

MORGAN, LEWIS & BOCKIUS

WASHINGTON
NEW YORK
LOS ANGELES

COUNSELORS AT LAW
123 SOUTH BROAD STREET
PHILADELPHIA, PENNSYLVANIA 19109

TELEPHONE: (215) 875-5000
CABLE ADDRESS: MORLEBOCK
TELEX: 83-1315

13400
RECORDATION NO. Filed 1425

MIAMI
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DEC 31 1981 - 10 30 A.M.

INTERSTATE COMMERCE COMMISSION

E. CLIVE ANDERSON
DIAL DIRECT (215) 875-5219

December 31, 1981

Agatha L. Mergenovich, Secretary
Interstate Commerce Commission
12th Street and Constitution Avenue, N.W.
Room 2303
Washington, D.C. 20423

Dear Secretary:

We have enclosed an original and one fully executed and acknowledged counterpart of the documents described below, to be recorded pursuant to Section 11303 of Title 49 of the United States Code.

- (1) Lease Agreement, dated December 28, 1981

Lessor - Brae Corporation
Four Embarcadero Center
San Francisco, California 94111

Lessee - Little Rock and Western Railway Company
P. O. Box 386
Perry, Arkansas 72125

The primary documents to which this document is connected is recorded under Recordation Number 10818 (as to 17 Boxcars, Type XM (50'6", 70-ton), bearing National Railway Utilization Corporation Road Numbers 155695, 155696, 155709, 155715, 155731, 155735, 155738, 155740, 155762, 155763, 155776, 155799, 155812, 155814, 155829, 155830, and 155833); Recordation Number 10891 (as to 3 Boxcars, Type XM (50'6", 70-ton) bearing National Railway Utilization Corporation Road Numbers 160116, 160134 and 160149); and Recordation Number 10892 (as to 1 Boxcar, Type XM (50'6", 70-ton), bearing National Railway Utilization Corporation Road Number 160172).

MORGAN, LEWIS & BOCKIUS

Agatha L. Mergenovich, Secretary
Page Two

We request that this document be cross-referenced
to Recordation Numbers 10818, 10891 and 10892.

Sincerely,

A handwritten signature in cursive script that reads "Clive Anderson".

~~Clive Anderson~~

tjk

Enclosures

MORGAN, LEWIS & BOCKIUS

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PHILADELPHIA, PENNSYLVANIA 19109

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CABLE ADDRESS: MORLEBOCK

TELEX: 83-1315

E. CLIVE ANDERSON
DIAL DIRECT (215) 875-5219

RECORDATION NO. 13400
JAN 6 - 1982 12:20 PM
INTERSTATE COMMERCE COMMISSION
January 4, 1982
No. 2-006A021
Date JAN - 6 1982
Fee \$ 30.00
ICC Washington, D. C.

Agatha L. Mergenovich, Secretary
Interstate Commerce Commission
12th Street and Constitution Avenue, N.W.
Room 2303
Washington, D.C. 20423

JAN 6 12 42 PM '82

Dear Secretary:

Enclosed please find a check in the amount of \$30.00 in payment for the following cross-index requests:

- (1) Cross-index Recordation Number 10818 to Recordation Number 13400.
- (2) Cross-index Recordation Number 10891 to Recordation Number 13400.
- (3) Cross-index Recordation Number 10892 to Recordation Number 13400.

Sincerely,

E. Clive Anderson

C. Anderson
LD

Commonwealth of Pennsylvania

County of Philadelphia, ss:

On this 4th day of January, 1982 before me,
personally appeared Clive Anderson, to me known to be the
person described in and who executed the foregoing instrument
and he acknowledged that he executed the same as his free act
and deed.

[Seal]



Signature of notary public

My commission expires

MARY JANE COOPER, Notary Public
PHILADELPHIA, PHILADELPHIA COUNTY
MY COMMISSION EXPIRES FEB. 7, 1983
Member, Pennsylvania Association of Notaries

13400
DEC 31 1981 - 10 30 AM
INTERSTATE COMMERCE COMMISSION

BRAE CORPORATION
LEASE AGREEMENT

DUPLICATE

LEASE AGREEMENT, dated as of this 28th day of December, 1981, between BRAE CORPORATION, a Delaware corporation, Four Embarcadero Center, San Francisco, California 94111 ("BRAE"), as lessor, and Little Rock & Western Railway Corporation, an Arkansas corporation ("Lessee"), as lessee.

1. Scope of Agreement

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

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

2. Term

A. This Agreement shall remain in full force until it shall have been terminated as to all of the Cars as provided herein. The lease pursuant to this Agreement with respect to each Car shall commence when the first of the Cars has been accepted, as provided in Section 3A hereof, and shall continue until 89 months (the "Initial Lease Term") have expired from the actual date of such acceptance.

3. Supply Provisions

A. BRAE will inspect each of the Cars. Upon BRAE's determination that the Cars conform to all applicable governmental regulatory specifications, and if this Agreement has not then been terminated, BRAE will accept delivery thereof and shall notify Lessee in writing of such acceptance. Each of the Cars shall be deemed to be delivered to Lessee upon acceptance by BRAE. The Cars shall be moved, at Lessee's sole expense, to Lessee's railroad line as soon after acceptance by BRAE as is consistent with mutual convenience and economy. Due to the nature of the railroad operations in the United States, BRAE can neither control nor determine when the Cars leased hereunder will actually be available to Lessee for its use on its railroad tracks. Notwithstanding that Lessee may not have immediate physical possession of a Car, the lease hereunder with respect thereto shall commence and Lessee shall pay to BRAE the rent for such Car set forth in this Agreement, all upon acceptance of such Car by BRAE. In order to move the Cars to Lessee's railroad line and insure optimal use of the Cars after the first loading of freight for each Car on the railroad line of Lessee (the "Initial Loading"), BRAE agrees to assist Lessee in monitoring Car movements and, when deemed necessary by Lessee and BRAE, to issue movement orders with respect to such Cars to other railroad lines in accordance with Interstate Commerce Commission ("ICC") and Association of American

Railroads ("AAR") interchange agreements and rules. Hereinafter, Interchange Rules shall mean all codes, rules, interpretations, laws or orders governing hire, service, use, condition, repair and all other matters pertaining to the interchange of freight traffic reasonably interpreted as being applicable to the Cars, adopted and in effect from time to time by the AAR and any other organization, association, agency or governmental authority, including the ICC and the United States Department of Transportation, which may from time to time be responsible for or have authority to impose such codes, rules, interpretations, laws or orders.

B. Lessee agrees that so long as it shall have on lease any Cars, it shall not lease freight cars from any other party until it shall have received all of the Cars on the Schedule or Schedules. Lessee shall give preference to BRAE and shall load the Cars leased from BRAE prior to loading substantially similar freight cars leased from other parties or purchased by Lessee subsequent to the date of this Agreement or interchanged with railroads; provided, however, that this shall in no event prevent or prohibit Lessee from fulfilling its obligations to provide transportation and facilities upon reasonable request therefor to shippers on its railroad tracks.

4. Railroad Markings and Record Keeping

A. BRAE and Lessee agree that on or before delivery of any Cars to Lessee, such Cars will be remarked at Lessee's sole expense, with the railroad markings of Lessee and may also be marked with the name and/or other insignia used by Lessee. BRAE and Lessee further agree that any Car may also be marked with the name of BRAE and any other information required by an owner or secured party under a financing agreement entered into by BRAE in connection with the acquisition of such Car. All such names, insignia and other information shall comply with all applicable regulations.

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

C. Each Car leased hereunder shall be registered at no cost to Lessee in the Official Railway Equipment Register and the Universal Machine Language Equipment Register; provided, however, that BRAE shall not be responsible for any fee assessed by such publication for the listing or registration of Lessee itself, as distinguished from the registration of additional equipment to Lessee. BRAE shall, on behalf of Lessee, perform all record-keeping functions related to the use of the Cars by Lessee and other railroads in accordance with the Interchange Rules and AAR railroad interchange agreements, such as car hire reconciliation. Correspondence from railroads using such Cars shall be addressed to Lessee at such address as BRAE shall select. Lessee and BRAE agree that BRAE shall continue to provide such record keeping functions until such time as BRAE gives Lessee written notice of discontinuance and Lessee approves such discontinuance.

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

5. Maintenance, Taxes and Insurance

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

B. Except as provided in Section 5A hereof, BRAE, at its sole expense, shall make or cause to be made such inspections of, and maintenance and repairs to, the Cars as may be required. Upon request of BRAE, and at BRAE's sole expense, Lessee shall perform any necessary maintenance and repairs to Cars on Lessee's railroad tracks, in accordance with the Interchange Rules, and at rates not in excess of those published by the AAR for labor and materials, as may be reasonably requested by BRAE. BRAE shall also make, at its expense, all alterations, modifications or replacement of parts as shall be necessary to maintain the Cars in good operating condition throughout the term of the lease of such Cars. Lessee may make running repairs, in accordance with the Interchange Rules and standards, at BRAE's expense, to facilitate continued immediate use of a Car, but shall not otherwise make any repairs, alterations, improvements or additions to the Cars without BRAE's prior written consent. If Lessee makes an alteration, improvement or addition to any Car without BRAE's prior written consent, Lessee shall be liable to BRAE for any revenues lost due to such alteration and any costs reasonably incurred by BRAE to restore any Car to its condition prior to such Lessee change. Title to any such alteration, improvement or addition shall be and remain with BRAE (or its assignee).

C. Lessee will, at all times while this Agreement is in effect, be responsible for the Cars while on Lessee's railroad tracks in the same manner that Lessee is responsible under the Interchange Rules for freight cars not owned by Lessee on Lessee's railroad tracks. Lessee shall protect against the consequences of an event of loss involving the Cars while on Lessee's railroad tracks by obtaining insurance. Lessee shall also maintain bodily injury and property damage liability insurance. Lessee shall furnish to BRAE concurrently with the execution hereof, and thereafter at intervals of not more than 12 calendar months, certificates of insurance with respect to such insurance signed by an independent insurance broker. All insurance shall be taken out in the name of Lessee, the

Connecticut Bank and Trust Company, as agent for the parties financing the acquisition of the Cars (the "Agent) and BRAE (or its assignee) as their interests may appear.

D. BRAE agrees to reimburse Lessee for all taxes, assessments and other governmental charges of whatsoever kind or character paid by Lessee relating to each Car and on the lease, delivery or operation thereof which may remain unpaid as of the date of delivery of such Car to Lessee or which may be accrued, levied, assessed or imposed during the lease term, except taxes on income imposed on Lessee and sales or use taxes imposed on the mileage charges and/or car hire revenues. BRAE and Lessee will comply with all state and local laws requiring the filing of ad valorem tax returns on the Cars. Lessee will send to BRAE, within five business days after receipt by Lessee from the taxing authorities, any notice of assessment of a tax which BRAE is obligated to pay pursuant hereto. BRAE shall review all applicable tax returns prior to filing.

6. Lease Rental

A. Lessee agrees to pay the following rent to BRAE for the use of the Cars (as used in this Section 6, the term "Cars" shall refer to any and all railcars listed on the Schedules, which railcars are all of the railcars included in the BRAE EXECUTIVE MANAGEMENT GROUP 1981 BOXCAR PROGRAM):

(i) BRAE shall receive all payments earned by Lessee from other railroad companies for their use or handling of the Cars, including but not limited to mileage charges and hourly car hire payments (all of which payments made to Lessee are hereinafter collectively referred to as "Payments") if the Utilization of all of the Cars delivered to Lessee on an aggregate basis for each BRAE fiscal year (currently ending March 31 of each year) shall be equal to or less than the percentage set forth in Section 2 of the Schedule or Schedules executed pursuant hereto (the "Agreed Utilization Percentage"). For the purpose of determining Utilization, "Car Hour" shall mean one hour during which one Car is on lease hereunder, commencing on the Initial Loading of such car. For the purpose of this Agreement, "Utilization" shall mean with respect to any period a fraction the numerator of which is (x) the aggregate number of Car Hours for which Payments are earned by the Lessee during such period, and the denominator of which is (y) the aggregate number of Car Hours during such period. In addition, BRAE will receive, as additional rental, all monies earned by the Cars prior to their Initial Loading.

(ii) In the event Utilization exceeds the Agreed Utilization Percentage in any BRAE fiscal year, BRAE shall receive an amount equal to the BRAE Base Rental plus an amount equal to that percentage of Payments earned in excess of the BRAE Base Rental which is set forth in Section 4 of the Schedule or Schedules executed pursuant hereto. For the purpose hereof, BRAE Base Rental shall be an amount equal to the total Payments for the BRAE Fiscal year multiplied by a fraction, the numerator of which is the Agreed Utilization Percentage and the denominator of which is the Utilization for such BRAE fiscal year. (The above determination of BRAE Base Rental insures that Lessee will, if Utilization is greater than the Agreed Utilization Percentage in any BRAE fiscal year, receive that portion of all of the Payments made by other railroads for use or handling of the Cars in excess of the BRAE Base Rental which BRAE is not entitled to pursuant to Section 4 of the Schedule or Schedules executed pursuant hereto.)

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

(iv) In the event damage beyond repair or destruction of a Car has been reported in accordance with the Interchange Rules and the appropriate amount due as a result thereof is received by BRAE, the damaged or destroyed Car will be removed from the coverage of this Agreement as of the date that car hire payments ceased. Any amounts received by Lessee as a result of such damage will be promptly paid over to BRAE.

B. The calculations required above shall be made within five months after the end of each BRAE fiscal year. However, to enable BRAE to meet its financial commitments, BRAE may, prior to such calculations, retain the Payments received by it on behalf of Lessee. Further, since the parties desire to determine on a quarterly basis the approximate amount of the rental charges due BRAE, BRAE shall, within three months after the end of each calendar quarter (except the quarter ending the BRAE fiscal year), calculate on a cumulative quarterly basis rather than a yearly basis, the amount due it pursuant to this Section 6. Any amounts payable pursuant to the preceding sentence shall be paid promptly following such calculation; provided, however, that BRAE will not be required to make such quarterly payments if, in its reasonable opinion, BRAE determines that Utilization in the succeeding quarter will be below the level at which Lessee would participate in rentals pursuant to Section 6A (ii) hereof and, provided further, that following the yearly calculation, any amount paid to either party in excess of the amounts required by the yearly calculation shall be promptly refunded to the appropriate party. In addition, BRAE will not be required to make such quarterly or annual payments to Lessee pursuant to this Section if Utilization for the current BRAE fiscal year, combined with Utilization for all previous such fiscal years, does not reach the level at which Lessee would participate in rentals pursuant to Sections 6A(ii) and 6A(iii) hereof in all such years.

C. If at any time during a calendar quarter, the number of days that the Cars have not earned car hire payments is such as to make it mathematically certain that the Utilization in such calendar quarter cannot be equal to or greater than the percentage which is set forth in Section 3 of the Schedules (the "Minimum Utilization Percentage"), BRAE may, at its option and upon not less than ten (10) days prior written notice to Lessee, terminate this Agreement as to such Cars as BRAE shall determine. BRAE shall not be responsible for any tax losses or recaptures incurred by Lessee resulting from BRAE's exercise of its termination rights pursuant hereto.

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

E. Lessee agrees that the mileage and car hire rates on the Cars subject to this lease shall, while this Lease remains in effect, be the maximum which may be charged under rates or regulations published by the ICC, the AAR or any successor agencies (or, if such rates or regulations no longer exist, the current rates in effect at the date hereof) unless otherwise agreed in writing by Lessee and BRAE; provided, however, that BRAE may, if permitted by law, at its own discretion, increase such rates at any time.

F. Lessee will not grant or allow any per diem reclaim with respect to any Car without BRAE's prior written consent.

7. Possession and Use

A. So long as Lessee shall not be in default under this Agreement, Lessee shall be entitled to the possession, use and quiet enjoyment of the Cars in accordance with the terms of this Agreement and in the manner and to the extent cars are customarily used in the railroad freight business, provided that Lessee retain on its railroad tracks no more Cars than are necessary to fulfill its immediate requirements to provide transportation and facilities upon reasonable request therefor to shippers on its railroad tracks. However, Lessee's rights shall be subject and subordinate to the rights of any owner or secured party under any financing agreement entered into by BRAE in connection with the acquisition of some or all of the Cars, i.e., upon notice to Lessee from any such secured party or owner that an event of default has occurred and is continuing under such financing agreement, such party may require that all rent shall be paid directly to such party and/or that Cars immediately be returned to such party. Lessee agrees that to the extent it has physical possession and can control use of the Cars, the Cars will at all times be used and operated under and in compliance with the laws of the jurisdiction in which the same may be located and in compliance with all lawful acts, rules and regulations, and orders of any governmental bodies or officers having power to regulate or supervise the use of such property, except that either BRAE or Lessee may in good faith and by appropriate proceedings contest the application of any such rule, regulation or order in any reasonable manner at the expense of the contesting party. Lessee further agrees that it shall use best efforts to use the Cars, and to cause third parties having control over the Cars to use them, predominantly within the continental United States in accordance with Section 48(a)(2) of the Internal Revenue Code of 1954, as amended. Without limiting the generality of the foregoing, Lessee will not knowingly commit more than twenty percent (20%) of the Cars to be out of the continental United States at any one time.

B. Lessee will not directly or indirectly create, incur, assume, or suffer to exist (except as provided in Section 7A) any mortgage, pledge, lien, charge, encumbrance, or other security interest or claim on or with respect to the Cars or any interest therein or in this Agreement or any Schedule hereto. Lessee will promptly, at its expense, take such action as may be necessary duly to discharge any such mortgage, pledge, lien, charge, encumbrance, security interest, or claim if the same shall arise at any time.

8. Default

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

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

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

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

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

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

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

(vii) Lessee shall be merged with or consolidated into another corporation which after such merger or consolidation shall have a net worth less than that of Lessee immediately prior thereto.

(viii) Any representation or warranty made by Lessee herein or any other document delivered to BRAE by Lessee related to this Lease shall prove to have been false or incorrect in any material respect on the date when made and such breach or default shall continue for a period of thirty (30) days after written notice to Lessee of such default has been received.

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

(i) Terminate this Agreement, proceed by any lawful means to recover damages for a breach hereof, and terminate Lessee's right of possession and use of the Cars, whereupon all right and interest of Lessee in the Cars shall terminate and thereupon BRAE may enter upon any premises where the Cars may be located and take possession of them and henceforth hold, possess and enjoy the same free from any right of Lessee, provided that BRAE shall nevertheless have the right to recover from Lessee any and all rental amounts which under the terms of this Agreement may then be due or which may have accrued to the date on which BRAE took such possession; or

(ii) Proceed by any lawful means to enforce performance by Lessee of this Agreement. Lessee agrees to bear the costs and expenses, including without limitation reasonable attorneys' fees, incurred by BRAE in connection with the exercise of its remedies pursuant to this Section 8B.

9. Termination

At the expiration of this Agreement as to any Car, Lessee will surrender possession of such Car to BRAE by delivering the same to BRAE at such place reasonably convenient to Lessee as BRAE shall designate. A Car shall be no longer subject to this Agreement upon, at Lessee's expense, the removal of Lessee's railroad markings from such Car and the placing thereon of such markings as may be designated by BRAE, either at the option of BRAE, (1) by Lessee upon return of such Car to Lessee's railroad line or (2) by another railroad line which has physical possession of the Car at the time of or subsequent to termination of the lease term as to such Car; provided, however, that BRAE may make reasonable selection of a private contractor for the removal of Lessee's markings and application of new markings in lieu of removal and application by Lessee or such railroad line, at Lessee's expense. If such Car is not on the railroad line of Lessee upon termination, any cost of assembling, delivering storing, and transporting such Car to Lessee's railroad line or the railroad line of a subsequent lessee shall be borne by BRAE. After the removal and replacement of markings, Lessee shall use its best efforts to load such Car with freight and deliver it to a connecting carrier for shipment. Lessee shall provide up to thirty (30) days free storage on its railroad tracks for BRAE or the subsequent lessee of any terminated Car. If any Car is terminated pursuant to Sections 6C, 6D or 8 hereof, or if BRAE agrees to the transfer of such Car to any railroad, as lessee or sublessee, which is an affiliate of Lessee, prior to the end of its lease term, Lessee shall be liable to BRAE for all costs and expenses incurred by BRAE to move any such Car to BRAE's subsequent lessee and to repaint such Car and place thereon the markings and name or other insignia of BRAE's subsequent lessee.

10. Indemnities

BRAE will defend, indemnify and hold Lessee harmless from and against (1) any and all claims based upon loss or damage to the Cars, unless occurring while Lessee has physical possession of the Cars and (2) any other type of claim, cause of action, damage, liability, cost or expense which may be asserted against Lessee with respect to the Cars (unless occurring through the fault of Lessee), including without limitation claims with respect to the construction, purchase, delivery to Lessee's railroad line, ownership, leasing, return, use, maintenance, repair, replacement, operation or condition of the Cars, and claims caused by defects in the manufacture or workmanship of the Cars or any component thereof, or any material incorporated therein, which defects could not have been discovered upon reasonable inspection by Lessee.

11. Representations, Warranties and Covenants

Lessee represents, warrants and covenants that:

(i) Lessee is a corporation duly organized, validly existing and in good standing under the laws of the state where it is incorporated, has all necessary corporate power and authority, permits and licenses to perform its obligations under this Agreement, and has permanent operating authority as common carrier by rail.

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

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

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

(v) There is no fact or other matter represented by the Lessee in written or other form and delivered to BRAE which is false or incorrect in any material respect as of the date made.

12. Inspection.

BRAE and the Agent shall at any time during normal business hours have the right to enter the premises of Lessee where the Cars may be located for the purpose of inspecting and examining the Cars to insure Lessee's compliance with its obligations hereunder. Lessee agrees to use its best efforts to arrange for such inspections by BRAE and the Agent of any Cars which may be located on property not owned by Lessee. Lessee shall immediately notify BRAE and the Agent of any accident connected with the malfunctioning or operation of the Cars, including in such report the time, place and nature of the accident and the damage caused, the names and addresses of any persons injured and of witnesses and other information pertinent to Lessee's investigation of the accident. Lessee shall also notify BRAE and the Agent in writing within five (5) days after any attachment, tax lien or other judicial process shall attach to any Car. Lessee shall furnish to BRAE and the Agent promptly upon its becoming available, a copy of its annual report submitted to the ICC and, when requested, copies of any other income or balance sheet statements submitted to the ICC or its shareholders generally.

13. Miscellaneous

A. This Agreement and the Schedules contemplated hereby shall be binding upon and shall inure to the benefit of the parties hereto and their respective successors and assigns, except that Lessee may not, without the prior written consent of BRAE, assign this Agreement or any of its rights hereunder or sublease the Cars to any party, and any purported assignment or sublease in violation hereof shall be void. It is understood and agreed that BRAE may assign this Agreement with respect to some or all of the Cars listed on any Schedule hereto to any trust of which BRAE or one of its wholly-owned subsidiaries is a beneficiary, to any corporate joint venture of which BRAE or one of its wholly-owned subsidiaries is a stockholder, or to any other owner of such Cars (each hereinafter a "Lease Assignee"), provided that BRAE or one of its wholly-owned subsidiaries enters into a management agreement with such Lease Assignee with respect to the Cars. Upon delivery of a notice of assignment to Lessee, the term "BRAE" as used herein shall mean such Lease Assignee, and BRAE shall be relieved of all of its obligations and liabilities under this Agreement relating to such Cars. Lessee agrees to give its consent and to acknowledge, upon receipt of notice of assignment, such assignment of this Agreement by BRAE. BRAE warrants that any Lease Assignee of the Cars will subject such Cars to all the terms and conditions of this Lease. Notwithstanding

any such assignment by BRAE, Lessee hereby agrees that all notices or payments required to be made by Lessee to BRAE hereunder shall be sent to BRAE CORPORATION, as agent for any Lease Assignee, at the address set forth in the preamble to this Agreement.

Lessee also agrees to acknowledge, upon receipt, any security assignment of this Agreement by BRAE, or by any Lease Assignee, to an owner or secured party under any financing agreement entered into by BRAE or such Lease Assignee in connection with the acquisition of all or part of the Cars leased hereunder. Lessee hereby agrees that any such assignment may be with respect to all or part of the Cars on any Schedule hereto. Any assignment of this Agreement by BRAE or any Lease Assignee to an owner or secured party shall not subject that owner or secured party to any of BRAE's or such Lease Assignee's obligations hereunder. Those obligations shall remain enforceable by Lessee solely against BRAE or such Lease Assignee, as the case may be.

B. Both parties agree to execute the documents contemplated by this transaction and such other documents as may be required in furtherance of any financing agreement entered into by BRAE in connection with the acquisition of the Cars in order to confirm the financing party's interest in and to the Cars, this Agreement and Schedules hereto and to confirm the subordination provisions contained in Section 7 hereof and in furtherance of this Agreement. BRAE is expressly authorized to insert the appropriate railcar reporting markings and Car description on the Schedule(s) at such time as notice is delivered to BRAE by Lessee as to the correct reporting marks and physical description to be utilized.

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

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

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

F. All notices hereunder shall be in writing and shall be deemed given when delivered personally or three days after deposit in the United States mail, postage prepaid, certified or registered, addressed to the president of the other party at the address set forth in the preamble to this Agreement.

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

BRAE CORPORATION

By [Signature]

Title President

Date December 28, 1981

LITTIE ROCK & WESTERN RAILWAY CORPORATION

By [Signature]

Title President

Date 12/28/81

EQUIPMENT SCHEDULE I

BRAE CORPORATION ("BRAE") hereby leases the following railcars to LITTLE ROCK & WESTERN RAILWAY CORPORATION ("Lessee"), pursuant to that certain Lease Agreement dated as of December 28, 1981 (the "Lease").

1. <u>Cars</u>	<u>Description</u>	<u>Car Numbers</u>
3	50', 70 ton General Service Boxcar	LRWN 0116 LRWN 0134 LRWN 0149

2. Agreed Utilization Percentage 85%; but if the Interstate Commerce Commission or any other U.S. governmental agency shall, at any time, issue an order reducing hourly care hire payments to less than the maximum level in effect at the date hereof, the Agreed Utilization Percentage will be 100%.

3. Minimum Utilization Percentage 80%.

4. BRAE percentage of Payments in excess of the BRAE Base Rental resulting from Utilization greater than the Agreed Utilization Percentage: 0%

5. BRAE and Lessee hereby incorporate by reference all of the terms, conditions and provisions of the Lease in this Schedule.

IN WITNESS WHEREOF, the parties have each caused their respective duly authorized officers to have executed this Schedule as of the date first written above.

BRAE CORPORATION

By: _____

Title: _____

President

LITTLE ROCK & WESTERN RAILWAY CORPORATION

By: _____

Title: _____

President

EQUIPMENT SCHEDULE 2

BRAE CORPORATION ("BRAE") hereby leases the following railcars to LITTLE ROCK & WESTERN RAILWAY CORPORATION ("Lessee"), pursuant to that certain Lease Agreement dated as of December 28, 1981 (the "Lease").

1. <u>Number of Cars</u>	<u>Description</u>	<u>Car Numbers</u>
3	50', 70 ton General Service Boxcar	LRWN 0172 LRWN 5695 LRWN 5696

2. Agreed Utilization Percentage 85%; but if the Interstate Commerce Commission or any other U.S. governmental agency shall, at any time, issue an order reducing hourly care hire payments to less than the maximum level in effect at the date hereof, the Agreed Utilization Percentage will be 100%.

3. Minimum Utilization Percentage 80%.

4. BRAE percentage of Payments in excess of the BRAE Base Rental resulting from Utilization greater than the Agreed Utilization Percentage: 0%

5. BRAE and Lessee hereby incorporate by reference all of the terms, conditions and provisions of the Lease in this Schedule.

IN WITNESS WHEREOF, the parties have each caused their respective duly authorized officers to have executed this Schedule as of the date first written above.

BRAE CORPORATION
By [Signature]
Title President

LITTLE ROCK & WESTERN RAILWAY CORPORATION
By [Signature]
Title President

EQUIPMENT SCHEDULE 3

BRAE CORPORATION ("BRAE") hereby leases the following railcars to LITTLE ROCK & WESTERN RAILWAY CORPORATION ("Lessee"), pursuant to that certain Lease Agreement dated as of December 28, 1981 (the "Lease").

1.	Number of Cars	<u>Description</u>	<u>Car Numbers</u>
	3	50', 70 ton General Service Boxcar	LRWN 5709 LRWN 5715 LRWN 5731

2. Agreed Utilization Percentage 85%; but if the Interstate Commerce Commission or any other U.S. governmental agency shall, at any time, issue an order reducing hourly care hire payments to less than the maximum level in effect at the date hereof, the Agreed Utilization Percentage will be 100%.

3. Minimum Utilization Percentage 80%.

4. BRAE percentage of Payments in excess of the BRAE Base Rental resulting from Utilization greater than the Agreed Utilization Percentage: 0%

5. BRAE and Lessee hereby incorporate by reference all of the terms, conditions and provisions of the Lease in this Schedule.

IN WITNESS WHEREOF, the parties have each caused their respective duly authorized officers to have executed this Schedule as of the date first written above.

BRAE CORPORATION
 By [Signature]
 Title President

LITTLE ROCK & WESTERN RAILWAY CORPORATION
 By [Signature]
 Title President

EQUIPMENT SCHEDULE 4

BRAE CORPORATION ("BRAE") hereby leases the following railcars to LITTLE ROCK & WESTERN RAILWAY CORPORATION ("Lessee"), pursuant to that certain Lease Agreement dated as of December 28, 1981 (the "Lease").

1.	<u>Number of Cars</u>	<u>Description</u>	<u>Car Numbers</u>
	3	50', 70 ton General Service Boxcar	LRWN 5735 LRWN 5738 LRWN 5740

2. Agreed Utilization Percentage 85%; but if the Interstate Commerce Commission or any other U.S. governmental agency shall, at any time, issue an order reducing hourly care hire payments to less than the maximum level in effect at the date hereof, the Agreed Utilization Percentage will be 100%.

3. Minimum Utilization Percentage 80%.

4. BRAE percentage of Payments in excess of the BRAE Base Rental resulting from Utilization greater than the Agreed Utilization Percentage: 0%

5. BRAE and Lessee hereby incorporate by reference all of the terms, conditions and provisions of the Lease in this Schedule.

IN WITNESS WHEREOF, the parties have each caused their respective duly authorized officers to have executed this Schedule as of the date first written above.

BRAE CORPORATION

By

Title

President

LITTLE ROCK & WESTERN RAILWAY CORPORATION

By

Title

President

EQUIPMENT SCHEDULE 5

BRAE CORPORATION ("BRAE") hereby leases the following railcars to LITTLE ROCK & WESTERN RAILWAY CORPORATION ("Lessee"), pursuant to that certain Lease Agreement dated as of December 28, 1981 (the "Lease").

1.	<u>Number of Cars</u>	<u>Description</u>	<u>Car Numbers</u>
	3	50', 70 ton General Service Boxcar	LRWN 5762 LRWN 5763 LRWN 5776

2. Agreed Utilization Percentage 85%; but if the Interstate Commerce Commission or any other U.S. governmental agency shall, at any time, issue an order reducing hourly care hire payments to less than the maximum level in effect at the date hereof, the Agreed Utilization Percentage will be 100%.

3. Minimum Utilization Percentage 80%.

4. BRAE percentage of Payments in excess of the BRAE Base Rental resulting from Utilization greater than the Agreed Utilization Percentage: 0%

5. BRAE and Lessee hereby incorporate by reference all of the terms, conditions and provisions of the Lease in this Schedule.

IN WITNESS WHEREOF, the parties have each caused their respective duly authorized officers to have executed this Schedule as of the date first written above.

BRAE CORPORATION
 By [Signature]
 Title President

LITTLE ROCK & WESTERN RAILWAY CORPORATION
 By [Signature]
 Title President

EQUIPMENT SCHEDULE 6

BRAE CORPORATION ("BRAE") hereby leases the following railcars to LITTLE ROCK & WESTERN RAILWAY CORPORATION ("Lessee"), pursuant to that certain Lease Agreement dated as of December 28, 1981 (the "Lease").

<u>Number of Cars</u>	<u>Description</u>	<u>Car Numbers</u>
3	50', 70 ton General Service Boxcar	LRWN 5799 LRWN 5812 LRWN 5814

2. Agreed Utilization Percentage 85%; but if the Interstate Commerce Commission or any other U.S. governmental agency shall, at any time, issue an order reducing hourly care hire payments to less than the maximum level in effect at the date hereof, the Agreed Utilization Percentage will be 100%.

3. Minimum Utilization Percentage 80%.

4. BRAE percentage of Payments in excess of the BRAE Base Rental resulting from Utilization greater than the Agreed Utilization Percentage: 0%

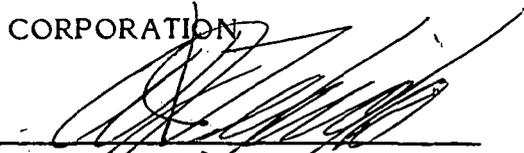
5. BRAE and Lessee hereby incorporate by reference all of the terms, conditions and provisions of the Lease in this Schedule.

IN WITNESS WHEREOF, the parties have each caused their respective duly authorized officers to have executed this Schedule as of the date first written above.

BRAE CORPORATION

By

Title

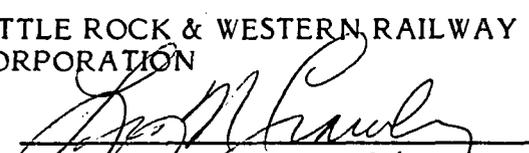


President

LITTLE ROCK & WESTERN RAILWAY CORPORATION

By

Title



President

EQUIPMENT SCHEDULE 7

BRAE CORPORATION ("BRAE") hereby leases the following railcars to LITTLE ROCK & WESTERN RAILWAY CORPORATION ("Lessee"), pursuant to that certain Lease Agreement dated as of December 28, 1981 (the "Lease").

1. <u>Number of Cars</u>	<u>Description</u>	<u>Car Numbers</u>
3	50', 70 ton General Service Boxcar	LRWN 5829 LRWN 5830 LRWN 5833

2. Agreed Utilization Percentage 85%; but if the Interstate Commerce Commission or any other U.S. governmental agency shall, at any time, issue an order reducing hourly care hire payments to less than the maximum level in effect at the date hereof, the Agreed Utilization Percentage will be 100%.

3. Minimum Utilization Percentage 80%.

4. BRAE percentage of Payments in excess of the BRAE Base Rental resulting from Utilization greater than the Agreed Utilization Percentage: 0%

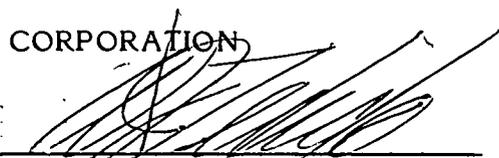
5. BRAE and Lessee hereby incorporate by reference all of the terms, conditions and provisions of the Lease in this Schedule.

IN WITNESS WHEREOF, the parties have each caused their respective duly authorized officers to have executed this Schedule as of the date first written above.

BRAE CORPORATION

By

Title



President

LITTLE ROCK & WESTERN RAILWAY CORPORATION

By

Title



President

