Tealinc

Touchbase

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FRA, PHMSA pile on the paperwork

"The FRA is therefore recommending that only the highest skilled inspectors conduct brake and mechanical inspections of trains transporting large quantities of flammable liquids, and that industry decrease the threshold for wayside detectors that measure wheel impacts, to ensure

Tealinc Scholarship Recipients Announced!

As an adamant supporter of post-secondary education providing over $23,000 in scholarships over the past several years, we are proud to announce the 2015 Tealinc Scholarship Recipients. We received a number of highly qualified applicants who made the decision process difficult yet it is extremely encouraging to see so many driven young people focused on not only their academic success but also on their community involvement. To learn more about each of this year's scholarship recipients, click on the name provided below.

- Allixandria Masat
- Hannah Blue
- Kolleen Gustad

Railroad & Policy Updates

The Federal Railroad Administration (FRA) and Pipeline and Hazardous Materials Safety Administration (PHMSA) on April 17, 2015 issued what they describe as "a package of targeted actions that will address some of the issues identified in recent train accidents involving crude oil and ethanol shipped by rail."

Calling the number of "significant accidents" involving trains carrying ethanol or crude oil as "unprecedented," FRA and PHMSA issued one Emergency Order, two Safety Advisories, and several Notices to Industry "intended to further enhance the safe shipment of Class 3 flammable liquids" (which according to data compiled by the Association of American Railroads reaches its destination without a rail-related incident 99.996% of the time).

"These actions represent the latest in a series of more than two dozen that DOT has initiated over the past 19 months to address the significant threat to public safety that accidents involving trains carrying highly flammable liquids can represent," the agencies said. "The actions taken today coincide with actions being taken by other government agencies, including the Department of Homeland Security (DHS), the Federal Emergency Management Agency (FEMA), the Environmental Protection Agency (EPA), and the Department of Energy (DOE)."

"Preliminary investigation of one recent derailment indicates that a mechanical defect involving a broken tank car wheel may have caused or contributed to the incident," FRA said. "The FRA is therefore recommending that only the highest skilled inspectors conduct brake and mechanical inspections of trains transporting large quantities of flammable liquids, and that industry decrease the threshold for wayside detectors that measure wheel impacts, to ensure the wheel integrity of tank cars in those trains."

"Recent accidents revealed that certain critical information about the train

the wheel integrity of tank cars in those trains."

and its cargo needs to be immediately available for use by emergency responders or federal investigators who arrive on scene shortly after an incident," FRA added. "To address the information gap, DOT is taking several actions to remind both the oil industry and the rail industry of their obligation to provide these critical details."

PHMSA issued a Safety Advisory "reminding carriers and shippers of the specific types of information that they must make immediately available to emergency responders." FRA and PHMSA issued a joint Safety Advisory requesting that "specific information also be made readily available to investigators." On top of this, FRA sent a request to the Association of American Railroads "asking the industry to develop a formal process by which this specific information becomes available to both emergency responders and investigators within 90 minutes of initial contact with an investigator," and submitted to the Federal Register a notice proposing to expand the information collected on certain required accident reports "so that information specific to accidents involving trains transporting crude oil is reported."

FRA sent request to AAR "asking the industry to develop a formal process by which this specific information becomes available to both emergency responders and investigators within 90 minutes of initial contact with an investigator"

The information required by the PHMSA Safety Advisory requested includes:

- Basic description and technical name of the hazardous material and the immediate hazard to health
- Risks of fire or explosion
- Immediate precautions to be taken in the event of an accident.
- Immediate methods for handling fires
- Initial methods for handling spills or leaks in the absence of fire
- Preliminary first aid measures
- 24-hour telephone number for immediate access to product information

Information sought by the USDOT in the event of a crude-by-rail accident includes:

USDOT is also requesting information in the event of a crude-by-rail accident

- Information on the train consist, including the train number, locomotive(s), locomotives as distributed power, end-of-train device information, number and position of tank cars in the train, tank car reporting marks, and the tank car specifications and relevant attributes of the tank cars in the train
- Waybill (origin and destination) information
- The Safety Data Sheet(s) or any other documents used to provide comprehensive emergency response and incident mitigation information for Class 3 flammable liquids
- Results of any product testing undertaken prior to transportation that was used to properly characterize the Class 3 flammable liquids for transportation (initial testing)
- Results from any analysis of product sample(s) (taken prior to being offered into transportation) from tank car(s) involved in the derailment.
- Date of acceptance as required to be noted on shipping papers under 49 CFR § 174.24
- If a refined flammable liquid is involved, the type of liquid and the name and location of the company extracting the material

The US DOT said that it "has determined that public safety compels issuance of an Emergency Order to require that trains transporting large amounts of Class 3 flammable liquid through certain highly populated areas adhere to a maximum authorized operating speed limit of 40 mph in High Threat Urban Areas"

- The identification of the company having initial testing performed (sampling and analysis of material) and information on the lab (if external) conducting the analysis.
- Name and location of the company transporting the material from well head to loading facility or terminal
- Name and location of the company that owns and that operates the terminal or loading facility that loaded the product for rail transportation
- Name of the railroad(s) handling the tank car(s) at any time from point of origin to destination and a timeline of handling changes between railroads.

The US DOT said that it "has determined that public safety compels issuance of an Emergency Order to require that trains transporting large amounts of Class 3 flammable liquid through certain highly populated areas adhere to a maximum authorized operating speed limit of 40 mph in High Threat Urban Areas. Under the EO, an affected train is one that contains: 1) 20 or more loaded tank cars in a continuous block, or 35 or more loaded tank cars, of Class 3 flammable liquid; and, 2) at least one DOT-111 tank car (including a CPC-1232) loaded with a Class 3 flammable liquid."

FRA and PHMSA pointed out that since 2013, there have been 23 crude-oil-related train accidents in the U.S., but acknowledged that "the majority of incidents occurred without the release of any crude oil product."

In response, the AAR said that the added federal directives "build on the many practices and protocols the industry has applied for years for safely moving and handling hazardous materials by rail, including flammable liquids," and noted that "while some provisions are based on existing railroad practices, others are problematic. For example, one of the agency's advisories would have railroads provide customer information they don't possess and customers are not required to provide."

"Overall, these federal provisions reflect the fact that moving crude by rail is a shared responsibility, involving a safety system of prevention, mitigation and response," said AAR President and CEO Ed Hamberger. "Railroads, like all supply chain stakeholders, anxiously await the federal government's final rules on tank cars, which directly addresses the heart of mitigation." He added that the industry "shares the belief that there is no greater priority than safety. It is always our goal to make a safe network even safer, and as FRA data shows, 2014 was the safest year for train accidents in railroad history."

"Overall, these federal provisions reflect the fact that moving crude by rail is a shared responsibility, involving a safety system of prevention, mitigation and response"

Regarding the Emergency Order pertaining to train speeds, AAR pointed out that freight railroads in February 2014 "voluntarily imposed a 40 mph speed restriction through High Threat Urban Areas for crude oil trains last year."

Read the entire article:
http://www.railwayage.com/index.php/regulatory/fra-phmsa-pile-on-the-paperwork.html?channel=40

Mechanical Brief with Steve Christian

Running repair agents

I have audited many billing repairs cards (BRC's) for several years from all over the United States and Canada. In that time, I have noticed a significant number of BRC's from shortlines, regionals and Class I's that originate from "Running Repair Agents". Running Repair Agents are private (non-railroads) that have a contract with a "Sponsoring Railroad" to handle their running repairs which are required by the Association of American Railroad Interchange Rules. These Running Repair Agents are also signatories to the AAR Interchange Agreement. Appendix H of the AAR Office Manual lists the Sponsoring Railroad, Running Repair Agents, repair locations, SPLC and the beginning and ending dates of their contracts. If you scan the list you will see that about 80 sponsoring railroads utilize a multitude of contractors to cover around 400 railcar repair tracks. These contractors run the whole spectrum from well-known railcar repair shop operators with a large network of shops to local contractors. Even BRC's that show BNSF, UP, CSX, KCS, NS, CN AND CP as the billing road could still be generated by a running repair agent. The only clue to this connection would be comparing the SPLC on the BRC to the list of SPLC's in Appendix H.

There are a couple of conditions that have contributed to the growth of running repair agents in the railroad industry. When the class I railroads shed many of their branch lines and shortline railroads resumed operations, there was a need to have running repair coverage for railcars running on their line. Shortlines turned to contractors to fill this void. The shortlines also added to their profitability by getting a percentage of repair revenue from the contractors operating on their line.
As the class I railroads became bigger and more powerful and the mechanical craft unions became weaker, the railroads began utilizing contractors more and more. I have no doubt that the class I railroads have the ultimate goal of moving trains from point A to point B only. All other functions (including railcar repairs) would be accomplished by contractors. That is still a long ways off but they have made substantial progress to that end.

The introduction of contractors has changed things. In the BRC's that I audit, the dollar volume and scope of items repaired has increased

When the BRC's originated from class I railroads for repairs made from class I repair tracks, there was uniformity and little that could be challenged. Class I repair tracks wanted to get cars on and off the track as quickly as possible.

The introduction of contractors has changed things. In the BRC's that I audit, the dollar volume and scope of items repaired has increased. I have no reason to believe that something underhanded is going on. I do believe there is a lot of inexperience on many of these repair tracks. The seasoned journeyman Carman will not be found at these locations. You would probably find an employee with mechanical aptitude but little experience. To further complicate matters, most of the locations that I am familiar with have a lot of employee turnover.

What you can and should do is

There is no way of reversing the course of the use of "Running Repair Agents". It is here to stay. What you can and should do is scrutinize your repair bills closely. If the SPLC on the BRC shows one of the locations

scrutinize your repair bills closely

listed in Appendix H, you should look even more closely.

As always, Tealinc stands ready to employ our varied talents and experiences to work for you.

Steve Christian is the Manager Value Creation-Railcar Performance Manager for Tealinc, Ltd. You may contact Steve directly out of our Nebraska office at (308) 675-0838 or via email at ***steve@tealinc.com****.*

Railroad Traffic

AAR reports carload traffic decline of 3.4 percent

The Association of American Railroads (AAR) reported April 1, 2015 weekly U.S. rail traffic, as well as volumes for March 2015 and first three months of 2015.

Carload traffic in March totaled 1,117,029 carloads, down 3.4 percent or 39,793 carloads from March 2014. U.S. railroads also originated 1,084,136 containers and trailers in March 2015, up 5.7 percent or 58,161 units from the same month last year. For March 2015, combined U.S. carload and intermodal originations were 2,201,165, up 0.8 percent or 18,368 carloads and intermodal units over March 2014. The weekly average of 550,291 carloads and intermodal units was the most for March since 2007, prior to the start of the last recession, and 21.5 percent higher than the weekly average in March 2009.

March carloads of grain, metallic ores and crushed stone, sand and gravel up; coal, primary metal products and petroleum and petroleum products down

In March 2015, eight of the 20 carload commodity categories tracked by the AAR each month saw carload gains compared with March 2014. This included grain, up 10.9 percent or 8,896 carloads; metallic ores, up 19.1 percent or 3,377 carloads; and crushed stone, sand and gravel, up 1.8 percent or 1,481 carloads. Commodities that saw declines in March 2015 from March 2014 included coal, down 6.9 percent or 31,205 carloads; primary metal products, down 16.2 percent or 6,756 carloads; and petroleum and petroleum products, down 7 percent or 4,170 carloads.

Excluding coal, carloads were down 1.2 percent or 8,588 carloads in March 2015 from March 2014 and when both coal and grain are excluded, U.S. carloads were down 2.8 percent or 17,484 carloads last month.

Total U.S. carload traffic for the first three months of 2015 was 3,367,082 carloads, up 0.3 percent or 10,345 carloads, while intermodal containers and trailers were 3,018,598 units, up 0.1 percent or 2,435 containers and trailers when compared to the same period in 2014. For the first quarter of 2015, total rail traffic volume in the United States was 6,385,680 carloads and intermodal units, up 0.2 percent or 12,780 carloads and intermodal units from the same point last year.

"Like other key economic indicators, rail traffic is presenting a mixed message"

"Like other key economic indicators, rail traffic is presenting a mixed message," said AAR Senior Vice President John T. Gray. "Rail intermodal traffic rebounded well in March, but many carload commodities did not. Coal is facing a number headwinds. There are risks going forward, to be sure, but for now we see no reason to think that the economy won't continue its recent pattern of relatively modest growth."

Visit the AAR at:
https://www.aar.org/newsandevents/Press-Releases/Pages/2015-04-01-railtraffic.aspx

Industrial Inside

Lower oil prices send mixed signals to frac sand producers

Spurred by the oil and gas industry's use of frac sand for drilling, a company located on the banks of the Ohio River that moves and stores large amounts of frac sand is about to invest $1.3 million to build a better barge dock. The *Pittsburgh Post-Gazette* reports that McKees Rocks Industrial Enterprises (MRIE) is set to begin construction on a 380-foot expansion to the existing barge services at its main site. The upgrade, which is expected to begin in mid-May, would include the addition of a second dock to double the number of barges that can be unloaded each day. The Pennsylvania Department of Transportation awarded $900,000 to the company for the project.

MRIE isn't the only company to reap the benefits of the demand for frac sand. According to the report, S.H. Bell Co. in Pittsburgh has seen a 137 percent year-over-year increase in sand arriving by barge and an 80 percent year-over-year increase in sand coming in by rail.

Now, let's take a look at the flip side. The sky-high oil prices of last year that spurred the fracking craze are gone. Lower oil prices have caused the oil and gas industry to cut back on production and table plans for new drilling sites, which has, in turn, caused a ripple effect that is being felt by sand producers.

Lower oil prices have caused the oil and gas industry to cut back on production and table plans for new drilling sites... causing a ripple effect that is being felt by sand producers

Superior Silica Sands has decided to cancel the construction of a new sand processing facility in Wisconsin. "This whole ripple effect has taken hold, and it is going to continue," Richard Shearer, CEO of Superior Silica Sands, a Texas-based company that operates sand mines in Wisconsin, says in an interview with the *Star Tribune*. "There are peak cycles and trough cycles, and we have hit a trough."

Industry officials project that sand mines in the United States will ship significantly less sand to oil and gas drillers in 2015, compared with last year, when some sand producers set production records. Shearer tells the news agency that some experts think sand shipments could be down as much as 30 percent to 40 percent this year. The report notes that U.S. Silica Holdings recently told Jefferies Equities Research that it expects a 15 percent drop in its sand demand in 2015.

Victory Nickel Inc. announced that frac sand sales have been slower than anticipated during the first quarter of 2015, so it is temporarily suspending production at its Seven Persons, Alberta, frac sand plant, which was just entering full production after starting up towards the end of 2014. Then again, Scott Sustacek, CEO of Jordan Sands, tells the *Star Tribune* that the sand mine, which just started operation as the market began to weaken last December, is still ramping up production, even though prices have dropped "in the 25 percent range" from the 2014 peak.

There are approximately 850 newly drilled wells that have not been

Some expects think sand shipments could be down as much as 30 to 40 percent in 2015

completed because of the drop in oil prices. According to the report, drillers are delaying fracking in hopes that oil prices will go up again.

There are a few positive signs for frac sand producers, however. Those wells that have been put on hold will be finished at some point, many later this year, which bodes well for sand producers. Plus oil companies have found that pumping more frac sand into a well increases its oil output. “The more the better, there is no doubt about it,” Ken DeCubellis, CEO of Black Ridge Oil & Gas, tells the news agency, explaining that he has seen data from side-by-side wells that proves that using twice as much sand produces nearly twice as much oil.

http://www.aggman.com/lower-oil-prices-send-mixed-signals-to-frac-sand-producers/?utm_source=daily&utm_medium=email&utm_content=04-20-2015&utm_campaign=AM&ust_id=4ccdeb7bdc&

Financial Focus

Fed rate hike: speed and size matter more than the start

Experts and the media have obsessed for months about when the Fed will make its first interest rate hike. Will it be June? September? 2016?

But here's the catch: the liftoff date is just an appetizer. The main course -- the meat of the issue -- is how quickly the Fed raises rates. Will the Fed push rates up several times in the months that follow? Will those increases be small nudges or big jumps?

The speed is arguably more important to the U.S. economy and stock market than when the play starts.

"The pace is much more important than the date of the first rate hike," says Gus Faucher, senior economist at PNC Financial.

Slow and steady

Everyone from Wall Street to Washington to Main Street is antsy about this first rate hike because the Fed hasn't increased rates since 2006 -- before "The Big Bang Theory" even started airing.

Everyone from Wall Street to Washington to Main Street is antsy about this first rate hike because the Fed hasn't increased rates since 2006

America's central bank slashed rates to near zero in December 2008 to stimulate the economy. The Fed has kept rates at those historic lows ever since.

Raising rates will impact everyone. If you have a credit card, car loan, private student loan, money in a savings account, stocks, bonds or are looking for a home mortgage, the Fed's policy will impact you.

In March, the Fed signaled it's getting ready to raise rates by removing the key word "patient" from its official statement. Many interpreted this to mean the Fed could start hiking rates as early as June. But a few weeks later, disappointing data on the weak hiring in March caused many to forecast the liftoff won't come until September.

The Fed won't say exactly when it plans to raise rates, but Fed Chair Janet

“Even after the initial increase in the target funds rate, our policy is likely to remain highly accommodative”

"It really boils down to how much and how fast. That's what real people should really be focused on”

Yellen has emphasized the central bank will move slowly.

"Even after the initial increase in the target funds rate, our policy is likely to remain highly accommodative," Yellen said in March. That's Fed speak for rates will stay low for awhile.

Yellen's colleague, New York Fed Chair William Dudley, backed her up in early April, saying the path of rate hikes will be "shallow." The Dow gained 227 points after Yellen's comments and 117 points after Dudley's -- a sign that a slow pace holds weight with investors.

Warning sign: U.S. economy only adds 126,000 jobs

This rate hike party won't be like 1994: Moving slowly is a big shift from the past. In 1994, the Fed raised rates numerous times that year, ending with a 75-point rate hike that few expected. In 2006, the Fed raised rates four times.

"They're going to go up, but they're not going to double or triple overnight," says John Canally, chief economist at LPL financial.

The Fed is expected to raise rates once this year and see how the economy reacts. The "wait-and-watch" approach means rates will be low well after the first rate hike, says Rajeev Dhawan, director of the economic forecasting center at Georgia State University.

For car owners or credit card holders, that's a welcome sign. The interest on your floating-rate debt won't go up quickly, economists say.

In fact, the end of rate hikes could even be more important the beginning, some argue. Rates are near zero now, and the Fed projects they could be at 3.5% in a few years.

How the central bank goes from point A to point B is gaining the spotlight.

"It really boils down to how much and how fast. That's what real people should really be focused on." says Jay Bryson, senior economist at Wells Fargo Securities.

Learn more at:
http://money.cnn.com/2015/04/13/news/economy/federal-reserve-janet-yellen-interest-rate/index.html?iid=SF_BN_River

The Edge

Julie Mink and I spend a good deal of time on future customer journeys. These journeys mostly encompass the process of explaining the railcar leasing procedure to a customer who has never leased a railcar before and more importantly has never before engaged in rail. Our journey is most always interesting and usually goes somewhat like this.

> Customer: Hey Tealinc I want 50 covered hoppers (insert number and type of railcar) to haul my minerals product from point A to point B. I want to be sure they’re delivered timely from wherever you’re shipping them and I want them to arrive on Tuesday for the

morning shift three weeks from now. In addition I'd like them to be easy to load, easy to unload and have minimal maintenance throughout however long I'm going to lease them.

At this point we get a chance to go to work!

To begin with there's nothing that beats a mechanical inspection not only for a conditional assessment but also to determine if they're the right railcar for your product. You'll probably have the best idea of whether or not a railcar is the right fit for your product; however, few shippers or railcar Lessee's have the inherent knowledge required to make a conditional assessment. In this case we encourage hiring a knowledgeable third party mechanical inspector to make that assessment for you. Inspectors typically charge between $750 to $1500 per day plus expenses to inspect railcars. You should expect a full written report in measureable terms (e.g. AAR / FRA compliant, job code, etc.) and a general overall condition assessment on a representative sample (we encourage no less than 15% of the railcars be inspected at random) and you should also receive several photographs of each railcar. In todays' digital world this is an easy request to comply with. After the conditional report and written assessment you'll want to assess the condition and discuss any concerns or areas with which you're not familiar with the Lessor/Seller. A rule here is to come to agreement in measureable terms (e.g. all hatch covers will have new gaskets, air brake tests will be current, etc.) on what your expectations are for your acceptance of the railcars.

So to carry on our conversation….

> Tealinc: Hey new customer we do have 50 covered hopper railcars that appear to be of the type and construction to make ideal candidates to haul your mineral product. Let's make this simple and you and your mechanical inspector and a person from our team will meet you on x-date and x-location to look at the railcars.

Inspection coordinated and complete repair requirements agreed to and we're on to paperwork.

Papering a "deal" is sometimes the hardest part of the entire transaction. Reasonable expectations should govern here and usually do through negotiations and increased understanding. The papering process should encompass what you've agreed to in both business and legal terms and conditions. What we often see is agreement on the business terms and conditions and then legal gets involved and attempts to change the legal terms and conditions enough to influence the going-in business terms and conditions. A key strategy here that is important is when you are inspecting railcars be sure to review any mechanical issues that need to be addressed before acceptance and any items that you as a shipper will need to consider such as OT-5 acceptance of the railcars (do you have adequate storage if you need to park them for a period of time), and what railcar mark you're going to run on the railcars, yours or the Lessors. Convey these items to the Lessor so there is a benchmark line going into the agreement. Also remember that other than ownership of the railcar most Lessors don't control the railcar shop timing process or the railroad movement process.

Continuing the conversation…..

> Customer: So you're going to repair those few items on Exhibit X, Correct?
>
> Tealinc: Yes we have specifically agreed to a list of items and they will all be in AAR / FRA compliance before they are released from the shop. (The key here is that AAR / FRA compliance is a tangible measurement and specific to the safety and performance of the equipment while it's moving on the railroad. Anything extra that your company may specifically want done must be added to the paperwork now so that both parties are in agreement ahead of time.)

Customer: Great when will they be released?

Tealinc: The shop has ordered material and anticipates a release date of X. However for planning purposes they don't get switched except three times a week so your planned out date is X.

Customer: Guaranteed?

Tealinc: No. These are approximate dates based on getting material, when the material supplier anticipates shipping it and having the repairs complete when the shop anticipates fixing the items on our repair list. At this point it's an 80% probability that the planned out date is good but it's still the real world.
Customer: Good enough by me, how long do you think it will take the railroad to deliver the railcars to me?

Tealinc: Historically it appears that it's taking the railroad 14 days to get railcars from that general geographic location to your area, however once again we do not have any control over the railroad. We do track your railcars into service so they'll be managed proactively guaranteeing at the minimum if they get stuck somewhere we'll be on it immediately.

Customer: Sounds like that's the best we can hope for. So no Tuesday morning guarantee then.

Tealinc: That is correct.

Anybody who guarantees you time in a shop (even if they own the shop) and railroad turn times are either not engaged in the railcar, railroad business and don't really understand or are pulling your leg.

Customer: So let's go thru the rest of this agreement. We've agreed on a lease rate of X for a lease term of Y with my company ultimately responsible for maintenance, insurance, taxes and transportation, is that correct and what does it really mean to me?

Tealinc: In exchange for a lower monthly rental rate you take on additional responsibilities. The responsibility of maintenance for all repairs are for your account so when a railcar is repaired by the railroad or a contract shop you will get the invoice and be expected to pay it. As we'd discussed historically we've seen maintenance costs in the xx to xx dollars per railcar per month range. Insurance needs to cover the stipulated loss value or property, i.e. the railcar value per the agreement. There is also a requirement of X amount for liability insurance required as well naming us as additional insureds. Most companies can add these insurance requirements to current policies. Ad Valorem taxes (property) are assessed on the railcars as they move throughout different states, counties, parishes, municipalities some of which impose tax assessments on the railcars. In your area our experience is that the tax rate is approximately X dollars per railcar per month. Transportation into service is not built into the railcar monthly rental rate as we discussed so it must also be paid by you. Any future transportation is controlled entirely by your company and therefore is your responsibility.

Customer: Ok, I've got it and am ok with this approach. However can you help me with the coordination?

Tealinc: Absolutely!

Customer: I'll need to run this by legal to get final approval so expect a response from them shortly.

Often the hardest part of a deal is for a customers' commercial person (department) to convey the business terms and conditions to their legal department in a manner that creates clear legal translation of the business terms into legal terms and responsibilities. For instance when the Lessee is responsible for timely payments the argument shouldn't be limitation of liability but simply how long of a cure period there needs to be before an event of default occurs. Or if the business terms are that the customer is responsible for all maintenance and a customer of theirs side swipes a railcar the Lessee is still responsible for the repair costs, etc.

Customer Legal: So Tealinc we have this lease and I want to discuss liability. I understand we're liable for the performance of the railcars while we have them under lease. My understanding is that since we control what they're loaded with, how they're loaded, where we ship them and to what customers we ship them we're liable for any repairs or damage or any subsequent liability that arises from that supply chain process. My only issue is that we need more time than xx days prior to an event of default occurring simply because of the complexities of our systems. For instance if we miss paying an invoice by x days we don't want to trigger an event of default because the invoice was overlooked and didn't meet our cutoff window for accounts payable. Is that acceptable?

Tealinc: Sure we're more than willing to work within your system so long as we define that system ahead of time.

I'll wrap up this conversation by saying this "deal" went very smoothly. The commercial person, albeit a new lessee, followed this very straight forward process. He or she was forthright in expectations, reasonable in requests and understood the process completely by the time we'd initiated our agreement. What's really important though is that both the legal and commercial persons' understand and fully read the agreement, ask questions and get clarification before signing. Changing your mind after the fact can materially change the requirements causing havoc in a transaction for both you and your leasing company.

Once the agreement is signed, we help the customer get their railcars into service and upon request from the customer, file OT-5 on the company's behalf and may even help them register a private railcar mark. We'd be pleased to have an opportunity to go on a journey with your company as well.

We look forward to earning your business!