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110-10

Washington, D. C.

Brae Corporation
Three Embarcadero Center
San Francisco, California

98'6

NOV 20 1978 - 7 35 AM

November 16, 1978

98'7

NOV 20 1978

H. G. Homme Jr.
Acting Secretary
Interstate Commerce Commission
Washington, D. C. 20423

Dear Sir:

Enclosed for filing and recordation pursuant to Section 20c of the Interstate Commerce Act are the following documents relating to the railroad equipment described and marked in accordance with Schedule I attached hereto:

(1) Loan and Security Agreement dated as of September 12, 1978 between BRAE Corporation ("Debtor") and Manufacturers Hanover Leasing Corporation ("Lender"); Supplement No. 1 thereto dated as of November 15, 1978.

(2) Lease Agreement dated as of April 3, 1978 between BRAE Corporation and Oregon, California & Eastern Railway Co., including Equipment Schedule No. 1 ("OCE Lease").

The Loan and Security Agreement acts as an assignment to the Lender of the Debtor's interest in the OCE Lease and in the Lease Agreement dated as of March 27, 1978 between BRAE Corporation and Columbia & Cowlitz Railway Company ("CLC Lease"), which was filed and recorded with the ICC on November 20, 1978 under Recordation No. 9845. Such assignment is effective, however, only as the OCE Lease and the CLC Lease relate to the railroad equipment described in Schedule I hereto. The CLC Lease also relates to additional railroad equipment not described in Schedule I hereto and the Debtor's interest in such additional railroad equipment has not been assigned to the Lender.

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

(1) Loan and Security Agreement

(a) Lender: Manufacturers Hanover Leasing Corporation
30 Rockefeller Plaza
New York, New York 10020

(b) Debtor: Brae Corporation
Three Embarcadero Center
San Francisco, California 94111

(2) OCE Lease

(a) Lessor: Brae Corporation
Three Embarcadero Center
San Francisco, California 94111

(b) Lessee: Oregon, California & Eastern Railway Co.
P. O. Box 1088
Klamath Falls, Oregon 97601

(c) Assignee: Manufacturers Hanover Leasing Corporation
30 Rockefeller Plaza
New York, New York 10020

(3) CLC Lease

(a) Lessor: Brae Corporation
Three Embarcadero Center
San Francisco, California 94111

(b) Lessee: Columbia & Cowlitz Railway Company
P. O. Box 188
Longview, Washington 98632

(c) Assignee: Manufacturers Hanover Leasing Corporation
30 Rockefeller Plaza
New York, New York 10020

BRAE Corporation, a California corporation, the corporation which originally executed the Loan and Security

Agreement and the Leases, was on September 27, 1978 merged into its wholly owned subsidiary, Brae Corporation, a Delaware corporation formerly called BraeLease Corporation. Pursuant to such merger, Brae Corporation assumed all of the rights and obligations of BRAE Corporation. Accordingly, Brae Corporation, as the successor to BRAE Corporation, is now party to the Loan and Security Agreement and the Leases.

Please file and record the enclosed documents and cross-index them under the names of, in the case of the Loan and Security Agreement, the Lender and the Debtor (Brae Corporation, BraeLease Corporation and BRAE Corporation) and, in the case of each Lease, the Lessor (Brae Corporation, BraeLease Corporation and BRAE Corporation), the Lessee and the Assignee.

Also enclosed is our check payable to the order of the Interstate Commerce Commission in the amount of $110, the prescribed fee for filing and recording the enclosed documents.

Return to the person presenting this letter, together with your letter confirming such filing and recordation and your fee receipt therefor, all counterparts of the enclosed documents not required for filing.

Very truly yours,

Michael T Everett

Assistant Secretary

SCHEDULE I

Quantity	Type	Identifying Numbers (Both Inclusive)	Markings
150	100-Ton Box cars, AAR Class XM	OCE 3351- OCE 3500	"Mortgaged to a Financial Institution under a Security Agreement filed under the Interstate Commerce Act, Section 20c"
250	100-Ton Box cars, AAR Class XM	CLC 3101- CLC 3350	"Mortgaged to a Financial Institution under a Security Agreement filed under the Interstate Commerce Act, Section 20c"

SCHEDULE I

Quantity	Type	Identifying Numbers (Both Inclusive)	Markings
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Interstate Commerce Commission
Washington, D.C. 20423

11/20/78

OFFICE OF THE SECRETARY

Michael J. Everett
Brae Corporation
Three Embarcadero Center
San Francisco, Calif.

Dear Sir:

The enclosed document(s) was recorded pursuant to the provisions of Section 20(c) of the Interstate Commerce Act, 49 U.S.C. 20(c), on 11/20/78 at 10:35am, and assigned recordation number(s) 9846, 9846-A & 9847

Sincerely yours,

H.G. Homme, Jr.,
Secretary

Enclosure(s)

SE-30-T
(2/78)

RECORDATION NO. 9815 Filed 1425

NOV 20 1978 -9 35 AM

INTERSTATE COMMERCE COMMISSION

LOAN AND SECURITY AGREEMENT

between

BRAE CORPORATION

and

MANUFACTURERS HANOVER LEASING CORPORATION

Dated as of September 12, 1978

LOAN AND SECURITY AGREEMENT

between

BRAE CORPORATION

and

MANUFACTURERS HANOVER LEASING CORPORATION

Dated as of September 12, 1978

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LOAN AND SECURITY AGREEMENT, dated as of September 12, 1978, between BRAE CORPORATION, a California corporation (the "Company"), and MANUFACTURERS HANOVER LEASING CORPORATION, a New York corporation (the "Lender").

W I T N E S S E T H :

WHEREAS, the Company is in the business of purchasing and leasing railroad box-cars to various railroads; and

WHEREAS, the Company desires to obtain loans from the Lender in order to finance 75% of the purchase price of 400 box-cars on order from Paccar Inc.; and

WHEREAS, the Company proposes to lease such box-cars to the short-line railroads identified in Schedule I hereto; and

WHEREAS, the Company will evidence its borrowings hereunder by the issuance of promissory notes which, together with the Company's obligations and liabilities under this Agreement, will be secured by a lien on and security interest in such box-cars and the rights of the Company under the leases of such box-cars; and

WHEREAS, the Lender is agreeable to making the loans on the terms and conditions of this Agreement;

NOW, THEREFORE, in consideration of the premises and of the mutual agreements contained herein, the parties hereto agree as follows:

SECTION 1. DEFINITIONS

1.1 Defined Terms. As used in this Agreement the following terms shall have the following meanings:

"Agreement" shall mean this Loan and Security Agreement, including all Schedules and Exhibits and all Supplements hereto, as the same may from time to time be amended, supplemented or otherwise modified.

"Box-cars" shall mean at any time the 100-ton XM box-cars and any other box-cars which are described in the Supplements at such time, together

with (i) any and all parts, mechanisms, devices and replacements referred to in Subsection 6.19 hereof from time to time incorporated in or installed on or attached to any of such box-cars, (ii) any and all additions and improvements from time to time incorporated in or installed on or attached to any of such box-cars pursuant to requirement of law or governmental regulation and (iii) any and all Non-Removable Improvements.

"Box-car Cost" shall mean, for each Unit (other than a Replacement Unit), the actual cost thereof to the Company including all delivery charges and inspection fees and all applicable local or state sales taxes, if any, as set forth in the manufacturer's invoice with respect to such Unit; provided, however, that if at any time the aggregate delivery charges and inspection fees with respect to all Units theretofore financed hereunder and under the Other Agreement equals $666,667, there shall be excluded from the Box-car Cost of each Unit thereafter financed hereunder and under the Other Agreement the delivery charges and inspection fees with respect to such Unit. The "Box-car Cost" of a Replacement Unit shall be the Box-car Cost of the Unit which it replaced.

"Business Day" shall mean any day other than a Saturday, a Sunday or a legal holiday under the laws of New York or California.

"Capitalized Lease" shall mean any lease of real or personal property under which the Company or any Restricted Subsidiary is the lessee which has a term (including renewals at the option of the lessor) of more than three years (excluding leases between the Company and any Restricted Subsidiary or between Restricted Subsidiaries, and leases of office space, automobiles or office equipment).

"Capitalized Lease Obligations" 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.

"Cash Collateral Account" shall have the meaning set forth in Subsection 6.18(c) hereof.

"Casualty Occurrence" shall mean any of the following events or conditions with respect to any Unit:

(i) such Unit shall become lost for a period of at least 60 consecutive days, or shall become worn out, stolen, destroyed or irreparably damaged from any cause whatsoever; or

(ii) the confiscation, condemnation, seizure or forfeiture of, or other requisition of title to, or use of, such Unit by any governmental authority or any Person acting under color of governmental authority, provided that a requisition of use of such Unit by a governmental authority shall not be deemed a Casualty Occurrence so long as such governmental authority pays to the Company during each quarterly payment period under the Consolidated Note, for the use of such Unit, an amount at least equal

to the installment of principal and interest payable on such Note at the end of such quarterly payment period multiplied by a fraction, the numerator of which is the Box-car Cost of such Unit and the denominator of which is the aggregate Box-car Costs of all Box-cars which are then subject to the lien and security interest of this Agreement; or

(iii) such Unit shall become an Unprotected Unit, and the Box-car Cost thereof together with the Box-car Costs of all other Unprotected Units shall exceed an amount equal to 95% of the aggregate Box-car Costs of all Units then subject to the lien and security interest of this Agreement.

"Casualty Value" with respect to any Unit shall mean the amount obtained by multiplying the aggregate unpaid principal amount of the Notes at the time Casualty Value is being determined by a fraction, the numerator of which is the Box-car Cost of such Unit and the denominator of which is the aggregate Box-car Costs of all Box-cars which are then subject to the lien and security interest of this Agreement.

"Casualty Value Determination Date" shall have the meaning set forth in Subsection 6.18 (a) hereof.

"Collateral" shall mean the Box-cars, the Leases, the moneys and investments at any time in the Cash Collateral Account and all other property, interests and rights described or referred to in Subsection 5.1, 5.2 or 5.3 hereof or in any Supplement, or otherwise subjected to the lien and security interest created by this Agreement or intended so to be.

"Consolidated Funded Debt" shall mean the aggregate amount of all Funded Debt of the Company and its Restricted Subsidiaries, after eliminating intercompany items, consolidated in accordance with generally accepted accounting principles.

"Consolidated Net Income" for any period shall mean the algebraic sum of the net income of the Company and its Restricted Subsidiaries for such period, after eliminating all offsetting debits and credits between the Company and its Restricted Subsidiaries, all computed in accordance with generally accepted accounting principles; provided, however, that there shall not be included in Consolidated Net Income (i) the net income of any Person (other than a Restricted Subsidiary) in which the Company or one or more of its Restricted Subsidiaries has an ownership interest except to the extent that such net income has actually been received by the Company or such Restricted Subsidiary in the form of cash dividends or similar cash distributions, and (ii) except to the extent permitted by the foregoing clause (i), the net income of any Person accrued prior to the date on which it is designated as a Restricted Subsidiary or is acquired by, merged into or consolidated with the Company or a Restricted Subsidiary.

"Consolidated Net Tangible Assets" shall mean at any date the aggregate of all assets of the Company and its Restricted Subsidiaries which in accordance with generally accepted accounting principles are classified as assets and would appear on the asset side of a consolidated balance sheet of the Company and its Restricted Subsidiaries as at the date of determination (and including, in any event, any leasehold interests pertaining to Capitalized Leases), after deducting therefrom (without duplication of deductions): (i) all liabilities of the Company and its Restricted Subsidiaries (other than reserves) which in accordance with generally accepted accounting principles are classified as liabilities and would appear on the liability side of such consolidated balance sheet, excluding for this purpose, however, any such liabilities which constitute Funded Debt, capital stock or surplus; (ii) all reserves (other than reserves for deferred income taxes, Maintenance Reserves and contingency reserves not allocated for any particular purpose), including reserves for liabilities (fixed or contingent), bad debts, deferred income and other non-current items, depreciation, amortization, depletion, obsolescence,

insurance and inventory valuation; (iii) minority interests, if any, in any Person; (iv) good will, organizational expenses, trademarks, trade names, copyrights, patents, patent rights, franchises, licenses, permits and other similar intangible assets; (v) the aggregate amount of all Restricted Investments of the Company and its Restricted Subsidiaries; and (vi) treasury shares, if any, carried as an asset on such consolidated balance sheet.

"Consolidated Note" shall mean the promissory note of the Company described in Subsection 2.4 hereof.

"Consolidated Senior Funded Debt" shall mean the aggregate amount of all Senior Funded Debt of the Company and all Funded Debt of its Restricted Subsidiaries, after eliminating intercompany items, consolidated in accordance with generally accepted accounting principles.

"Consolidation Date" shall mean February 28, 1979, or such earlier Business Day in the month of February as the Company shall designate by at least four Business Days' prior written notice (effective upon receipt) to the Lender.

"Damaged Unit" shall mean any Unit which has suffered a Casualty Occurrence.

"Default" shall mean any of the events specified in Section 8 hereof, whether or not there has been satisfied any requirement in connection with such event for the giving of notice or the lapse of time, or both.

"Event of Default" shall mean any of the events specified in Section 8 hereof, provided that there has been satisfied any requirement in connection with such event for the giving of notice, or the lapse of time, or both.

"Funded Debt" of any corporation shall mean all indebtedness for borrowed money or for the deferred purchase price of property and all Capitalized Lease Obligations of such corporation which by its terms matures more than one year from the date as of which any calculation of Funded Debt is made (excluding, however, all

fixed prepayments, fixed sinking fund payments and other payments required to be made with respect thereto within one year from such date), and any such indebtedness maturing within one year from such date which is renewable or extendible at the option of the obligor to a date beyond one year from such date, including any indebtedness renewable or extendible (whether or not theretofore renewed or extended) under, or payable from the proceeds of the other indebtedness which may be incurred pursuant to the provisions of, any revolving credit agreement or other similar agreement.

"Interim Notes" shall mean the promissory notes of the Company described in Subsection 2.3 hereof.

"Lease" shall mean each lease of Box-cars identified in Schedule I hereto, and each additional lease or substituted lease entered into by the Company pursuant to Subsection 6.24 hereof.

"Lien" shall mean any mortgage, pledge, hypothecation, assignment, security interest, lien or encumbrance, priority or other security agreement or arrangement of any kind or nature whatsoever (including, without limitation, any conditional sale or other title retention agreement, any lease having substantially the same economic effect as a conditional sale or other title retention agreement, and the filing of, or agreement to give, any financing statement under the Uniform Commercial Code or comparable law of any jurisdiction).

"Loan" shall mean each loan made by the Lender under this Agreement.

"Maintenance Reserves" shall mean, at any time, the reserves for the maintenance of railroad rolling stock set aside on the books of the Company and its Restricted Subsidiaries, but only to the extent that the amount of such reserves does not exceed (i) the product of $500 times the number of units of railroad rolling stock then owned by the Company and its Restricted Subsidiaries times the aggregate number of years that such units have been so

owned, less (ii) the aggregate amount of expenses theretofore incurred by the Company and its Restricted Subsidiaries for the maintenance of such units.

"Minimum Short-Term Debt Period" shall mean whichever period of 30 consecutive days during each 12-month period referred to in Subsection 6.3 hereof had the lowest average amount of outstanding Short-Term Debt of the Company and its Restricted Subsidiaries.

"Non-Removable Improvement" shall mean any addition or improvement incorporated in or installed on or attached to any Box-car which is not readily removable without causing material damage to such Box-car or without diminishing or impairing the utility or condition which such Box-car would have had at the time of removal had such addition or improvement not been made.

"Notes" shall mean, collectively, the Interim Notes and the Consolidated Note.

"Obligations" shall have the meaning set forth in Section 5 hereof.

"Other Agreement" shall mean a separate Loan and Security Agreement between the Company and the Lender which is being executed concurrently with the execution hereof.

"Permitted Liens" shall mean, with respect to any Unit, (i) the rights of the lessee under the Lease of such Unit, (ii) Liens for taxes which are not yet due or the payment of which is not at the time required to be made in accordance with the provisions of Subsection 6.11(a) hereof, and (iii) materialmen's, mechanics', repairmen's and other like Liens arising in the ordinary course of business securing obligations which are not more than 30 days overdue or the payment of which is not at the time required to be made in accordance with the provisions of Subsection 6.11(a) hereof.

"Person" shall mean an individual, partnership, corporation, joint venture, trust, unincorporated organization, or government or any agency or political subdivision thereof.

"Proceeds" shall have the meaning assigned to it under the Uniform Commercial Code of the State of New York and, in any event, shall include, but not be limited to, (i) any and all proceeds of any insurance, indemnity, warranty or guarantee payable to the Company from time to time with respect to any of the Collateral, (ii) any and all payments (in any form whatsoever) made or due and payable to the Company from time to time in connection with any requisition, confiscation, condemnation, seizure or forfeiture of any of the Collateral by any governmental authority (or any Person acting under color of governmental authority), and (iii) any and all other amounts from time to time paid or payable under or in connection with any of the Collateral.

"Pro Forma Earnings Available for Fixed Charges" shall mean at any date the projected Consolidated Net Income of the Company and its Restricted Subsidiaries during the 12 consecutive calendar months next succeeding the date of determination (based on existing operations plus the reasonably projected net income to be derived from railroad rolling stock being purchased by the Company or a Restricted Subsidiary with the proceeds of Funded Debt issued on such determination date), plus the Pro Forma Fixed Charges and provisions for Federal, state and local income taxes which were deducted in determining such projected Consolidated Net Income. Such projected Consolidated Net Income with respect to railroad rolling stock shall be calculated by using (i) the average car-hire utilization rate of all railroad rolling stock owned by the Company and its Restricted Subsidiaries and the average mileage rate of such railroad rolling stock for which a mileage charge is available under the rules and regulations of the Interstate Commerce Commission, during the period commencing January 1, 1979 to the determination date or during the four fiscal quarters of the Company immediately preceding the determination date, whichever period is

shorter, and (ii) the applicable car-hire charges in effect under the Interstate Commerce Commission's rules and regulations on the determination date.

"Pro Forma Fixed Charges" shall mean at any date the sum of (i) an amount equal to the aggregate fixed rentals payable or to become payable by the Company and its Restricted Subsidiaries with respect to each lease of real or personal property in existence on the date of determination (other than Capitalized Leases and leases between the Company and any Restricted Subsidiary or between Restricted Subsidiaries), divided by the number of years (calculated to the nearest one-twelfth), commencing on the date of of determination, then remaining under the original lease term of each such lease, and (ii) the aggregate amount of interest charges which will accrue during the 12 consecutive calendar months next succeeding the date of determination on all Funded Debt of the Company and its Restricted Subsidiaries outstanding on such determination date (including such interest charges attributable to Funded Debt proposed to be issued on such determination date but excluding such interest charges attributable to Funded Debt being concurrently retired, if any). For the purpose of all computations of Pro Forma Fixed Charges, the interest charges on Funded Debt represented by Capitalized Lease Obligations shall be determined by using the interest factor referred to in the definition of Capitalized Lease Obligations.

"Replacement Unit" shall have the meaning set forth in Subsection 6.18(c) hereof.

"Restricted Investments" shall mean all investments, whether made in cash or by delivery of property, by the Company or any of its Restricted Subsidiaries (a) in any Person, whether by acquisition of stock, indebtedness or other obligation or security, or by loan, advance or capital contribution, or otherwise, or (b) in any property not used in the business of the Company or any Restricted Subsidiary, except the following:

(i) investments in Restricted Subsidiaries;

(ii) investments in direct obligations of the United States of America or in obligations fully guaranteed by the United States of America, provided that such obligations mature within twelve months from the date of acquisition thereof;

(iii) investments in open market commercial paper rated at least "Prime-1" by Moody's Investors Services, Inc. or "A-1" by Standard & Poor's Corporation Inc. having a maturity of not more than 270 days, and in open market commercial paper rated "Prime-2" or "A-2" having a maturity of not more than 90 days;

(iv) investments in time deposits and certificates of deposit of commercial banks in the United States of America which are members of the Federal Reserve System and which have capital and surplus of at least $50,000,000; and

(v) purchases from any commercial bank referred to in clause (iv) above of direct obligations of the United States of America or obligations fully guaranteed by the United States of America of any maturity, pursuant to repurchase agreements obligating such bank to repurchase such obligations not later than 90 days after their purchase by the Company or any of its Restricted Subsidiaries.

"Restricted Subsidiary" shall mean any Subsidiary of the Company (i) which is incorporated and doing business primarily in the United States of America or Canada, (ii) the assets of which are located primarily in the United States of America or Canada, (iii) all of the issued and outstanding shares of capital stock of which (except for directors' qualifying shares, if required by law) are owned by the Company or another Restricted Subsidiary, and (iv) which the Company has designated as a Restricted Subsidiary by written notice to the Lender; provided, however, that a Subsidiary may not be designated as a Restricted Subsidiary (a) if such Subsidiary would have outstanding immediately after its designation as a

Restricted Subsidiary any Funded Debt which it would not then be permitted to incur in compliance with the provisions of Subsection 6.4 hereof or any guarantee or other contingent obligation which it would not then be permitted to incur under the provisions of Subsection 6.7 hereof, or (b) if, immediately after such Subsidiary's designation as a Restricted Subsidiary, the Company would be in default in the performance or observance of any covenant, agreement or condition contained in this Agreement. The Company may at any time, by written notice to the Lender, withdraw the designation of a Subsidiary as a Restricted Subsidiary if (x) at the time of such withdrawal and immediately after giving effect thereto, no Default or Event of Default shall be in existence and (y) immediately after giving effect to such withdrawal, the Company shall be able to incur at least $1 of additional Funded Debt in compliance with the provisions of Subsection 6.4 hereof. Upon such withdrawal such Subsidiary shall cease to be a Restricted Subsidiary and it may not at any time within 36 months after such withdrawal, directly or indirectly, be redesignated as a Restricted Subsidiary.

"Senior Funded Debt" shall mean all Funded Debt of the Company other than Subordinated Funded Debt.

"Short-Term Debt" shall mean unsecured indebtedness for money borrowed in the ordinary course of business maturing on demand or within one year after the date of creation thereof (excluding any such indebtedness renewable or extendible, or in effect renewable or extendible through the operation of a revolving credit agreement or other similar agreement, at the option of the debtor for a period or periods ending more than one year after the date of creation thereof).

"Subordinated Funded Debt" shall mean Funded Debt of the Company which by its terms is expressly junior or subordinate in right of payment to any other indebtedness of the Company.

"Subsidiary" shall mean any corporation more than 50% of the issued and outstanding shares of Voting Stock of which at the time is owned or controlled, directly or indirectly, by the Company or by one or more other Subsidiaries.

"Supplement" shall mean any supplement substantially in the form of Exhibit H hereto which is executed and delivered by the Company to the Lender pursuant to this Agreement.

"Unit" shall mean one of the Box-cars.

"Unprotected Unit" shall mean, at any time, any Box-car which is then located in a jurisdiction (other than the United States of America) in which the lien on and security interest in such Box-car created by this Agreement has not been duly perfected of record against all third parties so as to be prior to all other Liens except Permitted Liens.

"Voting Stock" of a corporation shall mean stock having ordinary voting power for the election of a majority of the board of directors, managers or trustees of such corporation, other than stock having such power only by reason of the happening of a contingency.

1.2 Use of Defined Terms. All terms defined in this Agreement shall have their defined meanings when used in any Notes, certificates, reports or other documents made or delivered pursuant hereto. All accounting terms not specifically defined herein shall be construed in accordance with generally accepted accounting principles.

1.3 Other Definitional Provisions. (a) The words "hereof", "herein" and "hereunder" and words of similar import when used in this Agreement shall refer to this Agreement as a whole and not to any particular provision of this Agreement.

(b) Terms defined in the singular shall have a comparable meaning when used in the plural and *vice versa*.

SECTION 2. AMOUNT AND TERMS OF LOANS

2.1 Commitment. Subject to the terms and conditions of this Agreement, the Lender agrees to make loans to the Company from time to time from the date hereof to and including February 28, 1979, to finance a portion of the aggregate purchase price of up to 400 100-ton XM box-cars to be purchased by the Company and leased under the Leases identified in Schedule I hereto, provided that the sum of the aggregate principal amount of the loans made by the Lender under this Agreement and the aggregate principal amount of the loans made by the Lender under the Other Agreement shall not exceed $23,960,000. Each borrowing pursuant to this Agreement (other than the first and last borrowing) shall be in an amount of at least $1,500,000, and each borrowing pursuant hereto shall not exceed 75% of the aggregate Box-car Costs of the Units being purchased by the Company with the proceeds of such borrowing. The Company shall give the Lender at least four Business Days' prior written notice (effective upon receipt) of each borrowing hereunder.

2.2 Use of Proceeds. The Company will use the proceeds of each Loan solely to pay, or to reimburse the Company for payments made by it with respect to, 75% of the aggregate Box-car Costs of the Units described in the Supplement executed and delivered by the Company in connection with such Loan.

2.3 The Interim Notes. Each Loan initally shall be evidenced by a separate secured promissory note of the Company in the principal amount of such Loan, substantially in the form of Exhibit A hereto (an "Interim Note" and, collectively, the "Interim Notes"). Each Interim Note shall (a) be dated the date of issue, (b) be stated to mature on February 28, 1979, and (c) bear interest, payable at maturity, on the unpaid principal amount thereof from the date thereof at the rate of 10 1/4% per annum, provided that whenever any such unpaid principal amount shall become due and payable (whether at the stated maturity, by prepayment, by acceleration or otherwise), interest thereon shall thereafter be payable at the rate of 11 1/4% per annum until such overdue principal amount shall be paid in full.

2.4 The Consolidated Note. On the Consolidation Date the Company shall execute and deliver to the Lender, in exchange and substitution for (but not in payment of) the Interim Notes then outstanding, and, upon satisfaction of

the terms and conditions of Subsection 4.3 hereof, the Lender shall accept, a secured promissory note of the Company substantially in the form of Exhibit B hereto (the "Consolidated Note"), in a principal amount equal to the then aggregate unpaid principal amount of all outstanding Interim Notes. Upon receipt of the Consolidated Note, the Lender shall cancel and surrender to the Company all outstanding Interim Notes.

The Consolidated Note shall be dated the Consolidation Date, and shall bear interest on the unpaid principal amount thereof from the date thereof at the rate of 10 1/4% per annum. The principal of and interest on the Consolidated Note shall be payable in 60 consecutive quarterly installments, commencing on the day of the third calendar month after the date of such Note corresponding with the Consolidation Date and on the same day of each third calendar month thereafter (or if any such month does not have a corresponding day, then on the last day of such month), each of such installments being in an amount equal to 3.28156% of the original principal amount of such Note, provided that, in any event, the 60th quarterly installment shall be in an amount sufficient to pay in full all accrued interest on, and the entire unpaid principal amount of, the Consolidated Note, and provided, further, that in the event any partial prepayment of the Consolidated Note is made pursuant to Subsection 2.5, 2.6 or 2.7 hereof, each installment due and payable under such Note after such partial prepayment shall be reduced in the same proportion as the then outstanding principal amount of such Note shall have been reduced by such partial prepayment. Interest on any overdue principal of and premium, if any, on the Consolidated Note shall be payable from the due date thereof at the rate of 11 1/4% per annum for the period during which such principal or premium shall be overdue.

2.5 Voluntary Prepayment With Premium. Commencing with the tenth anniversary date of the Consolidation Date, the Company may, at its option, upon notice as provided in Subsection 2.8 hereof, prepay the Consolidated Note as a whole at any time or in part from time to time, at the applicable percentage set out below of the principal amount then being prepaid, together with accrued interest on the principal amount so prepaid to the date fixed for such prepayment:

If Prepayment is Made during the 12-month Period Commencing on the Following Anniversary Date of the Consolidation Date	Percentage of Principal Amount
Tenth	103.420%
Eleventh	102.736%
Twelfth	102.052%
Thirteenth	101.368%
Fourteenth	100.000%.

2.6 Voluntary Prepayment Without Premium. In the event that the Interstate Commerce Commission shall at any time (a) issue an order, applicable to any of the Box-cars, which reduces incentive per diem charges for car-hire under its rules and regulations on an annual basis to three months or less without a corresponding increase in straight car-hire charges or other charges available to the Company as rent charges under the Leases, or (b) determine that the lessee under any Lease may not apply its incentive car-hire charge receipts in payment of rent charges under such Lease, or (c) require that the lessee under any Lease spend moneys not earned by the Box-cars leased thereunder in order for such lessee to continue to meet its obligations under such Lease, then the Company may, at its option, upon notice as provided in Subsection 2.8 hereof, prepay the Consolidated Note without premium in a principal amount not exceeding the amount determined by multiplying the then unpaid principal amount of the Consolidated Note by a fraction, the numerator of which is the aggregate Box-car Costs of all Units which are affected by the foregoing events and the denominator of which is the aggregate Box-car Costs of all Box-cars which are then subject to the lien and security interest of this Agreement, together with accrued interest on the principal amount so prepaid to the date fixed for such prepayment.

2.7 Casualty Occurrence Prepayment. In the event that any Unit shall suffer a Casualty Occurrence and the Company shall not replace such Unit pursuant to Subsection 6.18 hereof, the Company will prepay the Notes without premium in accordance with the provisions of said Subsection 6.18.

2.8 Notice of Prepayment. The Company shall give written notice to the Lender of any prepayment of the Notes not less than 10 days nor more than 30 days before the date fixed for such prepayment, specifying (a) the date fixed for such prepayment, (b) the Subsection hereof under which such prepayment is to be made, (c) the principal amount of the Notes to be prepaid, (d) the premium, if any, and accrued interest applicable to such prepayment, and (e) if the prepayment occurs after the Consolidation Date, the revised amount of each installment of principal and interest payable on the Consolidated Note after such prepayment. Such notice of prepayment shall also certify all facts which are conditions precedent to such prepayment, including, if such prepayment is to be made pursuant to Subsection 2.6 or 2.7 hereof, the calculations used in determining the unpaid principal amount of the Notes to be prepaid. Upon the giving of such notice, the unpaid principal amount of the Notes to be prepaid, together with the premium, if any, and accrued interest thereon, shall become due and payable on the date fixed for such prepayment.

2.9 Computation of Interest. Interest on the Notes shall be calculated on the basis of actual days elapsed and a year of 360 days. All payments (including prepayments) by the Company on account of the principal of, premium, if any, and interest on the Notes shall be made to the Lender at its office at 30 Rockefeller Plaza, New York, New York (or at such other place as the Lender shall notify the Company in writing), in lawful money of the United States of America and in immediately available funds. If any such payment becomes due and payable on a day that is not a Business Day, the maturity thereof shall be extended to the next succeeding Business Day.

2.10 Release of Collateral. Upon any prepayment of the Notes pursuant to Subsection 2.5 or 2.6 hereof, the Lender will execute and deliver to the Company such instruments as shall be necessary to release from the lien and security interest of this Agreement, without recourse to, or representation or warranty by, the Lender, that number of Units (together with the Proceeds thereof and the applicable Lease to the extent that it relates to such Units) which is equal to the number (disregarding any fraction) obtained by multiplying the total number of Box-cars which are then subject to the lien and security interest of this Agreement by a fraction, the numerator of which is the aggregate principal amount of the Notes so prepaid and the denominator of which is the aggregate unpaid principal amount of the Notes immediately prior to such prepayment. In the case of

a prepayment pursuant to Subsection 2.5 hereof, the Units shall be released in consecutive order of the identification numbers required to be placed on the Box-car pursuant to Subsection 6.25 hereof, commencing with an identification number chosen by the Lender which number shall be chosen in such a manner to insure that the Units to be released are leased under the same Lease. In the case of a prepayment pursuant to Subsection 2.6 hereof, the Units to be released shall be those affected by the event permiting such prepayment and, to the extent possible, such Units shall be chosen in the manner described in the preceding sentence.

SECTION 3. REPRESENTATIONS AND WARRANTIES

In order to induce the Lender to enter into this Agreement and to make the Loans, the Company represents and warrants to the Lender that:

3.1 Corporate Existence. The Company is a corporation duly organized, validly existing and in good standing under the laws of the State of California, and the Company is duly qualified as a foreign corporation and in good standing in each other jurisdiction where the conduct of its business or the ownership or lease of its properties requires such qualification and the failure to be so qualified could have a material adverse effect on the business, operations, properties or assets or on the condition, financial or other, of the Company. As of the date hereof, such jurisdictions consist of those listed in Schedule II hereto. The Company has four Subsidiaries in the process of being organized, one under the laws of the State of Delaware, one under the laws of the State of New York and two under the laws of the State of California.

3.2 Power and Authorization. The Company has full corporate power, authority and legal right to own its properties and to conduct its business as now conducted and presently proposed to be conducted by it and to execute, deliver and perform this Agreement, the Supplements and the Notes, and the Company has taken all necessary corporate action to authorize the execution, delivery and performance of this Agreement, the Supplements and the Notes on the terms hereof and thereof. This Agreement has been duly executed and delivered by the Company and constitutes, and each Supplement and each Note when executed and delivered by the Company will constitute, a valid and binding obligation of the Company enforceable in accordance with its terms. No

consent of any other party (including stockholders of the Company) and no consent, license, approval or authorization of, exemption by, or registration or declaration with, any governmental authority is required in connection with the execution, delivery and performance by the Company of this Agreement, any Supplement or any Note except for the filing of this Agreement and each Supplement with the Interstate Commerce Commission and the filing of a financing statement with respect hereto with the California Secretary of State.

3.3 No Legal Bar. The execution, delivery and performance by the Company of this Agreement, the Supplements, the Notes and the Leases will not violate any provision of any existing law or regulation to which the Company is subject or of any order, judgment, award or decree of any court, arbitrator or governmental authority applicable to the Company or of the Articles of Incorporation, By-Laws or any preferred stock provision of the Company or of any mortgage, indenture, contract or other agreement to which the Company is a party or which is binding upon the Company or any of its properties or assets, and will not constitute a default thereunder, and (except as contemplated by this Agreement) will not result in the creation or imposition of any Lien on any of the properties or assets of the Company. The Company is not in default in the performance or observance of any of the obligations, covenants or conditions contained in any bond, debenture or note, or in any mortgage, deed of trust, indenture or loan agreement, of the Company.

3.4 No Material Litigation. Except as set forth in a letter dated the date of this Agreement from the Company to the Lender, there are no actions, suits or proceedings (whether or not purportedly on behalf of the Company) pending or, to the knowledge of the Company, threatened against the Company or any of its properties or assets in any court or before any arbitrator of any kind or before or by any governmental body, which (i) relate to any of the Collateral or to any of the transactions contemplated by this Agreement, or (ii) would, if adversely determined, materially impair the right or ability of the Company to carry on its business substantially as now conducted and presently proposed to be conducted by it, or (iii) would, if adversely determined, have a material adverse effect on the operating results or on the condition, financial or other, of the Company. The Company is not in default with respect to any material order, judgment, award, decree, rule or regulation of any court, arbitrator or governmental body.

3.5 No Default. No Default or Event of Default has occurred and is continuing under this Agreement.

3.6 Financial Condition. The balance sheet of the Company as at October 18, 1977, reported on by Arthur Andersen & Co., and the balance sheet of the Company as at July 31, 1978, certified by the principal accounting officer of the Company, copies of which have heretofore been delivered to the Lender, present fairly the financial position of the Company as at October 18, 1977 and as at July 31, 1978, respectively, and have been prepared in accordance with generally accepted accounting principles. There has been no material adverse change in the condition, financial or other, of the Company since July 31, 1978, provided that a decrease in the Company's net worth will not be deemed to be a material adverse change so long as the net worth of the Company is at least $8,500,000.

3.7 Payment of Taxes. The Company has filed all federal, state and local tax returns and declarations of estimated tax which are required to be filed (except for certain state and local tax returns with respect to which the Company has no material liability and which will be filed by the Company as soon as is practicable) and has paid all taxes which have become due pursuant to such returns and declarations or pursuant to any assessment received by it, and the Company has no knowledge of any deficiency or additional assessment in connection therewith not adequately provided for on the books of the Company. In the opinion of the Company, all tax liabilities of the Company were adequately provided for as of July 31, 1978, and are now so provided for, on the books of the Company.

3.8 Force Majeure. Since July 31, 1978, the business, operations, properties and assets of the Company have not been materially and adversely affected in any way as the result of any fire, explosion, earthquake, disaster, accident, labor disturbance, requisition or taking of property by governmental authority, flood, drought, embargo, riot, civil disturbance, uprising, activity of armed forces, or act of God or the public enemy.

3.9 Burdensome Provisons. Except as set forth in a letter dated the date of this Agreement from the Company to the Lender, the Company is not a party to any agreement or instrument, or subject to any charter or other corporate restriction or to any judgment, order, writ, injunction, decree, award, rule or regulation, which materially and adversely affects the business, operations, properties or assets or the condition, financial or other, of the Company.

3.10 Leases. (a) Each Lease has been duly authorized, executed and delivered by the Company and the lessee thereunder and constitutes a valid and binding obligation of the Company and such lessee, enforceable in accordance with its terms. All consents, licenses, approvals or authorizations of, exemptions by, and registrations or declarations with, any governmental authority required to be obtained, effected or given in connection with the execution, delivery and performance of each Lease by each party thereto have been duly obtained, effected or given and are in full force and effect, other than the filing of the Leases with the Interstate Commerce Commission which will have been duly effected on or before date of the initial Loan hereunder and will be in full force and effect at all times thereafter.

(b) Neither the Company nor (to the best of the Company's knowledge) the lessee under any Lease is in default in the performance or observance of any covenant, term or condition contained in such Lease, and no event has occurred and no condition exists which constitutes, or which with the lapse of time or the giving of notice or both would constitute, an event of default under any Lease. The Company has fully performed all its obligations under each Lease, and the right, title and interest of the Company in, to and under each Lease is not subject to any defense, offset, counterclaim or claim, nor have any of the foregoing been asserted or alleged against the Company as to any Lease.

3.11 Title to Box-cars. Whenever the Company executes and delivers a Supplement to the Lender, the Company will have good and valid title to, and will be the lawful owner of, each Unit described in such Supplement, free and clear of all Liens whatsoever except (i) the lien and security interest created by this Agreement and (ii) Permitted Liens.

3.12 First Lien. Upon the filing of this Agreement, the Leases and any Supplement in the manner prescribed in Section 20c of the Interstate Commerce Act, as amended, and in the regulations of the Interstate Commerce Commission promulgated thereunder, and the filing of a financing statement covering the Collateral in the office of the Secretary of State of California, this Agreement will constitute a legal, valid and perfected first lien on and first priority security interest in each of the Units described in such Supplement (and any Proceeds

thereof) and each of the Leases (and the Proceeds thereof) to the extent the Leases relate to such Units, as security for the Obligations, free and clear of all other Liens whatsoever except Permitted Liens. No security agreement, financing statement, equivalent security or lien instrument or continuation statement covering all or any part of the Collateral, which has been signed by the Company or which the Company has authorized any other Person to sign or file or record, is on file or of record with the Interstate Commerce Commission or with any other public office, except such as may have been filed by or on behalf of the Company in favor of the Lender pursuant to this Agreement.

3.13 Offering of Notes. The Company has not, either directly or through any agent, offered any of the Notes or any related securities to, or solicited any offers to acquire any of the Notes or any related securities from, or otherwise negotiated in respect of any of the Notes or any related securities with, any Person other than the Lender, Union Mutual Life Insurance Company, Unionmutual Stock Life Insurance Co. of America and not more than 25 other institutional investors; and the Company agrees that the Company will not, directly or indirectly, offer any of the Notes to, or solicit offers to acquire any of the Notes from, or otherwise approach, negotiate or communicate in respect of any of the Notes with, any Person or Persons so as thereby to bring the issue or disposition of the Notes within the provisions of Section 5 of the Securities Act of 1933, as amended.

SECTION 4. CONDITIONS OF BORROWING

4.1 Conditions of Initial Loan. The Lender shall not be required to make the initial Loan hereunder unless the Lender shall receive, in addition to the documents described in Subsection 4.2 hereof, the following documents, each in form and substance satisfactory to the Lender:

(a) a copy, certified by the Secretary of the Company on the date of such Loan, of the resolutions of the Board of Directors of the Company approving the transactions contemplated by this Agreement and authorizing the execution, delivery and performance by the Company of this Agreement, the Notes, the Supplements, the Leases and all other documents and instruments required hereby;

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

(c) an opinion of Messrs. Heller, Ehrman, White & McAuliffe, counsel for the Company, substantially in the form of Exhibit C hereto, and an opinion of Messrs. Conner, Moore & Corber, special counsel for the Company, substantially in the form of Exhibit D hereto;

(d) evidence that this Agreement has been duly filed, registered and recorded with the Interstate Commerce Commission in accordance with Section 20c of the Interstate Commerce Act, as amended, and that a financing statement with respect hereto has been duly filed with the California Secretary of State;

(e) a copy of each Lease, duly executed by the parties thereto, together with evidence that each Lease has been duly filed, registered and recorded with the Interstate Commerce Commission in accordance with Section 20c of the Interstate Commerce Act, as amended;

(f) a duly executed but undated directive of the Company to the lessee under each Lease, substantially in the form of Exhibit E hereto; and

(g) a duly executed assignment by the Company to the Lender of each maintenance contract entered into by the Company pursuant to Subsection 6.19 hereof.

4.2 Conditions of Each Loan. The Lender 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 the date of the making of such Loan with the same effect as if made on and as of such date (except that, if the Company shall have merged with its Delaware Subsidiary in compliance with Subsection 6.8 hereof, the Company shall be duly organized, validly existing and in

good standing under the laws of the State of Delaware), and no Default or Event of Default shall be in existence on the date of the making of such Loan or would occur as a result of such Loan; and

(b) the Lender shall receive the following documents, each in form and substance satisfactory to the Lender:

(i) an Interim Note in the principal amount of such Loan, duly executed by the Company;

(ii) a copy of the warranty bill of sale from the manufacturer of the Box-cars being financed by such Loan, substantially in the form of Exhibit I hereto, transferring to the Company good title to such Box-cars free and clear of all Liens;

(iii) a copy of the invoice from the manufacturer of the Box-cars being financed by such Loan, identifying such Box-cars and specifying the Box-car Costs thereof, and accompanied by or having endorsed thereon a certification by an authorized officer of the Company as to the correctness of the information set forth in such invoice;

(iv) a completed Supplement duly executed by the Company, identifying the Box-cars being financed by such Loan and subjecting such Box-cars to the lien and security interest created by this Agreement, together with evidence that such Supplement has been duly filed, registered and recorded with the Interstate Commerce Commission in accordance with Section 20c of the Interstate Commerce Act, as amended;

(v) one or more completed and executed lease schedules substantially in the form of Exhibit F hereto, subjecting the Box-cars being financed by such Loan to one of the Leases, together with evidence that each such lease schedule has been duly filed, registered and recorded with the Interstate Commerce Commission in accordance with Section 20c of the Interstate Commerce Act, as amended;

(vi) evidence of insurance on the Box-cars being financed by such Loan which indicates compliance with the provisions of Subsection 6.17 hereof;

(vii) evidence that the Box-cars being financed by such Loan have been duly placed under one of the maintenance contracts referred to in Subsection 6.19 hereof;

(viii) a certificate, dated the date of such Loan and signed by the President or any Vice President of the Company, to the same effect as paragraph (a) of this Subsection 4.2 and to the further effect that (A) the Box-cars being financed by such Loan have been delivered to and accepted by the Company; (B) the Company has valid and legal title to, and is the lawful owner of, such Box-cars, free and clear of all Liens except the lien and security interest created by this Agreement and Permitted Liens; and (C) such Box-cars have been duly leased to the lessees under the Leases (specifying the particular Box-cars which are leased under each Lease);

(ix) an opinion of Messrs. Conner, Moore & Corber, special counsel for the Company, dated the date of such Loan, to the effect that (A) the Company has valid and legal title to, and is the lawful owner of, the Box-cars being financed by such Loan, free and clear of all Liens except the lien and security interest created by this Agreement and Permitted Liens; (B) the Supplement describing such Box-cars, and each lease schedule subjecting such Box-cars to a Lease, have been duly filed, registered and recorded with the Interstate Commerce Commission in accordance with Section 20c of the Interstate Commerce Act, as amended; (C) this Agreement, as supplemented by such Supplement, constitutes a legal, valid and perfected first lien on and first priority security interest in each of such Box-cars (and any Proceeds thereof) and each of the Leases (and the Proceeds thereof) to the extent the Leases relate to such Box-cars; and (D) no further action, including any filing or recording of any document, is necessary or advisable in

order to create and maintain in favor of the Lender the lien and security interest referred to in the foregoing clause (C) (or, if any action is necessary or advisable, specifying the same);

(x) an opinion of counsel for Paccar, Inc. ("Paccar"), dated the date of such Loan and addressed to the Lender and the Company, in form and substance satisfactory to counsel for the Lender, to the effect that (A) Paccar is a corporation duly organized, validly existing and in good standing under the laws of its jurisdiction of incorporation and has all requisite corporate power and authority to own its property and to conduct its business as presently conducted; (B) the purchase order with respect to the Box-cars being financed by such Loan has been duly authorized, executed and delivered by Paccar and, assuming due authorization, execution and delivery thereof by the Company, is a legal and valid agreement, binding upon Paccar, enforceable against Paccar in accordance with its terms, subject, as to the enforcement of remedies, to applicable bankruptcy, insolvency, moratorium and similar laws affecting creditors' rights generally; and (C) Paccar's bill of sale relating to the Box-cars being financed by such Loan has been duly authorized, executed and delivered by Paccar and is effective to transfer to the Company good and marketable title to the Box-cars, free and clear of all claims, charges, liens, security interests and other encumbrances, except the rights of the Lender under this Agreement; and

(xi) any other documents, affidavits or certificates that the Lender may reasonably request.

4.3 Conditions of Acceptance of Consolidated Note. The Lender shall not be required to accept the Consolidated Note in exchange for the Interim Notes unless on the Consolidation Date:

(a) the Company shall deliver to the Lender the Consolidated Note, duly executed by the Company and in a principal amount equal to the aggregate unpaid principal amount of all outstanding Interim Notes;

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

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

(d) the Lender shall receive an opinion of counsel for the Company, dated the Consolidation Date, substantially in the form of Exhibit G hereto.

SECTION 5. GRANT OF LIEN AND SECURITY INTEREST

As collateral security for (a) the prompt and complete payment when due (whether at the stated maturity, by prepayment, by acceleration or otherwise) of the unpaid principal of, premium, if any, and interest on the Notes, (b) the due and punctual payment and performance by the Company of all of its obligations and liabilities under or arising out of or in connection with this Agreement, and (c) unless and until Weyerhaeuser Company assumes the obligations of the Company under the Notes and complies with the provisions of the proviso to Section 8 hereof, the prompt and complete payment when due (whether at the stated maturity, by prepayment, by acceleration or otherwise) of all other indebtedness, obligations and liabilities of the Company to the Lender, whether now existing or hereafter incurred (all of the foregoing being hereinafter called the "Obligations"), and in order to induce the Lender to make the Loans hereunder:

5.1 Box-cars. The Company does hereby assign, convey, mortgage, pledge and transfer to the Lender, and does hereby grant to the Lender a continuing security interest in, all Box-cars now owned or at any time hereafter acquired by the Company and any and all Proceeds thereof, provided that the Lender does not hereby consent to the sale or other disposal thereof.

5.2 Leases. The Company does hereby assign, convey, mortgage, pledge and transfer to the Lender, and does hereby grant to the Lender a continuing security interest in, all of the right, title and interest of the Company in, to and under the Leases, including, without limitation, all right, title and interest of the Company in and to all rents, issues, profits, revenues and other income arising under any of the Leases and other moneys due and to become due to the Company under any of the Leases, all proceeds of and all claims for damages arising out of the breach of any of the Leases, the right of the Company to terminate any of the Leases and to compel performance of the terms and provisions thereof, and all chattel paper, contracts, instruments and other documents evidencing any of the Leases or any moneys due or to become due thereunder or related thereto, but only to the extent that all the foregoing relate to, derive from or arise out of the Box-cars. Each and every copy of each of the Leases which the Company directly or indirectly has in its control or possession shall have attached thereto a notice indicating the Lender's interest therein.

If an Event of Default has occurred and is continuing, upon the demand of the Lender the Company will specifically authorize and direct the lessee under each Lease to which any Box-cars financed hereunder are subject to make payment of all moneys due and to become due under or arising out of such Lease on account of such Box-cars directly to the Lender and upon such demand the Company irrevocably authorizes and empowers the Lender to ask, demand, receive, receipt and give acquittance for any and all such amounts which may be or become due or payable or remain unpaid to the Company by such lessee at any time or times under or arising out of its respective Lease; to endorse any checks, drafts or other orders for the payment

of money payable to the Company in payment therefor; and in the Lender's discretion to file any claims or take any action or proceedings either in its own name or in the name of the Company or otherwise which the Lender may deem to be necessary or advisable in the premises. The Company hereby irrevocably authorizes the Lender after any such demand has been made, in its own name or in the name and on behalf of the Company, to give notification to any lessee under any of the Leases that payment thereunder is to be made directly to the Lender.

It is expressly agreed by the Company that, anything herein to the contrary notwithstanding, the Company shall remain liable under the Leases to observe and perform all the conditions and obligations to be observed and performed by it thereunder, all in accordance with and pursuant to the terms and provisions thereof. The Lender shall not have any obligation or liability under the Leases by reason of or arising out of this Agreement or the assignment of the Leases to the Lender or the receipt by the Lender of any payment relating to any Lease pursuant hereto, nor shall the Lender be required or obligated in any manner to perform or fulfill any of the obligations of the Company under or pursuant to any Lease, or to make any payment, or to make any inquiry as to the nature or the sufficiency of any performance by any party under any Lease, or to present or file any claim, or to take any action to enforce the observance of any obligations of any party to any Lease.

5.3 Cash Collateral Account. The Company does hereby assign, convey, mortgage, pledge and transfer to the Lender, and does hereby grant to the Lender a continuing security interest in, all moneys and all investments at any time held in the Cash Collateral Account.

SECTION 6. COVENANTS

The Company hereby covenants and agrees that from the date of this Agreement and so long as any of the Notes remain outstanding and unpaid:

6.1 Financial Statements and Reports. The Company will furnish to the Lender (a) as soon as available but in any event not later than 120 days after the close of each fiscal year of the Company, a balance sheet of the Company as at the end of such fiscal year and the related

statements of income and of changes in financial position of the Company for such fiscal year, all in reasonable detail, prepared in accordance with generally accepted accounting principles applied on a basis consistently maintained throughout such fiscal year and accompanied by a report or opinion of Arthur Andersen & Co. or other independent public accountants of nationally recognized standing selected by the Company and satisfactory to the Lender; (b) within 60 days after the close of each quarter, other than the last, of each fiscal year of the Company, an unaudited balance sheet of the Company as at the end of such quarter and the related unaudited statements of income and of changes in financial position of the Company for the period from the beginning of such fiscal year to the end of such quarter, all in reasonable detail, prepared in accordance with generally accepted accounting principles applied on a basis consistently maintained throughout the period involved and certified by the principal financial or accounting officer of the Company (subject to normal year-end audit adjustments); (c) concurrently with the delivery of the financial statements referred to in clauses (a) and (b) above, a certificate of the principal financial or accounting officer of the Company (1) stating that, to the best of his knowledge after due inquiry, the Company has observed and performed each and every covenant and agreement of the Company contained in this Agreement and the Notes and that no Default or Event of Default has occurred during the period covered by such financial statements or is then in existence, except as specifically indicated, and (2) setting forth in reasonable detail all computations required to determine if the Company was in compliance during the period covered by such financial statements with the provisions of Subsections 6.3, 6.4, 6.5 and 6.10 hereof; (d) concurrently with the delivery of the financial statements referred to in clause (a) above, a certificate of the independent public accountants which certified such statements to the effect that, in making the examination necessary for the audit of such financial statements, they obtained no knowledge of any default by the Company in the observance or performance of any of its covenants or agreements contained in this Agreement or the Notes, except as specifically indicated; (e) during any period when the Company shall have one or more Restricted Subsidiaries, within the periods prescribed in clauses (a) and (b) above, financial statements of the character and for the period or periods and as of the date or dates specified in said clauses (a) and (b) and certified or accompanied by a report or opinion of independent public accountants as therein provided,

covering the financial condition, income and changes in financial position of the Company and each Restricted Subsidiary on a consolidated basis and, if requested by the Lender, covering the financial condition, income and changes in financial position of the Company and each material Restricted Subsidiary on a consolidating basis; (f) promptly upon their becoming available, copies of all regular and periodic reports, if any, which the Company or any of its Restricted Subsidiaries shall file with the Securities and Exchange Commission or any similar or corresponding governmental department, commission, board, bureau or agency substituted therefor, or with any national securities exchange; and (g) promptly, such additional financial and other information as the Lender may from time to time reasonably request.

6.2 Utilization Reports. The Company will furnish to the Lender as soon as available but in any event not later than 30 days after the close of each fiscal quarter of each fiscal year of the Company, information setting forth the average utilization during such fiscal quarter of all railroad rolling stock (including the Box-cars) owned by the Company and its Restricted Subsidiaries, whether or not leased, all in reasonable detail and certified by the principal financial or accounting officer of the Company. For the purpose of this Subsection 6.2, the "average utilization" of an item of railroad rolling stock owned by the Company or a Restricted Subsidiary during a fiscal quarter shall be determined by dividing the aggregate number of days in such fiscal quarter that car-hire charges are earned by such rolling stock by the aggregate number of days in such fiscal quarter that such rolling stock was owned by the Company or a Restricted Subsidiary.

6.3 Limitation on Short-Term Debt. For a period of at least 30 consecutive days in each period of 12 consecutive calendar months (commencing with the 12-month period ending August 31, 1979 and including the successive 12-month periods ending on the last day of each month thereafter) neither the Company nor any Restricted Subsidiary will have any outstanding Short-Term Debt (other than Short-Term Debt owing to the Company or a Restricted Subsidiary), unless the highest amount of such Short-Term Debt outstanding on any day during the Minimum Short-Term Debt Period could have been incurred by the Company on such day as Senior Funded Debt without violating the provisions of Subsection 6.4 hereof.

6.4 Limitation on Funded Debt. The Company will not, and will not permit any Restricted Subsidiary to, create, incur or assume any Funded Debt (other than the Notes) unless, immediately thereafter and after giving effect to the existence of such Funded Debt, to the receipt of the net proceeds thereof and to the retirement of any indebtedness which is concurrently being retired out of the proceeds of such Funded Debt:

(a) Consolidated Net Tangible Assets would be at least 120% of Consolidated Senior Funded Debt and at least 115% of Consolidated Funded Debt; and

(b) Pro Forma Earnings Available For Fixed Charges would not be less than 1.25 times Pro Forma Fixed Charges;

provided, however, that this covenant shall not apply to Funded Debt created, incurred or assumed solely for the purpose of extending, renewing or refunding any Senior Funded Debt of the Company or any Funded Debt of any Restricted Subsidiary so long as the principal amount of such Funded Debt is not thereby increased; and provided, further, that the provisions of paragraph (b) above shall not apply to Funded Debt created or incurred by the Company prior to March 31, 1979.

6.5 Limitation on Subordinated Funded Debt. The Company will not create, incur or assume any Subordinated Funded Debt unless, immediately thereafter and after giving effect to the existence of such Subordinated Funded Debt, to the receipt of the net proceeds thereof and to the retirement of any indebtedness which is concurrently being retired out of the proceeds of such Subordinated Funded Debt:

(a) Consolidated Net Tangible Assets would be at least 115% of Consolidated Funded Debt; and

(b) Pro Forma Earnings Available For Fixed Charges would not be less than 1.25 times Pro Forma Fixed Charges.

6.6 Accounts Receivable. The Company will not, and will not permit any Restricted Subsidiary to, (a) sell, assign, discount or otherwise dispose of any notes or accounts receivable owned by the Company or any Restricted Subsidiary, except for sales without recourse for a cash consideration at least equal to the face value thereof, or (b) create or suffer to exist any Lien on any notes or

accounts receivable owned by the Company or any Restricted Subsidiary; provided, however, that the foregoing provisions of this Subsection 6.6 shall not prevent (i) the assignment of rental payments under leases of railroad rolling stock as collateral security for loans made to finance the purchase or reconstruction by the Company or any Restricted Subsidiary of such rolling stock, or (ii) if the Company or any Restricted Subsidiary is the lessee under a lease of railroad rolling stock, the assignment of rental payments under a sublease of such rolling stock as collateral security for the Company's or such Subsidiary's obligations to the lessor under such lease.

6.7 Guarantees and other Contingent Liabilities. The Company will not, and will not permit any Restricted Subsidiary to, become or remain liable, directly or indirectly, in connection with the indebtedness, dividends or other obligation of any Person (other than a Restricted Subsidiary or the Company), whether by guarantee or indorsement or by any agreement, contingent or otherwise, (i) to purchase or otherwise acquire such obligation or any security therefor, (ii) to purchase, sell, transport or lease (as lessee or lessor) property or to purchase or sell services at prices or in amounts designed to enable the debtor to make payment of such obligation or to assure the owner of such obligation against loss, or (iii) to supply or advance funds to or in any other manner invest in the debtor; provided, however, that the Company and any Restricted Subsidiary may (1) indorse negotiable instruments for collection in the ordinary course of business, (2) indemnify lessees under leases from it to such lessees of railroad rolling stock pursuant to indemnification provisons substantially in the form of Section 10 of the Leases identified in Schedule I hereto, (3) indemnify lessors under leases to it from such lessors of railroad rolling stock pursuant to indemnification provisions of the type customarily used in similar kinds of leases, and (4) indemnify lenders under loan agreements to which it is a party pursuant to indemnification provisions substantially in the form of Subsection 6.12 hereof.

6.8 Sale, Lease, Merger or Consolidation by Company. The Company will not sell, lease, transfer or otherwise dispose of all or substantially all of its properties and assets as an entirety, or consolidate with or merge into any Person, or permit any Person to merge into it, unless:

(a) the successor formed by or resulting from such consolidation or merger or the transferee or lessee to which such sale, lease, transfer or other disposition shall be made shall be a corporation duly organized and existing under the laws of the United States of America or any State thereof;

(b) the obligations, covenants and agreements of the Company under this Agreement and the Notes shall be expressly assumed, by written instrument furnished to the Lender and in form and substance satisfactory to the Lender, by such successor (if such successor shall not be the Company), transferee or lessee; and

(c) immediately after giving effect to such transaction and to the assumption of the obligations, covenants and agreements of the Company under this Agreement and the Notes, the Company or such successor (if such successor shall not be the Company) or such transferee or lessee (i) shall not be in default in the performance or observance of any covenant, agreement or condition contained in this Agreement, and (ii) shall be able to incur at least $1 of additional Funded Debt in compliance with the provisions of Subsection 6.4 hereof.

6.9 Issuance and Disposition of Stock and Funded Debt of Restricted Subsidiaries. Except to the extent, if any, required to qualify directors under any applicable law:

(a) the Company will not cause, suffer or permit any Restricted Subsidiary to issue or dispose of any shares of stock of such Restricted Subsidiary to any Person other than the Company or another Restricted Subsidiary; and

(b) the Company will not, and will not permit any Restricted Subsidiary to, sell, assign, transfer, dispose of or in any way part with control of any Funded Debt of any Restricted Subsidiary owned by the Company or such Restricted Subsidiary or any shares of stock of any Restricted Subsidiary owned by the Company or such Restricted Subsidiary, except to the Company or a Restricted Subsidiary unless:

(i) there shall simultaneously be sold or otherwise disposed of as an entirety all of the Funded Debt and all of the shares of stock of such Restricted Subsidiary at the time owned by the Company or any other Restricted Subsidiary;

(ii) the Restricted Subsidiary whose Funded Debt and shares of stock are so sold or otherwise disposed of shall not own (1) any Funded Debt or capital stock of the Company, or (2) any Funded Debt or shares of stock of any other Restricted Subsidiary not being simultaneously disposed of as permitted by this Subsection 6.9(b); and

(iii) such Funded Debt and shares of stock shall be sold or otherwise disposed of for a consideration equal to the fair value thereof, as determined by the Board of Directors of the Company.

6.10 Limitation on Dividends, Stock Retirements and Restricted Investments. The Company will not declare or pay any dividends (other than dividends payable solely in capital stock of the Company) on any shares of any class of its capital stock, or apply any of its property or assets to the purchase, redemption or other retirement of any shares of its capital stock (except shares acquired upon the conversion thereof into other shares of capital stock of the Company), or make any other distribution, by reduction of capital or otherwise, in respect of any shares of its capital stock, or permit any Subsidiary to purchase any shares of capital stock of the Company, or make, or permit any Restricted Subsidiary to make, any Restricted Investment, unless, immediately after giving effect to such action, the aggregate amount expended for all such purposes subsequent to July 1, 1978 shall not exceed the sum of (a) the aggregate amount received by the Company after July 1, 1978 (other than from Restricted Subsidiaries) as the net cash proceeds, or the net proceeds by conversion of indebtedness of the Company issued for cash after July 1, 1978, of the issue or sale of capital stock of the Company, plus (b) 75% of the Consolidated Net Income of the Company and its Restricted Subsidiaries (or, in the case of a deficit, minus 100% of such deficit) accrued after December 31, 1978.

For the purposes of this Section 6.10, the "net proceeds" of the issue or sale of capital stock of the Company by conversion of indebtedness of the Company shall be the unpaid principal amount of such indebtedness (or, if less, the net proceeds received upon the issuance of such unpaid indebtedness), less all expenses, including underwriters' commission, of such issue or sale.

As used in this Subsection 6.10, the term "capital stock"of the Company shall mean (i) shares of capital stock of any class of the Company, whether now or hereafter authorized, regardless of whether such capital stock shall be limited to a fixed sum or percentage in respect of the rights of the holders thereof to participate in dividends or in the distribution of assets upon the voluntary or involuntary liquidation, dissolution or winding up of the Company, and (ii) warrants and rights to purchase any such shares of capital stock.

Nothing contained in this Subsection 6.10 shall prevent or restrict the acquisition of shares of capital stock of the Company solely in exchange for other shares of capital stock of the Company.

6.11 Payment of Taxes; Corporate Existence; Maintenance of Properties; Principal Office. (a) The Company will promptly pay and discharge or cause to be paid and discharged, before the same shall become in default, all lawful taxes, assessments and governmental charges or levies imposed upon the Company or any Restricted Subsidiary, or upon any property, real, personal or mixed, belonging to the Company or any Restricted Subsidiary, or upon any part thereof, as well as all lawful claims for labor, materials and supplies which, if unpaid, might become a Lien upon any such property or any part thereof; provided, however, that the Company shall not be required to pay and discharge or to cause to be paid and discharged any such tax, assessment, charge, levy or claim so long as (i) the validity thereof shall be contested in good faith by appropriate proceedings, (ii) such proceedings do not involve any danger of the sale, forfeiture or loss of the Collateral or any part thereof, and (iii) the Company or such Restricted Subsidiary, as the case may be, shall have set aside on its books adequate reserves with respect thereto.

(b) The Company will do or cause to be done all things necessary to preserve and keep in full force and effect its corporate existence, rights and franchises and the corporate existence, rights and franchises of each of its Restricted Subsidiaries, and will comply with and cause each Restricted Subsidiary to comply with all valid and applicable statutes and governmental regulations except any such statute or regulation the validity or applicability of which is being contested in good faith; provided, however, that nothing in this Subsection 6.11(b) shall prevent a consolidation or merger of, or a sale, lease, transfer or other disposition of all or substantially all of the property and assets of, the Company not prohibited by the provisons of Subsection 6.8 hereof; and provided, further, that nothing in this Subsection 6.11(b) shall prevent (i) the sale or other disposition of the Funded Debt and capital stock of any Restricted Subsidiary pursuant to the provisions of Subsection 6.9 hereof, (ii) the consolidation or merger of any Restricted Subsidiary with or into the Company not prohibited by the provisions of Subsection 6.8 hereof, (iii) the consolidation or merger of any Restricted Subsidiary with or into any other Restricted Subsidiary, or (iv) the abandonment or termination of the corporate existence, rights and franchises of any Restricted Subsidiary if such abandonment or termination is in the opinion of the Board of Directors of the Company in the interest of the Company and not disadvantageous to the holders of the Notes.

(c) The Company will at all times maintain and keep, or cause to be maintained and kept, in good repair, working order and condition all property of the Company and its Restricted Subsidiaries used or useful in the conduct of their respective businesses, and will from time to time make or cause to be made all needful and proper repairs, renewals, replacements, betterments and improvements thereto, so that the business carried on in connection therewith may be properly and advantageously conducted at all times.

(d) The Company represents that its principal place of business, chief executive office and the place at which its books and records are kept is 3 Embarcadero Center, San Francisco, California 94111. The Company will not change the location of its principal place of business, chief executive office or the place at which its books and records are kept unless it shall have given the Lender at least 30 days prior written notice of such change, and the Company will at all times maintain its principal place of business, chief executive office and the place at which its books and records are kept within the United States of America.

6.12 Indemnities, etc. (a) In any suit, proceedings or action brought by the Lender under any Lease or to enforce any provisions thereof, the Company will save, indemnify and keep the Lender harmless from and against all expense, loss or damage suffered by reason of any defense, setoff, counterclaim, recoupment or reduction of liability whatsoever of the lessee thereunder, arising out of a breach by the Company of any obligation thereunder or arising out of any other agreement, indebtedness or liability at any time owing to or in favor of such lessee or its successors from the Company, and all such obligations of the Company shall be and remain enforceable against and only against the Company and shall not be enforceable against the Lender.

(b) The Company agrees to indemnify and hold the Lender harmless against any and all liabilities, obligations, losses, damages, claims, suits, costs, expenses and disbursements (including legal fees and expenses) incurred by or asserted against the Lender with respect to claims for personal injury or property damage arising from its participation in the transactions contemplated by this Agreement, the Leases or the Notes.

6.13 Performance of Leases. The Company will perform and comply in all material respects with all its obligations under each Lease and all other agreements to which it is a party or by which it is bound relating to the Collateral, and the Company will use its best efforts to cause each other party to any thereof to so perform and comply.

6.14 Preservation of Collateral. (a) The Company will not create, permit or suffer to exist, and will defend the Collateral against and take such other action as is necessary to remove, any Lien, claim or right in or to the Collateral (other than the lien and security interest created by this Agreement and Permitted Liens), and will defend the right, title and interest of the Lender in and to the Company's rights under the Leases and rights in the Box-cars and in and to the Proceeds thereof against the claims and demands of all other Persons whomsoever.

(b) The Company will not, without the prior written consent of the Lender, sell, transfer or otherwise dispose of any of the Collateral or attempt or offer to do so, provided that in the event Weyerhaeuser Company assumes the obligations of the Company under the Notes and complies with the provisions of the proviso to Section 8 hereof, the Company may without the Lender's consent sell the Box-cars to Weyerhaeuser Company, subject to the lien

and security interest of this Agreement, pursuant to an Agreement dated March 27, 1978 between Weyerhaeuser Company and the Company and the proceeds of such sale will not be deemed to be Proceeds hereunder.

(c) The Company will not, without the prior written consent of the Lender, agree to or permit any amendment or other modification of any Lease which (i) shortens the initial lease term of such Lease, (ii) reduces the amount of rental or any other amount payable to the Company thereunder, or changes the time of any such payment, or changes the method of determining such rental or other amount in a manner which is likely to reduce the amount thereof payable to the Company, (iii) changes the utilization rate for which the Company has the right to terminate such Lease, (iv) changes any of the provisions relating to the assignment by the Company of such Lease or the rights of the holder of a lien on the Box-cars leased thereunder with respect to the lessee, (v) changes any of the provisions regarding the relationship between the Box-cars and the other box-cars leased under such Lease as to loading or other use thereof, (vi) adds, deletes or modifies any of the events of default thereunder, or (vii) otherwise adds to the obligations of the Company thereunder or releases the lessee from any of its obligations thereunder unless such change is made in accordance with commercially reasonable standards. The Company will not terminate any Lease in whole or in part except in accordance with the provisions of Subsection 6.24 hereof.

(d) The Company will advise the Lender promptly, in reasonable detail, of any Lien or claim made or asserted against any of the Collateral and of any event affecting the Lender's lien on and security interest in the Collateral.

6.15 Further Assurances; Recordation and Filing. The Company will, at its sole cost and expense, do, execute, acknowledge and deliver all further acts, supplements, mortgages, security agreements, conveyances, transfers and assurances necessary or advisable for the perfection and preservation of the lien and security interest created by this Agreement in the Collateral, whether now owned or herafter acquired. The Company will cause this Agreement and all Supplements hereto, and all financing and continution statements and similar notices required by applicable law, at all times to be kept, recorded and filed at no expense to the Lender in such manner and in such places as may be required by law in order fully to preserve and protect the rights of the Lender hereunder.

6.16 ICC Jurisdiction. The Company will not take or permit to be taken any action within its control which would subject it or any Subsidiary or its or their operations to the jurisdiction of the Interstate Commerce Commission, if such jurisdiction will adversely affect the ability of the Company to perform its obligations under this Agreement, any Note or any Lease or adversely affect the validity or enforceability of this Agreement, any Note or any Lease.

6.17 Maintenance of Insurance. Upon the delivery of any Box-cars the Company will promptly effect and maintain or cause to be effected and maintained with financially sound and reputable companies, insurance policies (i) insuring each such Box-car against loss by fire, explosion, theft and such other casualties as are usually insured against by companies engaged in the same or a similar business and with coverage in an amount at least equal to the Casualty Value of such Box-car (but such coverage for all freight cars owned or leased by the Company may be limited to $5,000,000 for each occurrence), (ii) insuring the Company and the Lender against liability for personal injury and property damage caused by or relating to such Box-cars or their use with coverage in the amount of at least $1,000,000, and (iii) insuring the Company for the loss of revenues from any Unit which becomes inoperable due to damage, for an 80-day period commencing 10 days after the date of such damage, all such insurance policies to be in such form and to have such coverage as shall be satisfactory to the Lender, with losses payable to the Company and the Lender as their respective interests may appear. The Company shall, if so requested by the Lender, deliver to the Lender within a reasonable time and as often as the Lender may reasonably request a report of a reputable insurance broker with respect to the insurance on the Box-cars.

6.18 Casualty Occurrence. (a) In the event of a Casualty Occurrence with respect to any Unit, the Company shall promptly give the Lender written notice of such Casualty Occurrence, which notice shall (i) identify the Unit which has suffered the Casualty Occurrence, (ii) set forth the Casualty Value of such Damaged Unit (and the calculations used in the determination thereof) as of the date which is 30 days after the date of such notice (the "Casualty Value Determination Date"), and (iii) specify whether the Company will, on the Casualty Value Determination Date, prepay the Notes pursuant to paragraph (b) of this Subsection 6.18 or make a deposit into the Cash Collateral Account pursuant to paragraph (c) of this Subsection 6.18.

(b) If the notice given pursuant to paragraph (a) of this Subsection 6.18 specifies that the Company will prepay the Notes on the Casualty Value Determination Date, the Company will, on such date, (i) prepay the Notes (on a pro rata basis, if the Interim Notes are then outstanding) in an aggregate principal amount equal to the Casualty Value of the Damaged Unit as of such date and (ii) pay the accrued interest on the principal amount so prepaid to the date of prepayment.

(c) If the notice given pursuant to paragraph (a) of this Subsection 6.18 specifies that the Company will make a deposit in the Cash Collateral Account, the Company will, on the Casualty Value Determination Date, pay over to the Lender for deposit by it in an account established by the Lender at Manufacturers Hanover Trust Company, New York, New York for such purpose (the "Cash Collateral Account"), an amount equal to the Casualty Value of the Damaged Unit as of the Casualty Value Determination Date. If within 180 days after the notice referred to in paragraph (a) of this Subsection 6.18 the Company

(i) replaces the Damaged Unit with a box-car of the same type which has a value and utility at least equal to, and which is in as good condition as, the Damaged Unit immediately prior to the Casualty Occurrence (assuming that such Damaged Unit was then in the condition required to be maintained by Subsection 6.19 hereof) and which is free and clear of all Liens other than Permitted Liens,

(ii) takes all steps necessary to subject such replacement box-car (the "Replacement Unit") to the lien and security interest of this Agreement and to lease such Replacement Unit under the applicable Lease, and

(iii) delivers to the Lender such documents evidencing the foregoing as the Lender may reasonably request, including (without limitation) a duly executed Supplement describing the Replacement Unit and documents and opinions of counsel with respect thereto corresponding to those described in subparagraphs (ii) through (ix) of Subsection 4.2(b) hereof;

the Lender will, if no Default or Event of Default has occurred and is continuing, (x) release to the Company the amount deposited in the Cash Collateral Account with respect to the Damaged Unit and (y) execute and deliver to the Company such instruments as shall be necessary to release from the lien and security interest of this Agreement (without recourse to, or representation or warranty by, the Lender) such Damaged Unit, the Proceeds thereof and the applicable Lease to the extent that it relates to such Unit. If the Company does not replace the Damaged Unit within the aforesaid 180-day period in compliance with the preceding provisions of this paragraph (c), or if at any time within such period the Company gives at least 30 days' prior written notice to the Lender of its election to prepay the Notes, the Lender will, on the last day of such 180-day period or on a date specified in such notice, as the case may be, apply the amount deposited in the Cash Collateral Account with respect to such Damaged Unit to the prepayment of the principal amount of the Notes (on a pro-rata basis, if the Interim Notes are then outstanding), and the Company will concurrently therewith pay to the Lender the accrued interest on the principal amount so prepaid to the date of prepayment.

(d) All moneys at any time on deposit in the Cash Collateral Account shall constitute additional collateral security for the Obligations. So long as no Event of Default shall have occurred and be continuing, the Lender will, if requested by the Company and at the Company's risk and expense, cause the moneys on deposit in the Cash Collateral Account to be invested in such investments referred to in clauses (ii), (iii), (iv) and (v) of the definition of Restricted Investments in Subsection 1.1 hereof as the Company may from time to time request, provided that the Lender may cause such investments to be sold (i) to the extent necessary to provide sufficient cash for release to the Company or for prepayment of the Notes pursuant to paragraph (c) of this Subsection 6.18 or (ii) upon the occurrence of an Event of Default. Upon the maturity or the sale of any such investment, (x) if the net proceeds thereof plus any interest received by the Lender thereon shall be less than the cost (including accrued interest) thereof, the Company will promptly pay to the Lender for deposit in the Cash Collateral Account an amount equal to such deficiency, or (y) if the net proceeds thereof plus any interest received by the Lender thereon shall be greater than the cost (including accrued interest) thereof and no Default or Event of Default shall be in existence, the Lender will promptly pay such excess to the Company.

6.19 Maintenance; Maintenance Contracts. The Company will, at its expense, keep and maintain the Box-cars in good repair, condition and working order and will cause to be furnished all parts, mechanisms, devices and servicing required therefor so that the value, condition and operating efficiency thereof will at all times be maintained and preserved, ordinary wear and tear excepted. In order to comply with the foregoing, the Company, upon the delivery of any Box-cars, shall have entered into one or more maintenance contracts, substantially in the form of Exhibit J hereto, with reputable rail service maintenance companies to provide for the maintenance and repair of such Box-cars. Upon the execution and delivery thereof the Company shall assign to the Lender, by an instrument in form and substance satisfactory to the Lender, all right, title and interest of the Company in, to and under such maintenance contracts, including (without limitation) all rights, privileges and remedies of the Company thereunder, but only to the extent that the foregoing relate to, derive from or arise out of the Box-cars; provided, however, that the Company shall remain liable under such maintenance contracts to observe and perform all the conditions and obligations to be observed and performed by it thereunder, all in accordance with and pursuant to the terms and provisions thereof. The Company will not agree to or permit any amendment or other modification of any such maintenance contract except for amendments and other modifications made in accordance with reasonable commercial standards which do not adversely affect the Lender's rights thereunder or the ability of either of the parties thereto to perform such contract.

6.20 Notice of Default; etc. The Company will promptly give written notice to the Lender of (a) the occurrence of any Default or Event of Default; (b) any litigation or proceedings affecting the Company or any of its Restricted Subsidiaries or any of the properties or assets of the Company or any of its Restricted Subsidiaries which, if adversely determined, might have a material adverse effect upon the financial condition, business or operations of the Company or of the Company and its Restricted Subsidiaries taken as a whole; and (c) any dispute between the Company or any of its Restricted Subsidiaries and any governmental regulatory body that might materially interfere with the normal business operations of the Company or any of its Restricted Subsidiaries.

6.21 Books and Records. The Company will, and will cause each Restricted Subsidiary to, keep proper books

to the total number of box-cars leased thereunder; and (iii) within 180 days after such termination (1) the Box-cars withdrawn from such Lease shall be duly leased to another lessee under a lease (an "additional lease") meeting the requirements of paragraph (c) of this Subsection 6.24, (2) such additional lease (insofar as it pertains to the Box-cars) shall have been duly assigned to the Lender and subjected to the lien and security interest of this Agreement, all recordations, filings and other action necessary to establish, perfect, protect and preserve the rights of the Company and the Lender in and to such additional lease and the lien and security interest of this Agreement on such additional lease shall have been duly made or taken, and the Lender shall have received such instruments and documents as it may reasonably request in order to evidence the foregoing, and (3) the Lender shall have received an opinion of counsel for the Company to the effect that this Agreement constitutes a legal, valid and perfected first lien on and first priority security interest in such additional lease (and the Proceeds thereof) to the extent that such additional lease relates to the Box-cars leased thereunder, and all recordations, filings and other action necessary to establish, perfect, protect and preserve, as security for the Obligations, such lien and security interest have been duly made or taken (specifying the same).

(b) If pursuant to the provisions of any Lease the Company has the right to terminate such Lease upon the occurrence of an event of default by the lessee thereunder, upon the occurrence and continuance of any such event of default the Company may terminate such Lease with respect to all of the box-cars leased thereunder. If the Company so terminates any such Lease, within 180 days after such termination (i) all of the Box-cars previously leased under such Lease shall be duly leased by the Company to another lessee under a lease (a "substituted lease") meeting the requirements of paragraph (c) of this Subsection 6.24, (ii) such substituted lease (insofar as it pertains to the Box-cars) shall be duly assigned by the Company to the Lender and subjected to the lien and security interest of this Agreement, all recordations, filings and other action necessary to establish, perfect, protect and preserve the rights of the Company and the Lender in and to such substituted lease and the lien and security interest of this Agreement on such substituted lease shall be duly made or taken, and the Company shall deliver to the Lender such instruments and documents as the Lender may reasonably

request in order to evidence the foregoing, and (3) the Company shall deliver to the Lender an opinion of counsel for the Company to the effect that this Agreement constitutes a legal, valid and perfected first lien on and first priority security interest in such substituted lease (and the Proceeds thereof) to the extent that such substituted lease relates to the Box-cars leased thereunder, and all recordations, filings and other action necessary to establish, perfect, protect and preserve, as security for the Obligations, such lien and security interest have been duly made or taken (specifying the same).

(c) Each additional lease of Box-cars referred to in paragraph (a) of this Subsection 6.24, and each substituted lease of Box-cars referred to in paragraph (b) of this Subsection 6.24, (i) shall have a non-cancellable lease term which expires not earlier than the lease term of the Lease to which such Box-cars were originally subject, and (ii) shall have substantially the same other terms and be in substantially the same form as the Lease to which such Box-cars were originally subject, or, if the Company is in good faith unable to enter into a lease having such other terms and in such form, shall have such other commercially reasonable terms and be in such form as shall be agreeable to the Company provided that the rent payable thereunder with respect to the Box-cars leased thereunder during each quarterly payment period under the Consolidated Note shall be in an amount at least equal to the installment of principal and interest payable on such Note at the end of such quarterly payment period multiplied by a fraction, the numerator of which is the aggregate Box-car Costs of the Box-cars leased thereunder and the denominator of which is the aggregate Box-car Costs of all Box-cars which are then subject to the lien and security interest of this Agreement.

6.25 Marking of Box-cars. The Company will cause each Unit to be kept numbered with such identifying number as shall be set forth in the Supplement pertaining to such Unit and will keep and maintain, plainly, distinctly, permanently and conspicuously marked on each side of each Unit, in letters not less than one inch in height, the following: "MORTGAGED TO A FINANCIAL INSTITUTION UNDER A SECURITY AGREEMENT FILED UNDER THE INTERSTATE COMMERCE ACT, SECTION 20c" or other appropriate words designated by the Lender, with appropriate changes thereof and additions thereto as from time to time may be required by law in order to protect the Lender's interest in the Box-cars and its rights under this Agreement. The Company will not permit any such Unit to be

placed in operation or exercise any control or dominion over the same until such name and words shall have been so marked on both sides thereof and will replace or will cause to be replaced promptly any such name and words which may be removed, defaced or destroyed. The Company will not permit the identifying number of any Unit to be changed except in accordance with a statement of new number or numbers to be substituted therefor, which statement previously shall have been delivered to the Lender and filed, recorded and deposited by the Company in all public offices where this Agreement shall have been filed, recorded or deposited.

6.26 Assignment of Moneys Payable under Requisition for Use. If at any time a governmental authority requisitions the use of any Unit and such requisition is not deemed to be a Casualty Occurrence under the provisions of the proviso to clause (ii) of the definition of Casualty Occurrence in Subsection 1.1 hereof, the Company will use its best efforts to validly and effectively assign to the Lender as security for the Obligations, by an instrument in form and substance satisfactory to the Lender, all payments made and to be made by such governmental authority for the use of such Unit.

SECTION 7. POWER OF ATTORNEY

7.1 Appointment. The Company hereby irrevocably constitutes and appoints the Lender and any officer or agent thereof, with full power of substitution, as its true and lawful attorney-in-fact with full irrevocable power and authority in the place and stead of the Company and in the name of the Company or in its own name, from time to time in the Lender's discretion, for the purpose of carrying out the terms of this Agreement, to take any and all appropriate action and to execute any and all documents and instruments which may be necessary or desirable to accomplish the purposes of this Agreement and, without limiting the generality of the foregoing, the Company hereby gives the Lender the power and right, on behalf of the Company, without notice to or assent by the Company, to do the following:

(a) upon default by the Company in the performance of subsection 6.11(a) or 6.17, the Lender may, but shall not be obligated to, (i) effect any insurance called for by the terms of Subsection 6.17 and pay all or any part of the premiums therefor and the costs thereof and (ii) pay and discharge any taxes, liens and encumbrances on the Collateral; and

(b) upon the occurrence and continuance of any Event of Default or of any Default specified in paragraph (h) of Section 8 hereof, (i) to receive payment of and receipt for any and all moneys, claims and other amounts due and to become due at any time in respect of or arising out of any Collateral; (ii) to sign and indorse any invoices, freight or express bills, bills of lading, storage or warehouse receipts, drafts against debtors, assignments, verifications and notices in connection with accounts and other documents relating to the Collateral; (iii) to commence and prosecute any suits, actions or proceedings at law or in equity in any court of competent jurisdiction to collect the Collateral or any thereof and to enforce any other right in respect of any of the Collateral; (iv) to defend any suit, action or proceeding brought against the Company with respect to any of the Collateral; (v) to settle, compromise or adjust any suit, action or proceeding described in clause (iv) above and, in connection therewith, to give such discharges or releases as the Lender may deem appropriate; and (vi) generally to sell, transfer, pledge, make any agreement with respect to or otherwise deal with any of the Collateral as fully and completely as though the Lender were the absolute owner thereof for all purposes, and to do, at the Lender's option and the Company's expense, at any time or from time to time, all acts and things which the Lender deems necessary to protect, preserve or realize upon the Collateral and the Lender's security interest therein, in order to effect the intent of this Agreement, all as fully and effectively as the Company might do.

The Company hereby ratifies all that said attorneys shall lawfully do or cause to be done by virtue hereof. This power of attorney is a power coupled with an interest and shall be irrevocable.

7.2 No Duty. The powers conferred on the Lender hereunder are solely to protect its interests in the Collateral and shall not impose any duty upon it to exercise any such powers. The Lender shall be accountable only for amounts that it actually receives as a result of the exercise of such powers and neither it nor any of its officers, directors, employees or agents shall be responsible to the Company for any act or failure to act, except for its or their own gross negligence or willful misconduct.

7.3 Additional Rights. (a) The Company authorizes the Lender, at any time and from time to time, to execute, in connection with the sale provided for in Section 9(b) of this Agreement, any indorsements, assignments or other instruments of conveyance or transfer with respect to the Collateral.

(b) If the Company fails to perform or comply with any of its agreements contained herein, the Lender may itself perform or comply, or otherwise cause performance or compliance, with such agreement, and the expenses of the Lender incurred in connection with such performance or compliance, together with interest thereon at the rate of 11-1/4% per annum, shall be payable by the Company to the Lender on demand and shall constitute part of the Obligations secured hereby.

SECTION 8. EVENTS OF DEFAULT

If any of the following Events of Default shall occur and be continuing:

(a) Failure to pay any principal of, premium, if any, or interest on any of the Notes when due and such failure shall continue for a period of five days;

(b) Any representation or warranty made by the Company in this Agreement, or made by the Company or any officer thereof in any document, certificate or financial or other statement furnished at any time under or in connection with this Agreement, shall prove to have been untrue when made in any material respect;

(c) Default by the Company in the observance or performance of (i) any covenant contained in Subsection 6.8, 6.17 or 6.24 hereof, or (ii) any covenant contained in Subsection 6.3, 6.4, 6.5, 6.6, 6.7, 6.9, 6.10, 6.14 or 6.25 hereof and such default shall continue for 30 days;

(d) Default by the Company in the observance or performance of any other covenant or agreement contained in this Agreement and not referred to in paragraph (c) of this Section 8, and such default shall continue for 30 days after written notice thereof, specifying such default and requesting that the same be remedied, shall have been given to the Company by the Lender;

(e) The occurrence of any event or condition which constitutes an event of default by the Company under any Lease;

(f) The Company or any Restricted Subsidiary shall default (and such default shall not have been cured or waived) in any payment of principal of, or interest on, any obligation for borrowed money (other than the Notes) or for the deferred purchase price of any property or asset (unless the aggregate amount of all such defaulted obligations for deferred purchase price does not exceed $100,000 and the Company or the appropriate Restricted Subsidiary is disputing such obligations in good faith and by appropriate proceedings), or any obligation guaranteed by it or in respect of which it is liable, for a period equal to the period of grace, if any, applicable to such default; or the Company or any Restricted Subsidiary shall default in the performance or observance of any other term, condition or covenant contained in any obligation referred to above or in any agreement or instrument relating thereto if as a result of such default such obligation has become, or has been declared to be, due and payable prior to its stated maturity;

(g) Filing by the Company or any Restricted Subsidiary of a voluntary petition in bankruptcy or a voluntary petition or an answer seeking reorganization, arrangement, readjustment of its debts or for any other relief under any bankruptcy, insolvency, reorganization, liquidation, dissolution, arrangement, composition, readjustment of debt or other similar act or law of any jurisdiction, domestic or foreign, now or hereafter existing, or any action by the Company or any Restricted Subsidiary indicating its consent to, approval of, or acquiescence in, any such petition or proceeding; the application by the Company or any Restricted Subsidiary for, or the appointment by consent or acquiescence of, a receiver or trustee for the Company or any Restricted Subsidiary or for all or a substantial part of its property; the making by the Company or any Restricted Subsidiary of an assignment for the benefit of creditors; the inability of the Company or any Restricted Subsidiary, or the admission by the Company or any Restricted Subsidiary in writing of its inability, to pay its debts as they mature;

(h) Filing of an involuntary petition against the Company or any Restricted Subsidiary in bankruptcy or seeking reorganization, arrangement, readjustment of its debts or for any other relief under any bankruptcy, insolvency, reorganization, liquidation, dissolution, arrangement, composition, readjustment of debt or other similar act or law of any jurisdiction, domestic or foreign, now or hereafter existing; or the involuntary appointment of a receiver or trustee of the Company or any Restricted Subsidiary or for all or a substantial part of its property; or the service on the Company or any Restricted Subsidiary of a warrant of attachment, execution or similar process against any substantial part of the property of the Company or such Restricted Subsidiary; and the continuance of any of such events for 60 days undismissed, unbonded or undischarged;

(i) Final judgment for the payment of money in excess of $100,000 shall be rendered against the Company or a Restricted Subsidiary and the same shall remain undischarged for a period of 60 days during which execution shall not be effectively stayed;

then, and in any such event, the Lender may exercise any all remedies granted to it under this Agreement and under applicable law, and may further, by notice of default given to the Company, (i) terminate forthwith its commitment to make Loans hereunder, and/or (ii) declare the Notes to be forthwith due and payable, whereupon the principal amount of the Notes, together with accrued interest thereon, shall become immediately due and payable without presentment, demand, protest or other notice of any kind, all of which are hereby expressly waived, anything contained herein or in the Notes to the contrary notwithstanding; provided, however, that if, within 30 days after written notice of an Event of Default is given to Weyerhaeuser Company, a Washington corporation, Weyerhaeuser Company (A) expressly assumes in writing the due and punctual payment of the principal of and premium, if any, and interest on the Notes and the due and punctual performance and observance of all the obligations, liabilities and covenants of the Company contained in this Agreement (other than in Subsections 6.1 through 6.7, 6.9, 6.10 and 6.24 hereof) and in the Notes, (B) pays to the Lender a sum sufficient to pay all matured installments of interest upon the Notes and the principal of the Notes which shall have become due otherwise than by acceleration and any and all

other amounts then due and payable under this Agreement (other than the principal of the Notes which shall have become due by acceleration), (C) expressly acknowledges in writing that the Box-cars are subject to the lien and security interest created by this Agreement, (D) records and files at its sole expense, with the Interstate Commerce Commission in conformity with Section 20c of the Interstate Commerce Act, as amended, and in such other public offices as the Lender may reasonably request, the assumption agreement and such other documents as the Lender shall request in order to maintain and preserve the lien and security interest created by this Agreement in the Collateral, and (E) furnishes to the Lender documents and opinions of counsel corresponding to those referred to in Subsections 4.1(a), 4.1(b), 4.1(c), 4.1(d), 4.2(b)(vii), 4.2(b)(viii) and 4.2(b)(ix) hereof, modified to the extent necessary to be applicable to such assumption and satisfactory in form and substance to the Lender, then the Lender shall waive all Defaults and Events of Default and rescind and annul such declaration and its consequences; but no such waiver or recission and amendment shall extend to or shall affect any subsequent default by Weyerhaeuser Company or shall impair any right consequent thereon. Until such time as Weyerhaeuser Company no longer has the right to expressly assume the obligations set forth hereunder, the Lender will not exercise its remedies under Section 9(b) hereof.

SECTION 9. REMEDIES

If an Event of Default shall occur and be continuing:

(a) All payments received by the Company in connection with or arising out of any of the Collateral shall be held by the Company in trust for the Lender, shall be segregated from other funds of the Company and shall forthwith upon receipt by the Company be turned over to the Lender, in the same form as received by the Company (duly indorsed by the Company to the Lender, if required); any and all such payments so received by the Lender (whether from the Company or otherwise) may, in the sole discretion of the Lender, be held by the Lender as collateral security for the Obligations, and/or then or at any time thereafter applied in whole or in part by the Lender against all or any part of the Obligations then due in such order as the Lender shall elect.

Any balance of such payments held by the Lender and remaining after payment in full of all the Obligations shall be paid over to the Company or to whomsoever may be lawfully entitled to receive the same;

(b) The Lender may exercise in addition to all other rights and remedies granted to it in this Agreement and in any other instrument or agreement securing, evidencing or relating to the Obligations, all rights and remedies of a secured party under the Uniform Commercial Code of the State of New York. Without limiting the generality of the foregoing, the Company expressly agrees that in any such event the Lender, without demand of performance or other demand, advertisement or notice of any kind (except the notice specified below of time and place of public or private sale) to or upon the Company or any other person (all and each of which demands, advertisements and/or notices are hereby expressly waived), may forthwith collect, receive, appropriate and realize upon the Collateral or any part thereof and may take possession of the Box-cars and/or may forthwith sell, assign, give option or options to purchase, or sell, lease or otherwise dispose of and deliver the Collateral, or any part thereof, in any manner permitted by applicable law (or contract to do so) in one or more parcels at public or private sale or sales, at the office of any broker or at any of the Lender's offices or elsewhere at such prices as it may deem best, for cash or on credit or for future delivery without assumption of any credit risk, with the right of the Lender upon any such sale or sales, public or private, to purchase the whole or any part of the Collateral so sold, free of any right or equity of redemption in the Company, which right or equity of redemption is hereby expressly waived or released. If any notification of intended disposition of any of the Collateral is required by law, such notification shall be deemed reasonably and properly given if mailed at least ten (10) days before such disposition, postage prepaid, addressed to the Company at the address set forth in Subsection 10.2 hereof. The Company further agrees, at the Lender's request, to collect the Box-cars (to the extent possible) and make them available to the Lender at places which the Lender shall reasonably select. The Lender shall apply the net proceeds of any such collection, recovery, receipt, appropriation, realization and sale, after deducting all reasonable

costs and expenses of every kind incurred therein or incidental to the care, safekeeping or otherwise of any or all of the Collateral or in any way relating to the rights of the Lender hereunder, including reasonable attorney's fees and legal expenses, to the payment in whole or in part of the Obligations, in such order as the Lender may elect, the Company remaining liable for any deficiency remaining unpaid after such application, and only after so applying such net proceeds and after the payment by the Lender of any other amount required by any provision of law, including Section 9-504(1)(c) of the Uniform Commercial Code of the State of New York, need the Lender account for the surplus, if any, to the Company. To the extent permitted by applicable law, the Company waives all claims, damages and demands against the Lender arising out of the repossession, retention or sale of the Collateral. The Company shall remain liable for any deficiency if the proceeds of any sale or disposition of the Collateral are insufficient to pay all amounts to which the Lender is entitled, the Company also being liable for the fees of any attorneys employed by the Lender to collect such deficiency. The Company hereby waives presentment, demand, protest and any notice (to the extent permitted by applicable law) of any kind in connection with this Agreement or any Collateral; and

(c) Beyond the use of reasonable care in the custody thereof the Lender shall not have any duty as to any Collateral in its possession or control or in the possession or control of any agent or nominee of it or as to any income therefrom.

SECTION 10. MISCELLANEOUS

10.1 Reimbursement of Lender. The Company agrees, whether or not the transactions contemplated by this Agreement shall be consummated, to pay, or reimburse the Lender for, all out-of-pocket expenses (including the reasonable legal fees and disbursements of counsel for the Lender) incurred by the Lender in connection with the preparation, execution, enforcement (or the preservation of any rights hereunder) and any modification of this Agreement, the Notes and any Supplement, provided, however, that the Company shall not be obligated to pay more than one-half (and in no event

more than $10,000) of the reasonable legal fees and disbursements of counsel for the Lender in connection with the preparation, execution and delivery of this Agreement, the Supplements and the Notes. The Company also agrees to pay, and to save the Lender harmless from, any and all liabilities with respect to, or resulting from any delay in paying documentary, excise, recording, filing, stamp or similar taxes, fees and other governmental charges (including interest and penalties), if any, which may be payable or determined to be payable in respect of the execution, delivery or recording of this Agreement, the Notes or any Supplement, or any modification of any thereof or any waiver or consent under or in respect of any thereof but not including any tax or charge calculated by reference to the Lender's overall income. The obligations of the Company under this Subsection 10.1 shall survive payment of the Notes and termination of this Agreement.

10.2 Notices. All notices, requests and demands to or upon the respective parties to this Agreement shall be deemed to have been given or made when delivered by hand or deposited in the mail, first class postage prepaid, in the case of telegraphic notice, when delivered to the telegraph company, or in the case of telex notice, when sent, addressed as follows or to such other address as may be hereafter designated in writing by the respective parties hereto:

The Company	Brae Corporation 3 Embarcadero Center San Francisco, California 94111
The Lender	Manufacturers Hanover Leasing Corporation 30 Rockefeller Plaza New York, New York 10020 Telex: 127578

10.3 No Waiver; Cumulative Remedies. No failure to exercise and no delay in exercising, on the part of the Lender, any right, power or privilege under this Agreement, any Note, any Supplement or any of the Collateral shall operate as a waiver thereof; nor shall any single or partial exercise of any right, power or privilege hereunder or thereunder preclude any other or further exercise thereof or the exercise of any other right, power or privilege. The acceptance by the Lender of the Consolidated Note pursuant to Subsection 4.3 hereof

shall not be deemed to constitute a waiver of any Default or Event of Default that may be in existence on the date of such acceptance.

The rights and remedies provided herein and therein are cumulative and not exclusive of any rights or remedies provided by law.

10.4 Acquisition for Investment. The Lender represents that it is acquiring the Notes for its own account for investment and not with a view to, or for sale in connection with, the distribution of any of the Notes, nor with any present intention of selling any of the Notes, but subject, nevertheless, to any requirement of law that the disposition of its property shall at all times be within its control.

10.5 Amendments and Waivers. The provisions of this Agreement may from time to time be amended, supplemented or otherwise modified or waived only by a written agreement signed by the Company and the Lender.

10.6 Successors. This Agreement shall be binding upon and inure to the benefit of the Company and the Lender and their respective successors and assigns, except that the Company may not transfer or assign any of its rights hereunder without the prior written consent of the Lender.

10.7 Construction. This Agreement and the rights and obligations of the parties hereunder shall be governed by, and construed and interpreted in accordance with, the law of the State of New York.

10.8 Severability. Any provision of this Agreement which is 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 other jurisdiction.

10.9 Counterparts. This Agreement may be executed by one or more of the parties hereto on any number of separate counterparts and all of said counterparts

taken together shall be deemed to constitute one and the same instrument.

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

BRAE CORPORATION

Attest:

By _____
Title: Asst Secretary
(Seal)

By _____
Title: Vice President - Finance

MANUFACTURERS HANOVER LEASING CORPORATION

Attest:

By _____
Title: Asst Secretary
(Seal)

By _____
Title: Vice President

STATE OF California
) SS
COUNTY OF San Francisco

On this 25th day of September, 1978, before me personally appeared Lawrence W. Briscoe, to me personally known, who being by me duly sworn, says that he is the Vice President - Finance of BRAE CORPORATION, that one of the seals 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.

OFFICIAL SEAL
NANCY D. SELBMAN
NOTARY PUBLIC - CALIFORNIA
San Francisco County
My Commission Expires Sept. 11, 1981
3 Embarcadero Center, San Francisco, CA 94111

(SEAL)

Nancy D. Selbman
Notary Public

My commission expires: 9-11-81

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

On this 21st day of September, 1978, before me personally appeared George Fingueira, to me personally known, who being by me duly sworn, says that he is a Vice President of MANUFACTURERS HANOVER LEASING CORPORATION, that one of the seals 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.

(SEAL)

Christine A. Smith
Notary Public

My commission expires:

CHRISTINE A. SMITH
Notary Public, State of New York
No. 31-4506346
Qualified in New York County
Commission Expires March 30, 19 79

Schedule I

Leases

	Lessor	Lessee	Date	Term
1.	Brae Corporation	Columbia & Cowlitz Railway Company	March 27, 1978	15 years
2.	Brae Corporation	Oregon California & Eastern Railway Co.	April 3, 1978	15 years

Schedule II

Jurisdictions in Which Company is Qualified to do Business

Arkansas

Alabama

Georgia

Idaho

Illinois

Indiana

Massachusetts

Nevada

Ohio

Tennessee

Vermont

EXHIBIT A

[Form of Interim Note]

BRAE CORPORATION

$ New York, New York

, 197

FOR VALUE RECEIVED, BRAE CORPORATION (the "Company") hereby promises to pay to the order of MANUFACTURERS HANOVER LEASING CORPORATION at its office at 30 Rockefeller Plaza, New York, New York, in lawful money of the United States of America, the principal amount of DOLLARS ($) on February 28, 1979. The undersigned further promises to pay interest (calculated on the basis of a 360-day year and actual days elapsed) at said office, in like money, on the unpaid principal amount hereof from the date hereof at the rate of 10-1/4% per annum, provided that whenever any such unpaid principal amount shall become due and payable (whether at maturity, by prepayment, by acceleration or otherwise), interest thereon shall thereafter be payable at the rate of 11-1/4% per annum until such overdue principal amount shall be paid in full. Interest shall be payable at the maturity hereof, and after maturity on demand.

This Note is one of the Interim Notes of the Company issued pursuant to the Loan and Security Agreement dated as of September 12, 1978 between the Company and the payee hereof, as the same may from time to time be amended, supplemented or otherwise modified (the "Agreement"), and is entitled to the benefits thereof. As provided in the Agreement, this Note is subject to prepayment, in whole or in part, under certain conditions.

This Note, together with the other Notes referred to in the Agreement, is secured by the Collateral described in the Agreement. Reference is made to the Agreement for a description of the nature and extent of the security for this Note and the rights of the holder hereof with respect to such security.

This Note shall be governed by, and construed and interpreted in accordance with, the laws of the State of New York.

Upon the occurrence of any one or more of the Events of Default specified in the Agreement, the amounts then remaining unpaid on this Note may be declared to be immediately due and payable as provided in the Agreement.

BRAE CORPORATION

By_____
Title:

EXHIBIT B

[Form of Consolidated Note]

BRAE CORPORATION

$ New York, New York

, 197

FOR VALUE RECEIVED, BRAE CORPORATION (the "Company") hereby promises to pay to the order of MANUFACTURERS HANOVER LEASING CORPORATION at its office at 30 Rockefeller Plaza, New York, New York, in lawful money of the United States of America, the principal amount of DOLLARS ($), and to pay interest on the unpaid principal amount hereof, in like money, from the date hereof at the rate of 10-1/4% per annum (calculated on the basis of a 360-day year and actual days elapsed). Such principal and interest shall be due and payable in 60 consecutive quarterly installments, each in the amount of $, on the day of , , and in each year, commencing , 19 , provided that, in any event, the 60th quarterly installment shall be in amount sufficient to pay in full all accrued interest on, and the entire unpaid principal amount of, this Note, and provided further, that in the event any partial prepayment of this Note is made pursuant to Subsection 2.5, 2.6 or 2.7 of the Agreement referred to below, each installment due and payable on this Note after such partial prepayment shall be reduced in the same proportion as the then outstanding principal amount of this Note shall have been reduced by such partial prepayment. Each installment of this Note, when paid, shall be first applied to the payment of interest accrued to the dated fixed for payment of the unpaid principal amount of this Note, and the balance thereof to the payment of principal. Interest on any overdue principal of and premium, if any, on this Note shall be payable from the due date thereof at the rate of 11-1/4% per annum for the period during which such principal or premium shall be overdue.

This Note is the Consolidated Note of the Company issued pursuant to the Loan and Security Agreement dated as of September 12, 1978 between the Company and the payee

hereof, as the same may from time to time be amended, supplemented or otherwise modified (the "Agreement"), and is entitled to the benefits thereof. As provided in the Agreement, this Note is subject to prepayment, in whole or in part, in certain cases without premium and in other cases with a premium as specified in the Agreement.

This Note is secured by the Collateral described in the Agreement. Reference is made to the Agreement for a description of the nature and extent of the security for this Note and the rights of the holder hereof with respect to such security.

This Note shall be governed by, and construed and interpreted in accordance with, the laws of the State of New York.

Upon the occurrence of any one or more of the Events of Default specified in the Agreement, the amounts then remaining unpaid on this Note may be declared to be immediately due and payable as provided in the Agreement.

BRAE CORPORATION

By_____

Title:

EXHIBIT C

[Form of Legal Opinion of
Counsel to the Company]

, 197

Manufacturers Hanover Leasing
Corporation
30 Rockefeller Plaza
New York, New York 10020

Dear Sirs:

We have acted as counsel for Brae Corporation, a corporation (the "Company"), in connection with the execution and delivery of the Loan and Security Agreement dated as of September 12, 1978 between the Company and you (the "Agreement").

This opinion is furnished pursuant to paragraph (c) of Subsection 4.1 of the Agreement. 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, Supplement No. 1 thereto, the leases identified in Schedule I to the Agreement (the "Leases") and the lease schedules thereto, the executed Interim Note delivered by the Company on the date hereof, and such corporate documents and records of the Company, certificates of public officials and of officers of the Company, and such other documents, as we have deemed necessary or appropriate for the purposes hereof. We have been informed that you are a duly licensed personal property broker registered under the laws of the State of California.

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

1. The Company is a corporation duly organized, validly existing and in good standing under the laws of the State of *, has the corporate power and authority to own its properties and assets and to transact

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* California, or if the Company has merged into its Delaware subsidiary, Delaware.

the business in which it is presently engaged (including the purchase of the Box-cars and the leasing thereof under the Leases), and is duly qualified as a foreign corporation and in good standing under the laws of each state listed in Schedule II to the Agreement.

2. The Company has the corporate power and authority to execute, deliver and perform the Agreement, the Supplements, the Notes and the Leases, to grant the lien and security interest created by the Agreement and the Supplements and to lease the Box-cars to the lessees under the Leases, and the Company has taken all necessary corporate action to authorize the execution, delivery and performance of the Agreement, the Supplements, the Notes and the Leases. No consent of the stockholders of the Company, and no consent, license, permit, approval or authorization of, exemption by, or registration or declaration with, any governmental authority, is required in connection with the execution, delivery or performance by the Company of the Agreement, the Supplements, the Notes or the Leases, except for the filings and recordings referred to in paragraph 8 below.

3. The Agreement, Supplement No. 1, the Interim Note executed and delivered by the Company on the date hereof and the Leases have been executed and delivered by duly authorized officers of the Company and constitute, and each other Supplement and Note when executed and delivered by the President or a Vice President of the Company will 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 applicable bankruptcy, insolvency, reorganization, moratorium or similar laws affecting the enforcement of creditors' rights generally or by general equitable principles, provided that such general equitable principles will not impair the ability of the holder of any Note to recover the principal, interest and premium (if any) thereon or make the remedies provided for in the Agreement inadequate for the practical realization of the benefits of the collateral security provided thereby.

4. It is not necessary in connection with the execution and delivery to you of the Notes, under the circumstances contemplated by the Agreement, to register the Notes under the Securities Act of 1933, as now in effect, or to qualify the Agreement under the Trust Indenture Act of 1939, as now in effect.

5. The execution, delivery and performance by the Company of the Agreement, the Supplements, the Notes and the Leases will not violate any provision of, or constitute a default under, any existing law of the United States of America or the State of California to which the Company is subject, or any order, judgment, award or decree of any court, arbitrator or governmental authority applicable to the Company of which we have knowledge (having made due inquiry of the President and the Vice President of the Company), or the Articles of Incorporation, By-Laws or any preferred stock provision of the Company, or any mortgage, indenture, contract or other agreement of which we have knowledge (having made due inquiry of the President and the Vice President of the Company) to which the Company is a party or which is binding upon the Company or any of its properties or assets, and will not result in the creation or imposition of any Lien (other than the Lien created by the Agreement) on any of the properties or assets of the Company pursuant to the provisions of any such mortgage, indenture, contract or other agreement.

6. To the best of our knowledge (having made due inquiry of the President and the Vice President of the Company), there are no actions, suits or proceedings (whether or not purportedly on behalf of the Company) pending or threatened against the Company or any of its properties or assets in any court or before any arbitrator or before or by any governmental body, except as disclosed in the letter referred to in Subsection 3.4 of the Agreement, which (i) relate to any of the Collateral or to any of the transactions contemplated by the Agreement, or (ii) would,if adversely determined, materially impair the right or ability of the Company to carry on its business substantially as now conducted, or (iii) would, if adversely determined, have a materially adverse effect on the operating results or on the condition, financial or other, of the Company.

7. We have reviewed an opinion of even date herewith of counsel to the manufacturer of the Box-cars described in Supplement No. 1, addressed to you and the Company, as to the transfer to the Company of legal title to such Box-cars. Relying solely on such opinion and on the certificate of an officer of the Company to the effect that the Company has not transferred title or any interest in such Box-cars except as contemplated by the Agreement, we are of the opinion that the Company has valid and legal title to, and is the lawful owner of, the Box-cars described in Supplement No. 1.

8. We have reviewed the opinion of even date herewith of Messrs. Connor, Moore & Corber, delivered to you pursuant to Subsection 4.1(c) of the Agreement, to the effect that the Agreement, Supplement No. 1, each Lease and the lease schedule thereto subjecting the Box-cars described in Supplement No. 1 to such Lease have been duly filed and recorded with the Interstate Commerce Commission in accordance with Section 20c of the Interstate Commerce Act, as amended, and to the effect that no other agreement or document has been so filed or recorded as of the date hereof asserting a grant by the Company of an interest in or a Lien on the Box-cars or any Lease (to the extent that such Lease relates to the Box-cars). We have relied upon a certificate of the Company to the effect that such Box-cars have been marked as provided by Section 6.25 of the Agreement. A financing statement describing your security interest in each Lease (and the Proceeds thereof) has been duly filed with the Secretary of State of California, and no other financing statement asserting the grant by the Company of a security interest in each Lease (or the Proceeds thereof) has been so filed. We are informed that you have possession of all of the Company's signed copies of each Lease. No other filing, registration or recording or other action is necessary in order to perfect, protect and preserve, as security for the Obligations, the lien on and security interest in the Box-cars and the Leases created by the Agreement in the United States of America, except that (i) each Supplement hereafter executed and delivered by the Company, and each lease schedule subjecting to a Lease the Box-cars described in such Supplement, must be filed and recorded with the Interstate Commerce Commission in accordance with Section 20c of the Interstate Commerce Act, as amended, and (ii) a continuation statement must be filed within six months prior to the expiration of each five-year period following the date of filing of the financing statement filed with the Secretary of State of California and appropriate amendments or continuation statements must be filed in the event the Company changes its name or principal place of business. The Agreement, as supplemented by Supplement No. 1, constitutes in the United States of America a legal, valid and perfected first lien on and first priority security interest in each of the Box-cars described in such Supplement and in each of the Leases to the extent that the Leases relate to such Box-cars, as security for the Obligations.

In rendering the opinions expressed in paragraph 8 above, we have relied as to matters governed by the Interstate Commerce Act, as amended, and as to the

filings and recordings with the Interstate Commerce Commission (or the lack of such filings and recordings), upon the opinion of Messrs. Connor, Moore & Corber, delivered to you on the date hereof pursuant to paragraph (c) of Subsection 4.1 of the Agreement. Such opinion is satisfactory in form and substance to us, and we believe that we and you are justified in relying thereon.

Very truly yours,

EXHIBIT D

[Form of Legal Opinion of
Special Counsel to the Company]

, 1978

Manufacturers Hanover Leasing
Corporation
30 Rockefeller Plaza
New York, New York 10020

Dear Sirs:

We have acted as special counsel for Brae Corporation, a corporation (the "Company"), in connection with the execution and delivery of the Loan and Security Agreement dated as of September 12, 1978 between the Company and you (the "Agreement").

This opinion is furnished pursuant to paragraph (c) of Subsection 4.1 of the Agreement. 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, Supplement No. 1 thereto, the leases identified in Schedule I to the Agreement (the "Leases") and the lease schedules thereto, and such other documents as we have deemed necessary or appropriate for the purposes hereof. We have assumed that the manufacturer of the Box-cars described in Supplement No. 1 transferred valid and legal title to such Box-cars to the Company free and clear of all Liens, other than your rights under the Agreement.

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

1. The Agreement, Supplement No. 1, each Lease and the lease schedule thereto subjecting the Box-cars described in Supplement No. 1 to such Lease have been duly filed and recorded with the Interstate Commerce Commission in accordance with Section 20c of the Interstate Commerce Act, as amended, and no other agreement or document has been so filed or recorded as of the date hereof asserting a grant by the Company of an interest in or a Lien

on the Box-cars or any Lease (to the extent that such Lease relates to the Box-cars). No other filing, registration or recording is necessary in order to perfect, protect and preserve, as security for the Obligations, the lien on and security interest in the Box-cars and in the Leases created by the Agreement, except that each Supplement hereafter executed and delivered by the Company, and each lease schedule subjecting to a Lease the Box-cars described in such Supplement, must be filed and recorded with the Interstate Commerce Commission in accordance with Section 20c of the Interstate Commerce Act, as amended.

2. The Agreement, as supplemented by Supplement No. 1, constitutes in the United States of America a legal, valid and perfected first lien on and first priority security interest in each of the Box-cars described in such Supplement and in each of the Leases to the extent that the Leases relate to such Box-cars, as security for the Obligations.

Very truly yours,

EXHIBIT E

NOTICE TO LESSEE

BRAE CORPORATION, as lessor under the lease agreement dated 1978 between Brae Corporation and ("Lessee"), hereby notifies Lessee of the assignment to Manufacturers Hanover Leasing Corporation of the portion of said lease, and the rentals payable thereunder, related to the Box-cars listed on the schedule attached hereto.

You are hereby directed to pay to Manufacturers Hanover Leasing Corporation or as it may direct all rentals and other sums payable to us under said lease which are attributable to, or constitute rentals in respect of, the Box-cars listed on the schedule attached hereto.

BRAE CORPORATION

By_____
Title:

EXHIBIT F

[Form of Lease Schedule]

Brae Corporation hereby leases the following Cars to pursuant to that certain Lease Agreement dated as of , 197 .

A.A.R. Mech. Design	Description	Numbers	Length	Dimensions Inside Width	Height	Doors Width	Number of Cars

Lessee acknowledges that Brae Corporation, as collateral security for loans made to it by Manufacturers Hanover Leasing Corporation, has granted to Manufacturers Hanover Leasing Corporation a first lien on and first security interest in the above box-cars and has assigned to Manufacturers Hanover Leasing Corporation all of its right, title and interest in and to the aforesaid Lease Agreement insofar as it pertains to the above box-cars.

BRAE CORPORATION

By:_____

Title:_____

Date:_____

[Name of Lessee]

By:_____

Title:_____

Date:_____

EXHIBIT G

[Form of Legal Opinion of
Counsel to the Company]

, 197

Manufacturers Hanover Leasing
Corporation
30 Rockefeller Plaza
New York, New York 10020

Dear Sirs:

We have acted as counsel for Brae Corporation, a corporation (the "Company"), in connection with (i) the execution and delivery of the Loan and Security Agreement dated as of September 12, 1978 between the Company and you (the "Agreement"), and (ii) the execution and delivery of the Company's Consolidated Note in the principal amount of $, dated the date hereof and payable to your order (the "Consolidated Note").

This opinion is furnished pursuant to paragraph (d) of Subsection 4.3 of the Agreement. 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 Supplements, the leases identified in Schedule I to the Agreement (the "Leases") and the lease schedules thereto, the executed Consolidated Note, and such corporate documents and records of the Company, certificates of public officials and of officers of the Company, and such other documents as we have deemed necessary or appropriate for the purposes hereof. We have been informed that you are a duly licensed personal property broker registered under the laws of the State of California.

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

1. The Company is a corporation duly organized, validly existing and in good standing under the laws of the

State of *, has the corporate power and authority to own its properties and assets and to transact the business in which it is presently engaged (including the purchase of the Box-cars and the leasing thereof under the Leases).

2. The Company has the corporate power and authority to execute, deliver and perform the Consolidated Note, and has taken all necessary corporate action to authorize the execution, delivery and performance thereof. No consent of the stockholders of the Company, and no consent, license, permit, approval or authorization of, exemption by, or registration or declaration with, any governmental authority, is required in connection with the execution, delivery or performance by the Company of the Consolidated Note, except for the filings referred to in paragraph 7 below.

3. The Agreement, the Supplements, the Consolidated Note and the Leases have been executed and delivered by duly authorized officers of the Company and 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 applicable bankruptcy, insolvency, reorganization, moratorium or similar laws affecting the enforcement of creditors' rights generally or by general equitable principles, provided that such general equitable principles will not impair the ability of the holder of the Consolidated Note to recover the principal, interest and premium (if any) thereon or make the remedies provided for in the Agreement inadequate for the practical realization of the benefits of the collateral security provided thereby.

4. It is not necessary in connection with the execution and delivery to you of the Consolidated Note, under the circumstances contemplated by the Agreement, to register the Consolidated Note under the Securities Act of 1933, as now in effect, or to qualify the Agreement under the Trust Indenture Act of 1939, as now in effect.

5. The execution, delivery and performance by the Company of the Agreement, the Supplements, the Consolidated Note and the Leases will not violate any provision of, or constitute a default under, any existing law

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* California, or if the Company has merged into its Delaware subsidiary, Delaware.

of the United States of America or the State of California to which the Company is subject, or any order, judgment, award or decree of any court, arbitrator or governmental authority applicable to the Company of which we have knowledge (having made due inquiry of the President and the Vice President of the Company), or the Articles of Incorporation, By-Laws or any preferred stock provision of the Company, or any mortgage, indenture, contract or other agreement of which we have knowledge (having made due inquiry of the President and the Vice President of the Company) to which the Company is a party or which is binding upon the Company or any of its properties or assets, and will not result in the creation or imposition of any Lien (other than the Lien created by the Agreement) on any of the properties or assets of the Company pursuant to the provisions of any such mortgage, indenture, contract or other agreement.

6. We have reviewed opinions of counsel to the manufacturer of the Box-cars described in the Supplements, heretofore delivered to you and the Company, as to the transfer to the Company of legal title to such Box-cars. Relying solely on such opinions and on the certificate of an officer of the Company to the effect that the Company has not transferred title or any interest in such Box-cars except as contemplated by the Agreement, we are of the opinion that the Company has valid and legal title to, and is the lawful owner of, the Box-cars described in the Supplements.

7. We have reviewed the opinion of even date herewith of Messrs. Connor, Moore & Corber, delivered to you pursuant to Subsection 4.3(d) of the Agreement, to the effect that the Agreement, the Supplements, each Lease and the lease schedule thereto subjecting the Box-cars described in the Supplements to such Lease have been duly filed and recorded with the Interstate Commerce Commission in accordance with Section 20c of the Interstate Commerce Act, as amended, and to the effect that no other agreement or document has been so filed or recorded as of the date hereof asserting a grant by the Company of an interest in or a Lien on the Box-cars or any Lease (to the extent that such Lease relates to the Box-cars). We have relied upon a certificate of the Company to the effect that such Box-cars have been marked as provided by Section 6.25 of the Agreement. A financing statement describing your security interest in each Lease (and the Proceeds thereof) has been duly filed with the Secretary of State of California, and no other financing statement asserting the grant by the

Company of a security interest in each Lease (or the Proceeds thereof) has been so filed. We are informed that you have possession of all of the Company's signed copies of each Lease. No other filing, registration or recording or other action is necessary in order to perfect, protect and preserve, as security for the Consolidated Note and the other Obligations, the lien on and security interest in the Box-cars and the Leases created by the Agreement in the United States of America, except that (i) each Supplement hereafter executed and delivered by the Company, and each lease schedule subjecting to a Lease the Box-cars described in such Supplement, must be filed and recorded with the Interstate Commerce Commission in accordance with Section 20c of the Interstate Commerce Act, as amended, and (ii) a continuation statement must be filed within six months prior to the expiration of each five-year period following the date of filing of the financing statement filed with the Secretary of State of California and appropriate amendments or continuation statements must be filed in the event the Company changes its name or principal place of business. The Agreement, as supplemented by the Supplements, constitutes in the United States of America a legal, valid and perfected first lien on and first priority security interest in each of the Box-cars described in the Supplements and in each of the Leases to the extent that the Leases relate to such Box-cars, as security for the Consolidated Note and the other Obligations.

In rendering the opinions expressed in paragraph 7 above, we have relied as to matters governed by the Interstate Commerce Act, as amended, and as to the filings and recordings with the Interstate Commerce Commission (or the lack of such filings and recordings), upon the opinion of Messrs. Connor, Moore & Corber, delivered to you on the date hereof pursuant to paragraph (d) of Subsection 4.3 of the Agreement. Such opinion is satisfactory in form and substance to us, and we believe that we and you are justified in relying thereon.

Very truly yours,

[Form of Legal Opinion of Special
Counsel to the Company]

, 197

Manufacturers Hanover Leasing
Corporation
30 Rockefeller Plaza
New York, New York 10020

Dear Sirs:

We have acted as special counsel for Brae Corporation, a corporation (the "Company"), in connection with (i) the execution and delivery of the Loan and Security Agreement dated as of September 12, 1978 between the Company and you (the "Agreement"), and (ii) the execution and delivery of the Company's Consolidated Note in the principal amount of $, dated the date hereof and payable to your order (the "Consolidated Note").

This opinion is furnished pursuant to paragraph (d) of Subsection 4.3 of the Agreement. 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 Supplements, the leases identified in Schedule I to the Agreement (the "Leases") and the lease schedules thereto, the execution form of the Consolidated Note, and such other documents as we have deemed necessary or appropriate for the purposes hereof. We have assumed that the manufacturer of the Box-cars described in the Supplements transferred valid and legal title to such Box-cars to the Company free and clear of all Liens, other than your rights under the Agreement.

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

1. The Agreement, the Supplements, each Lease and the lease schedules thereto subjecting the Box-cars described in the Supplements to such Lease have been duly

filed and recorded with the Interstate Commerce Commission in accordance with Section 20c of the Interstate Commerce Act, as amended and no other agreement or document has been so filed or recorded as of the date hereof asserting a grant by the Company of an interest in or a Lien on the Box-cars or any Lease (to the extent that such Lease relates to the Box-cars). No other filing, registration or recording is necessary in order to perfect, protect and preserve, as security for the Consolidated Note and the other Obligations, the lien and security interest in the Box-cars and in the Leases created by the Agreement, except that any Supplements hereafter executed and delivered by the Company, and each lease schedule subjecting to a Lease the Box-cars described in such Supplement, must be filed and recorded with the Interstate Commerce Commission in accordance with Section 20c of the Interstate Commerce Act, as amended.

2. The Agreement, as supplemented by the Supplements, constitutes in the United States of America a legal, valid and perfected first lien on and first priority security interest in each of the Box-cars described in the Supplements and in each of the Leases to the extent that the Leases relate to such Box-cars, as security for the Consolidated Note and the other Obligations.

Very truly yours,

EXHIBIT H

ICC Recordation No.

SUPPLEMENT

Supplement No. to Loan and Security Agreement ("Agreement") dated as of , 1978 between BRAE CORPORATION ("Company") and MANUFACTURERS HANOVER LEASING CORPORATION ("Lender").

1. This Supplement is executed and delivered pursuant to the Agreement in order to more particularly identify certain of the Collateral in which the Company has granted a lien and security interest to the Lender, and to confirm the lien and security interest created by the Agreement on such Collateral. Any term defined in the Agreement and used herein shall have its defined meaning herein.

2. The Company has assigned, conveyed, mortgaged, pledged and transferred to the Lender and granted to the Lender a security interest in, and does hereby assign, convey, mortgage, pledge and transfer to the Lender and grant to the Lender a security interest in, the following Collateral:

(a) the Box-cars described in the schedule attached hereto and any Proceeds thereof;

(b) a lease agreement and all rentals and Proceeds thereunder and thereof, described in the schedule attached hereto, to the extent such lease covers the Box-cars identified in paragraph (a) above.

3. All the terms and conditions of the Agreement are hereby incorporated in this Supplement and made a part hereof. By their execution and delivery of this Supplement the parties hereto hereby reaffirm all of the terms and conditions of the Agreement.

IN WITNESS WHEREOF, the parties hereto have executed and delivered this Supplement on , 197 .

BRAE CORPORATION

By_____
Title:

MANUFACTURERS HANOVER LEASING CORPORATION

By_____
Title:

EXHIBIT I

BILL OF SALE

(the "Builder"), in consideration of the sum of One Dollar and other good and valuable consideration paid by Brae Corporation (the "Buyer"), receipt of which is hereby acknowledged, does hereby grant, bargain, sell, transfer and set over unto the Buyer, its successors and assigns, the following described equipment which has been delivered by the Builder to the Buyer, to wit:

Number of Units	Description	Serial Numbers

TO HAVE AND TO HOLD all and singular the equipment above described to the Buyer, its successors and assigns, for its and their only use and behoof forever.

And the Builder hereby warrants to the Buyer, its successors and assigns, that at the time of delivery to the Buyer the Builder is the lawful owner of said equipment; that title to said equipment is free from all prior claims, liens and encumbrances suffered by or through the Builder; and that the Builder has good right to sell the same as aforesaid; and the Builder covenants that it will warrant and defend such title against all claims and demands whatsoever.

By: _____

Title:

Dated: _____, 197

EXHIBIT J

LITHCOTE SERVICE AGREEMENT

This agreement covers the terms and services Lithcote Company is to furnish Brae Corporation in connection with their rail car fleet.

CONTRACT SHOP MAINTENANCE

1. Lithcote Company is currently operating car repair facilities at Altoona, Pennsylvania (ConRail delivery); Ville Platte, Louisiana (T & P delivery); and Longview, Texas (MoPac delivery). Lithcote presently expects to have two additional, full service repair facilities operating by mid-1979. Work required on your cars will be scheduled into these shops in such a manner as to optimize your out-of-service time and transportation costs, if any. Cars will be scheduled for uncommitted space as shopping becomes necessary and other customers will not be given preferential treatment over this schedule.

2. Labor charges for such work will be based on our normal shop rate for labor, which is currently as follows:

Altoona	$21
Ville Platte	20
Longview	20

Changes in these rates will be announced one month before effective date, and in no event will this rate exceed the freight car labor rate as published in the AAR Interchange Rules. This rate is currently $25.47. If desired, routine functions such as repainting, FRA inspections, etc., will be quoted on a firm basis subject to revision at six month intervals.

3. Lithcote maintains a repair inventory of rail car components needed for normal running gear repairs. In the event materials from the inventory are used in the repair of Brae Corporation cars, such materials shall be charged at cost plus 20% for profit and handling. If some special inventory items are to be inventoried which are peculiar to the Brae Corporation cars, we propose that this special inventory can either be purchased outright by Brae and held at our plant or purchased with our funds.

In the event you elect to purchase the inventory of special items for your cars, we will charge you a 10% handling charge at the time of application. If you prefer to have us purchase these items, we will charge an inventory fee of 1% per month of the value of the special parts. Brae Corporation shall approve establishing any inventory subject to the 1% monthly fee. At the time the parts owned by us under this arrangement are installed, they will be charged at cost plus 10%. In the event the agreement is cancelled or terminated, all special items unique to the Brae fleet which were purchased by Lithcote shall be purchased by Brae from Lithcote at cost plus 10% for handling.

4. Lithcote will be given the option to perform all contract shop work prior to it being offered to others. Lithcote will handle shopping of cars at other contractors' facilities when, in Lithcote's judgment, it appears to be to Brae Corporation's advantage from the standpoint of total cost, including out-of-service time. In such cases, Brae will be charged a fee equivalent to any out-of-pocket costs incurred by Lithcote in connection with shopping inspection, etc., including inspector's time at $150 per day plus 2% of contractor's invoice charge for work performed. Inspections made for Brae Corporation's expense will be subject to their prior approval. This daily charge for the inspector's time is subject to escalation. The rate will be escalated in proportion to increases in the AAR freight car labor rate (currently $25.47). This service will include the review and approval of the contractor's invoice for payment by Brae.

RAILROAD MAINTENANCE

1. Lithcote will provide the following services for processing, auditing, and approving for payment all billing repair cards received from railroads for repairs made in interchange service to Brae Corporation cars. The billing repair cars will be audited for:

(a) Car ownership.

(b) Correctness of pricing and arithmetic accuracy.

(c) Determination that guaranteed repairs or periodic time limitation charges are falling within the time limits specified in the AAR Interchange Rules.

d. Verification that handling line responsibility repairs are billed at no charge.

e. Penalty credit verification and application.

f. Rule 72 and 95 application.

g. Duplicate charges.

h. Repairs valid or standard for car.

2. All audit exceptions to billing repair cards will be processed for recovery from the responsible railroad for the account of Brae Corporation.

3. The following monthly reports covering repairs made by railroads to Brae Corporation cars will be provided:

(a) A report, in car number sequence, showing by railroad and date of repair the job code (description of repair) the why made code (reason for repair) and the total repair charges.

(b) A summary report showing by job code the total repair costs for the Brae Corporation fleet.

4. These services will be provided for a monthly charge consisting of $70 for each of the two reports, plus $20 for each different reporting initial, plus a per car charge based on fleet size as follows:

Fleet Size	Service Charge
0 - 500	$1.00
501 - 2,000	.82
2,001 - 4,000	.75
4,001 - 6,000	.70
6,001 & larger	.66

These fees will be escalated annually in proportion to the increases in the AAR freight car labor rate (currently $25.47).

The agreement is subject to cancellation by either party with three months written notice.

ACCEPTED AND AGREED TO:

Name	Title		President
Brae Corporation		Lithcote Corporation	June 27, 1978
Representing	Date	Representing	Date