

0-159A014



June 6, 1990

Itel Rail Corporation

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

RECORDATION NO. 16267 A FILED 1990

MAY 8 1990 - 11:00 AM

INTERSTATE COMMERCE COMMISSION

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

**Re: Schedule No. 1 to Lease Agreement dated December 1, 1988,
between Itel Rail Corporation and Illinois Central Gulf
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 \$15 recordation fee.

Please record this Schedule under the Lease Agreement dated December 1, 1988, between Itel Rail Corporation and Illinois Central Gulf Railroad, which was filed with the ICC on April 5, 1989, under Recordation No. 16267.

The parties to the aforementioned instrument are listed below:

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

Illinois Central Gulf Railroad (Lessee)
Two Illinois Center
233 North Michigan Avenue
Chicago, Illinois 60601-5799

This Schedule covers one hundred eighty-seven (187) 50', 70-ton, Plate C, RBL boxcars bearing reporting marks ICG 31301-531986 (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

Interstate Commerce Commission
Washington, D.C. 20423

6/25/90

OFFICE OF THE SECRETARY

Patricia Schumacker
Legal Dept.
Itel Rail Corporation
55 Francisco Street
San Francisco Calif. 94133

Dear Sir:

The enclosed document(s) was recorded pursuant to the provisions of Section 11303 of the Interstate Commerce Act, 49 U.S.C. 11303, on 5/8/90t 11:30, and assigned recordation number(s). 15642-W, 16267-A, 15642-X & 15642-Y

Sincerely yours,



Noreta R. McGee
Secretary

Enclosure(s)

RECORDATION NO. 16267A
FILED 1990

MAY 8 1990 - 11:00 AM

SCHEDULE NO. 1 TO MASTER LEASE INTERSTATE COMMERCE COMMISSION

THIS SCHEDULE NO. 1 ("Schedule") to that certain Lease Agreement (the "Agreement") made as of December 1, 1988, between ITEL RAIL CORPORATION as lessor ("Lessor") and ILLINOIS CENTRAL RAILROAD COMPANY as lessee ("Lessee") is made this 7th day of May, 1990, between 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" as 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			No. of Cars
				Inside Width	Height	Doors Width	
XM	50', 70-ton, Plate C boxcars	ICG 31301- 531986(N.S.) (As shown on Exhibit A hereto)	50'6"	9'6"	11'1"	10'	187

The Cars are in Lessee's possession pursuant to the Lease Agreement dated as of June 4, 1982, as amended, between ITEL Rail Corporation, as assignee of Rex Railways, Inc., and Illinois Central Gulf Railroad Company ("ICG"), Lessee's predecessor in interest (the "ICG Lease").

3. The term of the Agreement with respect to each Car described in this Schedule shall commence ("Delivery") at 12 noon on January 1, 1990 and shall continue as to all of the Cars described in this Schedule through and including December 31, 1992 (the "Initial Term"). Effective upon Delivery, the terms of this Schedule No. 1 shall supersede the terms of the ICG Lease with respect to the Cars.
4. A. Lessee shall register each Car in UMLER placing the letters designated by Lessor in owner's field and shall take whatever action is necessary to facilitate Lessor's or Lessor's agent's access to any required information concerning any Car.
- 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.

5. 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 Subsection 5.B. of the Agreement. With respect to the Cars described in this Schedule, items (ii) and (iv) of Subsection 5.B. shall be amended by adding the words "with Lessee's knowledge and approval" to said items (ii) and (iv). With respect to the Cars listed in this Schedule, Lessee may make running repairs to those parts of the Cars specified in Exhibit B attached hereto. Subsection 5.A. of the Agreement shall not apply with respect to these Cars.
6. Lessee assumes responsibility for and agrees to pay, defend, hold harmless and indemnify Lessor and its successors against all taxes, fees, levies, imposts, duties or withholdings of any nature, together with penalties, fines or interest thereon, imposed on, incurred by, asserted against or imposed upon: (1) the Cars; (2) the lease, sublease or delivery of the Cars; and (3) the revenues earned by the Cars in excess of the Base Rent, including, but not limited to, mileage charges and/or car hire revenues earned during the Initial Term or any extended term of the Agreement; provided, however, that Lessee shall not be responsible for taxes on income imposed on Lessor. Lessee will comply with all state and local laws requiring filing of ad valorem tax returns associated with the Cars.
7. Rent

A. Definitions

- (i) "Eligible Lines" is defined as the railroad lines owned and operated by Lessee and by MidSouth Rail Corporation (excluding those of South Rail Corporation and MidLouisiana Rail Corporation) as of the date this Schedule is executed by the parties. Unless Lessor and Lessee agree otherwise, any lines purchased by Lessee or added to the Eligible Lines or any Eligible Lines sold by Lessee to another party, effective on the date of such sale, during the Initial Term or any extended term are deemed to be the lines of another railroad company (a foreign road) for the purposes of determining Revenues (as defined in Subsection 7.A.(iii) hereinbelow).
- (ii) "Revenue Rates" is defined as the hourly and mileage car hire rates specified for each Car in the Hourly and Mileage Car Hire Rate Table published in the July 1988 edition of The Official Railway Equipment Register, as may be amended from time to time.

(iii) "Revenues" is defined as the total revenues, calculated at the Revenue Rates, that are earned for the use and handling of the Cars on all railroad lines other than the Eligible Lines, including, but not limited to, per diem and mileage, whether or not collected and received by Lessor, and undiminished by any claimed abatement, reduction or offset caused by any action or failure of Lessee.

(iv) The "Base Rent" is defined as

[Such amount approximates the Revenues which the Cars would have earned in the aggregate if the Cars had been on railroad lines other than Eligible Lines for of the hours that such Cars were subject to the Agreement during such calendar quarter, with each Car miles per day.] The Base Rent for any Car which is not subject to the Agreement for an entire calendar quarter shall be prorated at per day for such Car during such calendar quarter.

B. Effective on January 1, 1990, Lessee agrees to pay rent to Lessor for the Cars calculated as follows:

(i) In the event Revenues received in any calendar quarter or applicable portion thereof are equal to or less than the Base Rent, Lessor shall receive a sum equal to one hundred percent (100%) of the total Revenues collected.

(ii) In the event Revenues received in any calendar quarter or applicable portion thereof exceed the Base Rent, Lessor shall receive an amount equal to the Base Rent and Lessee shall retain all Revenues received in excess of the Base Rent.

C. Lessee shall pay to Lessor all Revenues due to Lessor pursuant to Subsection 7.B. hereinabove within ninety (90) to one hundred twenty (120) days after the end of each calendar month.

D. (i) In the event that as a result of any actions taken by Lessee, Lessor shall receive or earn for the use of any Cars, Revenues calculated at hourly or mileage car hire rates that are lower in amount than those specified in Subsection 7.A. (ii), Lessee shall pay to Lessor, within ten (10) days of Lessor's request, an amount equal to the difference between the Revenues such Cars would have earned at the Revenue Rates and the amount of revenues actually received or earned for such Cars. A Car held in storage by another railroad under 49 C.F.R. 1039.14 shall not be viewed as a result of an action taken by Lessee.

- (ii) In the event that Lessee, without Lessor's prior written approval, grants to another railroad any abatement, reduction or offset in car hire which has the effect of reducing Revenues due Lessor pursuant to Subsection 7.B.(i), then Lessee shall, within thirty (30) days of Lessor's request, pay to Lessor any such abatement, reduction or offset. This subsection shall not apply to reductions in or delays in collection of Revenues resulting from the application of or authorized by the provisions of the Association of American Railroads' Circular No. OT-10 (or any successor publication) or to any abatement, reduction or offset not authorized by Lessee. If Lessor's Revenue Share falls below the Base Rent because of any abatement, reduction or offset which is not authorized by Lessee or which results from the application of the provisions of AAR Circular No. OT-10, then Lessor may, upon thirty (30) days' prior written notice to Lessee, terminate any or all of the Cars described on this Schedule from the Agreement.

 - (iii) If, at any time during the Agreement, Lessee operates lines other than the Eligible Lines, Lessee shall supply Lessor with records which distinguish the movement of each Car on the Eligible Lines from the movement of such Car on any other lines operated by Lessee.
- E.
- (i) Any agreement between Lessee and any other party with respect to the Cars ("Third Party Agreement(s)") shall be null and void without Lessor's prior written approval if such Third Party Agreement affects the revenues earned by the Cars, except as provided hereinbelow.

 - (ii) Lessor and Lessee agree to include the Cars in bilateral reload agreements which Lessee has entered or will enter into with other railroads which are authorized to assess empty return and storage charges under 49 C.F.R. 1039.14. Such agreements shall allow up to an average of 240 hours reclaim (time only) for each Car reloaded by another carrier in return for waiver of empty return and storage charges against the Cars. The reclaim allowed to other railroads shall be shared proportionately by Lessor and Lessee hereunder, in accordance with the percentage of car hire revenues payable to each pursuant to Section 7 herein, and shall be deducted from the monthly revenues payable by Lessee for such period.

 - (iii) Lessor and Lessee agree to include the Cars in a bilateral agreement which Lessee has entered into with Consolidated Rail Corporation ("Conrail"). Said bilateral agreement shall allow (a) up to an average of ten (10) days car hire

reclaim (time only) for each Car reloaded by Conrail; and (b) a car hire reload rate of \$.45 per hour for a Car reloaded by Conrail; and (c) up to three (3) days car hire reclaim (time only) for each Car returned empty. Said reclaim and car hire adjustment shall be shared proportionately by Lessor and Lessee hereunder, in accordance with the percentage of car hire revenues payable to each pursuant to Section 7 herein, and shall be deducted from the monthly revenues payable by Lessee for such period.

(iv) In the event any Car(s) is placed into storage by another railroad, Lessor shall assist Lessee in Lessee' efforts to remove said Car(s) from storage.

F. If, with respect to any calendar quarter, Revenues received by Lessor for the Cars in the aggregate while they were on railroad lines other than the Eligible Lines are less than the total Base Rent for the Cars described in this Schedule, then Lessor may so notify Lessee. Within thirty (30) days of receipt of such notice from Lessor, Lessee shall either:

(i) Pay Lessor the difference ("Difference") between the total Base Rent, excluding the Base Rent for any Car(s) that was in a repair facility, and the actual Revenues for such calendar quarter, and agree to pay the Difference for any subsequent calendar quarter for the duration of the term of the Agreement with respect to the Cars in this Schedule in which such Difference occurs. Lessee shall pay Lessor such Difference not later than sixty (60) days after the calendar quarter in which such Difference occurs.

(ii) Elect not to pay Lessor such Difference for such quarter. In such event, Lessor shall terminate all of the Cars described in this Schedule from the Agreement upon not less than thirty (30) days' written notice to Lessee.

G. If any Car has remained on Lessee's property because Lessee has discriminated against the Car (as provided for in Subsection 3.B. of the Agreement), Lessor shall terminate all of the Cars described in this Schedule from the Agreement upon not less than thirty (30) days' written notice to Lessee.

8. With respect to the Cars, the indemnities and assumptions of liability contained in Section 12 of the Agreement shall survive the expiration or termination of the Agreement.

9. Upon the expiration or termination of the Agreement with respect to the Cars in this Schedule, Lessee shall promptly return such Cars to Lessor pursuant to Section 11 of the Agreement and as follows:

(i) 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 Lessee's railroad tracks subsequent to the time of expiration. Lessee shall, at Lessor's option, provide, with respect to any Car described in this Schedule which is either on Lessee's railroad tracks at the time of expiration or is subsequently returned to Lessee's railroad tracks, up to ninety (90) days free storage for such Car on its railroad tracks from either the date of expiration or the date such Car is returned to Lessee's railroad subsequent to the time of expiration, whichever is later.

(ii) Lessor shall, at Lessor's expense, remark the Cars. Lessee shall not remove Lessee's railroad marks from any Car without the prior written consent of Lessor. After remarking, Lessee shall, if Lessor so requests, 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 them to a connecting carrier for shipment. Lessee shall be entitled to per diem and mileage relief for each remarked Car that remains on Lessee's line awaiting to be returned until the earlier of (a) the time that such Car is interchanged off Lessee's line, or (b) the time that such Car is released empty back onto Lessee's line by an on-line shipper.

10. 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.
11. 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 RAIL CORPORATION

ILLINOIS CENTRAL RAILROAD COMPANY

By: Robert Kelly
Title: Vice President Finance & Administration
Date: 5/7/90

By: [Signature]
Title: VICE PRESIDENT TRANSPORTATION
Date: 5/11/90

**EXHIBIT A to Schedule No. 1 to Lease Agreement dated December 1, 1988, between
Itel Rail Corporation and Illinois Central Corporation**

ICG 31301	ICG 32040	ICG 32170	ICG 531379	ICG 531742
ICG 31306	ICG 32041	ICG 531302	ICG 531381	ICG 531777
ICG 31313	ICG 32071	ICG 531303	ICG 531383	ICG 531788
ICG 31325	ICG 32084	ICG 531304	ICG 531384	ICG 531790
ICG 31351	ICG 32086	ICG 531305	ICG 531385	ICG 531796
ICG 31358	ICG 32087	ICG 531310	ICG 531387	ICG 531798
ICG 31359	ICG 32092	ICG 531314	ICG 531416	ICG 531902
ICG 31380	ICG 32093	ICG 531315	ICG 531455	ICG 531905
ICG 31400	ICG 32095	ICG 531317	ICG 531466	ICG 531906
ICG 31409	ICG 32097	ICG 531319	ICG 531481	ICG 531907
ICG 31410	ICG 32099	ICG 531321	ICG 531521	ICG 531908
ICG 31414	ICG 32101	ICG 531323	ICG 531523	ICG 531909
ICG 31420	ICG 32103	ICG 531326	ICG 531541	ICG 531910
ICG 31428	ICG 32106	ICG 531333	ICG 531542	ICG 531911
ICG 31430	ICG 32108	ICG 531334	ICG 531547	ICG 531913
ICG 31440	ICG 32109	ICG 531338	ICG 531550	ICG 531915
ICG 31441	ICG 32110	ICG 531340	ICG 531555	ICG 531916
ICG 31446	ICG 32111	ICG 531342	ICG 531563	ICG 531920
ICG 31448	ICG 32117	ICG 531343	ICG 531565	ICG 531921
ICG 31453	ICG 32118	ICG 531344	ICG 531574	ICG 531923
ICG 31454	ICG 32119	ICG 531345	ICG 531581	ICG 531925
ICG 31460	ICG 32120	ICG 531346	ICG 531588	ICG 531946
ICG 31461	ICG 32123	ICG 531347	ICG 531599	ICG 531961
ICG 31462	ICG 32124	ICG 531349	ICG 531605	ICG 531964
ICG 31463	ICG 32132	ICG 531350	ICG 531613	ICG 531979
ICG 31470	ICG 32133	ICG 531353	ICG 531624	ICG 531985
ICG 31473	ICG 32136	ICG 531357	ICG 531626	ICG 531986
ICG 31475	ICG 32138	ICG 531362	ICG 531627	-----
ICG 31480	ICG 32139	ICG 531363	ICG 531629	T O T A L :
ICG 31483	ICG 32140	ICG 531364	ICG 531640	187 XMS
ICG 31490	ICG 32141	ICG 531365	ICG 531648	
ICG 31494	ICG 32142	ICG 531367	ICG 531669	
ICG 31507	ICG 32144	ICG 531368	ICG 531685	
ICG 31519	ICG 32147	ICG 531369	ICG 531697	
ICG 31524	ICG 32148	ICG 531370	ICG 531710	
ICG 31904	ICG 32151	ICG 531371	ICG 531721	
ICG 31918	ICG 32154	ICG 531372	ICG 531723	
ICG 31922	ICG 32163	ICG 531374	ICG 531731	
ICG 31996	ICG 32167	ICG 531376	ICG 531737	
ICG 32026	ICG 32169	ICG 531378	ICG 531739	

Delete: 116 31462
116 531911
ADD: 116 31484
116 31485

EDP
AK

EXHIBIT B

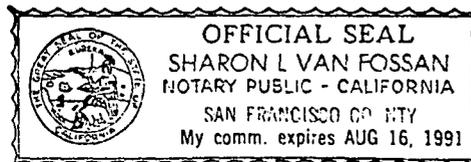
Running Repairs: Boxcars

Angle Cocks	Wheel Assemblies
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 Plate Repair (Not Replacement of Center Plate)
Brake Connecting Pin	Cotter Keys
Brake Head Wear Plates	Roller Bearing Adapters
Air Brakes	Air Hose Supports
Hand Brakes	
Brake Beams and Levers	
Truck Springs	
Door Hardware (Not Replacement of Door)	

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

On this 7th day of July, 1990, before me personally appeared Robert Kichale, to me personally known, who being by me duly sworn says that such person is VP Finance & Administration of IteL Rail 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 corporation.

Sharon L. Van Fossan
Notary Public



STATE OF ILLINOIS)
)ss:
COUNTY OF COOK)

On this 1st day of MAY, 1990, before me personally appeared E H HARRISON, to me personally known, who being by me duly sworn says that such person is VICE PRESIDENT of Illinois Central Railroad Company 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 corporation.

Louis W. Krause
Notary Public

