BRAE CORPORATION

12/22/86

12426-C-F

6 356A010

No.

DEC 22 1986

Date .....

Fee $ 50.00

ICC Washington, D. C.

VIA HAND DELIVERY

December 16, 1986

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

Dear Ms. Mergenovich:

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

It is requested that the following documents be filed and recorded under the names of the parties as set forth below. In view of the fact that they relate to the Equipment Lease Agreement dated as of November 18, 1980 between BRAE TRANSPORTATION, INC. (formerly BRAE Corporation) and SANWA CAPITAL MARKETS, INCORPORATED (former CI Transportation Leasing Corporation) previously recorded and assigned recordation number 12426, we request that they be assigned the next available letter designations under that primary number.

12426 C

1. Three originals and five copies of the THIRD AMENDMENT dated as of April 14, 1986 between BRAE TRANSPORTATION, INC. and SANWA CAPITAL MARKETS, INCORPORATED. The names and addresses of the parties to the transaction evidenced by the document described above are as follows:

BRAE TRANSPORTATION, INC., Four Embarcadero Center, Suite 3100, San Francisco, California 94111 and SANWA CAPITAL MARKETS, INCORPORATED, One South Wacker Drive, 39th Floor, Chicago, Illinois 60606.

12426 D

2. Three originals and five copies of SCHEDULE II TO COLLATERAL ASSIGNMENT dated as of November 8, 1986 between BRAE TRANSPORTATION, INC. as Assignor and SANWA CAPITAL MARKETS, INCORPORATED as Assignee. This document relates to 12 boxcars AAR Mechanical Designation XM, marked POVA 35024, 25028, 35033, 35038, 35049, 35054, 35062, 35081, 35083, 35088, 35089 & 35097. The names and addresses of the parties to the transaction evidenced by the document described above are as follows:

BRAE TRANSPORTATION, INC., Four Embarcadero Center, Suite 3100, San Francisco, California 94111 and SANWA CAPITAL MARKETS, INCORPORATED, One South Wacker Drive, 39th Floor, Chicago, Illinois 60606.

12426 E

3. Three originals and five copies of the COLLATERAL ASSIGNMENT dated as of November, 1986 between BRAE TRANSPORTATION, INC., as Assignor and SANWA CAPITAL MARKETS, INCORPORATED as Assignee. This document relates to 77 boxcars AAR Mechanical Designation XM, marked TOE 5800–5865, 5867–5877. The names and addresses of the parties to the transaction evidenced by the document described above are as follows:

BRAE TRANSPORTATION, INC., Four Embarcadero Center, Suite 3100, San Francisco, California 94111 and SANWA CAPITAL MARKETS, INCORPORATED, One South Wacker Drive, 39th Floor, Chicago, Illinois 60606.

12426 F

4. Three originals and five copies of the COLLATERAL ASSIGNMENT dated as of November, 1986 between BRAE TRANSPORTATION, INC. as Assignor and SANWA CAPITAL MARKETS, INCORPORATED as Assignee. This document relates to 10 boxcars AAR mechanical Designation XM, marked SBD 161976–161977, 162035–16042. The names and Addresses of the parties to the transaction evidenced by the document described above are as follows:

BRAE TRANSPORTATION, INC., Four Embarcadero Center, Suite 3100, San Francisco, California 94111 and SANWA CAPITAL MARKETS, INCORPORATED, One South Wacker Drive, 39th Floor, Chicago, Illinois 60606.

It is requested that the following document be filed and recorded under the names of the parties as set forth below. In view of the fact that it relates to the MORTGAGE OF RAILROAD ROLLING STOCK AND ASSIGNMENT OF REVENUES AND PROCEEDS dated as of December 1, 1986 between REX RAILWAYS, INC., REX–NORECO, INC. and ML LEASING EQUIPMENT CORP. previously recorded and assigned recordation number **15109**, we request that it be assigned the next available letter designation under that primary number.

15109 A

5. One original and five copies of the RELEASE OF LIEN dated as of December 12, 1986 between REX RAILWAYS, INC., REX–NORECO, INC. and ML LEASING EQUIPMENT, INC.. The names an addresses of the parties to the transaction evidenced by the document described above are as follows:

REX RAILWAYS, INC. and REX–NORECO, INC., 616 Palisade Avenue, Englewood Cliffs, New Jersey 07632, and ML LEASING EQUIPMENT, INC., One Liberty Plaza, 165 Broadway, New York, New York 10080.

I enclose a check in the amount of $50.00 for the required recordation fees.

Please return: (1) your letter acknowledging the filings, (2) a receipt for the $50.00 filing fee paid by check drawn on this firm, (3) the enclosed copies of this letter and (4) the originals and four copies of each of the document (retaining one each for your files) all stamped with your official recordation information.

Very truly yours,

Leann Lloyd
Corporate Secretary and
Executive Legal Assistant

Enclosures

4884L.23

RECORDATION NO. 12486-F Filed & Recorded
DEC 22 1986 10:10 AM
INTERSTATE COMMERCE COMMISSION

COPY

COLLATERAL ASSIGNMENT

COLLATERAL ASSIGNMENT, dated as of November 8, 1986 (herein, as from time to time hereafter amended, called "Collateral Assignment"), by and between BRAE CORPORATION, a Delaware corporation (herein called "ASSIGNOR"), and SANWA CAPITAL MARKETS, INCORPORATED, a Delaware corporation (herein called "ASSIGNEE").

W I T N E S S E T H:

WHEREAS, ASSIGNOR and ASSIGNEE have entered into that certain Equipment Lease, dated as of November 18, 1980 (herein, as from time to time thereafter amended, the "Lease"); and

WHEREAS, the ASSIGNOR and Texas, Oklahoma & Eastern Railroad Company, an Arkansas corporation (herein called "Sublessee"), have entered into that certain Lease Agreement, dated as of November 1, 1984 (herein called the "Sublease") covering the Equipment described in Schedule I hereto (herein called the "Equipment") and

WHEREAS, in order to provide security for obligations of the ASSIGNOR under the Lease, the ASSIGNOR has agreed to assign for security purposes its rights in, to and under the Sublease to the ASSIGNEE; and

WHEREAS, the execution, delivery and performance of this Collateral Assignment has been duly authorized by the ASSIGNOR;

NOW, THEREFORE, in consideration of the premises and of the payments to be made and the covenants hereinafter mentioned to be kept and performed, the parties hereto agree as follows:

1. Subject to the provisions of Section 3 hereof, the ASSIGNOR hereby assigns, transfers and sets over unto the ASSIGNEE as collateral security for the payment and performance of the ASSIGNOR's obligations under the Lease, all the ASSIGNOR's right, title and interest as lessor under the Sublease, including, without limitation, the immediate right to receive and collect all rentals, profits and other sums payable to or receivable by the ASSIGNOR from the Sublessee under or pursuant to the provisions of he Sublease, whether as rent, casualty payment, indemnity, liquidated damages or otherwise, and whether or not earned by performance (such moneys being hereinafter called the "Payments"), and the right to make all waivers and agreements, to give all notices, consents and releases, to take all action upon the happening of an event of default specified in the Sublease, and to do any and all other things whatsoever which the ASSIGNOR, as lessor under the Sublease, is or may become entitled to do under the Sublease. In furtherance of the foregoing assignment, the ASSIGNOR hereby irrevocably authorizes and empowers the assignee in its own name, or the name of its nominee, or in the name of the ASSIGNOR or as its attorney, to ask, demand, sue for, collect and receive any and all sums to which the ASSIGNOR is or may become entitled under the sublease, and to enforce compliance by the Sublessee with all the terms and provisions thereof.

2. This Collateral Assignment is executed only as security and, therefore, the execution and delivery of this Collateral Assignment shall not subject the ASSIGNEE (whether the Lease) to, or transfer, or pass, or in any way affect or modify the liability other ASSIGNOR (whether before or after the occurrence of an Event to Default under the Lease) under, the Lease, it being understood and agreed that notwithstanding

this Collateral Assignment or any subsequent assignment, all obligations of the ASSIGNOR to the Sublessee shall be and remain enforceable by the Sublessee, its successors and assigns, against, and only against, the assignor or persons other than the ASSIGNEE.

3. To protect the security afforded by this collateral Assignment the ASSIGNOR agrees as follows:

(a) The ASSIGNOR will faithfully abide by, perform and discharge each and every obligation, covenant and agreement which the Sublease provides are to be performed by the ASSIGNOR; and, without the written consent of the ASSIGNEE, the ASSIGNOR will not enter into any amendment to or modification or waiver of, the Sublease which would materially adversely affect the interest of the ASSIGNEE, it being understood that if the assignee shall be requested in writing by the Assignor, except during the continuance of an Event of Default under the Lease, to consent to any such amendment, modification or waiver, the failure of the ASSIGNEE to respond either positively or negatively to such request within 15 days shall be deemed a consent thereto; provided, however, that in no event shall the ASSIGNOR, except during the continuance of an Event of Default under the Lease, be required to obtain the consent of the ASSIGNEE in order (i) to amend, modify or waive any provision of the Sublease in any manner which is not materially adverse to the interests of the ASSIGNEE or (ii) to terminate the Sublease with respect to some or all of the Equipment pursuant to the terms thereof.

(b) At the ASSIGNOR's sole cost and expense, the ASSIGNOR will appear in and defend every action or proceeding arising under, growing out of or in any manner connected with the obligations, duties or liabilities of the ASSIGNOR under the Sublease.

(c) Should the ASSIGNOR fail to make any payment or to do any act which this Collateral Assignment requires the ASSIGNOR to make or do, then the ASSIGNEE, but without obligations so to do, after first making written demand upon the ASSIGNOR and affording the ASSIGNOR a reasonable period of time within which to make such payment or do such act, but without releasing the ASSIGNOR from any obligation hereunder, may make or do the same in such manner and to such extent as the assignee may deem necessary to protect the security hereof, including specifically, without limiting its general powers, the right to appear in and defend any action or proceeding purporting to affect the security hereof and the rights or powers of the ASSIGNEE, and also the right to perform and discharge each and every obligation, covenant and agreement of the ASSIGNOR contained in the Sublease; and in exercising any such powers, the ASSIGNEE may pay necessary costs and expenses, employ counsel and incur and pay reasonable attorneys' fees,and the assignor will reimburse the assignee for such costs, expenses and fees with interest at 16% per annum.

4. The ASSIGNOR does hereby constitute the ASSIGNEE the ASSIGNOR's true and lawful attorney, irrevocably, with full power (in the name of the ASSIGNOR, or otherwise), to ask, require, demand, receive, compound and give acquittance for any and all Payments due and to become due under or arising out of the Sublease to which the ASSIGNOR is or may become entitled, to enforce compliance by the Sublessee all the

terms and provisions of the Sublease, to endorse any checks or other instruments or orders in connection therewith and to file any claims or take any action or institute any proceedings which to the ASSIGNEE may seem to be necessary or advisable in the premises.

5. The ASSIGNOR represents and warrants that (a) the execution and delivery by the ASSIGNOR of the Sublease, this Collateral Assignment and the Lease have each been duly authorized, and the Sublease, this Collateral Assignment and the Lease are and will remain the valid and binding obligations of the ASSIGNOR in accordance with their terms, (b) the ASSIGNOR has not executed any other assignment of the Sublease and the ASSIGNEE's right to receive all Payments under the Sublease is and will continue to be free and clear of any and all liens, agreements, security interests or other encumbrances except those created by the ASSIGNEE, (c) notwithstanding this Collateral Assignment, the ASSIGNOR will conform and comply with each and all of the covenants and conditions in the Sublease and the Lease set forth to be complied with by it, (d) to the knowledge of the ASSIGNOR, it has performed all obligations on its part to be performed under the Sublease and the Lease on its part to be performed under the Sublease and the Lease on or prior to the date hereof and (e) the Sublease and the Lease are in full force and effect and have not been cancelled and to the knowledge of the ASSIGNOR there has not occurred on or prior to the date hereof any event of default under the Sublease or any Default or Event of Default under the Lease.

6. If an Event of Default under the Lease shall occur and be continuing (but subject to the rights of the Sublessee if no event of default under the Sublease has occurred and is continuing), the ASSIGNEE (i) may, at its option without notice and without regard to the adequacy of the security of the sums hereby secured, either in person or by an agent with or without bringing any action or proceeding or by a receiver or other custodian to be appointed by a court, take possession of and operate the Equipment or any part thereof and do any acts which the ASSIGNEE deems proper to protect the security hereof, either with or without taking possession of the Equipment, and (ii) may exercise any other rights or remedies which are available to it by statute, at law or in equity. The taking possession of the Equipment and the taking of any action permitted as aforesaid shall not cure or waive any Event of Default under the Lease or waive, modify or affect any default hereunder or under the Sublease or invalidate any act done hereunder. The remedies herein set forth or referred to shall be cumulative and in addition to every other remedy conferred upon ASSIGNEE by any other agreement or otherwise. No failure or delay on the part of ASSIGNEE in the exercise of any right or remedy hereunder or under any other agreement or otherwise shall operate as a waiver thereof, nor shall any single or partial exercise of any such right or remedy preclude other or further exercise thereof or the exercise of any other right or remedy.

7. The ASSIGNOR covenants and agrees with the ASSIGNEE that in any suit, proceeding or action brought by the ASSIGNEE, as assignee of the ASSIGNOR's right, title and interest under the Sublease, for any installment of, or interest on, any rental or other sum owing thereunder, or to enforce any provisions or other sum owing thereunder, or to enforce any provisions of the Sublease, the ASSIGNOR will save, indemnify and keep the ASSIGNEE harmless from and against all expense, loss or damage suffered by reason of any defense, setoff, counterclaim or recoupment whatsoever of the Sublessee, or its successors, arising out of a breach by the ASSIGNOR of any obligation under the Sublease or arising out of any other indebtedness or liability at any time owing to the Sublessee, or its successors, from the ASSIGNOR. Any and all such obligations of the ASSIGNOR not,

so long as no Event of Default under the Lease has occurred and is then continuing, exercise or enforce, or seek to exercise or enforce, or avail itself of, any of the rights, powers, privileges, authorizations or benefits assigned and transferred by the ASSIGNOR to the ASSIGNEE by this Collateral Assignment, except for the right to consent to material amendments modifications and waivers in accordance with Section 3(a) hereof.

IN WITNESS WHEREOF, the parties hereto have caused this Collateral Assignment to be duly executed as of the date first above written.

BRAE TRANSPORTATION, INC., as Assignor

By _____

Its EXECUTIVE VICE PRESIDENT

[Corporate Seal]

Attest:

_____

Its Secretary

SANWA CAPITAL MARKETS, INCORPORATED, as Assignee

By _____

Its Vice President

[Corporate Seal]

Attest:

_____

Its ~~Assistant~~ Secretary

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

On this 8th day of November, 1986, before me personally appeared FEROZE A. WAHEED, to me personally known, who, being by me duly sworn, says that he is an Executive Vice President of BRAE TRANSPORTATION, INC, 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
LEANN LLOYD
NOTARY PUBLIC - CALIFORNIA
CITY AND COUNTY OF SAN FRANCISCO
My Commission expires July 24, 1987
[seal]

Leann Lloyd
Notary Public

My commission expires: 7/24/87

STATE OF)
) ss.
COUNTY OF)

On this 14th day of November, 1986, before me personally appeared JON H. LAUBSCHER, to me personally known, who, being by me duly sworn, says that he is VICE PRESIDENT of SAMUNA CAPITAL MARKETS, INCORPORATED, 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.

Linda O Florence
Notary Public

[seal]

My commission expires: 1-29-89

SCHEDULE I
TO COLLATERAL ASSIGNMENT

DESCRIPTION OF EQUIPMENT

Quantity	Description	Designation	Identification Numbers
77	Plate C, 70-Ton 50'6" end of car cushioning, double 8' sliding doors	XM	TOE 5800-5865, 5867-5877