

# ITEL

December 13, 1990

## IteI Rail Corporation

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

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

0-348A000

RECORDATION NO. 16412 FILED LINES B

DEC 14 1990 - 10 30 AM

INTERSTATE COMMERCE COMMISSION

DEC 14 10 30 AM '90  
MOTOR OPERATING UNIT

Re: Schedule No. 2

Dear Mr. Strickland:

On behalf of IteI 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 Master Lease dated as of June 15, 1989, between IteI Rail Corporation, IteI Railcar Corporation and McCloud River Railway Company, which was filed with the ICC on July 5, 1989, under recordation number 16412.

The parties to the aforementioned instrument are listed below:

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

McCloud River Railroad Company (Lessee)  
325 Main Street  
McCloud, California 96057

This Schedule covers four hundred ninety-four (494) 52', 70-ton, Plate C, RBL boxcars subject to three assignment agreements with Modesto and Empire Traction Company dated June 18, 1990 (194 cars), June 19, 1990 (200 cars) and June 20, 1990 (100 cars), bearing reporting marks MR 12124-12417 and MR 12000-12099, respectively.

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

26412-B

DEC 14 1990 - 10 35 AM

Lot No. 2218-02

INTERSTATE COMMERCE COMMISSION  
SCHEDULE NO. 2

THIS SCHEDULE NO. 2 ("Schedule") to that certain Lease Agreement (the "Agreement") made as of June 15, 1989 between ITEL RAIL CORPORATION and ITEL RAILCAR CORPORATION, severally as lessors, and MCCLOUD RIVER RAILROAD COMPANY ("Lessee"), is made this 23rd day of August, 1990, between ITEL RAIL CORPORATION ("Lessor"), as successor to Itel Rail Corporation and Itel Railcar Corporation, 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" 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. Desig.	Description	Numbers	Dimensions (Approx.)			Doors Width	No. of Cars
			Length	Inside Width	Height		
RBL	70-Ton, Plate C RBL Boxcars	MR/2124-12517	52'	9'4"	10'04"	16'	394
RBL	70-Ton, Plate C RBL Boxcars	MR 12000-12099	52'	9'4"	10'05"	16'	100

3. A. The term of this Agreement, with respect to each Car described in this Schedule shall commence on the date such Car is remarked ("Delivery") and shall continue as to all of the Cars described in this Schedule for six years from the earlier of (i) the date on which the last Car described in this Schedule was remarked or (ii) sixty (60) days from the date the first Car described in this Schedule was remarked (the "Initial Term"). Upon the delivery of the final Car, Lessor shall provide Lessee a Certificate of Delivery in the form of Exhibit A attached hereto that shall contain the expiration date of the Agreement with respect to all the Cars described in this Schedule. Unless, within fifteen (15) days of the date of such Certificate of Delivery, Lessee demonstrates to the reasonable satisfaction of Lessor that such expiration date is incorrect, Lessee shall be deemed to have concurred with such expiration date.
- B. If the Agreement has not been terminated early and no unremedied default has occurred and is continuing under the Agreement, the Agreement shall automatically be extended from calendar month to

calendar month, for a period not to exceed twenty-four (24) calendar months (each such calendar month an "Extended Term"). Lessor may terminate the Agreement at any time during the Initial Term or any Extended Term as to some or all of the Cars described in this Schedule by providing not less than ten (10) days' prior written notice to Lessee, provided that such Cars are not subject to the assignment agreements dated June 18, 19 and 20, 1990 ("MET Assignment Agreements") between Lessee as assignor ("Assignor") and Modesto and Empire Traction Company as assignee ("Assignee"), copies of which are attached hereto as Exhibits B, C, and D.

4. A. Lessor agrees to pay to Lessee a rental fee ("Rental Fee") of fifty dollars (\$50.00) per year for the use of Lessee's reporting marks and numbers on the Cars assigned to the MET Assignment Agreement. Lessor shall pay the initial Rental Fee to Lessee sixty (60) days from the first day of the month following the month in which the first day of the Initial Term commences, and shall thereafter pay the Rental Fee to Lessee annually throughout the duration of the term of the MET Assignment Agreements.
- B. If any Car(s) returns to Lessee's lines prior to the expiration or termination of the MET Assignment Agreements, Lessor shall be responsible for all costs associated with such Car(s) being entered into and removed from a storage facility ("Storage") by Lessee, including but not limited to a switching fee of twenty-five dollars (\$25.00) each per car per occurrence, and a storage charge of one dollar (\$1.00) per car per day, and for all costs associated with returning such Car(s) to Assignee's lines. Lessee shall notify Lessor upon the placement of any Car(s) into Storage. Lessee shall use its best efforts to prevent any Car from being interchanged onto its lines during the term of the MET Assignment Agreements, including advising Lessee's connecting carrier that the Cars have been placed into an assignment pool on Assignee's lines and that the connecting carrier should not return such Cars to Lessee during the term of the MET Assignment Agreements.
5. Lessor consents to Lessee's entering into the MET Assignment Agreements provided that Lessor shall perform Lessee's duties under the MET Assignment Agreements, that the Lessee shall, only upon Lessor's instructions or consent, exercise its option to terminate, extend, renegotiate or request free storage under the MET Assignment Agreements, and that Lessee shall, if directed by Lessor, assign Lessee's interest in the MET Assignment Agreements to any party designated by Lessor.
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 those delegated to Lessee as set forth in Subsection 5.B. of the Agreement. With respect to the Cars listed in this Schedule, Exhibit E attached hereto is hereby added to the Agreement. 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. Rent

A. Definitions

- (i) "Eligible Lines" is defined as the railroad lines owned and operated by Lessee as of the date this Schedule is executed by the parties. Any lines purchased by Lessee or added to the Eligible Lines or any Eligible Lines sold by Lessee to another party during the Initial Term or any Extended Term effective on the date of such sale, are deemed to be the lines of another railroad company (a foreign road) for the purposes of determining Revenues (as defined in Subsection 8.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 January 1990 edition of The Official Railway Equipment Register, as may be updated from time to time.
- (iii) "Revenues" is defined as the total revenues, calculated at the Revenue Rates, that are earned or due 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.

B.

C. Upon the expiration or early termination of the MET Assignment Agreements, Lessor shall receive all Revenues earned by each Car while such Car is off the Eligible Lines.

D. (i) In the event that as a result of any action or inaction 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 8.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.

(ii) Should any abatement, reduction or offset occur as a result of any action or inaction of Lessee, Lessee shall, within ten (10) days of Lessor's request, reimburse Lessor the amount of such abatement, reduction or offset.

(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. Except as provided in this Schedule, 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.

9. 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.

10. 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.

Each party, pursuant to due corporate authority, has caused this Agreement to be executed by its authorized officer, and each of the undersigned declares pursuant to 28 U.S.C. Section 1746 under penalty of perjury that the foregoing is true and correct and was executed on the date indicated below its signature.

ITEL RAIL CORPORATION

MC CLOUD RIVER RAILROAD COMPANY

By: [Signature]

By: [Signature]

Title: Vice President Sales

Title: President

Date: 8/23/90

Date: August 6, 1990

CERTIFICATE OF DELIVERY

EXHIBIT A

RUN DATE : 5/03/90  
RUN TIME : 3:02:37  
REPORT NO.: FMR217

RAIL SHOP STATUS  
Old/New Remark List  
Sorted Alpha by New Car

PAGE: 172  
HALL

Project:

Planned:

Scheduled:

Assigned:

Completed:

NEW Car Number	OLD Car Number	Shop	Shop Name	Shop Arrival Date	Date Remarked
000000					

\*\*\*\*\* END OF REPORT \*\*\*\*\*

The last day of the [Initial] Term for the above referenced Cars shall be \_\_\_\_\_, 19\_\_.

EXHIBIT E

RUNNING REPAIRS

RBL 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 Gears
Brake Shoe Keys	Coupler Carriers
Brake Connecting pin	Center Plate Repair (Not Replacement of Center Plate)
Brake Head Wear Plates	Cotter Keys
Air Brakes	Roller Bearing Adapters
Hand Brakes	Air Hose Supports
Brake Beams and Levers	Load Divider Repairs (Not Replacement)
Truck Springs	
Door Hardware (Not Replacement of Door)	

EXHIBIT B  
BOXCAR ASSIGNMENT AGREEMENT

THIS BOXCAR ASSIGNMENT AGREEMENT ("Assignment Agreement") is made and entered into as of this 18th day of June, 1990 between MC CLOUD RIVER RAILROAD COMPANY ("Assignor") and MODESTO AND EMPIRE TRACTION COMPANY ("Assignee").

RECITALS:

- A. Assignee has in its possession 194 70-ton RBL boxcars bearing nonsequential reporting marks from within the series LNAC 5700-5899 pursuant to a schedule dated June 6, 1980 to the Lease Agreement dated June 6, 1980 between The Ferdinand and Huntingburg Railroad Company ("FH"), Assignor's affiliate, and Assignee.
- B. Assignee has requested and Itel Rail Corporation, owner of Assignor and FH, has agreed to have the 194 RBL boxcars in Assignee's possession bear MR reporting marks subject to such terms as Assignor and Assignee shall agree upon.

NOW, THEREFORE, Assignor and Assignee agree as follows:

1. Assignor shall remark the 194 RBL boxcars in Assignee's possession to bear Assignor's reporting marks. The remarked RBL boxcars which shall be listed in a fully-executed Certificate of Delivery Date ("Exhibit A") are referred to from hereon as the "Cars".
2. Upon Assignor's instruction, and not without Assignor's instruction, Assignee shall place the Cars into an assignment pool on Assignee's railroad lines as provided for in Car Service Rule 16 and under the provisions of Car Service Directive 145 of the Code of Car Service Rules, AAR Circular No. OT-10.
3. The term of this Assignment Agreement, with respect to each Car, shall commence on the date it is marked with MR marks ("Delivery Date") and shall expire as to all the Cars on June 16, 1996. Assignor shall issue to Assignee a fully-executed Exhibit A setting forth the delivery date for each Car. Each date on such certificate shall be deemed accurate, final and binding unless Assignee disputes such date in writing within 14 calendar days of its receipt of the certificate.
4.
  - a. Assignee shall comply with the handling carrier's obligations under AAR Interchange Rules while the Cars are in Assignee's possession.
  - b. The Cars may be used to carry only packaged food products.
5.
  - a. Assignee shall load the Cars before loading any similar Cars leased by, assigned to Assignee from other parties or purchased by Assignee subsequent to the date of this Assignment Agreement, or interchanged from other railroads; provided that nothing contained in this Section shall in any event prevent or prohibit Assignee from fulfill-

ing its obligations to provide transportation and facilities upon reasonable request therefor, and provided further that Assignee shall not have to provide the Cars priority at the expense of unreasonably disrupting Assignee's normal operations.

- b. If any Car remains on the Eligible Lines as defined below because Assignee failed to give priority to the Car as specified in Subsection 5.a. above, Assignee shall be liable for and remit to Assignor an amount equal to the revenues that would have been generated if such Car had been in the possession and use of a foreign road for the entire period during which such Car is on the Eligible Lines because of such failure with each Car traveling miles per day.
6. If any Car returns to Assignor's line as a result of Assignee not filing the assignment pool code properly, Assignee shall be responsible for all costs associated with returning such Car to Assignee. Assignor shall use its best efforts to prevent any Car from being interchanged onto its lines during the term of this Assignment Agreement, including advising Assignor's connecting carrier that the Cars have been placed into an assignment pool on Assignee's lines and that the connecting carrier should not return such Cars to Assignor during the term of this Assignment Agreement.

7. Definitions:

- a. "Eligible Lines" means the railroad lines owned and operated by Assignee as of the date both parties execute this Assignment Agreement. If Assignee's lines expand through purchase, Assignee's merger with another railroad or otherwise or if Assignee's lines are sold to and become lines of another railroad, then lines other than the Eligible Lines shall be deemed to be those of a foreign road for purposes of determining Revenues. If Assignee sells or otherwise disposes of a part but not all of the railroad lines it owns and operates as of the date the parties execute this Assignment Agreement, "Eligible Lines" shall mean only that part retained by Assignee.
- b. "Revenue Rates" means the hourly and mileage car hire rates prescribed by the ICC in any applicable period for each Car.
- c. "Revenues" means the total revenues, calculated at the Revenue Rates, that are earned or due in any applicable period for the use or handling of the Cars on all railroad lines other than the Eligible Lines, including, but not limited to, hours ("Hourly Revenues") and mileage ("Mileage Revenues"), whether or not collected and received by Assignor, and undiminished by any claimed abatement, reduction or offset caused by any action or failure of Assignee.
- d. "Minimum Rent" means the dollar amount for any calendar quarter (or applicable portion thereof) which equals the Revenues the Cars would have earned in the aggregate during such quarter or applicable

portion thereof ("Quarter") if such Cars had been on railroad lines other than Eligible Lines for 71 days during such Quarter, with each Car traveling 70 miles per day and earning Revenues at the Revenue Rates.

- e. "Maintenance" means all repairs, maintenance, replacement of parts and mandated modifications needed to keep any Car in good working order and repair, suitable for loading and interchange and in accordance with the Interchange Rules, the Federal Railroad Administration ("FRA") rules and the rules of any other applicable regulatory body.
  - g. "Interchange Rules" means collectively the Field Manual of the AAR Interchange Rules and the Office Manual of the AAR Interchange Rules.
8. a. Assignee shall be entitled to full per diem and mileage relief for each Car while such Car is on the Eligible Lines and shall furnish interchange records to Assignor as requested.
- b. Assignor shall be entitled to

- (i) Subject to Subsection 8.b.(ii) below, for the Cars listed in this Assignment Agreement and the Assignment Agreements dated June 19 and June 20, 1990 between Assignor and Assignee ("Qualified Cars"),

on the Eligible Lines with off-line destinations ("Loaded"). Such cash allowance shall be paid by Assignor to Assignee within 30 days of receiving Assignee's invoice for such month reporting the number of Qualified Cars, their reporting marks, and the date each Qualified Car was Loaded. For any Qualified Car which is not subject to this Assignment Agreement for a full calendar month, the monthly cash allowance shall be prorated accordingly.

- (ii) Upon not less than 30 days prior written notice, either party may initiate renegotiation of the terms of this Assignment Agreement with respect to the Qualified Cars on July 1 of each year throughout the duration of this Assignment Agreement. If Assignor and Assignee agree, the Cars in this Assignment Agreement shall cease to be Qualified Cars and will become subject to the renegotiated terms that Assignor and Assignee may incorporate into this Assignment Agreement. If the parties are unable to reach mutual agreement, Assignor shall have the option, upon not less than 30 days prior written notice to Assignee, to amend Section 8.b.(i) above to the following:

"Assignor shall pay to Assignee

per Car loaded on the Eligible Lines with off-line destinations ("Loaded"). Such load allowance shall be paid by Assignor to Assignee 30 days after receipt of Assignee's invoice listing each Car and the date it was Loaded."

9. If, during any calendar quarter, Revenues received by Assignor for the Cars are less than the Minimum Rent, then Assignor may so notify Assignee. Within 10 days of such notice, Assignee shall either:
- (i) Notify Assignor of intent to pay Assignor the shortfall between the Minimum Rent and the Revenues received by Assignor for such Cars in such calendar quarter and agree to pay the shortfall, if any, between the Minimum Rent and the Revenues received by Assignor for such Cars in each subsequent calendar quarter for the duration of this Assignment Agreement. Assignee shall pay Assignor such shortfall not later than 60 days after receiving an invoice.
  - (ii) Elect in writing not to pay Assignor such shortfall for such quarter. In such event, Assignor may terminate the lease with respect to all or any of the Cars upon not less than 30 days written notice to Assignee at any time during this Assignment Agreement.
10. a. If as a result of any action or inaction (not to include lack of loads) by Assignee (including but not limited to any abatement, reduction or offset claimed by a using or handling carrier), Assignor shall receive with respect to any calendar year amounts for the use or handling of the Cars on any railroad line other than the Eligible Lines which are less than the Revenues earned during such calendar year or are less than the Cars would have earned at the Revenue Rates, Assignee shall pay to Assignor within 10 days of Assignor's request an amount equal to the difference between the amount actually received and the Revenues such Cars would have earned at the Revenue Rates.
- b. If Assignee operates lines other than the Eligible Lines, Assignee shall supply Assignor with records that distinguish the movement of each Car on the Eligible Lines from the movement of such Car on any other lines operated by Assignee.
- c. Without Assignor's prior written approval, Assignee shall not enter into any agreement with any party that affects the Revenues earned by any Cars.
- d. The calculations required in this Assignment Agreement shall be made within 5 months of the end of each calendar year ("Final Calculations"). Assignor shall, before making such Final Calculations, retain the Revenues and other payments received by it on behalf of Assignee. Assignor shall within 3 months after the end of each calendar quarter calculate on a quarterly year-to-date basis the approximate amounts due both parties pursuant to this Section and the applicable Exhibit. Amounts payable pursuant to the

preceding sentence shall be paid promptly following such calculation; provided that within 20 days following the Final Calculations, any amount paid to either party in excess of the amounts required shall be refunded to the appropriate party.

- e. Assignor may retain any amounts owed to or collected on behalf of Assignee to offset any sums owed to Assignor by Assignee.
11. During the term of this Assignment Agreement, Assignor may, at its expense, replace any or all Cars with similar cars upon not less than ten (10) days prior written notice to Assignee.
12. a. Assignor shall at its expense perform in a timely manner all Maintenance. Such Maintenance, however, shall be at Assignee's expense if it was occasioned by (a) damage (which shall not include ordinary wear) while in Assignee's or Assignee's shipper's possession or control, (b) damage occurring from use other than permitted under this Assignment Agreement, or (c) damage for which Assignee would be responsible under the Interchange Rules had the Car been a foreign car (including damage not noted at time of interchange to Assignee). Assignee shall promptly notify Assignor of any Maintenance required, providing the time, place and nature of any accident or bad order condition.
- b. To facilitate continued immediate use of any Car, Assignee may make running repairs (using Assignee's own employees, but not any private repair facility or any private contractor on Assignee's property without the consent of Assignor) to those parts of any Car specified in the attached Exhibit B, but Assignee shall not perform or cause to be performed any other Maintenance on any Car without Assignor's prior written consent. Assignee shall submit a monthly invoice in AAR format for running repairs performed on any Car by Assignee or by another railroad that has billed and received payment therefor from Assignee.
13. a. Upon the expiration or other termination of this Assignment Agreement with respect to any Car, Assignee shall remove the Cars from the provisions of Car Service Rule 16 and Car Service Directive 145. At its expense Assignee shall return such Car to Assignor at the interchange point on Assignee's lines designated by Assignor (the "Return Location"). Assignee shall use best efforts to load such Car with freight and deliver it to a connecting carrier for shipment.
- b. Each such Car shall be returned to Assignor (i) in the same or better condition, order and repair as when it was delivered to Assignee, ordinary wear excepted; and (ii) free from all accumulations or deposits from commodities transported in or on it while in the service of Assignee, provided that Assignee shall not be responsible for accumulations or deposits that result from any final outbound load.

- c. Assignee shall, at Assignor's option, provide up to 120 days free storage on its lines for any Car that is either on Assignee's lines at expiration or other termination or is subsequently returned to Assignee's lines.
  - d. If Assignor requests in writing the return of any Car and Assignee fails to use best efforts to return such Car, Assignee upon written notice from Assignor shall pay rent monthly equal to the amount such Car would earn both on the Eligible Lines if the Eligible Lines were the lines of a foreign road and off the Eligible Lines if the Car were off line 100% of the time and earning Hourly Revenues and Mileage Revenues at the Revenue Rates. Assignee shall in addition keep all obligations required of Assignee under this Assignment Agreement as though such expiration or other termination had not occurred. Nothing in this Section shall give Assignee the right to retain possession of any Car after expiration or other termination of this Assignment Agreement with respect to such Car.
14. Assignee's rights shall be subject and subordinate to the rights and remedies of any lender, owner or other party which finances the Cars. Financing agreements between such parties and Assignor determine whether Cars may be used in Canada or Mexico. Consequently, no use greater than temporary or incidental may be made of the Cars in Canada and no use may be made in Mexico without Assignor's prior written consent, which may be given if financing agreements so permit. The Cars may not be used in unit train service (other than incidentally).
15. Any notices required or permitted to be given hereunder shall be deemed given when sent by telecopy or telex or made in writing, deposited in United States mail, registered or certified, postage prepaid, addressed to:
- |   |   |
|---|---|
| <p>Assignor:</p> <p>McCloud River Railroad Company<br/>         Attn: Director, Car Hire Accounting<br/>         550 California Street<br/>         San Francisco, CA 94104</p> | <p>Assignee:</p> <p>Modesto and Empire Traction<br/>         Company<br/>         Attn: President<br/>         530 Eleventh Street<br/>         Modesto, CA 95353</p> |
|---|---|
- or to such other addresses as Assignor and Assignee may from time to time designate.
16. This Assignment Agreement may not be modified, altered, or amended, except by an agreement in writing signed by the parties.

17. This Assignment Agreement may be executed in two counterparts and such counterparts together shall constitute one and the same contract.

MCCLLOUD RIVER RAILROAD  
COMPANY

By: *Jeff Fob...*

Title: *President*

Date: *August 6, 1990*

MODESTO AND EMPIRE TRACTION  
COMPANY

By: *[Signature]*

Title: *V.P. - Operations*

Date: *7/24/90*

EXHIBIT B

RUNNING REPAIRS

RBL/XLI 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 Gears
	Coupler Carriers
Brake Shoe Keys	Center Plate Repair (Not Replacement of Center Plate)
Brake Connecting Pin	
Brake Head Wear Plates	Cotter Keys
Air Brakes	Roller Bearing Adapters
Hand Brakes	Air Hose Supports
Brake Beams and Levers	Load Divider Repairs (Not Replacement)
Truck Springs	
Door Hardware (Not Replacement of Door)	

EXHIBIT C  
BOXCAR ASSIGNMENT AGREEMENT

THIS BOXCAR ASSIGNMENT AGREEMENT ("Assignment Agreement") is made and entered into as of this 19th day of June, 1990 between MC CLOUD RIVER RAILROAD COMPANY ("Assignor") and MODESTO AND EMPIRE TRACTION COMPANY ("Assignee").

RECITALS:

- A. Assignee has in its possession 38, 70-ton RBL boxcars bearing reporting marks HS 11329 - 11366 (the "HS Cars") pursuant to the Agreement for Assigned Service dated August 29, 1989 between Hartford and Slocomb ("HS"), Assignor's affiliate, and Assignee.
- B. Assignee also has in its possession 162 other 70-ton RBL boxcars bearing nonsequential reporting marks from within the series LNAC 5226-5638 (the "LNAC Cars") pursuant to a schedule dated June 6, 1980, to the Lease Agreement dated June 6, 1980 between The Ferdinand and Huntingburg Railroad Company ("FH"), Assignor's affiliate, and Assignee.
- C. Assignee has requested and IteI Rail Corporation, owner of Assignor, HS and FH, has agreed to have the HS Cars and LNAC Cars be remarked to MR reporting marks subject to such terms as Assignor and Assignee shall agree upon.

NOW, THEREFORE, Assignor and Assignee agree as follows:

- 1. Assignor shall remark the HS Cars and the LNAC Cars to bear Assignor's reporting marks. The remarked RBL boxcars which shall be listed in a fully-executed Certificate of Delivery Date ("Exhibit A") are referred to from hereon as the "Cars".
- 2. Upon Assignor's instruction, and not without Assignor's instruction, Assignee shall place the Cars into an assignment pool on Assignee's railroad lines as provided for in Car Service Rule 16 and under the provisions of Car Service Directive 145 of the Code of Car Service Rules, AAR Circular No. OT-10.
- 3. The term of this Assignment Agreement, with respect to each Car, shall commence on the date it is marked with MR marks ("Delivery Date") and shall expire as to all the Cars on June 16, 1996. Assignor shall issue to Assignee a fully-executed Exhibit A setting forth the delivery date for each Car. Each date on such certificate shall be deemed accurate, final and binding unless Assignee disputes such date in writing within 14 calendar days of its receipt of the certificate.
- 4.
  - a. Assignee shall comply with the handling carrier's obligations under AAR Interchange Rules while the Cars are in Assignee's possession.
  - b. The Cars may be used to carry only packaged food products.
- 5.
  - a. Assignee shall load the Cars before loading any similar Cars leased by, assigned to Assignee from other parties or purchased by Assignee subsequent to the date of this Assignment Agreement, or interchanged from other railroads; provided that nothing contained in this Sec-

tion shall in any event prevent or prohibit Assignee from fulfilling its obligations to provide transportation and facilities upon reasonable request therefor, and provided further that Assignee shall not have to provide the Cars priority at the expense of unreasonably disrupting Assignee's normal operations.

- b. If any Car remains on the Eligible Lines as defined below because Assignee failed to give priority to the Car as specified in Subsection 5.a. above, Assignee shall be liable for and remit to Assignor an amount equal to the revenues that would have been generated if such Car had been in the possession and use of a foreign road for the entire period during which such Car is on the Eligible Lines because of such failure with each Car traveling miles per day.
6. If any Car returns to Assignor's line as a result of Assignee not filing the assignment pool code properly, Assignee shall be responsible for all costs associated with returning such Car to Assignee. Assignor shall use its best efforts to prevent any Car from being interchanged onto its lines during the term of this Assignment Agreement, including advising Assignor's connecting carrier that the Cars have been placed into an assignment pool on Assignee's lines and that the connecting carrier should not return such Cars to Assignor during the term of this Assignment Agreement.

7. Definitions:

- a. "Eligible Lines" means the railroad lines owned and operated by Assignee as of the date both parties execute this Assignment Agreement. If Assignee's lines expand through purchase, Assignee's merger with another railroad or otherwise or if Assignee's lines are sold to and become lines of another railroad, then lines other than the Eligible Lines shall be deemed to be those of a foreign road for purposes of determining Revenues. If Assignee sells or otherwise disposes of a part but not all of the railroad lines it owns and operates as of the date the parties execute this Assignment Agreement, "Eligible Lines" shall mean only that part retained by Assignee.
- b. "Revenue Rates" means the hourly and mileage car hire rates prescribed by the ICC in any applicable period for each Car.
- c. "Revenues" means the total revenues, calculated at the Revenue Rates, that are earned or due in any applicable period for the use or handling of the Cars on all railroad lines other than the Eligible Lines, including, but not limited to, hours ("Hourly Revenues") and mileage ("Mileage Revenues"), whether or not collected and received by Assignor, and undiminished by any claimed abatement, reduction or offset caused by any action or failure of Assignee.
- d. "Minimum Rent" means the dollar amount for any calendar quarter (or applicable portion thereof) which equals the Revenues the Cars would have earned in the aggregate during such quarter or applicable portion thereof ("Quarter") 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 earning Revenues at the Revenue Rates.

- e. "Maintenance" means all repairs, maintenance, replacement of parts and mandated modifications needed to keep any Car in good working order and repair, suitable for loading and interchange and in accordance with the Interchange Rules, the Federal Railroad Administration ("FRA") rules and the rules of any other applicable regulatory body.
  - g. "Interchange Rules" means collectively the Field Manual of the AAR Interchange Rules and the Office Manual of the AAR Interchange Rules.
8. a. Assignee shall be entitled to full per diem and mileage relief for each Car while such Car is on the Eligible Lines and shall furnish interchange records to Assignor as requested.
- b. Assignor shall be entitled to

- (i) Subject to Subsection 8.b.(ii) below, for the Cars listed in this Assignment Agreement and the Assignment Agreements dated June 18 and June 20, 1990 between Assignor and Assignee ("Qualified Cars"),

on the Eligible Lines with off-line destinations ("Loaded"). Such cash allowance shall be paid by Assignor to Assignee within 30 days of receipt of Assignee's invoice for such month reporting the number of Qualified Cars, their reporting marks and number, and the date each Qualified Car was Loaded. For any Qualified Car which is not subject to this Assignment Agreement for a full calendar month, the monthly cash allowance shall be prorated accordingly.

- (ii) Upon not less than 30 days prior written notice, either party may initiate renegotiation of the terms of this Assignment Agreement with respect to the Qualified Cars on July 1 of each year throughout the duration of this Assignment Agreement. If Assignor and Assignee agree, the Cars in this Assignment Agreement shall cease to be Qualified Cars and will become subject to the renegotiated terms that Assignor and Assignee may incorporate into this Assignment Agreement. If the parties are unable to reach mutual agreement, either Assignor or Assignee shall have the option, upon not less than 30 days prior written notice to the other party, to terminate this Assignment Agreement.

9. If, during any calendar quarter, Revenues received by Assignor for the Cars are less than the Minimum Rent, then Assignor may so notify Assignee. Within 10 days of such notice, Assignee shall either:

- (i) Notify Assignor of intent to pay Assignor the shortfall between the Minimum Rent and the Revenues received by Assignor for such Cars in such calendar quarter and agree to pay the shortfall, if any, between the Minimum Rent and the Revenues received by Assignor for such Cars in each subsequent calendar quarter for the duration of this Assignment Agreement. Assignee shall pay Assignor such shortfall not later than 60 days after receiving an invoice.
  - (ii) Elect in writing not to pay Assignor such shortfall for such quarter. In such event, Assignor may terminate the lease with respect to all or any of the Cars upon not less than 30 days written notice to Assignee at any time during this Assignment Agreement.
10. a. If as a result of any action or inaction (not to include lack of loads) by Assignee (including but not limited to any abatement, reduction or offset claimed by a using or handling carrier), Assignor shall receive with respect to any calendar year amounts for the use or handling of the Cars on any railroad line other than the Eligible Lines which are less than the Revenues earned during such calendar year or are less than the Cars would have earned at the Revenue Rates, Assignee shall pay to Assignor within 10 days of Assignor's request an amount equal to the difference between the amount actually received and the Revenues such Cars would have earned at the Revenue Rates.
- b. If Assignee operates lines other than the Eligible Lines, Assignee shall supply Assignor with records that distinguish the movement of each Car on the Eligible Lines from the movement of such Car on any other lines operated by Assignee.
- c. Without Assignor's prior written approval, Assignee shall not enter into any agreement with any party that affects the Revenues earned by any Cars.
- d. The calculations required in this Assignment Agreement shall be made within 5 months of the end of each calendar year ("Final Calculations"). Assignor shall, before making such Final Calculations, retain the Revenues and other payments received by it on behalf of Assignee. Assignor shall within 3 months after the end of each calendar quarter calculate on a quarterly year-to-date basis the approximate amounts due both parties pursuant to this Section and the applicable Exhibit. Amounts payable pursuant to the preceding sentence shall be paid promptly following such calculation; provided that within 20 days following the Final Calculations, any amount paid to either party in excess of the amounts required shall be refunded to the appropriate party.
- e. Assignor may retain any amounts owed to or collected on behalf of Assignee to offset any sums owed to Assignor by Assignee.
11. During the term of this Assignment Agreement, Assignor may, at its expense, replace any or all Cars with similar cars upon not less than ten (10) days prior written notice to Assignee.

12. a. Assignor shall at its expense perform in a timely manner all Maintenance. Such Maintenance, however, shall be at Assignee's expense if it was occasioned by (a) damage (which shall not include ordinary wear) while in Assignee's or Assignee's shipper's possession or control, (b) damage occurring from use other than permitted under this Assignment Agreement, or (c) damage for which Assignee would be responsible under the Interchange Rules had the Car been a foreign car (including damage not noted at time of interchange to Assignee). Assignee shall promptly notify Assignor of any Maintenance required, providing the time, place and nature of any accident or bad order condition.
- b. To facilitate continued immediate use of any Car, Assignee may make running repairs (using Assignee's own employees, but not any private repair facility or any private contractor on Assignee's property without the consent of Assignor) to those parts of any Car specified in the attached Exhibit B, but Assignee shall not perform or cause to be performed any other Maintenance on any Car without Assignor's prior written consent. Assignee shall submit a monthly invoice in AAR format for running repairs performed on any Car by Assignee or by another railroad that has billed and received payment therefor from Assignee.
13. a. Upon the expiration or other termination of this Assignment Agreement with respect to any Car, Assignee shall remove the Cars from the provisions of Car Service Rule 16 and Car Service Directive 145. At its expense Assignee shall return such Car to Assignor at the interchange point on Assignee's lines designated by Assignor (the "Return Location"). Assignee shall use best efforts to load such Car with freight and deliver it to a connecting carrier for shipment.
- b. Each such Car shall be returned to Assignor (i) in the same or better condition, order and repair as when it was delivered to Assignee, ordinary wear excepted; and (ii) free from all accumulations or deposits from commodities transported in or on it while in the service of Assignee, provided that Assignee shall not be responsible for accumulations or deposits that result from any final outbound load.
- c. Assignee shall, at Assignor's option, provide up to 120 days free storage on its lines for any Car that is either on Assignee's lines at expiration or other termination or is subsequently returned to Assignee's lines.
- d. If Assignor requests in writing the return of any Car and Assignee fails to use best efforts to return such Car, Assignee upon written notice from Assignor shall pay rent monthly equal to the amount such Car would earn both on the Eligible Lines if the Eligible Lines were the lines of a foreign road and off the Eligible Lines if the Car were off line 100% of the time and earning Hourly Revenues and Mileage Revenues at the Revenue Rates. Assignee shall in addition keep all obligations required of Assignee under this Assignment Agreement as though such expiration or other termination had not occurred. Nothing in this Section shall give Assignee the right to

retain possession of any Car after expiration or other termination of this Assignment Agreement with respect to such Car.

14. Assignee's rights shall be subject and subordinate to the rights and remedies of any lender, owner or other party which finances the Cars. Financing agreements between such parties and Assignor determine whether Cars may be used in Canada or Mexico. Consequently, no use greater than temporary or incidental may be made of the Cars in Canada and no use may be made in Mexico without Assignor's prior written consent, which may be given if financing agreements so permit. The Cars may not be used in unit train service (other than incidentally).
15. Any notices required or permitted to be given hereunder shall be deemed given when sent by telecopy or telex or made in writing, deposited in United States mail, registered or certified, postage prepaid, addressed to:

Assignor:

McCloud River Railroad Company  
Attn: Director, Car Hire Accounting  
550 California Street  
San Francisco, CA 94104

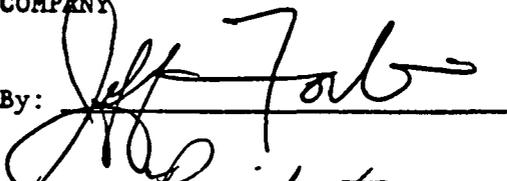
Assignee:

Modesto and Empire Traction  
Company  
Attn: President  
530 Eleventh Street  
Modesto, CA 95353

or to such other addresses as Assignor and Assignee may from time to time designate.

16. This Assignment Agreement may not be modified, altered, or amended, except by an agreement in writing signed by the parties.
17. This Assignment Agreement may be executed in two counterparts and such counterparts together shall constitute one and the same contract.

MC CLOUD RIVER RAILROAD  
COMPANY

By: 

Title: President

Date: August 6, 1990

MODESTO AND EMPIRE TRACTION  
COMPANY

By: 

Title: V.P. - Operations

Date: 7/24/90

EXHIBIT B

RUNNING REPAIRS

RBL/XLI 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 Gears
	Coupler Carriers
Brake Shoe Keys	Center Plate Repair (Not Replacement of Center Plate)
Brake Connecting Pin	
Brake Head Wear Plates	Cotter Keys
Air Brakes	Roller Bearing Adapters
Hand Brakes	Air Hose Supports
Brake Beams and Levers	Load Divider Repairs (Not Replacement)
Truck Springs	
Door Hardware (Not Replacement of Door)	

EXHIBIT D  
BOXCAR ASSIGNMENT AGREEMENT

THIS BOXCAR ASSIGNMENT AGREEMENT ("Assignment Agreement") is made and entered into as of this 20th day of June, 1990 between MCGLOUD RIVER RAILROAD COMPANY ("Assignor") and MODESTO AND EMPIRE TRACTION COMPANY ("Assignee").

RECITALS:

- A. Assignor and Assignee are parties to the Boxcar Assignment Agreements dated June 18 and June 19, 1990, pursuant to which Assignor assigned to Assignee 394, 70-ton RBL boxcars bearing Assignor's marks.
- B. Assignor agrees to provide 100 RBL boxcars for Assignee's use while Assignee's equipment is being refurbished.

NOW, THEREFORE, Assignor and Assignee agree as follows:

- 1. Assignor shall provide Assignee with 100, 70-ton RBL boxcars bearing the reporting marks MR 12000 - 12099 (the "Cars").
- 2. Upon Assignor's instruction, and not without Assignor's instruction, Assignee shall place the Cars into an assignment pool on Assignee's railroad lines as provided for in Car Service Rule 16 and under the provisions of Car Service Directive 145 of the Code of Car Service Rules, AAR Circular No. OT-10.
- 3. The term of this Assignment Agreement, with respect to each Car, shall commence on the date it is marked with MR marks ("Delivery Date") and shall expire with respect to such Car upon 30 days written notice from one party to the other. Assignor shall issue to Assignee a fully-executed Certificate of Delivery Date in the form of the attached Exhibit A setting forth the delivery date for each Car. Each date on such certificate shall be deemed accurate, final and binding unless Assignee disputes such date in writing within 14 calendar days of its receipt of the certificate.
- 4.
  - a. Assignee shall comply with the handling carrier's obligations under AAR Interchange Rules while the Cars are in Assignee's possession.
  - b. The Cars may be used to carry only packaged food products.
- 5.
  - a. Assignee shall load the Cars before loading any similar Cars leased by, assigned to Assignee from other parties or purchased by Assignee subsequent to the date of this Assignment Agreement, or interchanged from other railroads; provided that nothing contained in this Section shall in any event prevent or prohibit Assignee from fulfilling its obligations to provide transportation and facilities upon reasonable request therefor, and provided further that Assignee shall not have to provide the Cars priority at the expense of unreasonably disrupting Assignee's normal operations.

- b. If any Car remains on the Eligible Lines as defined below because Assignee failed to give priority to the Car as specified in Subsection 5.a. above, Assignee shall be liable for and remit to Assignor an amount equal to the revenues that would have been generated if such Car had been in the possession and use of a foreign road for the entire period during which such Car is on the Eligible Lines because of such failure with each Car traveling      miles per day.
6. If any Car returns to Assignor's line as a result of Assignee not filing the assignment pool code properly, Assignee shall be responsible for all costs associated with returning such Car to Assignee. Assignor shall use its best efforts to prevent any Car from being interchanged onto its lines during the term of this Assignment Agreement, including advising Assignor's connecting carrier that the Cars have been placed into an assignment pool on Assignee's lines and that the connecting carrier should not return such Cars to Assignor during the term of this Assignment Agreement.
7. Definitions:
- a. "Eligible Lines" means the railroad lines owned and operated by Assignee as of the date both parties execute this Assignment Agreement. If Assignee's lines expand through purchase, Assignee's merger with another railroad or otherwise or if Assignee's lines are sold to and become lines of another railroad, then lines other than the Eligible Lines shall be deemed to be those of a foreign road for purposes of determining Revenues. If Assignee sells or otherwise disposes of a part but not all of the railroad lines it owns and operates as of the date the parties execute this Assignment Agreement, "Eligible Lines" shall mean only that part retained by Assignee.
- b. "Revenue Rates" means the hourly and mileage car hire rates prescribed by the ICC in any applicable period for each Car.
- c. "Revenues" means the total revenues, calculated at the Revenue Rates, that are earned or due in any applicable period for the use or handling of the Cars on all railroad lines other than the Eligible Lines, including, but not limited to, hours ("Hourly Revenues") and mileage ("Mileage Revenues"), whether or not collected and received by Assignor, and undiminished by any claimed abatement, reduction or offset caused by any action or failure of Assignee.
- d. "Minimum Rent" means the dollar amount for any calendar quarter (or applicable portion thereof) which equals the Revenues the Cars would have earned in the aggregate during such quarter or applicable portion thereof ("Quarter") 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 earning Revenues at the Revenue Rates.

- e. "Maintenance" means all repairs, maintenance, replacement of parts and mandated modifications needed to keep any Car in good working order and repair, suitable for loading and interchange and in accordance with the Interchange Rules, the Federal Railroad Administration ("FRA") rules and the rules of any other applicable regulatory body.
  - g. "Interchange Rules" means collectively the Field Manual of the AAR Interchange Rules and the Office Manual of the AAR Interchange Rules.
8. a. Assignee shall be entitled to full per diem and mileage relief for each Car while such Car is on the Eligible Lines and shall furnish interchange records to Assignor as requested.
- b. Assignor shall be entitled to

on the Eligible Lines with off-line destinations ("Loaded"). Such cash allowance shall be paid by Assignor to Assignee within 30 days of receipt of Assignee's invoice for such month reporting the number of Cars, their reporting marks and number, and the date each Car was Loaded. For any Car which is not subject to this Assignment Agreement for a full calendar month, the monthly cash allowance shall be prorated accordingly.

9. If, during any calendar quarter, Revenues received by Assignor for the Cars are less than the Minimum Rent, then Assignor may so notify Assignee. Within 10 days of such notice, Assignee shall either:
- (i) Notify Assignor of intent to pay Assignor the shortfall between the Minimum Rent and the Revenues received by Assignor for such Cars in such calendar quarter and agree to pay the shortfall, if any, between the Minimum Rent and the Revenues received by Assignor for such Cars in each subsequent calendar quarter for the duration of this Assignment Agreement. Assignee shall pay Assignor such shortfall not later than 60 days after receiving an invoice.
  - (ii) Elect in writing not to pay Assignor such shortfall for such quarter. In such event, Assignor may terminate the lease with respect to all or any of the Cars upon not less than 30 days written notice to Assignee at any time during this Assignment Agreement.
10. a. If as a result of any action or inaction (not to include lack of loads) by Assignee (including but not limited to any abatement, reduction or offset claimed by a using or handling carrier), Assignor shall receive with respect to any calendar year amounts for the use or handling of the Cars on any railroad line other than the Eligible Lines which are less than the Revenues earned during such calendar year or are less than the Cars would have earned at the Revenue Rates, Assignee shall pay to Assignor within 10 days of Assignor's request an amount equal to the difference between the amount actually

received and the Revenues such Cars would have earned at the Revenue Rates.

- b. If Assignee operates lines other than the Eligible Lines, Assignee shall supply Assignor with records that distinguish the movement of each Car on the Eligible Lines from the movement of such Car on any other lines operated by Assignee.
  - c. Without Assignor's prior written approval, Assignee shall not enter into any agreement with any party that affects the Revenues earned by any Cars.
  - d. The calculations required in this Assignment Agreement shall be made within 5 months of the end of each calendar year ("Final Calculations"). Assignor shall, before making such Final Calculations, retain the Revenues and other payments received by it on behalf of Assignee. Assignor shall within 3 months after the end of each calendar quarter calculate on a quarterly year-to-date basis the approximate amounts due both parties pursuant to this Section and the applicable Exhibit. Amounts payable pursuant to the preceding sentence shall be paid promptly following such calculation; provided that within 20 days following the Final Calculations, any amount paid to either party in excess of the amounts required shall be refunded to the appropriate party.
  - e. Assignor may retain any amounts owed to or collected on behalf of Assignee to offset any sums owed to Assignor by Assignee.
11. During the term of this Assignment Agreement, Assignor may, at its expense, replace any or all Cars with similar cars upon not less than ten (10) days prior written notice to Assignee.
12. a. Assignor shall at its expense perform in a timely manner all Maintenance. Such Maintenance, however, shall be at Assignee's expense if it was occasioned by (a) damage (which shall not include ordinary wear) while in Assignee's or Assignee's shipper's possession or control, (b) damage occurring from use other than permitted under this Assignment Agreement, or (c) damage for which Assignee would be responsible under the Interchange Rules had the Car been a foreign car (including damage not noted at time of interchange to Assignee). Assignee shall promptly notify Assignor of any Maintenance required, providing the time, place and nature of any accident or bad order condition.
- b. To facilitate continued immediate use of any Car, Assignee may make running repairs (using Assignee's own employees, but not any private repair facility or any private contractor on Assignee's property without the consent of Assignor) to those parts of any Car specified in the attached Exhibit B, but Assignee shall not perform or cause to be performed any other Maintenance on any Car without Assignor's prior written consent. Assignee shall submit a monthly invoice in

AAR format for running repairs performed on any Car by Assignee or by another railroad that has billed and received payment therefor from Assignee.

13. a. Upon the expiration or other termination of this Assignment Agreement with respect to any Car, Assignee shall remove the Cars from the provisions of Car Service Rule 16 and Car Service Directive 145. At its expense Assignee shall return such Car to Assignor at the interchange point on Assignee's lines designated by Assignor (the "Return Location"). Assignee shall use best efforts to load such Car with freight and deliver it to a connecting carrier for shipment.
  - b. Each such Car shall be returned to Assignor (i) in the same or better condition, order and repair as when it was delivered to Assignee, ordinary wear excepted; and (ii) free from all accumulations or deposits from commodities transported in or on it while in the service of Assignee, provided that Assignee shall not be responsible for accumulations or deposits that result from any final outbound load.
  - c. Assignee shall, at Assignor's option, provide up to 120 days free storage on its lines for any Car that is either on Assignee's lines at expiration or other termination or is subsequently returned to Assignee's lines.
  - d. If Assignor requests in writing the return of any Car and Assignee fails to use best efforts to return such Car, Assignee upon written notice from Assignor shall pay rent monthly equal to the amount such Car would earn both on the Eligible Lines if the Eligible Lines were the lines of a foreign road and off the Eligible Lines if the Car were off line 100% of the time and earning Hourly Revenues and Mileage Revenues at the Revenue Rates. Assignee shall in addition keep all obligations required of Assignee under this Assignment Agreement as though such expiration or other termination had not occurred. Nothing in this Section shall give Assignee the right to retain possession of any Car after expiration or other termination of this Assignment Agreement with respect to such Car.
14. Assignee's rights shall be subject and subordinate to the rights and remedies of any lender, owner or other party which finances the Cars. Financing agreements between such parties and Assignor determine whether Cars may be used in Canada or Mexico. Consequently, no use greater than temporary or incidental may be made of the Cars in Canada and no use may be made in Mexico without Assignor's prior written consent, which may be given if financing agreements so permit. The Cars may not be used in unit train service (other than incidentally).
  15. Any notices required or permitted to be given hereunder shall be deemed given when sent by telecopy or telex or made in writing, deposited in

United States mail, registered or certified, postage prepaid, addressed to:

Assignor:

McCloud River Railroad Company  
Attn: Director, Car Hire Accounting  
550 California Street  
San Francisco, CA 94104

Assignee:

Modesto and Empire Traction  
Company  
Attn: President  
530 Eleventh Street  
Modesto, CA 95353

or to such other addresses as Assignor and Assignee may from time to time designate.

16. This Assignment Agreement may not be modified, altered, or amended, except by an agreement in writing signed by the parties.
17. This Assignment Agreement may be executed in two counterparts and such counterparts together shall constitute one and the same contract.

MC CLOUD RIVER RAILROAD  
COMPANY

By: Jeff Job

Title: President

Date: August 6, 1990

MODESTO AND EMPIRE TRACTION  
COMPANY

By: Stanley J. ...

Title: V.P. - Operations

Date: 7/24/90

EXHIBIT B

RUNNING REPAIRS

RBL/XLI 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 Gears
	Coupler Carriers
Brake Shoe Keys	Center Plate Repair. (Not Replacement of Center Plate)
Brake Connecting Pin	
Brake Head Wear Plates	Cotter Keys
Air Brakes	Roller Bearing Adapters
Hand Brakes	Air Hose Supports
Brake Beams and Levers	Load Divider Repairs (Not Replacement)
Truck Springs	
Door Hardware (Not Replacement of Door)	