the financial statements referred to in paragraph (d) of this Article 3.

(f) Subsidiaries. It has no Subsidiaries except those listed on Exhibit D.

(g) ERISA. To the best knowledge of the Railroad, no Reportable Event (as described in Section 4043(b) of ERISA) currently under consideration by the Pension Benefit Guaranty Corporation (herein called the "PBGC") may reasonably result in any material liability to the PBGC with respect to any Plan, and neither the Railroad nor any Related Company has incurred any liability to the PBGC under Sections 4062, 4063 or 4064 of ERISA.

(h) Margin Stock. The Railroad is not engaged principally, or as one of its important activities, in the business of extending credit for the purpose of purchasing or carrying margin stock (within the meaning of Regulation U of the Board of Governors of the Federal Reserve System).

(i) Holding Company. Neither the Railroad nor any Subsidiary is a "holding company", or a "subsidiary company" of a "holding company", or an "affiliate" of a "holding company" or of a "subsidiary company" of a "holding company", within the meaning of the Public Utility Holding Company Act of 1935, as amended.

Article 4. Conditions to Obligations of the Vendor. The obligation of the Vendor from time to time to purchase items from the Selling Subsidiary or the Railroad and sell and deliver the Equipment to the Railroad is subject to the following conditions precedent:

(a) Notice. The Vendor shall have received at least five days' written notice of the Railroad's desire to purchase Equipment with an aggregate Market Value of at least \$5,000,000.

(b) Closing Documents. In addition to the conditions precedent specified in paragraph (c) of this Article 4, the Vendor shall have received each of the following, dated the Closing Date (or such other date acceptable to the Vendor) and in form and substance satisfactory to the Vendor:

(i) Supplement. A Supplement;

(ii) Bills of Sale. Bills of sale from the Selling Subsidiary or the Railroad, as appropriate, transferring all its right, title and interest in and to the Equipment to the Vendor and warranting to the Vendor that at the time of delivery of each unit of Equipment to the Vendor, the Selling Subsidiary or the Railroad, as appropriate, had legal title to such unit and good and lawful right to sell the same and title to such unit was, at the time of such delivery, free from all claims, liens, security interests and other encumbrances of any nature whatsoever;

(iii) Certificate of Acceptance. A Certificate of Acceptance for the Equipment from the Railroad as contemplated by Article 2 of this Agreement dated the Closing Date and addressed to the Vendor;

(iv) Appraiser. An opinion of Alexander Kerr, C.F.A. or other independent appraiser satisfactory to the Vendor (herein called the "Independent Appraiser"), dated not more than one year before the Closing Date, stating: (A) that he has knowledge of the units of Equipment; (B) the Market Value and useful life of each unit of Equipment; and (C) that the aggregate Market Value of all Equipment subject to the Supplement is at least equal to 132% of the Vendor Purchase Price as of the Closing Date;

(v) Secretary's Certificate as to Resolutions. A certificate of the Secretary or an Assistant Secretary of the Railroad as to resolutions of the Board of Directors of the Railroad authorizing or ratifying the execution, delivery and performance of this Agreement and the Supplements;

(vi) Approvals. Certified copies of all documents evidencing any necessary corporate action, consents and governmental approvals (including, without limitation, the approval of the Illinois Commerce Commission pursuant to 111-2/3 Ill. Rev. Stat. §§ 8a and 27(c)) with respect to this Agreement and the other transactions contemplated hereunder or in connection herewith.

(vii) Officers and Incumbency. A certificate of the Secretary or an Assistant Secretary of the Railroad certifying the names of the officer or officers of the Company authorized to sign this Agreement and other documents provided for in this Agreement (including, without limitation, Certificates of Acceptance) together with a sample of the true signature of each such officer.

(viii) Insurance. Certified copies of, or original certificates of insurance with respect to, all insurance policies required to be maintained with respect to the Equipment.

(ix) Filings and Recordations. Proof that this Agreement and all Supplements hereto (and/or financing statements or similar notice thereof if and to the extent permitted or required by applicable law), have been duly filed, recorded or deposited with the ICC in accordance with Section 11303 of the Interstate Commerce Act, the Secretary of State of Illinois, the Registrar General

of Canada pursuant to Section 86 of the Railway Act of Canada (with notice of such deposit to be published in The Canada Gazette) and in such other places as the Vendor may reasonably request.

(x) Opinion of Railroad's Counsel. An opinion of P. W. Johnston, Jr., Esq., Vice President-Law of the Railroad, in the form of Exhibit E.

(xi) Opinions of ICC and Canadian Counsel. An opinion of Messrs. Alvord and Alvord, special ICC counsel, and Messrs. McCarthy & McCarthy, special Canadian counsel.

(xii) Compliance Certificate. A Compliance Certificate dated the Closing Date and containing computations which are not more than thirty days old.

(xiii) Other Items. Such other certificates, documents, opinions and further assurances as the Vendor shall have reasonably requested.

(c) Further Conditions. The obligation of the Vendor to make any purchase and sale of Equipment on any Closing Date is subject to the following further conditions precedent that:

(i) Default. No Event of Default or Unmatured Event of Default shall have occurred and be continuing.

(ii) Warranties. The warranties of the Railroad contained in Article 3(a), (b), (c), (f), (g), (h) and (i) shall be true and correct as of the Closing Date with the same effect as though made on such Closing Date.

(iii) Net Worth. The Railroad's net worth, based on the most recent quarterly report furnished to the Vendor pursuant to Article 15(b), shall not have declined by 10% or more from the quarter prior to the period of such quarterly report.

(iv) Litigation. No litigation (including, without limitation, derivative actions), arbitration proceedings or governmental proceedings not disclosed in writing by the Railroad to the Vendor prior to the date of the last previous Closing Date hereunder (or, in the case of the initial Closing Date, in Exhibit C) shall be pending or known to be threatened against the Railroad or any Subsidiary, and no material development not so disclosed shall have occurred in any litigation (including, without limitation, derivative actions), arbitration proceedings or governmental proceedings so disclosed, which in the

opinion of the Vendor is likely to materially adversely affect the financial position or business of the Railroad or impair the ability of the Railroad to perform its obligations under this Agreement.

(v) Certification. The Vendor shall have received a certificate of the President, any Vice President or the Treasurer of the Railroad as to the matters set forth in clauses (i) through (iv) of this subsection (c) and such other documents as the Vendor may request in support thereof.

Article 5. Principal and Payment, etc. Subject to the terms and conditions hereof, the Railroad may from time to time purchase Equipment hereunder. The Railroad hereby acknowledges itself to be indebted to the Vendor in the amount of the Principal and hereby promises to pay to the Vendor at such place as the Vendor may designate: (i) on December 31 of each Annual Period (herein called the "Annual Payment Date"), commencing December 31, 1981 until December 31, 1985 an amount equal to 6.67% of the then Principal (herein such amount is called the "Annual Installment Payment"); provided, however, that if during the Annual Period to which the Annual Installment Payment relates the Vendor has purchased from the Selling Subsidiary or the Railroad and sold to the Railroad additional Equipment pursuant to Supplements, the Annual Installment Payment required for that Annual Period shall be reduced by the aggregate Base Value of such additional Equipment; and (ii) on December, 1985 an amount equal to the then remaining portion of the Principal.

The Principal shall bear interest (a)(i) from September 30, 1979, through December 31, 1981 at the Prime Rate from time to time in effect, (ii) from January 1, 1982 through December 31, 1983 at the sum of (A) 1/4 of 1% plus (B) the Prime Rate from time to time in effect, and (iii) from January 1, 1984 until maturity, at the sum of (A) 1/2 of 1% plus (B) the Prime Rate from time to time in effect; and (b) after maturity, whether by acceleration or otherwise, until paid at the sum of (A) 1-1/2% plus (B) the Prime Rate from time to time in effect (but not less than the Prime Rate in effect at maturity). Such interest shall be payable, to the extent accrued, on March 31, June 30, September 30 and December 31 in each year, commencing December 31, 1979. The Commitment Fee shall be payable (i) on March 31, June 30, September 30 and December 31 in each year for the preceding three calendar months, commencing December 31, 1979, and (ii) on December 31, 1985 for any period then ending for which the Commitment Fee shall not have been theretofore paid. The Service Fee shall be payable on March 31, June 30, September 30 and December 31 in each year in advance for the next succeeding quarterly period, commencing December 31, 1979.

The provisions of this Article 5 are subject to the provisions of Article 16(b).

All interest and fees under this Agreement shall be calculated on the basis of a 360-day year of twelve 30-day months.

All payments provided for in this Agreement shall be made in immediately available funds. The Railroad may prepay any portion of the Principal prior to the date it becomes due; provided, however, that any such prepayment must be in an integral multiple of \$10,000 but not less than \$5,000,000. Any such prepayment must be accompanied by interest accrued thereon to the date of such prepayment. Any such prepayment shall be so applied to reduce installments of the principal thereafter falling due in the inverse order of maturity thereof. The making of a prepayment under this paragraph shall not prevent the Railroad from making future purchases hereunder.

The Railroad may from time to time on at least 10 days' prior written notice received by the Vendor reduce the maximum potential amount of the Conditional Sale Price Base, but only upon repayment of the amount, if any, by which the Principal exceeds such reduced maximum potential amount. Any such reduction shall be in an integral multiple of \$10,000 but not less than \$5,000,000. Any prepayment required hereunder as a result of such reduction must be accompanied by interest accrued thereon to the date of such prepayment. Any such prepayment shall be applied to reduce installments of the Principal thereafter falling due in the inverse order of maturity thereof.

In the event the Vendor, pursuant to Article 18 hereof, assigns all or a portion of the right to receive the payments herein provided to be made by the Railroad, the assignee or the assignees thereof may request the Railroad to make and the Railroad shall make such payments to it at such address as shall be supplied to the Railroad by the assignee.

Article 6. Taxes. All payments to be made by the Railroad hereunder will be free of expense to the Vendor for collection or other charges and will be free of expense to the Vendor with respect to the amount of any local, state, federal or foreign taxes (other than net income, gross receipts (except gross receipts taxes in the nature of or in lieu of sales or use taxes), excess profits and similar taxes levied on the Vendor) or license fees, assessments, charges, fines or penalties hereafter levied or imposed upon or in connection with or measured by, this Agreement or any sale, use, payment, shipment, delivery or transfer of title under the terms hereof or in

connection herewith (all such expenses, taxes, license fees, assessments, charges, fines and penalties being herein called "Impositions"), all of which Impositions the Railroad assumes and agrees to pay on demand. The Railroad will also pay promptly all Impositions which may be imposed upon the Equipment delivered to it or for the use or operation thereof or upon the earnings arising therefrom or upon the Vendor solely by reason of its interest therein and will keep at all times all and every part of the Equipment free and clear of all Impositions which might in any way affect the security interest of the Vendor or result in a lien upon any part of the Equipment; provided, however, that the Railroad shall be under no obligation to pay any Impositions of any kind so long as (i) it is contesting in good faith and by appropriate legal proceeding such Impositions, (ii) it has established and maintained an adequate reserve therefor in accordance with generally accepted accounting principles, and (iii) the nonpayment thereof does not, in the opinion of the Vendor, adversely affect the interest or rights of the Vendor in or to the Equipment or otherwise under this Agreement. If any such Impositions shall have been charged or levied against the Vendor directly and paid by the Vendor, the Railroad shall reimburse the Vendor upon presentation of an invoice therefor, and any amounts so paid by the Vendor shall be secured by and under this Agreement.

Article 7. Security Interest in the Equipment. The Vendor shall and hereby does retain a security interest in the Equipment until the Railroad shall have made all its payments under this Agreement and shall have kept and performed all its agreements herein contained, notwithstanding the delivery of the Equipment to and the possession and use thereof by the Railroad as provided in this Agreement. Any and all additions to the Equipment, any and all replacements of the Equipment and of parts thereof and additions thereto, shall constitute accessions to the Equipment and shall be subject to all the terms and conditions of this Agreement and included in the term "Equipment" as used in this Agreement.

Except as otherwise specifically provided in Article 9 hereof, when and only when the full Principal, together with Interest and all other payments as herein provided, shall have been paid, and all the Railroad's obligations herein and in the Supplements contained shall have been performed by the Railroad, shall absolute right to the possession of, title to and property in the Equipment pass to and vest in the Railroad without further transfer or action on the part of the Vendor. The Vendor, however, if so requested by the Railroad at that time, will (a) execute a bill or bills of sale (without warranties or representations of any kind or nature whatsoever) for the Equipment transferring and releasing its interest therein to the Railroad or upon its order, free of all liens, security

interests and other encumbrances created or retained hereby, (b) deliver such bill or bills of sale to the Railroad at its address referred to in Article 24 hereof and (c) execute and deliver at the same place, for filing, recording or depositing in all necessary public offices, such instrument or instruments in writing as may be necessary or appropriate in order then to make clear upon the public records the release of the security interest of the Vendor in the Equipment. The Railroad hereby waives and releases any and all rights, existing or that may be acquired, in or to the payment of any penalty, forfeit or damages for failure to execute and deliver such bill or bills of sale or instrument or instruments or to file any certificate of payment in compliance with any law or statute requiring the filing of the same, except for failure to execute and deliver such bill or bills of sale or instrument or instruments or to file such certificate within a reasonable time after written demand by the Railroad.

Article 8. Marking of the Equipment. The Railroad will cause each unit of the Equipment to be kept numbered with its identifying number as set forth in the appropriate Supplement, and will keep and maintain, plainly, distinctly, permanently and conspicuously marked on each side of each unit, in letters not less than one inch in height, the legend: "SUBJECT TO A CONDITIONAL SALE AGREEMENT FILED UNDER SECTION 11303 OF THE INTERSTATE COMMERCE ACT", or other appropriate markings approved by the Vendor, with appropriate changes thereof and additions thereto as from time to time may be required by law in order to protect the Vendor's interest in the Equipment and its rights under this Agreement. The Railroad will not place any such unit in operation or exercise any control or dominion over the same until such markings have been made thereon and will replace promptly any such markings which may be removed, defaced or destroyed. The Railroad will not change the number of any unit of the Equipment except in accordance with a statement of new number or numbers to be substituted therefor, which statement previously shall have been filed with the Vendor by the Railroad and filed, recorded and deposited by the Railroad in all public offices where this Agreement or notice hereof shall have been filed, recorded and deposited.

Except as provided in the immediately preceding paragraph, the Railroad will not allow the name of any person, association or corporation to be placed on any unit of the Equipment as a designation that might be interpreted as a claim of ownership; provided, however, that the Railroad may cause the Equipment to be lettered with the names or initials or other insignia of the Railroad or its affiliates.

Article 9. Casualty Occurrences.

(a) Prepayments. In the event that any unit of the Equipment (i) is in a condition for a period of nine consecutive months which would require in accordance with the Railroad's normal practice its inclusion for such nine month period in bad order reports (or reports made in substitution therefor) to be made to the AAR (as hereinafter defined) or any sucessor thereto (it being understood that currently bad order reports are made on a monthly basis on AAR form CS-60), or (ii) shall be worn out, lost, stolen, destroyed, irreparably damaged or otherwise rendered permanently unfit for use from any cause whatsoever, or (iii) shall be taken or requisitioned by condemnation or otherwise (any such occurrence being herein called "Casualty Occurrence"), the Railroad shall promptly and fully inform the Vendor in regard thereto (after it has knowledge of such Casualty Occurrence). When the aggregate Market Value of all such units having suffered a Casualty Occurrence (exclusive of units having suffered a Casualty Occurrence with respect to which a payment previously shall have been made to the Vendor pursuant to this Article 9) hereunder shall exceed \$100,000, the Railroad, within 10 days after it has knowledge of such event, shall promptly pay to the Vendor as a prepayment of the Principal a sum equal to the product of (i) a fraction, the numerator of which is the Market Value of the Equipment having suffered a Casualty Occurrence (exclusive of units having suffered a Casualty Occurrence with respect to which a payment previously shall have been made to the Vendor pursuant to this Article 9) and the denominator of which is the Market Value of the Equipment then subject hereto (including the Market Value set forth as the numerator), times (ii) the outstanding amount of Principal on the day preceding such prepayment; provided, however, that if the Vendor purchases from the Railroad or the Selling Subsidiary and sells to the Railroad pursuant to a Supplement additional equipment with an aggregate Market Value at least equal to the aggregate Market Value of the units having suffered a Casualty Occurrence for which a prepayment is to be made, then the prepayment of Principal will not be required. Such prepayment shall be accompanied by interest accrued thereon to the date of payment.

(b) Disposition After Casualty. In order to facilitate the sale or other disposition of any Equipment suffering a Casualty Occurrence, the Vendor shall, upon request of the Railroad, after payment by the Railroad of the sum described in paragraph (a) of this Article 9 or the substitution of additional equipment pursuant to the proviso to the second sentence of said paragraph (a), execute and deliver to the Railroad or the Railroad's vendee, assignee or nominee, a bill

of sale (without warranties or representations of any kind or nature whatsoever) for such Equipment, and such other documents as may be required to release such equipment from the terms and scope of this Agreement, all in such form as may be reasonably requested by the Railroad.

Article 10. Insurance. The Railroad will at all times prior to the payment of the Principal, together with interest thereon and all other payments required hereby, at its own expense, cause to be carried and maintained insurance in respect of the Equipment at the time subject hereto in amounts and against risks customarily insured against by railroad companies on similar equipment, and in any event in amounts and against risks comparable to those insured against by the Railroad on similar equipment owned or leased by it.

Article 11. Maintenance; Compliance with Laws and Rules. During the term of this Agreement, the Railroad shall use the Equipment only in the manner for which it was designed and intended and so as to subject it only to ordinary wear and tear. The Railroad shall, at its own cost and expense, maintain and keep the Equipment in good order, condition and repair, ordinary wear and tear excepted, suitable for use in interchange (if and to the extent permitted by the Interchange Rules or supplements thereto of the Association of American Railroads (herein called the "AAR")). Except as required or permitted by the provisions of this Article 11, the Railroad shall not modify any Equipment without the prior written authority and approval of the Vendor, which authority and approval shall not be unreasonably withheld.

Without limiting the foregoing, the Railroad agrees to comply with all insurance policies covering the Equipment and all governmental laws, regulations, requirements and rules (including, without limitation, the rules of the United States Department of Transportation, the ICC and, if and to the extent permitted thereby, the current Interchange Rules or supplements thereto of the Mechanical Division, AAR) as the same may be in effect from time to time with respect to the use, maintenance and operation of the Equipment. In case any equipment or appliance is reasonably interpreted as being required to be installed on any Equipment in order to comply with such laws, regulations, requirements and rules, the Railroad agrees to make such changes, additions and replacements at its own expense; provided, however, that the Railroad may, in good faith and by appropriate legal proceedings, 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 Vendor, adversely affect the property or rights of the Vendor.

Article 12. Possession and Use. The Railroad, so long as an Event of Default shall not have occurred under this Agreement and be continuing and subject to all the terms and conditions of this Agreement, shall be entitled to the possession of the Equipment and the use thereof in the continental United States and Canada upon the lines of railroad owned or operated by it either alone or jointly with others and whether under lease or otherwise, or upon the lines of railroad owned or operated by any railroad company controlled by, or under common control with, the Railroad, or over which it has trackage rights, or upon connecting and other carriers in the usual interchange of traffic or pursuant to run-through agreements.

Article 13. Prohibition Against Liens. The Railroad will pay or discharge any and all sums claimed by any party from, through or under the Railroad or its successors or assigns which, if unpaid, might become a lien, charge or security interest on or in the Equipment, or any unit thereof, equal, junior or superior to the Vendor's interest therein; provided, however, that the Railroad shall be under no obligation to pay or discharge any such claim so long as it is contesting in good faith and by appropriate legal proceedings such claim and the nonpayment thereof does not, in the opinion of the Vendor, adversely affect the property or rights of the Vendor in or to the Equipment or otherwise under this Agreement. Any amounts paid by the Vendor in discharge of liens, charges or security interests upon the Equipment shall be secured by and under this Agreement.

This covenant will not be deemed breached by reason of liens for taxes, assessments or governmental charges or levies, in each case not due and delinquent, or undetermined or inchoate materialmen's, mechanics', workmen's, repairmen's or other like liens arising in the ordinary course of business and, in each case, not delinquent.

Article 14. Railroad's Indemnities. The Railroad agrees to indemnify, protect and hold harmless the Vendor from and against all losses, damages, costs, penalties, forfeitures, injuries, liabilities, claims and demands whatsoever, regardless of the nature or cause thereof, and expenses in connection therewith, including counsel fees, arising out of retention by the Vendor of a security interest in the Equipment, the use and operation thereof by the Railroad during the period when said security interest remains in the Vendor or the transfer of said security interest in the Equipment by the Vendor pursuant to any of the provisions of this Agreement. This covenant of indemnity shall continue in full force and effect notwithstanding the full payment of all sums due under this Agreement, or the satisfaction, discharge or termination of this Agreement in any manner whatsoever.

Article 15. Reports, Certificates and Other Information.
The Railroad will furnish to the Vendor:

(a) Annual Reports. Within 120 days after each fiscal year of the Railroad, (i) a copy of an annual audit report of the Railroad 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 consistent basis with the audited financial statement referred to in paragraph (d) of Article 3 hereof, together with (A) the unqualified opinion as to such audited financial statements of independent certified public accountants of recognized national standing and (B) a certificate of a responsible officer of the Railroad to the effect that, (1) except as otherwise specified therein, all units of Equipment are in existence and in good and efficient condition and have been marked as required by this Agreement, (2) no Event of Default or Unmatured Event of Default has occurred and is continuing, or, if there is such an event, describing it and the steps, if any, being taken to cure it and (3) from time to time, such other information as the Vendor may reasonably request; and (ii) a copy of the ICC Rail Form R1 of the Railroad for such year, prepared on a consolidated 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 Railroad.

(b) Quarterly Reports. Within 60 days after each quarter (except the last) of each fiscal year of the Railroad, a copy of an unaudited consolidated financial statement prepared on a basis consistent with the audited financial statement referred to in paragraph (d) of Article 3 hereof, signed by a proper accounting officer of the Railroad and consisting of at least a balance sheet as at the close of such quarter and statements of earnings and changes in financial position for such quarter and for the period from the beginning of such fiscal year to the close of such quarter.

(c) Filings. Promptly upon the filing or making thereof, a copy of each filing and report made by the Railroad or any Subsidiary with or to any securities exchange or the Securities and Exchange Commission or (upon request of the Vendor) the ICC.

(d) Certain Events. Forthwith upon learning of the occurrence of an Event of Default or an Unmatured Event of Default, or of the institution of, or any adverse determination in, any litigation, arbitration proceeding or governmental proceeding which is material to the Railroad and its Subsidiaries taken on a consolidated basis, written notice

thereof describing the same and the steps being taken by the Railroad or the Subsidiary affected with respect thereto.

(e) Compliance Certificate. Within 30 days after each quarter of each fiscal year of the Railroad, a Compliance Certificate containing calculations as of the end of such quarter.

(f) Casualties. On or before March 31 in each year, commencing March 31, 1981, an accurate statement signed by an officer of the Railroad (i) setting forth as at the preceding December 31 the amount, description and numbers of all units of the Equipment that have suffered a Casualty Occurrence during the preceding calendar year (or since the date of this Agreement in the case of the first such statement) or that have been withdrawn from use pending repairs (other than running repairs) and such other information regarding the condition and state of repair of the Equipment as the Vendor may reasonably request and (ii) stating that, in the case of all Equipment repaired or repainted during the period covered by such statement, the numbers and markings required by Article 8 hereof have been preserved or replaced.

(g) Independent Appraiser's Letter. On or before March 31 in each year, commencing March 31, 1981, a letter from the Independent Appraiser to the effect that there have been no changes in the market for the Equipment which would adversely affect the Market Value of any of the Equipment.

(h) Other Information. From time to time such other information concerning the Railroad and its Subsidiaries as the Vendor may reasonably request.

Article 16. Other Covenants. The Railroad will:

(a) Existence; Books and Records, etc. Maintain, and cause the Selling Subsidiary to maintain, in full force and effect its corporate existence, rights and franchises; maintain, and cause each Subsidiary to maintain, in such form as may be required under the rules or regulations of any governmental body having jurisdiction thereof, complete and accurate books and records; permit, and cause each Subsidiary to permit, access by the Vendor to the books and records of the Railroad and any Subsidiary; and permit, and cause each Subsidiary to permit, the Vendor or its agent to inspect its properties and operations, including, without limitation, the Equipment of the Railroad and of any Subsidiary.

(b) Merger, etc. Promptly notify the Vendor of any intent by the Railroad or any Subsidiary to be a party to any merger or consolidation. Within 30 days of such

notification, the Vendor will: (i) if such merger or consolidation requires the consent or approval of any federal governmental agency (including, without limitation, the ICC), notify the Railroad that either (A) this Agreement will continue unchanged or (B)(1) no additional Supplements may be executed by the Railroad and (2) commencing on the first to occur of the next following March 31, June 30, September 30 or December 31 and on each March 31, June 30, September 30, and December 31 thereafter, the Railroad shall be required to make payments of Principal in equal quarterly installments so that the Principal is fully paid by December 31, 1985; and (ii) if such merger or consolidation does not require the consent or approval of any federal governmental agency (including, without limitation, the ICC), notify the Railroad that either (A) this Agreement will continue unchanged, or (B) the Principal and all accrued and unpaid interest and fees are immediately due and payable, or (C)(1) no additional Supplements may be executed by the Railroad and (2) commencing on the first to occur of the next following March 31, June 30, September 30, or December 31 and on each March 31, June 30, September 30 and December 31 thereafter, the Railroad shall be required to make payments of Principal in equal quarterly installments so that the Principal is fully paid by December 31, 1985.

(c) Other Agreements. Not enter into, or permit any Subsidiary to enter into, any agreement containing any provision which would be violated or breached by the performance of its obligations hereunder or under any instrument or document delivered or to be delivered by it hereunder or in connection herewith.

(d) ERISA. (i) As soon as practicable, and in any event within thirty days, after it knows or has reason to know that with respect to any Plan any of the following has occurred which may reasonably be considered an Event of Default in accordance with Article 19(d), (A) a material Reportable Event has occurred (whether or not the requirement for notice of such Reportable Event has been waived by the PBGC), (B) a variance from the minimum funding standards in accordance with Section 303 of ERISA or Section 412(d) of the Code has been applied for, or (C) an extension of the period for amortization of unfunded liabilities in accordance with Section 304 of ERISA or Section 412(e) of the Code has been applied for, deliver to the Vendor a certificate of a responsible officer of the Railroad setting forth the details of such Reportable Event or application; (ii) upon request of the Vendor made from time to time after the occurrence of any of the events described in the foregoing clause (i), deliver to the Vendor a copy of the most recent actuarial report and annual report completed with respect to any Plan; (iii) except as provided in the following clause (iv), as soon as possible, and in any event

within ten days, after it knows or has reason to know that any of the following has occurred which may reasonably be considered an Event of Default in accordance with Article 19(d), (A) any Plan has been terminated, (B) the Plan Sponsor (as defined in Section 3(16)(B) of ERISA) intends to terminate any Plan, or (C) the PBGC has instituted or will institute proceedings under Section 4042 of ERISA to terminate any Plan, deliver to the Vendor a written notice thereof; (iv) if the Railroad or any Related Company intends to terminate any Plan of which it is the Plan Sponsor or to withdraw from any Plan which termination or withdrawal may reasonably be considered an Event of Default in accordance with Article 19(d), deliver to the Vendor a written notice thereof as soon as possible but in no event later than ten days prior to the proposed date of termination or withdrawal; and (v) within thirty days after it knows or has reason to know that it has engaged in a Prohibited Transaction (as described in Section 406 of ERISA or Section 4975(c) of the Code and not exempted in accordance with Section 408 of ERISA or Section 4975(d) of the Code) which may reasonably be considered an Event of Default in accordance with Article 19(d), with respect to any Employee Benefit Plan, deliver to the Vendor a written notice thereof setting forth the details of the transaction. For purposes of this paragraph (d), the Railroad shall be deemed to have knowledge of all facts known by the "plan administrator" (as defined in Section 3(16)(A) of ERISA) of any Plan or Employee Benefit Plan of which the Railroad or any Related Company is the Plan Sponsor.

Article 17. No Warranties. THE VENDOR MAKES NO WARRANTY OR REPRESENTATION, EITHER EXPRESS OR IMPLIED, AS TO THE DESIGN OR CONDITION OF, OR AS TO THE QUALITY OF THE MATERIAL, EQUIPMENT OR WORKMANSHIP IN, THE UNITS OF EQUIPMENT DELIVERED TO THE RAILROAD HEREUNDER, AND THE VENDOR MAKES NO WARRANTY OF MERCHANTABILITY OR FITNESS OF THE UNITS OF EQUIPMENT FOR ANY PARTICULAR PURPOSE OR AS TO TITLE TO THE UNITS OF EQUIPMENT OR ANY COMPONENT THEREOF, OR ANY OTHER REPRESENTATION OR WARRANTY, EXPRESS OR IMPLIED, WITH RESPECT TO ANY UNIT OF EQUIPMENT, EITHER UPON DELIVERY THEREOF TO THE RAILROAD OR OTHERWISE, it being agreed that all such risks, as between the Vendor and the Railroad, are to be borne by the Railroad; but the Vendor hereby irrevocably appoints and constitutes the Railroad its agent and attorney-in-fact to assert and enforce from time to time, in the name of and for the account of the Vendor and/or the Railroad, as their interests may appear, at the Railroad's sole cost and expense, whatever claims and rights the Vendor may have against any manufacturers or contractors in respect thereof; provided, however, that if at any time an Event of Default shall have occurred and be continuing hereunder, the Vendor may assert and enforce, at the Railroad's sole cost and expense, such claims and rights. Without limiting the foregoing, the Vendor shall have no

responsibility or liability to the Railroad or any other person with respect to, and the Railroad shall indemnify and hold harmless the Vendor from any losses, costs, damages, penalties, forfeitures, claims or expenses related to or arising from, any of the following: (i) any liability, loss or damage caused or alleged to be caused directly or indirectly by any units of Equipment or by any inadequacy thereof or deficiency or defect therein or by any other circumstances in connection therewith; (ii) claimed or proved violations or invasions of any patent or invention rights; (iii) the use, operation or performance of any units of Equipment or any risks relating thereto; (iv) any interruption of service, loss of business or anticipated profits or consequential damages; or (v) the delivery, operation, servicing, maintenance, repair, improvement or replacement of any units of Equipment. The Railroad's delivery of a Certificate of Acceptance shall be conclusive evidence as between the Railroad and the Vendor that the units of Equipment described therein are in all the foregoing respects satisfactory to the Railroad, and the Railroad will not assert any claim of any nature whatsoever against the Vendor based on any of the foregoing matters.

Article 18. Assignments. The Railroad will not sell, assign, transfer or otherwise dispose of its rights under this Agreement or, except as provided in Article 12 hereof, transfer the right to possession of any unit of the Equipment without first obtaining the written consent of the Vendor. Subject to Article 16(b) hereof, a sale, assignment, transfer or disposition to a corporation organized under the laws of the United States of America or any of the states thereof which shall acquire all or substantially all the lines of railroad of the Railroad, and which, by execution of an appropriate instrument satisfactory to the Vendor, shall assume and agree to perform each of, and all, the obligations and covenants of the Railroad under this Agreement, shall not be deemed a breach of this covenant, provided such corporation shall not, upon the effectiveness of such sale, assignment, transfer or disposition, be in default under or violation of or conflict with (i) any provision of this Agreement, (ii) its charter or by-laws, or (iii) any court or administrative order or decree or any agreement binding upon or applicable to it.

All or any of the rights, benefits and advantages of the Vendor under this Agreement, including the right to receive the payments herein provided to be made by the Railroad, may be assigned in whole or in part by the Vendor and reassigned by any assignee at any time or from time to time. Upon any such assignment either the assignor or the assignee shall give written notice to the Railroad, together with a counterpart or copy of such assignment, stating the identity and post office address of the assignee, and such assignee shall by virtue of

such assignment acquire all the assignor's right, title and interest in and to the Equipment and this Agreement, or in and to a portion thereof, as the case may be, subject only to such reservations as may be contained in such assignment. From and after the receipt by the Railroad of the notification of any such assignment, all payments thereafter to be made by the Railroad under this Agreement shall, to the extent so assigned, be made to the assignee in such manner as it may direct.

Article 19. Events of Default. Each of the following shall constitute an Event of Default under this Agreement:

(a) Non-Payment. The Railroad shall fail to pay when due any installment of the Principal or any interest accrued thereon or any other sum payable by the Railroad as provided in this Agreement and such failure shall continue for five business days after such payment is due; or

(b) Covenants. The Railroad shall, for more than 30 days, fail or refuse to comply with any covenant, agreement, term or provision of this Agreement (other than those covered by subparagraphs (a), (d) and (e) of this Article 19), or of any agreement entered into concurrently herewith relating to the financing of the Equipment on its part to be kept or performed or to make provision satisfactory to the Vendor for such compliance; or

(c) Warranties. Any warranty made by the Railroad herein is breached or is false or misleading in any material respect, or any schedule, certificate, financial statement, report, notice, or other writing furnished by the Railroad to the Bank is false or misleading in any material respect on the date as of which the facts therein set forth are stated or certified; or

(d) ERISA. (i)(A) A notice of intent to terminate a Plan is filed under Section 4041 of ERISA, (B) the PBGC issues a notice in accordance with Section 4042(C) of ERISA that it has determined that a Plan should be terminated or has advised the Plan administrator that it is contemplating such a notice, (C) a Plan is terminated, (D) the Railroad or any Related Company withdraws from a Plan or notifies the Vendor of its intent to withdraw, or (E) an application has been filed with respect to a Plan for a variance from the minimum funding standards or an extension of the amortization period for unfunded liabilities in accordance with Section 303 or 304 of ERISA or Section 412 of the Code, and the maximum amount of liability as determined under PBGC actuarial assumptions that could be asserted against the Railroad under Section 4062, 4063 or 4064 of ERISA with respect to any Plans if such Plans had terminated on the date of the occurrence of any of the events described

in the foregoing clauses (A) through (E) shall exceed \$5,000,000; or (ii) the Railroad or any Subsidiary has engaged in a Prohibited Transaction with respect to any Employee Benefit Plan not exempted in accordance with Section 408 of ERISA or Section 4975(c) of the Code and such transaction is not corrected within the correction period applicable to it under Section 502(i) of ERISA or Section 4975(f) of the Code; or

(e) Unauthorized Assignment or Transfer. The Railroad shall make or suffer any unauthorized assignment or transfer of this Agreement or any interest herein or any unauthorized transfer of the right to possession of any unit of the Equipment; or

(f) Reorganization. A case shall be commenced under Subchapter IV of Chapter 11 of the Bankruptcy Code (as such Subchapter IV is now in effect or hereafter may be amended or replaced), by or against the Railroad, and, unless such case shall have been dismissed, nullified or otherwise rendered ineffective (but then only so long as such ineffectiveness shall continue), (i) within 60 days after such case shall have been commenced, (A) all the obligations of the Railroad under this Agreement shall not have been duly assumed for the then unexpired term hereof in writing, pursuant to a court order or decree, by a trustee or trustees appointed in such case in such manner that such obligations shall have, to the fullest extent permitted by law, the same status and priority as to payment as obligations incurred by such trustee or trustees which are entitled to payment as a first priority for costs and expenses of administration, and (B) all Events of Default under subparagraphs (a), (b), (c), (d) or (e) of this Article 19 shall not have been cured, and (ii) thereafter during the pendency of the case, the trustee or trustees appointed in such proceedings or case shall not cure in a timely fashion all other Events of Default under subparagraphs (a), (b), (c), (d) or (e) of this Article 19 which from time to time occur hereunder; or

(g) Other Proceedings. Any other proceedings shall be commenced by or against the Railroad, or any proceedings shall be commenced by or against any Subsidiary, for any relief under any bankruptcy or insolvency law, or any law relating to the relief of debtors, readjustment of indebtedness, reorganization, arrangement, composition or extension, or the Board of Directors of the Railroad or any Subsidiary shall authorize the commencement of any proceedings for such relief or shall take any other action in furtherance thereof, and, if such proceedings have been commenced against the Railroad or any Subsidiary, such proceedings shall not 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) within 60 days after

such proceedings shall have commenced; or the Railroad or any Subsidiary shall become or is adjudicated insolvent or bankrupt, or shall make a general assignment for the benefit of creditors, or shall admit in writing its inability to pay its debts generally as they become due, or is unable to pay or is generally not paying its debts as they become due, or a trustee, custodian or receiver is applied for or appointed for the Railroad or any Subsidiary or for the major part of the property of any thereof and such trustee, custodian or receiver is not discharged within 60 days after such appointment;

then at any time after the occurrence of such an Event of Default the Vendor may, upon written notice to the Railroad and upon compliance with any mandatory legal requirements then in force and applicable to such action by the Vendor, declare the entire Principal, together with the interest thereon then accrued and unpaid, and any other fees and amounts payable hereunder, immediately due and payable, without further demand. The Vendor shall thereupon be entitled to recover judgment for the entire unpaid balance of the Principal so payable, with interest and any other fees and amounts payable hereunder, and to collect such judgment out of any property of the Railroad wherever situated. The Railroad shall promptly notify the Vendor of any event which has come to its attention which constitutes an Event of Default or an Unmatured Event of Default.

The Vendor may at its election waive any such Event of Default and its consequences by notice to the Railroad in writing to that effect, and thereupon the respective rights of the parties shall be as they would have been if no such Event of Default had occurred. Notwithstanding the provisions of this paragraph, it is expressly understood and agreed by the Railroad that time is of the essence of this Agreement and that no such waiver, rescission or annulment shall extend to or affect any other or subsequent default or impair any rights or remedies consequent thereon.

Article 20. Remedies. At any time during the continuance of an Event of Default, the Vendor may, subject to compliance with any mandatory legal requirements then in force and applicable to the action to be taken by the Vendor, take or cause to be taken by its agent or agents immediate possession of the Equipment, or one or more of the units thereof, without liability to return to the Railroad any sums theretofore paid and free from all claims whatsoever, except as hereinafter in this Article 20 expressly provided, and may remove the same from possession and use of the Railroad or any other person and for such purpose may enter upon the Railroad's premises or any other premises where the Equipment may be located and may use and employ in connection with such removal any supplies,

services and aids and any available trackage and other facilities or means of the Railroad.

In case the Vendor shall demand possession of the Equipment pursuant to this Agreement and shall reasonably designate a point or points upon the premises of the Railroad for the delivery of the Equipment to the Vendor, the Railroad shall, at its own expense, forthwith and in the usual manner (including, but not by way of limitation, giving prompt telegraphic and written notice to the Association of American Railroads and all railroads to which any part of the Equipment has been interchanged to return the Equipment so interchanged), cause (a) the Equipment to be moved to such point or points on its lines as shall be designated by the Vendor and shall there deliver the Equipment or cause it to be delivered to the Vendor or (b) the Equipment to be moved to such interchange point or points of the Railroad as shall be designated by the Vendor upon any sale, lease or other disposal of all or any part of the Equipment by the Vendor. At the option of the Vendor, the Vendor may keep the Equipment on any of the lines or premises of the Railroad until the Vendor shall have leased, sold or otherwise disposed of the same, and for such purpose the Railroad agrees to furnish, without charge for rent or storage, the necessary facilities at any point or points selected by the Vendor reasonably convenient to the Railroad and, at the Railroad's risk, to permit inspection of the Equipment by the Vendor, the Vendor's representatives and prospective purchasers and users. This agreement to deliver the Equipment and furnish facilities as hereinbefore provided is of the essence of the agreement between the parties, and, upon application to any court of equity having jurisdiction in the premises, the Vendor shall be entitled to a decree against the Railroad requiring specific performance hereof. The Railroad hereby expressly waives any and all claims against the Vendor and its agent or agents for damages of whatever nature in connection with any retaking of any unit of the Equipment in any reasonable manner.

7 At any time during the continuance of an Event of Default, the Vendor (after retaking possession of the Equipment as hereinbefore in this Article 20 provided) may at its election and upon such notice as is hereinafter set forth retain the Equipment in satisfaction of the entire Principal together with interest thereon accrued and unpaid and all other payments due under this Agreement and make such disposition thereof as the Vendor shall deem fit. Written notice of the Vendor's election to retain the Equipment shall be given to the Railroad by telegram or registered mail, addressed as provided in Article 24 hereof, and to any other persons to whom the law may require notice, within 30 days after such declaration of an Event of Default. In the event that the Vendor should elect to retain

the Equipment and no objection is made thereto within the 30-day period described in the second proviso below, all the Railroad's rights in the Equipment shall thereupon terminate and all payments made by the Railroad may be retained by the Vendor as compensation for the use of the Equipment by the Railroad; provided, however, that if the Railroad, before the expiration of the 30-day period described in the proviso below, should pay or cause to be paid to the Vendor the total unpaid Principal, together with interest thereon accrued and unpaid and all other payments due under this Agreement as well as expenses of the Vendor in retaking possession of, removing and storing the Equipment and the Vendor's reasonable attorneys' fees, then in such event absolute right to the possession of, title to and property in the Equipment shall pass to and vest in the Railroad; provided further, however, that if the Railroad or any other persons notified under the terms of this paragraph object in writing to the Vendor within 30 days from the receipt of notice of the Vendor's election to retain the Equipment, then the Vendor may not so retain the Equipment, but shall sell, lease or otherwise dispose of it or continue to hold it pending sale, lease or other disposition as hereinafter provided or as may otherwise be permitted by law. If the Vendor shall have given no notice to retain as hereinabove provided or notice of intention to dispose of the Equipment in any other manner, it shall be deemed to have elected to sell the Equipment in accordance with the provisions of this Article 20.

At any time during the continuance of an Event of Default, the Vendor, with or without retaking possession thereof, at its election and upon at least ten days' notice to the Railroad and to any other persons to whom the law may require notice of the time and place, may sell the Equipment, or any unit thereof, free from any and all claims of the Railroad or any other party claiming from, through or under the Railroad at law or in equity, at public or private sale and with or without advertisement as the Vendor may determine; provided, however, that if, prior to such sale and prior to the making of a contract for such sale, the Railroad should tender full payment of the Principal, together with all interest thereon accrued and unpaid and all other payments due under this Agreement as well as expenses of the Vendor in retaking possession of, removing, storing, holding and preparing the Equipment for, and otherwise arranging for, the sale and the Vendor's reasonable attorneys' fees, then in such event absolute right to the possession of, title to and property in the Equipment shall pass to and vest in the Railroad. The proceeds of such sale, less the attorneys' fees and any other expenses incurred by the Vendor in retaking possession of, removing, storing, holding, preparing for sale and selling the Equipment, shall be credited on the amount due to the Vendor under the provisions of this Agreement in such order of application as the Vendor may from time to time elect.

Any sale hereunder may be held or conducted at such place or places and at such time or times as the Vendor may specify, in one lot and as an entirety or in separate lots and without the necessity of gathering at the place of sale the property to be sold, and in general in such manner as the Vendor may determine. The Vendor may bid for and become the purchaser of the Equipment, or any unit thereof, so offered for sale. In the event that the Vendor shall be the purchaser of the Equipment, it shall not be accountable to the Railroad (except to the extent of surplus money received as hereinafter provided in this Article 20), and in payment of the purchase price therefor the Vendor shall be entitled to have credited on account thereof all or any part of the sums due to the Vendor from the Railroad hereunder. From and after the date of any such sale, the Railroad shall pay to the Vendor the per diem interchange for each unit of Equipment which shall not have been assembled, as hereinabove provided, by the date of such sale for each day from the date of such sale to the date of delivery to the purchaser at such sale.

Each and every power and remedy hereby specifically given to the Vendor shall be in addition to every other power and remedy hereby specifically given or now or hereafter existing at law or in equity, and each and every power and remedy may be exercised from time to time and simultaneously and as often and in such order as may be deemed expedient by the Vendor. All such powers and remedies shall be cumulative, and the exercise of one shall not be deemed a waiver of the right to exercise any other or others. No delay or omission of the Vendor in the exercise of any such power or remedy and no renewal or extension of any payments due hereunder shall impair any such power or remedy or shall be construed to be a waiver of any default or an acquiescence therein. Any extension of time for payment hereunder or other indulgence duly granted to the Railroad shall not otherwise alter or affect the Vendor's rights or the Railroad's obligations hereunder. The Vendor's acceptance of any payment after it shall have become due hereunder shall not be deemed to alter or affect the Railroad's obligations or the Vendor's rights hereunder with respect to any subsequent payments or default therein.

If, after applying all sums of money realized by the Vendor under the remedies herein provided, there shall remain any amount due to it under the provisions of this Agreement, the Railroad shall pay the amount of such deficiency to the Vendor upon demand. If the Railroad shall fail to pay such deficiency, the Vendor may bring suit therefor and shall be entitled to recover a judgment therefor against the Railroad. If, after applying as aforesaid all sums realized by the Vendor, there shall remain a surplus in the possession of the Vendor, such surplus shall be paid to the Railroad.

The Railroad will pay all reasonable expenses, including attorneys' fees, incurred by the Vendor in enforcing its remedies under the terms of this Agreement. In the event that the Vendor shall bring any suit to enforce any of its rights hereunder and shall be entitled to judgment, then in such suit the Vendor may recover reasonable expenses, including attorneys' fees, and the amount thereof shall be included in such judgment.

The foregoing provisions of this Article 20 are subject in all respects to all mandatory legal requirements at the time in force and applicable thereto.

Article 21. Applicable State Laws. Any provision of this Agreement prohibited by any applicable law of any jurisdiction (which is not overridden by applicable Federal law) shall as to such jurisdiction be ineffective, without modifying the remaining provisions of this Agreement. Where, however, the conflicting provisions of any such applicable law may be waived, they are hereby waived by the Railroad to the full extent permitted by law, it being the intention of the parties hereto that this Agreement shall be deemed to be a conditional sale and enforced as such.

Except as otherwise provided in this Agreement, the Railroad, to the full extent permitted by law, hereby waives all statutory or other legal requirements for any notice of any kind, notice of intention to take possession of or to sell or lease the Equipment, or any unit thereof, and any other requirements as to the time, place and terms of the sale or lease thereof, any other requirements with respect to the enforcement of the Vendor's rights under this Agreement and any and all rights of redemption.

Article 22. Recording. The Railroad will cause this Agreement, any assignments hereof and any amendments or Supplements hereto to be (i) filed and recorded with the Interstate Commerce Commission in accordance with Section 11303 of the Interstate Commerce Act and (ii) deposited with the Registrar General of Canada in accordance with Section 86 of the Railway Act of Canada (with provision for notice of such deposit in The Canada Gazette); and the Railroad will from time to time do and perform any other act and will execute, acknowledge, deliver, file, register, deposit and record any and all further instruments required by law or reasonably requested by the Vendor for the purpose of proper protection, to the satisfaction of counsel for the Vendor, of the Vendor's interest in the Equipment and the Vendor's rights under this Agreement or for the purpose of carrying out the intention of this Agreement; and the Railroad will promptly furnish to the Vendor certificates or other evidence of such filing, registering, depositing and recording satisfactory to the Vendor.

Article 23. Payment of Expenses. The Railroad will pay all reasonable costs and expenses incident to this Agreement, and any Supplement and any instrument supplemental or related hereto or thereto, including all fees and expenses of counsel for the Vendor.

Article 24. Notice. Any notice hereunder to any of the parties designated below shall be deemed to be properly served if delivered or mailed (postage prepaid) to it at its chief place of business at the following specified addresses:

(a) to the Railroad, at 233 North Michigan Avenue, Chicago, Illinois 60601, Attention of Treasurer, and

(b) to the Vendor, at 231 South LaSalle Street, Chicago, Illinois 60693, Attention of Loan Division,

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

Article 25. Article Headings; Effect and Modification of Agreement. All article headings are inserted for convenience only and shall not affect any construction or interpretation of this Agreement.

This Agreement, including the Exhibits hereto, exclusively states the rights of the Vendor and the Railroad with respect to the Equipment and supersedes all other agreements, oral or written, with respect to the Equipment. No variation or modification of this Agreement and no waiver of any of its provisions or conditions shall be valid unless in writing and signed by duly authorized officers of the Vendor and the Railroad.

Article 26. Law Governing. The Railroad warrants that its chief place of business and its chief executive offices are located in the state specified in clause (a) of Article 24 hereof. The terms of this Agreement and all rights and obligations hereunder shall be governed by the laws of the State of Illinois; provided, however, that the parties shall be entitled to all rights conferred by Section 11303 of the Interstate Commerce Act and such additional rights arising out of the filing, recording or deposit hereof, if any, and of any assignment hereof as shall be conferred by the laws of the several jurisdictions in which this Agreement or any assignment hereof shall be filed, recorded or deposited.

Article 27. Execution. This Agreement may be executed in any number of counterparts, each of which so executed shall

be deemed to be an original, and such counterparts together shall constitute but one and the same contract, which shall be sufficiently evidenced by any such original counterpart.

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

ILLINOIS CENTRAL GULF
RAILROAD COMPANY

By *[Signature]*
Its VICE PRESIDENT

[Corporate Seal]

Attest:

W. H. Sanders
Its Asst. Secretary

CONTINENTAL ILLINOIS NATIONAL BANK
AND TRUST COMPANY OF CHICAGO

By *[Signature]*
Vice President

[Corporate Seal]

Attest:

George H. [Signature]
Its Sanitary Officer

STATE OF ILLINOIS)
) SS
COUNTY OF COOK)

On this 27TH day of DECEMBER, 1979, before me personally appeared D.N. MELIN, to me personally known, who, being by me duly sworn, says that he is 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

[Notarial Seal]

My Commission expires: NOV 23 1980

STATE OF ILLINOIS)
) SS
COUNTY OF COOK)

On this 8 day of JANUARY, 1980, before me personally appeared Guendalope D. Hester, to me personally known, who, being by me duly sworn, says that he is Branch Vice President of CONTINENTAL ILLINOIS NATIONAL BANK AND TRUST COMPANY OF CHICAGO, a national banking association, that one of the seals affixed to the foregoing instrument is the corporate 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.

Robert V. Orsler
Notary Public

[Notarial Seal]

My Commission expires:

MY COMMISSION EXPIRES SEPT. 11. 1982

EXHIBIT A

CONDITIONAL SALE AGREEMENT SUPPLEMENT
NO. _____

Conditional Sale Agreement Supplement ("this Supplement") dated as of _____, 19__ from ILLINOIS CENTRAL GULF RAILROAD COMPANY, a Delaware corporation ("Railroad"), having its office at 233 North Michigan Avenue, Chicago, Illinois 60601, to CONTINENTAL ILLINOIS NATIONAL BANK AND TRUST COMPANY OF CHICAGO, a national banking association ("Vendor"), having its office at 231 South LaSalle Street, Chicago, Illinois 60693;

W I T N E S S E T H:

WHEREAS, the Railroad and the Vendor have executed and delivered a certain Conditional Sale Agreement dated as of September 30, 1979 (which agreement, together with any amendments or supplements which have been made thereto, is hereinafter called the "Agreement"); and

WHEREAS, the Agreement was filed and recorded with the Interstate Commerce Commission under Section 11303 of the Interstate Commerce Act on _____, 1979 as Document No. _____ and the following Conditional Sale Agreement Supplement(s) (substantially in the form of this Supplement) were filed and recorded with the Interstate Commerce Commission as follows:*

<u>Supplement No.</u>	<u>Date of Supplement</u>	<u>Date of ICC Filing</u>	<u>ICC Filing Number</u>
---------------------------	-------------------------------	-------------------------------	------------------------------

; and

WHEREAS, the Railroad has, pursuant to the Agreement, purchased from the Vendor and granted to the Vendor a security interest in certain equipment therein described, including the equipment described in Schedule I annexed hereto (the "Supplement Equipment");

NOW, THEREFORE, in consideration of the premises, the Railroad and the Vendor do hereby agree as follows:

* This sentence and the related table of filings may be omitted in Supplement No. 1.

1. The Vendor Purchase Price of the Supplement Equipment is \$ _____.

2. The Conditional Sale Price Base of the Supplement Equipment is \$ _____.

3. The Principal with respect to the Supplement Equipment on the date of execution and delivery hereof is \$ _____.

4. The Railroad has, in and by the Agreement, purchased from the Vendor, and granted to the Vendor a security interest in and to the Supplement Equipment described in Schedule I annexed hereto. This Supplement evidences and confirms the subjection of such Supplement Equipment to the terms of the Agreement and to the security interest created by the Agreement to secure the punctual payment of the Principal and the performance and observance by the Railroad of all of its agreements herein and in the Agreement contained. To the extent, if any, that the Agreement may not be effective in causing Railroad to purchase such Supplement Equipment and to grant a security interest to the Vendor in such Supplement Equipment, the Railroad does by this Supplement hereby purchase, and grant unto the Vendor a continuing security interest in, the Supplement Equipment described in Schedule I hereto, all upon the terms set forth in the Agreement.

IN WITNESS WHEREOF, Company has, by its indicated officer thereunto duly authorized, caused this Supplement to be executed and delivered this _____ day of _____, 19__.

ILLINOIS CENTRAL GULF RAILROAD
COMPANY

ATTEST:
[Corporate Seal]

By _____
Its _____

By _____
Its _____

CONTINENTAL ILLINOIS NATIONAL
BANK AND TRUST COMPANY
OF CHICAGO

ATTEST:
[Corporate Seal]

By _____
Its _____

By _____
Its _____

STATE OF ILLINOIS)
) SS
COUNTY OF COOK)

On this _____ day of _____, 19__, before me personally appeared _____ to me personally known, who being by me duly sworn, says that he is the _____ of ILLINOIS CENTRAL GULF RAILROAD COMPANY, a Delaware corporation, that the seal 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

[NOTARIAL SEAL]

My Commission expires _____, 19__.

STATE OF ILLINOIS)
) SS.
COUNTY OF COOK)

On this _____ day of _____, 19__, before me personally appeared _____ to me personally known, who being by me duly sworn, says that he is the _____ of CONTINENTAL ILLINOIS NATIONAL BANK AND TRUST COMPANY OF CHICAGO, a national banking association, that the seal affixed to the foregoing instrument is the corporate 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

[NOTARIAL SEAL]

My commission expires _____, 19__.

EXHIBIT B
TO CONDITIONAL SALE AGREEMENT

CERTIFICATE OF ACCEPTANCE

To: CONTINENTAL ILLINOIS NATIONAL BANK
AND TRUST COMPANY OF CHICAGO (the "Vendor")

A. I, a duly appointed and authorized representative of ILLINOIS CENTRAL GULF RAILROAD COMPANY (the "Railroad") under that certain Conditional Sale Agreement, dated as of September 30, 1979, between the Vendor and the Railroad, do hereby certify that the following units of Equipment have been inspected, received, approved and accepted for delivery under the Conditional Sale Agreement Supplement No. ___:

TYPE OF EQUIPMENT: As shown on Schedule 1 hereto.

DATE ACCEPTED:*

NUMBER OF UNITS:

MARKED AND NUMBERED: As shown on Schedule 1 hereto.

B. I do further certify that the foregoing units of Equipment are in good order and condition, that the Railroad has no knowledge of any defect in any of the foregoing units of Equipment with respect to design, manufacture, condition or in any other respect, and that each unit has been labeled by means of a plate or a stencil printed in contrasting colors upon each side of the unit in letters not less than one inch in height as follows:

"SUBJECT TO A CONDITIONAL SALE AGREEMENT FILED UNDER
SECTION 11303 OF THE INTERSTATE
COMMERCE ACT"

C. I do further certify that to the best of my knowledge:

(i) all of the representations and warranties of the Railroad set forth in the Conditional Sale Agreement are true and correct as of the date hereof as though made on the date hereof;

* Outside Chicago, Illinois.

(ii) no event or case specified in clause (f) or (g) of Article 19 of the Conditional Sale Agreement has occurred or been commenced; and no Event of Default or Unmatured Event of Default has occurred and is continuing; and

(iii) all items required to be delivered by the Railroad pursuant to Article 4 of the Conditional Sale Agreement have been delivered to the Vendor.

The execution and delivery of this Certificate will in no way relieve or decrease the responsibility of any manufacturer or contractor for any warranties which it has made with respect to the units of Equipment. All terms used herein with their initial letters capitalized and not otherwise defined shall have the same meaning as in the Conditional Sale Agreement.

Dated: _____, 19__.

Inspector and Authorized
Representatives of Illinois Central
Gulf Railroad Company (being the
_____ thereof)

ILLINOIS CENTRAL GULF RAILROAD COMPANY

LITIGATION

1. Interstate Commerce Commission proceedings:
 - a. Ex Parte 334, Car Service Compensation - Basic Per Diem Formula.
 - b. ICC Docket #AB-43 (Sub No. 43) - ICG RR abandonment between Herscher and Barnes, Illinois. Decision in favor of the company by Division 1 of the Commission. Several protestants have filed a petition for reconsideration.
2. REA Express, Inc. v. Aberdeen and Rockfish RR Co. et al., U. S. District Court, Eastern District of Pennsylvania, Civil Case No. 71-802. (A settlement agreement has been reached in this and the following case but the settlement must be approved by the REA Bankruptcy Court.)
3. REA Express, Inc. v. Alabama Great Southern RR Co., et al., U. S. District Court, Southern District of New York, Civil Case No. 71-4278.
4. Claim for approximately \$2.2 Million by State of Mississippi for franchise taxes, years 1973-1978. Matter pending before Board of Review of state tax commission.
5. Organization of Minority Vendors, Inc. v. Illinois Central Gulf Railroad, et al., U. S. District Court, Northern District of Illinois, Civil Case No. 79 C-1512. Seeks civil damages against numerous defendants for alleged discrimination in violation of the Civil Rights and related acts in the awarding of procurement contracts.
6. Geneva Eileen Mau, et al v. Illinois Central Gulf Railroad Co.. Circuit Court of the Eleventh Judicial District, McLean County, Illinois, No. 79 L 107. Related cases in the same court are: Earl C. Million v. ICGRRCo., et al., 79 L 15; Babb et al. vs. ICG, et al. 79 L 147; and Ring et al vs. ICG et al, 79 L 167. Suit for personal injuries allegedly incurred by employees

Page Two:

of UNARCO Industries, Inc. as a result of exposure to asbestos. ICG leased the building in question to UNARCO.

7. Vincent Schaefer et al. vs. Early Iron & Metal, et al; and related litigation in Linn and Benton Counties, Iowa. The initial suit seeks \$1.3 million in actual and punitive damages.
8. Personal Injury and Property Damage Litigation. The company is a party in approximately 500 suits involving claims for injury to persons or damage to property. These suits are expected to be handled in the normal course of business and reserves are generally considered adequate for this class of litigation.

EXHIBIT D
SUBSIDIARIES

BLUE ISLAND RAILROAD COMPANY
CHICAGO & ILLINOIS WESTERN RAILROAD COMPANY
CHICAGO INTERMODAL COMPANY
GM&O LAND COMPANY
GULF TRANSPORT COMPANY
KENSINGTON AND EASTERN RAILROAD COMPANY
MISSISSIPPI VALLEY CORPORATION
NEW ORLEANS GREAT NORTHERN RAILWAY COMPANY
THE SOUTH CHICAGO RAILROAD COMPANY
WATERLOO RAILROAD COMPANY

EXHIBIT E

[Opinion of P. W. Johnston, Jr. Esq.]

_____, 19__

Continental Illinois National Bank
and Trust Company of Chicago
231 South LaSalle Street
Chicago, Illinois 60693

Re: ILLINOIS CENTRAL GULF RAILROAD COMPANY

Gentlemen:

I have acted as counsel for Illinois Central Gulf Railroad Company, a Delaware corporation (herein called the "Railroad"), in connection with the execution and delivery of (i) the Conditional Sale Agreement dated as of September 30, 1979 (herein called the "Agreement") between the Railroad and you (herein called the "Vendor") and (ii) Conditional Sale Agreement Supplement No. _____, dated _____, 19__ (herein called the "New Supplement") between the Railroad and the Vendor. This opinion is delivered to the Vendor pursuant to Article 4(a)(x) of the Agreement and unless otherwise indicated herein or unless the context clearly indicates, all terms defined in the Agreement and used herein with their initial letter capitalized shall have the meanings given such terms in the Agreement.

I have examined such matters of law, the Agreement, all prior Supplements, if any, the New Supplement, copies certified to my satisfaction of such other agreements, documents and statements of governmental officials and corporate officers and representatives and such other papers as I have deemed relevant and necessary as a basis for my opinion. In such examination, I have assumed the genuineness of all signatures (except signatures of the officers of the Railroad) and the authenticity of all documents submitted to me as originals and the conformity with originals of all documents submitted to me as copies. I call to your attention that I am Vice President-Law of the Railroad. I am a member of the Bar of the State of Illinois.

Based upon the foregoing, it is my opinion that:

1. The Railroad is a corporation duly existing and in good standing under the laws of the State of Delaware; each Subsidiary is a corporation duly existing and in good standing under the laws of the State of its respective incorporation; each of the Railroad and each Subsidiary has all requisite power and authority and all necessary licenses and permits to own and operate its properties and to carry on its business as now conducted and as presently proposed to be conducted; and each of the Railroad and each Subsidiary has duly qualified and is authorized to do business and is in good standing as a foreign corporation in each jurisdiction where the character of its properties or the nature of its activities makes such qualification necessary.

2. The execution, delivery and performance of the Bills of Sale, (herein individually called a "Bill of Sale" and collectively called the "Bills of Sale") described in Schedule 1 hereto, which "Bills of Sale cover the Equipment subject to the New Supplement, are within the corporate powers of the respective Sellers identified therein, have been and are duly authorized by all necessary corporate action, do not and will not require any governmental approvals (other than as described in the appendix hereto), and do not and will not contravene or conflict with any provision of law, the respective charters or by-laws of the Sellers, any court or administrative decree or order binding upon or applicable to the appropriate Seller, or any agreement binding upon the appropriate Sellers of which I have knowledge after due inquiry. The Sellers have in the negotiation, execution and delivery of the Bills of Sale complied in all respects with the competitive bidding requirements of 15 U.S.C. § 20, the regulations prescribed by the ICC in 49 C.F.R Part 1010 pursuant to 15 U.S.C. § 20 and 111 2/3 Ill. Rev. Stat. §§ 8a and 27(c).

3. Each of the Bills of Sale is the legal, valid and binding obligation of the respective Seller enforceable against such Seller in accordance with its terms; and each Bill of Sale is valid and effective to transfer and does transfer good title to the Equipment identified therein to the Vendor free and clear of all mortgages, pledges, security interests, claims, liens and encumbrances of any nature whatsoever (including, without limitation, free and clear of any claims, leins, security interests or other encumbrances arising out of the Consolidated Mortgage).

4. The execution, delivery and performance by the Railroad of the Agreement, all prior Supplements, if any, and the New Supplement and the other transactions contemplated in

connection therewith (i) are within the corporate powers of the Railroad, (ii) have been duly authorized by all necessary corporate action (including without limitation, all necessary shareholder action) of the Railroad, (iii) have received, or the Railroad has given, as appropriate, all necessary consents, approvals or authorizations of, or notices to, any Federal or State governmental authorities or regulatory bodies (such consents, approvals, authorizations and advice being described in the appendix hereto), (iv) do not and will not conflict with, result in a violation of, or constitute a default under, any provision of law or of the charter or by-laws of the Railroad or of any agreement or indenture or court or administrative decree or order binding upon or applicable to the Railroad; and (v) do not and will not subject any of the Equipment to any claims, liens, security interests or other encumbrances created by the Consolidated Mortgage or any other indenture or agreement binding upon the Railroad (except liens of the Vendor pursuant to the Agreement). The Railroad has in the negotiation, execution and delivery of the Agreement, all prior Supplements, if any, and the New Supplement complied in all respects with the competitive bidding requirements of 15 U.S.C. § 20, the regulations prescribed by the ICC in 49 C.F.R. Part 1010 pursuant to 15 U.S.C. § 20 and 111 2/3 Ill. Rev. Stat. §§ 8a and 27(c).

5. The Agreement all prior Supplements, if any, and the New Supplement (i) have been duly filed and recorded with the ICC in accordance with Section 11303 of the Interstate Commerce Act (ii) have been duly deposited with the Registrar General of Canada in accordance with Section 86 of the Railway Act of Canada and provision for notice of such deposit in The Canada Gazette has been made, (iii) a Uniform Commercial Code statement covering the Vendor's interest in the Equipment has been filed with the Secretary State of Illinois and (iv) no other filing or recordation in any public office is necessary for the protection of the rights, titles and interests of the Vendor in any State of the United States of America or in the District of Columbia.

6. The Agreement, all prior Supplements, if any, and the New Supplement are the legal, valid and binding obligations of the Railroad enforceable in accordance with their respective terms, except as limited by applicable bankruptcy, reorganization, insolvency, moratorium or similar laws affecting the enforcement of creditors' rights generally.

7. To the best of my knowledge, after due inquiry, and except as set forth in the Agreement, no litigation (including, without limitation, derivative actions), arbitration proceedings or governmental proceedings are pending or threatened against the Railroad which will, if adversely determined,

materially and adversely affect the financial condition or continued operations of the Railroad, and the Railroad is not in default with respect to any order or decree of any court or governmental commission agency or instrumentality.

Very truly yours,

P. W. Johnston, Jr.

EXHIBIT F

COMPLIANCE CERTIFICATE

To: Continental Illinois National Bank
and Trust Company of Chicago
231 South LaSalle Street
Chicago, Illinois 60693

Gentlemen:

Reference is made to that certain Conditional Sale Agreement between Illinois Central Gulf Railroad Company (herein called the "Railroad") and you (herein called the "Vendor"), dated as of September 30, 1979 (herein, as it may be amended or supplemented (including as supplemented by Supplements) from time to time, called the "Agreement"). All terms used in this Compliance Certificate which are defined in the Agreement shall have the same meanings herein as such terms have therein.

The Railroad certifies as follows:

A. Warranties. As of the date hereof: (i) the warranties contained in Article 3 (a), (b), (c), (f), (g), (h) and (i) of the Agreement are true and correct as though made on the date hereof; (ii) the net worth of the Railroad, based on the most recent quarterly report furnished to the Vendor pursuant to Article 15(b) of the Agreement, has not declined by 10% or more from the quarter prior to the period of such quarterly report; (iii) no litigation (including, without limitation, derivative actions), arbitration proceedings or governmental proceedings not previously disclosed in writing by the Railroad to the Vendor are pending or known to be threatened against the Railroad or any Subsidiary, and no material development not so disclosed has occurred in any litigation (including, without limitation, derivative actions), arbitration proceedings or governmental proceedings so disclosed, which materially adversely affects the financial position or business of the Railroad or impairs the ability of the Railroad to perform its obligations under the Agreement; and (iv) there are no liens on or security interests in favor of any person in any Equipment except for liens permitted by the Agreement.

B. Performance. To the best of the undersigned's knowledge, as of the date hereof, the Railroad has performed and complied with all terms, covenants and conditions required by the Agreement to be performed or complied with by the Railroad.

C. Computations. As of _____, 19__ (the "Computation Date"), the following is true and correct:

- (a) Market Value of Equipment \$ _____
- (b) 75% of item (a) (Base Value) \$ _____
- (c) Lesser of (i) \$25,000,000 (or such reduced amount as may be fixed by the Railroad pursuant to the fifth paragraph of Article 5 of the Agreement) or (ii) item (b) above (Conditional Sale Price Base) \$ _____
- (d) (i) Vendor Purchase Price (not including any Supplement executed in connection with this Compliance Certificate) \$ _____
- (ii) Vendor Purchase Price (including any Supplement executed in connection with this Compliance Certificate) \$ _____
- (e) Lesser of item (c) or item (d)(ii) \$ _____
- (f) That portion of item (e) previously paid to the Vendor \$ _____
- (g) Item (e) minus item (f) (Principal) \$ _____

D. Casualty Occurrences (See Article 9 of the Agreement).*

Market Value of Equipment having suffered a Casualty Occurrence (exclusive of units having suffered a Casualty occurrence with respect to which a payment previously shall have been made pursuant to Article 9 of the Agreement) \$ _____

* Detailed reports of Casualty Occurrences, road numbers, etc. are to be separately reported to the Vendor.

E. Third Quarter Report. [Section E to be completed by _____ of each Annual Period]:

- (a) 6.67% of the Principal shown in Section C(g) hereof \$ _____
- (b) Market Value of Equipment, if any, which has been subjected to Supplements since the last Annual Payment Date \$ _____
- (c) 75% of item (b) (Base Value) \$ _____
- (d) Item (a) minus item (c) (Payment required under the first Paragraph of Article 5 of the Agreement unless additional Equipment is subjected to Supplements prior to the Annual Payment Date). \$ _____

F. Correctness. To the best of the undersigned's knowledge and belief, the calculations set forth above would not be substantially different if they were made as of the date of the Certificate..

G. Default. To the best of the undersigned's knowledge and belief as of the date hereof, no Event of Default or Unmatured Event of Default under the Agreement or any instrument executed pursuant thereto or in connection therewith has occurred and is continuing.

IN WITNESS WHEREOF, Illinois Central Gulf Railroad Company has caused this Compliance Certificate to be executed and delivered by its duly authorized officer this _____ day of _____, 19__.

ILLINOIS CENTRAL GULF RAILROAD
COMPANY

By _____
Title: _____

SCHEDULE I
TO CONDITIONAL SALE
AGREEMENT SUPPLEMENT NO. 1

<u>Item</u>	<u>Quantity</u>	<u>Description</u>	<u>Identification Marks and Numbers</u>
A.	3	GP-28 Locomotives	IC 9438 IC 9440 ICG 9439
B.	16	70-ton 60 foot flatcars	IC 62708 IC 62709 ICG 960100 ICG 960102 ICG 960103 ICG 960104 ICG 960106 ICG 960110 ICG 960111 ICG 960113 ICG 960115 ICG 960116 ICG 960117 ICG 960119 ICG 960120 ICG 960123
C.	62	70-ton open hopper cars	IC 77876 IC 77877 IC 77878 IC 77879 IC 77886 IC 77887 IC 77888 IC 77889 IC 77893 IC 77896 IC 77898 IC 77901 IC 77904 IC 77906 IC 77909 IC 77912 IC 77915 IC 77916 IC 77917 IC 77924 IC 77925 IC 77928 IC 77930 IC 77935 IC 77941

<u>Item</u>	<u>Quantity</u>	<u>Description</u>	<u>Identification Marks and Numbers</u>
			IC 77944
			IC 77946
			IC 77949
			IC 77951
			IC 77952
			IC 77954
			IC 77955
			IC 77959
			IC 77962
			IC 77963
			IC 77964
			IC 77966
			IC 77967
			IC 77968
			IC 77970
			IC 77974
			IC 77975
			IC 77976
			IC 77978
			IC 77979
			IC 77981
			IC 77982
			IC 77983
			IC 77984
			IC 77990
			IC 77995
			IC 77996
			ICG 322903
			ICG 322917
			ICG 322918
			ICG 322919
			ICG 322948
			ICG 322972
			ICG 322987
			ICG 322991
			ICG 322936
			ICG 322937
D.	60	70-ton gondola cars	IC 99937
			IC 99938
			IC 99939
			IC 99940
			IC 99941
			IC 99942
			IC 99944
			IC 99945
			IC 99946
			IC 99947
			IC 99948
			IC 99949
			IC 99975
			IC 99977
			IC 99979
			IC 99983
			IC 99984
			IC 99985
			IC 99986

<u>Item</u>	<u>Quantity</u>	<u>Description</u>	<u>Identification Marks and Numbers</u>
IC			998835
IC			998836
IC			998840
IC			998841
IC			998842
IC			998843
IC			998844
IC			998845
IC			998849
IC			998851
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<u>Item</u>	<u>Quantity</u>	<u>Description</u>	<u>Identification Marks and Numbers</u>
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			ICG 294394
			ICG 294397
			ICG 294300
			ICG 294361
			ICG 294372
			ICG 294398
F.	10	70-ton insulated box cars	IC 150553
			IC 150561
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			IC 150564
			IC 150566
			IC 150577
			IC 150578
			IC 150579
			IC 150585
			IC 150596
G.	13	70-ton 60 foot box cars (including hi-roof box cars)	IC 43802
			IC 43803
			IC 43804
			IC 43868
			IC 660101
			ICG 660105
			ICG 660106
			ICG 660107
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			ICG 660169
			ICG 660215
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			ICG 660217

<u>Item</u>	<u>Quantity</u>	<u>Description</u>	<u>Identification Marks and Numbers</u>	
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IC	680041			
IC	680069			
I.	188	70-ton 50 foot box cars	IC	10000
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			IC	10005
			IC	10007
			IC	10008
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<u>Item</u>	<u>Quantity</u>	<u>Description</u>	<u>Identification Marks and Numbers</u>
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<u>Item</u>	<u>Quantity</u>	<u>Description</u>	<u>Identification Marks and Numbers</u>
J.	307	70-ton covered hopper cars	IC 54700 IC 54701 IC 54702 IC 54706 IC 54707 IC 54711 IC 54712 IC 54714 IC 54715 IC 54717 IC 54719 IC 54720 IC 54721 IC 54724 IC 54725 IC 54726 IC 54737 IC 54738 IC 54739 IC 54730 IC 54732 IC 54733 IC 54734 IC 54735 IC 54736 IC 54739 IC 54741 IC 54742 IC 54743 IC 54744 IC 54746 IC 54747 IC 54748 IC 54749 IC 54751 IC 54753 IC 54754 IC 4818 IC 4820 IC 4821 IC 4822 IC 4824 IC 4825 IC 4827 IC 4828 IC 4829 IC 4830 IC 4831 IC 4833 IC 4835 IC 4836 IC 4837 IC 4842 IC 4845 IC 4844 IC 4845 IC 4847 IC 4848 IC 4850 IC 4851 IC 4853

<u>Item</u>	<u>Quantity</u>	<u>Description</u>	<u>Identification Marks and Numbers</u>
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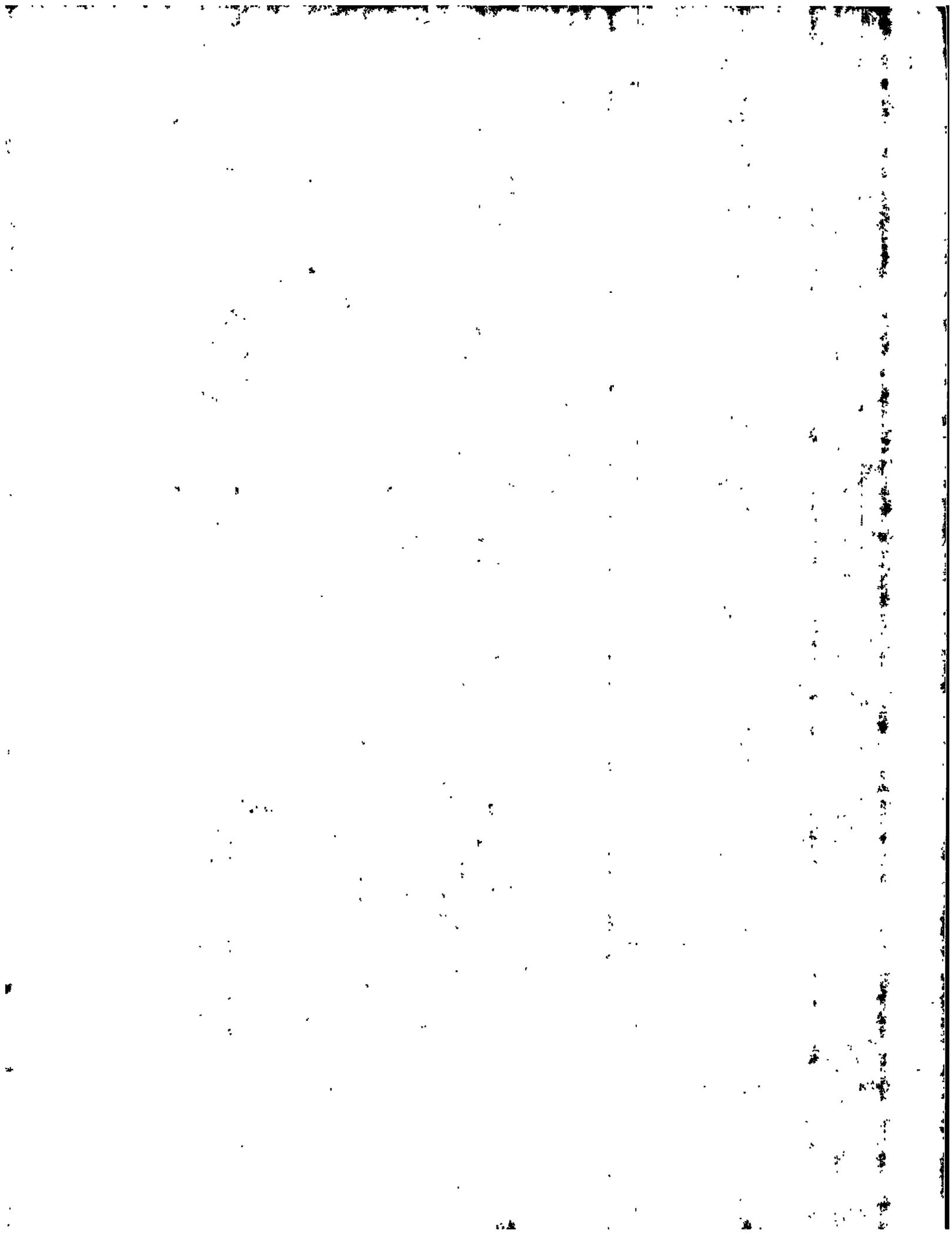
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K.	97	100-ton covered hopper cars	IC 56393
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			IC 745311

<u>Item</u>	<u>Quantity</u>	<u>Description</u>	<u>Identification Marks and Numbers</u>
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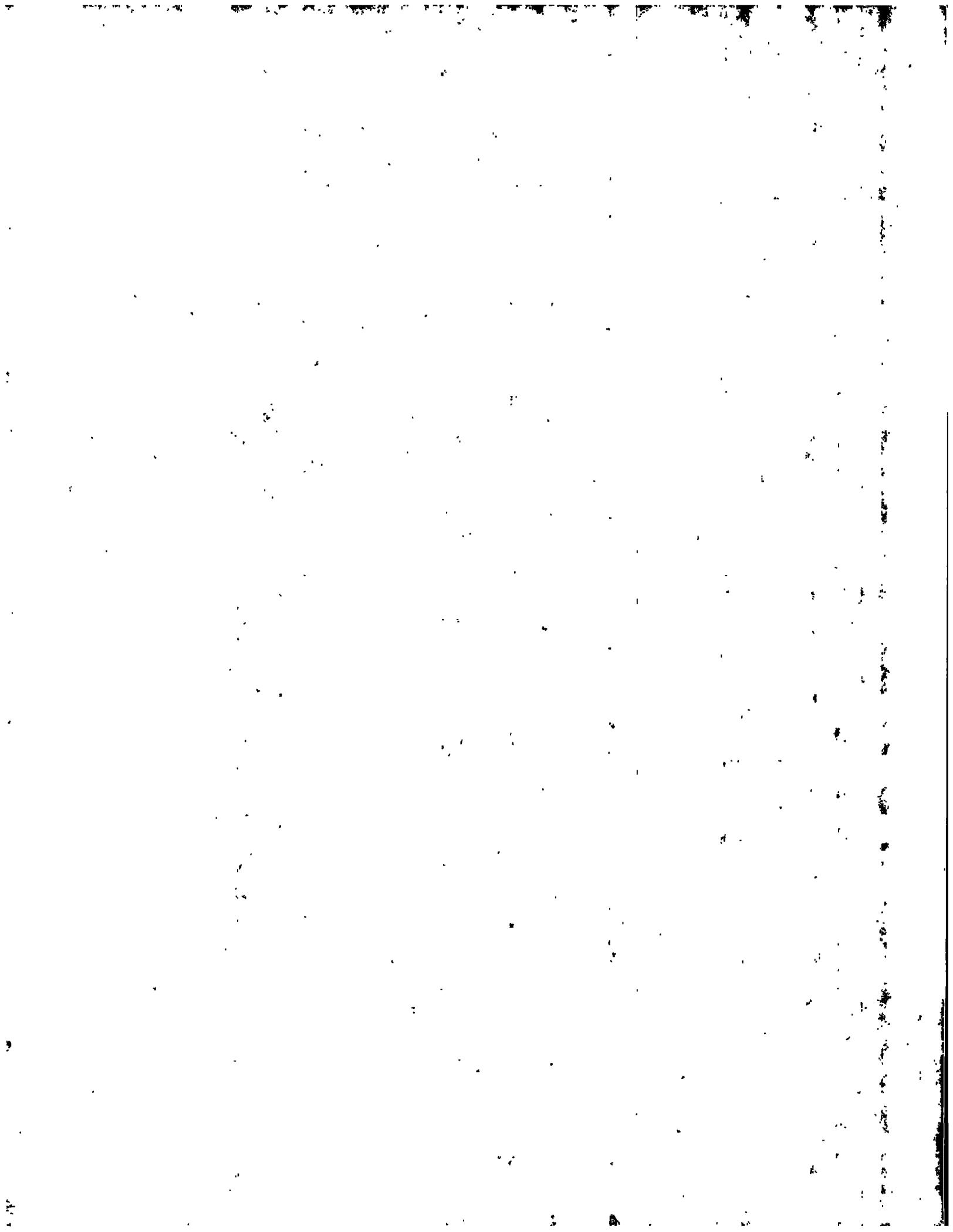
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L.	12	GP35 Locomotives	GGG 625 GGG 627 GGG 628 GGG 630 GGG 632 GGG 633 GGG 634 GGG 635 GGG 2523 GGG 2527 GGG 2520 GGG 2534
M.	2	Chain flat cars	GGG 74833 GGG 74834
N.	2	Flat coil cars	ICG 299552 ICG 299552
O.	11	Refrigerated box cars	GMD 1250 GMD 1254 GMD 1256 GMD 1258 GMD 1259 GMD 1261 GMD 1263 GMD 1265 GMD 1266 GMD 1267 GMD 1270

<u>Item</u>	<u>Quantity</u>	<u>Description</u>	<u>Identification Marks and Numbers</u>
P.	167	70-ton box cars	59705 59708 59709 59711 59712 59713 59714 59722 59725 59727 59736 59738 59740 59749 59750 59751 59755 59757 59760 59766 59773 59775 59777 59785 59790 59795 59797 59799 59803 59805 59806 59807 59810 59811 59814 59817 59824 59828 59829 59831 59832 59845 59848 59850 59851 59852 59855 59857 59860 59861 59863 59864 59866 59867 59868 59870 59871 59872 59873 59875

<u>Item</u>	<u>Quantity</u>	<u>Description</u>	<u>Identification Marks and Numbers</u>
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M		כרטיס	50982
M		כרטיס	50983
M		כרטיס	50984
M		כרטיס	50985
M		כרטיס	50986
M		כרטיס	50987
M		כרטיס	50988
M		כרטיס	50989
M		כרטיס	50990
M		כרטיס	50991
M		כרטיס	50992
M		כרטיס	50993
M		כרטיס	50994
M		כרטיס	50995
M		כרטיס	50996
M		כרטיס	50997
M		כרטיס	50998
M		כרטיס	50999



<u>Item</u>	<u>Quantity</u>	<u>Description</u>	<u>Identification Marks and Numbers</u>
1			592700
1			592701
1			592702
1			592707
1			592710
1			592723
1			592724
1			592733
1			592737
1			592742
1			592746
1			592745
1			592747
1			592748
1			592753
1			592754
1			592767
1			592770
1			592771
1			592781
1			592787
1			592791
1			592796
1			592798
1			592801
1			592820
1			592823
1			592833
1			592837
1			592840
1			592841
1			592849
1			592891
1			592893
1			592899
1			592900
1			592902
1			592917
1			592942
1			592963
1			592964
1			592965
1			592966
1			592950
1			592950
1			592952
1			592964
1			592971
1			592974
1			592978
1			592981
1			592983
1			592986



<u>Item</u>	<u>Quantity</u>	<u>Description</u>	<u>Identification Marks and Numbers</u>
Q.	159	70-ton box cars	55008 55019 55022 55026 55027 55029 55033 55035 55041 55047 55048 55053 55070 55073 55076 55077 55079 55079 55081 55082 55087 55092 55093 55104 55110 55115 55118 55124 55133 55136 55143 55152 55153 55154 55159 55176 55190 55192 55194 55200 55207 55211 55219 55222 55241 55244 55249 55256 55258 55251 55273 55277 55278 55286 55289 55294

<u>Item</u>	<u>Quantity</u>	<u>Description</u>	<u>Identification Marks and Numbers</u>
1000			567302
1000			567304
1000			567310
1000			567312
1000			567313
1000			567314
1000			567315
1000			567320
1000			567324
1000			567330
1000			567334
1000			567336
1000			567337
1000			567338
1000			567340
1000			567343
1000			567344
1000			567354
1000			567355
1000			567351
1000			567362
1000			567363
1000			567368
1000			567375
1000			567380
1000			567388
1000			567395
1000			567400
1000			567403
1000			567405
1000			567414
1000			567419
1000			567422
1000			567425
1000			567427
1000			567428
1000			567432
1000			567435
1000			567438
1000			567444
1000			567445
1000			567447
1000			567449
1000			567453
1000			567471
1000			567478
1000			567479
1000			567481
1000			567482
1000			567483
1000			567484
1000			567485
1000			567493
1000			567496
1000			567503
1000			567505
1000			567508
1000			567500
1000			567512
1000			567515
1000			567518
1000			567520
1000			567525
1000			567531
1000			567532

<u>Item</u>	<u>Quantity</u>	<u>Description</u>	<u>Identification Marks and Numbers</u>
			100 567532
			100 567535
			100 567535
			100 567538
			100 567530
			100 567542
			100 567543
			100 567547
			100 567551
			100 567553
			100 567559
			100 567566
			100 567559
			100 567574
			100 567575
			100 567582
			100 567593
			100 567594
			100 567527
			100 567589
			100 567591
			100 567593
			100 567505
			100 567900
			100 567901
			100 567900
			100 567911
			100 567912
			100 567914
			100 567916
			100 567919
			100 567922
			100 567926
			100 567927
			100 567928
			100 567920
			100 567931
			100 567933
R.	15	100-ton covered hopper cars	100 56831
			100 56834
			100 56835
			100 56836
			100 56837
			100 56842
			100 764639
			100 764639
			100 764640
			100 776411
			100 775412
			100 775413
			100 776414
			100 776417
			100 776418

<u>Item</u>	<u>Quantity</u>	<u>Description</u>	<u>Identification Marks and Numbers</u>	
S.	1	hi-cube box car	ICG	680066
T.	48	70-ton open hopper cars	IC	65009
			IC	65019
			IC	65020
			IC	65023
			IC	65025
			IC	65027
			IC	65032
			IC	65035
			IC	65038
			IC	65040
			IC	65042
			IC	65044
			IC	65050
			IC	65053
			IC	65056
			IC	65057
			IC	65071
			IC	65083
			IC	65084
			IC	65089
			IC	65090
			IC	65091
			IC	65098
			IC	65112
			IC	65120
			IC	65133
			IC	65134
			IC	65137
			IC	65138
			IC	65140
			IC	65148
			IC	65150
			IC	65151
			IC	65164
			IC	65167
			IC	65168
			IC	65189
			IC	65196
			IC	65208
			IC	65200
			IC	65207
			IC	65205
			IC	65205
			IC	65210
			IC	65212
			IC	65215
			IC	65216
			IC	65220
			IC	65221