

RECORDATION NO. 10844 Filed 1425

SEP 25 1979 -10 05 AM

INTERSTATE COMMERCE COMMISSION LAW OFFICES

CONNER, MOORE & CORNER INTERSTATE COMMERCE COMMISSION

1747 PENNSYLVANIA AVENUE, N. W.
WASHINGTON, D. C. 20006

No. 9-268A006
Date SEP 25 1979
Fee 250.00

RECEIVED SEP 25 1979

ICG
SEP 25 1979 -10 05 AM September 24, 1979

ROBERT J. CORBER

INTERSTATE COMMERCE COMMISSION

Ms. Agatha L. Mergenovich
INTERSTATE COMMERCE COMMISSION
Office of the Secretary - Room 2209
Washington, DC 20423

Dear Ms. Mergenovich:

Enclosed for filing and recordation pursuant to former section 20c of the Interstate Commerce Act, 49 U.S.C. §11303, are documents relating to the railroad equipment described and marked in accordance with the attached Schedule A.

1. Security Agreement, Chattel Mortgage and Lease Agreement dated as of September 20, 1979 between Brae Corporation and Citicorp Industrial Credit Inc.
2. Agreement between Brae Corporation and American Grain and Related Industries dated as of July 20, 1979.
3. Railroad Car Lease Agreement between Brae Corporation and American Grain and Related Industries dated as of July 20, 1979.
4. Assignment Agreement between Brae Corporation and States Marine Corporation dated as of August 6, 1979
5. Lease Agreement between Brae Corporation and North Stratford Railroad Corporation dated as of April 21, 1978.

The names and addresses of the parties to the above transactions are as follows:

1. Security Agreement, Chattel Mortgage and Lease Agreement:

a. Lessor--^{Top line}Mortgagor: Brae Corporation, Three Embarcadero Center, Suite 1760, San Francisco, CA 94111

b. Mortgagee: Citicorp Industrial Credit, Inc. 44 Montgomery Street, San Francisco, CA 94104
Bottom Line

2. Agreement between Brae Corporation and American Grain and Related Industries:

Conner Moore & Corber

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INTERSTATE COMMERCE COMMISSION

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10844
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INTERSTATE COMMERCE COMMISSION

INTERSTATE COMMERCE COMMISSION

(202) 833-3500

CABLE ADDRESS: ATOMLAW

10844-A

RECORDATION NO. Filed 1425

SEP 25 1979 -10 05 AM

INTERSTATE COMMERCE COMMISSION

- a. Lessor - Assignor: Brae Corporation, Three Embarcadero Center - Suite 1760, San Francisco, CA 94111
- b. Lessee: Warrenton Railroad, Post Office Box 518, Warrenton, NC 27519
- c. Assignee: American Grain and Related Industries, 1501 42nd Street, 2 Corporate Place, West Des Moines, IA 50265

Cross index

3. Railroad Car Lease Agreement between Brae and American Grain and Related Industries:

- a. Lessor: Brae Corporation, Three Embarcadero Center - Suite 1760, San Francisco, CA 94111
- b. Lessee: American Grain and Related Industries, 1501 42nd Street, 2 Corporate Place, West Des Moines, IA 50265

g^u

4. Assignment Agreement between States Marine Corporation and Brae Corporation:

- a. Assignor: States Marine Corporation, 280 Park Avenue, New York, NY 10017
- b. Assignee: Brae Corporation, Three Embarcadero Center - Suite 1760, San Francisco, CA 94111
- c. Lessee: Genesee and Wyoming Railroad Company, 270 Greenwich Avenue, Greenwich, CT 06830

Cross index

5. Lease Agreement between North Stratford Corporation and Brae Corporation:

- a. Lessor: Brae Corporation, Three Embarcadero Center - Suite 1760, San Francisco, CA 94111
- b. Lessee: North Stratford Railroad Corporation, Post Office Box 275, Beecher Falls, VT 05902

Cross index under

Please file and record the enclosed documents. It is requested that they be indexed in accordance with the names of the parties to the transactions stated above. Please index and file under one primary number.

September 24, 1979

Enclosed is a check payable to the Interstate Commerce Commission in the amount of \$250, the prescribed fee for filing and recordation of the enclosed documents.

Please return to the person presenting this letter your letter confirming such filing and recordation, the fee receipt therefor and all copies of the enclosed documents not required for filing.

Very truly yours,



Robert J. Corber
Attorney for Brae Corporation.

mbm

Enclosures

SCHEDULE A

EQUIPMENT DESCRIPTION

<u>Lessee/User</u>	<u>Car Number and Car Description</u>	<u>Quantity</u>	<u>Manufacturer</u>
(1) North Stratford Railroad	general purpose boxcars GNWR: 810305 through GNWR: 810344	25	Rebuilt by Railway Indus- trial Services, Inc.
(2) AGRI	covered hopper cars WAR 14000-14099 WAR 14230-14249	120	National Steel Car
(3) Genesee and Wyoming Railroad	covered hopper cars NSRC: 400 through NSRC: 424	40	National Steel Car
(4) CF Industries	covered hopper cars	100	Pullman

Interstate Commerce Commission

Washington, D.C. 20423

9/25/79

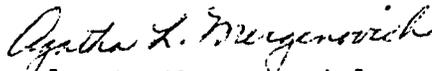
OFFICE OF THE SECRETARY

Robert J. Corber, Atty.
Conner, Moore & Corber
1747 Pennsylvania Avenue, N.W.
Washington, D.C. 20006

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 _____ at _____, and assigned re-
recording number (s). 9/25/79 10:05am

10844, 10844-A, 10844-B, 10844-C & 10844-D
Sincerely yours,


Agatha L. Mergenovich
Secretary

Enclosure(s)

BRAE CORPORATION

RECORDATION NO. 10844 Filed & Recorded

SEP 11 1985 10-05 AM

RECORDATION 10844 Filed & Recorded INTERSTATE COMMERCE COMMISSION

SEP 11 1985 10-05 AM

INTERSTATE COMMERCE COMMISSION

VIA HAND DELIVERY

September 9, 1986

Ms. Agatha Mergenovich, Secretary
Interstate Commerce Commission
12th & Constitution, Room 2215
Washington, D.C. 20423

Dear Ms. Mergenovich:

Enclosed for filing and recordation pursuant to the provisions of 49 U.S.C. Section 11303 are the following documents:

It is requested that the following documents be filed and recorded under the names of the parties as set forth below. In view of the fact that they relate to the Security Agreement Chattel Mortgage and Lease Assignment dated as of September 20, 1979 between BRAE Transportation, Inc. (formerly BRAE Corporation) and Citicorp Capital Investors previously recorded and assigned recordation number 10844, we request that they be assigned the next available letter designations under that primary number.

1. One original and five copies of the LEASE AGREEMENT dated as of December 1, 1984 between BRAE TRANSPORTATION, INC. as Lessor and SEABOARD SYSTEM RAILROAD as Lessee. This document relates to 215 covered hoppers AAR Mechanical Designation LO, marked SBD 252807 - 253013. The names and addresses of the parties to the transaction evidenced by the document described above are as follows:

BRAE TRANSPORTATION, INC., Four Embarcadero Center, Suite 3100, San Francisco, California 94111 and SEABOARD SYSTEMS RAILROAD, 500 Water Street, Jacksonville, Florida 32202

2. One certified copy and five copies of the LEASE AGREEMENT dated as of June 15, 1985 between BRAE TRANSPORTATION, INC. as Lessor and DELTA TRANSPORTATION COMPANY as Lessee. This document relates to 13 covered hoppers AAR Mechanical Designation LO, marked CAGY 260426 - 260544. The names and addresses of the parties to the transaction evidenced by the document described above are as follows:

BRAE TRANSPORTATION, INC., Four Embarcadero Center, Suite 3100, San Francisco, California 94111 and DELTA TRANSPORTATION COMPANY, P.O. Box 6000, Columbus, Mississippi 39701

Received May Am Ostry

Ms. Agatha Mergenovich, Secretary
September 9, 1986
Page Two

3. Two originals and five copies of the EIGHTH AMENDMENT AGREEMENT dated as of April 9, 1986 between BRAE TRANSPORTATION, INC. and CITICORP INDUSTRIAL CREDIT, INC. The names and addresses of the parties to the transaction evidenced by the document described above are as follows:

BRAE TRANSPORTATION, INC., Four Embarcadero Center, Suite 3100, San Francisco, California 94111 and CITICORP INDUSTRIAL CREDIT, INC., 450 Mamaroneck Avenue, 3rd Floor, Harrison, New York 10528

4. Two originals and five copies of the NINTH AMENDMENT AGREEMENT dated as of April 29, 1986 between BRAE TRANSPORTATION, INC. and CITICORP INDUSTRIAL CREDIT, INC. The names and addresses of the parties to the transaction evidenced by the document described above are as follows:

BRAE TRANSPORTATION, INC., Four Embarcadero Center, Suite 3100, San Francisco, California 94111 and CITICORP INDUSTRIAL CREDIT, INC., 450 Mamaroneck Avenue, 3rd Floor, Harrison, New York 10528

5. Two originals and five copies of the TENTH AMENDMENT AGREEMENT dated as of April 29, 1986 between BRAE TRANSPORTATION, INC. and CITICORP INDUSTRIAL CREDIT, INC. The names and addresses of the parties to the transaction evidenced by the document described above are as follows:

BRAE TRANSPORTATION, INC., Four Embarcadero Center, Suite 3100, San Francisco, California 94111 and CITICORP INDUSTRIAL CREDIT, INC., 450 Mamaroneck Avenue, 3rd Floor, Harrison, New York 10528

6. Two originals and five copies of the PARTICIPATION AGREEMENT dated as of June 2, 1986 between BRAE RAILCAR MANAGEMENT, INC., BRAE TRANSPORTATION, INC. and CITICORP INDUSTRIAL CREDIT, INC. The names and addresses of the parties to the transaction evidenced by the document described above are as follows:

BRAE RAILCAR MANAGEMENT, INC. and BRAE TRANSPORTATION, INC., Four Embarcadero Center, Suite 3100, San Francisco, California 94111 and CITICORP INDUSTRIAL CREDIT, INC., 450 Mamaroneck Avenue, 3rd Floor, Harrison, New York 10528

Ms. Agatha Mergenovich, Secretary
 September 9, 1986
 Page Three

It is requested that the following documents be filed and recorded under the names of the parties as set forth below. In view of the fact that they relate to the EQUIPMENT TRUST AGREEMENT dated as of June 1, 1979 between BRAE TRANSPORTATION, INC. (formerly BRAE Corporation) and Morgan Guaranty Trust COMPANY of New York (as Trustee) previously recorded and assigned recordation number 11303, we request that they be assigned the next available letter designations under that primary number.

1. Two originals and five copies of the NINTH AMENDMENT dated as of May 5, 1986 between BRAE TRANSPORTATION, INC. and MORGAN GUARANTY TRUST COMPANY OF NEW YORK (as Trustee). The names and addresses of the parties to the transaction evidenced by the document described above are as follows:

BRAE TRANSPORTATION, INC., Four Embarcadero Center, Suite 3100, San Francisco, California 94111 and MORGAN GUARANTY TRUST COMPANY of New York, 30 West Broadway, New York, New York 10015

2. Two originals and five copies of the TENTH AMENDMENT dated as of May 8, 1986 between BRAE TRANSPORTATION, INC. and MORGAN GUARANTY TRUST COMPANY OF NEW YORK (as Trustee). The names and addresses of the parties to the transaction evidenced by the document described above are as follows:

BRAE TRANSPORTATION, INC., Four Embarcadero Center, Suite 3100, San Francisco, California 94111 and MORGAN GUARANTY TRUST COMPANY of New York, 30 West Broadway, New York, New York 10015

It is requested that the following documents be filed and recorded under the names of the parties as set forth below. In view of the fact that they relate to the EQUIPMENT TRUST AGREEMENT dated as of January 1, 1980 between BRAE TRANSPORTATION, INC. (formerly BRAE Corporation) and THE CONNECTICUT BANK AND TRUST COMPANY (as Trustee) previously recorded and assigned recordation number 11498, we request that they be assigned the next available letter designations under that primary number.

1. Two originals and five copies of the EIGHTH AMENDMENT dated as of February 12, 1986 between BRAE TRANSPORTATION, INC. and THE CONNECTICUT BANK AND TRUST COMPANY (as Trustee). The names and addresses of the parties to the transaction evidenced by the document described above are as follows:

BRAE TRANSPORTATION, INC., Four Embarcadero Center, Suite 3100, San Francisco, California 94111 and he CONNECTICUT BANK AND TRUST COMPANY, One Constitution Plaza, Hartford, Connecticut 06115-1600

Ms: Agatha Mergenovich, Secretary
September 9, 1986
Page Four

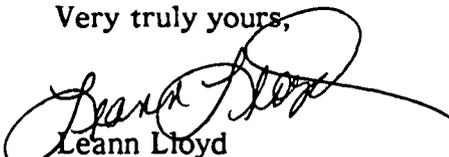
2. Two originals and five copies of the NINTH AMENDMENT dated as of April 11, 1986 between BRAE TRANSPORTATION, INC. and THE CONNECTICUT BANK AND TRUST COMPANY (as Trustee). The names and addresses of the parties to the transaction evidenced by the document described above are as follows:

BRAE TRANSPORTATION, INC., Four Embarcadero Center, Suite 3100, San Francisco, California 94111 and he CONNECTICUT BANK AND TRUST COMPANY, One Constitution Plaza, Hartford, Connecticut 06115-1600

I also enclose a check in the amount of \$100.00 for the required recordation fees.

Please return: (1) your letter acknowledging the filings, (2) a receipt for the \$100.00 filing fee paid by check drawn on this firm, (3) the enclosed copies of this letter and (4) the originals and four copies of each of the document (retaining one for your files) all stamped with your official recordation information.

Very truly yours,



Leann Lloyd
Corporate Secretary

Enclosures

cc: Feroze Waheed

RECORDATION NO. 10844 Filed & Recorded
SEP 11 1985 10-05 AM
INTERSTATE COMMERCE COMMISSION

TENTH AMENDMENT

TENTH AMENDMENT dated as of May 8, 1986, to Equipment Trust Agreement dated as of June 1, 1979, as amended by an Amendment dated as of December 7, 1979, an Amendment Agreement Number Two dated as of December 16, 1979, a Third Amendment dated as of April 15, 1980, a Fourth Amendment dated as of June 1, 1980, a Fifth Amendment dated as of September 10, 1980, a Sixth Amendment dated as of October 6, 1982, a Seventh Amendment dated as of March 22, 1985, an Eighth Amendment dated as of June 29, 1985, and a Ninth Amendment dated as of May 5, 1986, and as supplemented by a Waiver dated as of January 10, 1980, a Waiver dated as of March 1, 1980, and a First Supplement dated as of July 15, 1980 (as so amended and supplemented, the "Equipment Trust Agreement") between MORGAN GUARANTY TRUST COMPANY OF NEW YORK as trustee (the "Trustee") and BRAE TRANSPORTATION, INC., formerly BRAE Corporation (the "Company").

RECITALS

The Company owns 80% of the capital stock of Brae Trailers, Inc., a California corporation ("Trailers"). Stoughton Trailers, Inc., a Wisconsin corporation ("Stoughton") owns 20% of the capital stock of Trailers. BRAE Corporation, the Company's parent ("BRAE"), owns 80% of the capital stock of Brae Trailers II, Inc., a California corporation ("Trailers II"); Stoughton owns 20% of the capital stock of Trailers II; and BRAE has guaranteed a lease for Trailers II. Certain disputes have arisen between the Company, BRAE, and Stoughton. The Company wishes to sell the stock of Trailers owned by the Company to Stoughton or its nominee, or to Trailers; settle all outstanding disputes and litigation with Stoughton; and terminate the lease and the BRAE guarantee.

The Company has requested that the Trustee amend the Equipment Trust Agreement as more completely described below. The Trustee has received a Written Direction to execute this Amendment from each of the Original Purchasers, which at the present time collectively hold 100% in principal amount of the outstanding Trust Certificates.

Section 9.03 of the Equipment Trust Agreement provides for the amendment of the Equipment Trust Agreement under such circumstances.

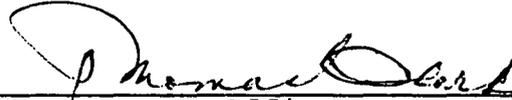
ACCORDINGLY, THE PARTIES AGREE AS FOLLOWS:

1. The terms used in this Amendment which are defined in the Equipment Trust Agreement shall have the same meanings herein as specified therein.
2. Section 6.05 (Negative Covenants) is amended by the addition of the following Subsection at the end of Section 6.05:

(q) Permitted Transaction. Notwithstanding any term, covenant, agreement, condition, prohibition, restriction, or provision in the Equipment Trust Agreement to the contrary, the Company may sell and transfer to Stoughton Trailers, Inc. or its nominee, or to Brae Trailers, Inc. (by redemption or otherwise), any or all of the shares of common stock of Brae Trailers, Inc. beneficially owned by the Company for an aggregate purchase price of not less than \$2.2 million, payable in cash.
3. Except as modified hereby, the Equipment Trust Agreement remains in full force and effect.
4. This Amendment may be executed in any number of counterparts, each of which shall be deemed an original but all of which when taken together shall constitute a single instrument.
5. The provisions of this Amendment and all rights and obligations of the parties hereunder shall be governed by the laws of the State of New York.
6. The Company shall, at its expense, cause this Amendment to be filed with the Interstate Commerce Commission pursuant to 49 U.S.C. Section 11303, as soon as possible.

IN WITNESS WHEREOF, the Company and the Trustee have caused their names to be signed hereto by their respective officers thereto duly authorized and their corporate seals, duly attested, to be hereunto affixed as to the date first written above.

MORGAN GUARANTY TRUST COMPANY OF
NEW YORK, as Trustee

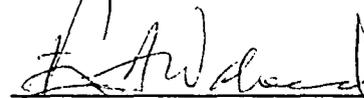
By: 
Trust Officer
J. Thomas Clark

(Corporate Seal)

Attest:

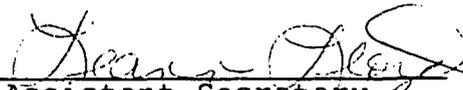

Assistant Secretary
F. J. Gillhaus

BRAE TRANSPORTATION, INC.

By: 
Vice President

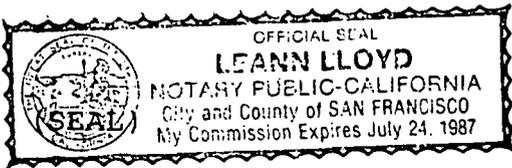
(Corporate Seal)

Attest:


Assistant Secretary

STATE OF CALIFORNIA)
)
CITY AND COUNTY OF SAN FRANCISCO) ss.

On this 11 day of April, 1986, before me personally appeared Feroze A. Waheed, to me personally known, who being by me duly sworn, says that he is the Vice President of BRAE TRANSPORTATION, INC., a Delaware Corporation, that one of the seals affixed to the foregoing instrument is the corporate seal of said corporation, that said instrument was on April 11, 1986, signed and sealed on behalf of said corporation by authority of its Board of Directors; and that he acknowledged that the execution of the foregoing instrument was the free act and deed of said corporation.



Leann Lloyd
Notary Public

Commission expires: 7-24-87

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

On this 8th day of ^{MAY} ~~April~~, 1986, before me personally appeared J. THOMAS CLARK, to me personally known, who being by me duly sworn, says that he is a TRUST OFFICER of MORGAN GUARANTY TRUST COMPANY OF NEW YORK, a New York corporation, that one of the seals affixed to the foregoing instrument is the corporate seal of said corporation, that said instrument was on ^{MAY} ~~April~~ 8, 1986, signed and sealed on behalf of said corporation by authority of its Board of Directors; and that he acknowledged that the execution of the foregoing instrument was the free act and deed of said corporation.

(SEAL)

David J. May
Notary Public

Commission expires: _____

DAVID J. MAY
Notary Public, State of New York
No. 31-4795798
Qualified in New York County
Commission Expires March 30, 1987

BRAE CORPORATION

RECORDATION NO. 10844 Filed & Recorded

SEP 11 1985 10-05 AM

INTERSTATE COMMERCE COMMISSION

VIA HAND DELIVERY

September 9, 1986

RECORDATION NO. 10844 Filed & Recorded

SEP 11 1985 10-05 AM

INTERSTATE COMMERCE COMMISSION

Ms. Agatha Mergenovich, Secretary
Interstate Commerce Commission
12th & Constitution, Room 2215
Washington, D.C. 20423

Dear Ms. Mergenovich:

Enclosed for filing and recordation pursuant to the provisions of 49 U.S.C. Section 11303 are the following documents:

It is requested that the following documents be filed and recorded under the names of the parties as set forth below. In view of the fact that they relate to the Security Agreement Chattel Mortgage and Lease Assignment dated as of September 20, 1979 between BRAE Transportation, Inc. (formerly BRAE Corporation) and Citicorp Capital Investors previously recorded and assigned recordation number 10844, we request that they be assigned the next available letter designations under that primary number.

1. One original and five copies of the LEASE AGREEMENT dated as of December 1, 1984 between BRAE TRANSPORTATION, INC. as Lessor and SEABOARD SYSTEM RAILROAD as Lessee. This document relates to 215 covered hoppers AAR Mechanical Designation LO, marked SBD 252807 - 253013. The names and addresses of the parties to the transaction evidenced by the document described above are as follows:

BRAE TRANSPORTATION, INC., Four Embarcadero Center, Suite 3100, San Francisco, California 94111 and SEABOARD SYSTEMS RAILROAD, 500 Water Street, Jacksonville, Florida 32202

2. One certified copy and five copies of the LEASE AGREEMENT dated as of June 15, 1985 between BRAE TRANSPORTATION, INC. as Lessor and DELTA TRANSPORTATION COMPANY as Lessee. This document relates to 13 covered hoppers AAR Mechanical Designation LO, marked CAGY 260426 - 260544. The names and addresses of the parties to the transaction evidenced by the document described above are as follows:

BRAE TRANSPORTATION, INC., Four Embarcadero Center, Suite 3100, San Francisco, California 94111 and DELTA TRANSPORTATION COMPANY, P.O. Box 6000, Columbus, Mississippi 39701

3. Two originals and five copies of the EIGHTH AMENDMENT AGREEMENT dated as of April 9, 1986 between BRAE TRANSPORTATION, INC. and CITICORP INDUSTRIAL CREDIT, INC. The names and addresses of the parties to the transaction evidenced by the document described above are as follows:

BRAE TRANSPORTATION, INC., Four Embarcadero Center, Suite 3100, San Francisco, California 94111 and CITICORP INDUSTRIAL CREDIT, INC., 450 Mamaroneck Avenue, 3rd Floor, Harrison, New York 10528

4. Two originals and five copies of the NINTH AMENDMENT AGREEMENT dated as of April 29, 1986 between BRAE TRANSPORTATION, INC. and CITICORP INDUSTRIAL CREDIT, INC. The names and addresses of the parties to the transaction evidenced by the document described above are as follows:

BRAE TRANSPORTATION, INC., Four Embarcadero Center, Suite 3100, San Francisco, California 94111 and CITICORP INDUSTRIAL CREDIT, INC., 450 Mamaroneck Avenue, 3rd Floor, Harrison, New York 10528

5. Two originals and five copies of the TENTH AMENDMENT AGREEMENT dated as of April 29, 1986 between BRAE TRANSPORTATION, INC. and CITICORP INDUSTRIAL CREDIT, INC. The names and addresses of the parties to the transaction evidenced by the document described above are as follows:

BRAE TRANSPORTATION, INC., Four Embarcadero Center, Suite 3100, San Francisco, California 94111 and CITICORP INDUSTRIAL CREDIT, INC., 450 Mamaroneck Avenue, 3rd Floor, Harrison, New York 10528

6. Two originals and five copies of the PARTICIPATION AGREEMENT dated as of June 2, 1986 between BRAE RAILCAR MANAGEMENT, INC., BRAE TRANSPORTATION, INC. and CITICORP INDUSTRIAL CREDIT, INC. The names and addresses of the parties to the transaction evidenced by the document described above are as follows:

BRAE RAILCAR MANAGEMENT, INC. and BRAE TRANSPORTATION, INC., Four Embarcadero Center, Suite 3100, San Francisco, California 94111 and CITICORP INDUSTRIAL CREDIT, INC., 450 Mamaroneck Avenue, 3rd Floor, Harrison, New York 10528

Ms. Agatha Mergenovich, Secretary
September 9, 1986
Page Three

It is requested that the following documents be filed and recorded under the names of the parties as set forth below. In view of the fact that they relate to the EQUIPMENT TRUST AGREEMENT dated as of June 1, 1979 between BRAE TRANSPORTATION, INC. (formerly BRAE Corporation) and Morgan Guaranty Trust COMPANY of New York (as Trustee) previously recorded and assigned recordation number 11303, we request that they be assigned the next available letter designations under that primary number.

1. Two originals and five copies of the NINTH AMENDMENT dated as of May 5, 1986 between BRAE TRANSPORTATION, INC. and MORGAN GUARANTY TRUST COMPANY OF NEW YORK (as Trustee). The names and addresses of the parties to the transaction evidenced by the document described above are as follows:

BRAE TRANSPORTATION, INC., Four Embarcadero Center, Suite 3100, San Francisco, California 94111 and MORGAN GUARANTY TRUST COMPANY of New York, 30 West Broadway, New York, New York 10015

2. Two originals and five copies of the TENTH AMENDMENT dated as of May 8, 1986 between BRAE TRANSPORTATION, INC. and MORGAN GUARANTY TRUST COMPANY OF NEW YORK (as Trustee). The names and addresses of the parties to the transaction evidenced by the document described above are as follows:

BRAE TRANSPORTATION, INC., Four Embarcadero Center, Suite 3100, San Francisco, California 94111 and MORGAN GUARANTY TRUST COMPANY of New York, 30 West Broadway, New York, New York 10015

It is requested that the following documents be filed and recorded under the names of the parties as set forth below. In view of the fact that they relate to the EQUIPMENT TRUST AGREEMENT dated as of January 1, 1980 between BRAE TRANSPORTATION, INC. (formerly BRAE Corporation) and THE CONNECTICUT BANK AND TRUST COMPANY (as Trustee) previously recorded and assigned recordation number 11498, we request that they be assigned the next available letter designations under that primary number.

1. Two originals and five copies of the EIGHTH AMENDMENT dated as of February 12, 1986 between BRAE TRANSPORTATION, INC. and THE CONNECTICUT BANK AND TRUST COMPANY (as Trustee). The names and addresses of the parties to the transaction evidenced by the document described above are as follows:

BRAE TRANSPORTATION, INC., Four Embarcadero Center, Suite 3100, San Francisco, California 94111 and he CONNECTICUT BANK AND TRUST COMPANY, One Constitution Plaza, Hartford, Connecticut 06115-1600

Ms. Agatha Mergenovich, Secretary
September 9, 1986
Page Four

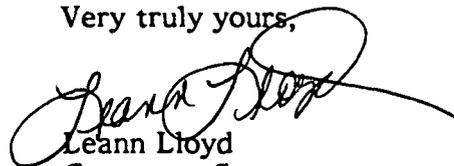
2. Two originals and five copies of the NINTH AMENDMENT dated as of April 11, 1986 between BRAE TRANSPORTATION, INC. and THE CONNECTICUT BANK AND TRUST COMPANY (as Trustee). The names and addresses of the parties to the transaction evidenced by the document described above are as follows:

BRAE TRANSPORTATION, INC., Four Embarcadero Center, Suite 3100, San Francisco, California 94111 and he CONNECTICUT BANK AND TRUST COMPANY, One Constitution Plaza, Hartford, Connecticut 06115-1600

I also enclose a check in the amount of \$100.00 for the required recordation fees.

Please return: (1) your letter acknowledging the filings, (2) a receipt for the \$100.00 filing fee paid by check drawn on this firm, (3) the enclosed copies of this letter and (4) the originals and four copies of each of the document (retaining one for your files) all stamped with your official recordation information.

Very truly yours,



Leann Lloyd
Corporate Secretary

Enclosures

cc: Feroze Waheed

NINTH AMENDMENT

RECORDATION NO. 108-44 Filed & Recorded
SEP 11 1985 10-03 AM
INTERSTATE COMMERCE COMMISSION

NINTH AMENDMENT dated as of May 5th, 1986 to Equipment Trust Agreement dated as of June 1, 1979, as amended by an Amendment dated as of December 7, 1979, an Amendment Agreement Number Two dated as of December 16, 1979, a Third Amendment dated as of April 15, 1980, a Fourth Amendment dated as of June 1, 1980, a Fifth Amendment dated as of September 10, 1980, a Sixth Amendment dated as of October 6, 1982, a Seventh Amendment dated as of March 22, 1985, and an Eighth Amendment dated as of June 29, 1985, and as supplemented by a Waiver dated as of January 10, 1980, a Waiver dated as of March 1, 1980, and a First Supplement dated as of July 15, 1980 (as so amended and supplemented, the "Equipment Trust Agreement") between MORGAN GUARANTY TRUST COMPANY OF NEW YORK, as trustee (the "Trustee") and BRAE TRANSPORTATION, INC., formerly BRAE CORPORATION (the "Company").

RECITALS

The Company has requested that the Trustee amend the Equipment Trust Agreement as more completely described below. The Trustee has received a Written Direction to execute this Amendment from each of the Original Purchasers, which at the present time collectively hold 100% in principal amount of the outstanding Trust Certificates.

Section 9.03 of the Equipment Trust Agreement provides for the amendment of the Equipment Trust Agreement under such circumstances.

ACCORDINGLY, THE PARTIES AGREE AS FOLLOWS:

1. The terms used in this Amendment which are defined in the Equipment Trust Agreement shall have the same meanings herein as specified therein.

2. The definition of "Investments" appearing in Article One of the Equipment Trust Agreement is amended as follows:

by the deletion of the phrase following "(iii)" and preceding "(iv)", and the substitution of the following phrase therefor:

direct obligations or other securities issued or unconditionally guaranteed by the United States of America or any agency or instrumentality of the United States government for which the full faith and credit of the United States of America are pledged to provide for the payment of interest and principal, provided that at any point in time the following limitations must be met for investments made pursuant to this clause (iii): (a) no securities may be invested in that have a remaining maturity of more than five years; (b) no more than \$3,000,000 may

be invested in securities having a remaining maturity of more than four years; (c) no more than an additional \$3,000,000 may be invested in securities having a remaining maturity of over three years; (d) no more than an additional \$3,000,000 may be invested in securities having a remaining maturity of over two years; (e) no more than an additional \$3,000,000 may be invested in securities having a remaining maturity of over one year; (f) the balance must be invested in securities having a remaining maturity of one year or less

3. Except as modified hereby, the Equipment Trust Agreement remains in full force and effect.

4. This Amendment may be executed in any number of counterparts, each of which shall be deemed an original but all of which when taken together shall constitute a single instrument.

5. The provisions of this Amendment and all rights and obligations of the parties hereunder shall be governed by the laws of the State of New York.

6. The Company shall, at its expense, cause this Amendment to be filed with the Interstate Commerce Commission pursuant to 49 U.S.C. Section 11303, as soon as possible.

IN WITNESS WHEREOF, the Company and the Trustee have caused their names to be signed hereto by their respective officers thereunto duly authorized and their corporate seals, duly attested, to be hereunto affixed as of the date first written above.

MORGAN GUARANTY TRUST COMPANY
OF NEW YORK, as Trustee

By: _____

Thomas Clark
Trust Officer

J. Thomas Clark

(Corporate Seal)

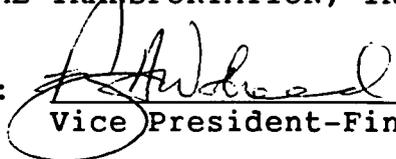
Attest, _____

F. J. Gillhaus
Assistant Secretary

F. J. Gillhaus

BRAE TRANSPORTATION, INC.

By:



Vice President-Finance

(Corporate Seal)

Attest:


Assistant Secretary

STATE OF CALIFORNIA)
)
) SS.
COUNTY OF SAN FRANCISCO)

On this 5th day of May, 1986,
before me personally appeared Feroze A. Waheed, to me
personally known, who being by me duly sworn, says that he is
the Vice President-Finance of BRAE TRANSPORTATION, INC., a
Delaware corporation, that one of the seals affixed to the
foregoing instrument is the corporate seal of said corporation,
that said instrument was on May 5, 1986 signed and
sealed on behalf of said corporation by authority of its Board
of Directors; and that he acknowledged that the execution of
the foregoing instrument was the free act and deed of said
corporation.



Notary Public

[seal]

My commission expires: 7-24-87

STATE OF NEW YORK)
)
) SS.
COUNTY OF NEW YORK)

On this 8th day of May, 1986,
before me personally appeared J. Thomas Clark, to
me personally known, who being by me duly sworn, says that he
is the TRUST OFFICER of MORGAN GUARANTY TRUST COMPANY OF NEW
YORK, a New York corporation, that one of the seals affixed to
the foregoing instrument is the corporate seal of said
corporation, that said instrument was on May 8,
1986 signed and sealed on behalf of said corporation by
authority of its Board of Directors; and that he acknowledged
that the execution of the foregoing instrument was the free act
and deed of said corporation.



Notary
DAVID J. MAY
Notary Public, State of New York
No. 31-4795798
Qualified in New York County
Commission Expires March 30, 1987

Public

[seal]

My commission expires: _____

1 Docum
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SECURITY AGREEMENT CHATTLE MORTGAGE

AND LEASE ASSIGNMENT

DATED AS OF

SEPTEMBER 20, 1979

BETWEEN

BRAE CORPORATION

AND

CITICORP INDUSTRIAL CREDIT, INC.

10844

RECORDATION NO.....Filed 1425

SEP 25 1979 -10 05 AM

INTERSTATE COMMERCE COMMISSION

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SECURITY AGREEMENT CHATTEL MORTGAGE AND
LEASE ASSIGNMENT

This SECURITY AGREEMENT, CHATTEL MORTGAGE AND LEASE ASSIGNMENT dated as of September 20, 1979 (this "Agreement") by and between BRAE CORPORATION, a Delaware corporation (the "Lessor" or the "Company") having its chief place of business at Three Embarcadero Center, San Francisco, California 94111 and CITICORP INDUSTRIAL CREDIT, INC., a Delaware corporation ("Citicorp") having an office at 44 Montgomery Street, San Francisco, California 94104.

W I T N E S S E T H :

WHEREAS, Lessor has agreed to purchase 285 railroad cars (as further described in Schedule A annexed hereto and hereinafter referred to as the "Equipment"); and

WHEREAS, Lessor and North Stratford Railroad Corporation have entered into a Lease Agreement, dated April 21, 1978 ("North Stratford Lease") (Exhibit A hereto), wherein and whereby Lessor agreed to lease to North Stratford One Hundred (100) Rebuilt XM 40' General Purpose Boxcars, of which twenty five (25) as described on Schedule 3 are to be financed pursuant to this Agreement (said 25 box cars hereinafter referred to as "North Stratford Equipment"); and

WHEREAS, Lessor and American Grain and Related Industries (a Farmer owned cooperative) ("AGRI") have entered into a Railroad Car Lease Agreement ("AGRI Lease")

(Exhibit B hereto) and an agreement of use ("AGRI Use Agreement") (Exhibit C hereto) both of which are dated July 20, 1979, wherein and whereby Lessor agreed to provide to AGRI one hundred and twenty (120) new 4,650 cubic-foot capacity, lined, covered hopper cars manufactured by National Steel Car Corporation, Limited, Hamilton, Ontario, Canada ("AGRI Equipment") through a lease to the Warrenton Railroad ("Warrenton") which will assign the AGRI Equipment to originating carriers for assignment to AGRI; and

WHEREAS, States Marine Corporation, doing business through its division States Rail Services ("SRS"), as agent for certain principal owners, and Genesee and Wyoming Railroad Company ("GWRR") have entered into an agreement, dated November 7, 1978 ("GWRR Lease") (Exhibit D hereto) wherein and whereby SRS agreed to lease to GWRR up to four hundred twenty five (425) new covered hopper cars of which forty (40) as described on Schedule ____ are to be financed pursuant to this Agreement (said 40 cars are hereinafter referred to as "GWRR Equipment"); and

WHEREAS, SRS by agreement dated August 6, 1979, ("SRS Assignment") (Exhibit E hereto) assigned to Lessor all of its rights, interests and obligations pursuant to the GWRR Lease; and

WHEREAS, Lessor and CF Industries, Inc. ("CFI") have entered into a Shipper Agreement, dated September 1, 1979, ("CFI Lease") (Exhibit F hereto), wherein and whereby Lessor agreed to lease to CFI one hundred (100) new covered hopper

cars ("CFI Equipment") [Schedule 3 of the North Stratford Lease, the AGRI Lease, the AGRI Use Agreement, Schedule _____ of the GWRR Lease as assigned to Lessor, and the CFI Lease are hereinafter collectively referred to as the "Leases". North Stratford Railroad Corporation, AGRI, Warrenton, GWRR, and CFI are hereinafter collectively referred to as "Lessees.]; and

WHEREAS, Lessor requests Citicorp to finance 80% of the acquisition cost of the Equipment, and Citicorp agrees, subject to the terms and conditions of this Agreement, to make a loan or loans (individually a "Loan", collectively, the "Loans") to the Lessor from time to time to and including February 29, 1980. The aggregate principal amount of all Loans shall not exceed \$9,000,000, said amount representing 80% of the Equipment cost. Each loan shall be in an amount equal to 80% of the purchase price of the Equipment periodically delivered to Lessor for lease to the Lessees; and

WHEREAS, in connection therewith, the Lessor proposes to assign to Citicorp all of its right, title and interest in and to the Equipment and Leases, (but none of the obligations contained therein) as collateral security for the Loans; and

WHEREAS Lessor shall, on the date of each Loan, deliver to Citicorp a duly executed promissory note (individually an "Interim Note", collectively the "Interim Notes") in the principal amount of such Loan, dated the date of such Loan, due February 29, 1980, substantially in the form of

Exhibit G, with appropriate insertions. On or before February 29, 1980, all Interim Notes shall be exchanged for a single duly executed promissory note (individually, the "Consolidated Note", collectively, with the Interim Note or Interim Notes, the "Notes") (the date of such exchange hereinafter referred to as the "Consolidation Date") in an aggregate principal amount of all the Loans, payable in 60 consecutive quarterly installments, in arrears, of principal and interest at 11.375% per annum based on a 360 day year substantially in the form of Exhibit H, with appropriate insertions. On the Consolidation Date, Lessor shall pay to Citicorp the interest accrued and unpaid on the Interim Notes to said date; and

WHEREAS, it is a condition to the making by Citicorp of the Loan or Loans to the Lessor that this Agreement be executed and delivered and that Lessor deliver prior to the execution of this Agreement the sum of \$90,000, the receipt of which is hereby acknowledged, said payment representing a 1% non-refundable commitment fee;

NOW, THEREFORE, Citicorp agrees to make the Loan to Lessor on the terms and conditions set forth herein. In order to secure the due and punctual payment and performance of all of the obligations, liabilities, indebtedness and covenants of the Lessor under the Notes and this Agreement (all such obligations, liabilities, indebtedness and covenants hereinafter referred to as the "Obligations"), the Lessor hereby sells, conveys, mortgages, assigns, transfers to Citicorp and grants to Citicorp a security interest in:

(a) The Equipment, described in Schedule A hereto, all additions, substitutions, replacements therefor and replacement parts and all other property owned by the Lessor which shall hereafter become physically incorporated or installed in or attached to such Equipment, whether the same is now owned by the Lessor or hereafter acquired by it;

(b) All proceeds of any and all of the properties described in clause (a) above, including, without limitation, insurance proceeds from any loss or damage to the Equipment or any part thereof, proceeds from any sale, sublease or other disposition of, or transfer of any interest in, the Equipment pursuant to any of the provisions of the Leases and other proceeds with respect to the Equipment or any of the property hereinabove described.

(c) The Leases and all of the Lessor's estate right, title, interest, claim and demand in, to and under the Leases, including all renewals or extensions of the term of the Leases, together with all rights, privileges, options and other benefits of the Lessor under the Leases, including, without limitation, the immediate and continuing right to receive and collect all rents, income, revenues, issues, profits, insurance proceeds, condemnation awards, and other payments, tenders and security for or with respect to the Equipment now or hereafter payable to or receivable by the Lessor under the Leases, and whether payable prior or subsequent to the maturity date of the Notes, and the right, in the event of a default hereunder,

to require the Lessees or any of them to pay all amounts due under the Leases, as provided in the Lease and to perform, in the name and on behalf of the Lessor, as agent and attorney-in-fact of the Lessor, with an interest, all necessary or appropriate acts with respect to any such payment, to give and receive duplicate copies of all notices and other instruments or communications, to take such action upon the occurrence of a default under the Leases, or any of them, including the commencement, conduct and consummation of legal, administrative or other proceedings, as shall be permitted by the Leases or by law, and to do any and all other things whatsoever which the Lessor is or may be entitled to do under the Leases, (all of the foregoing property hereinabove described in clauses (a), (b), and (c) hereinafter the "Collateral"); provided, however, that it is expressly agreed that anything herein to the contrary notwithstanding, the Lessor shall remain liable under the Leases to perform or cause to be performed all of the obligations assumed by it thereunder, all in accordance with and pursuant to the terms thereof, and Citicorp or any of its successors or assigns shall have no obligations or liability under the Leases by reason of or arising out of this Agreement nor shall Citicorp, its successors or assigns be required or obligated in any manner to perform or fulfill any obligations of the Lessor under or pursuant thereto or to make any payment or to make any inquiry as to the nature or sufficiency of any payment received by it or to present or file any claim, or to take any other action to collect

or enforce the payment of any amounts which may have been assigned to it or to which it may be entitled hereunder at any time or times;

IT IS HEREBY AGREED by the parties hereto that the Collateral is to be held, used and operated subject to the further terms herein set forth.

SECTION 1. CONDITIONS PRECEDENT TO THE BORROWINGS

1.1 Conditions of the Initial Loan. Citicorp shall not be required to make the initial Loan hereunder unless Citicorp shall receive, in addition to the documents described in Subsection 1.2 hereof, the following documents:

(a) a copy, certified by the Secretary or an Assistant Secretary of the Lessor on the date of such initial Loan, of the resolutions of the Board of Directors of Lessor approving the transactions contemplated by this Agreement and authorizing the execution, delivery and performance by the Lessor of this Agreement and the Notes;

(b) evidence that this Agreement has been duly filed, registered and recorded with the Interstate Commerce Commission in accordance with 49 U.S.C. Section 11303.

1.2 Conditions of Each Loan. Citicorp shall not be required to make any Loan hereunder unless:

(a) the representations and warranties contained in Section 3 hereof shall be true and correct on and as of such date;

(b) Citicorp shall have received the following documents:

- (i) an Interim Note in the form of Exhibit G in the principal amount of such Loan duly executed by the Lessor;
- (ii) a copy of the bill of sale from the manufacturer or seller of the Equipment being financed by such Loan;
- (iii) a copy of the invoice from the manufacturer or seller of the Equipment being financed by such Loan, identifying such Equipment and specifying the costs thereof, and accompanied by a certificate or certificates of Inspection and acceptance executed by the Lessor or an Agent of Lessor of such Equipment;
- (iv) evidence that each Lease relating to the Equipment being financed by the Loan has been duly filed, registered and recorded with the Interstate Commerce Commission in accordance with 49 U.S.C. Section 11303;
- (v) a certificate of an officer of the Lessor certifying that each of Lessor's original executed copies of each lease relating to the Equipment being financed by the Loan, together with all amendments, modifications, and supplements thereto as in effect on the date of the Loan, each bear the following legend stickered on the first page thereof and executed as indicated below:

"THE RIGHTS OF THE LESSOR IN AND TO THIS LEASE HAVE BEEN ASSIGNED, MORTGAGED AND PLEDGED TO, AND ARE SUBJECT TO A SECURITY INTEREST IN FAVOR OF, CITICORP INDUSTRIAL CREDIT, INC., A DELAWARE CORPORATION, PURSUANT TO A SECURITY AGREEMENT, CHATTEL MORTGAGE AND LEASE ASSIGNMENT DATED AS OF _____, FROM LESSOR TO CITICORP INDUSTRIAL CREDIT, INC., AS SAID SECURITY AGREEMENT, CHATTEL MORTGAGE AND LEASE ASSIGNMENT MAY BE AMENDED OR SUPPLEMENTED FROM TIME TO TIME. THIS LEASE HAS BEEN EXECUTED IN SEVERAL COUNTERPARTS OF WHICH THIS COUNTERPART IS COUNTERPART NO. _____, COUNTERPART NO. 1 CONSTITUTING THE ORIGINAL COUNTERPART.

AGREED TO AND ACKNOWLEDGED

BRAE CORPORATION

By _____

Its _____

(vi) an original executed copy of the Lease relating to Equipment being financed, designated Counterpart No. 1, having in addition to the legend set forth in (v) above, the following legend:

"RECEIPT HEREOF IS HEREBY ACKNOWLEDGED THIS _____ DAY OF _____, 1979.

CITICORP INDUSTRIAL CREDIT, INC.

By _____

Its _____

(vii) a certificate of the Secretary or an Assistant Secretary of the Lessor, dated the date of such Loan, as to the incumbency and signatures of each of the officers of the Lessor executing this Agreement or any document relating hereto on behalf of the Lessor;

(viii) an opinion of Messrs. Heller, Ehrman, White & McAuliffe, counsel for the Lessor, substantially in the form of Exhibit J hereto;

(ix) an opinion of Messrs. Conner, Moore & Corber, special counsel for the Lessor, substantially in the form of Exhibit K hereto;

(x) a certificate of insurance, in form and substance satisfactory to Citicorp, certifying that Citicorp is an additional insured and loss payee under the insurance policies contemplated by Section 8 hereof.

1.3 Conditions of Acceptance of Consolidated Note.

Citicorp shall not be required to accept the Consolidated Note in exchange for the Interim Notes unless on the Consolidation Date:

(a) Lessor shall deliver to Citicorp the Consolidated Note, duly executed by the Lessor in a principal amount equal to the aggregate unpaid principal amount of all outstanding

Interim Notes plus any other principal sums which may be advanced on the Consolidation Date;

(b) Lessor shall pay to Citicorp all interest accrued on the Interim Notes to and including the Consolidation Date;

(c) no Default shall be in existence on the Consolidation Date, and Citicorp shall receive a certificate, dated as of the Consolidation Date and signed by the President or a Vice President of Lessor to such effect;

(d) Citicorp shall receive an opinion of Messrs. Heller, Ehrman, White & McAuliffe, counsel for Lessor dated as of the Consolidation Date, substantially in the form of Exhibit L hereto;

(e) Citicorp shall receive an opinion of Messrs. Conner, Moore & Corber, special counsel of Lessor, dated as of the Consolidation Date, substantially in the form of Exhibit M hereto.

1.4 Take Down in Trust. Citicorp agrees that in the event that all of the Equipment has not been delivered by the Consolidation Date, Citicorp shall lend to Lessor and Lessor shall receive on the Consolidation Date the final portion of the maximum loan amount sufficient to pay for 80% of the cost of the Equipment not then delivered, provided that such final Loan shall be deposited in a trust for the benefit of Lessor, the terms of which trust shall be satisfactory to Citicorp and Lessor.

SECTION 2. Certain Provisions Relating to the Lease Assignment.

(a) The Lessor has, pursuant to the Leases,

notified the Lessees of the assignment of the Leases and has directed Lessees that upon further notice by Citicorp, which notice shall only be given by Citicorp in the event of a default by Lessor hereunder, to make all payments to be made by it under the Leases at such address as Citicorp may designate. The Lessor agrees that should any such payments be directed to be made to Citicorp it will promptly forward such payments to Citicorp;

(b) Citicorp agrees to apply such amounts from time to time received by it from the Lessees with respect to the Leases to the payment of the Loan when due;

(c) Lessor hereby agrees that the assignment made hereby and thereby and all such designations and directions to the Lessees are irrevocable, and that, so long as this Agreement shall be in effect, the Lessor will not, without the prior written consent of Citicorp and subject to such terms and conditions as Citicorp may reasonably require, (i) settle or compromise or release any material claim against any of the Lessees arising under the Leases, or submit or consent to the submission to arbitration of any dispute, difference or other matter arising under or in respect of the Leases or the assignment thereof to Citicorp or to take any action as lessor under the Leases, or otherwise which is inconsistent with said assignment, (ii) directly or indirectly transfer any interest in, or directly or indirectly create, incur, assume, or suffer to exist any mortgage, deed of trust, pledge, lien or security interest or other charge, encumbrance or interest (including the lien or retained

security title of a conditional vendor) of any nature on or with respect to, any of the Collateral or (iii) take or omit to take any action, the taking or omission of which might result in an alteration or impairment of Citicorp's right, title and interest under this Agreement. The Lessor will from time to time, upon request of Citicorp, execute or cause to be executed all instruments of further assurance and all such supplemental instruments as Citicorp may reasonably request;

(d) The Lessor agrees that it will not enter into or consent to any agreement materially subordinating, amending or terminating the Leases or any of them or waiving any of Lessor's rights thereunder (or purporting so to do), except as specifically provided in the Leases, without Citicorp's prior written consent thereto, and that any attempted subordination, amendment or termination without such consent shall be void unless so permitted. In the event that the Leases, or any of them, shall be amended as herein permitted, such Leases, as so amended or supplemented shall continue to be subject to the provisions of this Agreement without the necessity of any further act by any of the parties hereto;

(e) The Lessor shall from time to time, at its own expense, take all action reasonably requested by Citicorp to establish, preserve, protect and perfect the rights of the Lessor or Citicorp created by the Leases and this Agreement;

(f) This Agreement and the security interests and liens granted by this Agreement shall terminate when all of the Obligations of the Lessor shall be fully paid and performed. Upon termination of this Agreement, as aforesaid, Citicorp shall execute and deliver to the Lessor, at the Lessor's expense, such instruments of release and termination as shall be appropriate in the premises.

For the purposes of this Section "material" shall be defined as impairing the security provided hereunder by the assignment to Citicorp of the Lessor. Any amendment of a Lease which does not alter the term, the Collateral or the amount of rentals payable thereunder shall not be deemed to impair the security provided hereunder.

SECTION 3. Certain Representations, Warranties and Covenants. The Lessor hereby incorporates each of the covenants and agreements, to the extent applicable in this Agreement, contained in Rider 1 hereto, entitled "Covenants and Agreements By the Company" into this Agreement as if the same were incorporated in full herein. In addition the Lessor hereby represents and warrants, and hereby covenants, as follows:

(a) The Lessor is a corporation duly incorporated validly existing and in good standing under the laws of the State of Delaware and has all requisite power and authority, authority, corporate or otherwise, to conduct its business, to own its properties and to execute and deliver, and to

perform all of its obligations under the Leases, the Notes and this Agreement;

(b) The execution, delivery and performance by the Lessor of the Leases, the Note and this Agreement have been duly authorized by all necessary corporate action, and do not and will not (i) require any consent or approval of the stockholders of the Lessor, (ii) to the best of Lessor's knowledge violate any provision of any law, rule, regulation, order, writ, judgment, injunction, decree, determination or award presently in effect having applicability to the Lessor or of the charter or by-laws of the Lessor, (iii) result in a breach of or constitute a default under any indenture or loan or credit agreement or any other agreement, lease or instrument to which the Lessor is party or by which it or its properties may be bound or affected, or (iv) result in, or require, the creation or imposition of any mortgage, deed of trust, pledge, lien security interest or other charge or encumbrance of any nature (other than under and pursuant to this Agreement) upon or with respect to any of the properties which are to be the subject of this Agreement; and the Lessor is not in default under any such law, rule, regulation, order, writ, judgment, injunction, decree, determination or award or any such indenture, agreement, lease or instrument;

(c) No authorization, consent, approval, license, exemption of or filing or registration with any court or governmental department, commission, board, bureau, agency or instrumentality, domestic or foreign, is or will be

necessary to the valid execution, delivery or performance by the Lessor of the Leases, the Notes or this Agreement;

(d) The Leases, the Notes and this Agreement constitute the legal, valid and binding obligations of the Lessor enforceable against the Lessor in accordance with their respective terms, except as limited by the operation of bankruptcy moratorium and other laws affecting the enforceability of creditor's right generally;

(e) The Lessor is the record and beneficial owner of all the Collateral, free and clear of all mortgages, deeds of trust, pledges, liens, security interests and other charges or encumbrances, other than the rights of Citicorp and the Lessees under this Agreement, and Leases respectively;

(f) This Agreement constitutes a valid and perfected first priority security interest and lien in and to the Collateral covered hereby enforceable against all third parties in all United States jurisdictions securing the payment of all obligations purported to be secured hereby and all action required to perfect fully the security interest and liens constituted has been taken and completed;

(g) Except as set forth in that certain letter addressed to Citicorp dated as of the date of the Initial Loan, there are no actions, suits or proceedings pending or, to the knowledge of the Lessor, threatened against or affecting the Lessor or the properties of the Lessor before any court or governmental department, commission, board, bureau, agency or instrumentality, domestic or foreign,

which, if determined adversely to the Lessor, would have a material adverse effect on the security interests and liens of Citicorp in and to the Collateral under the Leases, the Notes or this Agreement;

(h) The Lessor is not engaged in the business of extending credit for the purpose of purchasing or carrying margin stock (within the meaning of Regulation U of the Board of Governors of the Federal Reserve System), and no part of the proceeds of the Loans will be used to purchase or carry any margin stock or to extend credit to others for the purpose of purchasing or carrying any margin stock;

(i) The Lessor is not a party to any indenture, loan or credit agreement or any lease or other agreement or instrument or subject to any charter or corporate restrictions which would have a material adverse effect on the business, properties, assets, operations or condition, financial or otherwise, of the Lessor or on the ability of the Lessor to carry out its obligations under the Notes or this Agreement;

(j) The Lessor has filed all tax returns (Federal, state and local) or has duly obtained extensions for the filing thereof, required to be filed and paid all taxes shown thereon to be due, including interest and penalties, or provided adequate reserves for payment thereof;

(k) No information, exhibit or report furnished by the Lessor to Citicorp in connection with the negotiation of the Notes or this Agreement contains any material misstatement of fact or omitted to state a material fact or any

fact necessary to make the statements contained therein not misleading, except that industry or Company projections shall be excluded expressly from this sub-Section; (l) The

Equipment has been leased to the Lessees pursuant to the Leases and the Leases are valid agreements and are in full force and effect on the date hereof, and no event has occurred and is continuing, which constitutes an event of default thereunder but for the requirement that notice be given or time elapse or both;

(m) The proceeds of the Loans are being applied herewith to enable the Lessor to complete or be reimbursed for the payment in full of the purchase price of the Equipment, including customary charges associated with the delivery, transportation and duty for the Equipment, and for no other purpose;

(n) The terms of this Agreement and all rights and obligations hereunder shall be governed by the laws of the State of ^{California} ~~New York~~; ^{D.P.A.} provided, however, that the parties shall be entitled to all the rights conferred by 49 U.S.C. Section 11303 of the Interstate Commerce Act, the applicable recording laws of Canada and of the Provinces and Territories thereof and such additional rights arising out of the filing, recording, registering or depositing hereof and of any assignment hereof and out of the marking on the Equipment as shall be conferred by laws of the several jurisdiction in which the Equipment may be located and in which this Agreement or any assignment hereof shall be filed, recorded, registered or deposited.

~~Handwritten initials~~
7/25

SECTION 4. Inspection. Subject to the terms of the Leases, the Lessor will permit any authorized representatives of Citicorp to inspect the Collateral, or any part thereof, and to examine, copy or make extracts from, any and all books, records and documents in the possession of the Lessor relating to the Collateral or any part thereof and performance of this Agreement, all at such reasonable times and as often as may reasonably be requested. Citicorp shall have no duty to make any such inspection or examination and shall not incur any liability or obligation by reason of not making any such inspection or examination.

SECTION 5. Liens on the Equipment. So long as this Agreement shall be in effect, and subject to the rights of the Lessee under the Leases, the Lessor will not, without the prior written consent of Citicorp and subject to such terms and conditions as the Agreement may reasonably require, directly or indirectly transfer any interest in, or directly or indirectly create, incur, assume or suffer to exist any mortgage, deed of trust, pledge, lien (other than material-men's liens or liens with respect to payments not yet due or other inchoate liens) security interest or other charge, encumbrance or interest of any nature on or with respect to, any of the Collateral. The Lessor will from time to time, upon request of Citicorp, execute or cause to be executed all instruments of further assurance and all such supplemental instruments as Citicorp may reasonably request.

SECTION 6. Other Covenants. So long as any Obligation

of the Lessor shall be outstanding, the Lessor covenants and agrees that:

(a) It shall preserve and maintain its existence, rights and franchises and comply with all laws applicable thereto;

(b) It shall from time to time, at its own expense, take all action reasonably requested by Citicorp to establish, preserve, protect and perfect the rights created by the Leases, the Notes and this Agreement including, without limitation, the due filing and recording with the Interstate Commerce Commission in accordance with 49 U.S.C. Section 11303 of the Interstate Commerce Act of any document with respect to the Equipment hereto;

(c) It shall not sell, lease, transfer or otherwise dispose of the Collateral except as herein contemplated; provided however, this sub-paragraph shall not prohibit the re-lease of certain items of Equipment upon the expiration or other termination of the Leases or any of them in accordance with the provisions thereof, provided further that such subsequent leases shall be subject to the lien created hereunder and the terms and conditions hereof.

SECTION 7. Maintenance and Repair Replacement. Except to the extent that the Lessees are obligated thereto under the terms of the Leases, and as long as Lessees are not in default thereunder, the Lessor, at its own expense, will keep and maintain, or cause to be kept and maintained, the Equipment in good working order and repair and fit to be

used for its intended use, ordinary wear and tear excepted, and in conformity with all insurance requirements, and will provide, or cause to be provided, all maintenance and service and make all repairs necessary for such purpose. Citicorp shall not be obliged in any way to maintain, alter, repair, rebuild, or replace any of the Equipment.

SECTION 8. Insurance.

(a) At all times while this Agreement is in effect, the Lessor, at its own expense shall keep the Equipment adequately insured against damage or destruction, on the lines over which it operates, with an insurance company or companies customarily used by Lessor. The policies shall specify that all payments of loss on the Equipment shall be made to Citicorp as its interests may appear and that such policies cannot be cancelled or modified except on at least thirty (30) days prior written notice to Citicorp. Certificate(s) of coverage satisfactory to Citicorp, shall be deposited with Citicorp. In case the Lessor shall fail to keep such Equipment so insured and to deliver such certificate(s) of coverage as aforesaid, Citicorp may itself insure such Equipment, and in this event the Lessor shall be obligated to repay to Citicorp the amounts of premiums paid therefor with interest therein at the rate of 15% per annum from the time of notice to Lessor of such premium payment until repaid, which notice to Lessor shall be made by delivering to Lessor a certified copy of such policy or policies of insurance, or certificates of

coverage giving the terms of coverage of such policies in reasonable detail. All insurance moneys shall be paid to Citicorp and shall be applied by Citicorp on the next ensuing Payment Date in accordance with the provisions of sub-section (b).

(b) In the event that any unit(s) of the Equipment aggregating at least \$100,000 of original Equipment cost at any one time shall be worn out, lost, destroyed, irreparably damaged, requisitioned for use or otherwise taken or rendered unfit for use from any cause whatsoever, including such units which have been in Bad Order (as such term is understood by the railroad industry in the United States) for a continuous period in excess of six months, during the continuance of this Agreement (such occurrences being hereinafter referred to as a "Casualty Occurrence"), the Lessor shall promptly and fully inform Citicorp in regard thereto. On the next Payment Date following the date of such information, Lessor shall pay to Citicorp a sum equal to the sum of (i) the original principal amount of the Loan applicable to such unit or units of Equipment having suffered a Casualty Occurrence multiplied by the percentage of such original principal amount of the Loans set forth opposite the number of such Payment Date in the Casualty Schedule annexed hereto as Schedule "B". Promptly thereafter, Citicorp shall release its security interest in such units subject to the Casualty occurrence.

SECTION 9. Indemnity.

(a) The Lessor hereby assumes liability for, and

hereby agrees to indemnify, protect, defend, save and keep harmless Citicorp from and against any and all liabilities, obligations, losses, damages, penalties, claims, actions, suits, costs, expenses and disbursements, including, without limitation, reasonable legal and investigative fees and expenses, of whatsoever kind and nature (herein called "Liabilities") which may be incurred by or imposed at any time (whether during the term of the Leases, the Notes, this Agreement or thereafter) on Citicorp or the Equipment (whether or not also indemnified against by any manufacturer or any other person) and in any way relating to or arising out of, or alleged (by a person other than Citicorp) to in any way relate to or arise out of:

- (i) the Collateral, the Leases, the Notes, this Agreement, the documents delivered pursuant to Section 1 hereof (all of the foregoing hereinafter in this Section 9 collectively the "Loan Documents") or any transfer of any interest in any of the Loan Documents; or
- (ii) any transaction to which any transferee, assignee, purchaser, lessee, sublessee, pledgee, mortgagee, beneficiary, shareholder or other person or entity receiving directly or indirectly any interest in, or benefit or value from, the Equipment or any of the Loan Documents (each such transferee, assignee, purchaser, lessee, sublessee, pledgee,

mortgagee, beneficiary, shareholder or other person or entity hereinafter in this Section 9 individually a "Party") is a party or by which such Party is otherwise affected;

or

(iii) any claim of any Party; or

(iv) any claim, right or cause of action involving any creditor, trustee, receiver, successor of any Party or any legal or equitable representative (whether representing the Lessor, a Party or otherwise); or

(v) the manufacture, financing, purchase, acquisition, ownership, acceptance, rejection, delivery, non-delivery, possession, use, operation, leasing, subleasing, condition, maintenance, repair, sale, return or other application or disposition of the Equipment or any part thereof, or otherwise, including, without limitation, claims or penalties arising from any violation of any legal requirements or insurance requirements as well as any claim as the results of latent, patent and other defects, whether or not discoverable, any claim the insurance as to which is inadequate, any claim for patent, trademark or copyright infringement, any tort claim or claim for damages, any claim or liability in

respect of any adverse environmental impact or effect.

The Lessor shall assume full responsibility for the defense against or settlement of any such liability, and Citicorp shall cooperate with the Lessor by providing, at the expense of the Lessor, such witnesses, documents and other assistance as the Lessor may reasonably request.

(b) The obligations of the Lessor under this Section 9 shall survive the expiration or earlier termination of the Leases, the Notes and this Agreement.

SECTION 10. Default.

(a) Any of the following events shall constitute an event of default hereunder:

(i) payment of any part of the principal of or interest on the Notes shall not be made when and as the same shall become due and payable and such default shall continue unremedied for ten 10 days after written notice thereof to Lessor;

(ii) the Lessor shall default in the due observance or performance of any other covenants, conditions or provisions hereof or the Lease and such default shall continue for more than thirty (30) days after written notice from Citicorp specifying the default and demanding the same to be remedied, provided that Lessor shall not have commenced

corrective action within said period;

(iii) the Lessor shall cease doing business as a going concern, make an assignment for the benefit of creditors, admit in writing its inability to pay its debts as they become due, file a voluntary petition in bankruptcy, be adjudicated a bankrupt or an insolvent, file a petition seeking for itself any reorganization, arrangement, composition, readjustment, liquidation dissolution or similar arrangement under any present or future statute, law or regulation or file an answer admitting the material allegations of a petition filed against it in any such proceeding, or consent to or acquiesce in the appointment of a trustee, receiver, or liquidator of it or all or any substantial part of its assets or properties, or if within 30 days after the appointment without the Lessor's consent or acquiescence of any trustee, receiver or liquidator of it or of all or any substantial part of its assets or properties such appointment shall not be vacated.

SECTION 11. Remedies. If an event of default shall occur and be continuing, then, in any such event Citicorp

may (i) declare all Obligations of the Lessor to be immediately due and payable forthwith to the extent permitted by law or contract, and/or (ii) apply to a court of competent jurisdiction to obtain specific performance or observance by the Lessor of any covenants, agreement, or undertaking on the part of the Lessor hereunder or under the Notes which the Lessor shall have failed to observe or perform or to obtain aid in the execution of any power granted herein or or therein, and/or (iii) proceed to foreclose upon and against the liens and security interests created by this Agreement according to the laws of the applicable jurisdiction by doing any one or more or all of the acts described in subsection (a) below and/or of the following acts, as Citicorp in its sole and complete discretion may then elect:

(1) exercise all the rights and remedies upon default, in foreclosure and otherwise, available to secured parties under the provisions of applicable law;

(2) institute legal proceedings to foreclose upon and against the liens and security interests granted by this Agreement, to recover judgment for all amounts then due and owing as indebtedness secured hereby, and to collect the same out of any or all of the Collateral or the proceeds of any sale thereof;

(3) institute legal proceedings for the sale, under the judgment or decree of any court of competent jurisdiction, of any or all of the Collateral;

(4) without regard to the adequacy of the security for the Notes by virtue of this Agreement or any other collateral or to the solvency of the Lessor, instituting legal proceedings for the appointment of a receiver or receivers with respect to any or all of the Collateral pending foreclosure hereunder or for the sale of any or all of the Collateral under the order of a court of competent jurisdiction or under other legal process;

(5) personally or by agents or attorneys, enter upon any premises where the Collateral or any part thereof may then be located, and take possession of all or any part thereof; and without being responsible for loss or damage to such Collateral, hold, store, and keep idle, or lease, operate, or otherwise use or permit the use of, the Collateral or any part thereof, for such time and upon such terms as Citicorp may in its sole and complete discretion, deem to be in its own best interest, and demand, collect, and retain all hire, earnings, and other sums due and to become due in respect of the same from any party whomsoever, accounting only for net earnings, if any, arising from such use and charging against all receipts from the use of the same or from the sale thereof, by court proceedings or pursuant to subsection (b) below, all other costs, expenses, charges, damages, and other losses resulting from such use; or

(6) take such other action which the Lessor could or might have taken pursuant to the Leases; provided, however, that so long as no default by any Lessee under its

Lease shall be continuing, such Lessee under such Lease shall not be disturbed in its possession, use, operation and enjoyment of the Equipment under such Lease or exercise of any of its rights thereunder by virtue of any action taken with respect to any security interests created in favor of Citicorp.

At any sale pursuant to this Section 11, whether under the power of sale or by virtue of judicial proceedings, it shall not be necessary for Citicorp or a public officer under order of a court to have present physical or constructive possession of the Collateral to be sold. Upon any sale hereunder of any or all of the Collateral or any interest therein, the receipt of the officer making such sale under judicial proceedings or of Citicorp shall be sufficient discharge to the purchaser for the purchase money, and such purchaser shall not be obligated to see to the application thereof. Any sale hereunder of any or all of the Collateral or any interest therein shall forever be a perpetual bar against the Lessor with respect to such Collateral or interest therein, as the case may be, and in the event of any transfer of any interest in and to the Collateral permitted in accordance with the provisions herein, the Lessor shall require the express agreement and consent of such transferee to the provisions of this Section 11 and shall further require its transferee to require any further transferees of any such interest to agree and consent expressly to the provisions of this Section.

(a) If Citicorp should elect to foreclose

upon and against the lien and security interest created in and by this Agreement pursuant to this Section, the Lessor shall, upon demand of Citicorp, deliver to Citicorp all or any part of the Collateral at such time or times and place or places as Citicorp may specify; and Citicorp is hereby authorized and empowered to the extent permitted by law, with or without the aid of process of law and without being responsible for loss or damage to such Collateral, to enter upon any premises where the Collateral or any part thereof may be located and take possession of and remove the same. Citicorp may thereafter sell, lease and dispose of, or cause to be sold, leased and disposed of, all or any part of the Collateral at one or more public or private sales, leasings or other dispositions, at such places and times and on such terms and conditions as Citicorp may deem fit, and for the aforesaid purpose of all notices of sale, lease, or other disposition, and advertisement, and other notice or demand, and any obligation of a prospective purchaser or Lessee to inquire as to the power and authority of Citicorp to sell, lease or otherwise dispose of the Collateral or as to the application by the proceeds of sale, lease or otherwise, which would otherwise be required by, or available to the Lessor under, applicable law are hereby expressly waived by the Lessor to the fullest extent permitted by such law. In the event that any mandatory requirement of applicable law shall obligate Citicorp to give prior notice to the Lessor of any of the foregoing acts, the Lessor hereby agrees that a written notice sent to it so as reasonably to be expected

to be delivered to the Lessor at least 10 business days before the date of any such act at its address specified for the Lessor at the beginning of this Agreement, shall be deemed to be reasonable notice of such act and, specifically, reasonable notification of the time after which any private sale, loans or other disposition intended to be made hereunder is to be made.

SECTION 12. Application of Proceeds. If an Event of Default shall occur and be continuing, the proceeds of any sale, lease or other disposition of all or any of the Collateral under this Agreement or any proceedings hereunder or thereunder shall be applied in the following order of priority:

FIRST: To the payment of the costs and expenses of such sale, lease, disposition or other realization, including reasonable compensation to Citicorp's agents and counsel, and all expenses, liabilities and advances made or incurred by Citicorp in connection therewith, including, without limitation, taxes upon or with respect to the sale, lease, disposition or realization and the payment of taxes and liens, if any, prior to the lien and security interest of this Agreement (except any taxes or liens to which the respective sale, lease, disposition or realization shall have been subject) and to the payment of expenses and the reimbursement of payments incurred or made by Citicorp pursuant to Section 14 hereof;

SECOND: To the payment of all Obligations.

of the Lessor then unpaid and unperformed.

THIRD: To the Lessor, its successor or to such other person(s) or entities as may lawfully be entitled to the remainder or as any court of competent jurisdiction may direct.

SECTION 13. Citicorp as Attorney. In the event of a default hereunder the Lessor hereby irrevocably appoints Citicorp the true and lawful attorney of the Lessor (with full power of substitution) in the name, place and stead of, and at the expense of, the Lessor in connection with the enforcement of the rights and remedies provided for in this Agreement ~~Agreement~~

(i) to give any necessary receipts or acquittances for amounts collected or received hereunder or thereunder,

(ii) to make all necessary transfers of all or any part of the Collateral in connection with any sale, lease or other disposition made pursuant hereto or thereto and

(iii) to execute and deliver for value all necessary or appropriate bills of sale, assignments, and other instruments in connection with any such sale, lease or other instruments in connection with any such sale, lease or other disposition, the Lessor hereby ratifying and confirming all that its said

attorney (or any substitute) shall lawfully do hereunder and pursuant to hereto. Nevertheless, if so requested by Citicorp or a purchaser or lessor, the Lessor shall, and shall provide for the agreement of its transferee to, and require its transferee similarly to provide for the agreement of any subsequent transferee to, ratify and confirm any sale, lease or other disposition by executing and delivering to Citicorp or such purchaser or lessor all proper bills of sale, assignments, releases, leases and other instruments as may be designated in any such request.

SECTION 14. Remedies Cumulative; Fees and Expenses.

(a) No failure or delay on the part of Citicorp in exercising, and no course of dealing with respect to, any right, power or remedy under this Agreement, and no notice or demand which may be given to or made upon the Lessor with respect to any such right, power or remedy, shall constitute a waiver thereof (except for any waiver contained in such notice) or limit or impair the right of Citicorp to take any other or similar action or to exercise any other right, power or remedy granted in this Agreement or otherwise available to Citicorp nor shall any single or partial exercise by Citicorp of any right, power or remedy under this Agreement preclude any other or further exercise thereof or the exercise of any other right, power or remedy

granted in this Agreement or otherwise available to Citicorp or prejudice its rights against the Lessor in any respect. Each and every remedy of Citicorp shall be cumulative and shall not be exclusive of any other remedies provided now or hereafter at law, in equity or otherwise.

(b) The Lessor shall reimburse Citicorp for all counsel fees and other costs and expenses paid or incurred by Citicorp in connection with the enforcement of this Agreement; the Note and the other documents contemplated hereby and thereby.

SECTION 15. Termination. Unless otherwise provided herein, this Agreement and the liens and security interests granted hereby shall terminate when the indebtedness secured hereby and all other Obligations of the Lessor shall be fully paid and performed. Upon termination of this Agreement as aforesaid, Citicorp shall execute and deliver to the Lessor, at the Lessor's expense, such instruments of release and termination as shall be appropriate in the premises.

SECTION 16. Miscellaneous. Any provision of this Agreement or the Notes which are prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof, and any such prohibition or unenforceability in any jurisdiction shall not invalidate or render unenforceable such provision in any jurisdiction. To the extent permitted

by applicable law, the Lessor hereby waives any provision of law which renders any provision hereof or of the Notes prohibited or unenforceable in any respect. No term or provision of this Agreement or of the Notes may be changed, waived, discharged or terminated orally, but only by an instrument in writing signed by the Lessor and Citicorp. All the terms, provisions, conditions and covenants herein contained and in the Notes shall be binding and shall inure to the benefit of the Lessor, Citicorp, and their respective successors and assigns. The captions in this Agreement are for convenience or reference only and shall not define or limit any of the terms or provisions hereof. All notices, demands and other communications concerning this Agreement or the Notes shall be sent to either party hereto at its address set forth in the heading to this Agreement, postage prepaid, or at such other address as shall be stipulated by the parties from time to time.

JWB

Provided that no event of default has occurred and is continuing, D.P.G.

SECTION 17. Prepayment of Notes. [^] Lessor may, on any *February 28, 1983 DPA* Consolidated Note payment date after ~~December 31, 1982,~~ voluntarily prepay the principal of the Consolidated Note in whole or in part. Any such prepayment shall be in accordance with the Schedule attached to the Consolidated Note (the "Prepayment Schedule") and made a part thereof, upon sixty (60) days' prior written notice to Citicorp. ~~The prepayment amount shall be a sum equal to the principal amount then to be prepaid multiplied by the percentage set forth on the Prepayment Schedule opposite the applicable payment number~~

~~plus the installment then due on the Loans.~~ Upon receipt of such prepayment amount by Citicorp, any lien created hereunder existing with respect to such portion of the Collateral which secures the respective portion of the Loan so prepaid shall be released and discharged by Citicorp. Citicorp agrees to execute such documents as are necessary to effect such discharge and release.

SECTION 18. Governing Law. This Agreement shall be construed and enforced in accordance with, and governed by, the laws of the State of ~~New York~~ ^{California} D.P.A. *Jac ZWB*

IN WITNESS WHEREOF, the Lessor and Citicorp have caused this Agreement to be duly executed on the day and year first above written and be delivered in the City of San Francisco, State of California.

BRAE CORPORATION

Attest *Ewert H. Brazil*
Assistant Secretary

By *Lawrence W. Busino*
Title Vice - President

CITICORP INDUSTRIAL CREDIT, INC.

Attest *Philip J. Hannon*
Asst. Sec.

By *[Signature]*
Title Vice - President

STATE OF (California)
COUNTY OF SAN FRANCISCO

On this 20TH day of September, 1979, before me personally appeared James W. Connor, to me personally known, who being by me duly sworn says that such person is Vice President of Citicorp Industrial Credit, Inc., and that the foregoing Agreement was signed on behalf of said corporation by authority of its board of directors, and such person acknowledged that the execution of the foregoing instruments were the free acts and deeds of such corporation.

Margaret Ann McKeon
Notary Public

[seal]



STATE OF CALIFORNIA)
CITY AND COUNTY OF SAN FRANCISCO)

On this 20TH day of September, 1979, before me personally appeared Lawrence W. Briscoe, to me personally known, who being by me duly sworn says that such person is Vice President of BRAE CORPORATION, and that the foregoing Agreement was signed on behalf of said corporation by authority of its board of directors, and such person acknowledged that the execution of the foregoing instruments were the free acts and deeds of such corporation.

Margaret Ann McKeon
Notary Public

[seal]



SCHEDULE A

EQUIPMENT DESCRIPTION

<u>Lessee/User</u>	<u>Car Number and Car Description</u>	<u>Quantity</u>	<u>Manufacturer</u>
(1) North Stratford Railroad	general purpose boxcars GNWR: 810305 through GNWR: 810344	25	Rebuilt by Railway Indus- trial Services, Inc.
(2) AGRI	covered hopper cars WAR 14000-14099 WAR 14230-14249	120	National Steel Car
(3) Genesse and Wyoming Railroad	covered hopper cars NSRC: 400 through NSRC: 424	40	National Steel Car
(4) CF Industries	covered hopper cars	100	Pullman

SCHEDULE B

CASUALTY PAYMENT SCHEDULE
FOR COVERED HOPPER CARS

The Lessor shall pay on the next quarterly payment date following notice of a casualty occurrence an amount equal to (i) the payment due on that date, and (ii) the original principal amount of the loan applicable to such unit or units of Equipment suffering a Casualty Occurrence multiplied by the percentage set forth opposite the respective payment number on the attached Schedules.

CASUALTY PAYMENT SCHEDULE

For all Equipment except Equipment
Described in Exhibit "A" hereto

<u>Casualty Payment</u>		<u>Percentage of Loan</u>	
Interim Funding Dates to Consolidation Date		100.00	
<u>Payment #</u>	<u>Percentage of Loan</u>	<u>Payment</u>	<u>Percentage of Loan</u>
		30	69.87
1	99.35	31	68.36
2	98.68	32	66.82
3	98.00	33	65.22
4	97.29	34	63.58
5	96.56	35	61.90
6	95.82	36	60.17
7	95.05	37	58.38
8	94.26	38	56.55
9	93.44	39	54.67
10	92.61	40	52.73
11	91.75	41	50.73
12	90.86	42	48.68
13	89.95	43	46.57
14	89.02	44	44.41
15	88.06	45	42.18
16	87.07	46	39.88
17	86.05	47	37.52
18	85.00	48	35.10
19	83.93	49	32.60
20	82.82	50	30.04
21	81.68	51	27.40
22	80.51	52	24.68
23	79.31	53	21.89
24	78.07	54	19.02
25	76.80	55	16.07
26	75.49	56	13.03
27	74.14	57	9.91
28	72.76	58	6.70
29	71.34	59	3.40

SCHEDULE B

CASUALTY PAYMENT SCHEDULE

to be applied to Equipment
described in Exhibit "A"

Casualty Payment Percentage of Loan

Interim Funding Dates
to Consolidation Date

100.00

<u>Payment #</u>	<u>Percentage of Loan</u>	<u>Payment</u>	<u>Percentage of Loan</u>
1		21	
2		22	
3		23	
4		24	
5		25	
6		26	
7		27	
8		28	
9		29	
10		30	
11		31	
12		32	
13		33	
14		34	
15		35	
16		36	
17		37	
18		38	
19		39	
20		40	

BRAE **CORPORATION**

LEASE AGREEMENT

THIS LEASE AGREEMENT, made as of this 21 day of April, 1978, between the BRAE CORPORATION, a California corporation, Three Embarcadero Center, San Francisco, California 94111 ("BRAE"), as Lessor, and NORTH STRATFORD RAILROAD CORPORATION, a New Hampshire corporation ("Lessee"), as Lessee.

1. Scope of Agreement

A. BRAE agrees to lease to Lessee, and Lessee agrees to lease from BRAE, freight cars as set forth in any lease schedules executed by the parties concurrently herewith or hereafter and made a part of this Agreement. The word "Schedule" as used herein includes the Schedule or Schedules executed herewith and any additional Schedules and amendments thereto, each of which when signed by both parties shall be a part of this Agreement. The scheduled items of equipment are hereinafter called collectively the "Cars."

B. It is the intent of the parties to this Agreement that BRAE shall at all times be and remain the lessor of the Cars. Lessee agrees that it will at no time take any action or file any document which is inconsistent with the foregoing intent and that it will take such action and execute such documents as may be necessary to accomplish this intent.

2. Term

A. This Agreement shall remain in full force until it shall have been terminated as to all of the Cars as provided herein. The term of lease with respect to all of the Cars described on each Schedule shall be for fifteen (15) years (the "initial lease term") commencing upon the date when all Cars on such Schedule have been delivered as set forth in Section 3A hereof.

B. If this Agreement has not been earlier terminated and no default has occurred and is continuing, it shall automatically be extended for not more than five consecutive periods of twelve months each (the "extended lease term") with respect to all of the Cars described on each Schedule, provided, however, that BRAE or Lessee may terminate this Agreement as to all, but not fewer than all, of the Cars on any such Schedule by written notice delivered to the other not less than twelve months prior to the end of the initial lease term or any extended lease term.

3. Supply Provisions

A. BRAE will inspect each of the Cars tendered by the manufacturer for delivery to Lessee. Prior to such inspection, however, Lessee shall confirm in writing to BRAE that the sample Car which will be made available for Lessee's inspection prior to the commencement of deliveries conforms to the specifications of the equipment agreed to by Lessee. Upon such approval by Lessee and BRAE's determination that the Car conforms to the specifications ordered by BRAE and to all applicable governmental regulatory specifications, and this Agreement has not been terminated, BRAE will accept delivery thereof at the manufacturer's facility and shall notify Lessee in writing of such acceptance. Each of the Cars shall be deemed delivered to Lessee upon acceptance by BRAE. The Cars shall be moved to Lessee's railroad line at no cost to Lessee as soon after acceptance of delivery by BRAE as is consistent with mutual convenience and economy. Due to the nature of

railroad operations in the United States, BRAE can neither control nor determine when the Cars leased hereunder will actually be available to Lessee for its use on its railroad tracks. Notwithstanding that Lessee may not have immediate physical possession of the Cars leased hereunder, Lessee agrees to pay to BRAE the rent set forth in this Agreement. To move the Cars to Lessee's railroad line and insure optimal use of the Cars after the first loading of freight for each Car on the railroad line of Lessee (the "initial loading"), BRAE agrees to assist Lessee in monitoring Car movements and, when deemed necessary by Lessee and BRAE, to issue movement orders with respect to such Cars to other railroad lines in accordance with ICC and AAR interchange agreements and rules.

B. Lessee agrees that so long as it shall have on lease any Cars, it shall not lease freight cars from any other party until it shall have received all of the Cars on the Schedule or Schedules. Once Cars have been delivered to Lessee, it shall then not lease freight cars similar to the type leased hereunder from any other party until it shall have given BRAE at least three (3) months' prior written notice of its desire to lease such freight cars and BRAE shall then have the opportunity to procure and lease such freight cars to Lessee subject to the terms and conditions of this Agreement, manufacturers' delivery schedules and at terms not less favorable to Lessee than those offered by such other parties. The foregoing, however, shall not be deemed to prohibit Lessee from leasing from other parties if BRAE does not offer lease terms equal to or better than those offered by such other parties. Lessee shall give preference to BRAE and shall load the Cars leased from BRAE prior to loading substantially similar freight cars leased from other parties or purchased by Lessee subsequent to the date of this Agreement or interchanged with railroads; provided, however, that this shall in no event prevent or prohibit Lessee from fulfilling its obligations to provide transportation and facilities upon reasonable request therefor to shippers on its railroad tracks.

C. Additional Cars may be leased from BRAE by Lessee only upon the mutual agreement of the parties hereto. Upon such agreement, such additional Cars shall be identified in Schedules to this Agreement and shall benefit from and be subject to this Agreement upon execution of the Schedules by BRAE and Lessee. Notwithstanding the execution of any Schedules, including Schedules for additional Cars, the delivery of any Car to Lessee shall be subject to manufacturer's delivery schedules, financing satisfactory to BRAE and the mutual acknowledgment of the parties that the addition of such Cars is not likely to reduce utilization of all Cars on lease to Lessee to less than 87.5 per cent in any calendar quarter. If, due to the factors listed in the preceding sentence, fewer than all of the Cars listed on a Schedule shall be delivered to Lessee, the term of the lease shall be deemed to have commenced on the date the final Car of the most recent group of Cars was delivered to Lessee.

4. Railroad Markings and Record Keeping

A. BRAE and Lessee agree that on or before delivery of any Cars to Lessee, said Cars will be lettered with the railroad markings of Lessee and may also be marked with the name and/or other insignia used by Lessee. Such name and/or insignia shall comply with all applicable regulations.

B. At no cost to Lessee, BRAE shall during the term of this Agreement prepare for Lessee's signature and filing all documents relating to the registration, maintenance and record keeping functions involving the Cars. Such documents shall include but are not limited to the following: (i) appropriate AAR documents including an application for relief from AAR Car Service Rules 1 and 2; (ii) registration in the Official Railway Equipment Register and the Universal Machine Language Equipment Register; and (iii) such reports as may be required from time to time by the ICC and/or other regulatory agencies.

C. Each Car leased hereunder shall be registered at no cost to Lessee in the Official Railway Equipment Register and the Universal Machine Language Equipment Register. BRAE shall, on behalf of Lessee, perform all record keeping functions related to the use of the Cars by Lessee and

other railroads in accordance with AAR railroad interchange agreements and rules, such as car hire reconciliation. Correspondence from railroads using such Cars shall be addressed to Lessee at such address as BRAE shall select.

D. All record keeping performed by BRAE hereunder and all record of payments, charges and correspondence related to the Cars shall be separately recorded and maintained by BRAE in a form suitable for reasonable inspection by Lessee from time to time during regular BRAE business hours. Lessee shall supply BRAE with such reports, including daily telephone reports of the number of Cars on Lessee's tracks, regarding the use of the Cars by Lessee on its railroad line as BRAE may reasonably request.

5. Maintenance, Taxes and Insurance

A. Except as otherwise provided herein, BRAE will pay all costs, expenses, fees and charges incurred in connection with the use and operation of each of the Cars during its lease term and any extension thereof, including but not limited to repairs, maintenance and servicing, unless the same was occasioned by the fault of Lessee. Lessee shall inspect all Cars interchanged to it to insure that such Cars are in good working order and condition and shall be liable to BRAE for any repairs required for damage not noted at the time of interchange. Lessee hereby transfers and assigns to BRAE for and during the lease term of each Car all of its right, title and interest in any warranty in respect to the Cars. All claims or actions on any warranty so assigned shall be made and prosecuted by BRAE at its sole expense and Lessee shall have no obligation to make any claim on such warranty. Any recovery under such warranty shall be payable solely to BRAE.

B. Except as provided above, BRAE shall make or cause to be made such inspections of, and maintenance and repairs to, the Cars as may be required. Upon request of BRAE, Lessee shall perform any necessary maintenance and repairs to Cars on Lessee's railroad tracks as may be reasonably requested by BRAE. BRAE shall also make, at its expense, all alterations, modifications or replacement of parts as shall be necessary to maintain the Cars in good operating condition throughout the term of the lease of such Cars. Lessee may make running repairs to facilitate continued immediate use of a Car, but shall not otherwise make any repairs, alterations, improvements or additions to the Cars without BRAE's prior written consent. If Lessee makes an alteration, improvement or addition to any Car without BRAE's prior written consent, Lessee shall be liable to BRAE for any revenues lost due to such alteration. Title to any such alteration, improvement or addition shall be and remain with BRAE.

C. Lessee will at all times while this Agreement is in effect be responsible for the Cars while on Lessee's railroad tracks in the same manner that Lessee is responsible under Rule 7 of the AAR Car Service and Car Hire Agreement Code of Car Service Rules—Freight for freight cars not owned by Lessee on Lessee's railroad tracks. Lessee shall protect against the consequences of an event of loss involving the Cars while on Lessee's railroad tracks by obtaining insurance. Lessee shall also maintain bodily injury and property damage liability insurance. Lessee shall furnish BRAE concurrently with the execution hereof and thereafter at intervals of not more than twelve calendar months with certificates of insurance with respect to the insurance required as aforesaid signed by an independent insurance broker. All insurance shall be taken out in the name of Lessee and BRAE (or its assignee) as their interests may appear.

D. BRAE agrees to reimburse Lessee for all taxes, assessments and other governmental charges of whatsoever kind or character paid by Lessee relating to each Car and on the lease, delivery or operation thereof which may remain unpaid as of the date of delivery of such Car to Lessee or which may be accrued, levied, assessed or imposed during the lease term, except taxes on income imposed on Lessee and sales or use taxes imposed on the mileage charges and/or car hire revenues.

BRAE shall forward to Lessee all sales and use tax payments received by it on behalf of Lessee. BRAE and Lessee will comply with all state and local laws requiring the filing of ad valorem tax returns on the Cars. BRAE shall review all applicable tax returns prior to filing.

6. Lease Rental

A. Lessee agrees to pay the following rent to BRAE for the use of the Cars:

(i) BRAE shall receive all payments made to Lessee by other railroad companies for their use or handling of the Cars, including but not limited to mileage charges, straight car hire payments and incentive car hire payments (all of which payments made to Lessee are herein-after collectively referred to as "payments") if the utilization of all of the Cars delivered to Lessee on an aggregate basis for each calendar year shall be equal to or less than 90 per cent. For the purpose of this Agreement, utilization of the Cars shall be determined by a fraction, the numerator of which is the aggregate number of days in each calendar year that car hire payments are earned by Lessee on the Cars, commencing from the initial loading, and the denominator of which is the aggregate number of days in each calendar year that the Cars are on lease to Lessee, commencing from the initial loading (such term referred to as "utilization"). In addition, BRAE will receive, as additional rental, all monies earned by the Cars prior to their initial loading.

(ii) In the event utilization exceeds 90 per cent in any calendar year, BRAE shall receive an amount equal to the BRAE Base Rental plus an amount equal to one-half of the payments earned in excess of the BRAE Base Rental. For the purpose hereof, BRAE Base Rental shall be an amount equal to the total payments for the calendar year multiplied by a fraction, the numerator of which is 90 per cent and the denominator of which is the utilization for such calendar year. (The above determination of BRAE Base Rental insures that Lessee will, if utilization is greater than 90 per cent in any calendar year, receive one-half of all the payments made by other railroads for use or handling of the Cars in excess of the BRAE Base Rental.)

(iii) If BRAE pays other railroads to move Cars in accordance with Section 3A, except for any payments incurred to deliver such Cars to Lessee's railroad line, Lessee shall reimburse BRAE for such payments only from and out of the monies received by Lessee pursuant to Sub-section 6A(ii).

(iv) The rental charges payable to BRAE by Lessee shall be paid from the payments received by Lessee in the following order until BRAE receives the amounts due it pursuant to this section: (1) incentive car hire payments; (2) straight car hire payments; (3) mileage charges and (4) other.

(v) In the event damage beyond repair or destruction of a Car has been reported in accordance with Rule 7 of the AAR Car Service and Care Hire Agreement Code of Car Hire Rules—Freight and the appropriate amount due as a result thereof is received by BRAE, said damaged or destroyed Car will be removed from the coverage of this Agreement as of the date that payment of car hire payments ceased.

B. The calculations required above shall be made within five months after the end of each calendar year. However, to enable BRAE to meet its financial commitments, BRAE may, prior to such calculations, retain the payments received by it on behalf of Lessee. Further, since the parties desire to determine on a quarterly basis the approximate amount of the rental charges due BRAE, BRAE shall within three months after the end of each calendar quarter, calculate on a quarterly basis rather than a yearly basis the amount due it pursuant to this section. Any amounts payable pursuant to the preceding sentence shall be paid promptly following such calculation, provided, however, that following the yearly calculation, any amount paid to either party in excess of the amounts required by the yearly calculation shall be promptly refunded to the appropriate party.

C. If at any time during a calendar quarter, the number of days that the Cars have not earned car hire payments is such as to make it mathematically certain that the utilization in such calendar quarter cannot be equal to or greater than 87.5 per cent, BRAE may, at its option and upon not less than ten (10) days' prior written notice to Lessee, terminate this Agreement as to such Cars as BRAE shall determine.

D. BRAE may, at its option, terminate this Agreement if the ICC shall, at any time, (1) issue an order reducing incentive car hire payments for Cars on an annual basis to three months or less without a corresponding increase in straight car hire payments or other monies available to both BRAE and Lessee at least equal in amount to such reduction, (2) determine that Lessee may not apply its incentive car hire receipts in payment of the rental charges set forth in this section or (3) require that Lessee spend funds not earned by the Cars in order for Lessee to continue to meet its obligations set forth in this section.

E. During the term of this Agreement, if any Car remains on Lessee's railroad tracks for more than seven consecutive days, BRAE may, at its option and upon not less than twenty-four (24) hours' prior written notice, terminate this Agreement as to such Car and withdraw such Car from Lessee's railroad tracks. If any such Car remains on Lessee's railroad tracks more than seven consecutive days because Lessee has not given preference to the Cars as specified in Section 3B, Lessee shall be liable for and remit to BRAE an amount equal to the payments Lessee would have earned if such Cars were in the physical possession and use of another railroad for the entire period.

7. Possession and Use

A. So long as Lessee shall not be in default under this Agreement, Lessee shall be entitled to the possession, use and quiet enjoyment of the Cars in accordance with the terms of this Agreement and in the manner and to the extent Cars are customarily used in the railroad freight business, provided that Lessee retain on its railroad tracks no more Cars than are necessary to fulfill its immediate requirements to provide transportation and facilities upon reasonable request therefor to shippers on its railroad tracks. However, Lessee's rights shall be subject and subordinate to the rights of any owner or secured party under any financing agreement entered into by BRAE in connection with the acquisition of Cars, *i.e.*, upon notice to Lessee from any such secured party or owner that an event of default has occurred and is continuing under such financing agreement, such party may require that all rent shall be made directly to such party and/or that the Cars be returned to such party. Lessee agrees that to the extent it has physical possession and can control use of the Cars, the Cars will at all times be used and operated under and in compliance with the laws of the jurisdiction in which the same may be located and in compliance with all lawful acts, rules and regulations, and orders of any governmental bodies or officers having power to regulate or supervise the use of such property, except that either BRAE or Lessee may in good faith and by appropriate proceedings contest the application of any such rule, regulation or order in any reasonable manner at the expense of the contesting party.

B. Lessee will not directly or indirectly create, incur, assume, or suffer to exist any mortgage, pledge, lien, charge, encumbrance, or other security interest or claim on or with respect to the Cars or any interest therein or in this Agreement or any Schedule thereto. Lessee will promptly, at its expense, take such action as may be necessary to duly discharge any such mortgage, pledge, lien, charge, encumbrances, security interest, or claim if the same shall arise at any time.

8. Default

A. The occurrence of any of the following events shall be an event of default:

(i) The nonpayment by Lessee of any sum required herein to be paid by Lessee within ten (10) days after the date any such payment is due.

(ii) The breach by Lessee of any other term, covenant, or condition of this Agreement, which is not cured within ten (10) days thereafter.

(iii) Any act of insolvency by Lessee, or the filing by Lessee of any petition or action under any bankruptcy, reorganization, insolvency or moratorium law, or any other law or laws for the relief of, or relating to, debtors.

(iv) The filing of any involuntary petition under any bankruptcy, reorganization, insolvency or moratorium law against Lessee that is not dismissed within sixty (60) days thereafter, or the appointment of any receiver or trustee to take possession of the properties of Lessee, unless such petition or appointment is set aside or withdrawn or ceases to be in effect within sixty (60) days from the date of said filing or appointment.

(v) The subjection of any of Lessee's property to any levy, seizure, assignment, application or sale for or by any creditor or governmental agency.

(vi) Any action by Lessee to discontinue rail service on all or a portion of its tracks or abandon any of its rail properties pursuant to applicable provisions of the Interstate Commerce Act or the laws of any state.

B. Upon the occurrence of any event of default, BRAE may, at its option, terminate this Agreement and may

(i) Proceed by any lawful means to enforce performance by Lessee of this Agreement or to recover damages for a breach thereof (and Lessee agrees to bear BRAE's costs and expenses, including reasonable attorneys' fees, in securing such enforcement), or

(ii) By notice in writing to Lessee, terminate Lessee's right of possession and use of the Cars, whereupon all right and interest of Lessee in the Cars shall terminate; and thereupon BRAE may enter upon any premises where the Cars may be located and take possession of them and henceforth hold, possess and enjoy the same free from any right of Lessee. BRAE shall nevertheless have the right to recover from Lessee any and all rental amounts which under the terms of this Agreement may then be due or which may have accrued to that date.

9. Termination

At the expiration or termination of this Agreement as to any Cars, Lessee will surrender possession of such Cars to BRAE by delivering the same to BRAE. A Car shall be no longer subject to this Agreement upon the removal of Lessee's railroad markings from the Cars and the placing thereon of such markings as may be designated by BRAE, either, at the option of BRAE, (1) by Lessee upon return of such Cars to Lessee's railroad line or (2) by another railroad line which has physical possession of the Car at the time of or subsequent to termination of the lease term as to such Car. If such Cars are not on the railroad line of Lessee upon termination, any cost of assembling, delivering, storing, and transporting such Cars to Lessee's railroad line or the railroad line of a subsequent lessee shall be borne by BRAE. If such Cars are on the railroad line of Lessee upon such expiration or termination or are subsequently returned to Lessee's railroad line, Lessee shall at its own expense within five working days remove Lessee's railroad markings from the Cars and place thereon such markings as may be designated by BRAE. After the removal and replacement of markings, Lessee shall use its best efforts to load such Cars with freight and deliver them to a connecting carrier for shipment. Lessee shall provide up to sixty (60) days' free storage on its railroad tracks for BRAE or the subsequent lessee of any terminated Car. If any Car is terminated pursuant to Subsections 6C or 6E or Section 8 prior to the end of its lease term, Lessee shall be liable to BRAE for all costs and expenses incurred by BRAE to repaint the Cars and place thereon the markings and name or other insignia of BRAE's subsequent lessee.

10. Indemnities

BRAE will defend, indemnify and hold Lessee harmless from and against (1) any and all loss or damage of or to the Cars, usual wear and tear excepted, unless occurring while Lessee has physical possession of Cars and (2) any claim, cause of action, damage, liability, cost or expense which may be asserted against Lessee with respect to the Cars other than loss or physical damage (unless occurring through the fault of Lessee); including without limitation the construction, purchase and delivery of the Cars to Lessee's railroad line, ownership, leasing or return of the Cars, or as a result of the use, maintenance, repair, replacement, operation or the condition thereof (whether defects, if any, are latent or are discoverable by BRAE or Lessee).

11. Representations, Warranties and Covenants

Lessee represents, warrants and covenants that:

(i) Lessee is a corporation duly organized, validly existing and in good standing under the laws of the state where it is incorporated and has the corporate power and authority, and is duly qualified and authorized to do business wherever necessary, to carry out its present business and operations and to own or hold under lease its properties and to perform its obligations under this Agreement.

(ii) The entering into and performance of this Agreement will not violate any judgment, order, law or regulation applicable to Lessee, or result in any breach of, or constitute a default under, or result in the creation of any lien, charge, security interest or other encumbrance upon any assets of Lessee or on the Cars pursuant to any instrument to which Lessee is a party or by which it or its assets may be bound.

(iii) There is no action or proceeding pending or threatened against Lessee before any court or administrative agency or other governmental body which might result in any material adverse effect on the business, properties and assets, or conditions, financial or otherwise, of Lessee.

(iv) There is no fact which Lessee has not disclosed to BRAE in writing, nor is Lessee a party to any agreement or instrument nor subject to any charter or other corporate restriction which, so far as the Lessee can now reasonably foresee, will individually or in the aggregate materially adversely affect the business, condition or any material portion of the properties of the Lessee or the ability of the Lessee to perform its obligations under this Agreement.

(v) Lessee has not during the years 1964-1968 built, leased or purchased new freight cars or rebuilt freight cars.

12. Inspection

BRAE shall at any time during normal business hours have the right to enter the premises where the Cars may be located for the purpose of inspecting and examining the Cars to insure Lessee's compliance with its obligations hereunder. Lessee shall immediately notify BRAE of any accident connected with the malfunctioning or operation of the Cars, including in such report the time, place and nature of the accident and the damage caused, the names and addresses of any persons injured and of witnesses, and other information pertinent to Lessee's investigation of the accident. Lessee shall also notify BRAE in writing within five (5) days after any attachment, tax lien or other judicial process shall attach to any Car. Lessee shall furnish to BRAE promptly upon its becoming available, a copy of its annual report submitted to the ICC and, when requested, copies of any other income or balance sheet statements required to be submitted to the ICC.

13. Miscellaneous

A. This Agreement and the Schedules contemplated hereby shall be binding upon and shall inure to the benefit of the parties hereto and their respective successors and assigns, except that

Lessee may not without the prior written consent of BRAE assign this Agreement or any of its rights hereunder or sublease the Cars to any party, and any purported assignment or sublease in violation hereof shall be void.

B. Both parties agree to execute the documents contemplated by this transaction and such other documents as may be required in furtherance of any financing agreement entered into by BRAE in connection with the acquisition of the Cars in order to confirm the financing party's interest in and to the Cars, this Agreement and Schedules hereto and to confirm the subordination provisions contained in Section 7 and in furtherance of this Agreement.

C. It is expressly understood and agreed by the parties hereto that this Agreement constitutes a lease of the Cars only and no joint venture or partnership is being created. Notwithstanding the calculation of rental payments, nothing herein shall be construed as conveying to Lessee any right, title or interest in the Cars except as a lessee only.

D. No failure or delay by BRAE shall constitute a waiver or otherwise affect or impair any right, power or remedy available to BRAE nor shall any waiver or indulgence by BRAE or any partial or single exercise of any right, power or remedy preclude any other or further exercise thereof or the exercise of any other right, power or remedy.

E. This Agreement shall be governed by and construed according to the laws of the State of California.

F. All notices hereunder shall be in writing and shall be deemed given when delivered personally or when deposited in the United States mail, postage prepaid, certified or registered, addressed to the president of the other party at the address set forth above.

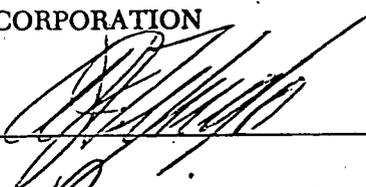
IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the date first above written.

BRAE CORPORATION

BY:

TITLE:

DATE:



President

4/28/79

NORTH STRATFORD RAILROAD CORPORATION

BY:

Edward M. Clark

TITLE:

President

DATE:

April 21, 1978

Rider No. 1 to the Lease Agreement made as of April 21, 1978, between BRAE CORPORATION and the NORTH STRATFORD RAILROAD CORPORATION.

Sections 5B and 6A (ii) ARE HEREBY AMENDED AS FOLLOWS:

5B. "Change the second sentence of this paragraph to read as follows:"

Upon request of BRAE, Lessee to the extent of it's capabilities shall perform any necessary maintenance and repairs to cars on Lessee's railroad tracks as may be reasonably requested by BRAE.

6A (ii). "Delete 6A (ii) in its entirety and substitute in lieu thereof the following:

In the event utilization exceeds 90 per cent in any calender year, BRAE shall receive an amount equal to the BRAE Base Rental plus an amount equal to one-half of the payments earned in excess of the BRAE Base Rental up to 95 per cent utilization. All payments in excess of 95 per cent utilization are to be forwarded to Lessee. For the purpose hereof, BRAE Base Rental shall be an amount equal to the total payments for the calender year multiplied by a fraction, the numerator of which is 90 per cent and the denominator of which is the utilization for such calender year.

BRAE CORPORATION

BY: [Signature]

TITLE: President

DATE: 4/28/79

NORTH STRATFORD RAILROAD CORPORATION

BY: Edward M. Clark

TITLE: Edward M. Clark
President

DATE: April 21, 1978

STATE OF NEW HAMPSHIRE

COUNTY OF GRAFTON

On this 21 day of April, 1978, before me personally appeared Edward M. Clark to me personally known, who being by me duly sworn says that such person is President of NORTH STRATFORD RAILROAD CORP., that the foregoing Rider 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 such corporation.

Theresa M. Harde
Notary Public

My Commission Expires July 10, 1978

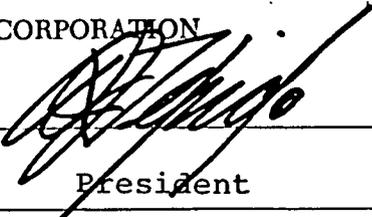
This Schedule replaces Equipment Schedules No.1 & 2 originally signed by BRAE Corp. on April 28, 1979 and by North Stratford on April 21, 1978.

EQUIPMENT SCHEDULE No. 3

BRAE CORPORATION hereby leases the following Cars to North Stratford Railroad Corp. pursuant to that certain Lease Agreement dated as of April 21, 1978..

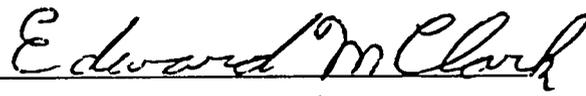
A.A.R. Mech. Design	Description	Numbers	Length	Dimensions Inside Width Height		Doors Width	No. of Cars
XM	40ft. General Purpose Boxcar	NSRC 400-424	40'6"			8'	25

BRAE CORPORATION

BY: 

TITLE: President

DATE: August 16, 1979

BY: 

TITLE: President

DATE: Aug 27, 1979

STATE OF *New Hampshire* }
COUNTY OF *Cocum*

On this *28* day of *August*, 197*9*, before me personally appeared *Edward Clark* to me personally known, who being by me duly sworn says that such person is *Edward Clark* of *Lancaster, N.H.*, that the foregoing Lease Agreement, Rider(s) No. and Equipment Schedule(s) No. were signed on behalf of said corporation by authority of its board of directors; and such person acknowledged that the execution of the foregoing instruments were the free acts and deeds of such corporation.

Joyce Frizzell

Notary Public
Joyce J. Frizzell
Notary Public
My Comm. expires January 14, 1980

STATE OF *California*

COUNTY OF *San Francisco*

On this *16th* day of *August*, 197*9*, before me personally appeared *W.J. Texido* to me personally known, who being by me duly sworn says that such person is *President* of BRAE CORPORATION, that the foregoing Lease Agreement, Rider(s) No. and Equipment Schedule(s) No. were signed on behalf of said corporation by authority of its board of directors, and such person acknowledged that the execution of the foregoing instruments were the free acts and deeds of such corporation.

M. Battle

Notary Public



EXHIBIT "B"

RAILROAD CAR LEASE AGREEMENT

THIS RAILROAD CAR LEASE AGREEMENT (the "Lease") dated this 20th day of July, 1979, by and between BRAE Corporation organized in the State of Delaware, with its principal place of business at San Francisco, California (hereinafter referred to as "Lessor"), and American Grain and Related Industries (a Farmer-owned Cooperative), with its principal place of business at Des Moines, Iowa (hereinafter referred to as "Lessee").

RECITAL

Lessor and Lessee have entered into an agreement ("Use Agreement") dated as of July 20 1979 with respect to the railroad cars shown on the Rider to this Lease (hereinafter collectively referred to as the "cars" and separately as a "car"). The Use Agreement provides that, upon the occurrence of certain events, all cars then subject to the Use Agreement shall become immediately subject to this Lease.

WITNESSETH:

In consideration of the mutual terms and conditions herein set forth, the parties hereto agree as follows:

1. Lessor agrees to furnish to Lessee and Lessee agrees to accept and use upon the terms and conditions herein set forth the cars. If prior to the Effective Date (as defined in Paragraph 3A hereof) any of the cars shall have been destroyed and not replaced, the term "cars" as used herein shall exclude such destroyed cars.

2. The term of this Lease with respect to each of the cars shall be the term specified on the Rider to this Lease that is applicable to such car, unless sooner terminated in accordance with Paragraph 24 hereof, subject to any extension thereof as may be agreed upon in writing by Lessor and Lessee.

3. Each of the cars shall be considered as delivered to and accepted by Lessee immediately upon such cars being subject to this Lease upon the occurrence of the events specified in the Use Agreement (hereinafter referred to as the "Effective Date").

4. A. On the Effective Date, each car will be plainly marked on each side with Lessor's identification mark. If during the continuance of this Lease such marking

shall at any time be removed or become illegible, wholly or in part, Lessee shall immediately cause such marking to be restored or replaced at Lessor's expense.

B. Lessee shall not place nor permit any lettering or markings of any kind to be placed upon the cars without Lessor's prior written consent, except that, for the purpose of evidencing the operation of the cars in Lessee's service hereunder, Lessee shall be permitted to board, placard or stencil the cars with letters not to exceed two inches (2") in height.

and liability, C. Lessor may from time to time, at its expense ^A cause the cars to be marked clearly and conspicuously to show the interest of any secured party or of any assignee of Lessor or any secured party in the cars.

5. The fixed rental with respect to each of the cars shall be the rental specified on the Rider to this Lease, and such fixed rental shall become effective with respect to each of the cars covered by such Rider upon the Effective Date and shall continue in effect with respect to such car throughout the term of this Lease with respect to such car unless such car is redelivered to Lessor at an earlier date, as provided in Paragraph 25 hereof. Payment of said fixed rental shall be made in advance. The first fixed rental payment for each car shall be made at the pro rata daily rate for the number of days from the Effective Date to the end of the month in which the Effective Date falls. All subsequent payments of fixed rental shall be made on or before the first day of each succeeding month of the term of this Lease. The last payment of rental shall cover the number of days from the first day of the final month to the termination date of this Lease at the pro rata daily rate.

6. Immediately after the end of each year of this Lease, Lessor shall determine the total number of miles that each car traveled during such year, loaded and empty. If it is determined that any car traveled more than 30,000 miles during such year, Lessee agrees to pay Lessor as additional rent for such car for such year, the sum of \$.02 multiplied by the number of miles in excess of 30,000 that such car traveled during such year. The determination of the total number of miles traveled by each car during any year shall be made by multiplying the total number of miles that such car traveled while loaded during such year by 2, unless Lessor has in its possession information sufficient to ascertain more precisely the "total mileage traveled by such car. Any mileage accrued prior to the Effective Date shall not be considered in making this computation but the excess mileage for any partial year shall be computed by pro-rating 30,000 miles over such partial year.

7. A. Lessee agrees to report ^{monthly} promptly to Lessor each movement of the cars. Such report shall contain the date, car number, destination, and routing of such movement and any other information which Lessee receives from railroad or other sources concerning such movement. Lessor agrees to use such reports and any other information which is received by Lessor to maintain records to be used to collect any mileage allowances, rental, and/or other compensation payable by railroads by reason of the use of the cars (hereinafter referred to as "allowances").

B. Insofar as applicable laws and regulations permit, Lessee, unless an event of default specified in Paragraph 24 hereof shall have occurred and be continuing, shall be entitled to all allowances collected by Lessor from railroads as a credit against fixed rents, and any other amounts that Lessee may be required to pay Lessor, but in ~~an~~ ^{no} event shall such credit exceed the sum of such obligations.

8. Lessee agrees, insofar as possible, so to use the cars that their total mileage under load will equal or exceed their mileage empty on each railroad over which the cars move. In the event that the empty mileage of the cars should exceed their loaded mileage on any railroad and Lessor is notified by such railroad to equalize such mileage with loaded mileage or to pay for such excess empty mileage, Lessee after notice from Lessor, shall equalize such excess ^{empty} mileage within the time limit established by such railroad or pay Lessor for such excess at the rate established by the governing tariff.

9. Lessee shall use the cars with due care and in services which will not damage the cars as the result of the products being transported and Lessee will not alter the physical structure of any of the cars without the approval in writing of Lessor. Lessee agrees to give Lessor prompt written notice of the need to repair or perform maintenance upon any car.

10. A. Except where responsibility is placed upon others as provided in Paragraphs 10C or 12A hereof, Lessor, at its expense, agrees to maintain the cars in good condition and repair according to the Code of Rules (as defined in Paragraph 12A).

B. Lessor's obligation under Paragraph 10A to maintain and repair the cars shall not extend to mandatory changes in the design of any car, its components, configurations or safety appliances or other changes required by separate legislative act or regulation effective after the Effective Date which would require an expenditure in excess of \$2,000. In the event of such a change applicable to any car, Lessor

may terminate this Lease with respect to such car, provided, however, that prior to termination, Lessee may, at its own expense, cause to have made the mandatory changes to such car or cars, and the lease shall continue until expiration.

C. Lessor's maintenance obligations shall not extend to repair or maintenance required as a result of, or attributable to: (i) defects in the manufacture or workmanship of any car or any component thereof or any material incorporated therein by the manufacturer or by any person other than the Lessor, its agents or representatives; provided that Lessor shall use its best efforts to enforce the warranty rights with respect to the cars; (ii) damage caused by Lessee, its agents or representatives; (iii) damage caused to the car by any corrosive or abrasive substance loaded therein or used in connection therewith; (iv) damage to substance loaded therein or used in connection therewith or damage to any car caused by open flames, vibrations, sledges or other similar devices during loading or unloading; (v) excessive or unbalanced loading; and (vi) special interior linings. Lessee agrees, at its expense, to maintain all special interior linings on the cars in good condition and repair. Lessor shall forward to Lessee any bills for repairs to the cars made by railroads for reasons described in Paragraph 10C and Lessee shall promptly pay such bills.

11. A. If any car becomes unfit for any reason unrelated to the matters described in Paragraph 10C hereof and if such condition is not due to damage to such car for which Lessee is responsible under this Lease, the provisions of Paragraph 11B shall govern the abatement of rental for such car.

B. Fixed rent for any car damaged or destroyed for any reason unrelated to the matters described in Paragraph 10C shall abate from the fifth day after the date when such car is repaired and returned to service or replaced by another car. Lessor may elect to terminate this Lease with respect to any car which has suffered damage in excess of 25% of its then fair market value or any car for which the cost of repairs exceeds the available insurance proceeds. In the event this Lease is terminated with respect to any car, Lessor may at its election substitute for such car another car of approximately the same age and type. Lessor shall have the right, but shall not be obligated to substitute for any car which shall be so damaged or destroyed another car of a similar type, capacity and condition.

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[Handwritten signature]

12. Responsibility for loss or destruction of or damage to cars or parts thereof or appurtenances thereto furnished under this Lease shall be as fixed by the then prevailing Code of Rules Governing the Condition of and Repairs to Freight and Passenger Cars for the Interchange of Traffic promulgated by the Association of American Railroads (the "Code of Rules"). The Code of Rules shall establish the rights, obligations, liabilities of Lessor, Lessee, and any railroad subscribing to the Code of Rules and moving the cars over its lines in respect of matters to which the Code of Rules relate. Lessor and Lessee agree to cooperate with and to assist each other in any reasonable manner requested but without affecting their respective obligations under this Article to establish proper claims against parties responsible for loss, or destruction of or damage to the cars.

13. Except where responsibility is placed on others, as provided in Paragraph 12A hereof, Lessee agrees to indemnify and save harmless Lessor from and against all losses, damages, injuries, liabilities, claims, and demands whatsoever, regardless of the cause thereof, any expenses in connection therewith, ~~including counsel fees arising out of, or as a result of, the use and/or operation of the Cars during the term of this Lease;~~ provided, however, that counsel fees incurred herewith shall be paid only to the prevailing party. *11/12*

14. Lessor shall not be liable for any loss of, or damage to, commodities or any part thereof, loaded or shipped in the cars, however such loss or damage shall be caused or shall result. Lessee agrees to assume responsibility for, to indemnify Lessor against, and to save them harmless from any such loss or damage or claim therefore, and to assume responsibility for any damage caused to the car by such commodities.

15. Neither Lessor nor the manufacturer of the cars shall have any liability to Lessee for loss of use of car or cars, in whole or in part, regardless of the cause thereof except if the result of the gross negligence or willful misconduct of Lessor. EXCEPT AS PROVIDED IN PARAGRAPH 10, LESSOR MAKES NO EXPRESS OR IMPLIED WARRANTIES OF ANY KIND, INCLUDING WARRANTIES OF MERCHANTABILITY AND FITNESS FOR A PARTICULAR PURPOSE WITH RESPECT TO THE CARS.

16. Lessor agrees to assume responsibility for and to pay all property taxes levied upon the cars and to file all property tax reports relating thereto.

17. Lessor will not be responsible for the payment of any sales and/or use taxes or similar taxes, tariff, duty, customs, switching demurrage, or other charges made by any governmental, railroad, or other agency in respect of any of the cars except as specifically provided herein; and Lessee agrees to reimburse Lessor for any such charges.

18. In connection with a financing transaction all rights of Lessor hereunder may be assigned, pledged, mortgaged, transferred or otherwise disposed of (in all cases as security), either in whole or in part, and/or Lessor may assign, pledge, mortgage, transfer, or otherwise dispose of title to the cars with or without notice to Lessee. In the event of any such assignment, pledge, mortgage, transfer or other disposition, this Lease and all of the Lessee's rights under this Lease and all rights of any person, firms, or corporation who claims or who may hereafter claim any rights under this Lease under or through Lessee are hereby made subject and subordinate to the terms, covenants, and conditions of any chattel mortgages, conditional sale agreements, and assignments and/or equipment trust agreements covering the cars or any of them heretofore or hereafter created and entered into by Lessor, its successors, or assigns and to all of the rights of any such chattel mortgagee, assignee, trustee, or other holder of the legal title to the cars. In no event shall the holder of a security interest in the cars be liable to Lessee for any matter arising out of such security interest.

19. A. Lessee agrees to use the cars predominantly within the boundaries of the continental United States. Lessee agrees that if any of the cars are placed in international service by Lessee, Lessee shall reimburse Lessor for any customs, duties, taxes or other expenses resulting from such use.

B. Lessee shall make no transfer, sublease or assignment of this Lease or any car (by operation of law ^{or} otherwise) without the prior written consent of Lessor; provided that Lessee is hereby expressly permitted to sublease the cars to members of American Grain and Related Industries. Lessee agrees (i) that no sublease shall permit use of the cars predominantly outside of the continental United States, (ii) that no sublessee shall be a tax-exempt organization or governmental unit and (iii) that all subleases shall be expressly subordinate as provided in Paragraph 18. No sublease shall in any way relieve Lessee from its obligations to Lessor under this Lease. Lessee shall notify Lessor in the event of a sublease.

20. Lessee acknowledges and agrees that by the execution hereof it does not obtain and, by payments and performance hereunder it does not and will not have or obtain any title to the cars or any of them at any time subject to this Lease nor any property right or interest legal or equitable therein, except solely as Lessee hereunder and subject to all of the terms hereof. Lessee shall keep the cars free from any encumbrances or liens which may be a cloud upon or otherwise affect Lessor's title.

21. A. At the time of delivery of the cars to by Lessor to Lessee, the cars will conform to the applicable specifications and to all of the governmental laws, regulations, requirements and rules, and to all of the standards recommended by the Association of American Railroads interpreted as being applicable to railroad equipment of the character of the cars as of the date of delivery to Lessee. Lessee agrees to comply with all governmental laws, regulations, requirements and rules, and with the Code of Rules with respect to the use and operation of each of the cars during the term of this Lease.

~~22. Lessee agrees to furnish Lessor promptly, at Lessor's request with complete and accurate information reasonably required for the efficient administration of this Lease.~~

23. Lessor or its assignee shall have the right by its authorized representatives to inspect the cars at the sole cost and expense of Lessor at such times as shall be deemed necessary.

24. A. The occurrence of any of the following shall constitute an Event of Default:

(i) the failure by Lessee to make any payment of fixed or additional rent or other amount required to be paid by Lessee under this Lease within ten days after the date such payment is due;

(ii) any breach by Lessee of any agreement or covenant contained in this Lease, which is not cured within 20 days after notice thereof from Lessor to Lessee;

(iii) any act of insolvency by Lessee or the filing by Lessee of any petition or action under any bankruptcy, reorganization, insolvency or moratorium law, or any other law or laws for the relief of, or relating to, debtors;

(iv) the filing of an involuntary petition under any bankruptcy, reorganization, insolvency or moratorium laws against Lessee that is not dismissed within 45 days thereafter, or the appointment of any receiver or trustee to take possession of the properties of Lessee, unless such petition or appointment is set aside or withdrawn or ceases to be in effect within 45 days from the date of such filing or appointment; or

(v) any attempt by Lessee, in violation of this Lease, to assign, sublease or transfer this Lease or any interest in or the right to use or possession of the cars.

B. Upon the occurrence of any Event of Default, Lessor may, at its option:

(i) proceed by appropriate court action or actions either at law or in equity to enforce specific performance by Lessee of this Lease and/or to recover damages for breach hereof; or

(ii) terminate this Lease, whereupon all rights of Lessee to the use of the cars shall absolutely cease and terminate as though this Lease had never been made, and all fixed rent not theretofore due and payable with respect to the cars shall forthwith become due and payable.

Any proceeds to Lessor from reletting the cars shall be applied first to the expenses incurred in reletting the cars (including, but not limited to, all costs of repossession and delivery of the cars to the new lessee) and then in payment of the amounts due Lessor under this Lease.

Upon the occurrence of an Event of Default, Lessor may exercise its remedies with respect to some or all of the cars. Lessee shall be liable for all reasonable attorneys' fees and other costs and expenses incurred by reason of the occurrence of any Event of Default or the exercise of Lessor's remedies with respect thereto, including all costs and expenses incurred in connection with the return of any car. The remedies provided in this Lease in favor of Lessor shall not be deemed exclusive, but shall be cumulative and may be exercised concurrently or consecutively, and shall be in addition to all other remedies existing in law or in equity. To the extent permitted by applicable law, Lessee hereby waives any mandatory requirements of law, now or hereafter in effect, which might limit or modify the remedies herein provided.

25. At the termination of this Lease, Lessee, at its expense, shall return each of the cars and each part thereof to Lessor at the point specified in the Rider, or to such point or points as may be mutually agreed upon by Lessor and Lessee, on the date on which the term of this Lease expires, empty, free from residue, and in the same good order and condition as it was delivered by Lessor to Lessee, ordinary wear and tear and repairs that Lessor is required to make pursuant to Paragraph 10 hereof excepted. Lessee, on demand, shall reimburse Lessor for the cost of cleaning any cars that contain residue. Lessee, at its option, may redeliver any or all of the cars to Lessor during the thirty (30) calendar day period immediately preceding the date on which the term of this Lease or applicable Rider expires. If Lessee shall elect so to

redeliver any or all the cars, the rental on such cars shall cease on the date on which such cars are so redelivered to Lessor. In the event that any or all of the cars are not redelivered to Lessor on or before the date on which the term of this Lease expires, all of the obligations of Lessee under this Lease with respect to such cars shall remain in full force and effect until such cars are redelivered to Lessor; provided, however, that the daily rental for each of such cars during such period shall be one and one-half times the pro rata daily rate of the rental specified in the Rider.

26. Any controversy or claims arising out of, or relating to, this agreement, or the breach hereof, shall be settled in Des Moines, Iowa, by arbitration in accordance with the rules then promulgated by the American Arbitration Association, and a judgment upon the award rendered may be entered in any court having jurisdiction there.

27. This agreement and the provisions herein shall be interpreted under, and performance shall be governed by, the laws of the State of Iowa.

IN WITNESS WHEREOF, the parties hereto have caused this instrument to be executed and delivered as of the day and year first above written.

AMERICAN GRAIN AND RELATED INDUSTRIES
(a Farmer-owned Cooperative), Lessee

By W. P. Keiser
President

ATTEST:

Daniel F. [Signature]
Assistant Secretary-Treasurer
Vice-President

BRAE CORPORATION, Lessor

By [Signature]
President

ATTEST:

[Signature]
Assistant Secretary

RIDER

This Rider shall be attached to and forms a part of the Railroad Car Lease Agreement dated July 20, 1979, by and between American Grain and Related Industries (a Farmer-owned Cooperative) and Brae Corporation.

<u>Quantity</u>	<u>Description</u>	<u>Capacity, Each</u>	<u>Fixed Rental, Each</u>
100	Covered Hoppers	4650 Cubic Feet	\$494 per month

With respect to the cars covered by this Rider, it is hereby agreed that:

This Railroad Car Lease Agreement shall become effective upon the Effective Date and shall expire upon the then scheduled expiration date listed in Paragraph 4 of the Use Agreement referred to in the recital to the Lease. At the time of delivery, Lessor and Lessee agree to execute Rider No. Two to this Railroad Car Lease Agreement which shall include the exact dates of the term of this Lease.

The redelivery point for the cars pursuant to Paragraph 25 of the Lease is Des Moines, Iowa.

All other terms and conditions of the Lease shall remain unchanged.

Executed this 20th day of July, 1979, by the duly authorized representatives of the parties hereto.

AMERICAN GRAIN AND RELATED INDUSTRIES
(a Farmer-owned Cooperative), Lessee

By [Signature]
President

ATTEST:

[Signature]
Assistant Secretary-Treasurer
Vice-President

BRAE CORPORATION, Lessor

By [Signature]

ATTEST:

[Signature]
Assistant Secretary

STATE OF Iowa)
COUNTY OF Folk)

On this 20th day of July, 1979, before me personally appeared R.P. Hinkle, to me personally known, who being by me duly sworn says that such person is Assistant Vice-President of AMERICAN GRAIN AND RELATED INDUSTRIES (a Farmer-owned Cooperative), and that the foregoing Railroad Car Lease Agreement, Rider(s) No. _____ and Equipment Schedule(s) No. _____ were signed on behalf of said entity with due authorization and such person acknowledged that the execution of the foregoing instruments were the free acts and deeds of such entity.

John A. Rossini
Notary Public

STATE OF CALIFORNIA)
CITY AND COUNTY OF SAN FRANCISCO)

On this 7th day of August, 1979, before me personally appeared W. D. Tarrido, to me personally known, who being by me duly sworn says that such person is President of BRAE CORPORATION, and that the foregoing Railroad Car Lease Agreement, Rider(s) No. _____ and Equipment Schedule(s) No. _____ were signed on behalf of said corporation by authority of its board of directors, and such person acknowledged that the execution of the foregoing instruments were the free acts and deeds of such corporation.

M. Battle
Notary Public



EXHIBIT "C"
AGREEMENT

AGREEMENT entered this 20th day of July,
1979, by and between Brae Corporation (hereinafter referred to
as "Brae"), a Delaware corporation, and American Grain and
Related Industries (a Farmer-owned Cooperative) (hereinafter
referred to as "AGRI") an Iowa corporation.

WHEREAS, Brae will acquire certain covered hopper
railroad cars; and

WHEREAS, Brae is desirous of offering the use of
certain covered hopper railroad cars to AGRI; and

WHEREAS, AGRI is desirous of using certain covered
hopper railroad cars which will be acquired by Brae.

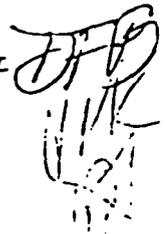
NOW, THEREFORE, in consideration of the premises and
mutual covenants contained herein, the parties do hereby
agree as follows:

1. Description of Covered Hopper Cars. Brae
shall provide to the Warrenton Railroad, which will assign
to originating carriers for assignment to AGRI the following
covered hoppers cars: One Hundred (100) new, 4,650 cubic-
foot capacity, lined, covered hopper cars manufactured by
National Steel Car Corporation, Limited, Hamilton, Ontario,
Canada (hereinafter referred to as "the Cars" or "Cars").
A description of the Cars is set forth in Exhibit "A",
attached hereto and by this reference made a part hereof.

2. Confirmation of Originating Carriers. AGRI has obtained written confirmation by an originating carrier or originating carriers accepting the Cars in Assignment and will deliver such confirmation to Brae prior to the effective date of this Agreement.

3. Delivery Instructions. Brae shall bear the cost of initial delivery of the Cars to the loading point(s) specified by AGRI. In the event that any Cars are rejected by AGRI because of defects or nonconformity to specification, all costs and charges incurred in connection with the return of said Cars shall be borne by Brae.

4. Term of Agreement. The term of the agreement for each Car for the purpose of calculating extension dates shall run for a period of five (5) years commencing on September 1, 1979. ~~AGRI, at its option, may elect to extend this Agreement for a maximum of two consecutive five (5) year periods. AGRI shall have the right to extend this Agreement with respect to either all or fifty of the Cars at AGRI's option. Should AGRI elect to extend the agreement for the first five (5) year period, AGRI shall deliver written notice to BRAE's place of business on or before May 1, 1984, which notice shall state AGRI's intent to extend the agreement and indicate whether all or only fifty of the Cars shall be the subject of the extended agreement. Should AGRI elect to extend the agreement for the second five (5) year period, AGRI shall deliver the~~



~~same form of written notice as specified for the first extension on or before May 1, 1989.~~

5. Agreement for Utilization. AGRI agrees to use its best efforts to insure that the Cars subject to this Agreement will travel an average of sixty-five (65) miles per day for each day the Cars are available for use by AGRI during the term of this Agreement. For purposes of calculating this mileage obligation on individual Cars, the date each Car is loaded at the first loading point specified by AGRI and as provided in Paragraph 3 shall be deemed to be the date the mileage obligation commences. The fiscal year for determination of computations hereunder shall commence September 1, 1979.

AGRI shall use its best efforts to load Cars as quickly as possible upon their arrival from the manufacturing plant at AGRI's first loading point(s) and also on all future loadings. In the event that the average usage of all Cars in service is less than sixty-five (65) miles per day per Car, AGRI shall pay Brae compensation based on the "mileage car hire rate" prescribed in AAR Circular OT-10 (or any mileage car hire rate regulation replacing it).

The amount, if any, owed to Brae by AGRI pursuant to its mileage guarantee shall be determined as follows: multiply 65 times the aggregate number of "Car Days" during the applicable period and subtract from that product the total number of

miles actually travelled by all Cars during that period. If the difference is a positive number, then such number shall be multiplied by the then applicable mileage rate prescribed by the Interstate Commerce Commission and that product shall be the mileage deficiency for such period. If the difference is a negative number, then there shall be no deficiency for such period and the difference (multiplied by the then applicable mileage rate prescribed by the Interstate Commerce Commission) shall be a credit available for application as provided in the next paragraph. Brae shall determine the mileage deficiency quarterly commencing September 1, 1979 and shall make an annual computation on December 31st of each year during the term of this Agreement. For the purpose of making these determinations, "Car Day" shall mean one day on which one Car is subject to this Agreement, commencing upon the loading of such Car at the first loading point specified by AGRI.

AGRI shall pay Brae the mileage deficiency, if any, quarterly in arrears not later than 15 days after Brae has notified AGRI of its quarterly determination of the mileage deficiency. Notwithstanding the fact that mileage deficiencies are to be paid quarterly, they shall be computed on an annual basis. Accordingly, if during any quarter the Cars have an average daily mileage exceeding 65 miles per day, the credit available from such excess mileage shall be used to offset any mileage deficiency from any preceding quarter during such year

and, to the extent not so used, shall be used as a credit to offset any mileage deficiency which may occur in any subsequent quarter of such year. In the event that the average daily mileage during any quarter is less than 65 miles per day, the resulting mileage deficiency shall be offset, if possible, by utilizing credits from prior or subsequent quarters during such year. If, at the end of any year, the Cars have an average daily mileage in excess of 65 miles per day and because of quarterly variations AGRI has paid mileage deficiency fees to Brae during such year, Brae shall refund such mileage deficiency fees to AGRI within 15 days after making the determination referred to in the preceding paragraph. Except as provided in the preceding sentence, Brae shall be entitled to all mileage payments made by railroads with respect to Cars. Credits resulting from excess mileage shall terminate if not used or refunded at the end of each year.

6. Termination of Payments. In no case shall AGRI be required to meet minimum mileage obligations with respect to a Car when such Car is used in unauthorized service by a third party without AGRI's knowledge and/or consent. If a Car is used in unauthorized service, Brae agrees to help recover any and all penalties assessed against the unauthorized third party inuring to the benefit of AGRI.

7. Obtaining Exception to ICC Service Orders. Brae shall endeavor to obtain exceptions from ICC Service Orders or

directives or orders from other properly authorized governmental agencies or bodies which by their terms would deprive AGRI of the use of the Cars in its assigned service. In the event Brae is unable to obtain exceptions to ICC Service Orders or has failed to complete registration requirements and Cars are not available for AGRI's use, no mileage obligation or lease rental payment shall be required of AGRI with respect to Cars which are not available for use. Mileage obligations under the Agreement shall cease on any and all cars hereunder which are "bad ordered" or subject to Mechanical Rule 108 of the AAR Interchange Rules, or where repair parts are being awaited to repair any Car subject hereto.

8. Compliance with Interstate Commerce Commission.

It is agreed that the utilization of the Cars shall be in compliance with the provisions of the Interstate Commerce Act, the Interstate Commerce Commission's Regulations promulgated thereunder, and the Car Service Rules established by the Association of American Railroads.

9. Private Lease Between AGRI and Brae. In the

event that the assignment with the originating carrier referred to in Paragraph 2 is terminated or is no longer in effect with respect to some or all of the Cars and AGRI has not obtained an assignment from another originating carrier, AGRI's obligations under Paragraph 5 shall immediately cease with respect to such Car or Cars and such Cars without action by either party shall

immediately be subject to the full service lease agreement annexed hereto. The fixed rental under such lease shall be \$494 per Car per month. However, AGRI, at its option, upon notification to Brae, may postpone the immediate changeover from the terminated assignment to the full service lease agreement in order to secure another originating carrier and subsequent assignment. In such event, AGRI shall guarantee Brae revenues equal to that which the Cars would earn if utilization of the Cars off the shortline were 100% and the Cars travelled an average of 65 miles per day. Furthermore, should the Cars be subject to the full service lease and should AGRI thereafter find an originating carrier or carriers providing a subsequent assignment or assignments, AGRI shall have the right, at its option, to revert to the terms of this Agreement. Should AGRI switch a Car or Cars from assignment with an originating carrier or carriers to the full service lease agreement or the reverse, the only cost to be borne by AGRI, aside from those described in this paragraph, shall be for the remarking and restenciling of the Cars. AGRI shall change a Car from the mileage obligation status to a full service lease, or the reverse, only upon ten (10) days notice in writing to Brae. Upon receipt of such notice, Brae shall be responsible for all registrations with or approvals from the appropriate governmental authorities and other required parties. Should AGRI suffer any loss of use because of delay due to the fault of Brae, Brae

shall cause an abatement of AGRI's obligations on a pro rata basis, to be effected on AGRI's mileage obligation or rent under the full service agreement. The provisions of this paragraph shall apply to any or all of the Cars at AGRI's option.

10. Repairs of Cars.

A. AGRI shall use the Cars with due care and in services which will not damage the Cars as the result of the products being transported and AGRI will not alter the physical structure of any of the Cars without the approval in writing of Brae. AGRI agrees to give Brae prompt written notice of the need to repair or perform maintenance upon any Car. Except where responsibility is placed upon others as provided in Paragraphs 10C or 12A hereof, Brae, at its expense, agrees to maintain the Cars in good condition and repair according to the Code of Rules (as defined in Paragraph 12A).

B. Brae's obligation under Paragraph 10A to maintain and repair the Cars shall not extend to mandatory changes in the design of any Car, its components, configurations or safety appliances or other changes required by separate legislative act or regulation effective after the Effective Date, which requires an expenditure in excess of \$2,000. In the event of such a change applicable to any Car, Brae may terminate this Lease with respect to such Car, provided, however, that prior to termination, AGRI may, at its own expense, cause to have made the mandatory changes

to such Car or Cars, and this Agreement shall continue until expiration.

C. Brae's maintenance obligations shall not extend to repair or maintenance required as a result of, or attributable to: (i) defects in the manufacture or workmanship of any Car or any component thereof or any material incorporated therein by the manufacturer or by any person other than Brae, its agents or representatives; provided that Brae shall use its best efforts to enforce the warranty rights with respect to the Cars; (ii) damage caused by AGRI, its agents or representatives; (iii) damage caused to the Car by any corrosive or abrasive substance loaded therein or used in connection therewith; (iv) damage to substance loaded therein or used in connection therewith or damage to any Car caused by open flames, vibrations, sledges or other similar devices during loading or unloading; (v) excessive or unbalanced loading; and (vi) special interior linings. AGRI agrees, at its expense, to maintain all special interior linings on the Cars in good condition and repair.

D. Brae may elect to terminate this Agreement with respect to any Car which has suffered damage in excess of 25% of its then fair market value or any Car for which the cost of repairs exceeds the available insurance proceeds. In the event this Agreement is terminated with respect to

any Car, Brae may at its election substitute for such Car another Car of approximately the same age and type.

11. Mileage Payment Abatement.

A. If any Car becomes unfit for any reason unrelated to the matters described in Paragraph 10C hereof and if such condition is not due to damage to such Car for which AGRI is responsible under this Agreement, the provisions of Paragraph 11B shall govern the abatement of the mileage guarantee for such Car.

B. Guaranteed mileage payments as provided in Paragraph 5 for any Car damaged or destroyed for any reason unrelated to the matters described in Paragraph 10C which cause a Car to be bad ordered shall be abated from the date such Car is bad ordered until the date such Car is returned to service or replaced by another Car of approximately the same age and type as the damaged Car.

12. Destruction or Damage to Cars.

Responsibility for loss or destruction of or damage to Cars or parts thereof or appurtenances thereto furnished under this Agreement shall be as fixed by the then prevailing Code of Rules Governing the Condition of and Repairs to Freight and Passenger Cars for the Interchange of Traffic promulgated by the Association of American Railroads (the "Code of Rules"). The Code of Rules shall establish the rights, obligations, liabilities of Brae, AGRI, and any railroad

subscribing to the Code of Rules and moving the Cars over its lines in respect of matters to which the Code of Rules relate. Brae and AGRI agree to cooperate with and to assist each other in any reasonable manner requested but without affecting their respective obligations under this Article to establish proper claims against parties responsible for loss, or destruction of or damage to the Cars.

13. Effective Date of Agreement. This Agreement will become effective when it has been signed by all parties and the confirmation referred to in Paragraph 2 has been delivered to Brae. This document contains the entire agreement of the parties with respect to the subject matter thereto, and no modifications hereto shall be effective unless in writing and signed by all parties. This Agreement shall be governed and construed according to the laws in effect in the State of Iowa. Any waiver of any terms and conditions of this Agreement by all parties shall apply to said instance only and shall not operate as a waiver of any of the terms and conditions with respect to future acts or omissions.

14. Cancellation Rights. AGRI shall have the right to cancel this Agreement without penalty, either in its entirety or with respect to a portion of the Cars, upon written notice to Brae in the event that its operations are reduced substantially for a substantial period of time because of war, fire, flood, embargo, accident, explosion, or other causes beyond the

control of AGRI, an Act of God, or by strike or lockout, or by any proceeding at law or equity. AGRI shall be entitled to exercise this right only with respect to all of the Cars or in increments of fifty Cars.

15. Arbitration. Any disputes or controversies arising under this Agreement shall be determined by submitting them to the American Arbitration Association in Des Moines, Iowa, subject to its rules then obtaining, with each party bearing its proportionate share of the costs.

16. Special Obligations. All insurance, tax, maintenance, and any other legal or financial obligations on the Cars not specifically so stated in this Agreement as being for AGRI's account shall be the responsibility of Brae. Furthermore, it shall be the duty of Brae to warrant no interference with AGRI's use of the Cars because of any failure on the part of Brae to comply with the terms and conditions of this Agreement.

17. Bankruptcy. Either party shall have the right to declare this Agreement null and void should the other party be declared bankrupt.

18. Communications. All written communications from AGRI to Brae shall be directed at the following address: Brae Corporation, Three Embarcadero Center, San Francisco, California 94111. All written communications from Brae to AGRI shall be directed at the following addresses: AGRI Industries, Attention:

Traffic Department, P.O. Box 4887, Des Moines, Iowa 50306
and Wilbur N. Bump, 712 Financial Center, Des Moines,
Iowa 50309.

19. Assignment. Except as permitted in Paragraph 20D, Brae shall not assign its rights under this Agreement except with the written consent of AGRI, which consent shall not be unreasonably withheld.

20. Miscellaneous.

A. The delivery of any car to AGRI shall be subject to the manufacturer's delivery schedules, and the availability of financing on terms satisfactory to Brae.

B. In the event that the Cars are no longer subject to lease to the Shortline Railroad described in Provision 1, Brae shall notify AGRI, and shall make every effort to secure a substitute shortline railroad without interrupting the availability of cars to AGRI. If a substitute shortline railroad cannot be found, Brae may, upon not less than ten (10) days prior written notice to AGRI, convert this Agreement to the Full Service Lease Agreement annexed hereto.

C. Upon the termination of this Agreement (unless the Full Service Lease Agreement is then in effect), AGRI shall redeliver the Cars to Brae in Des Moines, Iowa, free of all residue. AGRI, at its option, may redeliver any or all of the Cars to Brae during the thirty (30) calendar day period

immediately preceding the date on which the term of this Agreement expires.

D. This Agreement and all of AGRI's rights under this Agreement, and all rights of any person who claims rights under this Agreement through AGRI are subject and subordinate to the terms, covenants and conditions of all chattel mortgages, conditional sales agreements, assignments, equipment trust agreements, finance leases or other security documents covering the Cars or any of them heretofore or hereafter created and entered into by Brae and to all of the rights of any such chattel mortgagee, assignee, trustee, owner or other holder of interest in the Cars. Brae may assign its rights in whole or in part under this Agreement as security in connection with financing transactions. In the event of any such assignment, mortgage or transfer, AGRI agrees to execute any and all documents required by the assignee, mortgagee or transferee to confirm such third party's interest in and to the Cars and this Agreement, and to confirm the subordination provisions contained in this Section 20.

IN WITNESS WHEREOF, the parties have caused this Agreement to be executed by their duly authorized officers as of the date first above written.

ATTEST: AMERICAN GRAIN AND RELATED INDUSTRIES
(a Farmer-owned Cooperative)

By [Signature]
Title Asst. Vice President
Assistant Vice-President

ATTEST: BRAE CORPORATION

By [Signature]
Title President
Assistant Secretary

STATE OF Quia)
COUNTY OF Polk) SS.

On this 20th day of July, 1979, before me personally appeared R.P. K... .., to me personally known, who being by me duly sworn says that such person is Assistant Vice-President of AMERICAN GRAIN AND RELATED INDUSTRIES (a Farmer-owned Cooperative), and that the foregoing Agreement was signed on behalf of said entity with due authorization and such person acknowledged that the execution of the foregoing instrument were the free acts and deeds of such entity.

John A. Rossman
Notary Public

ATTEST: BRAE CORPORATION

STATE OF CALIFORNIA)
CITY AND COUNTY OF SAN FRANCISCO) SS.

On this 7th day of August, 1979, before me personally appeared W.S., to me personally known, who being by me duly sworn says that such person is President of BRAE CORPORATION, and that the foregoing Agreement 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 were the free acts and deeds of such corporation.

M. Battle
Notary Public



**EXHIBIT A
EQUIPMENT SCHEDULE**

A.A.R. Mech. Design	Description	Numbers	Length	Dimensions Inside Width	Height	Doors Width	No. of Cars
LO	Covered Hopper 4650 Cubic Ft.	WAR 15000- 15099 14000 - 14099				GRAIN	100

BRAE CORPORATION

BY: [Signature]

TITLE: President

DATE: August 7, 1979

AMERICAN GRAIN AND RELATED IND.
(a Farmer-owned Cooperative)

BY: [Signature]

TITLE: Assistant Vice President

DATE: August 14, 1979

AGREEMENT

THIS AGREEMENT, made as of this 7th day of November, 1978, between States Marine Corporation doing business through its division STATES RAIL SERVICES, with offices at 280 Park Avenue, New York, New York 10017 ("SRS"), as agent for certain principal owners, and GENESEE AND WYOMING RAILROAD COMPANY, a New York corporation ("GWRR"), with offices at 3846 Retsof Road, Retsof, New York 14539.

1. Scope of Agreement

A. SRS, as agent for certain principal owners, and GWRR agree that SRS shall deliver to GWRR for GWRR's use a maximum of 300 covered hopper railroad cars as set forth in any schedule or schedules executed by the parties concurrently or subsequently with this Agreement and made a part hereof. The word "Schedule" as used herein includes any such schedule or schedules executed herewith. The Schedule shall at all times describe the railcar equipment by appropriate serial number and identify the name of each car owner. The scheduled items of equipment are hereinafter called collectively the "Cars."

B. It is the intent of the parties to this Agreement that the principal owners set forth on the Schedule shall at all times be and remain the owners of the Cars and that SRS shall be their agent. SRS acts or will act as agent of the owners by virtue of certain management agreements between SRS and each individual owner of the Cars. All actions undertaken by SRS under this Agreement shall, unless the context otherwise requires, be deemed to be taken as agent for each of the individual owners set forth on the Schedule. GWRR agrees that it will at no time take any action or file any document which is inconsistent with the foregoing intent and that it will execute such documents, at the request of SRS or the owners, and take such action as it deems necessary to accomplish or evidence this intent.

C. SRS, as agent for the owners, and GWRR agree that, as between themselves, GWRR shall not be entitled to claim the benefits of any available Investment Tax Credit for Federal income tax purposes.

D. It is the intent of the parties that SRS, as agent, shall receive an amount equal to all the per diem payments, mileage payments and any other payments however designated earned by the Cars (all of which are hereinafter collectively referred to as "payments" or "car hire payments") and GWRR shall have the availability and use of the Cars in its present transportation operation and in any expansion of such service without payment of any other charge to SRS.

2. Term

This Agreement shall remain in full force until it shall have been terminated as to all of the Cars as provided herein. Subject to any termination rights hereinafter contained, this Agreement shall commence upon the delivery of the first Car to GWRR as set forth in Section 3A hereof and shall terminate on December 31, 1983.

3. Supply Provisions

A. SRS, on behalf of the owners, will inspect each of the Cars tendered by the manufacturer for delivery and confirm to GWRR in writing that such inspection has been made and that the Cars conform to the specifications agreed to by GWRR as described in the attached Schedules. GWRR shall inspect the sample car and confirm in writing to SRS that it conforms to the specifications agreed to by GWRR and which are referenced in the attached Schedules. Upon such approval by GWRR and SRS's subsequent determination that each Car conforms to the specifications supplied by SRS and to all applicable governmental regulatory specifications, SRS will accept delivery thereof as agent of the owners at the manufacturer's facility and shall notify GWRR in writing of such acceptance. Each of the Cars shall be deemed delivered to GWRR upon such acceptance and notification by SRS and control of the Cars shall immediately pass from the owners to GWRR at such time.

B. If there is a surplus of Cars available for salt service, GWRR intends to the extent practicable to load the Cars prior to loading substantially similar covered hopper railroad cars which, subsequent to the date of this Agreement, have been leased or purchased by GWRR provided, however, that this shall in no event prevent or prohibit GWRR from fulfilling its obligations to provide transportation and facilities upon reasonable request therefor to shippers on its railroad tracks. While it is the intent of GWRR to treat the Cars on a basis no less favorable than that afforded to cars now owned or leased by GWRR, it is expressly understood that GWRR may, because of practical business considerations, give loading preference to cars now owned or leased by it (or to any substitutes for such cars). In addition, it is further understood that shipper cars at all times have loading priorities at the shipper's option.

4. Railroad Markings and Record Keeping

A. SRS, as agent, and GWRR agree that on or before delivery of any Cars to GWRR, said cars will be lettered with

the railroad markings of GWRR and may also be marked with the name and/or other insignia used by GWRR, all at no cost to GWRR. SRS will insure that such name and/or insignia comply with all applicable regulations.

B. At no cost to GWRR, SRS, as agent, shall during the term of this Agreement prepare for GWRR's signature and filing all documents relating to the registration, maintenance and record keeping functions involving the Cars. Such documents shall include but are not limited to the following: (i) appropriate Association of American Railroads ("AAR") documents (ii) registration in the Official Railway Equipment Register and the Universal Machine Language Equipment Register (UMLER); and (iii) such reports as may be required from time to time by the Interstate Commerce Commission ("ICC") and/or other regulatory agencies.

5. Maintenance, Taxes and Insurance

A. Except as otherwise provided herein and excluding the operating cost of GWRR as would be incurred whether or not this Agreement were in effect, SRS will pay all costs; expenses, fees and charges incurred in connection with the use and operation of each of the Cars during the term of this Agreement, including but not limited to repairs, maintenance and servicing, unless the same was occasioned by the fault of GWRR while a Car was in the physical possession of GWRR. GWRR hereby transfers and assigns to SRS for and during the term hereof all of its right, title and interest in any warranty in respect to the Cars. All claims or actions on any warranty so assigned shall be made and prosecuted by SRS at its sole expense and GWRR shall have no obligation to make any claim on such warranty. Any recovery under such warranty shall be payable solely to SRS for the benefit of the individual owner.

B. Except as provided above, SRS shall make or cause to be made such inspections of, and maintenance and repairs to, the Cars as may be required. At SRS's expense, GWRR shall perform any necessary maintenance and repairs to Cars on GWRR's railroad tracks as may be reasonably requested by SRS. SRS shall also make, at its expense, all alterations, modifications or replacement of parts as shall be necessary to maintain the Cars in good operating condition throughout the term hereof. GWRR may make running repairs to facilitate continued immediate use of a Car and bill SRS for such repairs. All bills for repairs by GWRR are payable upon receipt by SRS of an invoice.

C. SRS agrees to reimburse GWRR upon demand for all taxes (including but not limited to sale or use taxes imposed on the mileage charges, payments hereunder and/or car hire revenues), assessments and other governmental charges of whatsoever kind or character paid by GWRR relating to each Car and on the lease, delivery or operation thereof which may remain unpaid as of the date of delivery of such Car to GWRR or which may be accrued, levied, assessed or imposed during the term hereof, except taxes, however designated, imposed on income of GWRR. Moreover, SRS agrees to indemnify and hold harmless GWRR from any and all such tax, assessment or charge liability and from any costs, penalties or expenses, including legal fees, relating thereto. SRS and GWRR will comply with all state and local laws requiring the filing of ad valorem tax returns on the cars.

6. Consideration

A. In consideration for its performance of its obligations hereunder, SRS shall be entitled for the account of the owners to a sum equal to all car hire payments made to GWRR on account of the Cars. In addition, SRS shall be entitled to a sum equal to all monies, if any, earned by the Cars prior to their initial loading.

B. GWRR shall pay or cause to be paid to SRS, or its designee or agent, a sum equal to all revenues received with regard to the Cars, including but not limited to payments described in Section 6A, 6C and 7B, as soon as possible after such payments are actually received by GWRR. GWRR agrees to appoint the First National Bank of Boston (the "Bank") as its collection agent during the term of this Agreement for purposes of collecting the monthly drafts of GWRR in respect of all railroad cars controlled by GWRR. GWRR shall instruct the Bank to deposit that portion of the sum collected on any monthly draft which is equal to all car hire payments earned by the Cars in such account in the Bank as SRS may direct. It is understood that GWRR may give such instructions as it may desire in respect of that portion of the monthly draft attributable to its railroad cars which are not subject to this Agreement.

C. In the event damage beyond repair or destruction of a Car has been reported in accordance with Rule 7 of the AAR Car Service and Car Hire Agreement, Code of Car Hire Rules and Interpretations - Freight and the appropriate amount due as a result thereof is received by SRS, said damaged or destroyed Car will be removed from the coverage of this Agreement as of

the date that payment of car hire payments as to such Car ceased.

D. SRS may, at its option and upon written notice to GWRR, terminate this Agreement as to such Cars as SRS shall determine in the event that the utilization after December 31, 1979 of (x) the Cars and (y) cars under a separate agreement dated as of November 7, 1978 between SRS and GWRR is less than 70 per cent either (i) during any two consecutive quarters or (ii) on the average over any four consecutive calendar quarters. For the purposes of this Agreement, utilization shall be determined by a fraction, the numerator of which is the sum of the aggregate number of days in each calendar quarter that car hire payments are earned by GWRR on each car, commencing from the initial loading, and the denominator of which is the sum of the aggregate number of days in each calendar quarter that each car is subject to this Agreement, commencing from the initial loading (such term referred to as "utilization").

E. Upon mutual written consent of SRS and GWRR, this Agreement may be terminated as to any Car at any time.

F. If at any time during the term of this Agreement, any management agreement (as referenced in Section 1 above) between SRS and any individual owner is terminated, then this Agreement shall be deemed to be terminated as to the Cars of such owner as of date of termination of the owner's Management Agreement.

G. In the event that GWRR shall give written notice to SRS, or its designee or agent, that any alterations, modifications, improvements or additions to the Cars, costing \$200 or more per Car, or any one of them, are required by AAR, the Department of Transportation or any other regulatory agency or are otherwise required to comply with applicable laws, regulations or requirements, then SRS shall have thirty (30) days from the receipt of said notice to terminate this Agreement as to one or more of the Cars. Such termination shall be made by written notice to GWRR within said thirty (30) day period. If SRS does not so terminate, then SRS shall promptly commence and diligently complete such alteration, modification, improvement or addition or GWRR may immediately terminate this Agreement as to such Cars.

7. Possession and Use

A. So long as GWRR shall not be in default under this Agreement, GWRR shall be entitled to the possession and

use of the Cars in accordance with and subject to the terms of this Agreement and in the manner and to the extent Cars are customarily used in the railroad freight business.

B. If, in the opinion of SRS and GWRR, it may be possible to achieve a higher utilization of the Cars without seriously impeding the ability of the GWRR to perform its carrier functions, then SRS may direct GWRR to assign that number of Cars designated by SRS to other railroads subject to recall. In this event, an amount equal to all car hire payments earned with regard to the assigned cars shall be paid to SRS.

C. GWRR will not directly or indirectly create, incur, or cause to exist any mortgage, pledge, lien, charge, encumbrance, or other security interest or claim on or with respect to the Cars or any interest therein or in this Agreement or any Schedule thereto. GWRR will promptly, at its expense, take such action as may be necessary to duly discharge any such mortgage, pledge, lien, charge, encumbrances, security interest or claim if the same shall arise at any time.

D. GWRR shall use its best efforts to provide that the Cars will not be used predominantly outside the United States during 1978 or any subsequent calendar year within the meaning of Section 48(a)(2)(A) of the Internal Revenue Code, as amended, or any successor provision thereof, and the regulations thereunder. It is expressly understood that GWRR shall have no other obligation in this regard.

8. Default of GWRR

A. The occurrence of any of the following events shall be an event of default of GWRR:

(i) The nonpayment by GWRR of any sum required herein to be paid by GWRR within twenty (20) days after the date any such payment is due.

(ii) The breach by GWRR of any other term, covenant, or condition of this Agreement, which is not cured within twenty (20) days after receipt of written notice thereof.

(iii) Any act of insolvency by GWRR, or the filing by GWRR of any petition or action under any bankruptcy, reorganization, insolvency or moratorium

law, or any other similar law or laws for the relief of, or relating to, debtors.

(iv) The filing of any involuntary petition under any bankruptcy, reorganization, insolvency or moratorium law against GWRR that is not dismissed within sixty (60) days thereafter, or the appointment or any receiver or trustee to take possession of the properties of GWRR, unless such petition or appointment is set aside or withdrawn or ceases to be in effect within sixty (60) days from the date of said filing or appointment.

(v) The subjection of any material portion of GWRR's property to any levy, seizure, assignment, application or sale for or by any creditor or governmental agency which is not discharged within sixty (60) days.

B. Upon the occurrence of any event of default, SRS, at its option, may

(i) Proceed by any lawful means to enforce performance by GWRR of this Agreement or to recover damages for a breach thereof (and GWRR agrees to bear SRS's costs and expenses, including reasonable attorneys' fees, in securing such enforcement), or

(ii) By notice in writing to GWRR, terminate GWRR's right of possession and use of the Cars, whereupon all right and interest of GWRR in the Cars shall terminate; and thereupon SRS may enter upon any premises where the Cars may be located and take possession of them and henceforth hold, possess and enjoy the same free from any right of GWRR. SRS shall nevertheless have the right to recover from GWRR any and all rental amounts which under the terms of this Agreement may then be due or which may have accrued to that date.

9. Default of SRS

A. The occurrence of any of the following events shall be an event of default of SRS:

(i) The nonpayment by SRS of any sum required herein to be paid by SRS within twenty (20) days after the date any such payment is due.

(ii) The breach by SRS of any other term, covenant, or condition of this Agreement, which is not cured within twenty (20) days of receipt of written notice thereof.

(iii) Any act of insolvency by States Marine Corporation, or the filing by States Marine Corporation of any petition or action under any bankruptcy, reorganization, insolvency or moratorium law, or any other similar law or laws for the relief of, or relating to, debtors.

(iv) The filing of any involuntary petition under any bankruptcy, reorganization, insolvency or moratorium law against States Marine Corporation that is not dismissed within sixty (60) days thereafter, or the appointment of any receiver or trustee to take possession of the properties of States Marine Corporation, unless such petition or appointment is set aside or withdrawn or ceases to be in effect within sixty (60) days from the date of said filing or appointment.

(v) The subject of any material portion of States Marine Corporation's property to any levy, seizure, assignment, application or sale for or by any creditor or governmental agency which is not discharged within sixty (60) days.

B. Upon the occurrence of any event of default, GWRR, at its option, may

(i) Proceed by any lawful means to enforce performance by SRS of this Agreement and to recover damages for a breach hereof (and SRS agrees to bear GWRR's costs and expenses, including reasonable attorney's fees, in securing such enforcement), or

(ii) Terminate this Agreement, proceed by any lawful means to recover damages for a breach hereof, and, by notice to SRS, require SRS to take possession of any Cars situated on GWRR's line.

C. The termination of any management agreement between SRS and any owner of any Cars for any reason shall be an event of default of SRS. In such event, GWRR may (i) terminate this Agreement as to any Cars covered by such

terminated management agreement, (ii) by notice to SRS or the owner, require SRS or the owner to take possession of any such Cars situated on GWRR's line, and (iii), except as to terminations of the management agreement pursuant to Section 13 or 14 thereof, proceed by any lawful means to recover damages for breach.

10. Rights at Termination

At the expiration or termination of this Agreement as to any Cars, GWRR will surrender possession of such Cars to SRS by delivering the same to SRS at SRS's expense. Upon termination, GWRR's railroad markings shall be removed from the Cars and there shall be placed thereon such markings as may be designated by SRS, at the option of SRS and at SRS's cost, either (1) by GWRR upon return of such Cars to GWRR's railroad line or (2) by another railroad line which has physical possession of the car at the time of or subsequent to termination as to such Car. If such Cars are not on the railroad line of GWRR upon termination, any cost of assembling, delivering, storing, and transporting such Cars to GWRR's railroad line or the railroad line of a subsequent lessee shall be borne by SRS. If such Cars are on the railroad line of GWRR upon termination, SRS shall be liable to GWRR for storage costs until such Cars are removed from GWRR tracks.

11. Indemnities

SRS will defend, indemnify and hold GWRR harmless from and against (1) any and all loss or damage of or to the Cars, usual wear and tear excepted, unless occurring while GWRR has physical possession of Cars and (2) any claim, cause of action, damage, liability, cost or expense which may be asserted against GWRR with respect to the Cars (other than loss or damage to the Cars as in (1)), including without limitation that arising out of the construction, purchase and delivery of the Cars to GWRR's railroad line, ownership, leasing or return of the Cars, or as a result of the use, maintenance, repair, replacement, operation or the condition thereof (whether defects, if any, are latent or are discoverable by SRS or GWRR).

12. Representations, Warranties and Covenants of GWRR

GWRR represents, warrants and covenants that GWRR is a corporation duly organized, validly existing and in good standing under the laws of the State of New York and has taken

all of the corporate action necessary to enter into and perform its obligations under this Agreement.

13. Representations, Warranties and Covenants of SRS

SRS represents, warrants and covenants that SRS is a division of States Marine Corporation; that SRS has received and reviewed the management agreement signed by each of the owners set forth on Schedule A; that to the best of its knowledge any of such owners as are required to obtain corporate authorization to enter into such management agreement have taken all of the action necessary to obtain and have obtained such authorization, and that nothing has come to the attention of SRS which would indicate that any owner was not qualified to enter into such management agreement or that SRS's authority to act on any such owner's behalf in entering into this Agreement has been limited in any way except as contemplated by such management agreement.

14. Inspection

SRS shall at any time during normal business hours have the right to enter the premises where the Cars may be located for the purpose of inspecting and examining the Cars to insure GWRR's compliance with its obligations hereunder. GWRR shall immediately notify SRS of any accident connected with the malfunctioning or operation of the Cars, including in such report the time, place and nature of the accident and the damage caused, the names and addresses of any persons injured and of witnesses, and other information pertinent to GWRR's investigation of the accident. GWRR shall also notify SRS in writing within five (5) days after any attachment, tax lien or other judicial process shall attach to any Car. GWRR will execute any authorization necessary for SRS to examine the Cars.

15. Agency of SRS

GWRR understands that SRS is acting as agent for the various car owners as individuals or individual entities, that SRS will look to such owners for the payment of all amounts due to GWRR under this Agreement and that SRS will have no obligation to pay such amounts except to the extent that such owners have made such sums available to SRS. This Section shall in no way limit GWRR's ability under Section 9 to terminate this Agreement.

16. Miscellaneous

A. This Agreement and the Schedules contemplated hereby shall be binding upon and shall inure to the benefit of the parties hereto and their respective successors and assigns. Except as provided in Section 7B. hereof, GWRR may not without the prior written consent of SRS assign this Agreement or any of its rights and obligations hereunder and any purported assignment in violation hereof shall be void. SRS may not without the prior written consent of GWRR assign its agency rights and obligations under this Agreement to any party and any assignment in violation hereof shall be void.

B. It is expressly understood and agreed by GWRR, SRS, and the owners that this Agreement constitutes an agreement as to use of the Cars only and no joint venture or partnership is being created. Notwithstanding the calculation of car hire payments, nothing herein shall be construed as conveying to GWRR any right, title or interest in the Cars except as GWRR's rights are specifically provided herein.

C. No failure or delay by SRS shall constitute a waiver or otherwise affect or impair any right, power or remedy available to SRS nor shall any waiver or indulgence by SRS or any partial or single exercise of any right, power or remedy preclude any other or further exercise thereof or the exercise of any other right, power or remedy.

D. This Agreement shall be governed by and construed according to the laws of the State of New York.

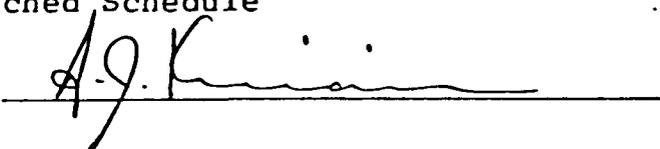
E. All notices hereunder shall be in writing and shall be deemed given when delivered personally or when deposited in the United States mail, postage prepaid, certified or registered, addressed to the president of the other party at the address set forth above.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the date first above written.

GENESEE AND WYOMING RAILROAD COMPANY

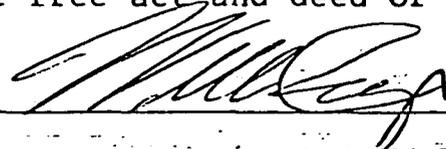
By: 

States Marine Corporation, doing
business through its division,
STATES RAIL SERVICES, as agent for
the owners identified on the
attached Schedule

By: 

STATE OF NEW YORK)
COUNTY OF *New York*) SS:

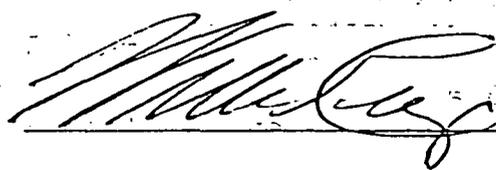
On this *15th* day of November, 1978, before me personally appeared *Mortimer B. Fuller III*, to me personally known, who being by me duly sworn, says that he is the *CHAIRMAN* of GENESEE AND WYOMING RAILROAD COMPANY, that the seal affixed to the foregoing instrument is the corporate seal of said corporation, that said instrument was signed and sealed on behalf of said corporation by authority of its Board of Directors, and he acknowledged that the execution of the foregoing instrument was the free act and deed of said corporation.



WILLIAM A. CRAIG JR.
Notary Public, State of New York
No. 30-0791284
Qualified in Nassau County
Commission expires March 30, 1979

STATE OF NEW YORK)
COUNTY OF *New York*) SS:

On this *15th* day of November, 1978, before me personally appeared *ARTHUR J. KIRAGAN*, to me personally known, who being by me duly sworn, says that he is the *EXECUTIVE PRES* of STATES MARINE CORPORATION, that the seal affixed to the foregoing instrument is the corporate seal of said corporation, that said instrument was signed and sealed on behalf of said corporation by authority of its Board of Directors, and he acknowledged that the execution of the foregoing instrument was the free act and deed of said corporation.



WILLIAM A. CRAIG JR.
Notary Public, State of New York
No. 30-0791284
Qualified in Nassau County
Commission expires March 30, 1979

EXHIBIT "E"

ASSIGNMENT AGREEMENT

WHEREAS, States Marine Corporation ("States Marine") has, either directly or through its States Rail Services division, under or in connection with the States Rail Services Covered Hopper Car Management Program, 1978-1983 (the "Program"), entered into the following contracts: (1) a Management Agreement with each participant in the Program (except itself); (2) a Subcontractor Agreement with GWI Rail Management Corp. ("GWIRM"); (3) two separate GWRR Agreements with Genesee and Wyoming Railroad Company "GWRR"); (4) a Shurtleff Lease with W. H. Shurtleff Co.; (5) a Fiscal Agency Agreement with The First National Bank of Boston (the "Bank") and each participant (except GWI Leasing Corp. ("GWILC")) that has financed its purchase of railcars through a loan from the Bank; (6) an Agreement and Consent to Assignment with the Bank and GWILC; and (7) a Collection Agency Agreement with the Bank and GWRR (the contracts listed in (1)-(7) above being hereinafter collectively called the "Contracts"); and

WHEREAS, States Marine and BRAE Corporation ("BRAE") have agreed, subject to the consents contained at the foot hereof, that States Marine will assign to BRAE its rights and obligations as manager and fiscal agent under and in connection with the Program;

NOW, THEREFORE, in consideration of the premises and other good and valuable consideration, the receipt of which is hereby acknowledged, it is hereby agreed as follows:

1. States Marine hereby sells, transfers, conveys, assigns and delivers to BRAE all of the Contracts and all of States Marine's rights, title and interest, as agent and in its individual capacity (except as railcar owner), in, to and under the Contracts from this day forward, with the exception of Section 5 of the Fiscal Agency Agreements.

2. BRAE hereby accepts the assignment contained in Paragraph 1 above and covenants with States Marine to assume and faithfully perform and discharge all the terms, conditions, duties, obligations and responsibilities to be performed and discharged by States Marine as agent or in its individual capacity (except as railcar owner) under the Contracts from this day forward, with the exception of Section 5 of the Fiscal Agency Agreements; it being understood by the parties hereto that BRAE shall have no liability for the performance prior to the date hereof by States Marine under the Contracts.

3. States Marine and BRAE hereby agree to indemnify and hold harmless GWIRM, GWRR and the Bank and each of them from and against any and all claims, actions, judgments, settlements, damages, expenses (including reasonable attorneys' fees), losses or liabilities incurred by or asserted against GWIRM, GWRR and the Bank arising out of or in connection with the assignment of duties and obligations by States Marine hereunder.

4. It is expressly agreed and understood that as between States Marine and GWIRM, between States Marine and GWRR, between States Marine and the Bank and between States Marine and each of the participants in the Program, as such relationships appear in each of the several Contracts, that this assignment shall not constitute a novation of such Contracts but only a subcontracting of States Marine's rights and duties as agent or in its individual capacity (except as railcar owner) under such Contracts and that States Marine will at all times remain responsible, as assignor, to GWIRM, GWRR and the Bank for the due, prompt and punctual performance of its obligations thereunder.

5. This Assignment Agreement shall be governed by and construed under the laws of the State of New York.

IN WITNESS WHEREOF, States Marine and BRAE have caused this Assignment Agreement to be duly executed as of this 6th day of AUG-057, 1979.

STATES MARINE CORPORATION
By: [Signature]
Secretary.

BRAE CORPORATION
By: [Signature]

We each hereby consent to this Assignment Agreement.

GWI RAILCAR MANAGEMENT CORP.
By: [Signature]

GENESEE AND WYOMING RAILROAD COMPANY
By: [Signature]

THE FIRST NATIONAL BANK OF BOSTON
By: _____

5. This Assignment Agreement shall be governed by and construed under the laws of the State of New York.

IN WITNESS WHEREOF, States Marine and BRAE have caused this Assignment Agreement to be duly executed as of this 6th day of August, 1979.

STATES MARINE CORPORATION

By: _____

BRAE CORPORATION

By: _____

We each hereby consent to this Assignment Agreement.

GWI RAILCAR MANAGEMENT CORP.

By: _____

GENESEE AND WYOMING RAILROAD COMPANY

By: _____

THE FIRST NATIONAL BANK OF BOSTON

By: James F. Notman
ASSISTANT VICE PRESIDENT

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

On this *30th* day of *JULY*, 1979, before me personally appeared *WILLIAM A. CRAIG JR.*, to me personally known, who being by me duly sworn, says that he is the ~~Secretary~~ of States Marine Corporation and that the foregoing instrument was executed on behalf of States Marine Corporation by authority of its Board of Directors, and he acknowledged that the execution of the foregoing instrument was the free act and deed of States Marine Corporation.

Rita Eileen Breslin

Notary Public

My commission expires:

[Notarial Seal]

RITA EILEEN BRESLIN
Notary Public, State of New York
No. 24-5442310
Qual. in Kings Co.-Cert. Filed in N.Y. Co.
Commission Expires March 30, 1980

STATE OF *California*)
)
) ss.:
COUNTY OF *SAN FRANCISCO*)

On this *6th* day of *August*, 1979, before me personally appeared *DONALD H. GIBBSON*, to me personally known, who being by me duly sworn, says that he is the *VICE PRESIDENT, OPERATIONS* of BRAE Corporation and that the foregoing instrument was executed on behalf of BRAE Corporation by authority of its Board of Directors or the Executive Committee, and he acknowledged that the execution of the foregoing instrument was the free act and deed of BRAE Corporation.

MIRELLA R. ABBO

Notary Public

My commission expires:
2/25/83

[Notarial Seal]



EXHIBIT "F"

SHIPPER AGREEMENT

SHIPPER AGREEMENT, dated as of September _____, 1979, between BRAE CORPORATION, a Delaware Corporation ("BRAE"), and CF INDUSTRIES, INC., a Delaware corporation ("Shipper").

RECITAL

BRAE has acquired or will acquire certain railroad cars ("Cars") more specifically described in the Equipment Schedule ("Schedule") attached to Exhibit I to this Agreement. Shipper desires to obtain the use of the Cars and BRAE agrees to the use of the Cars for the purposes set forth in the Schedule.

THE PARTIES AGREE AS FOLLOWS:

1. The Cars.

BRAE shall lease the Cars to a railroad designated by BRAE which will provide them to an originating carrier for assignment to Shipper. BRAE has previously delivered to Shipper a copy of the lease with its railroad lessee, and Shipper hereby confirms to BRAE that such railroad does not participate in the transport of Shipper's commodities.

2. Confirmation of Originating Carrier.

Shipper has previously obtained written confirmation from an originating carrier accepting the Cars in assignment to Shipper's loading points ("Loading Points") designated in the Schedule. Shipper has delivered to BRAE a copy of such confirmation.

3. Delivery.

BRAE shall inspect each Car tendered by the manufacturer for delivery. Prior to such inspection, however, Shipper shall confirm in writing to BRAE that the sample Car which will be made available (prior to the commencement of the deliveries by the manufacturer) for Shipper's inspection conforms to the specifications previously agreed to by Shipper. Upon approval by Shipper and BRAE's determination that the Car conforms to the specifications ordered by BRAE and to all applicable regulatory requirements and if this Agreement or the Lease (as defined in Section 6A) shall be in effect, BRAE shall accept delivery of such Car at the manufacturer's facility and shall notify Shipper in writing of such acceptance. The Cars shall be moved, at no cost to Shipper, to the Loading Point as

soon after acceptance by BRAE from the manufacturer as is consistent with mutual convenience and economy. Shipper acknowledges that BRAE, consistent with its obligation of the preceding sentence, may load the cars enroute to the Loading Point and shall in any event deliver the Cars to the Shipper reasonably clean, free of residue and in the condition required for the uses specified in the Schedule. The initial delivery of Cars to Shipper shall be subject to the manufacturers' delivery schedules and the availability of financing on terms satisfactory to BRAE. BRAE shall, however, use all reasonable efforts to deliver the Cars to Shipper at the Loading Points no later than March 1, 1980. This Agreement shall commence with respect to each Car and such Car shall be deemed to be accepted by Shipper upon its delivery by BRAE to the Loading Point; provided, however, that, in the event the Lease shall be in effect with respect to any Car upon its acceptance by BRAE from the manufacturer, the Lease shall commence with respect to such Car and such Car shall be deemed to be accepted by Shipper (as Lessee under the Lease) immediately upon its acceptance from the manufacturer by BRAE. Upon the completion of delivery of all the Cars hereunder, the average date of delivery ("Average Delivery Date") shall be determined by the parties hereto, and said date shall be inserted in the appropriate place on the Schedule.

4. Term.

The original term of this Agreement (and Shipper's obligations pursuant to Section 5) shall commence as to each Car upon the acceptance of such Car by Shipper at the Loading Point(s) and shall expire as to all Cars three (3) years from the Average Delivery Date. The Shipper shall have the option to extend this Agreement upon the same conditions for two consecutive one (1) year periods beyond the original term of this Agreement. If Shipper elects to extend this Agreement for one (1) year beyond the original term, it shall give BRAE written notice to that effect no later than twelve (12) months prior to the expiration of the original term. In the event Shipper fails to extend this Agreement for one year beyond the original term, Shipper shall pay to BRAE for the next twenty-four (24) months following the termination of this Agreement, on the first day of each month, an amount equal to the aggregate per diem and mileage payment for each Car which would have accrued under this Agreement for such month assuming 100% utilization of the Cars and mileage of 55 miles per day. If Shipper elects to extend this Agreement for an additional (1) year period beyond the initial extension, it shall give BRAE written notice to that effect no later than the expiration date of the original term. In the event Shipper fails to extend this Agreement for one year beyond the initial extension, Shipper shall pay to BRAE for the next twelve (12) months following the termination of this Agreement, on the first day of each month, an amount equal to the aggregate per diem and mileage payment for each Car which would have accrued under this Agreement for such month assuming 100% utilization of the Cars and mileage of 55 miles per day;

provided, however, that in the event Shipper fails to exercise either of its options hereunder, BRAE shall make all reasonable efforts to procure a substitute Shipper to use the Cars or otherwise arrange for the utilization of the Cars and, provided further, that any amounts payable hereunder by Shipper to BRAE shall be reduced by amounts paid by others as per diem, mileage or rental payments with respect to the use of the Cars or any of the Cars.

5. Mileage and Utilization Guarantee.

A. Shipper covenants and agrees that it shall use its best efforts to cause the Cars to travel an average of 55 miles per Car per day (loaded or empty) during the term of this Agreement. In the event that the Cars do not average 55 miles per Car per day during any calendar year, Shipper shall be liable to BRAE as provided in Section 5B.

B. The amount, if any, owed to BRAE by Shipper pursuant to Section 5A for any period shall be determined by multiplying 55 times the aggregate number of "Car Days" during such period and subtracting from that product the total number of miles travelled by all Cars during that period. If the difference is a positive number, then the difference shall be multiplied by the mileage rate then prescribed by the Interstate Commerce Commission ("ICC") as applicable to railcars of the same type as the Cars and which bear railroad markings and that product shall be the mileage deficiency fee for such period. If the difference is a negative number, then there shall be no mileage deficiency fee for such period, but that difference shall be multiplied by the mileage rate then prescribed by the ICC as applicable to railcars of the same type as the Cars and which bear railroad markings and the product shall be a credit available for application as provided in the Section 5D. For the purpose of making these determinations, "Car Day" shall mean one day on which one Car is subject to this Agreement, commencing upon the acceptance of such Car by Shipper at the Loading Point pursuant to Section 3.

C. BRAE shall determine the mileage deficiency fee quarterly within 90 days after the last day of each March, June, September and December during the term of this Agreement. BRAE shall also make an annual determination within 90 days after the last day of each December 31 during the term of this Agreement and shall make a final determination within 60 days after the date this Agreement expires. BRAE shall notify Shipper of each such determination promptly after it has been made.

D. Shipper shall pay BRAE the mileage deficiency fee, if any, quarterly in arrears not later than 15 days after BRAE has notified Shipper of its quarterly determination. Notwithstanding the fact that the mileage deficiency fee is payable

quarterly, it shall be computed on an annual basis. Accordingly, if during any quarter the average daily mileage of the Cars exceeds 55 miles per Car per day, the credit available from such excess mileage shall be used to offset any mileage deficiency fee paid in respect of any preceding quarter and, to the extent not so used, shall remain available for use as a credit to offset any mileage deficiency fee which may become payable in respect of any subsequent quarter. If, because of quarterly variations in average daily mileage, Shipper has paid excess mileage deficiency fees to BRAE during any calendar year, BRAE shall refund such excess mileage deficiency fees to Shipper within 15 days after notifying Shipper of its annual determination for such year. Except as provided in the preceding sentence, BRAE shall be entitled to all mileage payments made by railroads with respect to the Cars.

E. BRAE shall be entitled to receive all full straight car hire (per diem) charges for the Cars while they are in use under this Agreement. In the event of nonpayment of such per diem charges during the term of this Agreement by any other party with respect to any of the Cars which are idle and not used for loading purposes, Shipper will guarantee payment to BRAE of the difference, if any, between the aggregate per diem payments which the Cars would have earned assuming 100% utilization of such Cars, and the aggregate per diem payments which the Cars actually did earn during such nonpayment period.

F. Exceptions to the guarantees per diem and mileage will apply as follows: (a) where a Car is "bad ordered" and Mechanical Rule 108 of the AAR Intechange Rules has been invoked, (b) where the repairing party is awaiting from BRAE parts necessary for repairs. Any Car subject to these exceptions will be excluded from calculations and payments under the guarantees.

6. Full Service Lease.

A. Concurrently with the execution of this Agreement, BRAE and Shipper have executed the full service lease agreement annexed hereto as Exhibit I ("Lease"), the term of which is specified in the Lease.

B. In the event that (i) the confirmation of assignment of the originating carrier referred to in Section 2 shall for any reason cease to be in effect at any time with respect to one or more of the Cars and Shipper shall not have obtained from another originating carrier a confirmation of assignment satisfactory to BRAE or (ii) the lease between BRAE and the railroad lease shall be terminated and an alternate railroad lessee cannot be substituted (after BRAE has used reasonable efforts to secure such railroad lessee), this Agreement (other than Sections 6C, D and E) shall be of no further effect with respect to such Car or Cars and the Lease shall without further act become effective with respect to such Car or Cars. If BRAE becomes aware of a default by railroad lessee under said railroad lease, BRAE shall give notice to Shipper of such default.

C. Shipper may, upon notice to BRAE, elect to delay the effectiveness of the Lease with respect to specified Cars for a period of up to 30 days in order to obtain from another originating carrier a confirmation of assignment satisfactory to BRAE. In such event, this Agreement shall remain in full force and effect and Shipper shall remain obligated under Section 5 with respect to the specified Cars.

D. If the Lease becomes effective with respect to one or more Cars and Shipper thereafter (i) obtains from an originating carrier a confirmation of assignment satisfactory to BRAE or (ii) if following the termination of BRAE's lease with the railroad Lessee, BRAE enters into a subsequent railroad lease for the Cars, Shipper may, at its option, cancel the effectiveness of the Lease as to the Car or Cars covered by such assignment or release and reassume its obligations under this Agreement (including Section 5) with respect to such Car or Cars. Any cancellation of the effectiveness of the Lease shall be preceded by ten days' notice from Shipper to BRAE.

E. Upon the effectiveness of the Lease or the cancellation thereof with respect to any Car, Shipper shall bear all costs and expenses associated therewith, including remarking or restencilling such Car. At such time, Shipper agrees to mark or stencil the reporting marks of BRAE on such Car(s) and BRAE shall, at Shipper's expense, endeavor to obtain all necessary railroad, AAR and regulatory consents and approvals.

7. Compliance with Regulations.

The operation of the Cars and their assignment to Shipper by the originating carrier shall at all times be in compliance with the provisions of the Interstate Commerce Act, the regulations of the ICC, the Department of Transportation and other regulatory agencies, and the rules established by the Association of American Railroads ("AAR").

8. Other Obligations.

A. All insurance, tax and maintenance obligations with respect to the Cars which are not the express obligations of Shipper under this Agreement shall be the responsibility of BRAE.

B. Shipper shall be responsible for all losses or damage to the Cars (ordinary wear and tear excepted) or the contents thereof caused by (i) Shipper, its agents or representatives, (ii) anyone while the Cars are in Shipper's possession, (iii) by any corrosive or abrasive substance loaded therein, and (iv) by excessive or unbalanced loading.

C. Shipper shall be responsible for payment of all reclaim charges payable with respect to the Cars pursuant to I.C.C. Rule 22 for such period(s) as the Car(s) may be idle and not used for loading purposes at Shipper's facilities.

D. Shipper shall give BRAE prompt telephone or telegraphic notice (confirmed in writing) of any damage of which Shipper becomes aware to any Car, regardless of who is responsible for repairing such damage.

9. Assignment.

A. BRAE's rights hereunder may be assigned, mortgaged or otherwise transferred, either in whole or in part, and BRAE may assign, mortgage or otherwise transfer title to any Car with or without notice to Shipper.

B. This Agreement and all of BRAE's rights under this Agreement, and all rights of any person who claims rights under this Agreement through Shipper are subject and subordinate to the terms, covenants and conditions of all chattel mortgages, conditional sales agreements, assignments, equipment trust agreements, finance leases or other security documents covering the Cars or any of them heretofore or hereafter created and entered into by BRAE and to all of the rights of any such chattel mortgagee, assignee, trustee, owner or other holder of interest in the Cars. In the event of any such assignment, mortgage or transfer, Shipper agrees to execute any and all documents required by the assignee, mortgagee or transferee to confirm such third party's interest in and to the Cars and this Agreement, and to confirm the subordination provisions contained in this Section 9B. BRAE agrees to notify Shipper in the event that there shall occur and continue to exist an event of default under any security document which event of default would entitle such secured party to require the return of any of the Cars.

C. Without limiting the generality of Sections 9A and B, BRAE may assign this Agreement as it relates to specified Cars to the owner of such Cars, provided that BRAE also assigns the Lease as it relates to such Cars to their owner and BRAE or one of its affiliates enters into a management agreement with such owner relating to its Cars. Upon delivery to Shipper of a notice signed by BRAE regarding such assignment and the effectiveness of the related management agreement, (i) the term "BRAE" when used herein shall mean with respect to the Cars covered by such management agreement, the owner of such Cars, (ii) BRAE shall be relieved of all of its obligations and liabilities under this Agreement relating to such Cars and (iii) Shipper with respect to such Cars shall look solely to the owner of such Cars for the performance of BRAE's obligations hereunder. Shipper agrees

that any such assignment may relate to one, some or all of the Cars subject to this Agreement.

D. Shipper may not assign any of its rights under this Agreement without the prior written consent of BRAE, except that the Shipper may assign its rights hereunder to any of its subsidiaries or affiliates, provided that Shipper at all times remains primarily liable to BRAE hereunder.

10. Representations, Warranties and Covenants.

Shipper represents, warrants and covenants that:

(i) Shipper is a corporation duly organized, validly existing and in good standing under the laws of the state where it is incorporated and has all necessary corporate power and authority, permits and licenses to perform its obligations under this Agreement and the Lease.

(ii) The execution of this Agreement and the Lease and the performance of the transactions contemplated hereby and thereby will not violate any judgment, order, law or regulation applicable to Shipper, or result in any breach of, or constitute a default under or result in the creation of any lien, charge, security interest or other encumbrance upon any assets of Shipper or on the Cars pursuant to any instrument to which Shipper is a party or by which it or its assets may be bound.

(iii) There is no action or proceeding pending or threatened against Shipper before any court or administrative agency or other governmental body which might result in any material adverse effect on the business, properties and assets, or conditions, financial or otherwise, of Shipper.

(iv) There is no fact which Shipper has not disclosed to BRAE in writing, nor is Shipper a party to any agreement or instrument, nor is Shipper subject to any charter or other corporate restriction, which, as far as the Shipper can now reasonably foresee, will individually or in the aggregate materially impair the ability of the Shipper to perform its obligations under this Agreement or the Lease.

(v) Shipper does not have a facility located on the railroad tracks of the lessee railroad referred to in Section 1. Such railroad does not and will not participate at any time in the transport of any commodities of Shipper.

(vi) Shipper will cause the Cars to be used predominantly in the continental United States of America.

11. Events of Default.

A. The occurrence of any of the following shall constitute an Event of Default:

(i) the failure by Shipper to make any payment required to be made by Shipper pursuant to Section 5 within 15 days after the date such payment is due;

(ii) the breach by Shipper of any agreement or covenant contained in this Agreement, which is not cured within 30 days after notice thereof from BRAE to Shipper.

(iii) any act of insolvency or bankruptcy by Shipper or the filing by or against Shipper of any petition or action under any bankruptcy, reorganization, insolvency or moratorium law, or any other law or laws for the relief of, or relating to, debtors; or

(iv) any attempt by Shipper, without BRAE's consent, to assign any of its rights under this Agreement, except as authorized in Section 9D.

B. Upon the occurrence of an Event of Default, BRAE may, at its option:

(i) proceed by appropriate court action at law or in equity to enforce specific performance by Shipper of this Agreement and/or to recover damages for breach hereof; or

(ii) terminate this Agreement effective upon delivery of notice to Shipper, whereupon all rights of Shipper to the use of the Cars shall absolutely cease and terminate as though this Agreement had never been made.

Upon the occurrence of any Event of Default, BRAE may exercise its remedies with respect to some or all of the Cars. Shipper shall be liable for all reasonable attorneys' fees and other costs and expenses incurred by reason of the occurrence of any Event of Default or the exercise of BRAE's remedies with respect thereto, including all costs and expenses incurred in connection with the return of any Car.

12. Termination.

A. BRAE shall have the right in its sole discretion to terminate this Agreement with respect to one or more Cars in the event that any addition, alteration, modification or improvement to any of the Cars is required by the ICC, AAR, the Department of Transportation or any other regulatory agency or is otherwise required in order to comply with applicable laws, regulations, or requirements affecting the use or ownership of any of the Cars or in the event of material adverse changes to the car service rules; provided however, that Shipper shall have the option to perform or cause to be performed, at Shipper's expense, any such addition, alteration, modification or improvement; provided further, that title to any such alteration, modification or improvement shall immediately vest in BRAE.

This termination right shall apply only to those Cars which require such addition, alteration, modification or improvement and shall be exercisable upon 30 days' written notice to Shipper within 120 days of the date any such requirement is first announced. Shipper shall have 10 days following such notice within which to notify BRAE that Shipper will exercise its option.

B. In the event that any Car is destroyed or damaged to such an extent that repair is uneconomic in BRAE's judgment, such Car shall without further act by either party be removed from the coverage of this Agreement. BRAE may, with Shipper's approval, but need not replace such Car with another railcar of a similar type, capacity and condition.

C. If any of the circumstances described in Section 12A shall occur, BRAE may, in lieu of exercising its right of termination, declare the Lease effective with respect to the affected Cars. In the event that the circumstances described in Section 12A shall occur and BRAE shall declare the Lease effective, BRAE shall bear the expense of causing the affected Cars to comply with applicable laws, regulations or requirements.

13. Return of Cars.

Upon the termination of this Agreement for any reason whatsoever unless the Lease shall be in effect, Shipper shall, at its expense, cause the Cars to be redelivered to BRAE at such location within 1,000 miles of the Loading Point as BRAE reasonably may designate. Shipper shall reimburse BRAE for the cost of cleaning any Car which, upon its return to BRAE at such termination, requires cleaning.

14. Effective Date.

This document shall become binding when it has been signed by BRAE and Shipper, the Lease has been signed by BRAE and Shipper and the confirmation referred to in Section 3 has been obtained by Shipper and delivered to BRAE.

15. Notices.

All written communications to BRAE shall be directed to it at the following address: Brae Corporation, Three Embarcadero Center, San Francisco, California 94111, Attention: Director of Operations. All written communications to Shipper shall be directed to it at the following address: CF Industries, Inc., Salem Lake Drive, Long Grove, Illinois 60047, Attention: Director of Transportation.

16. Miscellaneous.

This Agreement, the Schedule and the Exhibit contain the entire agreement of the parties with respect to the Cars, and no modifications or amendments shall be effective unless in writing and signed by both parties. This Agreement shall be governed by the laws of the State of California. Any waiver of any terms and conditions of this Agreement shall apply only to the instance for which given and shall not operate as a waiver of any of the terms and conditions hereof with respect to any other or future acts or omissions.

IN WITNESS WHEREOF, the parties have executed this Agreement as of the date first above written.

SHIPPER: _____

CF INDUSTRIES, INC.

By _____

Title _____

Date _____

BRAE CORPORATION

By _____

Title _____

Date _____

STATE OF _____)
COUNTY OF _____)

On this _____ day of _____, 19____, before me personally appeared _____, to me personally known, who being by me duly sworn says that such person is _____ of _____, and that the foregoing Agreement was signed on behalf of said corporation by authority of its board of directors, and such person acknowledged that the execution of the foregoing instruments were the free acts and deeds of such corporation.

Notary Public

[seal]

STATE OF CALIFORNIA)
CITY AND COUNTY OF SAN FRANCISCO)

On this _____ day of _____, 19____, before me personally appeared _____, to me personally known, who being by me duly sworn says that such person is _____ of BRAE CORPORATION, and that the foregoing Agreement was signed on behalf of said corporation by authority of its board of directors, and such person acknowledged that the execution of the foregoing instruments were the free acts and deeds of such corporation.

Notary Public

[seal]

Exhibit G

INTERIM NOTE

\$ _____

Date: _____
Due: February 29, 1980

On or before February 29, 1980, the undersigned, _____
for value received, promises to pay to the order of Citicorp
Industrial Credit, Inc., at 44 Montgomery Street, San Francisco,
California 944104, in lawful money of the United States,
the sum of _____

_____ Dollars, with interest thereon from
date until paid at 11.375% per annum based on a 360-day
year.

This Note evidences indebtedness incurred under _____
SECURITY AGREEMENT, CHATTEL MORTGAGE AND LEASE ASSIGNMENT,
dated as of September 20, 1979 (herein, together with
any amendments which may have been or may be made thereto,
called the "Agreement"), between the undersigned and
Citicorp Industrial Credit, Inc. This Note may be prepaid
and may be declared due and payable, as provided in the
Agreement, and is subject to all the terms and conditions of
the Agreement.

This Note is payable in the State of California,
but shall be construed in accordance with the laws of the
State of New York.

BRAE CORPORATION

By _____

Title _____

Exhibit H

PROMISSORY NOTE

§

New York, New York

The undersigned, FOR VALUE RECEIVED, promises to pay to the order of Citicorp Industrial Credit Inc., at 44 Montgomery Street, San Francisco, California 94104 in lawful money of the United States, the sum of _____

(\$ _____) with interest included therein at the rate of 11.375% per annum based on a 360-day year in 60 consecutive quarterly installments of \$ _____ each for the first 40 payments and \$ _____ for the last 20 payments with the first such installment payable on _____, 19____ and quarterly installments on the same day of each successive quarter immediately thereafter. All payments shall be credited first to accrued and unpaid interest determined in accordance with generally accepted financial practices, and the balance to principal. All sums not therefore paid shall be paid on _____, 19____.

This Note shall, at the option of the holder, become immediately due and payable, without notice of demand, upon the happening of any one of the following events, with respect to the undersigned, or with respect to any endorser or guarantor of the obligations hereby evidenced: (a) failure to pay any amount as herein agreed subject to the SECURITY AGREEMENT, CHATTEL MORTGAGE AND LEASE ASSIGNMENT dated September 20, 1979 between payor and payee or (b) default in the performance of any other obligation to the holder including without limitation, any obligation arising under said the SECURITY AGREEMENT, CHATTEL MORTGAGE AND LEASE ASSIGNMENT and any documents related thereto executed and delivered in connection herewith.

In the event that this Note is prepaid it shall be prepaid in accordance with the Schedule 1 attached hereto and made a part hereof.

The undersigned hereby waives presentment, demand for payment, notice of dishonor and any or all other notices or demands in connection with the delivery, acceptance, performance, default or enforcement of this Note and hereby consents to any extensions of time, renewals, releases of any party to this Note waivers or modifications that may be granted or consented to by the holder of this Note in respect of the time of payment or any other provision of this Note subject to said SECURITY AGREEMENT, CHATTEL MORTGAGE AND LEASE AGREEMENT.

In the event that the holder hereof shall enforce the collection of this Note, there shall be due from the undersigned, in addition to the unpaid balance, all costs and expenses of such action, including reasonable attorneys fees.

The undersigned agrees that its liability is absolute and unconditional without regard to the liability of any other party and that no delay on the part of the holder hereof in exercising any power or right hereunder shall operate as a waiver thereof; nor shall any single or partial exercise of any power or right hereunder preclude other further exercise thereof or the exercise of any other power or right.

This Note is payable in the State of California, but shall be construed in accordance with the laws of the State of New York.

Payor: BRAE CORPORATION

By _____

Title _____

SCHEDULE ONE TO PROMISSORY NOTE

OPTIONAL PREPAYMENT SCHEDULE

Optional prepayment amount pursuant to Section 17 shall equal the principal amount being prepaid plus a penalty calculated in accordance with the following schedule:

Optional Prepayment Penalty

February 28, 1983 - February 28, 1984	5%
March 01, 1984 - February 28, 1986	3%
March 01, 1986 - February 28, 1987	1%
Thereafter	0%

EXHIBIT I

INTENTIONALLY LEFT BLANK

HELLER, EHRMAN OPINION - INTERIM NOTE

Citicorp Industrial Credit,
Inc.
399 Park Avenue
New York, New York 10043

Dear Sirs:

We have acted as counsel for Brae Corporation, a Delaware corporation ("Brae" or the "Company"), in connection with the execution and delivery of (1) the Security Agreement, Chattel Mortgage and Lease Assignment dated _____, 1979, between Brae and you (the "Agreement") and (2) Brae's interim note in the principal amount of \$ _____, dated the date hereof and payable to your order (the "Interim Note").

This opinion is furnished to you pursuant to paragraph (b)(viii) of Subsection 1.2 of the Agreement. Capitalized terms used herein which are defined in the Agreement shall have the respective meanings set forth in the Agreement, unless otherwise defined herein.

In connection with this opinion, we have examined executed counterparts of the Agreement, the Interim Note, and the Lease Agreements set forth on Schedule 1 to this opinion, and such corporate documents and records of the Company, certificates of public officials and of officers of the Company, as we have deemed necessary or appropriate for the purposes hereof. We have assumed that all documents that we have examined are genuine and complete and all signatures thereon are genuine. As to matters not within our own knowledge, we have relied upon the certificates of public officials and officers of the Company as to the correctness of the matters set forth therein and have not attempted to make an independent investigation. We have been informed that you are a duly licensed personal property broker registered under the laws of the State of California, and our opinion is expressly conditioned upon such registration as of the date hereof.

Based upon the foregoing, we are of opinion as follows:

1. The Company is a corporation duly incorporated, validly existing and in good standing under the laws of the State of Delaware, and has all requisite corporate power and

authority to own its properties and assets and to transact its business in which it is presently engaged, and to execute and deliver and to perform all of its obligations under the Leases, the Consolidated Note and the Agreement.

2. The execution, delivery and performance by the Company of the Leases, the Interim Note and the Agreement have been duly authorized by all necessary corporate action, and do not and will not (i) require any consent or approval of the stockholders of the Company; (ii) violate any provision of the charter or by-laws of the Company; (iii) violate any provision of any order, writ, judgment, injunction or decree having applicability to the Company and of which we have knowledge (having made due inquiry of the President and a Vice President of the Company); and (iv) result in a breach of or constitute a default under any indenture or loan or credit agreement, lease or instrument to which the Company is a party and of which we have knowledge (having made due inquiry of the President and a Vice President of the Company).

3. Except for the filings required to perfect the lien of the security interest under the Agreement, no authorization, consent, approval, license, exemption of or filing or registration with any court or governmental department, commission, board bureau, agency or instrumentality, domestic or foreign, is required in connection with the valid execution, delivery and performance by the Company of the Leases, the Interim Note or the Agreement.

4. The Leases, the Interim Note and the Agreement constitute the legal, valid and binding obligations of the Company enforceable against the Company in accordance with their respective terms, except as enforceability may be limited by the applicable bankruptcy, insolvency, reorganization, moratorium, similar laws or by general equitable principles affecting the enforcement of creditors' rights.

5. To the best of our knowledge, there are no actions, suits, or proceedings pending against or affecting the Company or the properties of the Company before any court or governmental department, commission, board, bureau, agency or instrumentality, which, if determined adversely to the Company, would have a materially adverse effect on your security interests and liens in and to the Equipment financed which secures the Interim Note, the Interim Note or the Agreement except as disclosed to you in a letter from the Company to you dated _____, a copy of which is attached hereto.

Very truly yours,

HELLER, EHRMAN, WHITE & MCAULIFFE

HELLER, EHRMAN OPINION -- CONSOLIDATED NOTE

Citicorp Industrial Credit,
Inc.
399 Park Avenue
New York, New York 10043

Dear Sirs:

We have acted as counsel for Brae Corporation, a Delaware corporation ("Brae" or the "Company"), in connection with the execution and delivery of (1) the Security Agreement, Chattel Mortgage and Lease Assignment dated _____, 1979, between Brae and you (the "Agreement") and (2) Brae's consolidated note in the principal amount of \$ _____, dated the date hereof and payable to your order (the "Consolidated Note").

This opinion is furnished to you pursuant to paragraph (d) of Subsection 1.3 of the Agreement. Capitalized terms used herein which are defined in the Agreement shall have the respective meanings set forth in the Agreement, unless otherwise defined herein.

In connection with this opinion, we have examined executed counterparts of the Agreement, the Consolidated Note, and the Lease Agreements set forth on Schedule 1 to this opinion, and such corporate documents and records of the Company, certificates of public officials and of officers of the Company, as we have deemed necessary or appropriate for the purposes hereof. We have assumed that all documents that we have examined are genuine and complete and all signatures thereon are genuine. As to matters not within our own knowledge, we have relied upon the certificates of public officials and officers of the Company as to the correctness of the matters set forth therein and have not attempted to make an independent investigation. We have been informed that you are a duly licensed personal property broker registered under the laws of the State of California, and our opinion is expressly conditioned upon such registration as of the date hereof.

Based upon the foregoing, we are of opinion as follows:

1. The Company is a corporation duly incorporated, validly existing and in good standing under the laws of the State of Delaware, and has all requisite corporate power and

authority to own its properties and assets and to transact its business in which it is presently engaged, and to execute and deliver and to perform all of its obligations under the Leases, the Consolidated Note and the Agreement.

2. The execution, delivery and performance by the Company of the Leases, the Consolidated Note and the Agreement have been duly authorized by all necessary corporate action, and do not and will not (i) require any consent or approval of the stockholders of the Company; (ii) violate any provision of the charter or by-laws of the Company; (iii) violate any provision of any order, writ, judgment, injunction or decree having applicability to the Company and of which we have knowledge (having made due inquiry of the President and a Vice President of the Company); and (iv) result in a breach of or constitute a default under any indenture or loan or credit agreement, lease or instrument to which the Company is a party and of which we have knowledge (having made due inquiry of the President and a Vice President of the Company).

3. Except for the filings required to perfect the lien of the security interest under the Agreement, no authorization, consent, approval, license, exemption of or filing or registration with any court or governmental department, commission, board bureau, agency or instrumentality, domestic or foreign, is required in connection with the valid execution, delivery and performance by the Company of the Leases, the Consolidated Note or the Agreement.

4. The Leases, the Consolidated Note and the Agreement constitute the legal, valid and binding obligations of the Company enforceable against the Company in accordance with their respective terms, except as enforceability may be limited by the applicable bankruptcy, insolvency, reorganization, moratorium, similar laws or by general equitable principles affecting the enforcement of creditors' rights.

5. To the best of our knowledge, there are no actions, suits, or proceedings pending against or affecting the Company or the properties of the Company before any court or governmental department, commission, board, bureau, agency or instrumentality, which, if determined adversely to the Company, would have a materially adverse effect on your security interests and liens in and to the Equipment, the Consolidated Note or the Agreement except as disclosed to you in a letter from the Company to you dated _____, a copy of which is attached hereto.

Very truly yours,

HELLER, EHRMAN, WHITE & MCAULIFFE

ICC COUNSEL OPINION -- CONSOLIDATED NOTE

Citicorp Industrial Credit,
Inc.
399 Park Avenue
New York, New York 10043

Dear Sirs:

We have acted as special Interstate Commerce Commission counsel for Brae Corporation, a Delaware corporation ("Brae" or the "Company"), in connection with (1) the execution and delivery of Security Agreement, Chattel Mortgage and Lease Agreement dated _____, between Brae and you (the "Agreement") and (2) Brae's consolidated note in the principal amount of \$ _____ dated the date hereof and payable to your order (the "Consolidated Note").

This opinion is furnished to you pursuant to paragraph (e) of Subsection 1.3 of the Agreement in connection with the delivery to you of the Consolidated Note. Terms used herein which are defined in the Agreement shall have the respective meanings set forth in the Agreement, unless otherwise defined herein.

In connection with this opinion, we have examined executed counterparts of the Agreement, the Leases and the lease schedules thereto, and such other documents as we have deemed necessary or appropriate for the purposes hereto. We have assumed that the manufacturer of the Equipment transferred to the Company valid and legal title to each of the railcars, constituting the Equipment, free and clear of all encumbrances, other than your rights under the Agreement, and the rights of the lessee under the Leases, and any Permitted Liens.

Based upon the foregoing, we are of the opinion that:

1. The Agreement, the Leases and the lease schedules thereto have been duly filed and recorded with the Interstate Commerce Commission in accordance with 49 U.S.C. §11303, and as of the date hereof no other agreement or document has been so filed or recorded, assenting a grant by the Company of an

interest in or a lien on the Equipment or the Leases (to the extent that the Leases relate to the Equipment). No other filing, registration or recording or other action under the Act, other than in a proceeding to enforce such security interest, any requirement to present evidence of the filing and recordation with the Commission as described above of the Agreement, the Leases and such lease schedules thereto, is necessary in order to protect and preserve in the United States of America security for the Consolidated Note, the lien on and security interest in the Equipment and Leases (to the extent they relate to the Equipment) created by the Agreement.

2. The Agreement constitutes in the United States of America a legal, valid and perfected first lien and first priority security interest in the Equipment, and the Leases to the extent the Leases relate to such Equipment, as security for the Consolidated Note, subject only to Permitted Liens, if any, which may exist on such Equipment. We are not aware, however, of the existence of any Permitted Liens on such Equipment.

Very truly yours,

CONNER, MOORE & CORBER

By _____
Robert J. Corber

RIDER NUMBER ONE
TO
SECURITY AGREEMENT CHATTEL MORTGAGE
AND LEASE ASSIGNMENT

Dated as of September 20, 1979

COVENANTS AND AGREEMENTS BY THE COMPANY

Section 19.00 Negative Covenants.

All references in this Section to "Section 6.05" shall be deemed to mean Section 19.00 or its respective subparagraphs. The Company covenants that, without the written consent of Citicorp, the Company will not, and will not permit any Restricted Subsidiary to:

(a) Consolidated Shareholder's Equity. Permit Consolidated Shareholders' Equity at any time after the date hereof to be less than \$38,000,000.

(b) Dividend Limitation. Pay or declare any dividend on any class of its stock, or redeem, purchase or otherwise acquire, directly or through any Restricted Subsidiary, any shares of its stock or make or permit any Restricted Subsidiary to make any optional prepayments of principal of, or optionally retire, redeem, purchase or otherwise acquire, directly or through any Restricted Subsidiary, any Subordinated Funded Debt or make or permit any Restricted Subsidiary to make any expenditures permitted by clause (v) of Section 6.05(e) (all of the foregoing being herein called "Restricted

Payments") except out of Consolidated Net Earnings Available For Restricted Payments; provided, however, that notwithstanding the foregoing limitations, the Company may pay dividends on its Preferred Stock at the rates provided in the Certificate of Determination of Preferences in respect thereof as in effect on the date hereof, but provided that the amount of any such dividends paid or declared shall be included in any subsequent computation of Consolidated Net Earnings Available For Restricted Payments pursuant to this Section 6.05(b); and provided, further, that, notwithstanding the foregoing limitations, the Company may redeem shares of its capital stock from William J. Texido pursuant to Section 8 of the Employment and Stock Agreement dated as of October 17, 1977, as amended by an Amendment dated as of September 28, 1978, and an Amendment dated as of December 7, 1978, but only from the proceeds of a life insurance policy or policies maintained by the Company on the life of William J. Texido.

"Consolidated Net Earnings" shall mean consolidated gross revenues of the Company and its Restricted Subsidiaries (including dividends received in cash from any Subsidiary) less all operating and nonoperating expenses of the Company and its Restricted Subsidiaries including all charges of a proper character (including current and deferred taxes on income, provision for taxes on unremitted foreign earnings which are included in gross revenues, and current additions to reserves), but not including in gross revenue any gains (net of expenses and taxes applicable thereto) in excess of losses resulting from the sale, conversion or other disposition of capital assets (i.e., assets other than current assets), any gains resulting from the write-up of assets, any equity of the Company or any Restricted Subsidiary in the unremitted earnings of any corporation which is not a Restricted Subsidiary, any earnings of any Person acquired by the Company or any Restricted Subsidiary through purchase, merger or consolidation or otherwise for any year prior to the year of acquisition, net earnings of any Restricted Subsidiary allocable to a minority interest in such Subsidiary, the proceeds of any life insurance policies, or any deferred credit representing the excess of equity in any Restricted Subsidiary at the date of acquisition over the cost of the investment in such Restricted Subsidiary, all determined in accordance with Generally Accepted Accounting Principles.

"Consolidated Net Earnings Available for Restricted Payments", shall mean an amount equal to (1) the sum of \$5,000,000 plus 50% (or minus 100% in case of a deficit) of Consolidated Net Earnings for the period (taken as one accounting period) commencing on April 1, 1979, and terminating on the date of any proposed Restricted Payment, plus (2) the net cash proceeds of the sale of any shares of its stock after September 1, 1979, and/or the net cash proceeds received after September 1, 1979, upon the sale of any Debt security which has been converted into shares of its stock, less (3) the sum of (a) the aggregate amount of all dividends and other distributions paid or declared by the Company on any class of its stock after April 1, 1979, (b) the aggregate amount of all expenditures made pursuant to clause (v) of Section 6.05 (e) after April 1, 1979, and (c) the aggregate amount expended, directly or indirectly, after April 1, 1979, for the redemption, purchase or other acquisition of any shares of its stock and for the optional payment of principal of, and the optional retirement, redemption, purchase or other acquisition of, Subordinated Funded Debt. There shall not be included in Restricted Payments or in any computation of Consolidated Net Earnings Available For Restricted Payments: (x) dividends paid, or distributions made, in stock of the Company; or (y) exchanges of stock of one or more classes of the Company, except to the extent that cash or other value (other than value represented by stock) is involved in such exchange. The term "stock" as used in this Subsection (b) shall include warrants or options to purchase stock.

(c) Liens. Create, assume or suffer to exist any Lien upon any of its property or assets, whether now owned or hereafter acquired (whether or not provision is made for the equal and ratable securing of the Notes in accordance with the provisions of Section 6.06), except:

(i) the Lien of this Agreement;

(ii) Liens for taxes not yet due or which are being actively contested in good faith by appropriate proceedings and if appropriate reserves have been established therefor;

(iii) other Liens incidental to the conduct of its business or the ownership of its property and assets which were not incurred in connection with the borrowing of money or the obtaining of advances or credit, and which do not in the aggregate materially detract from the value of its property or assets or materially impair the use thereof in the operation of its business;

(iv) Liens on property or assets of a Restricted Subsidiary to secure obligations of such Restricted Subsidiary to the Company or another Restricted Subsidiary;

(v) any Lien existing on any property of any corporation at the time it becomes a Restricted Subsidiary, or existing prior to the time of acquisition upon any property acquired by the Company or any Restricted Subsidiary through

purchase, merger or consolidation or otherwise, whether or not assumed by the Company or any Restricted Subsidiary or placed upon property at the time of acquisition by the Company or any Restricted Subsidiary or within 12 months thereafter to secure not more than 90% of (or to secure Debt incurred to pay not more than 90% of) the purchase price thereof, provided that (a) any such Lien shall not encumber any other property of the Company or such Restricted Subsidiary other than leases, maintenance contracts or other interests relating to such property which are customarily encumbered to secure the payment of Debt incurred to pay the purchase price of property, (b) the aggregate amount secured by all such Liens (excluding amounts secured by Liens on railroad rolling stock and other transportation equipment) and any Liens permitted by clause (vi) below shall not exceed 3% of Consolidated Tangible Net Worth, and (c) the Company or such Restricted Subsidiary shall be entitled to incur at least one dollar of additional unsecured Senior Funded Debt under Section 6.05(d) hereof;

(vi) any Lien renewing, extending or refunding any Lien permitted by clause (v) above, provided that the principal amount secured is not increased, and the Lien is not extended to other property; and

(vii) Liens represented by any equipment trust agreement or other financing agreement relating to the financing or refinancing of railroad rolling stock or other transportation equipment if the Debt secured thereby is permitted by Section 6.05(d).

(d) Debt. Create, incur, assume, guarantee or in any way become liable for any Senior Funded Debt; or create, incur, or assume any Subordinated Funded Debt; or create, incur, assume or suffer to exist any Current Debt; except:

(i) Senior Funded Debt evidenced by the Notes related to this Agreement.

(ii) Funded or Current Debt of any Restricted Subsidiary to the Company or another Restricted Subsidiary;

(iii) Senior Funded Debt of the Company or any Restricted Subsidiary incurred prior to April 1, 1980, if (a) after giving effect thereto and to the concurrent repayment of any Funded Debt, Consolidated Senior Funded Debt shall not exceed an amount equal to 525% of Consolidated Borrowing Base, and (b) any such Senior Funded Debt of any Restricted Subsidiary shall also constitute Purchase Money Debt or be evidenced by a Capitalized Lease;

(iv) Senior Funded Debt of the Company or any Restricted Subsidiary incurred after March 31, 1980, if (a) at the date of such incurrence Consolidated Earnings Available for Interest Coverage shall not be less than 125% of Consolidated Interest Expense, (b) after giving effect thereto and to the concurrent repayment of any Funded Debt, Consolidated Senior Funded Debt shall not exceed an amount equal to 525% of Consolidated Borrowing Base, and (c) any such Senior Funded Debt of any Restricted Subsidiary shall also constitute Purchase Money Debt or be evidenced by a Capitalized Lease;

(vi) Subordinated Funded Debt of the Company if after giving effect thereto the aggregate Subordinated Funded Debt shall not exceed 50% of Consolidated Shareholders' Equity; and

(vii) Current Debt of the Company or any Restricted Subsidiary, provided that during the twelve months' period immediately preceding any day on which Consolidated Current Debt is outstanding there shall have been a period of at least 45 consecutive days during which there was either no Consolidated Current Debt then outstanding or the aggregate amount of Consolidated Current Debt outstanding on each of such days could have been incurred as Consolidated Senior Funded Debt without violating the provisions of this Section 6.05(d).

(e) Restricted Investments. Make or permit to remain outstanding any Restricted Investment in or to any Person, except that the Company or any Restricted Subsidiary may:

(i) make or permit to remain outstanding loans or advances to any Restricted Subsidiary;

(ii) own, purchase or acquire stock, obligations or securities of a Restricted Subsidiary or of a corporation which immediately after such purchase or acquisition will be a Restricted Subsidiary;

(iii) acquire and own stock, obligations or securities received in settlement of debts (created in the ordinary course of business) owing to the Company or any Restricted Subsidiary;

(iv) own, purchase or acquire Investments;
and

(v) make or permit to remain outstanding loans or advances or capital contributions to, or own, purchase or acquire stock, obligations or securities of, or sell property at less than fair market value to, any other Person, provided that the aggregate amount expended (including as an expenditure the amount by which the fair market value exceeds the cost basis of any property sold) pursuant to any such investment, purchase, loan, advance, contribution or sale (other than those referred to in clauses (i) through (iv) of this Section 6.05(e)) would have been permitted to be paid as a Restricted Payment pursuant to Section 6.05(b);

and except that any Restricted Subsidiary may make loans or advances to, or acquire stock, obligations or securities of, the Company,

(f) Sale of Stock and Debt of Restricted Subsidiary. Sell or otherwise dispose of, or part with control of, any shares of stock or Funded Debt or Current Debt of any Restricted Subsidiary, except to the Company or another Restricted Subsidiary, and except that all shares of stock and Debt of any Restricted Subsidiary at the time owned by or owed to the Company and all Restricted Subsidiaries may be sold as an entirety for consideration which represents the fair value (as determined in good faith by the Board of Directors of the Company) at the time of sale of the shares of stock and Debt so sold, provided that the tangible net worth of such Restricted Subsidiary (computed in the same manner as Consolidated Tangible Net Worth) does not constitute in excess of 10% of Consolidated Tangible Net Worth and that such Restricted Subsidiary shall not have contributed in excess of 10% of an amount equal to the average of Consolidated Net Earnings for the three fiscal years (or any fiscal year if there shall be less than three) then most recently ended; further provided that immediately after such sale the Company and its Restricted Subsidiaries shall be able to incur an additional One Dollar of Consolidated Senior Funded Debt without violating the provisions of Section 6.05(d), and further provided that, at the time of such sale, such Restricted Subsidiary shall not own, directly or indirectly, any shares of stock or Debt of the Company or of any other Restricted Subsidiary (unless all of the shares of stock and Debt of such other Restricted Subsidiary owned, directly or indirectly, by the Company and all Restricted Subsidiaries are simultaneously being sold as permitted by this Section 6.05(f)).

(g) Merger and Sale of Assets. Merge or consolidate with any other corporation or sell, lease or transfer or otherwise dispose of all of or a substantial part (i.e., assets which constitute more than 10% of the consolidated assets of the Company and all Restricted Subsidiaries or which have contributed more than 10% of an amount equal to the average of Consolidated Net Earnings for the three fiscal years (or any fiscal year if there shall be less than three) then most recently ended) of its assets, to any Person, except that:

(i) any Restricted Subsidiary may merge with the Company (provided that the Company shall be the continuing or surviving corporation) or with any one or more other Restricted Subsidiaries;

(ii) any Restricted Subsidiary may sell, lease, transfer or otherwise dispose of any of its assets to the Company or another Restricted Subsidiary;

(iii) any Restricted Subsidiary may sell or otherwise dispose of all or substantially all of its assets subject to the conditions specified in Section 6.05(f) with respect to a sale of the stock of such Restricted Subsidiary;

(iv) the Company may merge with any other corporation, provided that (a) the Company shall be the continuing or surviving corporation, or, if the Company shall not be the continuing or surviving corporation, then such other continuing or surviving corporation (x) shall be a corporation duly organized, validly existing and in good standing under the laws of the United States of America or a state thereof, and (y) shall have expressly assumed all the liabilities, obligations, covenants and agreements (other than that contained in Section 6.05(k) hereof) under this Agreement pursuant to a written instrument in form and substance satisfactory to the Lender, (b) the continuing or surviving corporation shall, immediately after such merger be able to incur an additional One Dollar of Senior Funded Debt without violating the provisions of Section 6.05(d) and (c) no Default or Event of Default shall exist immediately after such merger;

(v) any Restricted Subsidiary may merge with any Unrestricted Subsidiary, provided that (a) the Restricted Subsidiary shall be the continuing or surviving corporation, (b) the Restricted Subsidiary shall have assumed all of the Debt of the Unrestricted Subsidiary, (c) the Restricted Sub-

subsidiary shall be entitled to incur at least One Dollar of additional Senior Funded Debt under Section 6.05(d) immediately after such merger (and after giving effect thereto), and (d) no Default or Event of Default shall exist immediately after such merger; and

(vi) the Company or any Restricted Subsidiary may sell all or any part of its assets (other than real property) in connection with an arrangement with a lender or investor or to which such lender or investor is a party if such arrangement provides for the leasing by the Company or such Restricted Subsidiary of such property and the Debt incurred in such an arrangement is permitted by Section 6.05(d).

(h) Sale and Lease-Back. Enter into any arrangement with any lender or investor or to which such lender or investor is a party providing for the leasing by the Company or any Restricted Subsidiary of real property which has been or is to be sold or transferred by the Company or any Restricted Subsidiary to such lender or investor on the security of such property or rental obligations of the Company or any Restricted Subsidiary.

(i) Sale or Discount of Receivables. Sell with recourse, or discount or otherwise sell for less than the face value thereof, any of its notes or accounts receivable, except that the Company may sell with recourse lease accounts receivable in the ordinary course of business.

(j) Certain Contracts. Enter into or be a party to:

(i) any contract providing for the making of loans, advances or capital contributions to any Person other than a Restricted Subsidiary (except where the obligation is limited to a fixed maximum amount and the incurrence of the Senior Funded Debt represented thereby shall then be permitted by Section 6.05(d)) or for the purchase of any property from any Person, in each case in order to enable such Person to maintain working capital, net worth or any other balance sheet condition or to pay debts, dividends or expenses;

(ii) any contract for the purchase of mate-

rials, supplies or other property or services if such contract (or any related document) requires that payment for such materials, supplies or other property or services shall be made regardless of whether or not delivery of such materials, supplies or other property or services is ever made or tendered;

(iii) any contract to rent or lease (as lessee) any real or personal property if such contract (or any related document) provides that the obligation to make payments thereunder is absolute and unconditional under conditions not customarily found in commercial leases then in general use or requires that the lessee purchase or otherwise acquire securities or obligations of the lessor, except such agreements to rent or lease where the obligation is limited to a fixed maximum amount and the incurrence of the Senior Funded Debt represented thereby shall then be permitted by Section 6.05(d);

(iv) any contract for the sale or use of materials, supplies or other property, or the rendering of services if such contract (or any related document) requires that payment for such materials, supplies or other property, or the use thereof, or payment for such services, shall be subordinated to any indebtedness (of the purchaser or user of such materials, supplies or other property or the Person entitled to the benefit of such services) owed or to be owed to any Person; or

(v) any other contract which, in economic effect, is substantially equivalent to a guarantee, except: (A) for endorsements of negotiable instruments for collection in the ordinary course of business; (B) where the obligation is limited to a fixed maximum amount and the incurrence of the Senior Funded Debt represented thereby shall then be permitted by Section 6.05(d); (C) indemnities of trustees, lessors, lenders and third party security holders in connection with financings to which it is a party pursuant to indemnification provisions customary in such financings; (D) indemnities of its officers, directors and employees for acts undertaken in their corporate capacities; (E) indemnities of purchasers, sellers, underwriters, brokers, dealers and dealer-managers of securities of the Company

(of which the Company may be deemed to be an issuer or otherwise) in connection with the offer, sale or purchase of such securities pursuant to indemnification provisions customary in such offers, sales or purchases; (F) indemnities of beneficial owners and lessors for the loss of certain tax benefits in connection with lease financing transactions in which it is the lessee, and indemnify lessees for the loss of investment tax credit in connection with leases in which it is the lessor and is passing through such investment tax credit to the lessee, all pursuant to customary indemnification provisions as found in equipment leases; and (G) payment of expenses of trustees, lessors, lenders and third party security holders and their respective counsel in connection with financings to which it is a party.

(k) Transactions With Stockholders and Affiliates. Directly or indirectly, purchase, acquire or lease any property from, or sell, transfer or lease any property to, or otherwise deal with, in the ordinary course of business or otherwise (i) any Affiliate, (ii) any Person owning, beneficially or of record, directly or indirectly, either individually or together with all other Persons to whom such Person is related by blood, adoption or marriage, stock of the Company (of any class having ordinary voting power for the election of directors) aggregating 5% or more of such voting power or (iii) any Person related by blood, adoption or marriage to any Person described or coming within the provisions of clause (i) or (ii) of this Section 6.05(k), provided that (a) the Company may sell to, or purchase (within the limitations of Section 6.05(b)) from, any such Person shares of the Company's stock, (b) any such Person may be a director, officer or employee of the Company or any Restricted Subsidiary and may be paid reasonable compensation in connection therewith, and (c) such acts and transactions prohibited by this Section 6.05(k) may be performed or engaged in on terms not less favorable to the Company than if no such relationship

described in clauses (i), (ii) and (iii) above existed and than would be obtainable at the time in comparable transactions of the Company in arm's-length dealings with third parties. For the purposes of clause (c) of the foregoing proviso, any such act or transaction shall be deemed to be performed or engaged in on terms not less favorable to the Company if it shall involve an aggregate benefit to a Person or Affiliate referred to in clause (i), (ii) or (iii) above of less than \$2,000 per year.

DEFINITIONS

The following terms (except as otherwise expressly provided or unless the context otherwise requires) for all purposes of this Agreement shall have the respective meanings hereinafter specified:

Affiliate of any corporation shall mean any Person which, directly or indirectly controls or is controlled by, or is under common control with, such corporation. For the purposes of this definition, "control" (including "controlled by" and "under control with"), as used with respect to any Person shall mean the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of such Person, whether through the ownership of voting securities or by contract or otherwise. For the purposes of this definition ownership of 5% or more of the equity securities of any corporation (or equity interests in any Person which is not a corporation) shall be deemed to be sufficient to grant the power to direct the management and policies of such corporation or other Person.

Capitalized Lease shall mean any lease of real or personal property under which the Company or any Restricted Subsidiary is the lessee which, in accordance with Generally Accepted Accounting Principles, should be capitalized on the lessee's balance sheet or for which the amount of the asset and liability thereunder as if so capitalized should be disclosed in a note to such balance sheet (excluding leases between the Company and any Restricted Subsidiary or between Restricted Subsidiaries, and leases of office space, automobiles or data processing and office equipment).

Capitalized Lease Rentals shall mean the aggregate amount of fixed rentals payable or to become payable by the Company and its Restricted Subsidiaries with respect to all Capitalized Leases, discounted to present value on the basis of an interest factor equal to the weighted average lease cost of all such Capitalized Leases. The "lease cost" of a Capitalized Lease shall mean: (i) with respect to a lease of new personal property, that interest factor which, when applied to the aggregate amount of all fixed rentals payable during the original term of such lease, will result in a present value equal to the original invoiced cost of such property to the lessor, including any sales taxes, delivery costs and inspection fees; (ii) with respect to a lease of used personal property, that interest factor which, when applied as in the foregoing clause (i) will result in a present value equal to the fair market value of such property at the time it is leased under such lease; and (iii) with respect to a lease of real property, the effective interest rate at which obligations of the United States Government of equal or near equal maturity to that of such lease are trading at the time such property is leased under such lease.

Company shall mean BRAE Corporation, a Delaware corporation, or a successor to it permitted by Section 6.05 (g)(iv) hereof.

Consolidated Borrowing Base shall mean the sum of (a) Consolidated Shareholders' Equity and (b) Subordinated Funded Debt.

Consolidated Current Debt shall mean the aggregate of Current Debt of the Company and its Restricted Subsidiaries, determined on a consolidated basis after eliminating all intercompany items and all other items which should be eliminated in accordance with Generally Accepted Accounting Principles.

Consolidated Earnings Available For Interest Coverage shall mean, as of the time of any determination thereof, the sum of (a) Consolidated Net Earnings, (b) all taxes based on income included as expenses in computing Consolidated Net Earnings, and (c) Consolidated Interest Expense, in each case for the 12 months' period next preceding the termination of the most recent fiscal quarter of the Company prior to the date of determination.

x Consolidated Funded Debt shall mean the aggregate of Funded Debt of the Company and its Restricted Subsidiaries, determined on a consolidated basis after eliminating all intercompany items and all other items which should be eliminated in accordance with Generally Accepted Accounting Principles.

Consolidated Interest Expense shall mean, as of the time of any determination thereof, the sum of (a) the aggregate interest charges (including amortization of Debt discount) paid or accrued on all Consolidated Funded Debt and on all Consolidated Current Debt (except the portion of rental payments representing interest charges on Capitalized Leases) and (b) one-third of the aggregate rentals paid or accrued by the Company and its Restricted Subsidiaries with respect to all leases of real or personal property (including aggregate rentals paid or accrued with respect to Capitalized Leases), in each case for the 12 months' period next preceding the termination of the most recent fiscal quarter of the Company prior to the date of determination.

Consolidated Net Earnings shall have the meaning assigned to it in Section 6.05(b) hereof.

Consolidated Senior Debt shall mean the aggregate Debt of the Company and its Restricted Subsidiaries except Subordinated Funded Debt, determined on a consolidated basis after eliminating all intercompany items and all other items which should be eliminated in accordance with Generally Accepted Accounting Principles.

Consolidated Senior Funded Debt shall mean the aggregate of Senior Funded Debt of the Company and its Restricted Subsidiaries, determined on a consolidated basis after eliminating all intercompany items and all other items which should be eliminated in accordance with Generally Accepted Accounting Principles.

Consolidated Shareholders' Equity shall mean the sum of (i) the par value (or value stated on the books of the Company) of the issued capital stock of all classes of the Company, plus (or minus in the case of a surplus deficit) (ii) the amount of the consolidated surplus, whether capital or earned, of the Company and its Restricted Subsidiaries, less the aggregate amount of any investments in, or loans or advances to, any Unrestricted Subsidiary or any Persons in which the Company or its Restricted Subsidiaries do not have a majority ownership interest or of which the Company or a Restricted Subsidiary is not the sole general partner.

Event of Default shall mean any event specified in Section 10 hereof, ~~to be an event of default, provided that there has been satisfied any requirement in connection with such Event of Default for the giving of notice, or with the lapse of time, or the happening of any further condition, event or act.~~

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Funded Debt shall mean the aggregate amount of any obligation which by its terms is payable in whole or in part more than one year from the date said obligation is incurred and which, under Generally Accepted Accounting Principles, is shown on the balance sheet as a liability, (excluding reserves for deferred income taxes and other reserves to the extent that such reserves do not constitute an obligation), plus (without duplication) (a) all guarantees or endorsements, direct or indirect, of any Debt or obligation of others, including obligations described in Section 6.05(j) except those guarantees and indemnities of the kind and nature described in Section 6.05(j)(v) (A)-(H), and (b) Capitalized Lease Rentals.

Current Debt shall mean any obligation for borrowed money (and any notes payable and drafts accepted representing extensions of credit whether or not representing obligations for borrowed money) payable on demand or within a period of one year from the date said obligation is incurred but shall expressly exclude any portion of Funded Debt payable within one year of the date said Debt was first incurred; provided that any obligation shall be treated as Funded Debt, regardless of its term, if such obligation is renewable pursuant to the terms thereof or of a revolving credit or similar agreement effective for more than one year after the date of such obligation or agreement or out of the proceeds of a similar obligation pursuant to the terms of such original obligation or of any agreement related to such original obligation. Any obligation secured by a Lien on, or payable out of the proceeds of production from, property of the Company or any Restricted Subsidiary shall be deemed to be Funded or Current Debt, as the case may be, of the Company or such Restricted Subsidiary even though such obligation shall not be assumed by the Company or such Restricted Subsidiary but in the event that such obligation is a non-recourse obligation of the Company or any Restricted Subsidiary incurred in connection with an equity investment made by the Company or any Restricted Subsidiary as an integral part of a leveraged lease financing of transportation equipment and such lien shall not encumber any property of the Company or any Restricted Subsidiary other than such transportation equipment, the amount of Debt attributable to the Company or such Restricted Subsidiary, as the case may be, shall be determined in accordance with Generally Accepted Accounting Principles. DEBT shall mean Funded Debt or Current Debt, as the case may be.

Consolidated Tangible Net Worth shall mean the gross book value of the assets of the Company and its Restricted Subsidiaries (including leased property to which Capitalized Lease Rentals are applicable, but excluding intangible assets, unamortized Debt discount and expense, goodwill, patents, trademarks, trade names, organization expense, treasury stock, any write-up of assets and other like intangibles), minus (a) all reserves and deductions, including those for depreciation, depletion, amortization, bad debt losses, deferred taxes, and minority interest, (b) all liabilities, and (c) all Restricted Investments, all determined on a consolidated basis in accordance with Generally Accepted Accounting Principles.

Consolidated Working Capital shall mean the excess of consolidated current assets over consolidated current liabilities of the Company and its Restricted Subsidiaries, both determined in accordance with Generally Accepted Accounting Principles, provided that there shall not be included in current assets (i) any loans (other than Investments) or advances made by the Company or any Restricted Subsidiary except travel and other like advances to officers and employees in the ordinary course of business, nor (ii) any assets located outside (including any amounts payable by Persons located outside) the United States of America and the Dominion of Canada.

Cost, when used with respect to the Equipment not built by the Company or an Affiliate of the Company, shall mean the actual cost thereof to the Company or such Affiliate, and, in respect of Equipment built by the Company or any such Affiliate, shall mean so-called "car builder's cost" including direct cost of labor and material and overhead (including, without limitation, inspection and delivery charges, duty and sales taxes), but excluding any manufacturing profit.

Current Debt--See Funded Debt.

Debt--See Funded Debt.

Generally Accepted Accounting Principles shall mean generally accepted accounting principles in effect at the time of any computation hereunder where the character or amount of any asset or liability or item of income or expense is required to be determined or any consolidation or other accounting computation is required to be made.

Holder, when used with respect to the Notes shall include the plural as well as the singular number and shall mean the Person in whose name such Note is registered.

Investments shall mean (i) certificates of deposit of commercial banks or trust companies incorporated under the laws of the United States of America or any state thereof having capital and surplus aggregating not less than \$75,000,000, in each case maturing within one year after the date of investment therein, (ii) open market commercial paper rated "Prime-1" or better by Moody's Investors Service, Inc., or rated "A-1" or better by Standard & Poor's Corporation (or a comparable rating by any successor to either of their businesses), in each case maturing within 270 days after the date of investment therein, (iii) bonds, notes or other direct obligations of the United States of America or obligations for which the full faith and credit of the United States of America are pledged to provide for the payment of the interest and principal, in each case maturing within one year after the date of investment therein, and (iv) purchases from any commercial bank or trust company referred to in clause (i) above of direct obligations of the United States of America or obligations for which the full faith and credit of the United States of America are pledged to provide for the payment of the interest and principal of any maturity, pursuant to repurchase agreements obligating such bank or trust company to repurchase any such obligation not later than 90 days after the purchase of any such obligation.

Lease Assignment shall mean an assignment of a Lease or ~~other lease~~ authorized pursuant hereto to Citicorp.

Lender shall mean Citicorp Industrial Credit, Inc.

Lien shall mean any mortgage, pledge, security interest, encumbrance, lien or charge of any kind (including any agreement to give any of the foregoing, any conditional sale or other title retention agreement, any lease in the nature thereof, and the filing of or agreement to give any financing statement under the Uniform Commercial Code of any jurisdiction).

Notes shall mean the 11 3/8% promissory notes issued pursuant to the Loan and Security Agreement dated _____, between BRAE Corporation and Citicorp Industrial Credit, Inc.

Officer's Certificate shall mean a certificate signed by the President or a Vice President of the Company.

Opinion of Counsel shall mean an opinion in writing signed by legal counsel satisfactory to the Lender and who may be counsel for the Company or an employee of the Company. The acceptance by the Lender of, together with its action on, an Opinion of Counsel shall be sufficient evidence that such counsel is satisfactory to the Lender.

Person shall mean and include an individual, a partnership, a joint venture, a corporation, a trust, an unincorporated organization and a government or any department or agency thereof.

Preferred Stock shall mean the 1,000 shares of the Company's 9-1/4% Senior Cumulative Preferred Stock and the 500 shares of the Company's 9-1/4% Junior Cumulative Convertible Preferred Stock outstanding on the date of this Agreement.

Purchase Money Debt shall mean any Debt of any Restricted Subsidiary secured by any Lien permitted by clause (v), (vi) or (vii) of Section 6.05(c) hereof to be created, assumed or suffered to exist by such Restricted Subsidiary.

Restricted Investments shall mean (a) any investment by the Company and its Restricted Subsidiaries in any property of any other Person, (b) any purchase of any stock or other securities or evidences of indebtedness by the Company and its Restricted Subsidiaries of any other Person, and (c) any capital contributions, loans or advances (including the amount by which the fair market value exceeds the cost basis of any property sold or transferred) by the Company and its Restricted Subsidiaries to any other Person, provided, that in computing any such investment:

(i) undistributed earnings of, and interest accrued in respect of Debt owing by, the Person, accrued after the date of the investment, shall not be included;

(ii) there shall not be deducted from the amounts invested in the Person any amounts received as earnings (in the form of dividends or interest or otherwise) on the investment in, or as loans from, such Person;

(iii) increases or decreases in value, or write-ups, write-downs or write-offs, of investments in the Person shall be disregarded (except to the extent that any loss on an investment has been recognized in reducing the net income of the Company or a Restricted Subsidiary);

(iv) there shall be included all bonds, debentures, notes and accounts receivable from such Person which are not current assets or did not arise from sales to the Person as a customer in the ordinary course of business; and

(v) a guarantee or other contingent liability in respect of any Debt of the Person, shall be deemed an investment equal to the principal amount of the Debt.

Restricted Subsidiary shall mean any Subsidiary 80% or more of the stock of every class of which, except directors'

qualifying shares, shall be owned by the Company either directly or through other Restricted Subsidiaries, and which has been designated by the Board of Directors or an Executive Committee of the Board of Directors as a Restricted Subsidiary; provided, however, that the Company shall not designate any Unrestricted Subsidiary as a Restricted Subsidiary within the three years immediately after such Unrestricted Subsidiary had been designated an Unrestricted Subsidiary. The Company shall not designate any Restricted Subsidiary as an Unrestricted Subsidiary unless after giving effect to such designation (i) such Subsidiary shall not own any capital stock or Debt of any other Restricted Subsidiary, (ii) there shall exist no Event of Default or Default, and (iii) the tangible net worth of such Subsidiary (computed in the same manner as Consolidated Tangible Net Worth) shall not constitute 10% or more of Consolidated Tangible Net Worth and such Subsidiary shall not have contributed 10% or more of an amount equal to the average of Consolidated Net Earnings for the last three fiscal years prior to such designation; provided, however, that the Company shall not designate any Restricted Subsidiary as an Unrestricted Subsidiary within the three years immediately after such Restricted Subsidiary had been designated a Restricted Subsidiary.

Senior Funded Debt shall mean all Funded Debt of the Company or any Restricted Subsidiary except Funded Debt which is Subordinated Funded Debt.

Subordinated Funded Debt shall mean Funded Debt of the Company which is evidenced by promissory notes or is issued pursuant to an indenture or other agreement to which reference shall be made in the promissory notes issued pursuant thereto containing provisions with respect to subordination substantially as follows:

"The Company covenants and agrees, and the holder of this Note by his acceptance hereof likewise covenants and agrees as follows:

"(a) the principal of and interest on this Note are and shall be subordinated in right of payment in all respects to all Senior Funded Debt (as defined in the foregoing Equipment Trust Agreements between Morgan Guaranty Trust Company of New York as Trustee and the Company dated November 1, 1978 and June 1, 1979) and the Loan and Security Agreement dated _____ between BRAE Corporation and Citicorp Industrial Credit, Inc.); all Senior Funded Debt of the Company are herein collectively called "Senior Debt";.

"(b) without limiting the next preceding subparagraph, (i) no payment on account of principal of, or interest on, this Note shall be made if at the time of such payment an Event of Default or Default exists, or if immediately after giving effect to such payment an event of default or default would exist, under the provisions of any Senior Debt or any agreement under which Senior Debt is then outstanding, and (ii) in the event of any insolvency or bankruptcy proceedings, and any receivership, liquidation, reorganization or other similar proceedings in connection therewith, relative to the Company or its property, and in the event of any proceedings for voluntary liquidation, dissolution or other winding up of the Company, whether or not involving insolvency or bankruptcy proceedings, then all principal of, and premium, if any, and interest on, the Senior Debt shall first be paid in full before any payment on account of principal or interest is made upon this Note, and in any such proceedings any payment or distribution of any kind or character, whether in cash, securities or other property, to which the holder of this Note would be entitled if this Note were not

subordinated to the Senior Debt shall be paid by the liquidating trustee or agent or other person making such payment or distribution, or by the holder of this Note if received by such holder, directly to the holders of the Senior Debt to the extent necessary to make payment in full of the Senior Debt remaining unpaid, after giving effect to any concurrent payment or distribution to or for the holders of the Senior Debt; subject to the prior payment in full of the Senior Debt, the holder of this Note shall be subrogated to the rights of the holders of the Senior Debt to receive payments or distributions of cash, property or securities of the Company applicable to the Senior Debt until the principal of, and interest on, this Note shall be paid in full, and no such payments or distributions to the holder of this Note of cash, property or securities otherwise distributable in respect of the Senior Debt shall, as between the Company, its creditors other than the holders of the Senior Debt, and the holder of this Note, be deemed to be a payment by the Company on account of this Note;

"(c) in the event that the holder of this Note shall receive any payment on this Note which such holder is not entitled to receive under the provisions of the foregoing subparagraph (b), it will hold any amount so received in trust for the holders of Senior Debt and will forthwith turn over such payment to the holders of Senior Debt in the form received to be applied to the Senior Debt;

"(d) the holders of Senior Debt may, at any time and from time to time, without the consent of or notice to the holder of this Note, without incurring responsibility to the holder of this Note and without impairing or releasing the obligations of the holder of this Note hereunder to the holders of Senior Debt: (i) change the manner, place or terms of payment or change or extend the time of payment of, or renew or alter any of the Senior Debt (including any change in the rate of interest thereon), or amend in any manner

any agreement under which Senior Debt is outstanding; (ii) sell, exchange, release or otherwise deal with any property by whomsoever at any time pledged or mortgaged to secure, or howsoever securing, any of the Senior Debt; (iii) release anyone liable in any manner for the collection of the Senior Debt; (iv) exercise or refrain from exercising any rights against the Company and others; and (v) apply any sums by whomsoever paid or howsoever realized to the Senior Debt; and

"(e) the foregoing provisions regarding subordination are and are intended solely for the purpose of defining the relative rights of the holders of the Senior Debt on the one hand and the holder of this Note on the other hand; nothing contained in this Note is intended to or shall impair, as between the Company and the holder of this Note, the obligation of the Company, which is unconditional and absolute, to pay to the holder of this Note the principal of, premium, if any, and interest on, this Note as and when the same shall become due in accordance with its terms, subject, however, to the rights under the foregoing subparagraphs of the holders of the Senior Debt"; and

Subsidiary shall mean any corporation organized under the laws of any state of the United States of America, the Dominion of Canada, or any Province of Canada, which conducts the major portion of its business in the United States of

America or the Dominion of Canada, or both, and 80% or more of the stock of every class of which, except directors' qualifying shares, shall be owned by the Company either directly or through Subsidiaries.

Unrestricted Subsidiary shall mean any Subsidiary that is not designated as a Restricted Subsidiary. The Company shall not designate any Unrestricted Subsidiary as a Restricted Subsidiary unless after giving effect to such designation (i) the Company and its Restricted Subsidiaries shall be able to incur at least One Dollar of additional Consolidated Senior Funded Debt in compliance with the provisions of Section 6.05(d) hereof and (ii) there shall exist no Event of Default or Default.

Written Direction shall mean a direction or statement in writing by the Original Purchaser which is a Holder of Trust Certificates, signed by a Vice President or an Assistant Vice President of the Original Purchaser and addressed to the Trustee with a copy to the Company. Any provision of this Agreement requiring or authorizing a Written Direction prior to the taking of any action by the Trustee or the Company shall, if at the time thereof the Original Purchaser is not the Holder of all Trust Certificates, be based upon a Written Direction of institutional investors which each hold 3% or more in principal amount of the then outstanding Trust Certificates, pursuant to the direction of such investors holding more than 50% of the principal amount of Trust Certificates held by such investors. Any provision of this Agreement requiring or authorizing a Written Direction prior to the taking of any action by the Trustee or the Company shall not be applicable if, at the time hereof, each institutional investor which is a Holder of Trust Certificates holds less than 3% in principal amount of the then outstanding Trust Certificates. In that event, such action may be taken by the Trustee or the Company, as the case may be, without reference to the requirement of such Written Direction, and no other direction or authorization shall be required from any other Holder of Trust Certificates unless otherwise specifically required pursuant to this Agreement.

The words herein, hereof, hereby, hereto, hereunder and words of similar import refer to this Agreement as a whole and not to any particular Article, Section, paragraph or subdivision hereof.