ITEL
Pullman

Itel Rail Corporation
55 Francisco Street
San Francisco, California 94133
(415) 984-4000
(415) 781-1035 Fax

December 29, 1988

1 6139B
RECORDATION NO. FILED 1425
JAN 3 1989 - 1 30 PM
INTERSTATE COMMERCE COMMISSION

Date 1/3/89
Fee $ 13.00
ICC Washington, D. C.

Hon. Noreta R. McGee
Secretary
Interstate Commerce Commission
Washington, DC 20423

Re: Schedule No. 2 to Master Lease Agreement No. 2235-00 dated December 27, 1988, between Itel Rail Corporation, Itel Railcar Corporation and Chicago South Shore and South Bend Railroad

Dear Ms. McGee:

On behalf of Itel Rail Corporation, the above instrument, in three (3) counterparts, is hereby submitted for filing and recording pursuant to 49 U.S.C. Section 11303(a), along with the $13 recordation fee.

Please record this Schedule No. 2 under the Master Lease Agreement dated December 27, 1988, between Itel Rail Corporation, Itel Railcar Corporation and Chicago South Shore and South Bend Railroad, which is being filed with the ICC simultaneously this date.

The parties to the aforementioned instrument are listed below:

Itel Railcar Corporation (Lessor)
55 Francisco Street
San Francisco, California 94133

Chicago South Shore and South Bend Railroad (Lessee)
North Carroll Avenue
Michigan City, Indiana 46360

This Schedule No. 2 covers twenty-six (26) 46'8" gondolas bearing reporting marks CCS 1600-1625.

Please return to the undersigned the stamped counterparts not required for filing purposes, together with the ICC fee receipt and acknowledgment letter.

Very truly yours,

Patricia Schumacker

Patricia Schumacker
Legal Department

1 6139 B
RECORDATION NO. _____ FILED 1986

JAN 3 1989 1 PM

INTERSTATE COMMERCE COMMISSION

LOT NO. 2225-02

SCHEDULE NO. 2 TO MASTER LEASE NO. 2225-00

THIS SCHEDULE No. 2 ("Schedule") to that certain Lease Agreement, (the "Agreement") made as of December 27, 1988 between ITEL RAIL CORPORATION and ITEL RAILCAR CORPORATION, severally, as lessors, and CHICAGO SOUTH SHORE AND SOUTH BEND RAILROAD, as lessee ("Lessee") is made this 27th day of December, 1988, between ITEL RAILCAR CORPORATION ("Lessor") and Lessee.

Lessor and Lessee agree as follows:

1. All capitalized terms defined in the Agreement shall have the meanings defined therein when used in this Schedule No. 2, except that the term "Cars" when used herein shall only refer to the equipment described in this Schedule unless otherwise indicated.

2. Lessor hereby leases the following Cars to Lessee subject to the terms and conditions of the Agreement and this Schedule:

AAR Mech Design	Description	Numbers	Length	Dimensions Inside Width	Height	Door Width	No. of Cars
GBSR	Gondolas, cushion underframe (coil steel), with covers	CSS 1600 - 1625	46'8"	6'1"	5'4"	--	26

3. Upon the full execution of this Schedule, Lessor shall, at its expense, move all the Cars to Lessee's lines. Lessee acknowledges that some Cars initially may not have covers. Lessor and Lessee shall determine through a joint inspection and summarize in writing the condition of each Car. At its expense, Lessee shall remark and rebuild each Car pursuant to the letter dated September 27, 1988, attached as Exhibit A hereto. Lessor shall pay the cost of material. All changes to Exhibit A shall require the prior written approval of an authorized representative of Lessor's Engineering Department. Lessee shall remark each serviceable Car to bear its reporting marks and place such Car into service until it is ready to be rebuilt. Lessee shall advise Lessor in writing of each serviceable Car, and of the date each Car is rebuilt in accordance with AAR rebuilding procedures and made available for Lessee's use. Upon receipt of written notice from Lessee that a Car has been rebuilt, Lessor may, at its option inspect such Car. Lessee shall also prepare and perform all required filings with the AAR with respect to the rebuilding of the Cars and shall furnish Lessor's Engineering Department with copies of such filings and all other correspondence between Lessee and the AAR pertaining to the Cars. Upon Lessee's reasonable request, Lessor shall provide Lessee with information with respect to the Cars to assist Lessee to complete such AAR filings. Upon prior notice, each party shall have the right to inspect the other's records as they pertain to the

rebuilding of the Cars and as such records shall relate to the calculation of the car value as provided in Section 11 below.

4. The term of the Agreement with respect to each Car shall commence at 12 noon on the date such Car is first interchanged onto Lessee's lines. For all of the Cars that are rebuilt to GBSR within six (6) months ("Rebuilt Cars") from the date the final Car is first interchanged to Lessee, the term of the Agreement shall continue through and including ten (10) years from the average date that rebuilding of the Rebuilt Cars is completed and the Rebuilt Cars are available for Lessee's use ("Delivery"). For each Car still to be rebuilt at said six (6) months ("Late Car(s)"), the term of the Agreement shall continue through ten (10) years from the date of Delivery of each Late Car. Upon the Delivery of the final Late Car, Lessor shall provide Lessee with a Certificate of Delivery in the form of Exhibit B attached hereto. Unless Lessee, within fifteen (15) days of such notice, demonstrates to the satisfaction of Lessor that such date is incorrect, then Lessee shall be deemed to have concurred to such expiration dates.

5. Lessee agrees to pay the rent set forth in the Agreement notwithstanding that Lessee may not have immediate physical possession or use of the Cars leased hereunder or that the Cars may not be ready for loading.

6. Lessee shall perform the registration and record keeping required for the Cars described in this Schedule, as described in Section 4 of the Agreement and in Section 3 above. Lessee shall register each Car in UMLER placing the letters specified by Lessor in owner's field in such a manner that Lessor, or its agent, is allowed access to any required information, including but not limited to Train 62 Junction Advices and the Train II (65, 67, 71 and 80) Location Advices with regard to each Car.

7. Lessee shall perform or cause to be performed, and shall pay all costs and expenses associated with, the maintenance of the Cars described in this Schedule, except as set forth in Section 5 of the Agreement. Subsection 5.B. of the Agreement shall not apply with respect to the Cars.

8. Lessor agrees to reimburse Lessee, within thirty (30) days of Lessor's receipt of the receipted copy of the paid tax bill, for all taxes actually paid by Lessee resulting from: 1) ad valorem tax assessments on the Cars; and 2) any assessment, levy or impost relating to any Car, the Agreement, or the delivery of the Cars, which remained unpaid as of the date of the delivery of the Cars to Lessee or which is assessed, levied or imposed during the term of the Agreement, except taxes on income or gross receipts imposed on Lessee or sales or use tax imposed on mileage charges, car hire revenue, or the proceeds of the sale or lease of the Cars. Lessor and Lessee will comply with all state and local laws requiring filing of ad valorem returns associated with the Cars. Notwithstanding any portion of this Section, Lessor shall not be responsible for penalty or interest assessments resulting from Lessee's failure to comply with any regulation or statute of any taxing or assessing authority. Lessee shall forward to Lessor upon receipt all

correspondence, notifications of proposed tax assessments and tax bills associated with any tax reimbursable by Lessor. Lessor may, in good faith and by appropriate proceedings, contest any assessment, notification of assessment or tax bill. Lessor shall assume full responsibility for all expenses, including legal fees, resulting from such contest.

9. A. Effective in the calendar month ("Month") following the date that the final Car is first interchanged to Lessee for either remarking

Car for all of the Cars, subject to the adjustments contained in Subsection 9.B. below. The Initial Rent shall be due and payable regardless of any claimed abatement, reduction or offset, except as otherwise provided herein.

B. (i) At the time specified below, the Initial Rent shall be adjusted as follows: Lessor shall (a) divide by one

applicable Cars. Upon such recalculation, Lessor shall invoice Lessee, and Lessee shall pay Lessor within thirty (30) days of receiving such invoice, for the difference between the total Fixed Rent due on the applicable group of Cars and the total Initial Rent paid for said Cars from the applicable effective date of such Fixed Rent through the date of such computation.

(ii) Lessor shall compute the Fixed Rent for all Rebuilt Cars (as defined in Section 4) upon the Delivery of the final Car, but in no case later than six (6) months from the date that the final Car is first interchanged to Lessee for either remarking or immediate rebuilding. Said Fixed Rent shall apply to each Rebuilt Car effective as of the average date of Delivery for all Rebuilt Cars.

(iii) Each Late Car (as defined in Section 4) shall remain subject to the Initial Rent until the earlier of the date that the final Late Car is rebuilt, or August 1, 1989. Lessor shall then compute the new rent for the Late Cars following the procedure in Subsection 9.B.(i) above, taking into account Lessor's total expenses for material to rebuild the rebuilt Late Cars. Said Fixed Rent shall apply to each Late Car that has been rebuilt effective as of the average date of Delivery for all Late Cars already rebuilt, and to each Late Car still to be rebuilt, effective as of August 1, 1989.

C. Lessee shall pay to Lessor the Initial Rent and, when applicable, the Fixed Rent for each Car for each Month, on the last day of said Month.

10. A. Lessee agrees to defend, indemnify and hold Lessor harmless from any and all claims, losses, damages, liabilities, costs, and expenses (including attorney's fees) with respect to, caused by, or arising out of the Cars which are occasioned by the fault of Lessee, occur while the Cars are in Lessee's possession or control, or would be the "handling carrier's" responsibility under the Interchange Rules as if the Cars were not bearing Lessee's reporting marks, or which may arise out of defective workmanship or materials used in the rebuilding of the Cars.

B. Except as provided in Subsection 10.A. above, and except for those claims, losses, damages, liabilities and expenses for which Lessee shall be responsible as set forth in this Agreement, Lessor shall defend, indemnify and hold Lessee harmless from any and all loss, damage or destruction of or to the Cars, ordinary wear and tear excepted.

11. A. With respect to the Cars described in this Schedule, the following Subsection 9.A. shall apply instead of Subsection 9.A. of the Agreement:

"9.A. In the event destruction or damage beyond repair of a Car has been reported in accordance with Rule 107 of the AAR Field Manual of the Interchange Rules and Car Hire Rules 7 and 8 of the AAR Code of Car Hire Rules and Interpretations-Freight, said destroyed Car ("Casualty Car") shall be removed from the rental calculations of this Agreement on the date car hire ceases as set forth in the aforementioned Rules 7 and 8 and Lessee shall be entitled to a portion of the casualty proceeds relating to the Casualty Car to be determined as follows:

The Car Value ("Car Value") for each Car shall be the sum of

transportation expenses incurred by Lessor to initially deliver the Car to Lessee ("Transportation"), (iii) Lessor's cost of material to rebuild the Car prior to its Delivery ("Material"), and (iv) Lessee's cost of labor and overhead incurred in the rebuilding of the Car ("Labor").

Lessee shall receive a portion of the total casualty proceeds from each Casualty Car equal to the product of the total casualty proceeds and a fraction, the numerator of which shall be an amount equal to Labor and the denominator of which shall be an amount equal to the Car Value. The remaining casualty proceeds shall be Lessor's property ("Lessor's Share").

B. With respect to the Cars described in this Schedule only, the following shall apply instead of the last sentence on Subsection 9.B. of the Agreement:

"Regardless of whether or not Lessee has notified Lessor of the damage pursuant to this Subsection, Lessee shall remit to Lessor an amount equal to Lessor's Share within thirty (30) days of receipt of an invoice from Lessor."

The indemnities and assumptions of liability contained in this Agreement shall survive the expiration or termination of the Agreement.

12. Lessee shall have the option, upon the expiration of the Term and if Lessee is not in default under the Agreement or the Schedule, to purchase any or all of the Cars described in this Schedule upon the following terms and conditions: (a) Lessee shall exercise its purchase option described herein by providing Lessor written notice of such exercise not less than ninety (90) days prior to the end of the Term; (b) Lessee shall pay Lessor the purchase price of three thousand dollars ($3,000) per Car upon the expiration of the Term; (c) Lessee shall be responsible for, shall pay, and shall agree to indemnify Lessor for, any or all sales or use tax accruing as the result of such sale; (d) Lessor shall execute and deliver to Lessee a bill of sale upon Lessee's payment of the purchase price for the Cars; (e) the Cars shall be sold AS IS, WHERE IS, without representations or warranties of any kind (including warranties of merchantability and fitness for a particular purpose) except that Lessor shall warrant that the Cars are free of any liens or encumbrances granted by Lessor.

13. Upon the expiration or early termination of the Agreement with respect to any Car(s) in this Schedule and in the event Lessee chooses not to exercise its purchase option provided in this Schedule, Lessee shall surrender possession of said Car(s) to Lessor pursuant to Section 12 of the Agreement and shall promptly return said Car(s) to Lessor as follows:

A. If some or all of the Cars are to be delivered to Lessor at Lessee's railroad tracks, Lessee shall be responsible for any transportation costs incurred in moving such Cars to said tracks subsequent to the time of expiration of this Agreement as to the Cars. Lessee shall, at Lessor's option, provide up to sixty (60) days free storage on its railroad tracks for any Car which is either on Lessee's railroad tracks at expiration or is subsequently returned to Lessee's railroad tracks. Said sixty (60) days shall run either from expiration or from the date such Car is returned to Lessee's railroad line subsequent to expiration, whichever date is later. If requested to do so by Lessor, Lessee shall, at Lessor's option, either move a remarked Car to an interchange point on Lessee's lines selected by Lessor or use its best efforts to load the remarked Car with freight and deliver it to a connecting carrier for shipment.

B. Lessee shall bear the costs associated with remarking each Car at a facility selected by Lessor; provided, however, that the cost of such remark to Lessee does not exceed the AAR Schedule of Charges then in effect. Lessor will allow Lessee an equal opportunity to bid on the remark of any Car which is on Lessee's lines. Remarking shall include the following: a) removal of existing mandatory markings and all company logos of Lessee; b) complete cleaning of the area where new marks are to be placed as designated by Lessor; c) application of new mandatory markings; and d) any transportation involved in moving each Car to and from a suitable work area to perform the remarking set forth in this Section.

14. With respect to the Cars described in this Schedule only, Subsection 10.A.(iv) of the Agreement (restriction on unit train service) shall not apply.

15. Except as expressly modified by this or any other Schedule, all terms and provisions of the Agreement shall remain in full force and effect with respect to all Cars subject to the Agreement.

16. This Schedule may be executed by the parties hereto in any number of counterparts, and all counterparts taken together shall be deemed to constitute one instrument.

ITEL RAILCAR CORPORATION	CHICAGO SOUTH SHORE AND SOUTH BEND RAILROAD
By: D.D. Ayres	By: John G. Darling
Title: President	Title: CEO
Date: December 27, 1988	Date: December 16, 1988

LOT NO. 2225-02

EXHIBIT B

CERTIFICATE OF DELIVERY DATE

Exhibit A to Schedule No. 2 dated as of _____ to Lease Agreement dated as of _____, by and between **ITEL RAILCAR CORPORATION** ("Lessor") and **CHICAGO SOUTH SHORE AND SOUTH BEND RAILROAD** ("Lessee").

CAR REPORTING MARKS AND NUMBER	DELIVERY DATE
Rebuilt Cars:	
Late Cars:	

The average date of delivery of the Rebuilt Cars is _____.

The last day of the Initial Term for the Rebuilt Cars shall be _____.

The last day of the Initial Term for each Late Car shall be ten (10) years from its Delivery Date.

ITEL RAILCAR CORPORATION

By: _____

Title: _____

Date: _____

LOT NO. 2225-02

STATE OF CALIFORNIA)
) ss:
COUNTY OF SAN FRANCISCO)

On this 27th day of December, 1988, before me personally appeared Desmond P. Hayes, to me personally known, who being by me duly sworn says that such person is President of Itel Railcar Corporation, that the foregoing Schedule No. 2 was signed on behalf of said corporation by authority of its board of directors, and such person acknowledged that the execution of the foregoing instrument was the free act and deed of said of corporation.

Sharon L. Van Fossan
Notary Public

OFFICIAL SEAL
SHARON L VAN FOSSAN
NOTARY PUBLIC - CALIFORNIA
SAN FRANCISCO COUNTY
My comm. expires AUG 16, 1991

STATE OF Illinois)
) ss:
COUNTY OF Cook)

On this 16th day of December, 1988, before me personally appeared John R. Darling, to me personally known, who being by me duly sworn says that such person is C.E.O. of Chicago South Shore and South Bend Railroad that the foregoing Schedule No. 2 was signed on behalf of said corporation by authority of its board of directors, and such person acknowledged that the execution of the foregoing instrument was the free act and deed of said of corporation.

Susan Olszewski
Notary Public

"OFFICIAL SEAL"
Susan Olszewski
Notary Public, State of Illinois
My Commission Expires Mar. 17, 1989

2:\WP\M\76\683-ML 12/8/88 (8)

EXHIBIT A

CHICAGO SOUTH SHORE & SOUTH BEND R.R.
GENERAL OFFICES MICHIGAN CITY, INDIANA 46360 (219) 874-4221

34

227

September 27, 1988
S730-001.19

RECEIVED
OCT 03 1988
Itel Rail
ENGINEERING DEPT.

Mr. Peter R. Urban
ITEL Rail Corporation
303 West Madison - Suite 2075
Chicago, Illinois 60606

Dear Mr. Urban:

Please find enclosed the latest draft of the work estimate covering re-build of twenty six (26) coil cars in the DTI 1300 series.

The material cost has been reduced considerably from the previous estimate primarily due to a determination that it will not be necessary to renew the covers 100%.

To clarify the reinforcement work it is our intention to apply two (2) reinforcements inboard of the body bolster on each side and each end for a total of eight (8). Where the present single suport is badly crushed, it will be removed. If it can be repaired it will but this will not affect the application of the new suports in any way since the original support was improperly located and of inadequate strength. Outboard of the body bolster ~~it is intended to repair the supports in place and if needed to~~ replace in kind at the same location.

Please review this estimate and advise if there are any changes or corrections deemed necessary.

The Rule 88 Forms A and B will be forthcoming in the near future.

Sincerely,

Henry C. Christie

Henry C. Christie
General Manager MP&E

HCC/cjb
Attachment
cc: Messers J. L. Jones
A. S. Kipper
J. A. Darling

EXHIBIT A (continued)

	DESCRIPTION OF WORK	RL SS	PERCENT REMEW	LAB. HRS	TOTAL HRS	UNITS PER CAR	MAT. UNIT COST	MAT. BASIS	COST PER CAR	UNIT SCR. CREDIT	CREDIT PER CAR
	TRUCKS & RELATED										
1	JACK CAR & REMOVE TRUCK										
2	R & R ADAPTORS.										
2.A	R & R ROLLER BEARINGS	Y									
2.a	R & R WHEELSETS										
3	R & R TRUCK SPRINGS D3 OUTER										
3.a	R & R TRUCK SPRINGS D3 INNER										
3.b	R & R RIDE CONT. SPRINGS										
4	R & R FRICTION WEDGES										
5	R & R TRUCK SIDES										
6	R & R TR. SIDE WEAR PLATES										
7	R & R TR.BOLS. WEAR PLATES										
8	R & R BRAKE BEAMS WABCOPAC										
8.a	R & R PUSH RODS										
9	R & R BOTTOM ROD										
10	R & R BOTTOM ROD SAFETY HGR	Y									
11	R & R BRAKE LEVER										
12	R & R BRAKE LEVER FULCRUM										
13	R & R BELL CRANK										
14	R & R BODY S. BRG. WEDGES	Y									
15	R & R BODY S. BRG SHIMS										
16	R & R SIDE BRG ROLLERS										
17	R & R SIDE BRG ROLLER CAGE										
18	R & R BRAKE SHOES										
18.a	R & R BRAKE SHOE KEYS										
19	R & R CENTER PIN										

	AIR BRAKE WORK										
1	R & R EMERGENCY PORTION	Y									
1.a	R & R GASKET	Y									
2	R & R SERVICE PORTION	Y									
2.a	R & R GASKET	Y									
3	R & R RESERVOIR.	Y									
4	R & R DIRT COLLECTOR	Y									
5	R & R WABCO PISTONS (4)	Y									
5.a	R & R PISTON GASKET	Y									
5.b	R & R PACKING CUP	Y									
6	R & R 3 POS. RET. VALVE	Y									
7	R & R ANGLE COCK (2)	Y									
8	R & R C.O.COCK	Y									
9	R & R AIR HOSE (2)										
10	REPLACE BK. PIPE COMP. FTGS.	Y									
11	R & R BRANCH PIPE HOSE										
12	R & R CYL. AIR HOSES (4)										
13	GASKET KIT	Y									
14	R & R HAND BRAKE	Y								2	1.19
15	SINGLE CAR TEST	Y									

TTEL COIL CAR REBUILD EST.REV. 1 MCC 26-Sep-88

EXHIBIT A (continued)

DESCRIPTION OF WORK	PERCENT LAB. HRS.	TOTAL HRS.	UNITS	MAT. UNITS	COST	UNIT SCR.	CREDIT
	RENEW		ER CAR	COST	PER CAR	CREDIT	PER CAR
C COUPLER & DRAFT GEARS							
1 R & R COUPLERS (2) SE678E Y							
1.a R & R KNUCKLE E-50							
1.b R & R KNUCKLE THROWER							
1.c R & R KNUCKLE LOCK							
1.d R & R LOCK LIFTER BOTTOM							
1.e R & R KNUCKLE PIN							
1.f R & R UNCOUPLING LEVER							
1.g R & R YOKE							
1.h R & R DRAFT KEY							
2 R & R DRAFT KEY WASHER Y							
2.a R & R DRAFT KEY RETAINER							
3 R & R DRFT GEAR, RECOND. 901E Y							
3.a R & R MUCK BOLTS 7/8							
4 R & R FOLLOWER PLATE Y							
5 R & R CPLR CARRIER							
6 R & R CPLR CAR. NR. PLATES							
7 R & R UNCPL. LEVER BRACKET							
8 R & R UNCPL. LEVER CONNECTOR							
D SAFETY APPLIANCES							
1 R & R RUNNING BOARDS							
1.a R & R BOLTS							
2 R & R HAND HOLDS							
2.a R & R BOLTS							
3 R & R SILL STEP							
3.a R & R BOLTS							
4 R & R DEFECT CARD HOLDER							
5 R & R ROUTE BOARD							

EXHIBIT A (continued)

	DESCRIPTION OF WORK	PERCENT LAB. RENEW	HRS TOTAL	HRS UNITS PER CAR	MAT. UNITS COST	COST PER CAR	UNIT SCR. CREDIT CREDIT	COST PER CAR
E	CARBODY							
1	R & R HYDRA-CUSHION UNIT							
2	R & R CUSH. UNIT WEDGES							
3	R & R CENTER PLATE							
4	NEW CROSS TIES							
4.a	HUCK BOLTS							
5	REPAIR CROSSTIES (END ONLY)							
6	R & R DECKING							
6.a	R & R BOLTS							
7	R & R FLOOR PLATE							
8	R & R CROSS BARS							
10	REPAIR SIDE RAIL							
11	REP. END & CENTER DIVIDERS							
12	MISC. CAR REPAIR							
13	REMOVE ACI LABEL							
14	REPLACE COVERS							
14.a	R & R EXISTING COVERS							
14.b	PAINT EXISTING COVERS							
15	PAINT & STENCIL CAR							
16	LIGHT WEIGH							
17	MISC MATERIAL							
	TOTAL LABOR HOURS							
	TOTAL MATERIAL							
	SCRAP CREDIT							