



NORTHWEST

FARM CREDIT SERVICES

2529 North Reserve Street  
P.O. Box 16166  
Missoula, Montana 59808-6166  
(406) 532-4900 / Fax (406) 532-4930  
1-800-732-3276

May 3, 2004

RECORDATION NO 24949 FILED

MAY 11 '04 2:26 PM

SURFACE TRANSPORTATION BOARD



Mr. Vernon A. Williams  
Office of the Secretary  
Surface Transportation Board  
1925 K Street, N.W.  
Washington, D. C. 20423-0001

Dear Secretary Williams:

Please find enclosed an original and one copy of the documents described below, to be recorded pursuant to Section 11301 of Title 49 the U. S. Code.

This document is a Security Agreement and Assignment of Lease, a primary document, dated May 3, 2004.

The names and addresses of the parties to the documents are as follows:

Debtor: Tobacco Valley Lumber Company  
PO Box 2590  
Kalispell, MT 59901

Secured Party: Northwest Farm Credit Services, PCA  
2529 North Reserve Street  
PO Box 16166  
Missoula, MT 59808-6166

A description of the railcars covered by the documents is attached hereto as Exhibit A. A copy of the Equipment Lease Agreement also covered by the document is attached hereto as Exhibit B.

A fee of \$30.00 made payable to the Surface Transportation Board is enclosed. Please return the stamped original and any extra copies not needed by the Board for recordation to Northwest Farm Credit Services, PCA.

A summary of the document to appear in the index is as follows: Security Agreement and Assignment of Lease between Tobacco Valley Lumber Company, (Debtor) whose address is PO Box 2590, Kalispell, MT 59901 and Northwest Farm Credit Services, PCA, (Secured Party) whose address is PO Box 16166, Missoula, MT 59808-6166, covering 28 railcars owned by Debtor.

Sincerely yours,

Mark Dvarishkis, Branch Manager  
and Assistant Vice President

Enclosures

**Security Agreement and Assignment of Lease**

Customer/Note No. 48441 - 141

This agreement, dated May 3, 2004, between Tobacco Valley Lumber Company, a corporation ("Debtor"), whose address is

P O Box 2590  
Kalispell, MT 59901

and Northwest Farm Credit Services, PCA, a corporation ("Secured Party"), which office address is

2529 North Reserve Street  
PO Box 16166  
Missoula, MT 59808-6166.

The undersigned Debtor is or will become indebted to Secured Party and may from time to time hereafter request additional loans and advances from Secured Party and desires to give security or additional security to secure the payment and performance of all such indebtedness and obligations of Debtor to Secured Party as hereinafter described. THEREFORE, as security for the repayment of the Note(s), in accordance with the terms therein, executed and delivered by Debtor to Secured Party and described as follows:

Date of Note	Amount of Note	Final Maturity Date of Note
May 3, 2004	\$2,000,000.00	May 1, 2005

Debtor hereby gives and grants to Secured Party a continuing security interest in the property and goods described below. The Collateral secures the debt evidenced by the above described Notes including any amendments, extensions or renewals thereof, all interest which shall accrue thereon, all additional advances or loans hereafter made to or for Debtor, whether or not evidenced by Note, repayment of all sums hereafter expended by Secured Party for maintenance, preservation or transportation of the Collateral or for enforcement of the Security Agreement and for all other obligations of Debtor to Secured Party, direct or indirect, absolute or contingent, now existing or hereafter arising.

**I. Collateral**

The Collateral includes those things below:

**EQUIPMENT:** 28 Railcars described as follows: 73-foot, 286,000 GRL center partition flatcars marked and numbered AOK 2000 through AOK 2008, AOK 2010, and AOK 2012 through AOK 2029, together with any replacements or substitutions thereof and any accessions thereto. These railcars are subject to that certain Equipment Lease Agreement dated December 1, 2003 between Greenbrier Leasing Corporation as Lessee and Tobacco Valley Lumber Company as Lessor, a copy of which is attached here to as Exhibit "A," (the "Lease") which is assigned hereby for collateral purposes to Secured Party.

**LUMBER:** All lumber and forest products of any nature and all proceeds and products thereof.

**PRODUCTS:** All products of lumber secured hereby, now owned or hereafter acquired, whether grown on the Premises or purchased.

**OTHER COLLATERAL:** All of the following collateral of every kind and description arising out of or in any way related to the Debtor's farming, ranching, agricultural or aquatic operations or activities:

1. Accounts. All rights to the payment of money, whether due or to become due and whether or not earned by performance, including but not limited to accounts, revolving fund credits, patronage dividends, retains, and government program payments or subsidies in whatever form.
2. Chattel Paper. All chattel paper, including electronic chattel paper, tangible chattel paper, licenses and leases.
3. Inventory. Any and all goods, now owned or hereafter acquired by Debtor, which may be held for sale or lease, furnished under any contract of service or as raw materials, work-in-process, or supplies, and all materials used or consumed in Debtor's operations, including but not limited to harvested crops, feed, seed and livestock held for resale.
4. Instruments, Documents and Promissory Notes. All negotiable and non-negotiable instruments, documents, promissory notes and any other writings which evidence the right to the payment of money which are not, in themselves, security agreements or leases, and are of a type which is, in the ordinary course of business, transferred by delivery with any necessary endorsement or assignment, including but not limited to bonds, bills of sale, warehouse receipts, and payment in kind and/or generic commodity certificates.
5. Investment Property. All securities, whether certificated or uncertificated, security entitlements, securities accounts, commodity contracts or commodity accounts.
6. Documents. All documents of title including but not limited to warehouse receipts and bills of lading.

7. Deposit Accounts. Demand, time, savings, passbook or similar accounts maintained with a bank.
8. Letters of Credit Rights. Rights to payment or performance under a letter of credit, whether or not the beneficiary has demanded or is at the time entitled to demand payment or performance.
9. General Intangibles. All general intangibles, including payment intangibles, and including but not limited to all licenses, franchises, leases, grazing privileges, permits, water rights, brands, milk and quantity base certificates or quota rights, revolving fund credits, patronage dividends, marketing agreements, and government program payments or subsidies in whatever form.

**CAPITAL EQUITIES:** All Stock/Participation Certificates now or hereafter issued to or otherwise owned by Debtor in Northwest Farm Credit Services, ACA.

**PROCEEDS:** All cash or non-cash proceeds of the sale, lease, license, exchange, or other disposition of collateral or accounts receivable or general intangibles arising therefrom. Proceeds include all subsidy payments, in cash or in kind, which may be made to Debtor by any person, entity, or governmental agency, including, but not limited to, payments and entitlements from state and federal farm programs as well as any type of collateral insurance; and any rights arising out of collateral, and collections and distributions on collateral.

For purposes hereof, the categories of Collateral listed above are intended to include terms defined in the UCC, as such terms may be amended from time to time, including Revised Article 9 effective on July 1, 2001.

**SIMILAR OR AFTER-ACQUIRED PROPERTY:** All property and goods similar to those described above which at any time hereafter may be acquired by Debtor, including but not limited to the following: Any and all additions, and replacements of livestock or poultry, whether branded or marked or unbranded or unmarked; all seed, feed, supplies, and equipment to be used by Debtor in his livestock, fruit or other farming or ranching operations; accessories, replacements, accessions and additions to and substitutions of equipment, and other goods or any part thereof and all products of such after-acquired property and goods.

**ASSIGNMENT OF LEASES AND RENTS.** As additional security for the secured obligations and without limiting the granted contained herein, Debtor does hereby bargain, sell, assign and set over unto Secured Party, all leases, rents and any other rents, profits and other income of any kind which, whether before or after foreclosure shall accrue and be owing or the use of the collateral or any part thereof, including without limitation, the Lease. Prior to the occurrence of an event of default hereunder, Debtor may collect all rents under all leases. Debtor shall, at its own cost and expense, with respect to the Lease:

- (a) faithfully abide by, perform and discharge each and every obligation, covenant and agreement to be performed by the lessor thereunder;
- (b) enforce or secure the performance of each and every material obligation, covenant, condition and agreement by the lessee thereunder to be performed;
- (c) not borrow against, pledge or further assign any rents due thereunder;
- (d) not permit the prepayment of any rents due for more than thirty (30) days in advance nor for more than the next accruing installment of rents, nor anticipate, discount, compromise, forgive or waive any such rents;
- (e) not waive, excuse, condone or in any manner release or discharge any tenants of or from the obligations, covenants, conditions and agreements with respect to the payment of rent or the maintenance of the railcars by said lessee to be performed;
- (f) not permit any lessee to assign or sublet its interest therein unless required to do so by the terms thereof and then only if such assignment does not work to relieve the tenant of any liability for payment of and performance of its obligations thereunder;
- (g) not terminate or accept a surrender thereof or a discharge of the lessee unless required to do so by the terms thereof or unless Debtor and tenant shall have executed a new lease effective upon such termination of the same term of years at a rental not less than as provided in the terminated lease and on terms no less favorable to the lessor than as in the terminated lease;
- (h) not consent to a subordination of the interest of any lessee to any party other than Secured Party and then only if specifically consented to by Secured Party; and
- (i) not amend, modify or alter the obligations of the parties thereunder, excepting in the ordinary and prudent course of business with due regard for the security afforded Secured Party thereby and which does not in any way reduce the rent or diminish the term thereof or the obligations of the tenant thereunder or increase the term of the lease or impose additional obligations or burdens on the landlord.

## II. Debtor's Covenants and Warranties

**A. LIMITATION ON DISPOSITION OF COLLATERAL:** Debtor agrees and promises that farm product collateral (crops, livestock, timber and products thereof) may not be sold and will not be sold without the Secured Party's prior written consent unless the Secured Party is named as joint payee on all checks given as payment (unless otherwise provided herein). Debtor further agrees and promises that any other types of collateral covered hereby may not be sold and will not be sold without the Secured Party's prior written consent.

Debtor agrees and promises to provide Secured Party, on request, with a list of the names and addresses of the buyers, commission merchants or selling agents to whom or through whom the Debtor desires to sell farm product collateral.

Debtor further agrees to promptly notify the Secured Party in writing of any additions, deletions, or other changes to that list at least 14 days prior to sale and whenever the information is inaccurate or incomplete. Any sale of farm product Collateral to persons not listed or otherwise contrary to the above provisions constitutes default under the terms of this Agreement and may be a violation of applicable state or federal law.

**B. MAINTENANCE AND PRESERVATION OF SECURITY INTEREST:** (1) Debtor agrees to sign and deliver to Secured Party any financing statements, any amendments and continuations thereof, and any other document or instrument requested by Secured Party at any time to create, perfect or continue the security interest hereby given in the Collateral or to give or provide any direct notice thereof or take other action to protect Secured Party's lien against unauthorized sales pursuant to 7 U.S.C. Section 1631, as amended, or any other similar state or federal law now or hereafter enacted. Debtor agrees and acknowledges that this is a continuing obligation and agrees to sign and deliver said documents at Secured Party's request until the debt(s) or obligation(s) secured by this Agreement are paid in full and termination statements and notices of termination for such Collateral have been given and filed. Debtor hereby authorizes Secured Party to file, at any time, one or more financing statements with respect to all or any part of the Collateral. Debtor authorizes Secured Party to file a financing statement describing any agricultural lien or other statutory liens held by Secured Party. (2) Immediately upon Debtor's receipt thereof, Debtor shall deliver or cause to be delivered to Secured Party, with appropriate endorsement and assignment to vest title and possession in Secured Party, all chattel paper, instruments, and documents which Debtor now owns or which it may at any time or times hereafter acquire and which are taken as security by this Agreement. (3) Where Collateral is in the possession of a third party, Debtor will join with Secured Party in notifying the third party of Secured Party's security interest and obtaining an acknowledgment from the third party that is holding the Collateral for the benefit of Secured Party. (4) Debtor will cooperate with Secured Party in obtaining control with respect to Collateral consisting of: Deposit Accounts; Investment Property; Letter-of-Credit rights; and Electronic chattel paper. (5) Debtor authorizes Secured Party to provide a copy of this Security Agreement upon request of any third party for its confidential use, provided that such request is in connection with a potential extension of credit by such third party to Debtor, and for no other purpose.

**C. WARRANTIES:** (1) Debtor is the owner and in lawful possession of the Collateral free and clear of liens, encumbrances and security interests except the security interest hereby granted and will defend the Collateral against the claims and demands of all persons. (2) The marks and brands used above to describe the livestock are the Debtor's recorded or holding marks and brands and carry the title, and all livestock subject to the security interest hereby granted is or will be forthwith marked and branded with the Debtor's recorded or registered holding marks and brands. (3) Debtor will not permit any of the Collateral to be encumbered (other than by Secured Party's security interest), exchanged or removed without first having obtained the written consent of the Secured Party.

**D. OBLIGATIONS TO PAY:** (1) Debtor will pay, when due, all indebtedness secured hereby with interest, together with any rent, taxes, levies, assessments, or other claims which are or may become liens against the Collateral. (2) Debtor agrees to pay on demand the amount of all expenses reasonably incurred by Secured Party in protecting or realizing on the Collateral. In the event that this Agreement or any obligation secured by it is referred to an attorney for protecting or defending the priority of Secured Party's security interest or for collection or realization procedures, Debtor agrees to pay a reasonable attorney's fee, including fees incurred in trial, appellate, bankruptcy court, or fees incurred without suit, and expenses of title search and all court costs of public officials. The sums agreed to be paid in this subparagraph shall be secured hereby.

**E. ADDITIONAL NOTES:** Debtor upon demand will execute and deliver notes payable to the Secured Party or its assigns evidencing advances in excess of the notes herein specifically described and any such notes signed by any person signing this Agreement as Debtor shall be secured hereby; in case such further advances are so made the indebtedness evidenced by the notes herein specifically described shall be preferred over any subsequent advances; and such subsequent advances shall be preferred in the order in which they are made.

**F. OPTIONAL ADVANCES:** It is understood and agreed that nothing herein contained shall be construed to obligate the Secured Party to make any loans or advances to the Debtor and that the sole purpose of this Agreement is to provide Collateral security for presently existing indebtedness and for loans and advances which, in the absolute discretion of the Secured Party, may hereafter be made to the Debtor.

**G. INSURANCE:** Debtor will keep the Collateral fully insured against all hazards for the benefit of the Secured Party in a form and amount acceptable to the Secured Party and will pay all insurance premiums when due.

**H. CARE, DELIVERY AND INSPECTION OF COLLATERAL:** The Debtor agrees that he will properly care for the Collateral; that he will properly harvest, pick, thresh, pack and otherwise prepare for market all crops covered hereby; that in case this Agreement includes fruit, he will properly care for the trees, vines, or other plants on which it is grown; that he will deliver the Collateral and products of any part thereof to the Secured Party upon demand, to be held and/or disposed of by Secured Party as it may elect; and that he will give Secured Party prompt notice of any loss of or damage to the Collateral or any part thereof and permit Secured Party, or its agents, to enter upon the farm at reasonable times for the purpose of inspecting the Collateral and the land, buildings and improvements.

**I. PRESERVATION OF COLLATERAL:** If Debtor fails to attend to and care for the Collateral as herein agreed, the Secured Party at its option may enter upon the premises and perform all things which may be necessary to preserve and/or market the Collateral at Debtor's expense or if Debtor fails to pay, when due, any rent, taxes, levies, assessments,

insurance premiums or other claims as herein agreed, the Secured Party at its option may pay the same or any part thereof without waiving its right to enforce this Agreement for default, and all such expenses incurred and amounts paid by Secured Party, including reasonable attorneys' fees, shall be added to the indebtedness hereby secured and bear interest at the current rate from date of payment.

J. TERM OF AGREEMENT: This Agreement shall continue in full force and effect until amended, replaced, released or terminated in writing, even if at any time during the term of this Agreement there may not be an outstanding secured obligation or commitment to make advances.

K. DEFAULT: Time is of the essence of this Agreement. The occurrence of any one or more of the following events shall constitute an "Event of Default" hereunder:

1. Failure of Debtor to make any payment, when due, of any sum or sums secured by this Agreement;
2. Failure of Debtor to defend the Collateral against any competing claims;
3. Loss, theft, substantial damage, or destruction of the Collateral not fully covered by insurance, or the making of any lien, levy, writ, attachment, execution, seizure or notice of tax lien against Debtor or the Collateral which is not released, bonded or stayed to the satisfaction of the Secured Party within 30 days;
4. Debtor's death, dissolution, termination of existence, or insolvency (defined to include (a) liabilities exceeding assets or (b) inability to pay debts as they come due); assignment for benefit of creditors, appointment of a receiver or the commencement of bankruptcy proceedings by or against Debtor;
5. Whenever the Secured Party in good faith believes that the prospect of payment, performance, or realization on the Collateral is impaired;
6. Failure of Debtor to perform or keep any other covenants, terms, conditions, or provisions of this Agreement or of the Loan Documents between Debtor and Secured Party secured hereby;

No waiver by the Secured Party of any event of default shall be effective unless in writing, nor operate as a waiver of any other default or of the same default on a future occasion. The note(s), security documents, and any other document or instrument signed in connection with the notes and security documents, and any amendments thereto, are collectively referred to as the "Loan Documents."

L. REMEDIES: In the event of any default hereunder, the Secured Party may elect, without notice, that all sums secured hereby shall become immediately due and payable, and in such event Secured Party shall have all of the rights and remedies of a Secured Party under the Uniform Commercial Code - Secured Transactions or other applicable law and all rights and remedies provided herein, to enforce payment thereof, all of which rights and remedies shall, to the full extent permitted by law, be optional and cumulative. Debtor acknowledges that the Uniform Commercial Code provides that, among other remedies, the Secured Party may require Debtor to assemble the Collateral and make it available to Secured Party at a place to be designated by Secured Party which shall be reasonably convenient to both parties, or the Secured Party, his agent or attorney, or the sheriff of any county in which the above described Collateral or any part thereof may be located, may take immediate possession of said Collateral wherever found, with or without suit or process, and sell the same at public or private sale, with or without notice, and apply the proceeds of said sale to the discharge of the debt, interest and expenses of protecting or realizing on the Collateral, including reasonable attorneys' fees; may obtain a judgment for any deficiency; for livestock Collateral and for other Collateral as may be reasonable under the circumstances, may enter upon any real estate owned or leased by the Debtor and remain thereon for so long a period as may be necessary to properly care for, maintain, remove, and/or sell said Collateral; may become the purchaser at any sale made hereunder; and in any suit for foreclosure hereof, may have a receiver appointed to take possession of the property. The sheriff of any county wherein the Collateral or any part thereof is located is authorized, at the request of the Secured Party and upon delivery of a copy of this Agreement, to take possession of such Collateral and sell the same as provided by law. Any notice of sale or other intended action by Secured Party, sent to Debtor at least five (5) days prior to any such action, shall constitute reasonable notice to Debtor.

### III. Additional Covenants and Warranties

Debtor warrants that Debtor's the state of formation is the State of Montana; and Debtor's exact legal name is as set forth herein.

All rights of Secured Party hereunder shall inure to the benefit of its successors and assigns; and all obligations of Debtor shall bind its heirs, executors, administrators, successors and assigns. If there be more than one Debtor their obligations hereunder shall be joint and several. Debtor has caused this Agreement to be executed the day and year first above written.

Tobacco Valley Lumber Company

By: Gerry P. Hall  
Gerry P. Hall, President

Attest: I. Logan Hurst  
I. Logan Hurst, Secretary

**EXHIBIT A  
TO EQUIPMENT LEASE AGREEMENT  
DATED AS OF DECEMBER 1, 2003**

- 1) Lessor: TOBACCO VALLEY LUMBER COMPANY
- 2) Lessee: GREENBRIER LEASING CORPORATION
- 3) Equipment: 28 railcars (the "Cars")
- 4) Description of Cars: 73-foot, 286,000 GRL center partition flatcars marked and numbered AOK 2000 through AOK 2008, AOK 2010, and AOK 2012 through AOK 2029.
- 5) Lease Term: The Cars shall become subject to the Lease Agreement upon delivery at the Point of Tender as defined below. The lease term shall begin on the first of the month following the date the last Car is delivered at the Point of Tender (the "Commencement Date"). The lease term shall continue for a period of twenty-four (24) months (the "Initial Term").
- 6) Delivery Terms: FOT Point of Tender.
- 7) Point of Tender: Each Car will be deemed delivered upon its release from shop where each Car will have undergone a scheduled maintenance program. Lessor will notify Lessee of the release of each Car within one day of such release.
- 8) Point of Return: Chicago, Illinois or other mutually agreed interchange.
- 9) Rent:
  - a) The Fixed Rent ("Fixed Rent") shall be \$350 USD per Car per month, net, with maintenance for the account of Lessee.

Lessee shall pay to Lessor the Fixed Rent and any other amounts reimbursable to Lessor, in advance, on the first day of each month during the Initial Term and any Renewal Term, subject to Section 9(b) hereof.
  - b) The Cars are undergoing scheduled maintenance more completely described in the Scope of Work attached hereto (the "Scheduled Maintenance"), prior to delivery to Lessee. As an accommodation to Lessor and at Lessor's request, Lessee has agreed to pay the invoices issued by the shops for the Scheduled Maintenance (so long as such invoices do not exceed an average per Car cost of \$4,300 USD). To recoup this expenditure, Lessee will deduct one twenty-fourth of the total amount Lessee expends for Scheduled Maintenance from each of the 24 Fixed Rent payments due from Lessee to Lessor hereunder.
  - c) All Car Hire Revenue (as defined below) earned by the Cars shall be the property of Lessee. For purposes of this Lease, Car Hire Revenue is defined as any and all

earnings of the Cars, including but not limited to hourly per diem and mileage earnings paid in accordance with bilateral agreements or in accordance with the code of Car Hire Rules of the Association of American Railroads then in effect, and earnings of the Cars pursuant to private mileage allowances under published tariffs.

- d) Interim Rent: Lessee shall pay interim rent on Cars delivered prior to the Commencement date equal to the daily equivalent of the Fixed Rent ("Interim Rent"), payable monthly. Periods of less than a full calendar month ("Month") shall be prorated based on a 30-day month.
- 10) Lessee shall perform all of the registration and record-keeping required in relation to the Cars.
- 11) Other Terms and Conditions:
  - a) Lessor will be responsible for the cost of remarking the Cars prior to the commencement of the Lease. Lessee will be responsible for the cost of remarking the Cars at the end of the Lease.
  - b) The Cars will be used predominantly in the United States and Canada.
  - c) Lessee's lease of the Cars is subject to completion of the Scheduled Maintenance, and Lessee's mechanical inspection prior to acceptance of the Cars.

IN WITNESS WHEREOF, the parties have executed this Lease effective on the date first above written.

LESSEE:  
GREENBRIER LEASING CORPORATION

LESSOR:  
TOBACCO VALLEY LUMBER COMPANY

BY: \_\_\_\_\_

BY: \_\_\_\_\_

TITLE: Executive Vice President

TITLE: \_\_\_\_\_

DATE: \_\_\_\_\_

DATE: \_\_\_\_\_

## EXHIBIT B

### EQUIPMENT LEASE AGREEMENT

This EQUIPMENT LEASE AGREEMENT is dated as of December 1, 2003 (the "Lease") between Greenbrier Leasing Corporation, and/or its assignee, and/or its sublessee ("Lessee"), a Delaware corporation, with principal offices at One Centerpointe Drive, Suite 200, Lake Oswego, Oregon 97035 and Tobacco Valley Lumber Company ("Lessor"), a Montana corporation, with principal offices at 2040 Highway East, Kalispell, Montana 59903.

In consideration of the mutual covenants and promises herein, Lessor agrees to lease to Lessee and Lessee agrees to lease from Lessor the equipment described in Exhibit A (hereinafter the "Cars").

1. Rent. During the term of this Lease, as consideration for the use of the Cars, Lessee shall pay to Lessor for each Car, commencing on Delivery, Fixed Rent as defined in Exhibit A, subject to Section 9(b) of Exhibit A.
2. Effective Date. This lease shall become effective as to any Car leased hereunder on the date Lessor tenders such Car to Lessee at the point of tender described in Exhibit A.
3. Lease Term. The term of this Lease, notwithstanding the date each Car is tendered to Lessee, shall commence on the date specified in Exhibit A.
4. Delivery. Within ten (10) days of the date each Car is tendered to Lessee, Lessee shall either a) execute and deliver a certificate of acceptance to Lessor, or b) declare a Car unacceptable for reasonable cause.
5. Maintenance and Repair/Modifications. Lessee shall be responsible for all costs and expenses associated with maintaining the Cars in compliance with the Association of American Railroads rules of interchange ("AAR Rules") and The Federal Railroad Administration ("FRA") requirements.

Lessee shall not, without the prior written consent of Lessor, affix or install any accessory, part, equipment, or device on any Car if such addition will impair the originally intended function or use of such Car. All additions, repairs, parts, supplies, accessories, equipment and devices furnished, attached or affixed to any Car shall thereupon become the property of Lessor.

In the event the U.S. Department of Transportation, or any other governmental agency or nongovernmental organization having jurisdiction over operation, safety or use of railroad equipment, requires that Lessor add, modify or in any manner whatsoever adjust the Cars in order to qualify them for operation in railroad interchange, Lessee agrees to pay an additional monthly charge of \$1.00 USD per Car for each \$100.00 USD expended by Lessor on such Car, effective as of the date the Car is released from the shop after application of such additions, modifications or adjustments (hereinafter referred to as "Modifications"), or, at Lessee's election, Lessee may make such Modifications at its own expense. Rent will not accrue during any period the Cars are out of service for Modifications.

6. Warranties. Lessor represents the Cars are suitable for the general transportation of freight by rail and are in compliance with the rules of the AAR, FRA, and Transport Canada. LESSEE ACKNOWLEDGES AND AGREES THAT a) LESSOR IS NOT A MANUFACTURER OF THE CARS, b) THAT, EXCEPT AS SET FORTH ABOVE, LESSOR MAKES NO REPRESENTATIONS OR WARRANTIES OF ANY KIND RESPECTING THE CARS WHETHER STATUTORY, WRITTEN, ORAL OR IMPLIED AND c) LESSOR HAS NOT MADE AND DOES NOT HEREBY MAKE, NOR SHALL IT BE DEEMED BY VIRTUE OF HAVING LEASED THE CARS PURSUANT TO THIS LEASE TO HAVE MADE, ANY REPRESENTATION OR WARRANTY AS TO THE MERCHANTABILITY, FITNESS FOR A PARTICULAR PURPOSE, DESIGN OR CONDITION OF, OR AS TO THE QUALITY OF THE WORKMANSHIP IN, THE CARS, PARTS, MATERIALS, OR THE LIKE, ALL OF WHICH ARE EXPRESSLY DISCLAIMED AND LESSOR SHALL NOT BE LIABLE TO LESSEE, IN CONTRACT, TORT, OR STRICT LIABILITY FOR ANY LOSS OF BUSINESS OR OTHER CONSEQUENTIAL LOSS OR DAMAGES, WHETHER OR NOT RESULTING FROM ANY OF THE FOREGOING OR OTHERWISE, ON ACCOUNT OF ANY DEFECT, WHETHER HIDDEN, LATENT OR OTHERWISE DISCOVERABLE OR NONDISCOVERABLE RESPECTING ANY CARS. Lessor hereby assigns to Lessee throughout the term unless an Event of Default exists, all the rights and benefits of the manufacturer's and repair shops' warranties, if any. Upon an Event of Default or expiration of the term or any renewal term, all such rights and benefits shall automatically, without notice or any further action, become the rights and benefits of Lessor.

7. Loss of Cars. If any of the Cars are lost, destroyed, or damaged in any manner attributable to the placement, use, or movement of the Cars by the Lessee under this Lease, Lessee shall be responsible as designated in AAR Interchange Rule 95 and settlement shall be made in accordance with AAR Interchange Rule 107.

Lessee shall promptly deliver to Lessor written notice of such loss, destruction or damage, and shall, within sixty (60) days thereof: a) in the case of loss or total destruction, pay to Lessor, in addition to all accrued rental through the date casualty proceeds are paid, the amount specified under AAR Interchange Rule 107 as the casualty pay-out for such Cars, and b) in the case of partial destruction, at Lessee's election either (1) pay to Lessor the sum of money required to repair the damage and restore the Cars to the condition required under the AAR Rules of Interchange, ordinary wear and tear excepted, or (2) restore such Cars to comply with AAR Rules of Interchange, ordinary wear and tear excepted.

8. Return of Cars. Upon termination of this Lease for any reason as to any Car, Lessee shall return the Cars to Lessor by making the Cars available to Lessor at the point of return as stated in Exhibit A, in the same condition as when tendered to Lessee, ordinary wear and tear excepted.

9. Limitation of Lessor's Liability. Lessor shall not be liable for physical injuries (including death) to persons (including, but not limited to, officers, employees and agents of Lessee and of its contractors, suppliers and third parties) or damage to property arising out of the use or operation of the Cars or the performance by Lessee of any work relating to the Cars

during the period that Lessee has possession and control of the Cars, except for such injuries or damages caused in whole or in part by Lessor's negligence or willful misconduct.

The Lessee does hereby assume and does hereby agree to indemnify, protect, save and keep harmless the Lessor, its successors, assigns and legal representatives, agents and servants, from and against any and all liabilities, obligations, penalties, actions, suits, losses, damages, injuries, claims, demands and expenses, including legal expenses, for loss of or physical damage to property and injury to or death of any person, arising on account of Lessee's use or operation of the Cars, during the term of this Lease. The indemnities and assumptions of liability contained in this Section shall continue in full force and effect notwithstanding the termination of this Lease or any term hereof in respect of the Cars, whether by expiration of time, by operation of law or otherwise. It is understood and agreed, however, that Lessor shall give Lessee prompt notice of any claim or liability hereby indemnified against, and the Lessee shall be entitled to control the defense thereof, at Lessee's expense.

10. Insurance

a) During the term of this Lease, Lessee shall keep or cause to be kept: (1) Comprehensive general liability insurance, including contractual coverage for the liabilities assumed herein, including bodily injury, death, and property damage in a combined single limit of not less than \$5,000,000.00 per occurrence, (2) All risk property damage insurance on the Cars in amounts which are reasonable in light of industry practice for such Cars and Lessee shall provide to Lessor certificates of insurance to evidence Lessee's compliance.

b) The insurance requirements of Subparts a(1) and a(2) above may be satisfied in whole or in part through self-insurance.

c) All insurance shall name Lessor as an additional insured and loss payee in respect of risks arising out of the use of the Cars and shall provide that losses, if any, shall be payable to Lessee or Lessor as their respective interests may appear.

11. Taxes.

a) Lessee shall be responsible for the filing and payment of all taxes, duties, assessments and other governmental charges of whatsoever kind or character which may be accrued, levied, assessed or imposed during the Lease term relating to the importation, possession, operation or use of any of the Cars, excluding taxes on ownership or income and taxes measured by income and imposed on Lessor (collectively, "Taxes"). Lessee will reimburse Lessor for any sales, use or ad valorem property taxes incurred from the operation of the Cars during the Lease term upon presentation of any invoice therefor.

b) Lessee shall not be required to pay Taxes if and so long as Lessee shall in good faith and with due diligence and by appropriate legal or administrative proceedings contest the validity, applicability or amount thereof (but only so long as such proceedings shall stay the collection thereof and shall not involve any risk of the sale, forfeiture or loss of any Car or any interest therein). In the event of any such contest by Lessee, Lessor shall cooperate with Lessee and lend such assistance and grant such power and authority to Lessee as may be reasonably

necessary in the prosecution thereof; provided, however, that Lessee shall reimburse Lessor for any and all expenses incurred by Lessor in connection therewith. Lessor shall notify Lessee promptly of any and all claims for Taxes served upon Lessor, and shall not pay any such Taxes without Lessee's concurrence; provided, however, that Lessor may make such payment without obtaining the concurrence of Lessee only if failure to make such payment involves an immediate risk of the sale, forfeiture or loss of any Car or any interest therein. In the event Lessor pays any Taxes, Lessee shall reimburse Lessor upon presentation of an invoice therefor and supporting documentation.

12. Loss and Damage to Commodities. Lessor shall not be liable to Lessee for any loss of, or damage to, commodities, or any part thereof, loaded or shipped in the Cars, however such loss or damage shall be caused or shall result, except if caused by Lessor's negligence or willful misconduct.

13. Assignment and Encumbrance. Lessee will have the right to sublease the Cars or any portion thereof. Lessee, at its own expense, will cause to be duly discharged any lien, charge or other encumbrance which may be imposed on or with respect to any of the Cars during the term of this Lease as a result of Lessee's action or inaction.

14. Default

a) The occurrence of any of the following events shall be an "Event of Default" hereunder:

(1) The nonpayment by Lessee of any sum required to be paid hereunder when any such payment is due, which is not cured within ten (10) days after receipt of written notice of such nonpayment;

(2) The breach by Lessee of any other material term, or condition of this Lease, which is not cured within thirty (30) days after receipt of written notice of such breach;

(3) The breach by Lessee of any representation or warranty herein;

(4) The filing by or against Lessee of any petition or the initiation by or against Lessee of any proceeding: (a) for any relief which includes, or might result in, any modification of the obligations of Lessee hereunder; or (b) under any bankruptcy, reorganization, receivership, insolvency, moratorium or other laws relating to the relief of debtors, the readjustment of indebtedness, financial reorganization, arrangements with creditors, compositions of or extensions of indebtedness, if in the case of petitions or proceedings filed against Lessee, such Petitions or proceedings have not been dismissed within sixty (60) days of filing;

(5) The (a) insolvency of Lessee or (b) the subjection of any portion of Lessee's property to any levy, seizure, assignment, foreclosure sale for or by any creditor or governmental agency the effect of which would be to materially impair Lessee's ability to perform its obligations hereunder.

b) Upon the occurrence of any event of default hereunder, without limiting Lessor's rights and remedies otherwise provided by law, at law or in equity, which shall be available to Lessor in addition to the following rights and remedies (no right or remedy of Lessor being exclusive but all such rights and remedies being available at all times to Lessor, and Lessor, in any case, being entitled to recover all costs, expenses and attorneys' fees incurred by Lessor in enforcing its rights and remedies hereunder), Lessor may, at its option:

(1) Terminate this Lease and recover damages.

(2) Proceed by any lawful means to enforce performance by Lessee of this Lease or to recover damages for a breach hereof.

(3) By notice in writing to Lessee, terminate Lessee's right to possession and use of some or all of the Cars, whereupon all right and interest of Lessee in such Cars shall terminate; thereupon, Lessor may enter upon any premises where the terminated Cars may be located and take possession of such Cars and henceforth hold, possess and enjoy the same free from any right of Lessee.

(4) Without terminating this Lease, repossess the Cars. Lessor may sell or relet the same or any part thereof to others upon such terms as Lessor desires. The proceeds of any such sale or reletting shall first be applied to the expenses of the retaking and the sale or reletting of the Cars to the new owner(s) or lessee(s), and then to the payment of rent and any other sums due hereunder through the terms of this Lease. Lessee shall pay any deficiency remaining due after the proceeds have been so applied. The election of Lessor to sell or relet the Cars and the acceptance of the Cars by a new owner or lessee shall not release Lessee from liability for any existing or future default in connection with any other covenant or promise herein contained.

The obligation to pay such deficiency or sums due and unpaid or any damages suffered by reason of Lessee's default hereunder shall survive the termination of the Lease and the retaking of the Cars.

15. Representations and Warranties of Lessee. Lessee represents and warrants that, as of the date of this Lease:

a) Lessee is a corporation duly incorporated, validly existing and in good standing under the laws of the state of its incorporation and is either duly qualified to do business and is in good standing in such other jurisdictions in which the business and activities of Lessee require such qualification, or its failure to so qualify in any such other jurisdiction will not have a material adverse impact on this Lease.

b) Lessee has full corporate power to enter into this Lease.

c) The Lease has been duly authorized, executed, and delivered by Lessee, and constitutes a valid, legal and binding agreement, enforceable in accordance with its terms.

d) No approval is required by Lessee from any governmental or public body or authority with respect to the entering into or performance of this Lease.

e) The entering into and performance of this Lease will not conflict with, or result in a breach of, the terms, conditions, or provisions of (1) any law, or any regulation, order, injunction, permit, franchise, or decree of any court or governmental instrumentality, and (2) any indenture, agreement, or other instrument to which Lessee is party or by which it or any of its property is bound.

16. Agreement Embodies the Understanding of Parties. This Lease contains the entire understanding of Lessor and Lessee with respect to the subject matter hereof and supersedes any and all prior written and oral agreements, if any. There are no representations, covenants, agreements or warranties other than those expressly set forth herein. No change, modification or amendment of this Lease shall be effective unless in writing and signed by both parties.

17. Governing Law and Jurisdiction. The Lease shall be governed in all respects, whether as to validity, construction, capacity, performance or otherwise, by and under the laws of the State of Oregon (without giving effect to principles of conflicts of laws) and the parties waive their right to a jury trial. Lessee and Lessor irrevocably and unconditionally submit to the jurisdiction of and venue in, federal and or state courts located in the State of Oregon, Multnomah County for any proceeding arising under or in relation to this Lease or the Cars.

18. Parties acknowledge that a memorandum of lease may be filed with the Surface Transportation Board.

19. Notices. All notices and other communications provided for hereunder shall be deemed given when given by telex or telecopy or made in writing, deposited in the U.S. or Canadian mail registered or certified, postage prepaid. Any such notice shall be addressed to the parties at the addresses set forth above.

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

LESSEE:

GREENBRIER LEASING CORPORATION

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

Title: Executive Vice President \_\_\_\_\_

LESSOR:

TOBACCO VALLEY LUMBER COMPANY

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

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

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**EXHIBIT A  
TO EQUIPMENT LEASE AGREEMENT  
DATED AS OF DECEMBER 1, 2003**

- 1) Lessor: TOBACCO VALLEY LUMBER COMPANY
- 2) Lessee: GREENBRIER LEASING CORPORATION
- 3) Equipment: 28 railcars (the "Cars")
- 4) Description of Cars: 73-foot, 286,000 GRL center partition flatcars marked and numbered AOK 2000 through AOK 2008, AOK 2010, and AOK 2012 through AOK 2029.
- 5) Lease Term: The Cars shall become subject to the Lease Agreement upon delivery at the Point of Tender as defined below. The lease term shall begin on the first of the month following the date the last Car is delivered at the Point of Tender (the "Commencement Date"). The lease term shall continue for a period of twenty-four (24) months (the "Initial Term").
- 6) Delivery Terms: FOT Point of Tender.
- 7) Point of Tender: Each Car will be deemed delivered upon its release from shop where each Car will have undergone a scheduled maintenance program. Lessor will notify Lessee of the release of each Car within one day of such release.
- 8) Point of Return: Chicago, Illinois or other mutually agreed interchange.
- 9) Rent:
  - a) The Fixed Rent ("Fixed Rent") shall be \$350 USD per Car per month, net, with maintenance for the account of Lessee.

Lessee shall pay to Lessor the Fixed Rent and any other amounts reimbursable to Lessor, in advance, on the first day of each month during the Initial Term and any Renewal Term, subject to Section 9(b) hereof.
  - b) The Cars are undergoing scheduled maintenance more completely described in the Scope of Work attached hereto (the "Scheduled Maintenance"), prior to delivery to Lessee. As an accommodation to Lessor and at Lessor's request, Lessee has agreed to pay the invoices issued by the shops for the Scheduled Maintenance (so long as such invoices do not exceed an average per Car cost of \$4,300 USD). To recoup this expenditure, Lessee will deduct one twenty-fourth of the total amount Lessee expends for Scheduled Maintenance from each of the 24 Fixed Rent payments due from Lessee to Lessor hereunder.
  - c) All Car Hire Revenue (as defined below) earned by the Cars shall be the property of Lessee. For purposes of this Lease, Car Hire Revenue is defined as any and all

earnings of the Cars, including but not limited to hourly per diem and mileage earnings paid in accordance with bilateral agreements or in accordance with the code of Car Hire Rules of the Association of American Railroads then in effect, and earnings of the Cars pursuant to private mileage allowances under published tariffs.

- d) Interim Rent: Lessee shall pay interim rent on Cars delivered prior to the Commencement date equal to the daily equivalent of the Fixed Rent ("Interim Rent"), payable monthly. Periods of less than a full calendar month ("Month") shall be prorated based on a 30-day month.
- 10) Lessee shall perform all of the registration and record-keeping required in relation to the Cars.
- 11) Other Terms and Conditions:
- a) Lessor will be responsible for the cost of remarking the Cars prior to the commencement of the Lease. Lessee will be responsible for the cost of remarking the Cars at the end of the Lease.
  - b) The Cars will be used predominantly in the United States and Canada.
  - c) Lessee's lease of the Cars is subject to completion of the Scheduled Maintenance, and Lessee's mechanical inspection prior to acceptance of the Cars.

IN WITNESS WHEREOF, the parties have executed this Lease effective on the date first above written.

LESSEE:  
GREENBRIER LEASING CORPORATION

LESSOR:  
TOBACCO VALLEY LUMBER COMPANY

BY: \_\_\_\_\_

BY: \_\_\_\_\_

TITLE: Executive Vice President

TITLE: \_\_\_\_\_

DATE: \_\_\_\_\_

DATE: \_\_\_\_\_

**EXHIBIT B**

**CERTIFICATE OF ACCEPTANCE OF  
RAILROAD CARS**

This Certificate relates to the railroad cars listed below leased by Tobacco Valley Lumber Company to Greenbrier Leasing Corporation under an Equipment Lease Agreement dated as of December 1, 2003 (the "Lease").

DESCRIPTION OF CARS: 73-foot, 286,000 GRL center partition flatcars marked and numbered AOK 2000 through AOK 2008, AOK 2010, and AOK 2012 through AOK 2029.

CAR NUMBERS:

Lessee hereby certifies the fitness and suitability and its unconditional acceptance of the railroad cars listed herein as of the date each Car is tendered to Lessee and hereby subjects said railroad cars to the Lease.

Lessee hereby certifies that the undersigned officer signing on behalf of Lessee is duly authorized to execute and deliver this Certificate.

GREENBRIER LEASING CORPORATION  
Lessee

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

Title: Executive Vice President

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

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## GREENBRIER RAILCAR

### Scope of Work

Maintenance Program for Tobacco Valley Centerbeam Flat Cars

#### PROJECT

Scheduled inspection, repair and application of wear-elimination components on (28) 100-Ton Center Partition Flat Cars for The Tobacco Valley Lumber Company.

#### CARS SERIES

Car Marks: WCRC 2000 through 2029 n.i.  
See attached list for specific car numbers designated for this project.

#### GENERAL OVERVIEW

- The intent of this program is to perform a scheduled maintenance program on the above cars to insure they meet all FRA and AAR interchange conditions. In addition, certain repairs may be performed to help minimize future maintenance costs and extend the service life of the equipment.
- All cars will have their car initials remarked to AOK and keep the same numbers.
- It will be the responsibility of the contractor to ensure that all of the requirements of this Scope of Work (latest revision) are fulfilled.
- All cars will be jacked and the trucks will be disassembled inspected and repaired as required per AAR Field Manual Rules 47, 48, and 88.B.2.b.8.a., and AAR Manual of Standards and Recommended Practices Sec. "D", M-214
- All cars will receive a Single Car Air Brake Test performed at 90 psi.
- A thorough inspection of the car bodies and under frames will be performed to determine if any cracking, structural fatigue and/or failures exist.
- Reporting forms are a critical requirement of this project and must be completed for inbound, in-process, and outbound inspections on each car.
- Cars will be inspected for and load limit stencils changed to reflect 5000lb capacity increase. Cars will be up-graded from 263K to 268K.

*Scope of Work*

Maintenance Program for Tobacco Valley Centerbeam Flat Cars

➤ All repairs performed on the subject equipment will at a minimum comply with the following specifications and publications.

- AAR Manuals of Standards and Recommended Practices
- AAR Field and Office Manual

**GENERAL OVERVIEW cont.**

➤ All repairs performed on the subject equipment will at a minimum comply with the following specifications and publications.

- Code of Federal Regulations 49, Parts 215, 231 & 232
- Components Manufacturer's Maintenance Manuals
- AWS Welding Practices D15. 1-93

*Scope of Work*

Maintenance Program for Tobacco Valley Centerbeam Flat Cars

**REPAIR CRITERIA****A. Draft System**

1. All couplers will be removed and components inspected and gauged as required per AAR Rule 17. All couplers and components that are worn within 1/16" of AAR condemning limits will be replaced.
  - a. Replacement couplers will be standard to car (EF511E or equivalent) and reconditioned versus new, if available.
2. For those couplers that are deemed OK, inspect shank wear plates (if equipped) for cracks, fractures, or wear of 1/8" or greater at any point. Replace in accordance with manufacturer's and AAR specifications. Repair all cracked or broken wear plate welds.
3. Inspect coupler to EOCC connection pins & retainers per AAR Rule 17. Replace as required. Vertical connection pins that are worn greater than 1/4" must be replaced.
4. All couplers are to be tested (opened/closed) to ensure error free operation.
5. Measure coupler height and adjust as required (34 1/2" preferred).
  - a. Couplers shall not be measured/adjusted until all truck and body center plate work is completed and should be measured on level track. It is recommended this be performed at same time side bearing clearance is measured/adjusted.
  - b. After coupler heights have been properly adjusted, measure the space between the top of the coupler shank and bottom surface of the striker. If this dimension is greater than 1 1/4", apply a shim to the underside of the striker to reduce this space to 7/8" or as near as practical, but not less than 1/2".
6. Inspect/repair coupler carriers/strikers as follows:
  - a. Repair or replace if bent/worn to the point the coupler is not level or if the carrier is broken.
  - b. Build up worn horizontal surfaces as required to provide flat and level attachment of wear plates.

*Scope of Work*

Maintenance Program for Tobacco Valley Centerbeam Flat Cars

**REPAIR CRITERIA**

***B. Underframe***

1. All cars will be jacked for inspection of center sills, center plates and body bolster areas.
2. Inspect body center plates per AAR Rule 60, and repair as follows if required:
  - a. Replace if cracked or broken. Replacement center plates must be standard to car.
  - b. Measure and record diameter (lateral and longitudinal). Replace if diameter is less than 15 3/16" at any point. If 15 3/16" or greater, restore to original 15 7/8" diameter by weld build up and turning/grinding to original profile.
  - c. Measure and record height. Replace center plate if less than 2 3/16". Original center plate height is 2 7/16"
  - d. Re-secure any loose center plates as standard to car.
3. Inspect body side bearings per AAR Rule 61:
  - a. Side bearing clearance shall not be measured/adjusted until all truck and body center plate work is completed and C-peps removed. Measurements should be done only on a level track. Side bearing clearance of 3/16" to 5/16" must be maintained and all trucks must be equipped with double-rollers. Final clearances must be measured and recorded.
  - b. Replace body side bearings if worn 1/16<sup>th</sup> or greater, or if cracked or broken.
  - c. Securement bolts (Grade 5 ASTM A-325) must be flush or recessed below contact surface of body side bearing. Bolts/nuts must be torqued to a minimum of 300-ft lbs. All nuts must be tack welded to bolts after being torqued.
  - d. Slotted shims must not be applied.
  - e. Do not lubricate body side bearings.

*Scope of Work*

Maintenance Program for Tobacco Valley Centerbeam Flat Cars

**REPAIR CRITERIA**

***C. Trucks (cont.)***

7. Gauge and inspect all truck springs per AAR Rule 50. Replace if broken, missing or worn out
8. All trucks will have springs grouped as follows: 7-D5 O.C. & 6-D5 I.C. (Center coil vacant of I.C.) 2-O.C. B-432, 2-I.C. B-433. This will provide for the 268K capacity increase.
9. Replace center pins if excessively worn, bent, or broken.
10. Inspect roller bearing adapters per AAR Rule 37. Replace if worn to 75% of condemning limits.
  11. Center plate lubricant must be an approved liquid type. Do not use solid lubricants.
12. Inspect and gauge wheels per AAR Rule 41.
  - a. Replace wheels that are within 1/16" of High flange, Thin rim and Thin flange.
13. Inspect roller bearings per AAR Rule 36. It is recommended that reconditioned bearings be used when available, if wheels, axles or bearings require replacement.
14. Inspect brake beams per AAR Rule 6. Replace if brake beam heads or guides are worn 3/16" or greater. Replace if loose, broken or rivets missing. Replacement beams must be standard to car.
15. Inspect center plate extension pads per manufacturer's maintenance manual. Replace pads as needed.
  - a. Adjust C-PEP clearances per Sec. 8 of the Standard Car Truck Co. Barber Maintenance Manual. This adjustment can only be made after all truck repairs and body side-bearing adjustments have been completed.

**NOTE: Check Every Roller Bearing for possible Loose Backing Rings.**

*Scope of Work*

Maintenance Program for Tobacco Valley Centerbeam Flat Cars

**REPAIR CRITERIA*****D. Air Brakes***

1. Inspect all components of brake system (valves, rods, levers, piping, etc.) and repair/replace as required.
2. Renew brake shoes if worn to 1/2" thick or less. All brake shoe keys must be driven to 1" from top of shoe.
3. All end air hoses must be of the latest wide-lip design. Replace end hoses that are within 1 year of AAR Rule 5 condemning limits. After all repairs are made to car, adjust end hoses to the AAR Rule 4 required height above rail (5" min.) measured from bottom of glad hand.
4. All end air hose gaskets must be replaced.
5. Operate, test, inspect, and lubricate hand brake. Defective hand brakes must be replaced with Group-N. Cars were originally equipped with Group B.
6. Inspect brake lever angularity while hand brake is set. Proper clearances and angularity must be maintained.
7. All brake pins must have cotter pins applied. Brake pins must not be installed upside down and all existing and replacement cotter keys must have both legs bent. (This includes the Sher-Lock cotter keys).
8. Inspect end angle cocks and cutout cocks for defects. All handles must operate freely and easily.
9. Brake valve release rod must not bind.
10. Valve types must be properly stenciled.
11. All cars will receive a Single-Car-Test after all brake system repairs have been made. It is the responsibility of the repair shop to update UMLER air test records within 24 hours of test.
12. Slack adjuster control rod collar must be tack welded after proper piston travel of 7" to 7 1/2" is established.

## GREENBRIER RAILCAR

### *Scope of Work*

Maintenance Program for Tobacco Valley Centerbeam Flat Cars

#### **REPAIR CRITERIA**

##### ***E. Safety Appliances***

1. Inspect and repair as required to comply with all AAR and FRA requirements.

##### ***F. Car Body***

1. Inspect car body for cracks, fatigue and structural failure. Pay particular attention to the partition sheets, floor sheets and bulkheads. All cracks will be air arc gouged, stop holes drilled, ground clean and welded 100%. Doubler patches will be applied as necessary.
2. Inspect tops of center partitions for cracks, fatigue and or structural failure.
3. Inspect cable tie downs, corner protectors and winch assemblies. Replace frayed, missing and defective cables as needed. Repair, replace winch assemblies as needed. Test operate all winches after repairs are complete.
  - a. Replace or apply corner protectors as needed. Replacement corner protectors will be composite type.

##### ***G. Miscellaneous***

1. All cars must be equipped with AEI tags and brackets and must be located in the approved window per AAR Rule 63.
2. Repair/replace defect card holders, route card boards and brackets as required.
3. Cables must be secured over center partition hooks and tight prior to shipping.
4. All cars will have capacity increased from 263K to 268K. Load Limits increased by 5000lbs and stenciling changed accordingly. All BRCs must show old and new Load Limits. The repair shop must verify that the cars load limit and light weight adds up to 268,000 capacity

*Scope of Work*

Maintenance Program for Tobacco Valley Centerbeam Flat Cars

**REPAIR CRITERIA**

***H. Paint***

1. Cars will be evaluated for repaint on an individual basis. Pictures must be submitted if the repair shop recommends a complete repaint due to the following conditions.
  - a. Severe peeling
  - b. Severe rust or scale
  - c. Severe fading and deterioration.
2. All repairs must be touch-up painted as follows if it is determined that a complete re-paint is not necessary.
  - a. Repair area must be cleaned of all loose paint, rust, scale and slag.
  - b. Area must be block taped off.
  - c. Touch up paint must be as close to original color as possible. Alkyd enamel type paint is recommended. A minimum of 4 mils DFT must be applied.
3. All cars will have load limits increased by 5000lbs to reflect capacity change from 263K to 268K and All cars will have their car initials remarked to AOK and keep the same numbers.
  - a. Remove old load limits and apply new decals
  - b. Old and new load limits **must be recorded**. New light weight and load limit must total 268,000 capacity
  - c. If original capacity decals are present, they must be blocked out.

***I. Reports and Forms***

1. Car arrivals and releases must be reported the same day to Alice Wright at 1-503-620-1259
2. Designated shop personnel must sign Gunderson Northwest's QA Acceptance Form for each car prior to release from shop. FAX this report to Jeff Bobst at 1-503-620-1259 the same day cars are released. A copy of this form shall accompany repair invoice.
3. It is extremely important that accurate records are maintained and reported for each car.

*Scope of Work*

Maintenance Program for Tobacco Valley Centerbeam Flat Cars

**REPAIR CRITERIA**

***J. Inspection/Quality Control***

1. The repair shop contractor must have a Quality Control System in place to ensure that all in-house and sub-contracted work complies fully with the applicable specifications and requirements stated within this Scope of Work.
2. The repair shop must have qualified Quality Control Inspector(s) assigned to this project to monitor inbound, in process and final repair inspections prior to offering cars to Greenbrier personnel for final acceptance.
4. All cars must be inspected and accepted by a Greenbrier Representative prior to release from shop.
4. Greenbrier personnel must be allowed unrestricted access to all areas of shop involved in the process of meeting the requirements of this Scope of Work.

***K. Materials***

1. Greenbrier reserves the right to supply materials for this project at its discretion.
2. Greenbrier supplied materials must be kept separate from all other material handled by contractor. In addition all material must be adequately protected and properly stored and accounted for.
3. Upon completion of project, the contractor will inventory Greenbrier supplied material. This physical inventory count will be compared to receiving records and Billing Repair Card records.
4. All defective wheels, couplers, EOCCs, truck bolsters and side frames removed from cars must be held for Greenbrier's account and disposition. These components must be marked with paint stick or stencil to identify as follows: a) Car number; b) Location removed from car; c) Defect code; and d) Inspectors initials.

## GREENBRIER RAILCAR

### *Scope of Work*

Maintenance Program for Tobacco Valley Centerbeam Flat Cars

#### **REPAIR CRITERIA**

##### ***L. Estimates/Billing***

1. Estimates are required for each car. Any car with Rule 95 damage must be reported and handled separately. An estimate must be submitted within 24hrs of car arrival. Greenbrier repair authorizations will be sent for each car. It is the responsibility of the repair shop to read and follow all instructions and notes for each repair estimate authorization.
2. In addition to the shops repair invoice for each car, a detailed Billing Repair Card must be submitted.
3. Materials supplied by Greenbrier must be reported on Billing Repair Cards with Condition Code 6.
4. Invoices must not be submitted prior to completion of repairs and release of car(s) from shop.

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*MEMORANDUM OF EQUIPMENT LEASE AGREEMENT*

*BETWEEN*

*GREENBRIER LEASING CORPORATION ("LESSEE")*

*AND*

*TOBACCO VALLEY LUMBER COMPANY ("LESSOR")*

*DECEMBER 1, 2003*

---

Memorandum of Equipment Lease Agreement made and entered into as of December 1, 2003 by and between Greenbrier Leasing Corporation, a Delaware corporation, ("Lessee") and Tobacco Valley Lumber Company, a Montana corporation ("Lessor").

*WITNESSETH:*

1. Lessor has agreed to furnish to Lessee, and the Lessee has agreed to lease from Lessor twenty-eight (28) 73-foot, 286,000 GRL center partition flatcars marked and numbered AOK 2000 through AOK 2008, AOK 2010, and AOK 2012 through AOK 2029.
2. The Equipment Lease Agreement shall be effective as of the date first set forth hereinabove and shall be subject to the lease term, as described in the Equipment Lease Agreement.

IN WITNESS WHEREOF, the parties hereto have caused this instrument to be signed and sealed by their respective corporate officers as of the date and year first above written.

LESSEE: GREENBRIER LEASING CORPORATION

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

Title: Executive Vice President \_\_\_\_\_

LESSOR: TOBACCO VALLEY LUMBER COMPANY

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

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

STATE OF OREGON                    )  
  ) ss.  
COUNTY OF CLACKAMAS            )

On this \_\_\_\_\_ day of \_\_\_\_\_ 2004, before me personally appeared Norriss M. Webb, to me personally known, who being by me duly sworn, says that he is the Executive Vice President of Greenbrier Leasing Corporation that the foregoing instrument was signed on behalf of said corporation, and he acknowledged that the execution of the said instrument was his free act and deed.

\_\_\_\_\_  
NOTARY PUBLIC

My commission expires:

STATE OF \_\_\_\_\_ )  
  ) ss.  
COUNTY OF \_\_\_\_\_ )

On this \_\_\_\_\_ day of \_\_\_\_\_, 2004, before me personally appeared \_\_\_\_\_, to me personally known, who being by me duly sworn, says that s/he is the \_\_\_\_\_ of Tobacco Valley Lumber Company that the foregoing instrument was signed on behalf of said corporation, and s/he acknowledged that the execution of the said instrument was her/his free act and deed.

\_\_\_\_\_  
NOTARY PUBLIC

My commission expires: