

# ITEL

September 28, 1988

## Itel Rail Corporation

55 Francisco Street  
San Francisco, California 94133  
(415) 984-4000

1 5854  
RECORDATION NO. \_\_\_\_\_ FILING FEE

OCT 6 1988 - 3 30 PM

INTERSTATE COMMERCE COMMISSION

Hon. Noreta R. McGee  
Secretary  
Interstate Commerce Commission  
Washington, DC 20423

Re: Lease Agreement dated September 16, 1988, between Itel Rail Corporation and Texas, Oklahoma & Eastern Railroad Company

Dear Ms. McGee:

On behalf of Itel Rail Corporation, the above instrument, in four (4) counterparts, is hereby submitted for filing and recording pursuant to 49 U.S.C. Section 11303(a), along with the \$13 recordation fee.

Please record this Lease Agreement under a new recordation number.

The parties to the aforementioned instrument are listed below:

Itel Rail Corporation (Lessor)  
55 Francisco Street  
San Francisco, California 94133

Texas, Oklahoma & Eastern Railroad Company (Lessee)  
412 E. Lockesburg  
DeQueen, Arkansas 71832

This Lease Agreement covers twenty-five (25) 73' centerbeam flatcars bearing reporting marks TOE 4500-4524.

Please return to the undersigned the stamped counterparts not required for filing purposes, together with the ICC fee receipt and acknowledgment letter.

Very truly yours,

*Patricia Schumacker*

Patricia Schumacker  
Legal Department

OCT 6 1988 4 29 PM

INTERSTATE COMMERCE COMMISSION

LEASE AGREEMENT

THIS LEASE AGREEMENT, made as of this 16th day of September, 1988, ("Agreement") between ITEL RAIL CORPORATION, a Delaware corporation, 55 Francisco Street, San Francisco, California 94133 ("Lessor"), as lessor, and TEXAS, OKLAHOMA & EASTERN RAILROAD COMPANY, an Oklahoma corporation, 412 E. Lockesburg Street, DeQueen, Arkansas 71832 ("Lessee"), as lessee.

R E C I T A L S :

- A. Lessor agrees to lease to Lessee and Lessee agrees to lease from Lessor the centerbeam flatcars described herein subject to the terms and conditions of the Agreement.
- B. The rent due to Lessor from Lessee for the centerbeam flatcars subject to this Agreement and certain equipment subject to other agreements between the parties is set forth in a separate Master Rent Agreement among Lessor, Lessee and Weyerhaeuser Company dated as of September 1, 1988.

NOW, THEREFORE, the parties agree as follows:

1. Scope of Agreement

- A. Lessor agrees to lease to Lessee, and Lessee agrees to lease from Lessor, freight cars as set forth in any lease schedules executed by the parties concurrently herewith or hereafter and made a part of this Agreement. The word "Schedule" as used herein includes the schedules executed herewith and any schedules and amendments which are subsequently executed by both parties, each of which when signed by both parties shall be a part of this Agreement. The scheduled items of equipment are hereinafter individually called a "Car" and collectively called the "Cars."
- B. It is the intent of the parties to this Agreement that Lessor shall at all times be and remain owner and the lessor of all Cars and that no joint venture or partnership is being created. Lessee agrees that it will at no time take any action or file any document which is inconsistent with the foregoing intent and that it will take such action and execute such documents as may be necessary to accomplish this intent.

2. Term

- A. This Agreement shall remain in full force until it shall have been terminated as to all of the Cars as provided herein. The term of the lease with respect to each Car described on each Schedule shall commence at 12 noon on the date such Car is Delivered (as defined in Subsection 3.A. hereinbelow) and shall continue through October 1, 1993 (the "Initial Term").
- B. If this Agreement has not been terminated early and no unremedied default has occurred and is continuing under the Agreement, Lessee

THIS INSTRUMENT IS SUBJECT TO A SECURITY INTEREST IN FAVOR OF, AND THE EQUIPMENT LEASED HEREUNDER IS OWNED BY, THE CIT GROUP/EQUIPMENT FINANCING, INC. ("CIT") AND IS LEASED TO LESSOR UNDER THE MASTER RAILROAD EQUIPMENT LEASE BETWEEN CIT AND ITEL RAIL CORPORATION DATED AS OF AUGUST 30, 1988.

shall have two (2) options to extend the Agreement, each for a period of three (3) years (each such period an "Extended Term"). Lessee may exercise its first option by giving Lessor twelve (12) months' written notice prior to the end of the Initial Term and may exercise its second option by giving Lessor twelve (12) months' written notice prior to the end of the first Extended Term; provided, however, Lessor may, at its option, void such extension if the Per Diem Revenues earned by the Cars, in the aggregate, for the twelve (12) month period immediately prior to its receipt of such notice are less than the Minimum Rent, as defined in Subsection 3.A.(x) of the Master Rent Agreement.

### 3. Supply Provisions

- A. Lessor will inspect each Car tendered by the manufacturer for delivery to Lessee. If the Car conforms to the specifications ordered by Lessor and to all applicable governmental regulatory specifications, Lessor will accept delivery thereof at the manufacturer's facility and shall notify Lessee in writing of such acceptance. Each Car shall be deemed delivered to Lessee and subject to the terms of this Agreement upon acceptance by Lessor ("Delivered"). The Cars shall be moved to the lines of Lessee at no cost to Lessee as soon after acceptance of delivery by Lessor as is consistent with mutual convenience and economy.
- B. (i) Lessee shall load such Car prior to loading substantially similar equipment acquired or put into service subsequent to the date of this Agreement or interchanged to Lessee from other railroads, except as provided in Subsection 3.C. The parties recognize that the Cars may be loaded by Lessee prior to loading the flatcars bearing the reporting marks TOE 4100-4324.
- (ii) Subsection 3.B.(i) above shall not prevent or prohibit Lessee from providing its customers with equipment of dimensions and configuration that meet the physical and economic requirements of its customers; provided, however, that customer's economic requirements are to be determined without regard to the lease structure, rental rates, car hire rates or specific car marks of the equipment.
- C. During the term of this Agreement, Lessor may, at its expense, replace any or all Cars with similar centerbeam flatcars upon not less than ten (10) days' prior written notice from Lessor to Lessee; provided, however, that the per diem and mileage rates for such replacement cars are not more than the rates for the Cars being replaced.

### 4. Railroad Markings and Record Keeping

- A. Lessor and Lessee agree that on or before delivery of any Cars to Lessee, said Cars will be lettered with the railroad markings of Lessee. Such markings shall comply with all applicable regulations. Except for renewal and maintenance of the aforesaid markings or lettering indicating that a Car is leased to Lessee or

is assigned in accordance with demurrage tariffs, no lettering or marking shall be placed upon any Car by Lessee and Lessee will not remove or change any reporting mark or number indicated on the applicable Schedule except upon the written direction or consent of Lessor. Lessee shall be responsible for all costs associated with any marking changes made at its request.

- B. At no cost to Lessee, Lessor shall during the term of this Agreement prepare for Lessee's signature and filing all documents relating to the registration, maintenance and record keeping functions involving the Cars. Such documents shall include but are not limited to the following: (i) appropriate AAR documents; (ii) registration in the Official Railway Equipment Register and the Universal Machine Language Equipment Register ("UMLER"); and (iii) such reports as may be required from time to time by the Interstate Commerce Commission ("ICC") and other regulatory agencies.
- C. Each Car leased hereunder shall be registered at no cost to Lessee in the Official Railway Equipment Register and UMLER. Lessor shall, on behalf of Lessee, perform all record keeping functions related to the use by Lessee and other railroads of the Cars in accordance with the Interchange Rules, such as car hire reconciliation. Correspondence from railroads using such Cars shall be addressed to Lessee at such address as Lessor shall select. Immediately upon receipt from any railroad of any revenues that Lessor is entitled to retain under this Agreement in the form of a draft, check or other instrument payable to Lessee, Lessor shall be entitled to endorse and deposit such draft, check or other instrument into Lessor's account and to retain such revenues as set forth in the rental section of this Agreement.
- D. All record keeping performed by Lessor hereunder and all record of payments, charges and correspondence related to the Cars shall be separately recorded and maintained by Lessor in a form suitable for reasonable inspection by Lessee from time to time during Lessor's regular business hours. Lessee shall supply Lessor with such reports, including daily telephone reports of the number of Cars on Lessee's tracks, regarding the use of the Cars by Lessee on its railroad line as Lessor may reasonably request.

5. Maintenance, Taxes and Insurance

- A. Except as otherwise provided herein, Lessor will pay all costs, expenses, fees and charges incurred in connection with the maintenance, repair and servicing of each of the Cars during the term of the Agreement and any extension thereof, unless Lessee is responsible for such maintenance as set forth herein. Lessee shall inspect all Cars interchanged to it to insure that such Cars are in good working order and condition and shall be liable to Lessor for any repairs required for damage not noted at the time of interchange.
- B. Except as provided in Subsection 5.A. hereinabove, Lessor shall make or cause to be made such inspections of, and maintenance and repairs to, the Cars as shall be necessary to maintain the Cars as

specified in the Interchange Rules, provided, however, that such repairs and maintenance ("Maintenance") shall be performed at Lessee's expense in the event that such maintenance (a) was occasioned by the fault of Lessee; (b) results from loading or unloading by Lessee or use by Lessee other than permitted under this Agreement; (c) is for the purpose of repairing, replacing or maintaining lading devises; (d) relates to damage resulting from any commodity or material loaded in any Car by Lessee; or (e) arises in those instances in which the Interchange Rules would assign responsibility to Lessee for the loss, damage, destruction or liability requiring such Maintenance for similar equipment not bearing the reporting marks of Lessee. Lessee shall use its best efforts to minimize any damage to the Cars and shall notify Lessor in writing of any Maintenance required including, when available, the time, place and nature of any accident. Upon request of Lessor, Lessee shall perform, at Lessor's expense, any necessary maintenance and repairs to Cars on Lessee's railroad tracks as may be reasonably requested by Lessor. Lessee may make the running repairs specified on Exhibit A attached hereto to facilitate continued immediate use of a Car, but shall not otherwise make any repairs, alterations, improvement or additions to the Cars without Lessor's prior written consent. If Lessee makes an alteration, improvement or addition to any Car without Lessor's prior written consent, Lessee shall be liable to Lessor for any revenues lost due to such alteration. Title to any such alteration, improvement or addition shall be and remain with Lessor.

- C. Except as provided in Subsection 5.D. hereinbelow, Lessee shall, at all times while this Agreement is in effect, at its own expense, cause to be carried and maintained: (i) all-risk, physical loss and damage insurance in the amount of one million dollars with respect to the Cars while the Cars are on Lessee's tracks or in Lessee's care, custody or control; and (ii) public liability insurance with respect to third party personal injury and property damage in the amount of five million dollars. All insurance policies shall be taken out in the name of Lessee and shall name Lessor, any financing party designated by Lessor by written notice to Lessee ("Financing Party"), and any assignee of Lessor as additional insureds and as loss-payees. Said policies shall provide that Lessor, Financing Party and any assignee of Lessor shall receive thirty (30) days prior written notice of any material change in coverage or cancellation thereof. In the event that Lessee fails to place insurance, or that said insurance expires, the Lessor has the right to purchase the insurance described above and Lessee shall pay the cost thereof. With respect to the additional insureds, Lessee's insurance policies shall be primary to any other valid and available insurance ("Other Insurance") effected by, or for, the additional insureds. Lessee shall require its insurer specifically to waive subrogation, claim and recovery with respect to any Other Insurance. Any and all deductibles in the described policies shall be paid by Lessee. Each policy obtained by Lessee pursuant to this Section shall be in accordance with the above terms and conditions, which terms and conditions shall be set forth on the Certificate of Insurance provided to Lessor pursuant to this Subsection. Lessee shall

furnish to Lessor concurrently with execution hereof, within thirty (30) days of receipt of a written request from Lessor and at intervals of not more than twelve (12) calendar months from execution hereof, Certificates of Insurance evidencing the aforesaid insurance.

- D. Lessee may self-insure the Cars, provided that Lessee places Lessor in the same position it would have been in had Lessee obtained insurance pursuant to Subsection 5.C. hereinabove.
- E. Lessor agrees to reimburse Lessee for all taxes, assessments and other governmental charges paid by Lessee relating to each Car, and on the lease, delivery or operation thereof, which may remain unpaid as of the date such Car is Delivered or which may be accrued, levied, assessed or imposed during the lease term, except taxes on income imposed on Lessee, and franchise and capital taxes. Notwithstanding any portion of this Section, Lessor shall not be responsible for penalty or interest assessments resulting from Lessee's failure to comply with any regulation or statute of any taxing or assessing authority. Lessor may, in good faith and by appropriate proceedings and at its expense, contest any assessment, notification of assessment or tax bill. Lessor and Lessee will comply with all state and local laws requiring the filing of ad valorem tax returns on the Cars. Lessor shall review all applicable ad valorem tax returns prior to filing.

## 6. Rent

- A. Lessee shall pay rent to Lessor for the Cars in the amounts calculated in the Master Rent Agreement dated as of the date hereof ("Master Rent Agreement") among Lessor, Lessee and Weyco in the form of Exhibit B attached hereto. The Master Rent Agreement is incorporated herein by reference.
- B. If Lessee fails to perform its obligations in Subsection 3.B. of the Agreement, Lessee shall be liable for and remit to Lessor an amount equal to the Revenues which would have been generated if such Car had been in the physical possession and use of a foreign railroad for the entire period during which such Car is on Lessee's property, with each Car travelling one hundred miles per day (100 mpd), provided, however, that such amount shall not be due for any period of time during which no loads are available on Lessee's lines.
- C. Except for the Master Rent Agreement, Lessee shall not enter into any agreement which diminishes the Revenues generated by the Cars unless Lessee agrees at the time of such agreement to indemnify Lessor against any such reduction in Revenues or Lessor otherwise consents in writing to such agreement.

## 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 retains on its railroad lines 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 lines. The Cars shall be used predominately within the continental United States and may be used in Canada and Mexico in incidental use only. However, Lessee's rights shall be subject and subordinate to the rights of any owner or secured party under any financing agreement pursuant to which Lessor's obligations thereunder are or become secured by the Cars; provided, however, that Lessee shall be entitled to the possession, use and quiet enjoyment of the Cars pursuant to the terms of this Agreement so long as Lessee is not in default hereunder or under the Master Rent Agreement and is paying (or causing to be paid) rent directly to such owner or secured party.

- B. Lessee agrees that to the extent it has physical possession of 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 Lessor or Lessee may by appropriate proceedings, timely instituted and diligently conducted, contest the application of any such rule, regulation or order in any reasonable manner at the expense of the contesting party.
- C. Lessee will not directly or indirectly create, incur, assume, or suffer to exist any mortgage, pledge, lien, charge, encumbrance, or other security interest or claim on or with respect to the Cars or any interest therein or in this Agreement or Schedule thereto, except those created for the benefit of Lessor or any owner or secured party referred to in Subsection 7.A. hereinabove. Lessee shall notify Lessor in writing within five (5) days after any attachment, tax lien or other judicial process shall be attached to any Car. Lessee will promptly, at its expense, take such action as may be necessary to duly discharge any such mortgage, pledge, lien, charge, encumbrances, security interest, or claim if the same shall arise at any time.

## 8. Default

- A. The occurrence of any of the following events shall be an event of default:
  - (i) The nonpayment by Lessee of any sum required herein or in the Master Rent Agreement 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 or the Master Rent Agreement, which is not cured within ten (10) days after the date of Lessor's notice of breach or, as to breaches not capable of being cured within ten (10) days, which Lessee does not

diligently commence to cure within ten (10) days thereafter and continue to perform;

- (iii) Any act of insolvency by Lessee, or the filing by Lessee of any petition or action under any bankruptcy, reorganization, insolvency or moratorium law, or any other law or laws for the relief of, or relating to, debtors.
- (iv) The filing of any involuntary petition under any bankruptcy, reorganization, insolvency, or moratorium law against Lessee that is not dismissed within sixty (60) days thereafter, or the appointment of any receiver or trustee to take possession of the properties of Lessee, unless such petition or appointment is set aside or withdrawn or ceases to be in effect within sixty (60) days from the date of said filing or appointment.
- (v) Any action by Lessee to discontinue rail service that would affect Lessor's ability to earn or receive revenues hereunder, such actions including, but not limited to, the withdrawal of TOE reporting marks from UMLER.

B. Upon the occurrence of any event of default, Lessor may, at its option, terminate this Agreement (which termination shall not release Lessee from any obligation to pay any and all rent or other sums that may then be due or accrued to such date to Lessor or from the obligation to perform any duty or discharge any other liability arising hereunder) and may:

- (i) Proceed by any lawful means to enforce performance by Lessee of such obligations or to recover damages for a breach thereof (and Lessee agrees to pay Lessor's costs and expenses, including reasonable attorneys' fees, in securing such enforcement); or
- (ii) By notice in writing to Lessee, terminate Lessee's right of possession and use of the Cars, whereupon all right and interest of Lessee in such Cars shall terminate; and thereupon, Lessor 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.

## 9. Expiration or Termination

A. Upon the expiration or termination of this Agreement as to any Cars, Lessee shall surrender possession of such Cars to Lessor by delivering the same to Lessor. A Car shall no longer be subject to this Agreement upon the removal of Lessee's railroad markings from the Car and the placing thereon of such markings as shall be designated by Lessor, either, at the option of Lessor, (i) by Lessee upon return of such Cars to Lessee's railroad lines or (ii) by a repair facility designated by Lessor. Lessee shall not remove its reporting marks from any Car without Lessor's direction or consent. If such Cars are not on the railroad line of Lessee upon

termination, any cost of assembling, delivering, storing, and transporting such Cars to Lessee's railroad line or the railroad line of a subsequent lessee shall be borne by Lessor. If such Cars are on the railroad lines of Lessee upon such expiration or termination or are subsequently returned to Lessee's railroad lines, Lessee shall at its own expense within five (5) working days remove Lessee's railroad markings from the Cars and place thereon such markings as may be designated by Lessor. After the removal and replacement of markings, Lessee shall use its best efforts to load such Cars with freight and deliver them to a connecting carrier for shipment. Lessee shall provide up to one hundred twenty (120) days free storage on its railroad tracks for Lessor or the subsequent lessor of any terminated Car. If any Car is terminated pursuant to Subsection 3.F. of the Master Rent Agreement or Section 8 of the Agreement prior to the end of its lease term, Lessee shall be liable to Lessor for all costs and expenses incurred by Lessor to repaint the Cars and place thereon the markings and name or other insignia of Lessor's subsequent lessee.

- B. Lessee shall insure that each Car returned to Lessor upon the expiration or termination of the Agreement shall be in the same condition as when delivered, ordinary wear excepted, and in interchange condition in accordance with AAR and FRA rules and regulations. If any Car requires repairs for which Lessee is responsible under Subsection 5.B., Lessee will pay to Lessor all costs and expenses associated with such repairs. Until the Cars are delivered to Lessor pursuant to this Section, Lessee shall continue to be liable for and shall pay all rental at the rate being paid immediately prior to termination or expiration, and Lessee shall in addition make all other payments and keep all obligations and undertakings required of Lessee under any and all provisions of this Agreement as though such termination or expiration had not occurred. Nothing in this Section shall give Lessee the right to retain possession of any Car after expiration or termination of this Agreement with respect to such Car.

#### 10. Indemnities

- A. Lessor will defend, indemnify and hold Lessee harmless from and against any claim, cause of action, damage, liability, cost or expense (including attorneys' fees) which may be asserted against Lessee with respect to or arising out of the Cars unless occurring through the negligence of Lessee or occurring while the Cars are in Lessee's possession or control.
- B. Lessee will defend, indemnify and hold Lessor harmless from and against any claim cause of action, damage, liability, cost or expense which may be asserted against Lessor with respect to or arising out of the Cars occurring through the negligence of Lessee.

#### 11. Representations, Warranties, and Covenants

Lessee represents, warrants and covenants that:

- A. Lessee is a corporation duly organized, validly existing and in good standing under the laws of the state where it is incorporated, and has the corporate power, authority and is duly qualified and authorized to: (i) do business wherever necessary to carry out its present business and operations; (ii) own or hold under lease its properties; and (iii) perform its obligations under this Agreement.
- B. The entering into and performance of this Agreement by Lessee 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.
- C. There is no action or proceeding pending or threatened against Lessee before any court, administrative agency or other governmental body which might result in any material adverse effect on the business, properties and assets, or condition, financial or otherwise, of Lessee that would adversely affect this Agreement.
- D. There is no fact which Lessee has not disclosed in writing to Lessor, nor is Lessee a party to any agreement or instrument or subject to any charter or other corporate restriction which, so far as Lessee can now reasonably foresee, will individually or in the aggregate materially adversely affect the business, condition, or any material portion of the properties of the Lessee or the ability of Lessee to perform its obligations under this Agreement.

12. Inspection

Lessor shall at any time during normal business hours have the right to enter the premises where the Cars may be located for the purpose of inspecting and examining the Cars to ensure Lessee's compliance with its obligations hereunder.

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 Lessor, assign this Agreement or any of its rights hereunder or sublease or assign any Cars to any party, and any purported assignment or sublease in violation hereof shall be void.
- B. All rights of Lessor under this Agreement may be assigned, pledged, mortgaged, transferred or otherwise disposed of either in whole or in part without notice to or consent of Lessee.
- C. 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 Lessor in connection with the acquisition of the Cars in order to confirm

the financing parties' interest in and to the Cars, this Agreement and Schedules hereto, and to confirm the subordination provisions contained in Section 7 and in furtherance of this Agreement.

- D. 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 or rental payments, nothing herein shall be construed as conveying to Lessee any right, title or interest in the Cars except as a lessee only.
- E. If any term or provision of this Agreement shall to any extent be invalid or unenforceable, the remainder of this Agreement or the application of such term or provision to other persons or circumstances shall not be affected thereby, and each provision of this Agreement shall be valid and be enforceable to the fullest extent permitted by law.
- F. No failure or delay by Lessor shall constitute a waiver or otherwise affect or impair any right, power or remedy available to Lessor nor shall any waiver or indulgence by Lessor 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.
- G. Any notices required or permitted to be given pursuant to the terms of this Agreement shall be deemed given when given by telecopy or telex or made in writing, deposited in United States mail, registered or certified, postage prepaid, addressed to:

Lessor: Ite1 Rail Corporation  
55 Francisco Street  
San Francisco, California 94133  
Attn: President

Lessee: Texas, Oklahoma & Eastern Railroad Company  
412 E. Lockesburg  
De Queen, Arkansas 71832  
Attn: President

or to such other addresses as Lessor or Lessee may from time to time designate.

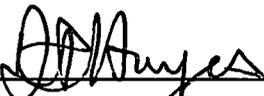
- H. This Agreement shall be governed by the internal laws of the State of California and jurisdiction of any action with respect to this Agreement shall be in the courts located in the City and County of San Francisco, California.
- I. The obligations and liabilities of Lessor and Lessee hereunder shall survive the expiration or termination of this Agreement.
- J. This Agreement and the Master Rent Agreement represent the entire agreement concerning the subject matter hereof. This Agreement shall not be modified, altered, or amended, except by an agreement in writing signed by the parties.

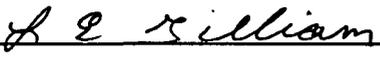
K. This Agreement may be executed in any number of counterparts, and such counterparts together shall constitute but one and the same contract.

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

ITEL RAIL CORPORATION

TEXAS, OKLAHOMA & EASTERN RAILROAD  
COMPANY

By:   
Title: President  
Date: 9-16-88

By:   
Title: V P & Gen Mgr  
Date: 9-8-88

**EQUIPMENT SCHEDULE NO. 1**

Itel Rail Corporation hereby leases the following Cars to Texas, Oklahoma & Eastern Company pursuant to that certain Lease Agreement dated as of September 16, 1988.

AAR Mech Design.	Description	Numbers	Length	Dimensions		No. of Cars
				Inside Width	Height	
FBS	73' centerbeam flatcars	TOE 4500-4524	73'0"	4'2-1/2"	11'2-1/2"	25

ITEL RAIL CORPORATION

TEXAS, OKLAHOMA & EASTERN RAILROAD COMPANY

By: *[Signature]*  
 Title: President  
 Date: 9-16-88

By: *B P William*  
 Title: V P & Gen Mgr  
 Date: 9-8-88

EXHIBIT A  
Running Repairs: Centerbeam Flatcars

Angle Cocks	Wheels
Air Hose	Yokes
Train Line	Knuckles/Pins
Operating Levers and Brackets	Slack Adjuster
Sill Steps	Couplers
Grab Irons	Draft Gears
Brake Shoes	Coupler Carriers
Brake Shoe Keys	Center Plates (Not Replacement of Center Plate)
Brake Connecting Pin	Cotter Keys
Brake Head Wear Plates	Roller Bearing Adapters
Air Brakes	Air Hose Supports
Hand Brakes	
Brake Beams and Levers	
Truck Springs	

**EXHIBIT B  
MASTER RENT AGREEMENT**

THIS MASTER RENT AGREEMENT, made as of this \_\_\_\_\_ day of \_\_\_\_\_, 1988, ("Master Rent Agreement") among **ITEL RAIL CORPORATION**, a Delaware corporation, 55 Francisco Street, San Francisco, California 94133 ("Lessor"), as lessor, and **TEXAS, OKLAHOMA & EASTERN RAILROAD COMPANY**, an Oklahoma corporation, 412 E. Lockesburg Street, DeQueen, Arkansas 71832 ("Lessee"), as lessee, and **WEYERHAEUSER COMPANY**, a Washington corporation, Tacoma, Washington 98477 ("Weyco").

**R E C I T A L S :**

- A. Lessor, Lessee and Weyco entered into the Lease Agreement dated as of the date hereof ("Agreement 1") wherein Lessor leased to Lessee seventy-five (75) centerbeam flatcars bearing the reporting marks TOE 8000-8074 and Lessor allowed Lessee to enter into a Use agreement among Lessee, Weyco and Burlington Northern Railroad Company ("BN") with respect to the Cars.
- B. Lessor and Lessee entered into the Lease Agreement dated as of \_\_\_\_\_, 1988 ("Agreement 2"), wherein Lessor leased to Lessee twenty-five (25) centerbeam flatcars bearing the reporting marks TOE 4500-4524 for use by Lessee.
- C. The rent due to Lessor from Lessee under Agreement 1 and Agreement 2 shall be calculated based on the utilization of the railcars subject to Agreement 1 and Agreement 2 as set forth herein.

NOW, THEREFORE, the parties agree as follows:

1. As to the Cars bearing reporting marks TOE 8000-8074 and TOE 4500-4524, Agreement 1 and Agreement 2 are incorporated into this Master Rent Agreement by reference.
2. All terms defined in Agreement 1 and Agreement 2 shall have the meanings defined therein when used in this Master Rent Agreement, unless otherwise defined herein.

3. Rent

A. **Definitions**

- (i) "Eligible Lines" with respect to the Cars bearing the reporting marks TOE 8000-8074 is defined as the railroad lines owned and operated by Weyco as of the date this Agreement is executed by the parties ("Execution Date") and with respect to the Cars bearing the reporting marks TOE 4500-4524 is defined as the railroad lines owned and operated by Lessee as of the Execution Date. Any lines purchased by Lessee or added to the Eligible Lines during the Initial Term or any Extended Term are deemed to be the lines of another railroad company (a foreign road) for the purposes of determining revenues and rent hereunder.

4. This Master Rent Agreement may be executed in any number of counterparts, and such counterparts together shall constitute but one and the same contract.

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

**ITEL RAIL CORPORATION**

**TEXAS, OKLAHOMA & EASTERN RAILROAD  
COMPANY**

By: \_\_\_\_\_

By: \_\_\_\_\_

Title: \_\_\_\_\_

Title: \_\_\_\_\_

Date: \_\_\_\_\_

Date: \_\_\_\_\_

**WEYERHAEUSER COMPANY**

By: \_\_\_\_\_

Title: \_\_\_\_\_

Date: \_\_\_\_\_

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

On this \_\_\_\_\_ day of \_\_\_\_\_, 1988, before me personally appeared Desmond P. Hayes, to me personally known, who being by me duly sworn says that such person is President of Itel Rail Corporation, that the foregoing Master Rent Agreement was signed on behalf of said corporation by authority of its board of directors, and such person acknowledged that the execution of the foregoing instrument was the free act and deed of said corporation.

\_\_\_\_\_  
Notary Public

STATE OF \_\_\_\_\_ )  
                                  ) ss:  
COUNTY OF \_\_\_\_\_ )

On this \_\_\_\_\_ day of \_\_\_\_\_, 1988, before me personally appeared \_\_\_\_\_, to me personally known, who being by me duly sworn says that such person is \_\_\_\_\_ of Texas, Oklahoma & Eastern Railroad Company, that the foregoing Master Rent Agreement was signed on behalf of said corporation by authority of its board of directors, and such person acknowledged that the execution of the foregoing instrument was the free act and deed of said corporation.

\_\_\_\_\_  
Notary Public

STATE OF \_\_\_\_\_ )  
          ) ss:  
COUNTY OF \_\_\_\_\_ )

On this \_\_\_\_\_ day of \_\_\_\_\_, 1988, before me personally appeared \_\_\_\_\_, to me personally known, who being by me duly sworn says that such person is \_\_\_\_\_ of Weyerhaeuser Company, that the foregoing Master Rent Agreement was signed on behalf of said corporation by authority of its board of directors, and such person acknowledged that the execution of the foregoing instrument was the free act and deed of said corporation.

\_\_\_\_\_  
Notary Public

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

On this 16th day of September, 1988, before me personally appeared Desmond P. Hayes, to me personally known, who being by me duly sworn says that such person is President of Itel Rail Corporation, that the foregoing Lease Agreement was signed on behalf of said corporation by authority of its board of directors, and such person acknowledged that the execution of the foregoing instrument was the free act and deed of said corporation.

Sharon L. Van Fossan  
Notary Public



STATE OF Oklahoma )  
 ) ss:  
COUNTY OF Gravard )

On this 8th day of Sept, 1988, before me personally appeared R E Guelman, to me personally known, who being by me duly sworn (says that such person is UP & Gen Man of Texas, Oklahoma & Eastern Railroad Company, that the foregoing Lease Agreement was signed on behalf of said corporation by authority of its board of directors, and such person acknowledged that the execution of the foregoing instrument was the free act and deed of said corporation.

Regina M. Miller  
Notary Public

My Commission Expires 5-16-85