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## Chapman and Cutler Rail Financings Roll Along - \$3.5 Billion in 2007-'08

*Firm represents leading Class I railroads in lease and pass-through financings of locomotives, rolling stock, and intermodal facilities; soaring fuel costs and the increase in international trade favor rail over transport alternatives*

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CHICAGO (May 8, 2008) – With North American railroads grabbing a larger portion of long-haul freight transport amid rising fuel costs and strong growth in coal shipments, agricultural exports, and international trade, financial services law firm **Chapman and Cutler LLP** has remained extremely active in large-scale rail financings, advising on more than \$3.5 billion worth of transactions so far in 2007-08.

In 2007 alone, Chapman's rail finance attorneys represented clients in 26 separate leveraged lease financings involving more than \$1.7 billion in locomotives and rolling stock. The type of equipment financed included advanced locomotive engines designed to lessen environmental impact, various kinds of freight cars, including models built for coal, grain and intermodal containers, as well as conventional box cars, refrigerator cars, and specially outfitted rolling stock designed to transport timber and chemicals, automobiles and other finished goods.

Economic factors are particularly well aligned right now to favor rail transport. Public policy considerations should be increasingly aligned as well. "The continuing spikes in fuel and labor costs have put trucking firms at a disadvantage to other forms of transportation. In particular, rail operators win any price comparison hands down when measured against other means of long-haul commercial transport within North America," said **Michael McGee**, head of Chapman's rail finance group.

"While railroads have invested huge amounts in infrastructure upgrades, future expansion of capacity will likely require increased public support to permit capacity to come on line when it will be needed. The benefits to the public and North American transit result from the more efficient and cost effective transport, less highway congestion and significant savings in fuel consumption," he continued.

"Rail operators are also beneficiaries of increasing demands on businesses to reduce fossil fuel emissions, since today's trains leave a smaller carbon footprint per mile for the amount of goods they carry," Mr. McGee added. "Even in the face of the ongoing tightness in the credit markets, there appears to be considerable investment appetite among investors for rail equipment financings."

Chapman, which also plays a major role in aviation and marine equipment and infrastructure finance, has long been one of the dominant legal advisors in rail-related financings. In addition to representing leading Class I railroads in big-ticket financings for equipment and facilities, the firm represents major railway lessors, institutional investors and international leasing companies. The rail finance group also regularly handles Mexican and Canadian financings and has advised on transactions involving investors and lenders from Germany, Sweden, France, Japan and the UK. Earlier this decade, Chapman had a lead role in the largest Class I rail deal on record, a leveraged lease financing of some 1,100 locomotives valued well in excess of \$1.5 billion.

The huge growth in global trade during the past decade has also propelled another major area of transportation finance, involving intermodal transport facilities – a mode of shipping where goods are kept in containers that can easily be transferred from cargo ship to train to truck straight to a warehouse or even retail outlet, without being opened en route. Such intermodal systems greatly enhance transport efficiency and security, and have saved shippers and consumers vast amounts on the shipping costs of most products. Chapman has been at the vanguard of advising transportation companies on financing intermodal systems, from initial project due diligence to deal structuring and negotiation. In the past year, the firm counseled clients on the development and financing of major intermodal facilities being planned in five U.S. states.

“Over the last 10 years or so, the commercial rail industry has transformed its image from an almost forgotten ‘old economy’ business into a growth business that has increasingly attracted both equity and debt investors,” Mr. McGee said. “In fact, investors are eager to do rail deals and the major railroads have made huge equity investments in equipment and facilities that have greatly expanded the system’s capacity.”

Chapman’s rail finance work is a natural fit with its lease finance transactions in other transportation sectors, including aviation, where the firm has advised on more than \$7 billion in aircraft financings in the past several years. Chapman also has a significant presence in marine finance. In 2006, the firm represented a large group of private placement investors in a \$250 million vessel financing, involving nine oil tankers as collateral. Just this past year, Chapman advised clients on the financing of commercial tugboats used to push commercial barges moving through the Pacific Northwest. The firm is able to bring in attorneys from various practice areas beyond finance, including tax, real estate, environmental, securities and intellectual property, to advise on deal particulars.

“We have a long history in transportation financing – that experience is a particular advantage given the current needs of rail operators and other transport clients to upgrade equipment and facilities, colliding with the very real challenges of the international credit markets. As the industry has evolved, we’ve been able to offer our transportation clients increasingly sophisticated services, from leveraged and restructured leases to multi-year contracts and pooling arrangements for railroads. We have also provided advice on complex real estate deals related to expanded facilities, and even on corporate headquarters. We’ve focused on the rail industry for decades and expect to maintain a leading position for the foreseeable future,” Mr. McGee.

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#### **ABOUT CHAPMAN AND CUTLER LLP**

Since its founding in 1913, Chapman and Cutler LLP has focused on finance. The firm is recognized for the quality and sophistication of its work and its depth of experience in banking, bankruptcy and financial litigation, corporate finance and securities, public finance and tax. To complement that focus, the firm maintains a substantial corporate practice representing business entities in administrative and regulatory matters, commercial litigation, divestitures, employee benefits, environment, energy and resources, governmental relations, intellectual property, joint ventures, and mergers and acquisitions. The firm also provides trust and estate planning services for high net worth individuals. For more, go to [www.chapman.com](http://www.chapman.com).