ITEL

Itel Rail Corporation
550 California Street
San Francisco, CA 94104
(415) 984-4200

March 13, 1992

RECORDATION NO 17730 FILED 1425
MAR 16 1992 10 25 AM
INTERSTATE COMMERCE COMMISSION

Hon. Sidney L. Strickland, Jr., Esq.
Secretary
Interstate Commerce Commission
Washington, DC 20423

2-076A016

Re: 1) Class II and III Railroad Per Diem Lease (the "Lease")
2) Schedule Nos. 1, 2 and 3

Dear Mr. Strickland:

On behalf of Itel Rail Corporation, the above instruments, in three (3) counterparts each, are hereby submitted for filing and recording pursuant to 49 U.S.C. Section 11303(a), along with the $64 recordation fee.

Please record the subject Lease dated December 17, 1991, between Itel Rail Corporation and Apalachicola Northern Raliroad Company, under a new recordation number. Please record Schedule Nos. 1, 2 and 3 under the recordation number assigned to the Lease.

The parties to the aforementioned instrument are listed below:

Itel Rail Corporation (Lessor)
550 California Street
San Francisco, California 94104

Apalachicola Northern Railroad Company (Lessee)
200 First Street
Port St. Joe, Florida 32456

The Lease sets forth the terms and conditions by which railroad equipment is leased. Schedule No. 1 adds to the Lease two hundred fifty-two (252) 50', Plate B boxcars bearing reporting marks AN 2001-2268 (n.s.); Schedule No. 2 adds five hundred eighty-five (585) 50', Plate C boxcars bearing reporting marks 5002-5875 (n.s.); Schedule No. 3 adds six (6) 4,780 cubic foot, 100-ton covered hoppers bearing reporting marks An 3702-3728 (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 Assistant

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SCHEDULE NO. 1

This Schedule No. 1 to that certain Lease Agreement (the "Agreement") made as of December 17, 1991 between **ITEL RAIL CORPORATION** ("Lessor") and **APALACHICOLA NORTHERN RAILROAD COMPANY** ("Lessee") is made as of December 17, 199 1.

Lessor and Lessee agree as follows:

1. **Capitalized Terms:** 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" as used herein shall only refer to the equipment described in this Schedule No. 1 unless otherwise indicated.

2. **Cars Leased:** Lessor hereby leases the following Cars to Lessee subject to the terms and conditions of the Agreement and this Schedule No. 1:

AAR Mech Desig	Description	Reporting Marks and Numbers	Length	Inside Width	Height	No. of Cars
XM B414	Plate B boxcars, nailable steel floors, cushion underframe	AN 2001, 2003-2061, 2063-2089, 2091-2176, 2178-2189, 2191-2199, 2201-2240, 2250-2253, 2255-2268	50'6"	9'6"	10'7"	252

3. **The Cars May be Used to Carry Only the Following Commodities:** Paper and miscellaneous noncorrosive commodities.

4. **"Expiration Date":** Upon the full execution of the Termination Agreement dated December 17, 199 1 and the Termination Agreement dated December 17, 199 1 between the parties, the Agreement and this Schedule No. 1, the term ("Term") for each Car shall be deemed to commence on September 1, 1992 and shall continue through the Expiration Date of August 31, 2001.

5. **Record Keeper:** Name: Itel Rail Corporation
   Address: 550 California Street
   City: San Francisco
   State: California Zip: 94104

6. **Party Responsible for Maintenance:** Lessor

7. **Average Number of Miles Per Day:** 70

8. **Party Responsible for Revenue Bill Movement, if any, to Lessee's Lines Prior to Initial Loading:** Lessor

9. **Rent:**

(a) "**Base Rent**" means the dollar amount for any calendar year (or applicable portion thereof) which equals the of the Agreement) the Cars on this Schedule No. 1 would have earned in the aggregate during such calendar year (or applicable portion thereof) if such Cars had been on railroad lines other than Eligible Lines for during such calendar year, and with each Car earning of the Agreement).

(b) "**Cash Utilization**" is a fraction, the numerator of which is the aggregate number of days that on the Cars, less any cash incentives except the Load Fee (as defined in Section 9(d)(iv) hereinbelow), during the applicable period and the denominator of which is the aggregate number of days that the Cars were leased to Lessee during such period.

(c) **Rent**

Lessee shall pay rent to Lessor for each Car calculated as follows:

(i) If earned from all Cars on this Schedule No. 1 in any calendar year or applicable portion thereof are equal to or less than the Base Rent, Lessor shall retain a sum equal to

(ii) If earned from all Cars on this Schedule No. 1 in any calendar year or applicable portion thereof exceed the Base Rent, Lessor shall retain an amount equal to the Base Rent plus in excess of the Base Rent and Lessee shall be entitled to received in excess of Base Rent ("Lessee's Revenue Share").

(iii) Lessee's rent shall be and Lessor shall retain earned from the Cars.

(iv) Commencing from the Effective Date, at the end of each calendar month ("Month") during the Term, Lessor shall report for the preceding consecutive 6 month period ending with such Month ("Six Month Period") the Cash Utilization currently reported in Lessor's computer system "IRIS". If such Cash Utilization for the Cars during the Six Month Period is greater than or equal to 63%, Lessor shall pay to Lessee for each Car described in this Schedule No. 1 that was loaded on the Eligible Lines to an off-line destination point (the "Load Fee") during the Month in which such Six Month Period ends. Lessor shall pay the Load Fee in accordance with Section 12.F. of the Agreement.

10. **Minimum Rent:**

(a) "**Minimum Rent**" means the amount for any calendar quarter (or applicable portion thereof) which equals the the Cars on this Schedule No. 1 would have earned in the aggregate during such quarter (or applicable portion thereof) if such Cars had been on railroad lines other than Eligible Lines for days during such quarter, with each Car traveling miles per day and with each Car earning

(b) **<u>If Revenues are Less Than Minimum Rent</u>**

If, with respect to the Cars on this Schedule No. 1 during any calendar quarter, Revenues received by Lessor for such Cars are less than the Minimum Rent for such Cars, then Lessor may so notify Lessee. Within 10 days of such notice, Lessee shall either:

(i) Notify Lessor of intent to pay Lessor the shortfall between the Minimum Rent and the Revenues received by Lessor for such Cars in such calendar quarter and agree to pay the shortfall, if any, between the Minimum Rent and the Revenues received by Lessor for such Cars in each subsequent calendar quarter for the duration of the term. Lessee shall pay Lessor such shortfall not later than 60 days after receiving an invoice.

(ii) Elect in writing not to pay Lessor such shortfall for such quarter. In such event, Lessor may terminate the lease with respect to all or any of the Cars on this Schedule No. 1 upon not less than 30 days written notice to Lessee at any time during the Agreement.

11. <u>Mandated Modifications to Cars</u>:

If any physical alteration or modification is required by the AAR, the Canadian Transport Commission or any government or agency exercising authority over any Car, Lessee shall (i) pay for the cost of such alteration or modification or (ii) request Lessor to pay for such cost and pay Lessor each month an amount which will, over the estimated useful life of such alteration or modification or remaining useful life of such Car, cover the cost of the alteration or modification, including Lessor's then current cost of money.

Each party, pursuant to due corporate authority, has caused this Schedule No. 1 to be executed by its authorized officer or other employee, and each of the undersigned declares under penalty of perjury that he or she holds the title indicated below, that the execution of this Schedule No. 1 was the free act

and deed of the corporation, the foregoing is true and correct and that this Schedule No. 1 was executed on the date indicated below.

ITEL RAIL CORPORATION, Lessor

By: Michael G. Smith

Title: V. P. SALES

Date: 12/17/91

APALACHICOLA NORTHERN RAILROAD COMPANY, Lessee

By: [illegible]

Title: General Manager

Date: December 9, 1991

EXHIBIT B TO SCHEDULE NO 1.

RUNNING REPAIRS

BOXCARS

Angle Cocks

Air Hose

Train Line

Operating Levers and Brackets

Sill Steps

Grab Irons

Brake Shoes

Brake Shoe Keys

Brake Connecting Pin

Brake Head Wear Plates

Air Brakes

Hand Brakes

Brake Beams and Levers

Truck Springs

Wheel Assemblies

Yokes

Knuckles/Pins

Slack Adjuster

Couplers

Draft Gears

Coupler Carriers

Center Plate Repair (Not Replacement of Center Plate)

Cotter Keys

Roller Bearing Adapters

Air Hose Support

Door Hardware (Not Replacement of Door)