

ITEL

Pullman

December 29, 1988

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RECORDATION NO. _____ FILE NO. _____

JAN 3 1989 - 1 32 PM (415) 984-4000 (415) 781-1035 Fax

Istel Rail Corporation

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

INTERSTATE COMMERCE COMMISSION

Date 1/3/88

Fee 13

ICC Washington, D. C.

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

Re: Schedule No. 1 to Master Lease Agreement No. 2235-00 dated December 27, 1988, between Istel Rail Corporation, Istel Railcar Corporation and Chicago South Shore and South Bend Railroad

Dear Ms. McGee:

On behalf of Istel 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. 1 under the Master Lease Agreement dated December 27, 1988, between Istel Rail Corporation, Istel 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:

Istel 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. 1 covers fifty (50) 52'6", 100-ton gondolas bearing reporting marks CCS 41052-41200 (n.s.).

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

JAN 8 1989 - 1 22 PM

INTERSTATE COMMERCE COMMISSION

LOT NO. 2225-01

SCHEDULE NO. 1 TO MASTER LEASE NO. 2225-00

THIS SCHEDULE No. 1 ("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. 1, 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 Desig	Description	Numbers	Length	Dimensions Inside Width	Height	Door Width	No. of Cars
GB	100 ton gondolas	CSS (See Exhibit A for numbers)	52'6"	9'6"	4'6"	--	50

3. The term of the Agreement with respect to each Car described in this Schedule shall commence at 12 noon on August 1, 1988 and shall continue as to all of the Cars described in this Schedule through and including July 31, 1991 (the "Term").
4. Lessee agrees to pay the rent set forth in the Agreement, notwithstanding the fact that Lessee may not have immediate physical possession of the Cars leased hereunder.
5.
 - A. Lessee shall perform the registration and record keeping required for the Cars described in this Schedule, as described in Section 4 of the Agreement. Lessee shall register each Car in UMLER placing the letters USLX 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. If Lessee fails to register or improperly registers any Car in UMLER, Lessee shall be responsible for an amount equal to the revenues that would have been earned by such Car had it been properly registered in UMLER.
 - B. Lessee shall submit to Lessor a monthly report in complete AAR format for all sums due to Lessee from Lessor for such calendar

month with respect to the maintenance of the Cars, including sums due for maintenance performed by third parties and for maintenance performed by Lessee. Lessor shall pay to Lessee all sums due pursuant to this Subsection within thirty (30) days after receipt of such monthly maintenance report and bill.

6. Lessor 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. With respect to the Cars listed in this Schedule, Exhibit C attached hereto is hereby substituted for Exhibit B to the Agreement, if any. Subsection 5.A. of the Agreement shall not apply with respect to such Cars.
7.  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 ~~in cash~~ 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.
8. A.

B.

the Current Labor Rate increases in any year over the Original Labor Rate, the service factor may be adjusted by Lessor to an amount not to exceed the product obtained by multiplying the service factor by a fraction, the numerator of which is the Current Labor Rate and the denominator of which is the Original Labor Rate. If such adjustment is made, the per Car rental shall be revised to be the sum of the constant factor and the adjusted service factor. Any such adjustment shall be instituted by notice from Lessor to Lessee and shall take effect with respect to rents coming due next after the date of notice.

- C. For any Car undergoing repairs for which Lessor is responsible, the Fixed Rent shall abate on the fifth (5th) day after a Car is placed into a repair facility and shall not recommence until the day such Car is delivered to Lessee or otherwise returned to service. In case of such abatement, the Term may, at Lessor's option, be extended for a period of time to be determined by dividing the aggregate number of days the Fixed Rent for the Cars subject to this Schedule was abated by the number of Cars subject to this Schedule on the date Lessor performs such calculation.
 - D. Lessee shall pay to Lessor the Fixed Rent, and all taxes reimbursable to Lessor as additional rent hereunder, on the first day of each month during the Term.
9. Subsection 10.A.(iv) of the Agreement does not apply to the Cars described in this Schedule.
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.
- 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.

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

11. Upon the expiration or termination of the Agreement with respect to any Car(s) 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. 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.

12. 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.

13. 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: *JD Hayes*

By: *John G. Warlung*

Title: *President*

Title: *CEO*

Date: *December 27, 1988*

Date: *December 9, 1988*

EXHIBIT A

CERTIFICATE OF DELIVERY DATE

Exhibit A to Schedule No. 1 dated as of _____ to Lease Agreement dated as of _____, by and between ITEL RAILCAR CORPORATION ("Lessor") and CHICAGO SOUTH SHORE AND SOUTH BEND ("Lessee").

CAR REPORTING
MARKS AND NUMBER

DELIVERY DATE

The last day of the Initial Term for the above referenced Cars shall be

_____.

ITEL RAILCAR CORPORATION

By: _____

Title: _____

Date: _____

EXHIBIT B

CSS 41052	CSS 41130
CSS 41053	CSS 41135
CSS 41061	CSS 41137
CSS 41066	CSS 41142
CSS 41072	CSS 41143
CSS 41075	CSS 41148
CSS 41078	CSS 41150
CSS 41079	CSS 41155
CSS 41082-41084	CSS 41156
CSS 41086	CSS 41159
CSS 41089	CSS 41163-41165
CSS 41093	CSS 41169
CSS 41095	CSS 41180-41182
CSS 41096	CSS 41184
CSS 41098	CSS 41186
CSS 41105	CSS 41188
CSS 41107	CSS 41189
CSS 41110	CSS 41194
CSS 41117	CSS 41195
CSS 41125	CSS 41197-41200
CSS 41129	

EXHIBIT C
Running Repairs: Gondolas

Angle Cocks	Wheels
Air Hose	Yokes
Train Line	Knuckles/Pins
Operating Levers and Brackets	Slack Adjuster
Sill Steps	Couplers
Grab Irons	Draft Gears
Brake Shoes	Coupler Carriers
Brake Shoe Keys	Center Plates (Not Replacement of Center Plate)
Brake Connecting Pin	Cotter Keys
Brake Head Wear Plates	Roller Bearing Adapters
Air Brakes	
Hand Brakes	
Brake Beams and Levers	
Truck Springs	

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. 1 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



STATE OF Illinois)
) ss:
COUNTY OF Cook)

On this 16th day of December, 1988, before me personally appeared John A. 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. 1 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

