

# OSTER

JAN 2 '98

8-53 AM

## Researching Services

12897 Colonial Dr. • Mt. Airy, Md. 21774  
301-253-6040

RECEIVED  
SURFACE TRANSPORTATION  
BOARD

*Jan 2, 8 53 AM '98*

*Counterparts May 1st*

January 2, 1998

Mr. Vernon Williams  
Secretary  
Surface Transportation Board  
1925 K Street, N.W.  
Washington, D.C. 20423

Dear Mr. Williams:

Enclosed for recording with the Surface Transportation Board is a Schedule to Master Lease Agreement dated 12/26/97 which is a supplemental agreement to the Master Lease Agreement dated 12/9/97, STB Recordation #21081.

Please record this agreement as a secondary document to STB Recordation #21081. The filing fee of \$24 is enclosed.

Thank you for your assistance.

Sincerely,

*Mary A Oster*

Mary Ann Oster  
Research Consultant

Enclosures

**SCHEDULE TO MASTER LEASE AGREEMENT**

RECORDATION NO. 21081-B FILED



JAN 2 '98

8-53 AM

Schedule Number 11742.002

**THIS SCHEDULE** made as of **December 26, 1997**, by and between **U.S. BANCORP LEASING & FINANCIAL** ("Lessor"), having its principal place of business at 7659 S.W. Mohawk Street, Tualatin, Oregon 97062, and **Atlantic & Western Railway, Limited Partnership** ("Lessee"), having its principal place of business located at **PO Box 1208, Sanford, North Carolina 27330-1208**, to the Master Lease Agreement dated as of **December 9, 1997** between the Lessee and the Lessor (the "Lease"). Capitalized terms used but not defined herein are used with the respective meanings specified in the Lease.

**LESSOR AND LESSEE HEREBY COVENANT AND AGREE AS FOLLOWS:**

(a) The following specified equipment (the "Property") is hereby made and constituted Property for all purposes pursuant to the Lease:

See Exhibit "A" attached hereto and made a part hereof

(b) The cost of the Property is \$1,520,448.40;

Please Initial Here:

(c) This Schedule shall commence on January 1, 1998 and shall continue for one hundred eighty (180) months thereafter.

(d) Lessee shall owe sixty (60) basic quarterly rental payments in arrears each in the amount of \$40,790.52 (plus applicable sales/use taxes). The first such payment shall be due on April 1, 1998 and shall continue on the same day of each successive quarter thereafter until the end of the term of this Schedule. In addition, Lessee shall pay daily pro rata rental in the amount of \$453.23 per day (plus applicable sales/use taxes) from the date on which Lessee executes a Delivery and Acceptance Certificate for the Property through December 31, 1997. Such daily pro rata rental shall be due and payable on January 1, 1998.

(e) The Property will be used primarily in the continental United States but, as necessary, on an incidental basis (which in no event shall exceed fifty per cent (50%) of the time), in Mexico and Canada.

(f) The record owner of the premises at which the Property will be installed or stored is: ;

**1. LATE CHARGE.** If any installment of Rent shall not be received by Lessor or Lessor's Assignee within ten (10) days after such amount is due, Lessee shall pay to Lessor a late charge equal to two and one-half percent (2.5%) of such overdue amount.

**2. TITLE PASSAGE.** a. As long as no event of default has occurred under the Lease, Lessee shall have the options, to purchase all, but not part, of the Property at the end of the Term or any renewal thereof (hereinafter called the "End of Term Option Date" and "End of Term Option").

b. The above Option may only be exercised by Lessee by written notice of such exercise to Lessor, which notice must be received by Lessor not later than one hundred eighty (180) days prior to the End of Term Option Date to exercise the End of Term Option. Payment of the purchase price must be received by Lessor on or before the End of Term Option Date.

c. The End of Term purchase price for the Property shall be the fair market value of the Property at the time of such exercise as mutually agreed upon by Lessor and Lessee, not to exceed twenty-five percent (25%) of the original cost of the Property. If such parties cannot agree thereon after good faith negotiation, the purchase price of the Property shall be the value determined by an appraisal of the Property made by a reputable independent equipment appraiser certified for the type of Property being appraised. The appraiser shall be selected by Lessor and the cost of the appraisal shall be paid by Lessee. Such purchase price shall not be deemed to be equal to the "anticipated residual value" as such phrase is used in the Lease.

d. Upon receipt of payment of the purchase price together with any and all applicable sales or other taxes due in connection therewith, and any and all remaining sums or other amounts payable under this Schedule, Lessor shall transfer all its right, title and interest in and to the Property to Lessee. The Property shall be transferred "As Is" and "Where Is" without any lien or encumbrance arising through Lessor and without any express or implied representations or warranties.

e. Should Lessee fail to either return the Property in accordance with the Lease or exercise the End of Term Option in accordance with its terms, then Lessor, at its sole option, shall have the right to: a) declare the End of Term Option terminated and demand immediate return of the Property; or, b) extend the Term for an additional six (6) months (the "Extended Term"). Should Lessor elect to extend the Term, Lessee shall be irrevocably obligated to remit basic quarterly rent for the period beginning on the day immediately succeeding the last day of the original Term (the "Holdover Date") and ending at the end of the sixth (6) month thereafter. A payment of such rent being due on the Holdover Date and on the same day of each successive quarter thereafter. Each payment of such rent shall be in the amount of the basic quarterly rent for the last quarter of the Term in accordance with the provisions of this Schedule. All Lessee's other obligations under the Lease shall remain in full force and effect for so long as Lessee shall continue to possess the Property. Upon the expiration of each Extended Term, Lessor, at its sole option, shall have the right to: a) permit Lessee to exercise the End of Term Option in accordance with its Terms; b) declare the End of Term Option terminated and demand immediate return of the Property; or, c) extend the Term for an additional six (6) month Extended Term. Any and all rental payments pursuant to this Paragraph shall be deemed for all intents and purposes to be payments for possession and use of the Property after the expiration of the Term, and shall not be credited to any other obligation of Lessee to Lessor. Lessor's invoicing and/or accepting any such payment shall not give rise to any right, title or interest of Lessee other than to possession and use of the Property during the period to which such rent applies in accordance with this Paragraph. The aforesaid right to charge Lessee rent for possession and use of the Property is not in limitation or derogation of any of Lessor's rights pursuant to the Lease.

**3. MAINTENANCE, USE, AND RETURN PROVISIONS.** The Lessee, at its own expense and risk shall throughout the Lease Term maintain, and repair so as to keep the Railcars in good operating condition under Interchange Rules, as defined by the Association of American Railroads (AAR); ordinary wear and tear excepted, and in accordance with maintenance standards at least equal to the industry standards of maintenance for similar railcars operating on the lines of Class I Railroads and in the manner and in the same condition as Lessee would, in the prudent management of its own business, maintain and repair similar equipment owned by it at such time (or operated by the Lessee at such time under net leases with an original term of 15 years or less) so that such Railcars will remaining (i) in as good operating condition for the commodities carried as when originally delivered (ordinary wear and tear excepted), (ii) mechanically suitable for interchange generally by the Lessee and (iii) eligible under all manufacturer's warranties, if available. The Lessee agrees that it will not discriminate against any Railcar (as compared to other similar Railcars owned or operated by the Lessee) with respect to its use, operation or maintenance in contemplation of the expiration or termination of this Lease. Interchange condition to include the replacement of missing materials and the correction of wrong repairs and items listed in the Interchange Rules as cause for renewal and cause for attention; free of Rule 95 damage; suitable for loading of the commodities allowed in the applicable Schedule; and free from all accumulations or deposits from commodities transported in or on it while in the service of Lessee. Any item that is damaged or worn beyond what is considered to be normal by the original component manufacturer shall be deemed to have been damaged beyond normal wear and tear and shall be replaced at the Lessee's expense.

Lessee shall return all records including the then current AAR UMLER format for hard copy records. Lessee shall continue to allow the Cars to be registered in UMLER until the Cars are remarked.

Maintenance means all repairs, maintenance, replacement of parts and mandated modifications as are needed to keep any Car in good working order and repair, suitable for loading and Interchange and in accordance with Interchange Rules, and the rules of any other applicable regulatory body.

Interchange Rules means collectively the Field Manual of the AAR Interchange Rules and the Office Manual of the AAR Interchange Rules. References herein to the Interchange Rules provide performance standards and criteria for the condition of the Cars and their maintenance and repair.

Ninety (90) days prior to lease expiration, Lessee shall provide written notification of intent to return the Cars, and demonstrate that the Cars can perform at its performance specifications according to the original manufacturer. An independent certified expert acceptable to Lessor and Lessee shall demonstrate the performance of the Cars and the physical condition as defined herein. If it is determined that improvements under the manufacturer's performance standards are needed, Lessee shall cause such improvements to be made prior to the return of the Cars. Lessee shall provide, at Lessor's request, up to one hundred eighty (180) days free storage of the equipment at the location Lessor designates.

4. **DEPRECIATION.** Lessor will be entitled to modified accelerated cost recovery depreciation based on 100% of Property Cost using the 200% declining balance method, switching to straight line, for seven (7) year Property, and zero salvage value.

5. **STIPULATED LOSS.** If any Item of Property shall suffer a casualty loss or destruction, Lessee shall give written notice to Lessor, within ten (10) business days of such event. Lessee shall pay to Lessor the Stipulated Value of the item of Property as specified in the attached Stipulated Loss Schedule, prior to the end of the first rental period following the event of loss or destruction. After payment of such amount Lessee's obligation to pay rental for the item shall thereafter terminate.

This Agreement maybe executed in seperate counterparts, each of which, when so executed, shall be deemed to be an original. Such counterparts shall together constitute and shall be one and the same intstrument.

IN WITNESS WHEREOF, the Lessor and the Lessee have each caused this Schedule to be duly executed as of the day and year first above written.

Atlantic & Western Railway, Limited Partnership  
(LESSEE)

U.S. Bancorp Leasing & Financial  
(LESSOR)

XBy: *K. Earl Durden*  
Rail Management and Consulting  
Corporation/General Partner  
By: K. Earl Durden/President

By: \_\_\_\_\_  
An Authorized Officer Thereof

(All signatures must be notarized in the appropriate space below)  
CORPORATE ACKNOWLEDGMENT

STATE OF FLORIDA )  
 )SS.  
County of BAY )

December 30, 1997

Personally appeared K EARL DURDEN, and  
\_\_\_\_\_ who, being sworn, stated  
that he/she, the said PRESIDENT is a  
OFFICER, and he/she, the said  
\_\_\_\_\_ is a \_\_\_\_\_  
\_\_\_\_\_ of corporation and acknowledged  
that this Document was voluntarily signed in behalf of  
the corporation by Authority of its Board Directors.

Before me:

*Ann S Sellers*  
Notary Public for

February 15 2000  
My commission expires:



ANN S SELLERS  
My Commission CC533083  
Expires Feb. 15, 2000

CORPORATE ACKNOWLEDGEMENT

STATE OF \_\_\_\_\_ )  
 )SS.  
County of \_\_\_\_\_ )

\_\_\_\_\_, 19\_\_

Personally appeared \_\_\_\_\_ and  
\_\_\_\_\_ who, being sworn, stated  
that he/she, the said \_\_\_\_\_ is a  
\_\_\_\_\_, and he/she, the said  
\_\_\_\_\_ is a \_\_\_\_\_  
\_\_\_\_\_ of corporation and acknowledged  
that this Document was voluntarily signed in behalf of  
the corporation by Authority of its Board Directors.

Before me:

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

\_\_\_\_\_  
My commission expires:

Address for All Notices:  
U. S. BANCORP LEASING & FINANCIAL  
7659 SW Mohawk Street  
Tualatin, Oregon 97062

Machine Tool Finance Group      General Equipment Group  
(800) 225-8029    (503) 797-0222    (800) 253-3468    (503) 797-0200

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**IN WITNESS WHEREOF**, the Lessor and the Lessee have each caused this Schedule to be duly executed as of the day and year first above written.

**Atlantic & Western Railway, Limited Partnership**  
**(LESSEE)**

**U.S. Bancorp Leasing & Financial**  
**(LESSOR)**

By: \_\_\_\_\_  
**Rail Management and Consulting Corporation/General Partner**  
**By: K. Earl Durden/President**

By: *James L. Gilday*  
**An Authorized Officer Thereof**

(All signatures must be notarized in the appropriate space below)  
**CORPORATE ACKNOWLEDGMENT**

**CORPORATE ACKNOWLEDGEMENT**

STATE OF \_\_\_\_\_ )  
 )SS.  
County of \_\_\_\_\_ )  
\_\_\_\_\_, 19\_\_\_\_

STATE OF Oregon )  
 )SS.  
County of Washington )  
12-29, 1997

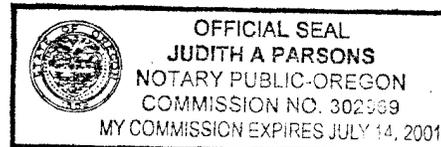
Personally appeared \_\_\_\_\_, and \_\_\_\_\_ who, being sworn, stated that he/she, the said \_\_\_\_\_ is a \_\_\_\_\_, and he/she, the said \_\_\_\_\_ is a \_\_\_\_\_ of corporation and acknowledged that this Document was voluntarily signed in behalf of the corporation by Authority of its Board Directors.

Personally appeared JAMES L. GILDAY and \_\_\_\_\_ who, being sworn, stated that he/she, the said \_\_\_\_\_ is a VICE PRESIDENT, and he/she, the said \_\_\_\_\_ is a \_\_\_\_\_ of corporation and acknowledged that this Document was voluntarily signed in behalf of the corporation by Authority of its Board Directors.

**Before me:**  
\_\_\_\_\_  
**Notary Public for**  
\_\_\_\_\_  
**My commission expires:**

**Before me:**  
*Judith A. Parsons*  
**Notary Public for**  
July 14, 2001  
**My commission expires:**

**Address for All Notices:**  
**U. S. BANCORP LEASING & FINANCIAL**  
**7659 SW Mohawk Street**  
**Tualatin, Oregon 97062**



**Machine Tool Finance Group**                      **General Equipment Group**  
**(800) 225-8029    (503) 797-0222**                      **(800) 253-3468    (503) 797-0200**

EXHIBIT "A" TO SCHEDULE TO MASTER LEASE AGREEMENT 11742.002

PAGE 1 OF 2

OLD CAR #            NEW CAR #

LRS 4002            ATW 74002  
LRS 4003            ATW 74003  
LRS 4004            ATW 74004  
LRS 4007            ATW 74007  
LRS 4011            ATW 74011  
LRS 4013            ATW 74013  
LRS 4014            ATW 74014  
LRS 4024            ATW 74024  
LRS 4026            ATW 74026  
LRS 4027            ATW 74027  
LRS 4030            ATW 74030  
LRS 4031            ATW 74031  
LRS 4033            ATW 74033  
LRS 4036            ATW 74036  
LRS 4037            ATW 74037  
LRS 4042            ATW 74042  
LRS 4046            ATW 74046  
LRS 4052            ATW 74052  
LRS 4053            ATW 74053  
LRS 4054            ATW 74054  
LRS 4057            ATW 74057  
LRS 4060            ATW 74060  
LRS 4065            ATW74065  
LRS 4067            ATW 74067  
LRS 4077            ATW 74077  
LRS 4081            ATW 74081  
LRS 4082            ATW 74082  
LRS 4084            ATW 74084  
LRS 4086            ATW 74086  
LRS 4088            ATW 74088  
LRS 4092            ATW 74092  
LRS 4094            ATW 74094

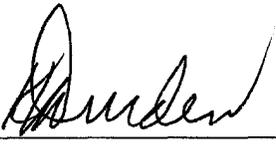
Thirty-two (32) 50 foot rigid,  
grandfathered boxcars

~~LRS 5076~~            ~~ATW 75076~~  
LRS 5077            ATW 75077  
LRS 5078            ATW 75078  
LRS 5079            ATW 75079  
LRS 5080            ATW 75080  
LRS 5081            ATW 75081  
LRS 5082            ATW 75082  
LRS 5083            ATW 75083  
LRS 5084            ATW 75084  
LRS 5085            ATW 75085  
~~LRS 5086~~            ~~ATW 75086~~

Twenty-seven (27) 50 foot cushioned,  
grandfathered boxcars

LRS 5087	ATW 75087
LRS 5088	ATW 75088
<del>LRS 5089</del>	<del>ATW 75089</del>
LRS 5090	ATW 75090
LRS 5091	ATW 75091
LRS 5092	ATW 75092
LRS 5093	ATW 75093
LRS 5094	ATW 75094
LRS 5095	ATW 75095
LRS 5096	ATW 75096
LRS 5097	ATW 75097
LRS 5098	ATW 75098
LRS 5099	ATW 75099
LRS 5100	ATW 75100
LRS 8001	ATW 78001
LRS 8002	ATW 78002

Atlantic & Western Railway, Limited Partnership

By:   
\_\_\_\_\_  
Rail Management and Consulting Corporation  
General Partner  
By: K. Earl Durden, President

LRS 2001	ATW 72001	Three (3) 60 Foot Cushioned,
LRS 2002	ATW 72002	grandfathered boxcars
LRS 2005	ATW 72005	

Per	Date	Percent of Cost
3	12/ 1/97	102.47
6	3/ 1/98	102.17
9	6/ 1/98	101.81
12	9/ 1/98	101.37
15	12/ 1/98	100.87
18	3/ 1/99	100.30
21	6/ 1/99	99.67
24	9/ 1/99	99.00
27	12/ 1/99	98.26
30	3/ 1/00	97.48
33	6/ 1/00	96.65
36	9/ 1/00	95.77
39	12/ 1/00	94.85
42	3/ 1/01	93.89
45	6/ 1/01	92.88
48	9/ 1/01	91.85
51	12/ 1/01	90.77
54	3/ 1/02	89.65
57	6/ 1/02	88.50
60	9/ 1/02	87.30
63	12/ 1/02	86.07
66	3/ 1/03	84.79
69	6/ 1/03	83.48
72	9/ 1/03	82.12
75	12/ 1/03	80.72
78	3/ 1/04	79.27
81	6/ 1/04	77.79
84	9/ 1/04	76.28
87	12/ 1/04	74.74
90	3/ 1/05	73.15
93	6/ 1/05	71.55
96	9/ 1/05	69.92
99	12/ 1/05	68.27
102	3/ 1/06	66.59
105	6/ 1/06	64.88
108	9/ 1/06	63.15
111	12/ 1/06	61.39
114	3/ 1/07	59.61
117	6/ 1/07	57.80
120	9/ 1/07	55.96
123	12/ 1/07	54.09
126	3/ 1/08	52.19
129	6/ 1/08	50.27
132	9/ 1/08	48.31
135	12/ 1/08	46.33
138	3/ 1/09	44.31
141	6/ 1/09	42.27
144	9/ 1/09	40.19
147	12/ 1/09	38.08
150	3/ 1/10	35.94
153	6/ 1/10	33.77
156	9/ 1/10	31.56
159	12/ 1/10	29.32
162	3/ 1/11	27.04
165	6/ 1/11	24.73
168	9/ 1/11	22.39
171	12/ 1/11	20.01
174	3/ 1/12	17.59
177	6/ 1/12	15.15
180	9/ 1/12	12.69

Atlantic Western Railway, Limited  
PartnershipX By: Rail Management and Consulting  
Corporation/General Partner

By: K. Earl Durden, President