

# Leasing

No matter what your railcar or locomotive needs, Boxcar Services stands ready to assist you in finding the right equipment at the right price, quickly and confidentially.

At Boxcar Services we offer a significant number of lease options. We can accommodate virtually any operational or financial requirement a customer may have for leasing rail equipment.

For future business development, we will use a variety of lease structures. Typically, leases fall under one of the following structures, but we will think outside of the box to obtain a lease arrangement to fit a customer's needs:

## Full Service Operating Lease

Boxcar Services is pleased to present its Full Service Operating Lease Option. We offer full service leases on most of the cars we represent &mdash; contact us for more detail on this great option that many shippers demand!

Defined: A full service operating lease is where the lessor pays all taxes, maintenance, repair, and insurance in addition to a monthly lease rate. Lessor may or may not have ownership of the railcar.

## Net Operating Lease

The customer has control of the asset in exchange for a lease payment. Under this structure, the lessee agrees to:

- Maintain and return the railcar in as good a condition as when it was initially placed in service under the lease
- Pay all property, use, or other taxes
- Insure the car against damage
- Perform all revenue accounting associated with the operation of the car
- Pay the agreed upon rental amount for the full term of the agreement

If the railcar is not used, the lessee is still required to make the rental payment to the lessor. Boxcar Services maintains ownership of the asset.

### Capital Lease

This lease type transfers significant risks and rewards of ownership of the asset to the lessee over of the lease term. The lease often will contain a fixed price purchase option at the end of the lease. This is listed as capital lease when the lease term is equal to 75% or more of the estimated economic life of the asset or the present value of the lease payments is equal to or exceeds 90% of the fair market value.

### Sales-Leaseback

A transaction in which Boxcar Services purchases the railcars from the customer and then leases the equipment back to the previous owner. The customer then increased its cash position, thus, providing capital for other investments. There may be a tax liability and any gain may be deferred over the lease term. This structure can be attractive when the railcar requires an upgrades or modification, with which BCSX has extensive experience.

### Synthetic Lease

This lease type offers different treatment for tax and book purposes: for tax, it is treated as a financing or loan; for book, it is a lease. This structure is often a good alternative when a sale/leaseback will not work.

### Per-Diem

Used by the North American rail system, this structure relies on car hire accounting practices. Under this system, railroads reimburse one another for time and miles while another railroad's car is on its lines. The car typically earns the majority of its "lease payment" while the car is "off-line", on railroads other than the leasing railroad. Leases vary greatly depending on the situation, providing varying rates on-line and off-line, and providing varying levels of assurances for the leasing railroad, from no assurance other than the lessor's right to "pull" these cars and re-deploy them elsewhere to a fully guaranteed lease payment stream.

### Like Kind Railcar Exchanges

Boxcar Services also offers a "Like Kind Exchange" program that helps to creatively meet the specific financial and

railcar needs of customers. This "exchange" of equipment allows car users to upgrade or swap-out equipment while maintaining positive financial advantages.