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12897 Colonial Dr. • Mt. Airy, Md. 21771
Phone: 301-253-6040
Fax: 301-253-6040*

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MAY 12 '03

11-27 AM

SURFACE TRANSPORTATION BOARD

May 12, 2003

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

Dear Sir:

Enclosed for recording with the Surface Transportation Board is a Master Equipment Lease Agreement dated 4/23/03 involving the following parties and railroad equipment:

Lessor: Jules and Associates, Inc.
515 South Figueroa Street, #1950
Los Angeles, CA 90071

Lessee: Watco Companies, Inc.
315 E. 3rd Street
Pittsburg, KS 66762

Lessee: South Kansas and Oklahoma Railroad, Inc.
315 E. 3rd Street
Pittsburg, KS 66762

Equipment: 85, Covered Hoppers
SKOL 1036-1106; 1109-1122

Please record this agreement as a primary document. The filing fee of \$30 is enclosed.

Summary: Master Equipment Lease Agreement 4/23/03 between Jules and Associates, Inc. as Lessor, Watco Companies, Inc. as Lessee, South Kansas and Oklahoma Railroad, Inc. as Lessee including 85 Covered Hoppers, SKOL 1036-1106, 1109-1122.

Sincerely,



Mary Ann Oster
Research Consultant

Enclosures

LESSOR:
JULES AND ASSOCIATES, INC.
515 SOUTH FIGUEROA STREET
SUITE 1950
LOS ANGELES, CA 90071

MASTER EQUIPMENT LEASE AGREEMENT

MASTER LEASE AGREEMENT NO. A01242003

Lease Agreement made this 23rd day of April, 2003 between JULES AND ASSOCIATES, INC. ("Lessor") with a place of business located at 515 South Figueroa Street, Suite 1950, Los Angeles, California 90071 and Watco Companies, Inc., a Kansas corporation with charter identification number 2565760 and South Kansas and Oklahoma Railroad, Inc. a Kansas corporation with charter identification number 1760727 as Co-Lessees, ("Lessee") having its chief executive office or principal place of business located at 315 E. 3rd Street, Pittsburg, KS 66762.

1. LEASE AGREEMENT. Lessor hereby leases to Lessee and Lessee hereby leases from Lessor all of the personal property ("Equipment") described in Equipment Lease Schedule(s), which are or may from time to time be executed by Lessor and Lessee and attached hereto or incorporated herein by reference ("Schedules"), upon the terms and conditions set forth in this Lease, as supplemented by the terms and conditions set forth in the appropriate Schedule(s) identifying such items of Equipment. All terms and conditions of this Lease shall govern the rights and obligations of Lessor and Lessee except as specifically modified in writing. Whenever reference is made herein to the "Lease", it shall be deemed to include each of the various Schedules identifying all items of Equipment, all of which constitute one undivided Lease of the Equipment and the terms and conditions of which are incorporated herein by reference. In the event the Equipment includes software (including all documentation, later versions, updates, modifications) (herein "Software"), the following shall apply: (1) Lessee shall possess and use the Software in accordance with the terms and conditions of any license agreement entered into with the owner/vendor of such Software (at Lessor's request, Lessee shall provide a complete copy of the License to Lessor); (2) as due consideration for Lessor's payment of the Software price and for providing the Software to Lessee at a lease rate (as opposed to a debt rate), Lessee agrees that Lessor is leasing (and not financing) the Software to Lessee; (3) except as otherwise specifically provided herein, the Software shall be deemed Equipment for all purposes under the Lease. Lessee's liability for Lessee's obligations under this Lease will survive the expiration or earlier termination of this Lease.

2. SELECTION OF EQUIPMENT; ACCEPTANCE. Lessee will select the type, quantity and supplier of each item of Equipment designated in the appropriate Schedule, and in reliance thereon such Equipment will then be ordered by Lessor from such supplier or Lessor will accept an assignment of any existing purchase order therefore. Lessor will have no liability for any delivery or failure by the supplier to fill the purchase order or to meet the conditions thereof. Lessee acknowledges that Lessor has not participated and will not participate in any way in Lessee's selection of the Equipment or of the supplier. Lessee agrees to inspect the Equipment and to execute an Acknowledgment and Acceptance of Equipment by Lessee notice, as provided by Lessor, after the Equipment has been delivered and after Lessee is satisfied that the Equipment is satisfactory in every respect. Lessee hereby authorizes Lessor to insert in this Lease serial numbers or other identifying data with respect to the Equipment.

3. DISCLAIMER OF WARRANTIES AND CLAIMS; LIMITATION OF REMEDIES. LESSOR, NOT BEING THE MANUFACTURER OF THE EQUIPMENT NOR THE MANUFACTURER'S AGENT, MAKES NO EXPRESS OR IMPLIED WARRANTY OF ANY KIND WHATSOEVER WITH RESPECT TO THE EQUIPMENT, INCLUDING, BUT NOT LIMITED TO, THE MERCHANTABILITY OF THE EQUIPMENT OR ITS FITNESS FOR ANY PARTICULAR PURPOSE; THE DESIGN OR CONDITION OF THE EQUIPMENT; THE QUALITY OR CAPACITY OF THE EQUIPMENT; THE WORKMANSHIP IN THE EQUIPMENT; COMPLIANCE OF THE EQUIPMENT WITH THE REQUIREMENT OF ANY LAW, RULE, SPECIFICATION OR CONTRACT PERTAINING THERETO; PATENT INFRINGEMENT; OR LATENT DEFECTS. LESSEE LEASES THE EQUIPMENT "AS IS" AND WITH ALL FAULTS. Lessee accordingly agrees not to assert any claim whatsoever against Lessor for loss of anticipatory profits or consequential damages. Lessor shall have no obligation to install, erect, test, service, or maintain the Equipment. Lessee shall look to the manufacturer and/or seller for any claims related to the Equipment.

If the Equipment is not properly installed, does not operate as represented or warranted by the supplier or manufacturer, or is unsatisfactory for any reason, regardless of cause or consequence, Lessee's only remedy, if any, shall be against the supplier or manufacturer of the Equipment and not against Lessor.

Lessor hereby acknowledges that any manufacturer's and/or seller's warranties are for the benefit of both Lessor and Lessee. NOTWITHSTANDING THE FOREGOING, LESSEE'S OBLIGATIONS TO PAY THE RENTALS OR OTHERWISE UNDER THIS LEASE SHALL BE AND ARE ABSOLUTE AND UNCONDITIONAL. To the extent



permitted by the manufacturer or seller, and provided Lessee is not in default under this Lease, Lessor shall make available to Lessee all manufacturer and/or seller warranties with respect to Equipment.

Lessee specifically acknowledges that the Equipment is leased to Lessee solely for commercial or business purposes and not for personal, family, household, or agricultural purposes.

The parties have specifically negotiated and agreed to the foregoing paragraph: Lessee initials: KA

4. STATUTORY FINANCE LEASE. Lessee agrees and acknowledges that it is the intent of both parties to this Lease that it qualify as a statutory finance lease under Division 10 of the California Uniform Commercial Code (or Article 2A of the Uniform Commercial Code as may be in effect in any jurisdiction the laws of which may be determined by a court of competent jurisdiction to apply to this Lease, any Schedule or the Equipment, notwithstanding the terms of Paragraph 27 of this Lease). Lessee acknowledges and agrees that Lessee has selected both: (1) the Equipment; and (2) the supplier from whom Lessor is to purchase the Equipment. Lessee acknowledges that Lessor has not participated in any way in Lessee's selection of the Equipment or of the supplier, and Lessor has not selected, manufactured, or supplied the Equipment.

LESSEE IS ADVISED THAT IT MAY HAVE RIGHTS UNDER THE CONTRACT EVIDENCING THE LESSOR'S PURCHASE OF THE EQUIPMENT FROM THE SUPPLIER CHOSEN BY LESSEE AND THAT LESSEE SHOULD CONTACT THE SUPPLIER OF THE EQUIPMENT FOR A DESCRIPTION OF ANY SUCH RIGHTS.

5. ASSIGNMENT BY LESSEE PROHIBITED. WITHOUT LESSOR'S PRIOR WRITTEN CONSENT, LESSEE SHALL NOT ASSIGN THIS LEASE OR SUBLEASE THE EQUIPMENT OR ANY INTEREST THEREIN, OR PLEDGE OR TRANSFER THIS LEASE, OR OTHERWISE DISPOSE OF THE EQUIPMENT COVERED HEREBY.

6. COMMENCEMENT; RENTAL PAYMENTS; INTERIM RENTALS. This Lease shall commence upon the written acceptance hereof by Lessor and shall end upon full performance and observance by Lessee of each and every term, condition and covenant set forth in this Lease, any Schedules hereto and any extensions hereof. The monthly rental payments shall be in advance and shall be in the amounts and frequency as set forth on the face of this Lease or any Schedules hereto. The first such rental payment shall be made on the first day of the calendar quarter following the date on which the Equipment is accepted by the Lessee. In addition to regular rentals, Lessee shall pay to Lessor interim rent, which shall be a pro-rata portion of the monthly rental charges based on a daily rental charge of one-thirtieth (1/30th) of the monthly rental calculated from the date on which the Equipment is accepted by the Lessee to the end of the calendar quarter, and shall be due and payable upon Lessee's receipt of invoice from Lessor. The rental period under the Lease shall terminate following the last day of the terms stated on the face hereof or in any Schedule hereto unless such Lease or Schedule has been extended or otherwise modified. A calendar quarter means a three-month period commencing on January 1, April 1, July 1, or October 1 of any calendar year. Lessor shall have no obligation to Lessee under this Lease if the Equipment, for whatever reason, is not delivered to Lessee within ninety (90) days after Lessee signs this Lease. Lessor shall have no obligation to Lessee under this Lease if Lessee fails to execute and deliver to Lessor an Acknowledgment and Acceptance of Equipment by Lessee acknowledging its acceptance of the Equipment within thirty (30) days after it is delivered to Lessee, with respect to this Lease or any Schedule hereto.

7. LIMITED PREARRANGED AMENDMENTS; AUTHORIZATION TO FILE FINANCING STATEMENTS; SPECIFIC POWER OF ATTORNEY. In the event it is necessary to amend the terms of this Lease or the terms of any Schedule to reflect a change in one or more of the following conditions:

- (1) Lessor's actual cost of procuring the Equipment; or
- (2) Lessor's actual cost of providing Equipment to Lessee; or
- (3) A change in the Lease payments as a result of (1) and/or (2) above; or
- (4) Description of the leased Equipment,

Lessee agrees that any such amendment shall be described in a letter from Lessor to Lessee, and unless within 15 days after the date of such letter Lessee objects thereto in writing delivered to Lessor, this Lease and any affected Schedules shall be deemed amended and such amendments shall be incorporated herein/therein as if originally set forth herein/therein. Lessee hereby authorizes Lessor or its assignee to file such Uniform Commercial Code financing statements or financing statement amendments in any jurisdiction as Lessor shall deem necessary or desirable, at any time and from time to time, to carry out the terms of this Lease or any Schedule, or otherwise to protect Lessor's interests in the Equipment, in each case naming Lessee, as debtor or lessee, and Lessor, as secured party or lessor, and without Lessee's signature. Lessee hereby further grants to Lessor a specific power of attorney, coupled with an interest, for Lessor to use as follows: (1) Lessor may sign and file on Lessee's behalf any document Lessor deems necessary to perfect or protect Lessor's interest in the Equipment or pursuant to the Uniform Commercial Code; and (2) Lessor may sign, endorse or negotiate for Lessor's benefit any instrument representing proceeds from any policy of insurance covering the Equipment.



8. LOCATION. Lessee shall keep the Equipment only at the location specified in each Schedule or, if none is specified, at Lessee's address as set forth above, and Lessee shall not remove the Equipment therefrom without Lessor's prior written consent. Lessor shall have the right to inspect the Equipment and observe its use during normal business hours, and Lessee will ensure Lessor's ability to enter into and upon the premises where the Equipment may be located for such purpose.

9. USE. Lessee shall use the Equipment in a careful manner, shall make all necessary repairs at Lessee's expense, and shall comply with all laws relating to its possession, use or maintenance, and shall not make any alterations, additions or improvements to the Equipment without Lessor's prior written consent. All additions, repairs or improvements made to the Equipment shall belong to Lessor.

10. OWNERSHIP; PERSONALTY. The Equipment is, and shall remain, the property of Lessor, and Lessee shall have no right, title or interest therein or thereto except as expressly set forth in this Lease. Should Lessee have an end of term purchase option and Lessee does not give proper notice as agreed upon by both parties, then, that purchase option shall be null and void and the terms and conditions as set forth in this Agreement shall prevail after any extension period. The Equipment shall remain personal property even though installed in or attached to real property.

11. NO CHANGES TO LESSEE. Lessee represents and warrants to Lessor that Lessee's exact legal name (as set forth in its articles of incorporation or other formation documents), state of organization, corporate or charter identification number, and location of its chief executive office are accurately set forth in the preamble paragraph of this Lease. Lessee shall not change its legal name, its state of organization or location of chief executive office unless Lessee shall have given Lessor 30 days prior written notice and have executed and delivered to Lessor such other agreements, instruments and documents as Lessor shall reasonably require in connection therewith to preserve Lessor's rights and remedies with respect to all items of Equipment covered by this Lease and/or any Schedule.

12. SURRENDER. By this Lease, Lessee acquires no ownership rights in the Equipment and has no option to purchase same. Upon the expiration or termination of any Schedule or this Lease, or in the event of a default pursuant to Paragraph 20 hereof, Lessee, at its expense, shall return the Equipment in good repair, ordinary wear and tear resulting from proper use thereof alone excepted, by delivering it, packed and ready for shipment, to such place or carrier as Lessor may specify.

13. RENEWAL. At the expiration of the term set forth in each Schedule, Lessee shall return the Equipment subject to said Schedule in accordance with Paragraph 12 hereof. At Lessor's option, this Lease, with respect to each Schedule, may be continued on a month-to-month basis until 30 days after Lessee returns the Equipment subject to the Schedule to Lessor. In the event that the Lease, with respect to a Schedule, is so continued, Lessee shall pay to Lessor rentals in the same periodic amounts as indicated under "Rental" on the Schedule.

14. LOSS AND DAMAGE. Lessee shall bear the entire risk of loss, theft, damage or destruction of the Equipment from any cause whatsoever, and no loss, theft, damage or destruction of the Equipment shall relieve Lessee of the obligation to pay rent or to comply with any other obligation under this Lease.

In the event of damage to any item of Equipment, Lessee shall immediately place the same in good repair at Lessee's expense. If Lessor determines that any item of Equipment is lost, stolen, destroyed or damaged beyond repair, Lessee shall at Lessee's option do one of the following:

(a) Replace the same with like Equipment in good repair, acceptable to Lessor; or

(b) Pay Lessor in cash the following: (i) all amounts due by Lessee to Lessor with respect to all affected Schedules up to the date of the loss; (ii) the unpaid balance of the total rent for the remaining term of the affected Schedules attributable to said item, reduced to present value at a discount rate of 6% as of the date of the loss; and (iii) the Lessor's estimate as of the time this Lease was entered into of Lessor's residual interest in the Equipment, discounted to present value at a discount rate of 6% as of the date of the loss. Upon Lessor's receipt of payment as set forth above, Lessee shall be entitled to the Equipment, without any warranties. If insurance proceeds are used to fully comply with this subparagraph, the balance of any such proceeds shall go to Lessee to compensate for loss of use of the Equipment for the remaining term of the Lease.

15. INSURANCE; LIENS; TAXES. Lessee shall provide and maintain insurance against loss, theft, damage or destruction of the Equipment in an amount not less than the full replacement value of the Equipment, with loss payable to Lessor. Lessee shall also provide and maintain comprehensive general all-risk liability insurance, including but not limited to product liability coverage, insuring Lessor and Lessee with a severability of interest endorsement or its equivalent, against any and all loss or liability for damages either to persons or property or otherwise, which might result from or happen in connection with the condition, use or operation of the Equipment, with such limits and with an insurer as are satisfactory to Lessor. Each policy shall expressly provide that said insurance as to Lessor and its assigns shall not be invalidated by any act, omission or neglect of Lessee and cannot be canceled without 30 days written notice to Lessor. As to each policy, Lessee shall furnish to Lessor a certificate of insurance from the insurer, which certificate shall evidence the insurance coverage required by this Paragraph and



shall designate Lessor as loss payee and/or additional insured. Lessor shall have no obligation to ascertain the existence or adequacy of insurance, or to provide any insurance coverage for the Equipment or for Lessee's benefit.

Lessee shall keep the Equipment free and clear of all levies, liens and encumbrances. Lessee shall pay all charges and taxes (local, state and federal) which may now or hereafter be imposed upon the ownership, leasing, rental, sale, purchase, possession or use of the Equipment excluding, however, all taxes on or measured by Lessor's net income.

If Lessee fails to procure or maintain said insurance or to pay said charges or taxes, Lessor shall have the right, but shall not be obligated, to effect such insurance, or pay such charges or taxes. In that event, Lessor shall notify Lessee of such payment and Lessee shall repay to Lessor the cost thereof within 15 days after such notice is mailed to Lessee.

16. INDEMNITY. Lessee does hereby assume liability for and shall indemnify, defend, protect, save and keep harmless Lessor and its successors and assigns against any and all losses, penalties, claims, actions, suits costs, expenses, damages or liabilities, including all attorney fees and court costs of whatsoever kind and nature, in contract or tort, arising out of or connected with the Equipment or this Lease, without limitation, any claim alleging latent and other defects, whether or not discovered by Lessor or Lessee and any claim for patent, trademark or copyright infringement. Such indemnification shall survive the expiration, cancellation or termination of this Lease. Lessee waives any immunity Lessee may have under any industrial insurance act with regard to indemnification of Lessor. Lessee agrees to give Lessor notice of any claim or liability hereby indemnified against promptly following learning thereof.

17. ASSIGNMENT BY LESSOR. Any assignee of Lessor shall have all of the rights but none of the obligations of Lessor under this Lease. Lessee shall recognize and hereby consents to any assignment of this Lease by Lessor, and Lessee shall not assert against the assignee any defense, counterclaim or set-off that Lessee may have against Lessor. Subject to the foregoing, this Lease inures to the benefit of and is binding upon the heirs, devisees, personal representatives, survivors, successors in interest and assigns of the parties hereto.

18. SERVICE CHARGES; INTEREST. If Lessee shall fail to make any payment required by this Lease within 10 days of the due date thereof, Lessee shall pay to Lessor a service charge of 8% of the amount due, provided, however, that not more than one such service charge shall be made on any delinquent payment regardless of the length of the delinquency. In addition to the foregoing service charge, Lessee shall pay to Lessor a \$100 default fee with respect to any payment which becomes thirty (30) days past due. In addition, Lessee shall pay to Lessor any actual additional expenses incurred by Lessor in collection efforts, including but not limited to long-distance telephone charges and travel expenses. Further, Lessee shall pay to Lessor interest on any delinquent payment or amount due under this Lease from the due date thereof until paid, at the lesser of the maximum rate of interest allowed by law or 18% per annum.

19. TIME OF ESSENCE. Time is of the essence of this Lease, and this provision shall not be impliedly waived by the acceptance on occasion of late or defective performance.

20. DEFAULT. Lessee shall be in default of this Lease if:

- (a) Lessee shall fail to make any payment due under the terms of this Lease for a period of 10 days from the due date thereof; or
- (b) Lessee shall fail to observe, keep or perform any other provision of this Lease, and such failure shall continue for a period of 10 days; or
- (c) Lessee has made any misleading or false statement or representation hereunder or under any Schedule, or in connection with, the application for or performance of this Lease; or
- (d) The Equipment or any part thereof shall be subject to any lien, levy, seizure, assignment, transfer, bulk transfer, encumbrance, application, attachment, execution, sublease, or sale without prior written consent of Lessor, or if Lessee shall abandon the Equipment or permit any other entity or person to use the Equipment without prior written consent of Lessor; or
- (e) Lessee dies or ceases to exist or ceases business activities; or
- (f) Lessee defaults on any other agreement it has with Lessor; or
- (g) Lessee or any guarantor of this Lease defaults on any obligation to Lessor, or any of the above-listed events of default occur with respect to Lessee or any guarantor, or Lessee or any such guarantor files or has filed against it a petition under the bankruptcy laws; or
- (h) Lessee undergoes a sale, buyout, change of control, or change in ownership of any type, form or manner which, as judged solely by Lessor, results in deterioration in Lessee's credit worthiness.

21. REMEDIES. If Lessee is in default, Lessor, with or without notice to Lessee, shall have the right to exercise any one or more of the following remedies, concurrently or separately and without any election of remedies being deemed to have been made:

- (a) Lessor may enter upon Lessee's premises and without any court order or other process of law may repossess and



remove the Equipment, or render the Equipment unusable without removal, either with or without notice to Lessee. Lessee hereby waives any trespass or right of action for damages by reason of such entry, removal or disabling. Any such repossession shall not constitute a termination of this Lease;

(b) Lessor may require Lessee, at its expense, to return the Equipment in good repair, ordinary wear and tear resulting from proper use thereof alone excepted, by delivering it, packed and ready for shipment, to such place or carrier as Lessor may specify;

(c) Lessor may cancel or terminate this Lease and may retain any and all prior payments paid by Lessee;

(d) Lessor may declare all sums due and to become due under this Lease immediately due and payable, including as to any or all items of Equipment, without notice or demand to Lessee;

(e) Lessor may re-lease the Equipment to any third party, without notice to Lessee, upon such terms and conditions as Lessor alone shall determine, or may sell the Equipment without warranties and without notice to Lessee, at private or public sale as Lessor shall determine, at which sale Lessor may be the purchaser. In the event that Lessor shall sell the Equipment pursuant to the foregoing, Lessor may specifically disclaim any warranties of title or the like;

(f) Lessor may sue for and recover from Lessee the sum of all unpaid rents and other payments due under this Lease then accrued, plus all accelerated future payments due under this Lease, reduced to their present value using a discount rate of 6%, as of the date of default, plus Lessor's estimate at the time this Lease was entered into of Lessor's residual interest in the Equipment, reduced to present value at a discount rate of 6%, as of the date of default, less the net proceeds of disposition, if any, of the Equipment;

(g) To pursue any other remedy available at law, by statute or in equity.

No right or remedy conferred upon or reserved to Lessor is exclusive of any other right or remedy herein, or by law or by equity provided or permitted, but each shall be cumulative of every other right or remedy given herein or now or hereafter existing by law or equity or by statute or otherwise, and may be enforced concurrently therewith or from time to time. No single or partial exercise by Lessor of any right or remedy hereunder shall preclude any other or further exercise of any other right or remedy.

22. MULTIPLE LESSEES. Lessee and each of them are jointly and severally responsible and liable to Lessor under this Lease. Lessor may, with the consent of any one of the Lessees hereunder, modify, extend or change any of the terms hereof without consent or knowledge of the others, without in any way releasing, waiving or impairing any right granted to Lessor against the others.

23. EXPENSE OF ENFORCEMENT. In the event of any legal action with respect to this Lease, the prevailing party in any such action shall be entitled to reasonable attorney fees, including attorney fees incurred at the trial level, including action in bankruptcy court, on appeal or review, or incurred without action, suits or proceedings, together with all costs and expenses incurred in pursuit thereof.

24. LESSEE'S WARRANTIES AND MISCELLANEOUS. Lessee certifies and warrants that the financial data and other information which Lessee submits to Lessor in connection with this lease is, or will be, as appropriate, a true and complete statement of the matters therein contained. Lessee further certifies and warrants that (a) this lease has been duly authorized, executed and delivered by Lessee and constitutes the legal, valid and binding obligation, contract and agreement of Lessee enforceable against Lessee in accordance with its respective terms except as enforcement may be affected by bankruptcy and similar laws affecting creditors' rights generally and (b) this lease and each and every showing provided by or on behalf of Lessee in connection herewith may be relied upon by Lessor in accordance with the terms thereof notwithstanding the failure of Lessee or other applicable party to ensure proper attestation thereto, whether by absence of a seal or acknowledgment or otherwise. The person executing this lease on behalf of Lessee warrants that he or she has been fully authorized to do so.

(1) LESSEE HEREBY ACKNOWLEDGES THAT THIS LEASE IS NONCANCELABLE FOR THE ORIGINAL RENTAL TERM SET FORTH IN EACH SCHEDULE.

(2) LESSEE UNDERSTANDS AND ACKNOWLEDGES THAT NO BROKER OR SUPPLIER NOR ANY SALESMAN, BROKER OR AGENT OF ANY BROKER OR SUPPLIER IS AN AGENT OF LESSOR. NO BROKER OR SUPPLIER, NOR ANY SALESMAN, BROKER OR AGENT OF ANY BROKER OR SUPPLIER IS AUTHORIZED TO WAIVE OR ALTER ANY TERM OR CONDITION OF THIS LEASE, AND NO REPRESENTATION AS TO THE EQUIPMENT OR ANY OTHER MATTER BY A BROKER OR SUPPLIER OR ANY SALESMAN, BROKER OR AGENT OF ANY BROKER OR SUPPLIER SHALL IN ANY WAY AFFECT LESSEE'S DUTY TO PAY THE RENTALS AND TO PERFORM LESSEE'S OBLIGATIONS SET FORTH IN THIS LEASE. LESSEE AUTHORIZES LESSOR TO INSERT ANY APPLICABLE DATES ON THE LEASE OR ATTACHMENTS TO THE LEASE.

(3) LESSEE AGREES THAT LESSOR MAY USE LESSEE'S NAME IN ADVERTISING AND PROMOTIONAL MATERIALS AND GENERAL TERMS OF THIS MASTER EQUIPMENT LEASE AND SCHEDULES.

(4) LESSEE SHALL FURNISH LESSOR WITH (a) A FISCAL YEAR END FINANCIAL STATEMENT INCLUDING BALANCE SHEET AND INCOME STATEMENT WITHIN ONE HUNDRED AND TWENTY (120) DAYS OF THE CLOSE OF EACH FISCAL YEAR AND (b) SUCH OTHER FINANCIAL DATA OR INFORMATION RELATIVE TO



THIS LEASE AND THE EQUIPMENT AS LESSOR MAY FROM TIME TO TIME REQUEST. AS A PRECAUTIONARY MATTER, IN THE EVENT THAT ANY COURT OF COMPETENT JURISDICTION SHALL DETERMINE THAT THESE MASTER EQUIPMENT LEASE AGREEMENTS AND/OR ANY SCHEDULE DOES NOT SO QUALIFY AS A LEASE, THEN LESSEE HEREBY GRANTS TO LESSOR A SECURITY INTEREST IN ALL EQUIPMENT LEASED HEREUNDER AND THE PROCEEDS THEREOF (INCLUDING EQUIPMENT, AND INSURANCE PROCEEDS) TO SECURE LESSEE'S OBLIGATIONS OWING TO LESSOR HEREUNDER.

25. SEVERABILITY. This Lease is intended to constitute a valid and enforceable legal instrument. In the event any provision hereof is declared invalid, such provision will be deemed severable from the remaining provisions of this Lease, all of which will remain in full force and effect.

26. ENTIRE AGREEMENT; WAIVER. This instrument and the Schedules executed by Lessor and Lessee constitute the entire agreement between Lessor and Lessee with respect to the Equipment and the subject matter of this Lease. Lessee certifies and warrants that this Lease has been duly authorized, executed and delivered by Lessee and constitutes the legal, valid and binding obligation and that the person executing this Lease on behalf of the Lessee warrants that he or she has been authorized to do so. No provision of this Lease shall be modified unless in writing signed by an authorized representative of Lessor and Lessee. Waiver by Lessor of any provision hereof in one instance shall not constitute a waiver of any other instance. NO ORAL OR WRITTEN AGREEMENT, GUARANTY, PROMISE, CONDITION, REPRESENTATION OR WARRANTY SHALL BE BINDING UNLESS MADE A PART OF THIS LEASE BY DULY EXECUTED ADDENDUM.

Lessee initials: KA KA

27. CHOICE OF LAW; JURISDICTION. This Lease shall not be effective until signed by Lessor at its principal place of business listed above. This Lease shall be considered to have been made in the State of California and shall be interpreted in accordance with the internal laws and regulations of the State of California without regard for principles of conflicts of laws.

Lessee agrees to the non-exclusive jurisdiction in the County of Los Angeles, State of California in any action, suit or proceeding arising out of this Lease, and concedes that it, and each of them, transacted business in the said state by entering into this Lease. In the event of legal action to enforce this Lease, Lessee agrees that venue may be laid in any state or federal court located in the County of Los Angeles, State of California or any other court in which Lessor may initiate an action to enforce this Lease that has jurisdiction over the parties and the subject matter.

Lessee initials: KA KA

LESSEE: Watco Companies, Inc. and South Kansas and Oklahoma Railroad, Inc. as Co-Lessees

By: Kirk Hawley Date: 4/23/03
Kirk Hawley, Vice President of Watco Companies, Inc.

By: Kirk Hawley Date: 4/23/03
Kirk Hawley, Vice President of South Kansas and Oklahoma Railroad, Inc.

LESSOR: JULES AND ASSOCIATES, INC.

By: Scott C. Monroe Date: 5/8/03
Name: Scott C. Monroe
Title: Vice President

I, Scott C. Monroe certify this to be a true and exact copy of the original document.

Name: Scott C. Monroe
Title: Vice President

THIS LEASE AND THE EQUIPMENT AS LESSOR MAY FROM TIME TO TIME REQUEST. AS A PRECAUTIONARY MATTER, IN THE EVENT THAT ANY COURT OF COMPETENT JURISDICTION SHALL DETERMINE THAT THESE MASTER EQUIPMENT LEASE AGREEMENTS AND/OR ANY SCHEDULE DOES NOT SO QUALIFY AS A LEASE, THEN LESSEE HEREBY GRANTS TO LESSOR A SECURITY INTEREST IN ALL EQUIPMENT LEASED HEREUNDER AND THE PROCEEDS THEREOF (INCLUDING EQUIPMENT, AND INSURANCE PROCEEDS) TO SECURE LESSEE'S OBLIGATIONS OWING TO LESSOR HEREUNDER.

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Lessee initials: _____

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Lessee agrees to the non-exclusive jurisdiction in the County of Los Angeles, State of California in any action, suit or proceeding arising out of this Lease, and concedes that it, and each of them, transacted business in the said state by entering into this Lease. In the event of legal action to enforce this Lease, Lessee agrees that venue may be laid in any state or federal court located in the County of Los Angeles, State of California or any other court in which Lessor may initiate an action to enforce this Lease that has jurisdiction over the parties and the subject matter.

Lessee initials: _____

LESSEE: Watco Companies, Inc. and
South Kansas and Oklahoma Railroad, Inc. as Co-Lessees

By Kirk Hawley Date: 4/23/03
Kirk Hawley, Vice President of
Watco Companies, Inc.

By Kirk Hawley Date: 4/23/03
Kirk Hawley, Vice President of
South Kansas and Oklahoma Railroad, Inc.

LESSOR: JULES AND ASSOCIATES, INC.

By Scott C. Monroe Date: 5/8/03
Name: Scott C. Monroe
Title: Vice President

I, Scott C. Monroe certify this
to be a true and exact copy of the
original document.

Name: Scott C. Monroe

Title: Vice President

ATTACHMENT

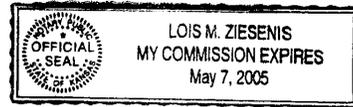
TO

MASTER EQUIPMENT LEASE AGREEMENT NO. A01242003

STATE OF KANSAS)
)ss.
COUNTY OF CRAWFORD)

The foregoing Agreement was acknowledged before me this 23rd day of April, 2003, by Kirk Hawley, the Vice President of Watco Companies, Inc., on behalf of the Company.

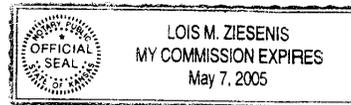

NOTARY PUBLIC
My Commission Expires: May 7, 2005



STATE OF KANSAS)
)ss.
COUNTY OF CRAWFORD)

The foregoing Agreement was acknowledged before me this 23rd day of April, 2003, by Kirk Hawley, the Vice President of South Kansas and Oklahoma Railroad, Inc., on behalf of the Company.


NOTARY PUBLIC
My Commission Expires: May 7, 2005



ATTACHMENT

TO

MASTER EQUIPMENT LEASE AGREEMENT NO. A01242003

STATE OF CALIFORNIA)
)ss.
COUNTY OF LOS ANGELES)

The foregoing Agreement was acknowledged before me this 8th day of May, 2003, by Scott C. Monroe, the Vice President of Jules and Associates, Inc., on behalf of the Company.



NOTARY PUBLIC
My Commission Expires: 4.13.04



EXHIBIT "A"
JULES AND ASSOCIATES, INC.
LEASE NO: A01242003 SCHEDULE NO. 1

QUANTITY

EQUIPMENT DESCRIPTION:

EQUIPMENT LOCATION:

315 W. 3RD STREET, PITTSBURG, KS 66762

VENDOR:

SOUTHERN ILLINOIS RAILCAR CO.
(Invoice No. SALE 041503)
RAILCARS

71

No. Cars	OLD CAR NUMBER	NEW CAR NUMBER	Type Code	YR BUILT
1	SIRX442680	SKOL1036	C113	65
2	SIRX442761	SKOL1037	C113	63
3	SIRX442801	SKOL1038	C113	66
4	SIRX442809	SKOL1039	C113	66
5	SIRX442810	SKOL1040	C113	66
6	SIRX442811	SKOL1041	C113	66
7	SIRX442813	SKOL1042	C113	66
8	SIRX442814	SKOL1043	C113	66
9	SIRX442816	SKOL1044	C113	66
10	SIRX442817	SKOL1045	C113	66
11	SIRX442818	SKOL1046	C113	66
12	SIRX442819	SKOL1047	C113	66
13	SIRX442820	SKOL1048	C113	66
14	SIRX442821	SKOL1049	C113	66
15	SIRX442824	SKOL1050	C113	66
16	SIRX442826	SKOL1051	C113	66
17	SIRX442828	SKOL1052	C113	66
18	SIRX442830	SKOL1053	C113	64
19	SIRX442832	SKOL1054	C113	65
20	SIRX442836	SKOL1055	C113	65
21	SIRX442839	SKOL1056	C113	65
22	SIRX442840	SKOL1057	C113	65
23	SIRX442841	SKOL1058	C113	71
24	SIRX442843	SKOL1059	C113	67
25	SIRX442844	SKOL1060	C113	71
26	SIRX442846	SKOL1061	C113	71
27	SIRX442847	SKOL1062	C113	64



28	SIRX442848	SKOL1063	C113	67
29	SIRX442849	SKOL1064	C113	64
30	SIRX442850	SKOL1065	C113	65
31	SIRX442859	SKOL1066	C113	66
32	SIRX442862	SKOL1067	C113	63
33	SIRX442863	SKOL1068	C113	64
34	SIRX442866	SKOL1069	C113	66
35	SIRX442867	SKOL1070	C113	66
36	SIRX442878	SKOL1071	C113	71
37	SIRX442879	SKOL1072	C113	66
38	SIRX442880	SKOL1073	C113	66
39	SIRX442882	SKOL1074	C113	64
40	SIRX442883	SKOL1075	C113	65
41	SIRX442887	SKOL1076	C113	64
42	SIRX442965	SKOL1077	C113	71
43	SIRX443000	SKOL1078	C113	64
44	SIRX446000	SKOL1079	C113	71
45	SIRX446001	SKOL1080	C113	71
46	SIRX446003	SKOL1081	C113	71
47	SIRX446006	SKOL1082	C113	71
48	SIRX446007	SKOL1083	C113	71
49	SIRX446009	SKOL1084	C113	71
50	SIRX450000	SKOL1085	C113	66
51	SIRX450001	SKOL1086	C113	66
52	SIRX450002	SKOL1087	C113	66
53	SIRX450004	SKOL1088	C113	66
54	SIRX450005	SKOL1089	C113	66
55	SIRX450006	SKOL1090	C113	66
56	SIRX450007	SKOL1091	C113	66
57	SIRX450008	SKOL1092	C113	66
58	SIRX450009	SKOL1093	C113	66
59	SIRX450010	SKOL1094	C113	66
60	SIRX450011	SKOL1095	C113	66
61	SIRX450013	SKOL1096	C113	66
62	SIRX450015	SKOL1097	C113	66
63	SIRX460314	SKOL1098	C113	73
64	SIRX442823	SKOL1099	C113	66
65	SIRX442825	SKOL1100	C113	66
66	SIRX442842	SKOL1101	C113	67
67	SIRX442855	SKOL1102	C113	64



68	SIRX446004	SKOL1103	C113	71
69	SIRX446005	SKOL1104	C113	71
70	SIRX446008	SKOL1105	C113	71
71	SIRX450012	SKOL1106	C113	66

VENDOR:

14

RAILCAR LEASING SPECIALISTS, INC.

(Invoice No. 040403)

AIRSLIDE COVERED HOPPER CARS

2,600 CUBIC FEET

<u>OLD CAR NUMBER</u>	<u>NEW CAR NUMBER</u>	<u>CAR DESCRIPTION</u>
GACX 47056	SKOL1109	1970 Built 70 Ton
GACX 47073	SKOL1110	1970 Built 70 Ton
GACX 47136	SKOL1111	1970 Built 70 Ton
GACX 47147	SKOL1112	1970 Built 70 Ton
GACX 48034	SKOL1113	1972 Built 100 Ton
GACX 48053	SKOL1114	1972 Built 100 Ton
GACX 46765	SKOL1115	1970 Built 70 Ton
GACX 46892	SKOL1116	1970 Built 70 Ton
GACX 48013	SKOL1117	1972 Built 100 Ton
GACX 48014	SKOL1118	1972 Built 100 Ton
GACX 48017	SKOL1119	1972 Built 100 Ton
GACX 48028	SKOL1120	1972 Built 100 Ton
GACX 48041	SKOL1121	1972 Built 100 Ton
GACX 48078	SKOL1122	1972 Built 100 Ton



VENDOR:

MIKE KOSEL CONSULTING SERVICES

(Invoice No. 2304-R)

14

Sets of Tubes, Air Inlet fittings & filters

Along with all additions, substitutions, attachments, replacements, and accessions thereof, plus the proceeds of all the foregoing including amounts payable under any insurance policy.

This Exhibit "A" is attached to and a part of Jules and Associates, Inc. Lease No. A01242003 Schedule No. 1 and constitutes a true and accurate description of the equipment.

**LESSEE: WATCO COMPANIES, INC. AND
SOUTH KANSAS AND OKLAHOMA RAILROAD, INC. AS CO-LESSEES**

ACKNOWLEDGED & ACCEPTED BY:

BY: 
KIRK HAWLEY

TITLE: VICE PRESIDENT OF WATCO COMPANIES, INC.

BY: 
KIRK HAWLEY

TITLE: VICE PRESIDENT OF SOUTH KANSAS AND OKLAHOMA RAILROAD, INC.