SKADDEN, ARPS, SLATE, MEAGHER & FLOM
333 WEST WACKER DRIVE
CHICAGO, ILLINOIS 60606-1285
(312) 407-0700

TELEX 206500
SKADDEN CHGO
TELECOPIER
(312) 407-0411
DIRECT DIAL
(312) 407-

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LONDON
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SAN FRANCISCO
TOKYO
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WILMINGTON

RECORDATION NO. 16540-J FILED 1425
DEC 26 1989 12 00 PM
INTERSTATE COMMERCE COMMISSION

RECORDATION NO. 16540-I FILED 1425
DEC 26 1989 12 00 PM
INTERSTATE COMMERCE COMMISSION

December 12, 1989

9-362A061

Honorable Noreta R. McGee
Secretary
Interstate Commerce Commission
Washington, D.C. 20423

$30.00 filing fee

Re: 1) Lease Supplement No. 2 16540-I
2) Security Agreement and Trust Indenture Supplement No. 2 16540-J

Dear Ms. McGee:

On behalf of Itel Rail Corporation, the above instruments, in four (4) counterparts each, are hereby submitted for filing and recording pursuant to 49 U.S.C. Section 11303(a), along with the $30 recordation fee.

The Equipment Lease Agreement (the "Equipment Lease Agreement") dated as of September 15, 1989, relating to Itel Rail Trust No. 89-3, has been previously recorded under recordation number 16540.

The parties to the Equipment Lease Agreement are listed below:

First Security Bank of Utah, N.A.,
as Owner Trustee under
Itel Rail Trust No. 89-3
(Lessor)
79 South Main Street
Salt Lake City, Utah 84111

Itel Rail Corporation (Lessee)
55 Francisco Street
San Francisco, California 94133

Counterparts - 4 Original

DEC 27 11 53 AM '89

The Equipment Lease Agreement sets forth the terms upon which the Lessor will lease to Lessee certain railroad rolling stock to be identified in lease supplements thereto, and Lease Supplement No. 2 (as defined below) recorded herewith covers such railroad rolling stock now leased.

The Lease Supplement No. 2 ("Lease Supplement No. 2") dated as of December 28, 1989 should be recorded as -I of the same recordation number as the Equipment Lease Agreement.

The parties to the Lease Supplement No. 2 are the same as in the Equipment Lease Agreement, and the Lease Supplement No. 2, among other things, identifies the railroad rolling stock covered by the Equipment Lease Agreement.

The Security Agreement and Trust Indenture (the "Security Agreement and Trust Indenture") dated as of September 15, 1989 has been previously recorded as -B of recordation number 16540.

The parties to the Security Agreement and Trust Indenture are as follows:

First Security Bank of Utah, N.A.,
as Owner Trustee under
Itel Rail Trust No. 89-3 (Owner Trustee)
/"Assignor"
79 South Main Street
Salt Lake City, Utah 84111

Continental Bank, National Association,
as Indenture Trustee (Indenture Trustee)
/"Assignee"
231 South LaSalle Street, 7th Floor
Chicago, Illinois 60697

The Security Agreement and Trust Indenture provides for a grant by the Owner Trustee to the Indenture Trustee of a security interest in the railroad rolling stock described in any Indenture Supplement thereto, and for an assignment by the Owner Trustee to the Inden-

ture Trustee of the rights of the Owner Trustee under the Equipment Lease Agreement.

The Security Agreement and Trust Indenture Supplement No. 2 ("Indenture Supplement No. 2") dated as of December 28, 1989 should be recorded as -J of recordation number 16540.

The parties to the Indenture Supplement No. 2 are the same as in the Security Agreement and Trust Indenture.

The Indenture Supplement No. 2 lists and describes the railroad rolling stock subject to Lease Supplement No. 2, which Lease Supplement No. 2 has been assigned by the Owner Trustee/Assignor to the Indenture Trustee/Assignee pursuant to the Security Agreement and Trust Indenture.

The railroad rolling stock covered by the documents, as listed above, is identified in the schedules to the Lease Supplement No. 2, a copy of which schedule is attached to this letter.

A short summary of the documents to appear in the ICC Index is as follows:

"Covers 36 center beam flat cars."

Once the filings have been made, please return to the undersigned the stamped counterparts of the Lease Supplement No. 2 and the Indenture Supplement No. 2 not required for filings purposes, together with the ICC fee receipt and the letter from the ICC acknowledging the filings.

Very truly yours,

Will F Wi

Schedule 1 to
ICC Transmital Letter

Itel Rail Trust No. 89-3

UNITS DELIVERED ON THE SECOND DELIVERY DATE

Number of Units	Size of Equipment	Manufacturer	Reporting Marks
Equipment Type E			
36	73 Foot 100 Ton Center Beam Flat Car	Thrall Car Manufacturing Company	MR 30112-30114 and 30117-30149

ICC file copy 16540-I

RECORDATION NO. 16540-I FILED 1425

DEC 30 1989

INTERSTATE COMMERCE COMMISSION

DEC 28 1989 -12 00 PM

INTERSTATE COMMERCE COMMISSION

LEASE SUPPLEMENT NO. 2

LEASE SUPPLEMENT NO. 2 dated December 28, 1989 (this "Lease Supplement") between FIRST SECURITY BANK OF UTAH, N.A., a national banking association, in its individual capacity as expressly provided herein and otherwise solely as Owner Trustee (the "Lessor") under Itel Rail Trust No. 89-3, and ITEL RAIL CORPORATION, a Delaware corporation (the "Lessee").

W I T N E S S E T H:

The Lessor and the Lessee have heretofore entered into that certain Equipment Lease Agreement dated as of September 15, 1989 (the "Lease"). The capitalized terms used herein have the meanings specified in the Lease.

The Lease provides for the execution and delivery of a Lease Supplement substantially in the form hereof.

NOW, THEREFORE, in consideration of the premises and other good and sufficient consideration, the Lessor and the Lessee hereby agree as follows:

1. The Lessee hereby acknowledges and confirms that it has inspected and approved the following Units and on the date hereof the following Units have been unconditionally accepted by the Lessee under and subject to the Lease:

NEW RAILCARS

Number of Units	Size of Equipment	Manufacturer	Reporting Marks	Equipment Cost Per Unit	Total
Equipment Type E					
36	73 Foot 100 Ton Center Beam Flat Car	Thrall Car Manufacturing Company	MR 30112-30114 and 30117-30149		

Total Equipment Cost of New Railcars.....

The Lessee certifies, solely as between the Lessee and the Lessor, that the foregoing Units are in good order and condition, and conform to the specifications applicable thereto, and that the Lessee has no knowledge of any defect in any of the foregoing Units with respect to design, manufacture or condition or in any other respect.

2. The Delivery Date of the Units covered by this Lease Supplement is the date set forth in the opening paragraph hereof.

3. The Total Equipment Cost for the Units covered by this Lease Supplement is US$1,749,600.

4. The Coupon Rate shall be 10.31% per annum.

5. The Lessee hereby acknowledges, but solely as between the Lessee and the Lessor, that (a) each Unit covered by this Lease Supplement is acceptable to and accepted by the Lessee under the Lease, and (b) as of the applicable Delivery Date for each Unit covered hereby, such Unit is in good order and condition and conforms to the specifications applicable thereto and is suitable for use in interchange service in accordance with the Interchange Rules and suitable for use by Class 1 line-haul railroads.

6. Notwithstanding Paragraph 5 hereof, the execution and delivery of this Lease Supplement by the Lessee shall not constitute a waiver, clearance, decrease or other release of any of the warranties, liabilities or other obligations of any of the Manufacturers thereof with respect to the Units covered by this Lease Supplement.

7. Lessee certifies that all subleases of the Units covered by this Lease Supplement conform to the terms of Section 19.4 of the Lease.

8. Clause (b) of Section 2.1 of the Lease is hereby amended by deleting clause (b) thereof in its entirety and substituting therefor new clause (b) as follows:

> (b) Basic Rent. Rent (the "Basic Rent") for each Unit leased hereunder and delivered on the Delivery Date shall be payable for the Basic Term commencing on September 28, 1990 and on each Rent

Payment Date thereafter in an amount or amounts (or an amount or amounts equal to that percentage or percentages of the Equipment Cost of such Unit) as set forth on Schedule 1 hereto.

9. Clause (i) of Section 2.3 of the Lease is hereby amended by deleting clause (i) in its entirety and substituting therefor a new clause (i) as follows:

(i) will result, in the Owner Participant's reasonable judgment, in maintaining for the Owner Participant the same Economic Return that would have been realized by the Owner Participant over the entire Interim Term and Basic Term had no changes in Basic Rent, Stipulated Loss Values and Termination Values been made pursuant to this Section 2.3 (assuming that such Basic Rent, Stipulated Loss Values and Termination Values were calculated using the same methodology and assumptions (other than Coupon Rate) used by the Owner Participant in connection with the Commitment Letter), and, to the extent consistent therewith, minimizing the net present value (computed utilizing a discount rate equal to the interest rate specified in the Loan Certificates and compounded semi-annually) of the Basic Rent, with appropriate adjustments to Stipulated Loss Values and Termination Values based upon the adjusted schedule of Basic Rent; provided, however, that with respect to any Units as to which a Delivery Date occurs after September 30, 1989, (A) such adjustment will be made in a manner that assumes a delivery date of July 31, 1989 for those Units (assuming a six month Interim Term, or a delivery date after July 31, 1989 in the case of a shorter Interim Term), (B) the net present value of the Basic Rent for such Units will remain unchanged pursuant to any such adjustments other than changes in net present value caused by adjustments to the Coupon Rate or Transaction Costs, and (C) the Owner Participant's Economic Return shall be increased accordingly to reflect the assumption of a July 31, 1989 Delivery Date.

10. Section 9 of the Lease is hereby amended by deleting Section 9 in its entirety and substituting

therefor a new Section 9 as follows:

> Prior to the applicable Delivery Date for each Unit or, in the case of filings referred to in clause (b) below, within ninety (90) days after the First Delivery Date for those Units delivered on the First Delivery Date and within twenty (20) days after the Second Delivery Date for those Units delivered on the Second Delivery Date, the Lessee will (a) cause this Lease, each Lease Supplement relating to such Units, the Indenture and each Indenture Supplement relating to such Units to be duly filed, registered or recorded with the Interstate Commerce Commission in accordance with 49 U.S.C. § 11303, (b) cause (1) this Lease, such Lease Supplement, the Indenture and such Indenture Supplement to be deposited with the Registrar General of Canada (notice of such deposit to be forthwith given in The Canada Gazette pursuant to Section 86 of the Railway Act of Canada and with the appropriate authorities in the Province of British Columbia and (2) this Lease and such Lease Supplement to be deposited with the appropriate authorities in the Provinces of Alberta, Manitoba, Ontario and Saskatchewan, and (c) file, register or record this Lease, each Lease Supplement relating to such Units, the Indenture and each Indenture Supplement relating to such Units, and all financing and continuation statements and similar instruments, in such other places within the United States and (solely with respect to initial filings unless the Lessee shall have given a written notice to Lessor pursuant to Section 19.1 hereof) Canada, as the Lessor or the Indenture Trustee may reasonably request, and will furnish the Lessor and the Indenture Trustee proof thereof. The Lessee will, from time to time, do and perform any other act and will execute, acknowledge, deliver, file, register and record (and will re-file, re-register or re-record whenever required) any and all amendments or supplements to this Lease or to the Indenture, any financing statements or similar instruments, and any and all further instruments required by law or reasonably requested by the Lessor or the Indenture Trustee,

for the purpose of protecting the Lessor's title to, or the Indenture Trustee's security interest in, any Unit. Except as provided in Section 2.6 of the Participation Agreement, the Lessee will pay all costs, charges and expenses incident to any such filing, re-filing, recording and re-recording or depositing and re-depositing of any such instruments or incident to the taking of such action required by this Section 9; provided, however, that the Lessee will not pay costs in excess of an aggregate amount of $7,000 with respect to Itel Rail Trusts Nos. 89-1 through 89-7, taken as a whole, incurred in connection with any filings, re-filings, recordings, re-recordings, deposits or re-deposits in Canada other than costs of the Indenture Trustee incurred in connection with the deposit with the Registrar General of Canada and the filing with the appropriate authorities of the province of British Columbia required by clause (b)(1) hereof.

11. Schedule 1 to the Lease is hereby amended by deleting such Schedule 1 in its entirety and replacing it with Schedule 1 attached hereto.

12. Schedule 2 to the Lease is hereby amended by deleting such Schedule 2 in its entirety and replacing it with Schedule 2 attached hereto.

13. Schedule 3 to the Lease is hereby amended by deleting such Schedule 3 in its entirety and replacing it with Schedule 3 attached hereto.

14. Schedule 4 to the Lease is hereby amended by deleting the definition as set forth for the defined term "Lease Supplement" and substituting therefor the definition as follows:

"Lease Supplement" shall mean the Lease Supplement dated the Delivery Date, substantially in the form of Exhibit A to the Lease, between the Lessor and the Lessee, covering the Equipment.

15. Schedule 4 to the Lease is hereby amended by deleting the definition as set forth for the defined

term "Rent Payment Dates" and substituting therefor the definition as follows:

> "Rent Payment Dates" shall mean September 28, 1990 and the twenty-eighth day of each March and September thereafter during the Lease Term, but excluding the Basic Term Expiration Date.

16. Any and all notices, requests, certificates and other instruments executed and delivered after the execution and delivery of this Lease Supplement may refer to the "Lease Agreement dated as of September 15, 1989", the "Lease dated as of September 15, 1989" or the "Equipment Lease Agreement dated as of September 15, 1989," or may identify the Lease in any other respect without making specific reference to this Lease Supplement, but nevertheless all such references shall be deemed to include this Lease Supplement, unless the context shall otherwise require.

17. This Lease Supplement shall be construed in connection with and as part of the Lease, and, except as expressly modified herein, all terms, conditions and covenants contained in the Lease shall be and remain in full force and effect.

18. This Lease Supplement shall be governed by, and construed and interpreted in accordance with, the laws of the State of New York.

19. This Lease Supplement may be executed in any number of counterparts, each such counterpart constituting an original but all together one and the same instrument.

IN WITNESS WHEREOF, the Lessor and the Lessee have caused this Lease Supplement to be duly executed and delivered on the day and year first above written.

Lessor: FIRST SECURITY BANK OF UTAH, N.A., not in its individual capacity but solely as Owner Trustee under Itel Rail Trust No. 89-3

By: _____
Name: Greg A. Hawley
Title: Trust Officer

Lessee: ITEL RAIL CORPORATION

By: _____
Name:
Title:

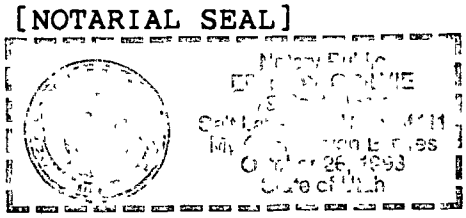
The right, title and interest of the Lessor under this Lease Supplement and the Lease referred to herein and certain of the Rent due and to become due hereunder and thereunder have been assigned as collateral security to and are subject to a security interest in favor of Continental Bank, National Association, as Indenture Trustee under a Security Agreement and Trust Indenture dated as of September 15, 1989 between said Indenture Trustee, as secured party, and the Lessor, as debtor. Information concerning such security interest may be obtained from the Indenture Trustee at its address set forth in Section 22.1 of said Lease.

STATE OF UTAH)
) SS:
COUNTY OF SALT LAKE)

On this 20 day of December, 1989, before me personally appeared Greg A. Hawley, to me personally known, who being duly sworn, says that he is a Trust Officer of FIRST SECURITY BANK OF UTAH, N.A., that said instrument was signed on December __, 1989 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.

Edith W Dalere
Notary Public

[NOTARIAL SEAL]



My Commission Expires:

_____

IN WITNESS WHEREOF, the Lessor and the Lessee have caused this Lease Supplement to be duly executed and delivered on the day and year first above written.

Lessor: FIRST SECURITY BANK OF UTAH, N.A., not in its individual capacity but solely as Owner Trustee under Itel Rail Trust No. 89-3

By: _____
Name:
Title:

Lessee: ITEL RAIL CORPORATION

By: Robert Kiehnle
Name: Robert C. Kiehnle
Title: Vice President-Finance and Treasurer

The right, title and interest of the Lessor under this Lease Supplement and the Lease referred to herein and certain of the Rent due and to become due hereunder and thereunder have been assigned as collateral security to and are subject to a security interest in favor of Continental Bank, National Association, as Indenture Trustee under a Security Agreement and Trust Indenture dated as of September 15, 1989 between said Indenture Trustee, as secured party, and the Lessor, as debtor. Information concerning such security interest may be obtained from the Indenture Trustee at its address set forth in Section 22.1 of said Lease.

STATE OF CALIFORNIA)
) SS:
CITY AND COUNTY OF SAN FRANCISCO)

On this 21 day of December, 1989, before me personally appeared Robert C. Kiehnle, to me personally known, who being duly sworn, says that he is a Vice President of ITEL RAIL CORPORATION, that said instrument was signed on December 21, 1989 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.

Patricia Schumacker
Notary Public

[NOTARIAL SEAL]

My Commission Expires:

February 4, 1991

Schedule 1 to
Equipment Lease Agreement

Itel Rail Trust No. 89-3

INTERIM RENT AND BASIC RENT

INTERIM RENT

US$0

BASIC RENT

Rent Payment Date	Percentage of Equipment Cost

Schedule 2 to
Equipment Lease Agreement

Itel Rail Trust No. 89-3

STIPULATED LOSS VALUES

Date	Percentage of Equipment Cost

Schedule 3 to
Equipment Lease Agreement

Itel Rail Trust No. 89-3

TERMINATION VALUES

Date	Percentage of Equipment Cost