STEPTOE & JOHNSON
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WASHINGTON, D. C. 20036

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INTERSTATE COMMERCE COMMISSION

014A048

January 14, 1980

Date JAN 14 1980
Fee $ 2,450.00
ICC Washington, D. C.

Ms. Agatha Mergenovich, Secretary
Interstate Commerce Commission
Office of the Secretary - Room 2209
Washington, DC 20423

Dear Ms. Mergenovich:

Enclosed for filing and recordation pursuant to the provisions of 49 USC § 11303 are several copies of the following documents which relate to the railroad equipment hereafter identified:

1. Railroad Lease Agreement dated as of July 17, 1979 between Brae Corporation and Warrenton Rail Road Company.

2. Assignment of Lease Agreement dated as of December 14, 1979 by Brae Corporation to Warren J. Hayford, Lawrence A. Wein, Alvin S. Lane, Peter L. Malkin, Donald J. Donahue, Selby Sullivan, Harry Kahn, William J. Poorvu, Allan P. Kirby, Jr. and Arthur Belfer (hereafter "Owners").

3. Assignment of Lease Agreement dated as of December 17, 1979 by Brae Corporation to Robert M. Bennett (hereafter "Owners").

4. Assignment of Lease Agreement dated as of December 19, 1979 by Brae Corporation to Myron Kislak (hereafter "Owners").

5. Assignment of Lease Agreement dated as of December 27, 1979 by Brae Corporation to Pauline S. Bresnick (hereafter "Owners").

6. Assignment of Lease Agreement dated as of December 31, 1979 by Brae Corporation to Preston Martin and Michael Towbes (hereafter "Owners").

7. Consent and Agreement of Lessee dated January 9, 1980 to Manufacturers Hanover Leasing Corporation and each of the Owners from the Warrenton Rail Road Company.

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8. Management Agreement dated November 29, 1979 between Brae Railcar Management, Inc. and Arthur B. Belfer.

9. Management Agreement dated December 31, 1979 between Brae Railcar Management, Inc. and Robert M. Bennett.

10. Management Agreement dated December 18, 1979 between Brae Railcar Management, Inc. and Pauline S. Bresnick.

11. Management Agreement dated December 4, 1979 between Brae Railcar Management, Inc. and Donald J. Donahue.

12. Management Agreement dated December 4, 1979 between Brae Railcar Management, Inc. and Warren J. Hayford.

13. Management Agreement dated November 30, 1979 between Brae Railcar Management, Inc. and Harry Kahn.

14. Management Agreement dated December 10, 1979 between Brae Railcar Management, Inc. and Allan P. Kirby, Jr.

15. Management Agreement dated December 7, 1979 between Brae Railcar Management, Inc. and Myron Kislak.

16. Management Agreement dated December 3, 1979 between Brae Railcar Management, Inc. and Alvin S. Lane.

17. Management Agreement dated December 3, 1979 between Brae Railcar Management, Inc. and Peter L. Malkin

18. Management Agreement dated December 26, 1979 between Brae Railcar Management, Inc. and Preston Martin.

19. Management Agreement dated December 6, 1979 between Brae Railcar Management, Inc. and William J. Poorvu.

20. Management Agreement dated December 1, 1979 between Brae Railcar Management, Inc. and Selby Sullivan.

21. Management Agreement dated December 13, 1979 between Brae Railcar Management, Inc. and Michael Towbes.

22. Management Agreement dated November 29, 1979 between Brae Railcar Management, Inc. and Lawrence A. Wien.

23. Consent of Brae Railcar Management Inc. dated January 9, 1980 from Brae Railcar Management, Inc. and to Manufacturers Hanover Leasing Corporation and the Owners.

24. Advisory Agreement dated November 29, 1979 between David A. Goldberg and Arthur B. Belfer.

25. Advisory Agreement dated December 11, 1979 between David A. Goldberg and Robert M. Bennett.

26. Advisory Agreement dated December 18, 1979 between David A. Goldberg and Pauline S. Bresnick.

27. Advisory Agreement dated December 4, 1979 between David A. Goldberg and Donald J. Donahue.

28. Advisory Agreement dated December 4, 1979 between David A. Goldberg and Warren J. Hayford.

29. Advisory Agreement dated November 30, 1979 between David A. Goldberg and Harry Kahn.

30. Advisory Agreement dated December 10, 1979 between David A. Goldberg and Allan P. Kirby, Jr.

31. Advisory Agreement dated December 7, 1979 between David A. Goldberg and Myron Kislak.

32. Advisory Agreement dated December 3, 1979 between David A. Goldberg and Alvin S. Lane

33. Advisory Agreement dated December 3, 1979 between David A. Goldberg and Peter L. Malkin.

34. Advisory Agreement dated December 26, 1979 between David A. Goldberg and Preston Martin.

35. Advisory Agreement dated December 6, 1979 between David A. Goldberg and William J. Poorvu.

36. Advisory Agreement dated December 1, 1979 between David A. Goldberg and Selby Sullivan.

37. Advisory Agreement dated December 13, 1979 between David A. Goldberg and Michael Towbes.

38. Advisory Agreement dated November 29, 1979 between David A. Goldberg and Lawrence A. Wien.

39. Consent of Advisor dated January 9, 1980 from David A. Goldberg to Manufactureres Hanover Leasing Corporation and the Owners.

40. Consent and Agreement of Shipper dated January 9, 1980, from CF Industries, Inc. to Manufacturers Hanover Leasing Corporation and the Owners.

41. Guaranty and Security Agreement dated as of January 9, 1980 between Manufacturers Hanover Leasing Corporation and Arthur B. Belfer.

42. Guaranty and Security Agreement dated as of January 9, 1980 between Manufacturers Hanover Leasing Corporation and Robert M. Bennett.

43. Guaranty and Security Agreement dated as of January 9, 1980 between Manufacturers Hanover Leasing Corporation and Pauline S. Bresnick.

44. Guaranty and Security Agreement dated as of January 9, 1980 between Manufacturers Hanover Leasing Corporation and Donald J. Donahue.

45. Guaranty and Security Agreement dated as of January 9, 1980 between Manufacturers Hanover Leasing Corporation and Warren J. Hayford.

46. Guaranty and Security Agreement dated as of January 9, 1980 between Manufacturers Hanover Leasing Corporation and Harry Kahn

47. Guaranty and Security Agreement dated as of January 9, 1980 between Manufacturers Hanover Leasing Corporation and Allan P. Kirby, Jr.

48. Guaranty and Security Agreement dated as of January 9, 1980 between Manufacturers Hanover Leasing Corporation and Myron Kislak.

49. Guaranty and Security Agreement dated as of January 9, 1980 between Manufacturers Hanover Leasing Corporation and Alvin S. Lane.

50. Guaranty and Security Agreement dated as of January 9, 1980 between Manufacturers Hanover Leasing Corporation and Peter L. Malkin.

51. Guaranty and Security Agreement dated as of January 9, 1980 between Manufacturers Hanover Leasing Corporation and Preston Martin.

52. Guaranty and Security Agreement dated as of January 9, 1980 between Manufacturers Hanover Leasing Corporation and William J. Poorvu.

53. Guaranty and Security Agreement dated as of January 9, 1980 between Manufacturers Hanover Leasing Corporation and Selby Sullivan.

54. Guaranty and Security Agreement dated as of Janaury 9, 1980 between Manufacturers Hanover Leasing Corporation and Michael Towbes.

55. Guaranty and Security Agreement dated as of January 9, 1980 between Manufacturers Hanover Leasing Corporation and Lawrence A. Wien.

56. Shipper Agreement dated as of September 28, 1979 between Brae Corporation and CF Industries, Inc.

57. Assignment of CF Industries, Inc. Agreement dated December 14, 1979 by Brae Corporation to ARthur Belfer, Donald J. Donahue, Harry Kahn, Allan P. Kirby, Jr., Alvin S. Lane, Peter L. Melkin, William J. Poorvu, Selby Sullivan, Warren J. Hayford and Lawrence A. Wein.

58. Assignment of CF Industries, Inc. Agreement dated as of December 17, 1979 by Brae Corporation to Robert M. Bennett.

59. Assignment of CF Industries, Inc. Agreement dated as of December 19, 1979 by Brae Corporation to Myron Kislak.

60. Assignment of ~~CF Industries,~~ Inc. Agreement dated as of December 27, 1979 by Brae Corporation to Pauline S. Bresnick.

61. Assignment of CF Industries, Inc. Agreement dated as of December 31, 1979 by Brae Corporation to Prestin Martin and Michael Towbes.

The foregoing documents relate to seventy-two (72) 100-ton, 4750 cubic feet covered hopper cars. They carry the marks of the Warrenton Rail Road Company and are identified as WAR 15125 through 15196.

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

Lessor - Assignor:	Brae Corporation, Three Embarcadero Center, San Francisco, CA 94111
Lessee:	Warrenton Rail Road Company, Warrenton, NC 27589
Guarantor - Debtor:	Railraod Car Nominee Corporation, 60 East 42nd Street, New York, NY 10017
Assignee - Lender	Manufacturers Hanover Leasing Corporation, 30 Rockefeller Plaza, New York, NY 10020
Assignor - Manager:	Brae Railcar Management, Inc., Three Embarcadero Center, San Francisco, CA 94111
Guarantor - Advisor:	David A. Goldberg, 777 Third Avenue, New York, NY 10017
Guarantor - Lessee - Assignee:	CF Industries, Inc., Salem Lake Drive, Long Grove, IL 60047

Please file and record the documents previously enumerated and cross-index them under the names set forth above. Since the documents are related to the same transaction, it is requested that all be assigned the same recordation number with consecutive letter designations for all documents after the first listed above.

A check payable to the order of the Interstate Commerce Commission in the amount of $2,450.00 is enclosed to cover the filing fees and the extra fees for cross-indexing.

Please return to the person presenting this letter your fee receipt, the enclosed copies of this letter and any copies of the documents not required for recordation, all stamped to indicate appropriate filing information.

Very truly yours,

Robert J. Corber

Robert J. Corber
Attorney for Brae Corporation

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Enclosures

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RECORDATION NO. Filed 1425

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INTERSTATE COMMERCE COMMISSION

EXHIBIT C

PARTICIPATION IN THE MANAGEMENT PROGRAM HAS NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933. A PARTICIPANT MAY NOT RESELL OR OTHERWISE TRANSFER AN INTEREST IN THE CARS UNDER THE MANAGEMENT PROGRAM UNLESS SUCH INTEREST OR THE SUBSEQUENT OFFER AND RESALE THEREOF ARE EITHER REGISTERED UNDER THE SECURITIES ACT OF 1933 OR ARE EXEMPT FROM SUCH REGISTRATION.

IT IS UNLAWFUL TO CONSUMMATE A SALE OR TRANSFER OF THIS AGREEMENT, OR ANY INTEREST THEREIN, OR TO RECEIVE ANY CONSIDERATION THEREFOR, WITHOUT THE PRIOR WRITTEN CONSENT OF THE ADMINISTRATOR OF THE SECURITIES LAWS OF THE STATE HAVING JURISDICTION OVER SUCH SALE OR TRANSFER, EXCEPT AS PERMITTED IN THE APPLICABLE RULES OF SUCH ADMINISTRATOR.

MANAGEMENT AGREEMENT

BRAE RAILCAR MANAGEMENT, INC.

THIS AGREEMENT made by and between Brae Railcar Management, Inc., a California corporation (hereinafter called "BRM"), and the person executing this Agreement as owner (hereinafter called "Owner").

WHEREAS, Owner has purchased the covered hopper railroad cars identified in Exhibit "A" attached hereto and incorporated herein by reference (such car or cars purchased by Owner being hereinafter referred to as the "Cars");

WHEREAS, BRM engages in the business of managing railcars for railcar owners, and Owner desires to retain BRM as agent for the purpose of managing the Cars on Owner's behalf, collecting amounts due to or on behalf of Owner with respect to

the Cars and disbursing funds of Owner to pay costs, expenses and obligations of Owner with respect to the Cars, all on the terms and conditions set forth herein;

WHEREAS, BRM intends to manage a number of railcars identical in all material respects to the Cars and to perform for the owners thereof, under management agreements substantially identical to this Agreement, services substantially identical to those which BRM will perform for Owner hereunder, and Owner desires that the Gross Revenues (as hereinafter defined) and the Operating Expenses (as hereinafter defined) attributable to the Cars be accounted for and combined with the Gross Revenues and Operating Expenses (the "Pool") of all cars managed by BRM under the 1979 Covered Hopper Car Management Program (the "Management Program"), all on the terms and conditions set forth herein;

NOW, THEREFORE, in consideration of the mutual promises made herein, Owner and BRM intending to be legally bound, hereby agree as follows:

1. Engagement of BRM.

Owner hereby engages BRM as agent of Owner to manage the Cars, collect amounts due to or on behalf of Owner with respect to the Cars and disburse funds of Owner to pay costs, expenses and obligations of Owner with respect to the Cars, all on the terms and conditions set forth herein, and BRM accepts such engagement and agrees to act as agent for Owner and perform in accordance with the terms and conditions hereof.

2. Term.

The term of this Agreement and the agency created hereby shall commence as of the date the Cars are delivered to CF Industries, Inc. ("CF") and shall continue for a period of five years thereafter; provided, however, that except for Section 9 this Agreement shall terminate: (i) with respect to any Car which is withdrawn pursuant to Sections 11 or 12 hereof, as of the date that such withdrawal is effective, or such Car is lost or destroyed; (ii) upon the election of any Owner, if BRM has not arranged a successor lease of the Cars within 30 days after the termination, for any reason, of both the Shipper Agreement and the Shipper Lease; provided further, however, that notwithstanding any termination of this Agreement, whether upon the expiration five years after the date of this Agreement or upon the withdrawal, loss or total destruction of any Car, BRM shall continue to be obligated to collect all rental payments, mileage allowances and other sums (including insurance benefits or lessee or railroad indemnity payments payable in connection with any damage to or loss or total destruction of a Car), and to pay or arrange for payment of all expenses, taxes and other charges on Cars, due for or with respect to periods prior to such termination of this Agreement.

3. Duties of BRM.

In consideration of the compensation to be paid to BRM by Owner pursuant to Section 6 hereof, and subject to the

agreement of Owner to reimburse BRM pursuant to Section 7 hereof, BRM shall provide and perform the services on behalf of Owner set forth below during the term of this Agreement:

(a) Immediately upon execution, or as soon thereafter as reasonably practicable, take possession of the Cars as agent for Owner for the purpose of managing and operating the Cars, as herein provided.

(b) Use its best efforts to keep such Cars under lease for the term of this Agreement, entering into, as agent for Owner, lease agreements providing for the lease of the Cars. BRM will first lease those Cars which have been off-lease and available for the longest period of time.

(c) Use its best efforts to insure that all steps are taken which may be necessary to have the Cars registered under the Association of American Railroads ("AAR") as required by the terms of any lease or otherwise.

(d) Collect all rental payments and mileage allowances due with respect to the Cars, identifying itself as agent for that purpose, and account for and remit all sums due to Owner as hereinafter provided.

(e) Terminate leases and recover possession of Cars and enforce all rights of Owner with respect thereto, including the payment of all amounts owed under the lease or otherwise with respect to the Cars as shall be appropriate or necessary in the judgment of BRM exercised in good faith; and institute and prosecute legal proceedings in the name of Owner as is permitted by applicable laws in order to terminate such leases and/or recover possession of the Cars; and, when expedient, settle,

compromise and/or release such actions or suits or reinstate such leases.

(f) If advised (by delivery of an executed copy of the Advisory Agreement) that Owner has entered into the Advisory Agreement, pay from funds to which Owner would otherwise be entitled the Advisor fees incurred by such Owner pursuant to such Owner's Advisory Agreement with David A. Goldberg ("Advisor").

(g) Use its best efforts to arrange for all alterations, modifications, improvements or additions to the Cars to comply with applicable laws or regulations; provided, however, that no alterations, modifications, improvements or additions of the type referred to in Section 7(c) in excess of $1,000 per Car shall be made without the consent of Owner (other than by CF at its own expense), which consent will be deemed to have been granted if Owner shall not have objected thereto in writing within 30 days after notice to Owner thereof and of the estimated cost thereof.

(h) Use its best efforts to obtain insurance at the expense of Owner as shall be reasonably available to protect the interest of Owner in the Cars including, without limitation, insurance against (i) personal liability, including property damage and personal injury, (ii) loss of or damage to the Cars, and (iii) loss of revenues with respect to the Cars; provided, however, that if BRM determines that the cost of insurance described above is unreasonably high, or cannot be obtained,

BRM need not place or acquire such insurance and shall so notify Owner.

(i) Pay on behalf of Owner all personal property taxes and other taxes, charges, assessments, or levies imposed upon or against the Cars of whatever kind or nature and, in BRM's discretion, defend against any such charges and to seek revision or appeal from any assessment or charge deemed improper, all such actions to be in the name of Owner.

(j) Monitor and record movement of the Cars.

(k) Maintain complete and accurate records of all transactions relating to the Cars and make such records available for inspection by Owner or any of Owner's representatives during reasonable business hours.

(l) Cause the Cars, at the expense of Owner, to be painted such colors and with such designs as BRM may from time to time approve and place reporting marks or such other marks, legends, or placards on the Cars as shall be appropriate or necessary to comply with any regulation imposed by the AAR.

(m) Provide Owner with advice and recommendations concerning the sale of the Cars.

(n) Use its best efforts to collect all sums due Owner, including, without limitation, insurance benefits or railroad indemnity payments, in the event of damage to, or loss or total destruction of, a Car during the term of this Agreement and to remit all sums due Owner as hereinafter provided.

(o) Furnish factual information reasonably requested by Owner in connection with Federal and state tax returns.

(p) Perform for Owner such other services incidental to the foregoing as may from time to time be reasonably necessary in connection with the leasing and operation of the Cars.

(q) Perform for Owner, at BRM's expense, all repairs and maintenance (other than the Special Improvements described in Section 7(c) hereof) required on the Cars during the term of the Management Agreement; provided that BRM shall be entitled to any insurance proceeds or proceeds from third parties in connection with such repairs or maintenance, including any rights which the Owner may have against the manufacturer, any lessee of the Cars or any person or entity which has caused damage to the Cars, but further provided that in the event of a total destruction or loss of the Cars, BRM shall have no obligation to repair or maintain the Cars and any proceeds related to such loss or destruction (whether insurance or from third parties) shall belong solely to the Owner of such Car. BRM in its sole discretion shall determine whether a damaged Car is reasonably capable of repair or whether such Car shall be deemed to have been destroyed for purposes of this Agreement.

(r) Cause the Cars to be moved at the expense of the owners if in the judgment of BRM such movement would be beneficial or expedient.

(s) Use its best efforts to supply audited financial information concerning CF Industries, Inc. to any lender holding a security interest in the Cars.

4. Authority, and Limitations on Authority, of BRM.

(a) It is recognized that BRM will manage under the Management Program the railcars, including the Cars, purchased by investors who enter into a management agreement substantially identical to this Agreement. It is recognized that BRM will receive from owners of other cars in the Management Program compensation comparable to that payable by Owner hereunder. It is recognized and agreed that BRM's services for and obligations to and rights with respect to Owner and the owners of other cars in the Management Program are several. BRM will not act or purport to act for or in the name of the Pool, the Management Program or the owners of cars in the Management Program collectively or as an entity; it being expressly understood that any actions taken on behalf of the owners of cars in the Management Program will be taken as agent for such owners, severally and individually, either naming such owners or naming BRM as agent for undisclosed several and individual principals. The parties hereto expressly recognize and acknowledge that this Agreement, the Management Program and the Pool are not

intended to create a partnership, joint venture or other entity among Owner, other owners of cars in the Management Program and/or BRM. BRM shall not take any action or engage in any course of dealing which would suggest or create an inference that there is any understanding or agreement between owners of cars in the Management Program or that such owners are acting collectively or as an entity and BRM shall use its best efforts to assure that no silence or failure to act on its part creates or sustains any such suggestion or inference.

(b) BRM shall not have any authority to (i) offer for sale, contract or agree to sell or sell any Cars except as Owner may from time to time hereafter expressly request or direct; or (ii) make any alterations, modifications, improvements or additions to the Cars of the type referred to in Section 7(c) in excess of $1,000 per Car without the consent (either express or, as provided in Section 3(f), implied) of Owner.

5. Owner's Revenues, Expenses and Net Earnings.

(a) The actual Gross Revenues (as hereinafter defined) derived from the operation of the Cars and the actual Operating Expenses (as hereinafter defined) shall be accounted for and combined together with all Gross Revenues and Operating Expenses derived from and incurred by all cars managed under the Management Program.

(b) As used in this Agreement, the term "Gross Revenues" shall mean all income to Owner (unreduced by any expenses or

costs) derived from the ownership, use and/or operation of the Cars including, but not limited to, per diem and mileage charges collected under leases and any payments by shippers under agreements for the use of the Cars by such shippers, but shall not include proceeds from any sale of the Cars or any payments received with respect to the loss or destruction of the Cars.

(c) As used in this Agreeement the term "Operating Expenses" shall mean all expenses and costs reasonably incurred in connection with the ownership, management, use and/or operation of Cars, including but not limited to painting; costs of modifications and improvements which are not alterations, modifications, improvements or additions of the type described in Section 7(c); property or ad valorem taxes assessed against the Cars; accounting fees; legal fees incurred in connection with enforcing lease rights or repossessing Cars; insurance premiums; and deductible amounts of insurance policies described in Section 3(h)(i) and (iii). "Individual Expense" shall mean (i) the cost of any improvements, modifications or additions described in Section 7(c), (ii) any damages payable with respect to uninsured losses (or losses beyond policy limits) as described in Section 7(d) and (iii) BRM's management fee as described in Section 6. Individual Expenses shall not be pooled but shall be the sole liability of the Owner of the Car which incurred such expense. Notwithstanding that such Indi-

vidual Expenses are not "pooled", BRM is expressly authorized to utilize any funds in its possession belonging to Owner to pay an Owner's Individual Expenses on Owner's behalf.

(d) Owner's Gross Revenue and Operating Expenses for any fiscal period shall be the product of (i) Gross Revenues derived from all cars managed under the Management Program or Operating Expenses incurred by or with respect to all cars managed under the Management Program, as the case may be, multiplied by (ii) a fraction the numerator of which is the product of the number of Cars multiplied by the number of days in such fiscal period that the Cars are managed under the Management Program and the denominator of which is the product of the total number of cars managed under the Management Program multiplied by the number of days in such fiscal period that such cars are managed under the Management Program. The number of cars (or Cars, as the case may be) managed under the Management Program shall be the number of cars actually managed under the Management Program from time to time during such fiscal period and if any cars are destroyed, lost, disposed of or withdrawn from the Management Program during such fiscal period, any computation under this Section 5(d) shall reflect such destruction, loss, disposition, or withdrawal; provided, however, that (x) notwithstanding that the owner of any cars managed under the Management Program shall have entered into a management agreement with BRM, the cars owned by such owner

(which may be Owner) shall not be considered to be managed under the Management Program until such cars shall first have been delivered to a lessee thereof and (y) there shall not be any adjustment of computations under this Section 5(d) on account of the temporary withdrawal from service of any car for repairs, maintenance or reconstruction.

(e) As used in this Agreement, the term "Net Earnings" shall mean the Gross Revenues attributable to the Cars less the amount of the Operating Expenses attributable to the Cars.

6. Compensation.

As compensation to BRM for the performance of the services specified hereunder, Owner agrees to pay to BRM during each year of the term of this Agreement a sum equal to $1,250 per Car, which sum shall be payable in advance in four equal quarterly installments.

Owner also agrees to pay to BRM 15.5%& of all "additional mileage" rent payable to Owner pursuant to the Shipper Lease between BRM and CF Industries (should such lease become effective).

7. Distribution to Owner of Net Earnings; Payment of Costs and Expenses.

(a) Regular Distributions of Net Earnings. Within 60 days after the end of each calendar quarter, BRM shall distribute to Owner the excess of (i) the Net Earnings attributable to the operation of the Cars during each quarter over (ii) the amounts, if any, for such quarter distributed for the benefit of Owner by BRM, including any Individual Expenses

which have been paid on behalf of Owner by BRM. At any time or from time to time during the term of this Agreement, BRM, in its reasonable judgment, shall have the right to retain amounts from the quarterly distributions of net earnings for the purpose of creating reserves to pay for accrued expenses not yet due, expenses relating to the management of the Cars or to the efficient administration of this Agreement or expenses relating to the Cars arising or payable after the termination or expiration of this Agreement. All such amounts shall be held for the account of the Owner. BRM shall use its best efforts to invest such amounts for the benefit of the Owner.

(b) Payment of Operating Deficits. Within 10 days of receipt of notice and demand from BRM, Owner shall pay to BRM the amount by which Net Earnings for a calendar quarter shall be less than zero, together with the amount of any other payments or distributions made by BRM on behalf of Owner.

(c) Payment for Special Improvements. The cost of any alterations, modifications, improvements or additions which are required by the AAR, Department of Transportation or other regulatory agency or are otherwise required to comply with applicable laws, regulations or requirements and are consented to by Owner shall be the sole responsibility of Owner, whether or not BRM must, as provided herein, obtain the Owner's consent to make such improvement. BRM shall have the right to require Owner (subject to Owner's express or implied consent, if

required) to pay the approximate cost thereof to BRM, upon 10 days' prior written notice. Upon completion, BRM shall notify Owner of the exact amount of such costs, and in the event that Owner has already paid more than such cost, BRM shall refund the difference to Owner. If the amount already paid by Owner is less than the exact amount of such costs, Owner shall promptly pay to BRM the amount of such difference.

(d) Payment of Liability Claims. Any damage or loss assessed against an Owner with respect to damage to the property of others or bodily injury caused by Owner's Cars which has not been insured against or is in excess of any applicable insurance limits (other than deductible amounts under insurance policies described in Section 3(h)(i)) shall be the sole obligation of such Owner and in no event shall any loss be a pooled expense. Within 10 days of receipt of notice and demand from BRM, Owner shall pay the amount of any such liability.

(e) Receipts and Payments as Acts of Owner; Obligations of Owner. In collecting or receiving any Gross Revenues and in paying or disbursing any Operating Expenses, or in making any disbursements permitted hereunder, BRM is acting solely as agent for Owner. The provisions of Sections 3, 5 and 7 of this Agreement shall not be understood to diminish or modify the rights of Owner to receive Gross Revenues or the obligation of Owner to pay Operating Expenses or debt service.

8. Indemnification.

Owner shall defend (if such defense is tendered to Owner), indemnify and hold BRM and/or its affiliates (that is, any company, person or firm controlling, controlled by, or under common control with, BRM), harmless from and against any and all claims, actions, damages, expenses (including reasonable attorneys' fees), losses or liabilities incurred by or asserted against BRM and/or its affiliates as a result of the use, operation, possession, control, maintenance, repair or storage of the Cars, including without limitation, all those arising out of the sole active negligence of BRM and/or its affiliates claims for injury to or death of persons, loss of or damage to property (including the Cars) and economic loss due to the unavailability for use of the Cars; provided, however, that Owner shall not defend, indemnify or hold BRM and/or its affiliates harmless from and against, and BRM and/or its affiliates shall not be exculpated from, any claim, action, damage, expense, loss or liability directly or indirectly caused by or arising from bad faith, recklessness, gross negligence or willful misconduct of BRM and/or its affiliates.

9. Right of First Refusal; Exclusive Sales Agency.

(a) During the term of this Agreement and for a period of five months thereafter, if Owner shall have received from a third party ("Offeror") a bona fide offer (the "Offer") for the purchase of any or all of the Cars, and if Owner desires to

accept the Offer, Owner shall first obtain a copy of the Offer in writing signed by the Offeror and forward a true copy thereof to BRM. BRM shall, in such cases, thereupon have the first option for a period not to exceed 30 days after receipt of a copy of the Offer from Owner, to purchase all or any of the Cars upon the same terms and conditions as set forth in the Offer.

(b) During the term of this Agreement and for a period of five months thereafter BRM shall have the exclusive right to act as agent for Owner in a sale of the Cars (if Owner elects to sell such Cars). Except in case of any sale or other disposition of a Car to BRM (whether pursuant to Section 9(a) or otherwise) or any of its affiliates or upon or in connection with a foreclosure, loss or destruction of a Car, Owner shall pay to BRM upon the sale of a Car a sales commission equal to 4% of the sale price plus 20% of such sale price in excess of the original Manufacturer's Invoice price of the Car.

10. Subordination.

The Owner's interest in this Agreement shall be, at the written request of Owner to BRM, made subject to the lien and security interest in the Cars held by any lender to whom Owner has granted a security interest in the Cars, and which lender has notified BRM; provided, however, that all such liens and security interests are subject to any lease entered into during the term of this Agreement and to BRM's right to collect

Gross Revenues accruing during the term of this Agreement, and provided furtner, that such subordination shall be effective only if the security agreement creating said security interest contains a provision expressly providing that no other Owner shall be liable, by reason of his participation in the Management Program, for the indebtedness secured by the Cars.

At the written request of Owner, BRM will pay funds to which Owner is otherwise entitled to any lender holding a security interest in such Cars.

11. Withdrawal in Case of Special Improvements.

In the event that any alterations, modifications, improvements or additions of the type referred to in Section 7(c) in excess of $1,000 shall be required for any Car and Owner shall not have consented to the making thereof, Owner (unless CF shall have elected to make such alterations, modifications, improvements or additions at its own expense) may terminate this Agreement and withdraw from participation in the Management Program. In the event that CF shall not have elected to make any such alteration, modification, improvement or addition and Owner shall not have consented to the making of the same, and shall not have terminated this Agreement, from and after the effective date of any law, regulation or requirement prohibiting, limiting or otherwise affecting the leasing, use, ownership, operation, or maintenance of railroad cars, such as the Cars, which have not been so altered, modified, improved or

added to, such Cars will be deemed to have been withdrawn from the Management Program and all costs associated therewith (including maintenance and storage costs) will be the sole responsibility of Owner.

12. Reports.

(a) Not later than 60 days after the end of each calendar quarter other than the fourth calendar quarter, BRM will distribute to Owner an unaudited report showing, in reasonable detail, the Gross Revenues, Operating Expenses and Net Earnings for such quarter. Such reports shall also show the amount of Net Earnings or other amounts, if any, for such quarter distributed for the benefit of Owner.

(b) Within 60 days after the close of each calendar year, BRM will distribute to Owner a report showing for the fourth calendar quarter and such year (stated separately) the same information reported on the quarterly report distributed pursuant to Section 13(a).

(c) Not later than 60 days after the close of each calendar year, BRM will deliver to Owner a statement setting forth certain information related to the Cars reasonably necessary in connection with the preparation of Owner's Federal income tax returns.

(d) Within 60 days after the close of each calendar year, BRM will deliver to Owner a report of such independent certified

public accountants of national standing reviewing (which review will not constitute, and is not intended to be equivalent to, an audit of the operation of the Cars) the operations of the Management Program, the mathematical correctness of the computations made by BRM in the allocation of Gross Revenues, Operating Expenses and Net Earnings and the conformity of the accounting procedures followed by BRM to the obligations and duties of BRM under this Agreement.

(e) BRM will deliver to Owner, at Owner's expense, such other information concerning the Cars as may reasonably be requested by Owner. BRM will, at the written request of Owner, deliver to Advisor copies of any report described in this Section 12.

13. Use of Cars.

BRM shall attempt to enforce the obligations of the lessee under any leases covering the Cars so that the Cars will not be used predominately outside the United States within the meaning of Section 48(a)(2)(A) of the Internal Revenue Code, as amended, or any successor provision thereof, and the regulations thereunder. BRM will use its best efforts to prevent the Cars being loaded with aggregate.

14. Conflicts of Interest.

Owner expressly acknowledges that BRM and its affiliates, including without limitation, Braecar, Inc. and BRAE Corporation, may own and/or manage railcars substantially similar to those managed hereunder. BRM EXPRESSLY RESERVES THE RIGHT TO GIVE PREFERENCE TO ITS OWN CARS OR THOSE OWNED OR LEASED BY AN AFFILIATE. BRM, however, anticipates that it will attempt to lease first those Cars which have been off lease and available for lease for the longest period of time.

15. Notices.

Any notice required or permitted hereunder shall be in writing and shall be valid and sufficient if delivered personally or dispatched in any post office of the United States by registered or certified mail, postage prepaid, addressed to the other party as follows:

If to BRM: Brae Railcar Management, Inc.
Three Embarcadero Center, Suite 1760
San Francisco, California 94111

If to Owner: To the address set forth on the signature page to this Agreement;

and any party may change such address by notice given to the other party in the manner set forth above.

16. Miscellaneous.

(a) Governing Law. This Agreement shall be governed by and construed under the laws of the State of California.

(b) Counterparts. This Agreement may be executed in two or more counterparts, each of which shall be deemed an original,

but all of which together shall constitute one and the same instrument.

(c) Headings. Title and heading of the Sections and Subsections of this Agreement are for the convenience of reference only and do not form a part of this Agreement and shall not in any way affect the interpretation hereof.

(d) Amendment. No explanation or information by either of the parties hereto shall alter or affect the meaning or interpretation of this Agreement and no modification or amendment to this Agreement shall be valid unless in writing and executed by both parties hereto.

(e) Successors and Assigns. The terms and conditions of this Agreement shall inure to the benefit of and be binding upon the respective successors and assigns of the parties hereto; provided, however, that no assignment hereof by Owner or transfer of any of the Owner's rights hereunder whether by operation of law or otherwise shall be valid and effective as against BRM without the prior written consent of BRM.

(f) Force Majeure. Neither party hereto shall be deemed to be in breach or in violation of this Agreement if either is prevented from performing any of its obligations hereunder for any reason beyond its reasonable control, including without limitation, acts of God, riots, strikes, fires, storms, public disturbances, or any regulation of any Federal, State or local government or any agency thereof.

(g) Other Customers of BRM. It is expressly understood and agreed that nothing herein contained shall be construed to prevent or prohibit BRM from providing the same or similar services to any person or organization not a party to this Agreement. In particular, BRM shall be entitled to manage identical cars not managed under the Management Program under a similar management agreement with other owners.

(h) Waiver. The waiver of any breach of any term or condition hereof shall not be deemed a waiver of any other or subsequent breach, whether of like or different nature.

(i) Severability. If any term or provision of this Agreement or the performance thereof shall to any extent be invalid or unenforceable, such invalidity or unenforceability shall not affect or render invalid or unenforceable any other provision of this Agreement, and this Agreement shall be valid and enforced to the fullest extent permitted by law.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement on the day and year set forth below.

BRAE RAILCAR MANAGEMENT, INC.

[CORPORATE SEAL]

By _____
President

ATTEST: _____

OWNER: MICHAEL TOWBES

By: David A. Goldberg
(David A. Goldberg,
Attorney-in-fact)

Michael Towbes
(Print Name)

Address 860 Picaho Lane

Montecito, California

93108

Dated: As of December 13, 1979

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

On the 31st day of December, 1979, before me personally came Jerry Riessen, to me known, who being by me duly sworn, did depose and say that he is the Vice President of Brae Railcar Management, Inc., the corporation which executed the above instrument; that he signed his name to the above instrument by authority of the Board of Directors of said corporation; and that he acknowledged that the execution of the above instrument was the free act and deed of such corporation.

Susan M. Codeglia
Notary Public

[seal]

OFFICIAL SEAL
SUSAN M. CODEGLIA
NOTARY PUBLIC — CALIFORNIA
PRINCIPAL OFFICE IN
SAN FRANCISCO COUNTY
My Commission Expires Nov. 8, 1980

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

On this 11th day of January, 1980, before me personally appeared DAVID A. GOLDBERG, to me personally known to be the person described and appointed attorney in fact in and by a certain power of attorney executed by MICHAEL TOWBES, dated JAN. 7, 1980, and acknowledged to me that he had executed the foregoing instrument as the act of the said MICHAEL TOWBES

Diane M. Topkin
Notary Public

DIANE M. TOPKIN
NOTARY PUBLIC, STATE OF NEW YORK
No. 24-4663314
Qualified in Kings County
Certificate Filed in New York County
Commission Expires March 30, 1980

Exhibit A

DESCRIPTION OF CARS

Number of Cars	Description of Cars	Identification Nos.
8	4750 Cubic Feet Covered Hopper Railroad Cars	WAR 15189 - WAR 15196 (both inclusive)