

VEDDER PRICE

VEDDER, PRICE, KAUFMAN & KAMMHOLZ
222 NORTH LASALLE STREET
CHICAGO, ILLINOIS 60601-1003
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BARBARA C. KLABACHA
312-609-7895

A PARTNERSHIP INCLUDING VEDDER, PRICE, KAUFMAN & KAMMHOLZ, P.C.
WITH OFFICES IN CHICAGO AND NEW YORK CITY

June 24, 1999

BY FEDERAL EXPRESS

Surface Transportation Board
Room 2303
12th Street & Constitution Ave., N.W.
Washington, DC 20423

Attention: Mr. Vernon A. Williams

Re: Rail Logistics Services, Inc.

Dear Mr. Williams:

Enclosed for recording with the Board pursuant to Section 11301 of Title 49 of the U.S. Code are original, fully executed and notarized documents in connection with a primary document (the "Original Security Agreement") originally dated as of June 26, 1996 between Rail Logistics Services, Inc., as the debtor, (the "Debtor") and LaSalle National Bank, as the secured party, (the "Secured Party") as described below:

(i) a Master Collateral Assignment of Leases dated as of June 10, 1999 (the "Lease Assignment"), which pledges the lease of each locomotive financed by the Secured Party as collateral security for the Original Security Agreement, as amended;

(ii) a Third Amendment to Security Agreement dated as of November 6, 1998 ("Third Amendment"), which amends Schedule A to the Original Security Agreement to delete therefrom a certain locomotive known as PHL 9319;

(iii) a Fourth Amendment to Security Agreement dated as of February 16, 1999 ("Fourth Amendment"), which amends the Original Security Agreement to provide that Rail Logistics Services, Inc., a Delaware corporation, ("RLS" and Debtor) assumes all covenants, rights, promises, agreements, terms, conditions, duties and liabilities under the Original Security Agreement of Rail Logistics Services, Inc., a California corporation which was the original party to the Original Security Agreement, ("RLS-Cal") pursuant to a certain Assumption Agreement executed in favor of Secured Party in connection with a merger of RLS-Cal into RLS on or about February 16, 1999; and

RECORDATION NO. 20174-C, D, E, F

FILED

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11-30AM



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Surface Transportation Board

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(iv) a Fifth Amendment to Security Agreement dated as of June 10, 1999 ("Fifth Amendment", together with the Third Amendment and the Fourth Amendment, the "Amendments"), which adds as additional collateral certain of the Debtor's rolling stock, a description of which is contained in Section 3 of the Fifth Amendment. Included in the property covered by the Fifth Amendment are all railroad cars, locomotives and other rolling stock intended for use related to interstate commerce, or interests therein, owned by the Debtor at the date of the Fifth Amendment or acquired in connection therewith. In addition, the Fifth Amendment amends the location of the Debtor's principal place of business and location where its books and records are kept, now as set forth in Section 4 of the Fifth Amendment. Debtor's principal place of business was recently moved from 405 Lexington Avenue, 50th Floor, New York, New York 10174 and is now located at 53 West Jackson Boulevard, Suite 335, Chicago, Illinois 60604.

The names and addresses of the parties to the Amendments are as follows: the Debtor is Rail Logistics Services, Inc., a Delaware corporation whose principal place of business is located at 53 West Jackson Boulevard, Suite 335, Chicago, Illinois 60604; the Secured Party is LaSalle National Bank whose principal place of business is located at 135 South LaSalle Street, Chicago, Illinois 60603.

A short summary for each document to appear in the index is as follows:

A Master Collateral Assignment of Lease dated as of June 10, 1999, between Rail Logistics Services, Inc., as the debtor, and LaSalle National Bank, as the secured party, covering each lease of the debtor's rolling stock now owned or acquired in connection with the Original Security Agreement, as amended.

A Third Amendment to Security Agreement, dated as of November 6, 1998, between Rail Logistics Services, Inc., as the debtor, and LaSalle National Bank, as the secured party, partially releasing Secured Party's security interest and lien with respect to a certain locomotive known as PHL 9319.

A Fourth Amendment to Security Agreement, dated as of February 16, 1999, between Rail Logistics Services, Inc., a Delaware corporation, as the debtor, and LaSalle National Bank, as the secured party, pursuant to which Rail Logistics Services, Inc., a Delaware corporation, assumed all covenants, rights, promises, agreements, terms, conditions, obligations, duties and liabilities of

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Surface Transportation Board
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Rail Logistics Services, Inc., a California corporation which was the original party to the primary Original Security Agreement ("RLS-Cal"), pursuant to a merger of, and an Assumption Agreement between, RLS-Cal into Rail Logistics, Services, Inc., a Delaware corporation on or about February 16, 1999.

A Fifth Amendment to Security Agreement, dated as of June 10, 1999, between Rail Logistics Services, Inc., as the debtor, and LaSalle National Bank, as the secured party, covering all of the debtor's rolling stock now owned or acquired in connection with such Fifth Amendment to Security Agreement. A description of the additional rolling stock which is the subject of the Fifth Amendment to Security Agreement is contained in Section 3 of the Fifth Amendment to Security Agreement.

Also enclosed is a check in the amount of \$104.00 payable to the Surface Transportation Board to cover the recording fee prescribed by the Board in its rules and regulations.

Please acknowledge receipt of the enclosed documents by stamping and returning to me the enclosed copy of this letter together with each of (i) the Master Collateral Assignment of Leases, (ii) the Third Amendment to Security Agreement, (iii) the Fourth Amendment to Security Agreement and (iv) the Fifth Amendment to Security Agreement, each as filed.

If you have any questions with respect to the enclosed documents, please call me collect.

Very truly yours,

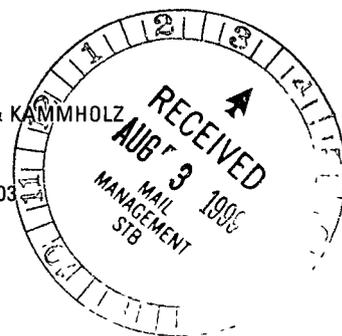


Barbara C. Klabacha

BCK
Enclosure

VEDDER PRICE

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222 NORTH LASALLE STREET
CHICAGO, ILLINOIS 60601-1003
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BARBARA C KLABACHA
312-609-7895

A PARTNERSHIP INCLUDING VEDDER, PRICE, KAUFMAN & KAMMHOLZ, P.C.
WITH OFFICES IN CHICAGO AND NEW YORK CITY

August 2, 1999

BY FEDERAL EXPRESS

Surface Transportation Board
Suite 714
1925 K Sstreet, N.W.
Washington, DC 20423

Attention: Ms. Taleda Stokes

Re: Rail Logistics Services, Inc.

Dear Ms. Stokes:

Enclosed for recording with the Board pursuant to Section 11301 of Title 49 of the U.S. Code is an original, fully executed and notarized Master Collateral Assignment of Leases dated as of June 10, 1999 (the "Lease Assignment") in connection with a primary document (the "Original Security Agreement") originally dated as of June 26, 1996 between Rail Logistics Services, Inc., as the debtor, (the "Debtor") and LaSalle National Bank, as the secured party, (the "Secured Party"). The Lease Assignment pledges the lease of each locomotive financed by the Secured Party as collateral security for the Original Security Agreement, as amended;

The names and addresses of the parties to the Lease Assignment are as follows: the Debtor is Rail Logistics Services, Inc., a Delaware corporation whose principal place of business is located at 53 West Jackson Boulevard, Suite 335, Chicago, Illinois 60604, and the Secured Party is LaSalle National Bank whose principal place of business is located at 135 South LaSalle Street, Chicago, Illinois 60603.

A short summary for the Lease Assignment to appear in the index is as follows:

A Master Collateral Assignment of Lease dated as of June 10, 1999, between Rail Logistics Services, Inc., as the debtor, and LaSalle National Bank, as the secured party, covering each lease of the debtor's rolling stock now owned or acquired in connection with the Original Security Agreement, as amended.

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Surface Transportation Board
August 2, 1999
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The Original Security Agreement and related First and Second Amendments have been recorded under document number 20174. A check in the amount of \$104.00 payable to the Surface Transportation Board, which included payment of \$26.00 as the recording fee for the Lease Assignment, was forwarded in June, 1999 along with our request for recording the Third, Fourth and Fifth Amendments.

Please acknowledge receipt of the enclosed documents by stamping and returning to me the enclosed copy of this letter together with the Master Collateral Assignment of Leases, as filed

If you have any questions with respect to the enclosed documents, please call me collect.

Very truly yours,



Barbara C. Klabacha

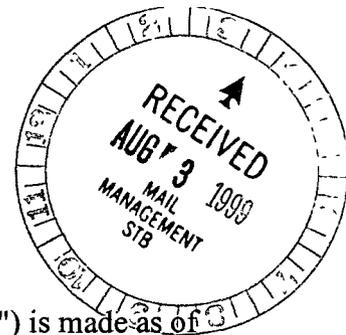
BCK
Enclosure

RECORDATION NO. 20174-C FILED

JUL 9 '99

11-30AM

MASTER COLLATERAL ASSIGNMENT OF LEASE



This MASTER COLLATERAL ASSIGNMENT OF LEASE ("*Assignment*") is made as of June 10, 1999, by and among RAIL LOGISTICS SERVICES, INC., a Delaware corporation, ("*Lessor*" or "*Assignor*") LASALLE NATIONAL BANK, a national banking association, ("*Bank*" or "*Assignee*") and each of the undersigned companies (each, a "*Lessee*" and collectively, "*Lessees*").

RECITALS

A. WHEREAS, Lessor and each Lessee are parties to certain Locomotive Lease Agreements as more specifically identified on Schedule 1 attached hereto and made apart hereof (each, as amended, modified or supplemented, a "*Lease*") with respect to locomotives more particularly described therein, respectively (the "*Leased Locomotives*");

B. WHEREAS, Lessor and Bank are parties to a certain Security Agreement dated as of June 26, 1996 and amended as of each of March 12, 1997, June 30, 1998, November 6, 1998, February 16, 1999 and June 10, 1999 (as amended, supplemented and modified, the "*Security Agreement*");

C. WHEREAS, pursuant to the Security Agreement, Lessor granted Bank a security interest in and lien on, *inter alia*, the Leased Locomotives and all rights of Lessor under the Leases and agreed to execute and deliver such supplemental security agreements and other documents as Bank may reasonably request to perfect and maintain its security interest and lien;

D. WHEREAS, Lessor and Bank are parties to a certain Third Amended and Restated Promissory Note dated as of June 10, 1999 (the "*Note*"), and as a condition precedent to Bank's providing additional financial accommodations to Lessor under the Note, Lessor is required to execute and deliver this Agreement;

E. WHEREAS, Lessor and each Lessee are affiliates by reason of the fact that each is a subsidiary of Anacostia Rail Holdings Company, Inc. and as a condition precedent to Bank's continuing to provide financial accommodations to Lessor pursuant to the Note which benefit Lessees, each Lessee is required to execute and deliver this Agreement;

NOW, THEREFORE, in consideration of the premises and of the mutual covenants herein set forth, and other good and valuable consideration, the receipt and sufficiency of which is acknowledged, it is agreed:

1. **Assignment.** To secure the payment and performance of Lessor to Bank under the Note, Lessor hereby sells, assigns, and transfers to Bank any and all of Lessor's right, title, and interest in and to each Lease. Lessor and Bank intend that the assignment hereby contemplated will be a present transfer to Bank of all of Lessor's rights under the Lease. Upon full performance by Lessor of all of its obligations under the Note, this Assignment shall terminate, without the necessity of any further action by any of the parties hereto. The assignment contemplated hereby includes all

renewals of and amendments to each Lease and to the Note, until all indebtedness of Lessor to Bank is paid in full in cash.

2. Indemnification by Lessor. Lessor and each Lessee shall faithfully perform all covenants, stipulations, agreements, and obligations under the Lease. Lessor shall, and does hereby, indemnify and save Bank harmless from any and all claims, demands, actions, causes of action, suits, proceedings, damages, liabilities and costs and expenses of every nature whatsoever which relate to the Lease or the Leased Locomotives. Notwithstanding the foregoing, if an Event of Default occurs under the Note and Bank forecloses upon or assigns any Lease, Lessor shall not be obligated to indemnify Bank, or any transferee or assignee of Bank, for any claims, demands, actions, causes of action, suits, proceedings, damages, liabilities and costs and expenses relating to such foreclosed or assigned Lease which arise after the date of such foreclosure or assignment.

3. Representations. Lessor represents and warrants that it possesses all right, title and interest in and to each Lease and has the ability and authority to assign its interest in each Lease to Bank. Lessor and each Lessee each represent and warrant to Bank that neither Lessor nor such Lessee is in default under the respective Lease and, to the knowledge of either Lessor or such Lessee, neither Lessor nor such Lessee has claims or defenses one against the other under or relating to the respective Lease or the Leased Locomotives.

4. Modification of Lease. (a) Except as set forth in Paragraphs 4(b) and 4(c) hereof, Lessor agrees that no modification, amendment, extension or other change relating to any Lease may be made to the Lease without prior written consent of Bank, which consent will not be unreasonably delayed, conditioned or withheld.

(b) Lessor may modify any Lease without the consent of Bank *provided that* (i) following such modification, neither the term nor the rental payments under the Lease are decreased and (ii) such modification does not adversely affect this Assignment.

(c) Lessor may terminate any Lease without the consent of Bank *provided that*, contemporaneously with such termination, (i) Lessor leases the locomotive subject to the terminated Lease (the "*Replacement Lease*") to a corporate subsidiary of Anacostia Rail Holdings Company, Inc. ("*ARH*"), (ii) both the term and rental payments under the Replacement Lease are equal to or greater than the remaining term and rental payments under the terminated Lease, (iii) the Replacement Lease is subject to this Assignment, and (iv) such Replacement Lease does not adversely affect this Assignment.

(d) Lessor shall notify Bank of any modification to or replacement or termination of any Lease under Paragraphs 4(b) and 4(c) hereof no less frequently than on a quarterly basis beginning October 1, 1999 and continuing until termination of this Assignment. Contemporaneously or prior thereto, Lessor will execute and deliver to Bank an amendment to Schedule 1 of this Assignment and such other documents as Bank may reasonably request, including, without limitation, financing statements, to reflect each Replacement Lease and any modification or termination of any Lease.

5. Further Documentation. Lessor represents and warrants that it has delivered to Bank a true and correct copy of each Lease as in effect on the date hereof, including any amendments, modifications, extensions or other changes thereto. Lessor agrees to deliver to Bank a true and correct copy of any Replacement Lease and any modification, amendment, extension or other change to any Lease as provided in Paragraph 4(c) hereof. Lessor agrees to execute all instruments and documents, do all things and take all action as Bank may reasonably request to maintain the validity and effectiveness of this Assignment with respect to each Lease and Replacement Lease.

6. Consent of Lessee. In consideration of the foregoing, each Lessee hereby consents to the collateral assignment of its respective Lease by Lessor to Bank. If an Event of Default occurs under the Note, Bank may reassign such Lease, and each Lessee agrees that such Lessee's consent to any such reassignment will not be unreasonably withheld so long as Lessor or Bank has fulfilled all of Lessor's liabilities under the Lease and has complied, or will cause any assignee of Bank to comply, with the provisions of the Lease.

7. Cure by Bank. Each Lessee agrees that it shall give notice to Bank of any defaults by Lessor under the Lease and shall further notify Bank of such Lessee's intent to exercise its remedies under the respective Lease and shall give Lessor or Bank the option for thirty (30) days from said notice to cure any and all defaults prior to exercising any remedies available to such Lessee under its respective Lease.

8. Charges and Expenses. All taxes and other governmental charges and fees, including, without limitation, any and all transfer taxes, stamp taxes, sales taxes, and recording fees, relating to the transaction evidenced by this Agreement shall be paid by Lessor.

9. Binding Effect. This Agreement shall be binding upon the successors and assigns of the parties. The parties shall execute and deliver such further and additional instruments, agreements, and other documents as may be necessary to evidence or carry out the provisions of this Agreement.

10. Notices. All notices or other documents under this Agreement shall be in writing and delivered personally, by express courier service, by telecopier (with receipt confirmed) or mailed by certified mail, postage prepaid, addressed to the parties at their addresses set forth below:

If to Bank:

LaSalle National Bank
135 South LaSalle Street
Chicago, Illinois 60603
Attn: Terri Maurer
Telephone: 312-904-5482
Telecopier No.: 312- 606-8423

with a copy to:

Vedder, Price, Kaufman & Kammholz
222 North LaSalle Street
Chicago, Illinois 60601
Attn: Barbara C. Klabacha, Esq.
Telephone: 312-609-7895
Telecopier: 312- 609-5005

If to Lessor:

Rail Logistics Services, Inc.
c/o Anacostia & Pacific Company, Inc.
53 West Jackson Boulevard
Suite 335
Chicago, Illinois 60604
Attn.: Peter Gilbertson
Telephone: 312-362-1888
Telecopier: 312-362-1402

with a copy to:

Weiner, Brodsky, Sidman & Kider
1350 New York Avenue N.W.
Suite 800
Washington, DC 20005
Attn: Mark H. Sidman, Esq.
Telephone: 202-628-2000
Telecopier No.: (202) 628-2011

If to Lessee:

c/o Anacostia & Pacific Company, Inc.
405 Lexington Avenue
Chrysler Building, 50th Floor
New York, New York 10174
Attn: Bruce A. Lieberman
Telephone No.: (212) 687-9500
Telecopier No.: (212) 687-9501

with a copy to:

Weiner, Brodsky, Sidman & Kider
1350 New York Avenue N.W.
Suite 800
Washington, DC 20005
Attn: Mark H. Sidman, Esq.
Telephone: 202-628-2000
Telecopier No.: 202-628-2011

11. Non-Waiver. No delay or failure by either party to exercise any right under this Agreement, and no partial or single exercise of that right, shall constitute a waiver of that or any other right, unless otherwise expressly provided herein.

12. Governing Law. This Agreement shall be construed in accordance with and governed by the internal laws of the State of Illinois.

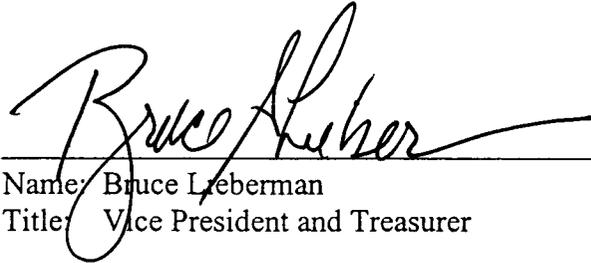
13. Counterparts. This Agreement may be executed in two or more counterparts, each of which shall be deemed an original but all of which together shall constitute one and the same instrument.

[Signature Page Follows]

(Signature Page to Master Collateral Assignment of Lease)

IN WITNESS WHEREOF, the undersigned have executed this Assignment as of the date first above written.

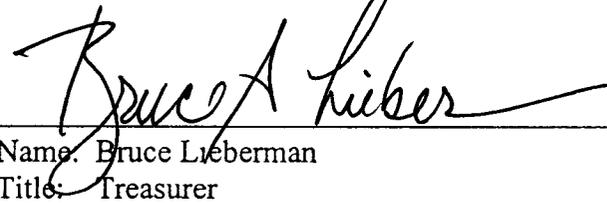
Assignor:
RAIL LOGISTICS SERVICES, INC.

By: 
Name: Bruce Lieberman
Title: Vice President and Treasurer

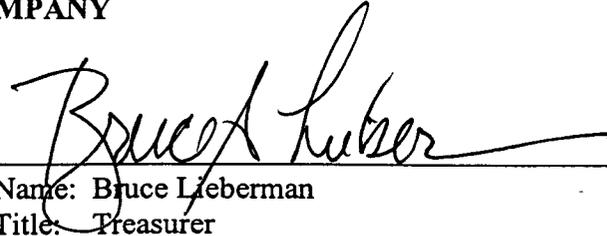
Assignee:
LASALLE NATIONAL BANK

By: _____
Name: Terri Maurer
Title: Vice President

Lessee:
PACIFIC HARBOR LINES, INC.

By: 
Name: Bruce Lieberman
Title: Treasurer

Lessee:
**LOUISVILLE & INDIANA RAILROAD
COMPANY**

By: 
Name: Bruce Lieberman
Title: Treasurer

(Signature Page to Master Collateral Assignment of Lease)

IN WITNESS WHEREOF, the undersigned have executed this Assignment as of the date first above written.

Assignor:
RAIL LOGISTICS SERVICES, INC.

By: _____
Name: Bruce Lieberman
Title: Vice President and Treasurer

Assignee:
LASALLE NATIONAL BANK

By: Terri Maurer
Name: Terri Maurer
Title: Vice President

Lessee:
PACIFIC HARBOR LINES, INC.

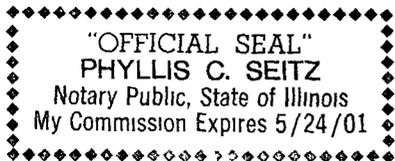
By: _____
Name: Bruce Lieberman
Title: Treasurer

Lessee:
**LOUISVILLE & INDIANA RAILROAD
COMPANY**

By: _____
Name: Bruce Lieberman
Title: Treasurer

STATE OF ILLINOIS)
) ss.
COUNTY OF COOK)

On this 18th day of June, 1999, before me personally appeared Terri Maurer, to me personally known, who, being by me duly sworn, says that she is a Vice President of LaSalle National Bank, a national banking association, and that she is duly authorized to sign the Master Collateral Assignment of Lease on behalf of said banking association, and she acknowledges that the execution of the foregoing instrument was the free act and deed of said banking association.



Phyllis C. Seitz
Notary Public
My commission expires: 5/24/01

STATE OF NEW YORK)
)
COUNTY OF NEW YORK) ss.

On this 26th day of June, 1999, before me personally appeared Bruce A. Lieberman, to me personally known, who, being by me duly sworn, says that he is the Treasurer of each of Rail Logistics Services, Inc., Pacific Harbor Lines, Inc. and Louisville & Indiana Railroad Company, and that the Master Collateral Assignment of Lease was signed on behalf of each of said corporations by authority of its respective Board of Directors, and he acknowledges that the execution of the foregoing instrument was the free act and deed of each said corporation.

Natalie Blank

Notary Public

My commission expires: November 1, 2000

NATALIE BLANK
Commissioner of Deeds
City of New York No. 3-6108
Certificate Filed in Bronx County
Commission Expires November 1, 2000

Schedule 1
Identification of Leases
Rail Logistics Services, Inc., as Lessor

Locomotive Identification	Lessee
PHL Unit 9378	Pacific Harbor Lines, Inc.
PHL Unit 9381	Pacific Harbor Lines, Inc.
PHL Unit 9363	Pacific Harbor Lines, Inc.
PHL Unit 9358	Pacific Harbor Lines, Inc.
PHL Unit 9326	Pacific Harbor Lines, Inc.
Model GP-10 Road Number NY 201 (formerly known as OHCR 7589)	Louisville & Indiana Railroad Company
Model GP-10 Road Number NY 202 (formerly known as OHCR 7595)	Louisville & Indiana Railroad Company
Model No. 6628 (Type SD-18)	Pacific Harbor Lines, Inc.
Model No. 6637 (Type SD-18)	Pacific Harbor Lines, Inc.
Model No. 6632 (Type SD-18)	Pacific Harbor Lines, Inc.
Model No. 6636 (Type SD-18)	Pacific Harbor Lines, Inc.
HBL Unit 101	Pacific Harbor Lines, Inc.