

United States
Rail Services, Inc.



633 Battery Street
San Francisco, California 94111
(415) 445-7690

11705 ✓

RECORDATION NO. Filed 1425

APR 21 1980 - 2 40 PM

REGISTERED MAIL
RETURN RECEIPT REQUESTED

April 15, 1980

INTERSTATE COMMERCE COMMISSION

No. **0-112A111**

Date **APR 21 1980**

Fee \$ **50.00**

ICC Washington, D. C.

FEE OPERATION BR.

APR 21 2 33 PM '80

RECEIVED

Ms. Agatha L. Mergenovich
Secretary
Interstate Commerce Commission
Washington, D. C. 20423

Dear Ms. Secretary:

On behalf of United States Rail Services, Inc., I submit for filing and recording under 49 U.S.C. Sec. 111303(a), a railroad car lease dated October 1, 1969 and first amendment to railroad car lease dated December 29, 1970, between United States Rail Services, Inc. and Anthony F. Bazdarich Trust pursuant to a Declaration of Trust dated March 23, 1976 duly executed and notarized. I also enclose three certified true copies of each of the railroad car lease dated October 1, 1969, and the first amendment to the railroad car lease dated December 29, 1970.

The addresses of the parties to this transaction are:

United States Rail Services, Inc. as a managing agent
633 Battery Street
San Francisco, CA 94111

Anthony F. Bazdarich Trust pursuant to a Declaration
of Trust dated March 23, 1976, as car owner
4625 Via Vistosa
Santa Barbara, CA 93110

The railroad car lease and first amendment to railroad car lease cover the following equipment:

One 100 ton, 20,000 gallon capacity railroad tank car, DOT111A100W1, TGOX 2092.

Enclosed is a check in the amount of \$50 in payment of the recording fee.

Once the filing has been made, please return

- (a) the original document file stamped;
- (b) the file stamped conformed copies not required for filing purposes;
- (c) the receipt;
- (d) the letter from the Interstate Commerce Commission acknowledging the filing and
- (e) the extra copy of this letter of transmittal.

Ms. Agatha L. Mergenovich
April 15, 1980
Page 2

Should you have any questions, please call me at (415)
445-7824.

Very truly yours,

UNITED STATES RAIL SERVICES, INC.

BY Nancy C. L. Chapman
Title Assistant Secretary and
Assistant Treasurer

Enclosures

Interstate Commerce Commission
Washington, D.C. 20423

4/22/80

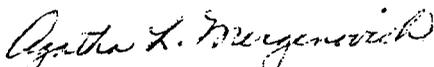
OFFICE OF THE SECRETARY

Nancy C.I. Chapman
U.S. Rail Services, Inc.
633 Battery Street
San Francisco, Calif. 94111

Dear Sir:

The enclosed document(s) was recorded pursuant to the provisions of Section 11303 of the Interstate Commerce Act, 49 U.S.C. 11303, on 4/21/80 at 2:40pm, and assigned re-
recording number(s). 11705

Sincerely yours,


Agatha L. Mergenovich
Secretary

Enclosure(s)

RECORDATION NO. **11705** Filed 1425 ✓

APR 21 1980 - 2 40 PM

INTERSTATE COMMERCE COMMISSION

STATE OF CALIFORNIA))
CITY AND COUNTY OF) SS
SAN FRANCISCO))

On this 15th day of April, 1980 before me personally appeared D. A. Summers (name), Vice President and General Manager (office), of United States Rail Services, Inc. (formerly called Rail-U.S. Leasing, Incorporated), to me personally known who being by me duly sworn, says that he (she) has compared the following railroad car lease (title of document) dated October 1, 1969 and first amendment to railroad car lease dated December 29, 1970, between United States Rail Services, Inc. and Anthony F. Bazdarich Trust pursuant to a Declaration of Trust dated March 23, 1976 with the original and that such copy is a true and complete copy of the original document, including date, signature and acknowledgements.

Francis C. Chapman
Notary Public

(SEAL)

My commission expires:

My Commission Expires August 15, 1983

RAILROAD CAR LEASE

THIS RAILROAD CAR LEASE, made ^{as of} this 1st day of October, 1969 by and between Rail-U.S. Leasing, Incorporated a California corporation (hereinafter "Rail-U.S. Leasing") and Anthony F. Bazdarich of Los Altos, State of California (hereinafter "Owner"),

WITNESSETH:

WHEREAS Owner holds title or will hold title to the following railroad cars:

- (a) TGOX 2092 ; --
- (b) -- ; and
- (c) -- , --

(hereinafter collectively "railroad cars"); and

WHEREAS Owner desires to lease such railroad cars to Rail-U.S. Leasing;
Now, Therefore, in consideration of the promises and agreements hereinafter set forth:

1. Owner hereby leases to Rail-U.S. Leasing the following railroad cars:

- (a) TGOX 2092 ; --
- (b) -- ; and
- (c) -- , --

each said Lease to commence upon the date of the first loaded movement from the initial loading point designated by Rail-U.S. Leasing.

2. Rail-U.S. Leasing agrees:

(a) To use its best efforts to sublease such railroad cars, collectively or individually, to shippers, railroads and other users of railroad cars on long - or short-term leases, or on such other terms and conditions as may be satisfactory to it;

(b) To perform all managerial and administrative functions necessary for the subleasing of such railroad cars, including (but not limited to) repairing and maintaining the cars for Owner's account and keeping adequate records of their operations;

(c) To pay Owner a basic "quarterly rental fee" of two hundred dollars (\$200.00) ^{per month} for each car subject to this Lease. Such rental fee shall be payable only from the car's "quarterly net operating profit" (see Paragraph 3); it shall not be cumulative in the event such "quarterly net operating profit" is insufficient to pay such rent in full;

(d) Where a car's "quarterly net operating profit", beginning with the first full quarter the car is operated under this Lease, is greater than six hundred dollars (\$600.00), as calculated under Paragraph 3 below, Rail-U.S. Leasing agrees to pay Owner, as an additional rental fee, the whole of "quarterly net operating profit" in excess of six hundred dollars (\$600.00), not to exceed fifty dollars (\$50.00), and fifty percent (50%) of the amount by which such "quarterly net operating profit" exceeds six hundred and fifty dollars (\$650.00).

3. The pro rata "quarterly net operating profit" for each of Owner's railroad cars shall be determined as follows:

(a) Rail-U.S. Leasing shall compute by calendar quarter the "aggregate gross income" earned during each such calendar quarter for all cars of the same class operated by it under this form of Railroad Car Lease.

(b) Rail-U.S. Leasing shall deduct from such aggregate gross income a minimum management fee of one hundred dollars (\$100.00)* per month for each car operated by it under this form of Railroad Car Lease, plus a sum equal to all costs and expenses paid during the quarter for the operation and control of all such cars, regardless of when incurred or to what cars charged, including (but not limited to) refunds due railroads or car users for overpayment of mileage earnings or for mileage equalization charges, all maintenance and repairs, registration fees and ad valorem property taxes. All such costs and expenses shall be charged against "aggregate gross income" for the calendar quarter when actually paid by Rail-U.S. Leasing.

(c) The amount by which such "aggregate gross income" exceeds the aforesaid expense deductions shall be deemed the "quarterly net operating profit" for the cars operated under this form of Lease. Such "quarterly net operating profit" shall then be allocated to each car operating within each calendar quarter on a pro rata basis determined by the number of days each car was operated by Rail-U.S. Leasing within the quarter, to reach the "quarterly rental fee" and overage provided for in Paragraph 2 (c) and (d) above, and said "quarterly rental fee" shall be paid to car owners after collection, as hereinafter provided in Paragraph 4, but if not collected within thirteen (13) months, all revenues thereafter collected shall be included in the "aggregate gross income" for the calendar quarter when collected and shall be disbursed to car owners actually operating cars in that calendar quarter.

4. Rental fees to the extent payable pursuant to Paragraph 3 (c) shall be paid to Owner within ninety (90) days after the end of each calendar quarterly accounting period. That portion of "quarterly net operating" profit not paid as rental pursuant to the provisions of Paragraph 3 (c) shall be retained by Rail-U.S. Leasing as additional revenue to it.

5. Owner agrees that Rail-U.S. Leasing may maintain a continuous reserve for expenses of all types and kinds, in an amount not to exceed six hundred dollars (\$600.00) per car for each car subject to this Lease and that such six hundred dollars (\$600.00) may be deducted from the "quarterly rental fees" payable to Owner hereunder. Upon termination of this Lease, in accordance with the terms for termination as set forth in this Lease, and after all pro rata expenses allocable to Owner's railroad cars have been deducted by Rail-U.S. Leasing, any sums remaining in said reserve for expenses shall be paid to Owner. All funds retained by Rail-U.S. Leasing in a reserve shall be held in official bank accounts, which will not be commingled with the working capital or other funds of Rail-U.S. Leasing or any affiliated company.

6. Owner agrees to reimburse Rail-U.S. Leasing promptly upon demand for the amount of any pro rata expenses, except the minimum management fees described in Paragraph 3 (b), allocated to any of Owner's railroad cars, and if a reserve is being maintained, then in excess of any amount set aside in the reserve therefore, if in any quarter such expenses exceed the "aggregate gross income" for that quarter.

*For multiple car ownership, the management fee to be charged by Rail-U.S. Leasing shall be as set forth in Attachment A, attached hereto.

7. Owner agrees to indemnify and hold Rail—U.S. Leasing harmless from and against any and all loss or damage, including any and all risk of loss or damage to the railroad cars subject to this Lease, and to indemnify and hold Rail—U.S. Leasing harmless from and against any and all claims, damages, expenses or liabilities incurred by, or asserted against it as a result of its (or any other party's) operations, possession, control or use of such railroad cars. Further, Owner agrees to provide policies of insurance, including (but not limited to) business interruption, all risks, physical damage and public liability insurance, in kinds and amount required by Rail—U.S. Leasing, naming Rail—U.S. Leasing as beneficiary and insuring it against business risks and liabilities deemed required by Rail—U.S. Leasing. All insurance proceeds payable for business interruption and for car repair will be paid to Rail—U.S. Leasing, and will be included as part of "aggregate gross income" pursuant to Paragraph 3 (a) hereunder. All insurance proceeds payable for a completely destroyed car will be collected by Rail—U.S. Leasing and turned over to the Owner of the destroyed car.

8. Owner agrees that Rail—U.S. Leasing shall collect all mileage allowances due from railroads as well as other Lease income generated by Owner's car(s).

9. Owner further agrees not to sell or dispose of any railroad car subject hereto without offering Rail—U.S. Leasing the right to purchase such car for the said consideration (computed in United States dollars) at which it is being offered to others, less the amount of any brokers' fees or sales commissions which would have been incurred by Owner in connection therewith. Rail—U.S. Leasing shall have thirty (30) days after receipt of written notification from Owner of such proposed sale or disposition within which to exercise its right for final refusal. [This clause shall not be operative if Owner selects Box 3, Paragraph 12, below (a five (5) year Lease term).]

10. Owner agrees that Rail—U.S. Leasing may paint the railroad cars subject to this Lease in such colors as Rail—U.S. Leasing may desire and that Rail—U.S. Leasing shall have the right to place any one of its identification marks and any other marks or legends it deems appropriate in conspicuous places on such railroad cars.

11. Rail—U.S. Leasing agrees that it will not knowingly discriminate against Owner's cars in seeking subleases for cars.

12. This Lease may be terminated upon the following terms and conditions: Owner and Rail—U.S. Leasing, Incorporated by checking and initialing Box 1, Box 2 or Box 3 below herewith agree to the terms and conditions following the said box which is checked.

Initial: _____ Box 1: _____ This Lease may be terminated at any time by either Owner or Rail—U.S. Leasing on thirty (30) days notice, subject to the performance in full of all terms and conditions of any (and all) existing subleases of the cars described herein, by a delivery of a written notice of termination in the manner hereinafter set forth.

Initial: CS Box 2: The term of this Lease shall be for a minimum of thirteen (13) months from the date of execution. After such thirteen (13) month period and upon thirty (30) days notice, this Lease may be terminated by either Owner or Rail—U.S. Leasing, subject to the performance in full of all terms and conditions of any (and all) existing subleases of the cars described herein, by a delivery of a written notice of termination in the manner hereinafter set forth.

Initial: _____ Box 3: _____ The term of this Lease shall be for a minimum of five (5) years from the date of execution. After such five (5) year period and upon thirty (30) days notice, this Lease may be terminated by either Owner or Rail-U.S. Leasing, subject to the performance in full of all terms and conditions of any (and all) existing subleases of the cars described herein, by a delivery of a written notice of termination in the manner hereinafter set forth.

(a) Written notice of termination shall be deemed delivered if placed in a sealed envelope, properly addressed to the party against whom the right of termination is being asserted, and thereafter deposited with the United States Post Office and sent by Certified Mail, Return Receipt Requested, with first class postage thereon fully prepaid.

(b) At the end of thirteen (13) months from the actual date of termination, a complete and final settlement shall be made of all "net operating profit" due Owner, less adjustments for refunds, mileage equalization payments, repairs, taxes and other expenses accrued or chargeable against the car being released from this Lease, calculated from the date of actual release of said car(s) from this Lease. Rail-U.S. Leasing shall have the option of making estimated quarterly payment of "net operating profit" to Owner prior to said final settlement date. If accrued expenses allocated to the tank car being released are not covered by "net operating profit", Owner shall pay all such excess expenses to Rail-U.S. Leasing upon billing therefor.

13. Rail-U.S. Leasing may execute in its name all required Association of American Railroad, Interstate Commerce Commission, local Public Utility Commission and all other governmental or industry agreements it deems necessary or required in order to operate Owner's railroad tank car(s) in railroad service under this Railroad Car Lease. This authority includes, but is not limited to the right to execute interchange agreement, tariff agreements, repair agreements and the like. Rail-U.S. Leasing may also complete all property tax applications and permits in its name.

In each case where Rail-U.S. Leasing acts in its name for the purpose set forth in Paragraph 13, it is recognized that Rail-U.S. Leasing is acting for and on behalf of Owner, in order to operate Owner's car(s) under this Lease.

14. For all purposes of this Lease, the mailing address of Owner and Rail-U.S. Leasing shall be as follows:

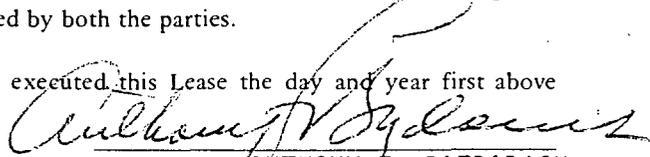
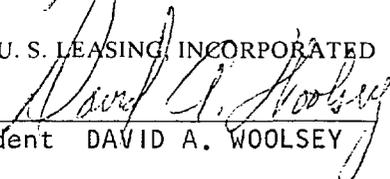
OWNER
ANTHONY F. BAZDARICH
852 Jordan Avenue
Los Altos, California 94022

RAIL-U.S. LEASING
Rail-U.S. Leasing, Incorporated
633 Battery Street
San Francisco, California 94111

15. This Lease shall be binding upon and shall inure to the benefit of the successors, heirs and assigns of the parties, and may be amended only by a writing signed by both the parties.

IN WITNESS WHEREOF, the parties hereto have executed this Lease the day and year first above written.

ATTEST: 
Secretary MARVIN L. FERENSTEIN


OWNER ANTHONY F. BAZDARICH
RAIL-U. S. LEASING, INCORPORATED
BY 
President DAVID A. WOOLSEY

ATTACHMENT "A" TO RAILROAD CAR LEASE

Rail-U.S. Leasing agrees to grant to car owners a management fee discount for multiple car ownership if a car owner has, under the attached form of Railroad Car Lease, leased to Rail-U.S. Leasing for a full calendar quarter five or more tank cars; then the car owner shall receive the following discount from the \$100 per month per car management fee:

| <u>Number of Cars</u> | <u>Discount</u> |
|-----------------------|-----------------|
| 5 - 9 tank cars | 5.00% |
| 10 - 14 tank cars | 6.25% |
| 15 - 19 tank cars | 7.50% |
| 20 - 24 tank cars | 8.75% |
| 25 - & Over | 10.00% |

FIRST AMENDMENT TORAILROAD CAR LEASE

This First Amendment to Railroad Car Lease made this 29th day of December, 1970, by and between RAIL-U.S. LEASING, INCORPORATED, a California corporation (hereinafter 'RAIL-U.S. LEASING') and Anthony F. Bazarich of Los Altos, State of California, (hereinafter 'OWNER'),

WITNESSETH:

WHEREAS, OWNER and RAIL-U.S. LEASING have heretofore on the 1st day of October, 19 69, or concurrently with the execution of this document have, entered into a Railroad Car Lease in the form approved by the Commissioner of Corporations of the State of California in its Permit dated October 3, 1969; and

WHEREAS, the parties hereto desire to amend the said Railroad Car Lease in a manner and on the terms and conditions hereinafter set forth; and

WHEREAS, the following amendment has been approved by the Commissioner of Corporations on the 28th day of December, 1970.

NOW, THEREFORE,

In consideration of the promises and agreements hereinafter set forth, it is agreed that the said Railroad Car Lease above referred to and the same is hereby amended as follows:

1. Subparagraph (c) of paragraph 2 of said Lease is amended to read as follows:

"(c) To pay to OWNER as a 'quarterly rental fee' the pro rata 'quarterly net operating profit' for each car subject to this Lease as the same is determined under the provisions of paragraph 3 of this Lease."

2. Subparagraph (d) of paragraph 2 of said Lease is deleted in its entirety.

3. Subparagraphs (b) and (c) of paragraph 3 of said Lease are hereby deleted and in lieu thereof the following subparagraphs are inserted:

"(b) RAIL-U.S. LEASING shall deduct from such aggregate gross income a sum equal to all costs and expenses paid during the quarter for the operation and control of all such cars, regardless of when incurred or what cars charged to, including, but not limited to, refunds due railroads or car users for overpayment of mileage earnings or for mileage equalization charges, all maintenance and repairs, registration

fees and ad valorem property taxes. All such costs and expenses shall be charged against 'aggregate gross income' for the calendar quarter when actually paid by RAIL-U.S. LEASING.

(c) RAIL-U.S. LEASING shall also deduct from such aggregate gross income a management fee of 35% of the quarterly net operating profit (aggregate gross income as defined in subparagraph (a) hereof) less all expenses defined in subparagraph (b) hereof, but before deducting the management fee provided for in this subparagraph (c) provided however that the said management fee shall not exceed an average of \$300.00 per car per quarter calculated over the previous four calendar quarters. In the event that the management fee charged for the four previous calendar quarters exceeds the aggregate sum of \$1,200.00, RAIL-U.S. LEASING shall refund the excess to the OWNER. Such excess shall be determined chronologically, pro rata by quarter, commencing with the first quarter in which the management fee was in excess of the sum of \$300.00. In no event, however, shall the annual management fee under this amendment exceed the annual management fee as computed under the terms of the original Railroad Car Lease for the term of that Lease. For multiple car ownership, the management fee to be charged by RAIL-U.S. LEASING shall be as set forth in attachment A, attached hereto.

(d) The amount by which such 'aggregate gross income' exceeds the expense deductions set forth in subparagraph (b) hereof and the management fee as set forth in subparagraph (c) hereof, shall be deemed the 'quarterly net operating profit' for the cars operated under this form of lease. Such 'quarterly net operating profit' shall then be allocated to each car operated within each calendar quarter on a pro rata basis determined by the number of days each car was operated by RAIL-U.S. LEASING within the quarter, to reach the 'quarterly rental fee' provided for in paragraph 2(c) hereof, and said 'quarterly rental fee' shall be paid to car owners after collection, as hereinafter provided in paragraph 4, but if not collected within thirteen (13) months all revenues thereafter collected shall be included in the 'aggregate gross income' for the calendar quarter when collected and disbursed to the car owners actually operating the cars in the calendar quarter."

4. Paragraph 4 of said Lease is hereby amended to read as follows:

"4. The 'quarterly rental fee' payable to OWNER shall be paid to OWNER within ninety (90) days after the end of each calendar quarterly accounting period."

5. Paragraph 6 of said Lease is hereby amended to read as follows:

"6. OWNER agrees to reimburse RAIL-U.S. LEASING promptly upon demand for the amount of any pro rata expenses allocated to any of OWNER's railroad cars, and if a reserve is being

maintained, then in excess of any amount set aside in the reserve therefore, if in any quarter such expenses exceed the 'aggregate gross income' for that quarter."

6. The provisions of 'Attachment A to Railroad Car Lease' be and the same are hereby amended to read as follows:

"RAIL-U.S. LEASING agrees to grant to car owners who have leased to RAIL-U.S. LEASING for a full calendar quarter, five (5) or more tank cars, the following discounts from the management fee payable to RAIL-U.S. LEASING:

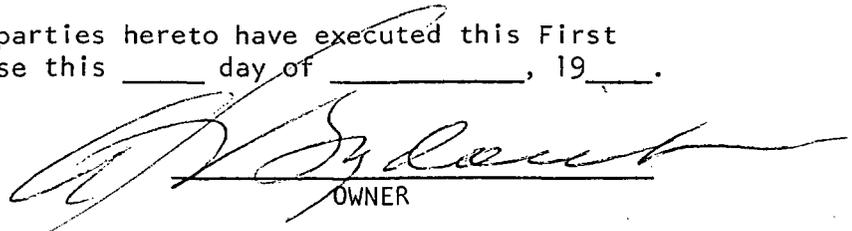
| <u>NUMBER OF CARS</u> | <u>DISCOUNT</u> (In U.S. Dollars per month per car) |
|-----------------------|--|
| 5-9 tank cars | \$ 5.00 |
| 10-14 tank cars | 6.25 |
| 15-19 tank cars | 7.50 |
| 20-24 tank cars | 8.75 |
| 25 and over tank cars | 10.00 " |

7. The terms and provision of this Amendment shall be effective with respect to all calendar quarters commencing with the calendar quarter beginning on July 1, 1970.

8. RAIL-U.S. LEASING is hereby given the right to terminate and cancel this amendment in its entirety at any time upon giving a thirty (30) day written notice to each owner provided, however, that said thirty (30) day written notice must be given at least thirty (30) days prior to the end of any calendar quarter during the term of the Lease, such termination to be effective for the calendar quarter in which such notice is given. In the event of such termination, RAIL-U.S. LEASING shall have no right to recalculate the management fee under the terms of the Railroad Car Lease for the period during which fees were calculated by application of this Amendment.

9. Except as herein amended, the Railroad Car Lease heretofore entered into between OWNER and RAIL-U.S. LEASING is ratified, confirmed and approved.

IN WITNESS WHEREOF, the parties hereto have executed this First Amendment to Railroad Car Lease this ____ day of _____, 19__.


OWNER

RAIL-U.S. LEASING, INCORPORATED

By 
Charles J. Scarcello
Vice President - General Manager

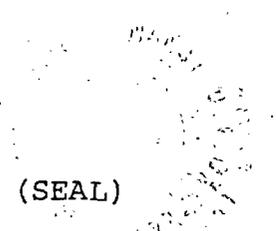
ATTEST:

Secretary

STATE OF CALIFORNIA)
)
CITY AND COUNTY OF) SS
)
SAN FRANCISCO)

On this 15th day of April, 1980 before me personally appeared D. A. Summers (name), Vice President and General Manager (office), of United States Rail Services, Inc. (formerly called Rail-U.S. Leasing, Incorporated), to me personally known who being by me duly sworn, says that he (she) has compared the following railroad car lease (title of document) dated October 1, 1969 and first amendment to railroad car lease dated December 29, 1970, between United States Rail Services, Inc. and Anthony F. Bazdarich Trust pursuant to a Declaration of Trust dated March 23, 1976 with the original and that such copy is a true and complete copy of the original document, including date, signature and acknowledgements.

(SEAL)


Harvey C. T. Chapman
Notary Public

My commission expires:

My Commission Expires August 15, 1983

RAILROAD CAR LEASE

THIS RAILROAD CAR LEASE, made ^{AS&F} this 1st day of October, 1969 by and between Rail-U.S. Leasing, Incorporated a California corporation (hereinafter "Rail-U.S. Leasing") and Anthony F. Bazdarich of Los Altos, State of California (hereinafter "Owner"),

WITNESSETH:

WHEREAS Owner holds title or will hold title to the following railroad cars:

- (a) TGOX 2092 ; --
- (b) -- ; and
- (c) -- , --

(hereinafter collectively "railroad cars"; and

WHEREAS Owner desires to lease such railroad cars to Rail-U.S. Leasing;

Now, Therefore, in consideration of the promises and agreements hereinafter set forth:

1. Owner hereby leases to Rail-U.S. Leasing the following railroad cars:

- (a) TGOX 2092 ; --
- (b) -- ; and
- (c) -- , --

each said Lease to commence upon the date of the first loaded movement from the initial loading point designated by Rail-U.S. Leasing.

2. Rail-U.S. Leasing agrees:

(a) To use its best efforts to sublease such railroad cars, collectively or individually, to shippers, railroads and other users of railroad cars on long - or short-term leases, or on such other terms and conditions as may be satisfactory to it;

(b) To perform all managerial and administrative functions necessary for the subleasing of such railroad cars, including (but not limited to) repairing and maintaining the cars for Owner's account and keeping adequate records of their operations;

(c) To pay Owner a basic "quarterly rental fee" of two hundred dollars (\$200.00) per month for each car subject to this Lease. Such rental fee shall be payable only from the car's "quarterly net operating profit" (see Paragraph 3); it shall not be cumulative in the event such "quarterly net operating profit" is insufficient to pay such rent in full;

(d) Where a car's "quarterly net operating profit", beginning with the first full quarter the car is operated under this Lease, is greater than six hundred dollars (\$600.00), as calculated under Paragraph 3 below, Rail-U.S. Leasing agrees to pay Owner, as an additional rental fee, the whole of "quarterly net operating profit" in excess of six hundred dollars (\$600.00), not to exceed fifty dollars (\$50.00), and fifty percent (50%) of the amount by which such "quarterly net operating profit" exceeds six hundred and fifty dollars (\$650.00).

3. The pro rata "quarterly net operating profit" for each of Owner's railroad cars shall be determined as follows:

(a) Rail-U.S. Leasing shall compute by calendar quarter the "aggregate gross income" earned during each such calendar quarter for all cars of the same class operated by it under this form of Railroad Car Lease.

(b) Rail-U.S. Leasing shall deduct from such aggregate gross income a minimum management fee of one hundred dollars (\$100.00)* per month for each car operated by it under this form of Railroad Car Lease, plus a sum equal to all costs and expenses paid during the quarter for the operation and control of all such cars, regardless of when incurred or to what cars charged, including (but not limited to) refunds due railroads or car users for overpayment of mileage earnings or for mileage equalization charges, all maintenance and repairs, registration fees and ad valorem property taxes. All such costs and expenses shall be charged against "aggregate gross income" for the calendar quarter when actually paid by Rail-U.S. Leasing.

(c) The amount by which such "aggregate gross income" exceeds the aforesaid expense deductions shall be deemed the "quarterly net operating profit" for the cars operated under this form of Lease. Such "quarterly net operating profit" shall then be allocated to each car operating within each calendar quarter on a pro rata basis determined by the number of days each car was operated by Rail-U.S. Leasing within the quarter, to reach the "quarterly rental fee" and overage provided for in Paragraph 2 (c) and (d) above, and said "quarterly rental fee" shall be paid to car owners after collection, as hereinafter provided in Paragraph 4, but if not collected within thirteen (13) months, all revenues thereafter collected shall be included in the "aggregate gross income" for the calendar quarter when collected and shall be disbursed to car owners actually operating cars in that calendar quarter.

4. Rental fees to the extent payable pursuant to Paragraph 3 (c) shall be paid to Owner within ninety (90) days after the end of each calendar quarterly accounting period. That portion of "quarterly net operating" profit not paid as rental pursuant to the provisions of Paragraph 3 (c) shall be retained by Rail-U.S. Leasing as additional revenue to it.

5. Owner agrees that Rail-U.S. Leasing may maintain a continuous reserve for expenses of all types and kinds, in an amount not to exceed six hundred dollars (\$600.00) per car for each car subject to this Lease and that such six hundred dollars (\$600.00) may be deducted from the "quarterly rental fees" payable to Owner hereunder. Upon termination of this Lease, in accordance with the terms for termination as set forth in this Lease, and after all pro rata expenses allocable to Owner's railroad cars have been deducted by Rail-U.S. Leasing, any sums remaining in said reserve for expenses shall be paid to Owner. All funds retained by Rail-U.S. Leasing in a reserve shall be held in official bank accounts, which will not be commingled with the working capital or other funds of Rail-U.S. Leasing or any affiliated company.

6. Owner agrees to reimburse Rail-U.S. Leasing promptly upon demand for the amount of any pro rata expenses, except the minimum management fees described in Paragraph 3 (b), allocated to any of Owner's railroad cars, and if a reserve is being maintained, then in excess of any amount set aside in the reserve therefore, if in any quarter such expenses exceed the "aggregate gross income" for that quarter.

*For multiple car ownership, the management fee to be charged by Rail-U.S. Leasing shall be as set forth in Attachment A, attached hereto.

7. Owner agrees to indemnify and hold Rail-U.S. Leasing harmless from and against any and all loss or damage, including any and all risk of loss or damage to the railroad cars subject to this Lease, and to indemnify and hold Rail-U.S. Leasing harmless from and against any and all claims, damages, expenses or liabilities incurred by, or asserted against it as a result of its (or any other party's) operations, possession, control or use of such railroad cars. Further, Owner agrees to provide policies of insurance, including (but not limited to) business interruption, all risks, physical damage and public liability insurance, in kinds and amount required by Rail-U.S. Leasing, naming Rail-U.S. Leasing as beneficiary and insuring it against business risks and liabilities deemed required by Rail-U.S. Leasing. All insurance proceeds payable for business interruption and for car repair will be paid to Rail-U.S. Leasing, and will be included as part of "aggregate gross income" pursuant to Paragraph 3 (a) hereunder. All insurance proceeds payable for a completely destroyed car will be collected by Rail-U.S. Leasing and turned over to the Owner of the destroyed car.

8. Owner agrees that Rail-U.S. Leasing shall collect all mileage allowances due from railroads as well as other Lease income generated by Owner's car(s).

9. Owner further agrees not to sell or dispose of any railroad car subject hereto without offering Rail-U.S. Leasing the right to purchase such car for the said consideration (computed in United States dollars) at which it is being offered to others, less the amount of any brokers' fees or sales commissions which would have been incurred by Owner in connection therewith. Rail-U.S. Leasing shall have thirty (30) days after receipt of written notification from Owner of such proposed sale or disposition within which to exercise its right for final refusal. [This clause shall not be operative if Owner selects Box 3, Paragraph 12, below (a five (5) year Lease term).]

10. Owner agrees that Rail-U.S. Leasing may paint the railroad cars subject to this Lease in such colors as Rail-U.S. Leasing may desire and that Rail-U.S. Leasing shall have the right to place any one of its identification marks and any other marks or legends it deems appropriate in conspicuous places on such railroad cars.

11. Rail-U.S. Leasing agrees that it will not knowingly discriminate against Owner's cars in seeking subleases for cars.

12. This Lease may be terminated upon the following terms and conditions: Owner and Rail-U.S. Leasing, Incorporated by checking and initialing Box 1, Box 2 or Box 3 below herewith agree to the terms and conditions following the said box which is checked.

Initial: _____ Box 1: _____ This Lease may be terminated at any time by either Owner or Rail-U.S. Leasing on thirty (30) days notice, subject to the performance in full of all terms and conditions of any (and all) existing subleases of the cars described herein, by a delivery of a written notice of termination in the manner hereinafter set forth.

Initial: COB Box 2: The term of this Lease shall be for a minimum of thirteen (13) months from the date of execution. After such thirteen (13) month period and upon thirty (30) days notice, this Lease may be terminated by either Owner or Rail-U.S. Leasing, subject to the performance in full of all terms and conditions of any (and all) existing subleases of the cars described herein, by a delivery of a written notice of termination in the manner hereinafter set forth.

Initial: _____ Box 3: _____ The term of this Lease shall be for a minimum of five (5) years from the date of execution. After such five (5) year period and upon thirty (30) days notice, this Lease may be terminated by either Owner or Rail-U.S. Leasing, subject to the performance in full of all terms and conditions of any (and all) existing subleases of the cars described herein, by a delivery of a written notice of termination in the manner hereinafter set forth.

(a) Written notice of termination shall be deemed delivered if placed in a sealed envelope, properly addressed to the party against whom the right of termination is being asserted, and thereafter deposited with the United States Post Office and sent by Certified Mail, Return Receipt Requested, with first class postage thereon fully prepaid.

(b) At the end of thirteen (13) months from the actual date of termination, a complete and final settlement shall be made of all "net operating profit" due Owner, less adjustments for refunds, mileage equalization payments, repairs, taxes and other expenses accrued or chargeable against the car being released from this Lease, calculated from the date of actual release of said car(s) from this Lease. Rail-U.S. Leasing shall have the option of making estimated quarterly payment of "net operating profit" to Owner prior to said final settlement date. If accrued expenses allocated to the tank car being released are not covered by "net operating profit", Owner shall pay all such excess expenses to Rail-U.S. Leasing upon billing therefor.

13. Rail-U.S. Leasing may execute in its name all required Association of American Railroad, Interstate Commerce Commission, local Public Utility Commission and all other governmental or industry agreements it deems necessary or required in order to operate Owner's railroad tank car(s) in railroad service under this Railroad Car Lease. This authority includes, but is not limited to the right to execute interchange agreement, tariff agreements, repair agreements and the like. Rail-U.S. Leasing may also complete all property tax applications and permits in its name.

In each case where Rail-U.S. Leasing acts in its name for the purpose set forth in Paragraph 13, it is recognized that Rail-U.S. Leasing is acting for and on behalf of Owner, in order to operate Owner's car(s) under this Lease.

14. For all purposes of this Lease, the mailing address of Owner and Rail-U.S. Leasing shall be as follows:

OWNER
ANTHONY F. BAZDARICH
852 Jordan Avenue
Los Altos, California 94022

RAIL-U.S. LEASING
Rail-U.S. Leasing, Incorporated
633 Battery Street
San Francisco, California 94111

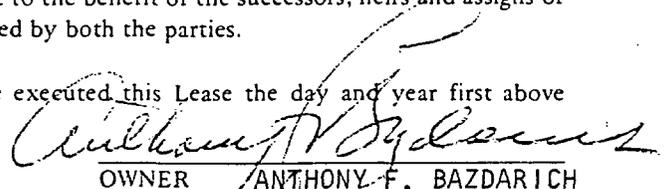
15. This Lease shall be binding upon and shall inure to the benefit of the successors, heirs and assigns of the parties, and may be amended only by a writing signed by both the parties.

IN WITNESS WHEREOF, the parties hereto have executed this Lease the day and year first above written.

ATTEST:

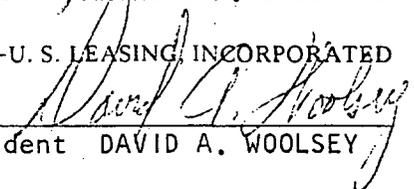
Secretary

MARVIN L. FERENSTEIN



OWNER ANTHONY F. BAZDARICH

RAIL-U. S. LEASING, INCORPORATED

BY 
President DAVID A. WOOLSEY

ATTACHMENT "A" TO RAILROAD CAR LEASE

Rail-U.S. Leasing agrees to grant to car owners a management fee discount for multiple car ownership if a car owner has, under the attached form of Railroad Car Lease, leased to Rail-U.S. Leasing for a full calendar quarter five or more tank cars; then the car owner shall receive the following discount from the \$100 per month per car management fee:

| <u>Number of Cars</u> | <u>Discount</u> |
|-----------------------|-----------------|
| 5 - 9 tank cars | 5.00% |
| 10 - 14 tank cars | 6.25% |
| 15 - 19 tank cars | 7.50% |
| 20 - 24 tank cars | 8.75% |
| 25 - & Over | 10.00% |

FIRST AMENDMENT TORAILROAD CAR LEASE

This First Amendment to Railroad Car Lease made this 29th day of December, 1970, by and between RAIL-U.S. LEASING, INCORPORATED, a California corporation (hereinafter "RAIL-U.S. LEASING") and Anthony F. Bazdarich of Los Altos, State of California, (hereinafter "OWNER"),

WITNESSETH:

WHEREAS, OWNER and RAIL-U.S. LEASING have heretofore on the 1st day of October, 1969, or concurrently with the execution of this document have, entered into a Railroad Car Lease in the form approved by the Commissioner of Corporations of the State of California in its Permit dated October 3, 1969; and

WHEREAS, the parties hereto desire to amend the said Railroad Car Lease in a manner and on the terms and conditions hereinafter set forth; and

WHEREAS, the following amendment has been approved by the Commissioner of Corporations on the 28th day of December, 1970.

NOW, THEREFORE,

In consideration of the promises and agreements hereinafter set forth, it is agreed that the said Railroad Car Lease above referred be and the same is hereby amended as follows:

1. Subparagraph (c) of paragraph 2 of said Lease is amended to read as follows:

"(c) To pay to OWNER as a 'quarterly rental fee' the pro rata 'quarterly net operating profit' for each car subject to this Lease as the same is determined under the provisions of paragraph 3 of this Lease."

2. Subparagraph (d) of paragraph 2 of said Lease is deleted in its entirety.

3. Subparagraphs (b) and (c) of paragraph 3 of said Lease are hereby deleted and in lieu thereof the following subparagraphs are inserted:

"(b) RAIL-U.S. LEASING shall deduct from such aggregate gross income a sum equal to all costs and expenses paid during the quarter for the operation and control of all such cars, regardless of when incurred or what cars charged to, including, but not limited to, refunds due railroads or car users for overpayment of mileage earnings or for mileage equalization charges, all maintenance and repairs, registration

fees and ad valorem property taxes. All such costs and expenses shall be charged against 'aggregate gross income' for the calendar quarter when actually paid by RAIL-U.S. LEASING.

(c) RAIL-U.S. LEASING shall also deduct from such aggregate gross income a management fee of 35% of the quarterly net operating profit (aggregate gross income as defined in subparagraph (a) hereof) less all expenses defined in subparagraph (b) hereof, but before deducting the management fee provided for in this subparagraph (c) provided however that the said management fee shall not exceed an average of \$300.00 per car per quarter calculated over the previous four calendar quarters. In the event that the management fee charged for the four previous calendar quarters exceeds the aggregate sum of \$1,200.00, RAIL-U.S. LEASING shall refund the excess to the OWNER. Such excess shall be determined chronologically, pro rata by quarter, commencing with the first quarter in which the management fee was in excess of the sum of \$300.00. In no event, however, shall the annual management fee under this amendment exceed the annual management fee as computed under the terms of the original Railroad Car Lease for the term of that Lease. For multiple car ownership, the management fee to be charged by RAIL-U.S. LEASING shall be as set forth in attachment A, attached hereto.

(d) The amount by which such 'aggregate gross income' exceeds the expense deductions set forth in subparagraph (b) hereof and the management fee as set forth in subparagraph (c) hereof, shall be deemed the 'quarterly net operating profit' for the cars operated under this form of lease. Such 'quarterly net operating profit' shall then be allocated to each car operated within each calendar quarter on a pro rata basis determined by the number of days each car was operated by RAIL-U.S. LEASING within the quarter, to reach the 'quarterly rental fee' provided for in paragraph 2(c) hereof, and said 'quarterly rental fee' shall be paid to car owners after collection, as hereinafter provided in paragraph 4, but if not collected within thirteen (13) months all revenues thereafter collected shall be included in the 'aggregate gross income' for the calendar quarter when collected and disbursed to the car owners actually operating the cars in the calendar quarter."

4. Paragraph 4 of said Lease is hereby amended to read as follows:

"4. The 'quarterly rental fee' payable to OWNER shall be paid to OWNER within ninety (90) days after the end of each calendar quarterly accounting period."

5. Paragraph 6 of said Lease is hereby amended to read as follows:

"6. OWNER agrees to reimburse RAIL-U.S. LEASING promptly upon demand for the amount of any pro rata expenses allocated to any of OWNER's railroad cars, and if a reserve is being

maintained, then in excess of any amount set aside in the reserve therefore, if in any quarter such expenses exceed the 'aggregate gross income' for that quarter."

6. The provisions of "Attachment A to Railroad Car Lease" be and the same are hereby amended to read as follows:

"RAIL-U.S. LEASING agrees to grant to car owners who have leased to RAIL-U.S. LEASING for a full calendar quarter, five (5) or more tank cars, the following discounts from the management fee payable to RAIL-U.S. LEASING:

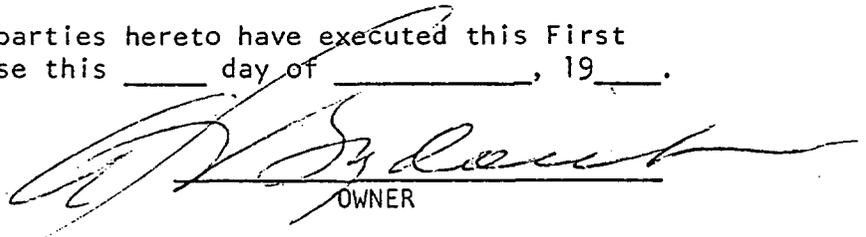
| <u>NUMBER OF CARS</u> | <u>DISCOUNT</u> (In U.S. Dollars per month per car) |
|-----------------------|--|
| 5-9 tank cars | \$ 5.00 |
| 10-14 tank cars | 6.25 |
| 15-19 tank cars | 7.50 |
| 20-24 tank cars | 8.75 |
| 25 and over tank cars | 10.00 " |

7. The terms and provision of this Amendment shall be effective with respect to all calendar quarters commencing with the calendar quarter beginning on July 1, 1970.

8. RAIL-U.S. LEASING is hereby given the right to terminate and cancel this amendment in its entirety at any time upon giving a thirty (30) day written notice to each owner provided, however, that said thirty (30) day written notice must be given at least thirty (30) days prior to the end of any calendar quarter during the term of the Lease, such termination to be effective for the calendar quarter in which such notice is given. In the event of such termination, RAIL-U.S. LEASING shall have no right to recalculate the management fee under the terms of the Railroad Car Lease for the period during which fees were calculated by application of this Amendment.

9. Except as herein amended, the Railroad Car Lease heretofore entered into between OWNER and RAIL-U.S. LEASING is ratified, confirmed and approved.

IN WITNESS WHEREOF, the parties hereto have executed this First Amendment to Railroad Car Lease this _____ day of _____, 19____.


OWNER

RAIL-U.S. LEASING, INCORPORATED

By 

Charles J. Scarcello

Vice President - General Manager

ATTEST:

Secretary