

OSTER**Researching Services**

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December 31, 2007

Ms. Barbara Sadler
Recordations Unit
Surface Transportation Board
395 E Street, SW
Washington, D.C. 20423

RECORDATION NO. 27331 FILED

DEC 31 '07 -11 0 8 AM

SURFACE TRANSPORTATION BOARD

Dear Barbara:

Enclosed for recording with the Surface Transportation Board is a Memorandum of Railcar Lease Agreement dated 12/26/07 involving the following parties and railroad equipment:

Lessor: Wells Fargo Equipment Finance, Inc.
Investors Building, Suite 700
733 Marquette Avenue So.
Minneapolis, MN 55402

Lessee: Watco Companies, Inc.
315 West Third Street
Pittsburg, KS 66762

Equipment: 5, SD40-2 Locomotives
WAMX 4126, 4127, 7350, 7366, 4130

Please record this agreement as a primary document. The filing fee of \$35 is enclosed.

Summary: Memorandum of Railcar Lease Agreement dated 12/26/07 between Wells Fargo Equipment Finance, Inc. as Lessor and Watco Companies, Inc. as Lessee including 5, SD40-2 Locomotives.

Sincerely,



Mary Ann Oster
Research Consultant

Enclosure



Wells Fargo Equipment Finance
Investors Building, Suite 700
733 Marquette Avenue South
Minneapolis, MN 55402

Memorandum of Railcar Lease Agreement

THIS MEMORANDUM OF RAILCAR LEASE AGREEMENT is made and entered into as of December 26, 2007 by and between Wells Fargo Equipment Finance, Inc., a Minnesota corporation ("Lessor") and Watco Companies, Inc., a(n) Kansas corporation ("Lessee"), with reference to the following:

1. Lessor has agreed to lease to Lessee, and Lessee has agreed to lease from Lessor various railcars pursuant to one or more Supplements to the Lease to be entered into by Lessor and Lessee from time to time, all as more particularly described in that certain Railcar Master Lease Agreement dated as of December 26, 2007 between Lessor and Lessee (hereinafter referred to as the "Lease").
2. Pursuant to Supplement No(s).0108844-100 to the Lease, Lessor has agreed to lease to Lessee and Lessee has agreed to lease from Lessor Five (5) SD40-2 Locomotive railcars bearing reporting marks and numbers indicated on Schedule A hereto, all as more particularly described in the Lease.
3. The Lease shall be effective as of the execution date thereof and shall be subject to the terms of the Lease, as provided therein.

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

Lessor: Wells Fargo Equipment Finance, Inc.

By: Barbara Kovacic
 Name: BARBARA E KOVACIC
 Title: VP

Lessee: Watco Companies, Inc.

By: [Signature]
 Name: MARY MCKENZIE
 Title: SVP

RECORDATION NO. 27331 FILED

DEC 31 '07 -11 08 AM

SURFACE TRANSPORTATION BOARD

STATE OF MINNESOTA
COUNTY OF HENNEPIN

On this 28th day of December, 2007 before me personally appeared, Barbara E Kovacic to me personally known, who being by me duly sworn, says that s/he is the Vice President of Wells Fargo Equipment Finance, Inc., a Minnesota corporation, that said instrument was signed on behalf of said corporation, and s/he acknowledged that the execution of the foregoing instrument was the free act and deed of said corporation.

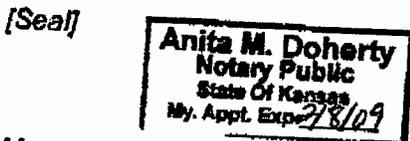


Sue E Muecke
Notary Public

My commission expires: 1/31/2010

STATE OF KANSAS
COUNTY OF Crawford

On this 27 day of December, 2007 before me personally appeared, Matt McKenzie to me personally known, who being by me duly sworn, says that s/he is the SVP of WATCO COMPANIES, a(n) KANSAS corporation, that said instrument was signed on behalf of said corporation, and s/he acknowledged that the execution of the foregoing instrument was the free act and deed of said corporation.



Anifa M. Doherty
Notary Public

My commission expires: 2/8/09



Wells Fargo Equipment Finance, Inc.
733 Marquette Avenue, Suite 700
Minneapolis, MN 55402

Schedule A
To Memorandum of Railcar
Lease Agreement

Supplement No. 0108844-100 dated as of December 26, 2007
To Railcar Master Lease Agreement 108844 dated as of December 26, 2007

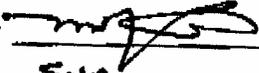
Lessee: *Watco Companies, Inc.*

Equipment Description: Five (5) SD40-2 Locomotives bearing the report markings of WAMX 4126, 4127, 7350, 7366 and 4130, as more completely detailed below:

Markings	Number	Model	Year Built	Engine Type
WAMX	4126	SD40-2	6-79	16-645E3
WAMX	4127	SD40-2	7-76	16-645E3
WAMX	7350	SD40-2	6-74	16-645E3
WAMX	7366	SD40-2	3-75	16-645E3
WAMX	4130	SD40-2	3-75	16-645E3

Dated: *December 26, 2007*

Lessee: *Watco Companies, Inc.*

By: 

Its: *SVP*





Wells Fargo Equipment Finance, Inc.
733 Marquette Avenue
Investor's Building, Suite 700
Minneapolis, MN 55479-2048

Amendment to Railcar Master Lease Agreement

Wells Fargo Equipment Finance, Inc. ("Lessor") and Watco Companies, Inc. ("Lessee") hereby agree to amend Railcar Master Lease Agreement No. 108844 dated as of December 26, 2007 (the "Lease") as follows:

Paragraph 6 is hereby amended by deleting subparagraph (ii) in its entirety.

Paragraph 7(a)(v) is hereby deleted in its entirety and replaced with the following:

"As soon as available, and in any event no later than 45 days after the last day of each fiscal quarter of each fiscal year of the Lessee, a copy of the consolidated and consolidating balance sheet of the Lessee and all subsidiaries as of the last day of such fiscal quarter and the consolidated and consolidating statements of income, retained earnings, and cash flows of the Lessee and its subsidiaries for the fiscal quarter and for the fiscal year-to-date period then ended, each in reasonable detail showing in comparative form the figures set forth in the budget for such period and for the corresponding date and period in the previous fiscal year, prepared by the Lessee in accordance with GAAP (subject to the absence of footnote disclosures and year-end audit adjustments) and certified to by its chief financial officer or another officer or another officer of the Lessee acceptable to Lessor:

As soon as available, and in any event no later than 120 days after the last day of each fiscal year of the Lessee, a copy of the consolidated and consolidating balance sheet of the Lessee and its subsidiaries as of the last day of the fiscal year then ended and the consolidated and consolidating statements of income, retained earnings, and cash flows of the Lessee and its subsidiaries for the fiscal year then ended, and accompanying notes thereto, each in reasonable detail showing in comparative form the figures set forth in the budget for such period and for the previous fiscal year, accompanied in the case of the consolidated financial statements by an unqualified opinion of Grant Thornton LLP or another firm of independent public accountants of recognized standing, selected by the Lessee and reasonably satisfactory to the Lessor, to the effect that the consolidated financial statements have been prepared in accordance with GAAP and present fairly in accordance with GAAP the consolidated financial condition of the Lessee and its subsidiaries as of the close of such fiscal year and the results of their operations and cash flows for the fiscal year then ended and that an examination of such accounts in connection with such financial statements has been made in accordance with generally accepted auditing standards and, accordingly, such examination included such tests of the accounting records and such other auditing procedures as were considered necessary in the circumstances;

Paragraph 7(b)(v) is amended to add the following to the end thereof "(except as expressly permitted under that certain Credit Agreement dated as of 4/30/07 among Lessee, Guarantors and Lenders (the "Credit Agreement")."

Paragraph 7(b) is amended to add the following subparagraph to the end thereof "(vi) agree to modify or amend that certain Credit Agreement without giving Lessor prior written notice."

Paragraph 10 is hereby amended to add the following to the end thereof "excepting however, any claims, losses, liabilities which which is attributable to the gross negligence or willful misconduct of Lessor, its agent or employees."

Except as modified herein, the terms and conditions of the Lease remain the same.

Date: December 26, 2007

Wells Fargo Equipment Finance, Inc.

By: Barbara [Signature]
Title: VP

Watco Companies, Inc.

By: [Signature]
Title: SVP



Wells Fargo Equipment Finance, Inc.
733 Marquette Avenue, Suite 700
Minneapolis, MN 55402

Schedule B
Stipulated Loss Schedule

Supplement to Railcar Master Lease Agreement dated as of December 26, 2007
To Railcar Master Lease No. 108844 dated as of December 26, 2007

Lessee: *Watco Companies, Inc.*

Per	Date	Percent per Railcar
1	1/31/08	100.20
2	2/29/08	99.61
3	3/31/08	99.01
4	4/30/08	98.41
5	5/31/08	97.74
6	6/30/08	97.14
7	7/31/08	96.45
8	8/31/08	95.83
9	9/30/08	95.22
10	10/32/08	94.51
11	11/30/08	93.89
12	12/31/08	93.27
13	1/31/09	92.17
14	2/28/09	91.53
15	3/32/09	90.89
16	4/30/09	90.25
17	5/31/09	89.51
18	6/30/09	88.86
19	7/32/09	88.09
20	8/32/09	87.44
21	9/30/09	86.78
22	10/31/09	86.00
23	11/30/09	85.33
24	12/31/09	84.66
25	1/31/10	83.37
26	2/28/10	82.68
27	3/32/10	81.99
28	4/30/10	81.30
29	5/31/10	80.51
30	6/30/10	79.81
31	7/32/10	78.98
32	8/32/10	78.27
33	9/30/10	77.57
34	10/31/10	76.72
35	11/30/10	76.01
36	12/31/10	75.29
37	1/31/11	73.89
38	2/28/11	73.76
39	3/31/11	72.42
40	4/30/11	71.67



41	5/32/11	70.83
42	8/30/11	70.07
43	7/31/11	69.20
44	8/31/11	68.44
45	9/30/11	67.67
46	10/31/11	66.78
47	11/30/11	66.01
48	12/32/11	65.24
49	1/31/12	63.80
50	2/29/12	63.01
51	3/31/12	62.22
52	4/30/12	61.42
53	5/31/12	60.52
54	6/30/12	59.71
55	7/32/12	58.78
56	8/31/12	57.97
57	9/30/12	57.15
58	10/31/12	56.20
59	11/3/12	55.37
60	12/31/12	54.54
61	1/31/13	53.07
62	2/28/13	52.22
63	3/32/13	51.37
64	4/30/13	50.51
65	5/31/13	49.56
66	6/30/13	48.69
67	7/31/13	47.71
68	8/32/13	46.83
69	9/30/13	45.95
70	10/31/13	44.95
71	11/30/13	44.06
72	12/31/13	43.17
73	1/31/14	41.68
74	2/28/14	40.77
75	3/31/14	39.85
76	4/3/14	38.93
77	5/31/14	37.93
78	6/3/14	37.00
79	7/31/14	35.98
80	8/31/14	35.03
81	9/30/14	34.09
82	10/31/14	33.05
83	11/30/14	32.09
84	12/31/14	31.13
85	1/31/15	30.25
86	2/28/15	29.85
87	3/31/15	29.44
88	4/30/15	29.03
89	5/31/15	28.56
90	6/30/15	28.15
91	7/32/15	27.66
92	8/31/15	27.24
93	9/30/15	26.82

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94	10/31/15	26.33
95	11/30/15	25.90
96	12/31/15	24.47
97	1/31/16	24.66
98	2/29/16	24.22
99	3/31/16	23.78
100	4/30/16	23.34
101	5/31/16	22.88
102	6/30/16	22.41
103	7/31/16	21.91
104	8/31/16	21.46
105	9/30/16	21.01
106	10/31/16	20.50
107	11/30/16	20.04
108	12/31/16	19.58
109	1/31/17	18.83
110	2/28/17	18.36
111	3/31/17	17.89
112	4/30/17	17.43
113	5/31/17	16.95
114	6/30/17	16.48

This schedule is subject to change based on the final terms of the transaction. In the event the terms do change, Lessor will provide a replacement schedule to Lessee. This schedule does not include prepayment terms.

Initial:

WAIVER OF INTEREST

To: Wells Fargo Equipment Finance, Inc.
 733 Marquette Avenue, Suite 700
 MAC N9306-070
 Minneapolis, MN 55402

RE: Watco, Companies, Inc ("Lessee/Debtor")

To Whom it may concern:

The undersigned hereby releases, disclaims and waives any lien or security interest it may have in the items of personal property described below.

Equipment Description: Five (5) SD40-2 Locomotives bearing the report markings of WAMX 4126, 4127, 7350, 7366 and 4130, as more completely detailed below:

Markings	Number	Model	Year Built	Engine Type
WAMX	4126	SD40-2	6-79	16-645E3
WAMX	4127	SD40-2	7-76	16-645E3
WAMX	7350	SD40-2	6-74	16-645E3
WAMX	7366	SD40-2	3-75	16-645E3
WAMX	4130	SD40-2	3-75	16-645E3

Sincerely,

Watco Companies, Inc

By: 

Title: SVP