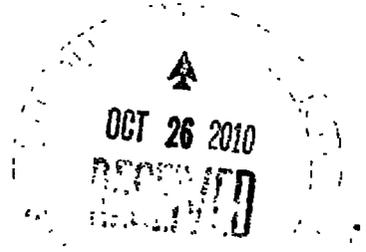


228059

Eric M. Hocky
Direct Dial 215 640 8523
Email ehocky@thorpreed.com



ATTORNEYS AT LAW SINCE 1895



VIA FEDEX

October 25, 2010

Cynthia T. Brown
Chief, Section of Administration
Office of Proceedings
Surface Transportation Board
395 E Street SW
Washington, DC 20423

ENTERED
Office of Proceedings
OCT 26 2010
Part of
Public Record

Re: STB Finance Docket No. 35440
State of Maine – Petition for Declaratory Order
Expedited Consideration Requested / Fee Waiver

Dear Ms. Brown:

Enclosed for filing in the above-referenced proceeding are the original and 10 copies of a Petition for Declaratory Order being filed on behalf of the State of Maine.

The State is seeking an order from the Board that the transactions at issue do not require Board authorization, and that the State would *not* become a carrier as a result of the transactions. Accordingly, the State is filing this Petition as a "government entity," and the filing fee should be waived in accordance with the Board's policy as set forth in 49 CFR 1002.2(c)(1). However, so as not to delay the handling of the Petition, the State is enclosing a check in the amount of \$1400 representing the filing fee that would otherwise be due. The State requests that the Board promptly determine whether the fee is waived, and either send back the check or refund the amount paid.

Please time stamp the extra copy of this letter to indicate receipt and return it to me in the self addressed envelope provided for your convenience.

Please let me know if there are any questions regarding this filing.

Respectfully,

Eric M. Hocky

EMH/c

cc: All persons shown on the Certificate of Service

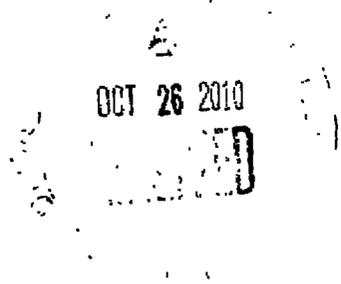
Customer
Service
Phone
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Thorpe Reed & Armstrong, LLC
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Philadelphia, PA 19107-2101
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028059

BEFORE THE
SURFACE TRANSPORTATION BOARD

STB Finance Docket No. 35440



STATE OF MAINE – PETITION FOR DECLARATORY ORDER

EXPEDITED CONSIDERATION REQUESTED

ENTERED
Office of Proceedings

OCT 26 2010

Par:
Public Recor

FEE RECEIVED
OCT 26 2010
SURFACE
TRANSPORTATION BOARD

TONI L. KEMMERLE
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Dated: October 25, 2010

Attorneys for State of Maine, Department of
Transportation

FILED
OCT 26 2010
SURFACE
TRANSPORTATION BOARD

**BEFORE THE
SURFACE TRANSPORTATION BOARD**

STB Finance Docket No. 35440

OCT 26 2010
RECEIVED

STATE OF MAINE – PETITION FOR DECLARATORY ORDER

The State of Maine, by and through its Department of Transportation (“State”), hereby requests that the Board exercise its discretion under 49 USC §721 and 5 USC §554(e) to remove uncertainty, and declare that the transactions described herein between the State and St. Lawrence & Atlantic Railroad Company (“SLR”) are not subject to the Board’s regulatory authority, and that the State will not be subject to the Board’s regulatory authority as a carrier, under the Board’s precedents under *State of Maine, Department of Transportation – Acquisition and Operation Exemption – Maine Central Railroad*, 8 ICC 2d 835 (1991) (“*State of Maine*”) and its progeny.¹

BACKGROUND

The State has, of course, previously made acquisitions pursuant to *State of Maine*, and as has previously been made clear to the Board (and before that the Interstate Commerce Commission), the State will not enter into transactions with freight carriers unless it is determined that the State will not become subject to the Board’s regulatory authority as a carrier, and that the transactions are not subject to the Board’s regulatory authority. Most recently, in 2007, the State purchased from SLR approximately 11 miles of right-of-way and tracks in Cumberland County, Maine. SLR retained a perpetual, exclusive easement to perform its

¹ The State recognizes that the Board would still have authority over the railroad line, and over SLR as the freight common carrier. See *Friends of the Aquifer*, STB Finance Docket No. 33966 (served August 15, 2001), slip op. at 4.

common carrier freight operations. In *State of Maine - Acquisition Exemption – Certain Assets of St. Lawrence & Atlantic Railroad Company*, STB Finance Docket No. 35018 (served September 13, 2007)(“*State of Maine (SLR)*”), the Board, after examination of an amended purchase and sale agreement, operating agreement and draft quitclaim deed, determined that SLR would have sufficient access and rights to fulfill its common carrier obligations after the transaction became effective, and that the agreements did not conflict with the precedent in *State of Maine*. Accordingly, the Board granted the State’s motion to dismiss the notice of acquisition that had been filed under 49 CFR 1150.31.²

The transactions at issue in this proceeding are essentially an extension of the 2007 transaction, and will allow the proposed future passenger service to be extended an additional 17 miles north, creating passenger service opportunities between Auburn and Portland. At the time of the 2007 sale, SLR granted the State an option to acquire (1) an additional 13.807 miles of SLR’s line between milepost 12.163 at Yarmouth, Cumberland County. and milepost 25.97 at the line between New Gloucester, Cumberland County and Auburn, Androscoggin County (the “Middle Segment”), subject to SLR’s retention of an exclusive and perpetual freight rail easement and (2) passenger operating rights for an operator to be designated by the State over a 3.59-mile line that SLR will retain ownership of between milepost 25.97 and milepost 29.56 in Auburn, Androscoggin County (the “Northern Segment”).³ A map showing the line segments, including the 2007 acquisition, is attached as Attachment 1. A copy of the Option Agreement is attached as Attachment 2.

² The transaction was consummated on September 27, 2007. Passenger operations are not expected to start for several years. However, the State is acquiring the right of way and tracks related to this light density freight line to ensure that it would not be abandoned and that it would be preserved in place for future passenger operations, as well as future freight operations.

³ The passenger operating rights also include the right for the State to upgrade the line at the State’s sole cost and expense.

The 2007 transaction and the option were structured so that the State could acquire the passenger service rights between Portland and Auburn in two pieces as funding became available. It now has the funding available to exercise its option, and by letter dated October 20, 2010, it gave formal notice of the exercise of the option. A copy of the notice is attached as Attachment 3.

Under the Option Agreement, the State would be deeded the Middle Segment, and SLR would retain a permanent freight easement in the same form as the 2007 transaction. A copy of the form of deed is attached to the Option Agreement as Exhibit B. Similarly, the 2007 Operating Agreement will merely be extended to the Middle Segment. See Operating Agreement Amendment attached to Option Agreement as Exhibit D. A copy of the final Operating Agreement dated September 27, 2007 is attached hereto as Attachment 4.

With respect to the Northern Segment, SLR is granting the State the right to name an operator that would operate a to-be-agreed upon number of passenger trains (up to a maximum of 21 in each direction per day). Passenger Operating Agreement, §2.1 (Exhibit E to Option Agreement). Passenger service is not imminent, and no schedule has been established. However, the State anticipates that passenger service on the Northern Segment would not be scheduled beyond the windows of the Operating Agreement, and therefore would not have any greater impact on freight operations than the Operating Agreement. Further, SLR is retaining full ownership and control of dispatching and maintenance of the Northern Segment. Passenger Operating Agreement, §§3.4.⁴ While SLR would attempt to dispatch the passenger trains to keep them on time, SLR is not required to schedule passenger and freight “windows,” and SLR could,

⁴ The State can require upgrades to the Northern Segment at its sole cost and expense, although thereafter SLR would be required to maintain the line in its upgraded condition. Passenger Operating Agreement, §§4.5. These upgrades would of course benefit freight operations as well.

if necessary schedule additional freight service throughout the day once passenger schedules were established. Additionally, the number of passenger trains is subject to capacity constraints. Thus, SLR will have ample time to provide freight service and meet its common carrier obligations.

The State will not be acquiring the right to conduct any freight rail operations on either Segment, and SLR will continue to provide all common carrier freight rail service on the Segments after closing. There are currently no customers located on either the Middle Segment or the Northern Segment. The only freight traffic currently being handled over the segments is overhead traffic to and from a single customer, B&M Beans (parent company B&G Foods Company), located in Portland on the segment acquired in 2007.⁵ The customer has only shipped 26 carloads so far this year, and shipped only 24 carloads last year for the same period. SLR currently serves the customer once a week as necessary. This is even less traffic than was being handled over the segments in 2007. There is additional overhead freight traffic handled on the northern portion of the Northern Segment. The Northern Segment includes Danville Junction which is an interchange point between SLR and Pan Am Railways. There have recently been significant State-funded improvements to the interchange facilities, and the State recognizes that additional improvements may be necessary prior to the commencement of passenger operations to make sure that freight operations would not be adversely affected.⁶ Notwithstanding the exercise of the Option, and the consummation of the related transactions, there will be no problem for SLR to meet its common carrier obligation to provide freight

⁵ B&M was one of the shippers identified in the 2007 transaction, and is the only shipper located on the 2007 segment who continues to use SLR's freight service over the lines in question. No shippers, including B&M submitted any comments or opposition to the 2007 transaction. *See State of Maine (SLR)*, slip op. at 3.

⁶ As noted above, the State has the right under the Passenger Operating Agreement to make such improvements. Passenger Operating Agreement, §5.1.

service in the freight windows provided in the Operating Agreement or as permitted in the Passenger Operating Agreement.

A condition of closing on the option is the obtaining of a decision from the Board that the agreements do not conflict with *State of Maine*, that the acquisitions by the State are not subject to the Board's regulatory authority, and that the State will not become a carrier subject to the Board's jurisdiction upon the consummation of the transactions. Option Agreement, §9.8.

DISCUSSION

A. Purchase of Middle Segment

The Board has already reviewed the arrangements that will govern the acquisition of the segment, the retained easement and the Operating Agreement. In so doing, the Board found:

Because SLR will continue to have sufficient access to the Subject Line to conduct its freight operations, and because SLR has explained that Maine DOT cannot force it to abandon its freight carrier operations, we are satisfied that SLR will be able to continue to fulfill its common carrier obligation once the P&S and operating agreements' terms take effect. We are also satisfied that those agreements will not conflict with our precedent in *Maine, DOT – Acq. Exemption, Me. Central R. Co.*, 8. I.C.C.2d, 835, 836-37 (1991).

State of Maine (SLR), slip op. at 3. There is no reason that the Board should not make the same findings here.

The form of deed with retained easement is attached to the Option Agreement as Exhibit

B. The retained easement terms are the same as those approved in the 2007 transaction. Although there are currently no shippers on the Middle Segment, the freight windows in the Operating Agreement will, as determined in *State of Maine (SLR)*, allow SLR to meet its common carrier obligations to handle overhead traffic to and from the 2007 segment, and will allow for the handling of additional on-line and overhead traffic if and when such traffic were to

develop.⁷ Accordingly, the Board should find that SLR will have sufficient access to the Middle Segment to conduct its freight operations, and that no Board authorization is required for the State's purchase of the right-of-way and tracks comprising the Middle Segment.

B. Grant of Passenger Operating Rights

As noted above, on the Northern Segment, passenger operations will be subject to the Passenger Operating Agreement. There are no customers located on the Northern Segment, but the traffic to and from the customer in Portland would be handled on this segment as well as the Middle Segment. Additionally, the Northern Segment would pass through Danville Junction which is a major interchange location which has recently been upgraded. While SLR would, at the time passenger operations begin, have some limitations on its operations under the Passenger Operating Agreement as a result of the requirement to allow time for passenger trains, SLR's ability to fulfill its common carrier obligations will not be adversely impacted. The State recognizes that additional improvements may be necessary to facilitate both passenger and freight operations, and the Passenger Operating Agreement allows the State to make such improvements. However, the Passenger Operating Agreement recognizes that SLR must be able to fulfill its common carrier obligations, and the number of passenger trains can be limited by capacity constraints. Further, SLR retains all dispatching rights on the Northern Segment, and SLR could, if necessary schedule additional freight service throughout the day once passenger schedules were established. SLR will have ample time to provide freight service and meet its common carrier obligations.

⁷ No shippers submitted comments with respect to the 2007 transaction, and the State does not expect any to be submitted in this proceeding. However, the State is serving a copy of this Petition on the only active shipper that would potentially be affected so that it will have the opportunity to comment if it chooses to do so.

Further, while the State has the right to require upgrades to the Northern Segment, the State is not acquiring any ownership interest in the Northern Segment and those improvements will also inure to the benefit of freight operations. With respect to the Northern Segment there will be no diminution of SLR's perpetual ownership interest. Therefore, for the same reasoning set forth in Section A and in *State of Maine (SLR)*, the State will not be acquiring sufficient rights to interfere with SLR's ability to meet its common carrier obligations, and the Board should find that the grant of passenger operating rights for use by a future operator to be designated by the State does not require Board authorization.

REQUESTED RELIEF

Based on the foregoing, the State hereby requests that the Board declare that the transactions described herein between the State and SLR are not subject to the Board's regulatory authority, and that the State will not be subject to the Board's regulatory authority as a carrier, under the Board's precedents under *State of Maine*.

EXPEDITED CONSIDERATION REQUESTED

By letter dated October 20, 2010, the State has given notice of the exercise of the Option. Under the Option Agreement, closing is to take place within 60 days (by December 19, 2010). Option Agreement, §10.1. The State has given the notice now because the funding is currently available, and if closing is not held by the end of the calendar quarter then the funding will need to be re-programmed. It is also beneficial for SLR to close before the end of the calendar quarter. Because the Board in 2007 approved the structure and agreements being used for these transactions, the State does not believe that approval should be controversial or require detailed scrutiny. Accordingly, it is hopeful that the Board would issue its decision within 45 days of the

filing of this Petition. This would give the parties time to close the transactions within the 60 days contemplated, and prior to calendar year end.

Respectfully submitted,

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TRANSPORTATION
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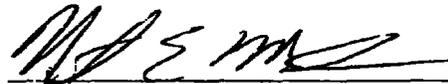
Dated: October 25, 2010

Attorneys for State of Maine, Department of
Transportation

VERIFICATION

I, Nathan Moulton, Director, Rail Program of the Maine Department of Transportation, Office of Freight Transportation, verify under penalty of perjury that statements contained in the foregoing Verified Statement are true and correct to the best of my knowledge and belief. Further, I certify that I am qualified and authorized to file this Verified Statement.

Executed on October 25, 2010.



Nathan Moulton

CERTIFICATE OF SERVICE

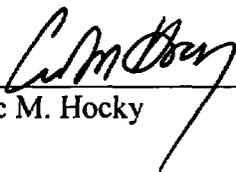
I hereby certify that on the date set forth below, I caused a copy of the foregoing Petition for Declaratory Order to be served by first class mail on the potentially affected shipper and electronically on St. Lawrence & Atlantic Railroad Company and its counsel:

B&M Beans (B&G Foods Company)
One Bean Pot Circle
Portland, ME 04103

Mario Brault/Edward Foley
St. Lawrence & Atlantic Railroad Company
415 Rodman Road
Auburn, ME 04210
mbrault@gwrr.com
efoley@gwrr.com

Allison Fergus
General Counsel
Genesee & Wyoming Inc.
66 Field Point Road, Suite 200
Greenwich, CT 06830
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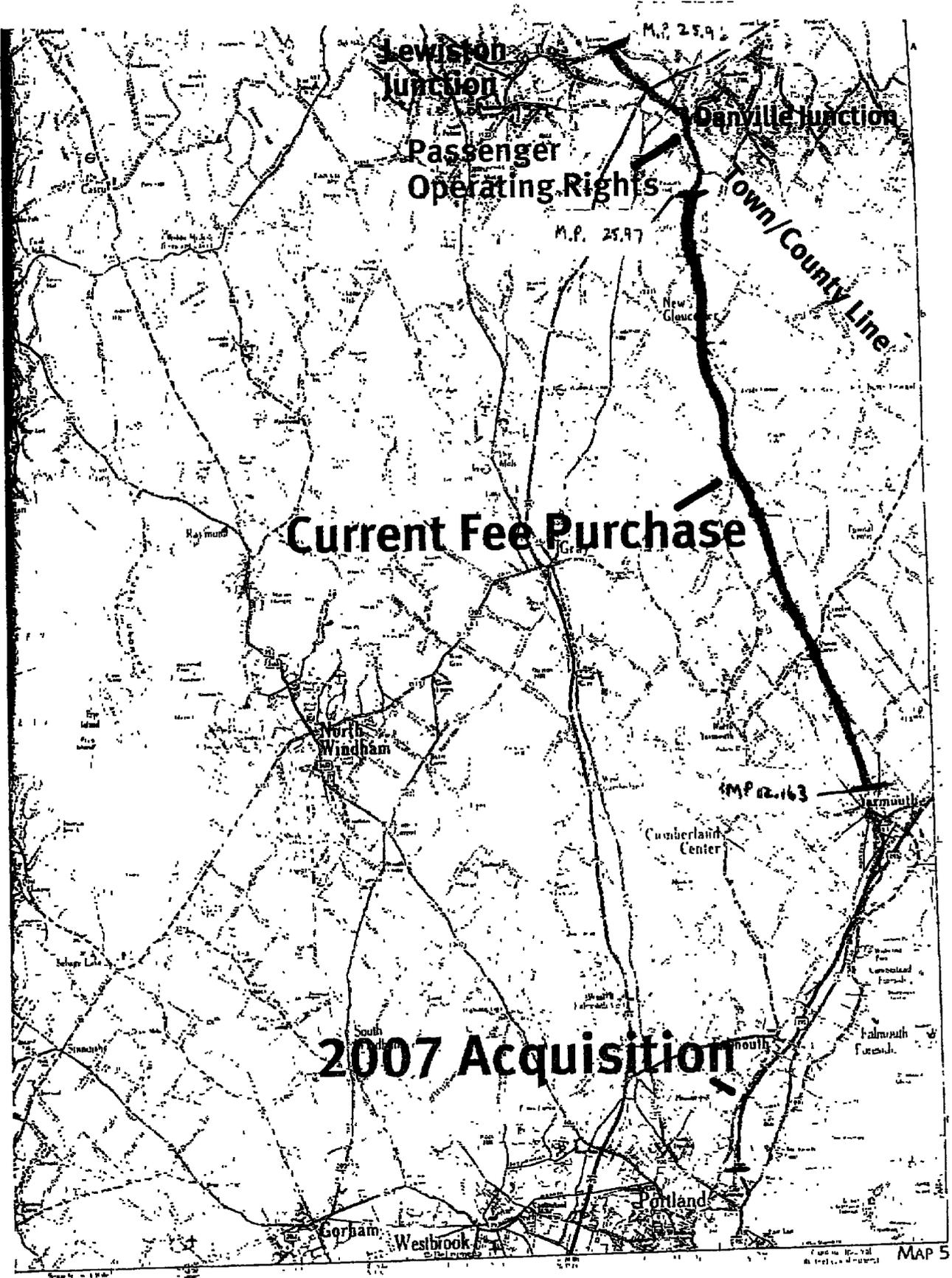
Dated: October 25, 2010



Eric M. Hocky

ATTACHMENT 1

MAP



Lewiston Junction

Danville Junction

Passenger Operating Rights

Town/County Line

Current Fee Purchase

2007 Acquisition

ATTACHMENT 2

OPTION AGREEMENT

**OPTION AGREEMENT TO PURCHASE RAIL LINE
AND PASSENGER OPERATING RIGHTS**

ST. LAWRENCE & ATLANTIC RAILROAD COMPANY, a Delaware corporation with a place of business in Auburn, Maine ("Railroad"), for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, grants to the STATE OF MAINE, acting by and through its Department of Transportation ("Maine DOT"), an option to purchase (the "Option"), upon the terms and conditions set forth below:

(i) Railroad's rail line located in Yarmouth, North Yarmouth, Pownal, and New Gloucester, Cumberland County, Maine, between the northerly endpoint of the rail line being acquired by Maine DOT from Railroad in conjunction with the granting of this Option (which northerly endpoint is located at Grand Trunk valuation station 8089+50 (Berlin Subdivision milepost 12.163)) and the town line between New Gloucester, Cumberland County, Maine, and Auburn, Androscoggin County, Maine, at Grand Trunk valuation station 7360+00 (approximately Berlin Subdivision milepost 25.97) (the "Rail Line"), subject to Railroad's retention of an exclusive and perpetual freight rail easement; and

(ii) assignable passenger rail operating rights, with the right to upgrade at Maine DOT's sole cost and expense, over Railroad's rail line between the northerly endpoint of the Rail Line (which northerly endpoint is located at the town line between New Gloucester, Cumberland County, Maine, and Auburn, Androscoggin County, Maine, at Grand Trunk valuation station 7360+00 (approximately Berlin Subdivision milepost 25.97)) and Grand Trunk valuation station 7171+00 (approximately Berlin Subdivision milepost 29.56) (the "Passenger Operating Rights").

Article A. Option Term.

This Option commences on the date of the closing of Maine DOT's acquisition from Railroad of the rail line segment located in Portland, Falmouth, Cumberland, and Yarmouth, Cumberland County, Maine, between Berlin Subdivision milepost 1.74 and Grand Trunk valuation station 8089+50 (Berlin Subdivision milepost 12.163) and may be exercised at any time through the fourth (4th) anniversary of the date of commencement. This Option terminates, and thereafter shall be null and void, if not exercised on or before the fourth (4th) anniversary of the date of commencement.

Article B. Exercise of Option.

Maine DOT may exercise this Option, if at all, at any time during the Option term by giving written notice to Railroad in accordance with Article E, Section 3 of this Agreement.



Article C. Memorandum of Option.

A memorandum of this Option in suitable form shall be executed by Railroad and recorded by Maine DOT, at Maine DOT's sole cost and expense, in the Cumberland County and Androscoggin County Registries of Deeds.

Article D. Purchase and Sale Agreement.

Upon Maine DOT's timely exercise of this Option, this Agreement shall constitute an agreement for the purchase and sale of the Rail Line and Passenger Operating Rights, subject to the following terms and conditions:

Section 1. Definitions.

The following capitalized terms shall have the following meanings:

"Affiliate of Railroad" means any person or entity that (i) holds beneficially, directly or indirectly, fifty (50) percent or more of the outstanding capital stock, shares or equity interests of Railroad; or (ii) controls, is controlled by, or is under common control with Railroad. As used in this definition, the term "control" means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of a person or entity, whether through ownership of voting securities, by agreement or otherwise.

"Agreement" means this Option Agreement to Purchase Rail Line and Passenger Operating Rights.

"Assigned Leases" refers collectively to the Leases that apply to the Rail Line that will be assigned to Maine DOT at the Closing.

"Assigned Other Agreements" refers collectively to any Other Agreements that apply to the Rail Line that will be assigned (or partially assigned) to Maine DOT at the Closing.

"Assignment and Assumption Agreement" refers to the Assignment and Assumption Agreement that the parties shall execute at the Closing, in the form of Exhibit A hereto.

"Closing" means the consummation of the transactions contemplated by this Agreement.

"Closing Date" means the date on which the Closing occurs.

"Consultants" means the employees, agents, contractors, consultants and other representatives of Maine DOT.

"Deed" refers to the Quitclaim Deed that Railroad shall deliver to Maine DOT at the Closing, in the form of **Exhibit B** hereto.

"Environmental Law" means any applicable federal, state, or local statute, law, rule, or regulation relating to pollution or protection of the environment or natural resources, including (without limitation) laws relating to the release, emission or discharge of Hazardous Materials.

"Freight Easement" means the exclusive and perpetual easement for freight railroad purposes that will be retained by Railroad, as set forth in the Deed.

"Freight Easement Side Letter" refers to the Freight Easement Side Letter that the parties shall execute at the Closing, in the form of **Exhibit C** hereto.

"Hazardous Materials" means any material or substance that is defined as a hazardous substance, hazardous material, or hazardous waste under the Comprehensive Environmental Response, Compensation and Liability Act, the Federal Water Pollution Control Act, the Clean Air Act, or any other federal or state law.

"Knowledge" means actual knowledge of a particular fact, without any duty of inquiry or investigation.

"Leases" refers collectively to all leases entered into by Railroad or predecessors in interest of Railroad granting rights to third parties to use the Rail Line or any portion thereof, including all amendments and/or supplements thereto, but excluding Other Agreements.

"Operating Agreement" refers to the Operating Agreement entered into by and between Railroad and Maine DOT at the closing of Maine DOT's acquisition from Railroad of the rail line segment located in Portland, Falmouth, Cumberland, and Yarmouth, Cumberland County, Maine, between Berlin Subdivision milepost 1.74 and Grand Trunk valuation station 8089+50 (Berlin Subdivision milepost 12.163).

"Operating Agreement Amendment" refers to the Operating Agreement Amendment that the parties shall execute at the Closing, in the form of **Exhibit D** hereto.

"Other Agreements" refers collectively to all licenses and agreements entered into by Railroad or predecessors in interest of Railroad that apply to the Rail Line or any portion thereof, and all amendments and/or supplements thereto, including but not limited to any freight trackage rights agreements or other freight railroad operating agreements, but excluding Leases.

"Passenger Operating Rights" has the meaning stated at the beginning of this Agreement.

"Passenger Operating Agreement" refers to the Passenger Operating Agreement that the parties shall execute at the Closing, in the form of Exhibit E hereto.

"Passenger Service Side Letter" refers to the Passenger Service Side Letter that the parties shall execute at the Closing, in the form of Exhibit F hereto.

"Purchase Price" has the meaning set forth in Section 3.

"Rail Line" has the meaning stated at the beginning of this Agreement.

"Railroad's Representative" means Mario Brault, or such other individual who may replace him in the future as President of Railroad, who has day-to-day responsibility for the matters that are the subject of certain representations and warranties set forth in Section 7.1.

"Related Agreements" means the Assignment and Assumption Agreement, the Freight Easement Side Letter, the Operating Agreement Amendment, the Passenger Operating Agreement, and the Passenger Service Side Letter.

"STB" means the Surface Transportation Board or any successor federal agency.

Section 2. Property and Rights to be Conveyed.

2.1 Rail Line.

Railroad shall convey the Rail Line to Maine DOT by executing and delivering the Deed at the Closing.

2.2 Exceptions and Reservations.

Railroad excepts from the sale of the Rail Line, and reserves unto itself, its successors and assigns, the Freight Easement and any other exceptions and reservations set forth in the Deed. The transfer of the Rail Line shall be subject to any and all outstanding rights of record, including (without limitation) the reservation of mineral rights contained in the 1989 deed Railroad received from Canadian National Railway Company.

2.3 Certain Agreements and Improvements.

The conveyance of the Rail Line includes the following rights and interests of Railroad appurtenant to the Rail Line:

(a) the assignment and assumption of Railroad's interests and obligations in and under the Assigned Leases and the Assigned Other Agreements, to be effected by the execution and delivery of the Assignment and Assumption Agreement at the

Closing. A preliminary list of such Assigned Leases and Assigned Other Agreements is contained in Schedule 2.3 hereto; and

(b) all improvements, fixtures, trackage and structures owned by Railroad located on the Rail Line, including, without limitation, all tracks, rails, ties, signals, bridges, tunnels, culverts, trestles, switches, grade crossing materials, warning devices, ballast, subgrade, buildings, facilities, railroad communication and signal systems, wires, pipes, poles and all other trackage appurtenances; provided that transfer of Railroad's right, title and interest in and to the Rail Line does not include any interest in improvements, fixtures, trackage and structures owned by any party other than Railroad.

2.4 Passenger Operating Rights.

Railroad shall convey the Passenger Operating Rights to Maine DOT by executing and delivering the Passenger Operating Agreement at the Closing.

Section 3. Consideration.

The consideration for the Rail Line and the Passenger Operating Rights is Two Million Dollars (\$2,000,000) (the "Purchase Price"). The Purchase Price shall be paid by Maine DOT to Railroad at the Closing by the delivery of a check in the amount of the Purchase Price.

Section 4. Title.

4.1 Real Property.

Except for the rights expressly reserved by Railroad in this Agreement, Railroad shall transfer and quit claim to Maine DOT all of Railroad's right, title and interest in and to the Rail Line, as more particularly provided in the Deed.

4.2 Title Policy.

Maine DOT shall obtain, at its sole cost and expense, a title insurance policy or commitment ("Title Policy") covering the Rail Line (or any portion thereof), insuring Maine DOT's right, title, and interest in and to the Rail Line (or any portion thereof) subsequent to the Closing. Railroad shall not be required to assume any liabilities or obligations in connection with obtaining the Title Policy, but Railroad will make reasonable efforts to remove unacceptable encumbrances identified by Maine DOT or Maine DOT's title company prior to the Closing; Railroad's failure to remove such encumbrances shall in no case be construed as a breach of this Agreement. The issuance of a Title Policy acceptable to Maine DOT shall be a condition to the Closing, as set forth in Section 9.6 hereof.

Section 5. Due Diligence.

5.1 Due Diligence Right of Entry.

Contemporaneously with the execution of this Agreement, Railroad will grant to Maine DOT and its Consultants a right of entry permit (the "Due Diligence Right of Entry"). Maine DOT and its Consultants shall have the right to enter upon the Rail Line, at reasonable times following advance written notice to Railroad and on such other terms and conditions as may be contained in the Due Diligence Right of Entry, during the period between the date of this Agreement and 45 days prior to the Closing to physically inspect the Rail Line and to make or conduct such engineering, feasibility, environmental or other inspections, tests, surveys, studies, procedures or investigations which Maine DOT deems necessary or advisable to determine whether the condition of the Rail Line is satisfactory to Maine DOT and whether the Rail Line is suitable for Maine DOT's intended uses; provided, however, that in connection with any entry upon the Rail Line by Maine DOT or by any Consultant(s) and in connection with all inspections, tests, surveys, studies, procedures, investigations or reports made or prepared by Maine DOT or by any Consultant(s), it is understood and agreed that Maine DOT and its Consultants shall be governed by the terms of the Due Diligence Right of Entry. Maine DOT and its Consultants shall be entitled to exercise their rights under the Due Diligence Right of Entry, at their own expense, at any time between the date of this Agreement and 45 days prior to the Closing.

5.2 Document Review.

Railroad will make available to Maine DOT, no less than forty five (45) days prior to Closing, copies of Leases and Other Agreements, a bridge inspection report relating to the Rail Line, and other documents relating to Railroad's interest in the Rail Line obtained as a result of a search by representatives of Railroad or Affiliates of Railroad. The search will involve a review of those files in Montreal, QC and Auburn, ME where such representatives believe in good faith that such records would be stored in the ordinary course of business. Except for the representation in the previous sentence regarding the nature of such search, Maine DOT acknowledges and agrees that all of the documents and other information provided pursuant to this Section 5.2 shall be provided by Railroad to Maine DOT without any warranty or representation, express or implied, oral or written, concerning accuracy or completeness. Railroad agrees to reasonably assist Maine DOT in completing Maine DOT's due diligence concerning Leases and Other Agreements in addition to those listed on Schedule 2.3 hereto that may apply to the Rail Line.

Section 6. Responsibility for Condition of Property.

6.1 Conditions Prior to Closing.

As between the parties hereto, Railroad shall be responsible for all physical conditions existing on the Rail Line prior to the Closing Date, including (but not limited to) environmental conditions.

6.2 Post-Closing Conditions.

As between the parties hereto, each party's liability for environmental or physical conditions on the Rail Line that arise after the Closing Date shall be determined by applicable statutory and common law.

6.3 Survival of Covenants.

The covenants set forth in this Section 6 shall survive delivery of the Deed and the Closing.

Section 7. Representation and Warranties.

7.1 Railroad's Representations and Warranties.

Railroad represents and warrants that as of the date of this Agreement:

(a) **Corporate Good Standing.** It is a corporation duly organized, validly existing, and in good standing under the laws of the State of Delaware and is qualified to do business in the State of Maine.

(b) **Authority.** It has full corporate power and authority to enter into this Agreement and to carry out its obligations under this Agreement.

(c) **Binding Agreement.** This Agreement has been duly authorized, executed and delivered by Railroad and is a legal, valid and binding agreement of Railroad, enforceable against Railroad in accordance with its terms, except as such enforceability may be limited by (i) bankruptcy, insolvency, reorganization or other similar laws affecting the enforcement of creditors' rights generally, and (ii) general principles of equity (regardless of whether such enforceability is considered a proceeding in equity or at law). The execution and delivery of this Agreement by Railroad, and the consummation by Railroad of the transactions contemplated hereby, will not violate any judgment or order applicable to Railroad or Railroad's certificate of incorporation or by-laws, and will not result in any material breach of, or constitute a material default under, or result in the creation of any material lien, charge, security interest or other encumbrance upon the Rail Line (other than those created by the transactions contemplated herein) pursuant to any note, bond, indenture, mortgage, deed of trust,

bank loan or credit agreement to which Railroad is a party or by which any of the Rail Line is bound.

(d) No Notice of Condemnation, Violation of Law or Legal Action. Railroad's Representative has no Knowledge of receiving any written notice of any pending condemnation, violation of law or other legal action of any kind materially and adversely affecting the Rail Line.

(e) No Litigation. Railroad's Representative has no Knowledge of any pending or threatened (in writing) litigation, administrative action, governmental investigation or examination (including, but not limited to, environmental investigations, examinations, claims and demands) directly concerning the Rail Line that would materially and adversely affect use of the Rail Line as a rail transportation corridor in a manner substantially similar to Railroad's historic use of the Rail Line as a rail transportation corridor.

(f) No Environmental Releases, Violations, Investigations or Assessments. Railroad's Representative has no Knowledge of (i) any material release of a Hazardous Material that has come to be located on or beneath any of the Rail Line; (ii) any receipt by Railroad of any written governmental notice that any of the Rail Line is in violation, in any material respect, under any Environmental Law and such violation has not been cured; or (iii) any pending or threatened (in writing) investigation by any governmental authority under or in connection with any Environmental Law applicable to the Rail Line.

(g) No Third Party Rights to Purchase. Railroad's Representative has no Knowledge that any third party (including, without limitation, any Affiliate of Railroad) has any right to purchase or lease (other than under the Leases) from Railroad all or any part of the Rail Line that has not been waived by such third party.

(h) No Material Non-Compliance With Assigned Leases and Assigned Other Agreements. Railroad's Representative has no Knowledge of any material non-compliance with Railroad's obligations under the Assigned Leases and the Assigned Other Agreements that has not been cured or waived.

7.2 Maine DOT's Representations and Warranties.

Maine DOT represents and warrants that as of the date of this Agreement:

(a) Authority. Maine DOT has full power and authority to enter into this Agreement and to carry out its obligations under this Agreement.

(b) Binding Agreement. This Agreement has been duly authorized, executed and delivered by Maine DOT and is a legal, valid and binding agreement of Maine DOT, enforceable against Maine DOT in accordance with its terms to the extent permitted by Maine law. The execution and delivery of this Agreement by Maine DOT, and the consummation by Maine DOT of the transactions contemplated hereby, will not violate

any judgment or order applicable to Maine DOT or result in any material breach of or constitute a material default under any agreements to which Maine DOT is a party.

(c) No Judgments. Maine DOT has no Knowledge of any actions, suits or proceedings pending or threatened against Maine DOT, or any other facts, that would prevent or hinder the sale and transfer of the Rail Line to Maine DOT.

7.3 Accuracy as of Closing.

All representations and warranties contained in this Section 7 are intended to remain true and correct as of Closing, and are deemed to be restated at Closing except with respect to variances of which written notice is given as provided below in this Section 7.3. In the event a party (or Railroad's Representative, in the case of the representations limited to the Knowledge of Railroad's Representative) has Knowledge that a representation and warranty in Section 7 is no longer true and correct, such party shall immediately give the other party written notice of such variance. The party benefited by the representation and warranty may elect to terminate this Agreement or may waive the variance by giving the other party written notice of such election (i) within five (5) days after such written notice of variance is given, or (ii) prior to Closing in the event such notice is given within five (5) days of Closing. If the benefited party does not give timely notice of termination or waiver, then the benefited party will be deemed to have waived the variance. If this Agreement is terminated pursuant to this Section 7.3, neither party shall have any further rights or obligations under this Agreement.

7.4 Survival.

Railroad's representations and warranties in Sections 7.1(a) through 7.1(c), inclusive, and Maine DOT's representations and warranties in Section 7.2(b) shall survive delivery of the Deed and the Closing. The remaining representations and warranties set forth in this Section 7 shall survive delivery of the Deed and the Closing for a period of two (2) years and shall then expire and terminate.

7.5 Notice of Breach.

Neither Railroad nor Maine DOT shall have any cause of action or claim for breach of representations and warranties that expire and terminate two (2) years after the Closing (such party having a claim being referred to herein as a "Claimant") unless a written notice of alleged breach ("Notice of Breach") shall have been delivered by Claimant to the party claimed to be in breach within two (2) years plus ten (10) days following the Closing (the "Claims Deadline"). Failure of a Claimant to deliver a Notice of Breach by the Claims Deadline shall terminate any and all causes of action, claims or rights with respect to the alleged breach. Each Notice of Breach shall describe with reasonable specificity and particularity the nature of the alleged breach.

Section 8. Disclaimers.

As a material inducement to Railroad to enter into this Agreement and to sell the Rail Line to Maine DOT, Maine DOT acknowledges and agrees that:

(a) Except as provided in Section 6.1, Maine DOT is purchasing the Rail Line in "AS-IS, WHERE-IS" CONDITION, WITH ALL FAULTS, and accepts the Rail Line in the physical and environmental condition the Rail Line is in on the Closing Date.

(b) Maine DOT is purchasing the Rail Line subject to all existing laws, statutes, ordinances, codes, rules and regulations.

(c) Railroad shall not be responsible for the payment of any connection charges, fees and payments required in connection with Maine DOT's use of utilities, roads or other similar improvements to use the Rail Line and/or any improvements existing or hereafter constructed or placed thereon by Maine DOT.

(d) EXCEPT AS MAY BE EXPRESSLY SET FORTH IN WRITING HEREIN, NEITHER RAILROAD NOR ANY PARTY REPRESENTING RAILROAD HAS MADE ANY WARRANTY OR REPRESENTATION TO MAINE DOT, EXPRESS OR IMPLIED, ORAL OR WRITTEN, WITH RESPECT TO THE RAIL LINE, INCLUDING, WITHOUT LIMITATION, ANY WARRANTIES OR REPRESENTATIONS CONCERNING TITLE, HABITABILITY, FITNESS FOR A PARTICULAR PURPOSE, SUITABILITY, MERCHANTABILITY, QUALITY OF WORK, STRUCTURAL INTEGRITY, COMPLIANCE WITH FEDERAL RAILROAD ADMINISTRATION REGULATIONS, ENVIRONMENTAL CONDITIONS, EXPENSES TO BE INCURRED IN CONNECTION WITH THE PROPERTY, ZONING, BUILDING CODE, PLATTING, SUBDIVISION, ACCESS, AVAILABILITY OF UTILITIES OR COMPLIANCE WITH ANY LAWS, STATUTES, ORDINANCES, CODES, RULES OR REGULATIONS.

(e) This Section 8 shall survive delivery of the Deed and the Closing.

Section 9. Conditions Precedent to Closing.

Notwithstanding the execution of this Agreement by the parties, the performance by Railroad and Maine DOT of the Closing is subject to fulfillment of the following conditions on or prior to the Closing Date (unless a different date is indicated):

9.1 No Legislative, Judicial or Administrative Action.

Neither Railroad nor Maine DOT shall be prevented from fulfilling their respective obligations under this Agreement as a result of legislative, judicial or administrative action.

9.2 Maine DOT's Approval.

Maine DOT shall have received all necessary approvals to consummate the transactions contemplated by this Agreement under all of the terms and conditions hereof including the approval of the Governor of the State of Maine.

9.3 Representations of Railroad.

Subject to Section 7.3, all representations and warranties made by Railroad under this Agreement shall be true and correct, and all covenants of Railroad to be performed before the Closing shall have been performed in all material respects, as of the Closing Date.

9.4 Representations of Maine DOT.

Subject to Section 7.3, all representations and warranties made by Maine DOT under this Agreement shall be true and correct, and all covenants of Maine DOT to be performed before the Closing shall have been performed in all material respects, as of the Closing Date.

9.5 Approval of Legal Descriptions.

Maine DOT and Railroad shall have agreed on a legal description of the Rail Line acceptable to Maine DOT and Maine DOT's title insurance company to be included in the Deed.

9.6 Title Policy.

Maine DOT shall have obtained a Title Policy acceptable to Maine DOT, as set forth in Section 4.2.

9.7 Subdivision Approval.

Railroad shall be responsible, at its sole cost and expense, for obtaining any subdivision approval that may be required in connection with the conveyance of the Rail Line; provided, however, that Railroad shall not be obligated to undertake more than commercially reasonable efforts to obtain any such subdivision approval, and Railroad does not represent or warrant that it will be able to obtain any such subdivision approval.

9.8 STB Jurisdictional Determination.

Maine DOT shall have secured from the STB a determination satisfactory to Maine DOT and Railroad that the transactions contemplated by this Agreement do not require STB exemption or approval and will not make Maine DOT subject to the



jurisdiction of the STB. Railroad shall have the right to review and comment on any STB submissions prior to filing.

9.9 Assigned Leases and Assigned Other Agreements.

Assigned Leases and Assigned Other Agreements shall be reasonably acceptable to Maine DOT.

9.10 Inspection.

Maine DOT shall be satisfied with the results of any inspections of the Rail Line that Maine DOT elects to perform.

Section 10. Closing.

10.1 Closing.

The Closing shall take place on or before the sixtieth (60th) day after Maine DOT exercises the Option at a mutually agreeable time and location; provided, however, that if an applicable condition precedent to the Closing remains unsatisfied as of such date, the Closing shall be ten (10) days after the last such condition precedent is met or waived; provided further that if the Closing has not taken place on or before one (1) year after Maine DOT exercises the Option, then this Agreement shall automatically terminate, and neither party shall have any further rights or obligations under this Agreement.

10.2 Railroad's Deliveries to Maine DOT.

At the Closing, Railroad shall deliver to Maine DOT: (i) the Deed, duly executed and acknowledged by Railroad, (ii) the Freight Easement Side Letter, duly executed and acknowledged by Railroad, (iii) the settlement statement, (iv) the Assignment and Assumption Agreement, duly executed and acknowledged by Railroad, (v) the Operating Agreement Amendment, duly executed and acknowledged by Railroad, (vi) the Passenger Operating Agreement, duly executed and acknowledged by Railroad, (vii) the Passenger Service Side Letter, duly executed and acknowledged by Railroad, (viii) a certificate signed by Railroad's Secretary, certifying that Railroad is authorized to enter into this Agreement and the Related Agreements, and to consummate the transactions contemplated thereby, (ix) an executed certificate or affidavit, in a form complying with the applicable requirements of the Internal Revenue Code, stating that Railroad is not a "foreign person" as that term is used in the Internal Revenue Code, and (x) the following additional documents: an executed transfer tax declaration, a seller's affidavit, a certificate of good standing, Railroad's corporate resolution authorizing the sale of the Rail Line, FIRTPA affidavit, Form REW-3 Residency Affidavit, Form W-9 Taxpayer ID number and certification, Underground Oil Storage Facility Disclosure, and any other documents reasonably required by Maine DOT's title insurance company to issue a title insurance policy satisfactory to Maine DOT.

10.3 Maine DOT's Deliveries to Railroad.

At the Closing, Maine DOT shall deliver to Railroad: (i) the Purchase Price, (ii) the Freight Easement Side Letter, duly executed and acknowledged by Maine DOT, (iii) the settlement statement, (iv) the Assignment and Assumption Agreement, duly executed and acknowledged by Maine DOT, (v) the Operating Agreement Amendment, duly executed and acknowledged by Maine DOT, (vi) the Passenger Operating Agreement, duly executed and acknowledged by Maine DOT, and (vii) the Passenger Service Side Letter, duly executed and acknowledged by Maine DOT.

10.4 Further Assurances.

At the Closing, Railroad and Maine DOT each shall deliver to the other any and all other documents reasonably necessary and appropriate for the consummation of the transactions contemplated by this Agreement; provided that neither party's delivery of any such documents shall create or expand any obligations under this Agreement or the Related Agreements.

Section 11. Post-Closing Covenant.

If, after the Closing, Railroad or Maine DOT discovers any Leases or Other Agreements that apply to the Rail Line and that would have been assigned to Maine DOT (given their nature) if discovered prior to the Closing, Railroad and Maine DOT shall amend the Assignment and Assumption Agreement to include such Leases and Other Agreements. This covenant shall survive delivery of the Deed and the Closing.

Section 12. Adjustments.

12.1 Taxes.

The real property taxes and special assessments on the Rail Line shall be prorated as of the Closing Date, except that assessments of record that are not yet due and payable shall be assumed by Maine DOT. If the Closing occurs prior to the availability of the tax amounts for the applicable tax period, a temporary proration shall be used to calculate the amount of the proration from the prior tax period. The parties shall make any necessary adjustments when the applicable tax amounts are available.

12.2 Rents.

All rents and other amounts paid to Railroad under the Assigned Leases and Assigned Other Agreements and attributable to periods prior to the Closing Date shall be retained by Railroad, and all such rents and other amounts attributable to and collected by Railroad for periods subsequent to the Closing Date shall be credited to Maine DOT. Maine DOT shall have no obligation to collect any such rents or other amounts due but uncollected prior to the Closing Date, but shall promptly forward to

Railroad any such rents or other amounts received by Maine DOT. Any security deposits under such Assigned Leases and Assigned Other Agreements shall be transferred to Maine DOT as of the Closing, and Maine DOT shall execute a document acknowledging receipt of any such deposits and agreeing to hold them in accordance with the terms in the applicable Assigned Leases and Assigned Other Agreements.

12.3 Utilities.

All accounts of Railroad for water, sewer, gas, electrical, telephone and other public utilities, if any, payable by Railroad with respect to the Rail Line shall be retained by Railroad.

12.4 Other Income and Expenses.

All other income and expenses attributable to the operation of the Rail Line shall be apportioned between Railroad and Maine DOT as of the Closing Date, except to the extent that such income or expenses relate to Railroad's freight rail activities on the Rail Line or as otherwise provided in this Agreement or the Related Agreements.

12.5 Closing Costs.

All recording, filing, documentary and similar fees and taxes payable in connection with the sale transaction contemplated by this Agreement shall be paid by Maine DOT. If Maine DOT elects to obtain title insurance, Maine DOT shall pay all costs and premiums charged for such insurance. Railroad and Maine DOT shall each pay any costs and expenses (such as attorneys' and consultants' costs and expenses) incurred by such party in connection with the transactions contemplated by this Agreement not adjusted or allocated as set forth in this Section 12 or otherwise provided for in this Agreement.

12.6 Freight Rail Activities.

The foregoing provisions of this Section 12 are not intended to prorate revenues or expenses from any freight rail activities on the Rail Line occurring prior to or after the Closing Date.

Section 13. Default and Remedies.

In the event that Maine DOT or Railroad fails to perform or comply with any of its obligations or the terms contained in this Agreement, the injured party shall have all rights and remedies available at law or in equity, which remedies shall be nonexclusive, except for circumstances where an exclusive remedy is specified elsewhere in this Agreement.

Article E. General Provisions.

Section 1. No Brokers.

Railroad and Maine DOT each warrant and represent to the other that no real estate brokers', agents' or finders' fees or commissions are due or arising in connection with the execution of this Agreement or the consummation of the transactions contemplated herein.

Section 2. Time of the Essence.

Time is important to both Railroad and Maine DOT in the performance of this Agreement, and they have agreed that strict compliance is required as to any date set forth herein. If the final date of any period which is set forth in any term or condition of this Agreement falls upon a Saturday, Sunday or legal holiday under the laws of the United States or the State of Maine, then, and in such event, the time of such period shall be extended to the next day which is not a Saturday, Sunday or legal holiday.

Section 3. Notices.

Any notice required or desired to be given to either party hereto shall be deemed to be delivered, if delivered to the addresses and the parties specified below (i) on the date of delivery, if hand delivered, (ii) one day after sending, if sent by overnight courier, or (iii) if sent by registered or certified mail, three (3) days after the same is posted by registered or certified mail, postage prepaid, to the address of the applicable party set out below. Either party hereto may change such party's address for notice, but until written notice of such change of address is actually received by the other party, the last address of such party designated for notice shall remain such party's address for notice.

If intended for Railroad:

ST. LAWRENCE & ATLANTIC RAILROAD COMPANY
Attn: General Manager
415 Rodman Road
Auburn, ME 04210

With a copy to:
Allison Fergus
General Counsel
Genesee & Wyoming, Inc.
66 Field Point Road
Greenwich, CT 06830

If intended for Maine DOT:

STATE OF MAINE
Department of Transportation
Attn: Director, Office of Passenger Transportation
16 State House Station
Augusta, ME 04333-0016

With a copy to:

STATE OF MAINE
Department of Transportation
Attn: Chief Counsel
16 State House Station
Augusta, ME 04333-0016

Section 4. Entire Agreement; Severability.

This Agreement (together with the Exhibits, Schedules and the Related Agreements, which are hereby incorporated by reference as if fully set forth herein) contains the entire agreement between Railroad and Maine DOT with respect to the subject matter hereof and supersedes all prior or contemporaneous oral or written agreements between Railroad and Maine DOT with respect thereto. If any term, covenant or provision of this Agreement, or the application thereof to any person or circumstance, shall ever be held to be illegal, invalid or unenforceable, then, in such event, the remainder of this Agreement or the application of such terms, covenants and provisions hereof shall remain valid and enforceable to the fullest extent permitted by law. Furthermore, any such invalidity or unenforceability of a term, covenant or provision of this Agreement shall not be deemed to affect the validity or effectiveness of the remaining terms and provisions of this Agreement.

Section 5. Amendments in Writing.

No modification or amendment of this Agreement shall be of any force or effect unless made in writing and executed by both Railroad and Maine DOT.

Section 6. Governing Law.

This Agreement shall be governed by and construed in accordance with the laws of the United States of America and the State of Maine.

Section 7. Headings.

The Section headings in this Agreement are for convenience only and shall not be used in its interpretation or considered part of this Agreement.

Section 8. Counterparts.

This Agreement may be executed in any number of counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

Section 9. No Third Party Beneficiary.

No provision of this Agreement shall be construed as intended for the benefit of any third party.

Section 10. Binding Agreement.

This Agreement shall be binding upon, and inure to the benefit of, the parties hereto and their respective successors and permitted assigns, except that neither party may assign its rights, interests, and obligations under this Agreement without the consent of the other party, which consent shall not be unreasonably withheld, conditioned, or delayed.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the 27th day of September, 2007.

ATTEST:

Jean A. Stewart

ST. LAWRENCE & ATLANTIC
RAILROAD COMPANY

By: Mario Prault
Its: PRESIDENT

STATE OF MAINE
DEPARTMENT OF TRANSPORTATION

Jean A. Stewart

By: [Signature]
Its: Maine Rail Transportation

SCHEDULE 2.3

ACTIVE LICENSES

MILEPOST 12.20 TO MILEPOST 26.0

<u>LICENSEE</u>	<u>FACILITY</u>	<u>MILEPOST</u>	<u>ANNUAL FEE</u>
VERIZON	POLE & WIRE	12.3	\$ 1.00
VERIZON - MAINE	COMMUNICATION LINE	13.13	\$ 250.00
EMERY, DANIEL W.	PRIVATE CROSSING	13.13	\$ 135.00
BROWN, DONNA	PRIVATE CROSSING	13.13	\$ 135.00
YARMOUTH WATER DISTRICT	PIPE LINE	13.29	\$ 250.00
VERIZON - MAINE	COMMUNICATION LINE	13.94	\$ 15.00
BRADY, JAMES B.	PRIVATE CROSSING	13.98	\$ 60.00
GRAHAM, RONALD	PRIVATE CROSSING	13.98	\$ 133.33
HIGGINS, H. CRAIG	PRIVATE CROSSING	13.98	\$ 200.00
HIGGINS, HARLAN C.	PRIVATE CROSSING	13.98	\$ 133.33
WELCH, JOHN P. & SALLY B.	PRIVATE CROSSING	13.98	\$ 133.33
NORTON HYDRO COMPANY	PRIVATE CROSSING	14	\$ 60.00
MILLER, STANLEY J., JR.	PRIVATE CROSSING	14.27	\$ 135.00
REDMOND, WILLIS E.	PRIVATE CROSSING	14.4	\$ 135.00
VERIZON - VERMONT	COMMUNICATION LINE	14.53	\$ 10.00
BIRNEY, JAMES G.	PRIVATE CROSSING	14.58	\$ 200.00
VERIZON - MAINE	COMMUNICATION LINE	14.89 & 14.17	\$ 4.00
LIVINGSTON, LESLIE A.	PRIVATE CROSSING	14.93	\$ 250.00
VERIZON - VERMONT	COMMUNICATION LINE	15.1	\$ 250.00
VERIZON - VERMONT	COMMUNICATION LINE	15.34	\$ 250.00
VERIZON	COMMUNICATION LINE	15.43	\$ -
VERIZON - VERMONT	COMMUNICATION LINE	15.74	\$ 250.00
TOWN OF N. YARMOUTH	PRIVATE CROSSING	15.9	\$ 200.00
VERIZON - MAINE	COMMUNICATION LINE	18.6	\$ 15.00
NORTHERN UTILITIES INC.	PIPE LINE	22.11	\$ 500.00

**EXHIBIT A TO OPTION AGREEMENT
ASSIGNMENT AND ASSUMPTION
OF LEASES AND OTHER AGREEMENTS**

THIS ASSIGNMENT AND ASSUMPTION OF LEASES AND OTHER AGREEMENTS ("Assignment Agreement") is entered into as of the ____ day of _____, 20___, by and between ST. LAWRENCE & ATLANTIC RAILROAD COMPANY, a Delaware corporation ("Seller"), and THE STATE OF MAINE, acting by and through its Department of Transportation ("Buyer") (collectively, the "Parties").

WITNESSETH:

WHEREAS, Seller and Buyer are parties to that certain Option Agreement to Purchase Rail Line and Passenger Operating Rights dated [INSERT], 2007 ("Option"), as amended, pursuant to which Seller shall sell to Buyer, and Buyer shall purchase from Seller, certain assets as more particularly described in the Option;

WHEREAS, Buyer has exercised the Option; and

WHEREAS, pursuant to the Option, Seller desires to assign to Buyer, and Buyer is willing to assume, on the terms and subject to the conditions set forth in this Assignment Agreement, all rights, duties and obligations of Seller in and under the leases and other agreements identified on Schedule 3.3 attached hereto (the "SLR Agreements").

NOW, THEREFORE, in consideration of the premises and mutual covenants and agreements herein contained, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Parties, intending to be legally bound, hereby agree as follows:

1. Defined Terms. All capitalized terms herein shall have the meanings ascribed to them in the Option unless expressly defined herein.

2. Assignment. Seller hereby assigns, transfers and sets over unto Buyer, its successors and assigns, effective as of the Closing Date, all right, title and interest of Seller in and to the SLR Agreements. Buyer accepts the foregoing assignment and hereby assumes all duties and obligations of Seller under the SLR Agreements as of the Closing Date; provided, however, that nothing herein shall relieve Seller of any responsibility for performance or non-performance under the SLR Agreements prior to and through the Closing Date.

3. Agreements Not Affecting the Rail Line. It is the intent of Seller and Buyer that Seller transfer and assign its right, title and interest in (and the related duties and obligations under) the SLR Agreements only to the extent that they affect the Rail Line. To the extent that Seller has any right, title or interest in the SLR Agreements that do not affect the Rail Line, this Assignment Agreement shall be void and of no effect as to any such interest. If any leases and other agreements that do not affect the Rail Line ("Other Instruments") are included on Schedule 3.3 hereto, this Assignment Agreement shall be void and of no effect as to such Other Instruments.

4. Electric and Telephone Wire Crossings. Seller and Buyer acknowledge that at present there are various electric and telephone wires at various locations along, across, and under the Rail Line. Seller and Buyer shall work co-operatively with one another, and with the respective owners of these electric and telephone wires, to remove these wires from agreements that Seller may have with the respective owners of these wires and to include these wires in agreements that Buyer has (or will have) with the respective owners of these wires.

5. Agreements Not Being Assigned. This Assignment Agreement does not transfer or assign to Buyer any agreement that is not included on Schedule 3.3 hereto, even if that agreement affects or otherwise pertains to the Rail Line or operations over the Rail Line. Without in any way limiting the preceding sentence, Seller retains and does not transfer or assign to Buyer the following agreements:

- Operating and Marketing Agreement between Seller and Canadian National Railway Company dated May 19, 1989.
- Joint Facility Agreement pertaining to Yarmouth Junction dated January 1, 1929, and all other agreements pertaining to Yarmouth Junction.
- Agreements with shippers located on the Rail Line, including (without limitation) side track agreements.
- Other agreements pertaining to freight operations over the Rail Line.

6. Warranty. The assignment of the rights and obligations under this Assignment Agreement from Seller to Buyer is made WITHOUT REPRESENTATION OR WARRANTY, except to the extent expressly provided in the Option or otherwise provided herein.

7. Miscellaneous. This Assignment Agreement shall be governed by, and construed in accordance with, the laws of the State of Maine. This Assignment Agreement shall bind and inure to the benefit of and be enforceable by the Parties hereto and their respective successors and permitted assigns.

[Remainder of page intentionally left blank]

IN WITNESS WHEREOF, the Parties have caused this Assignment Agreement to be executed as of the day and year first above written.

ST. LAWRENCE & ATLANTIC RAILROAD COMPANY,
a Delaware corporation

By: _____

Name: _____

Title: _____

THE STATE OF MAINE,
acting by and through its Department of Transportation

By: _____

Name: _____

Title: _____

EXHIBIT B TO OPTION AGREEMENT

QUITCLAIM DEED

ST. LAWRENCE & ATLANTIC RAILROAD COMPANY, a Delaware corporation ("Grantor"), whose mailing address is 415 Rodman Road, Auburn, Maine 04210, for consideration paid, hereby grants to the STATE OF MAINE, acting by and through its DEPARTMENT OF TRANSPORTATION ("Grantee"), whose mailing address is 16 State House Station, Augusta, Maine 04333-0016, all of Grantor's right, title, and interest (except as hereinafter reserved) in the property located in the Towns of Yarmouth, North Yarmouth, Pownal, and New Gloucester, Cumberland County, Maine, described in Exhibit A and depicted in Exhibit B attached hereto and made a part hereof, which property is hereinafter referred to as the "Railroad Line." The property rights granted to Grantee hereunder as part of the Railroad Line shall include all improvements, fixtures, trackage, and structures owned by Grantor and located on the property described in Exhibit A and depicted in Exhibit B as of the date hereof.

EXCEPTING AND RESERVING to Grantor, its successors, and permitted assigns, a perpetual, exclusive easement in, on, under, over, and through the Railroad Line for purposes of conducting Grantor's freight rail business and otherwise to fulfill Grantor's obligations as a common carrier railroad under applicable laws and regulations (the "Freight Railroad Easement"); provided, however, that the Freight Railroad Easement shall terminate (in whole or in part) upon the recording in the Cumberland County Registry of Deeds of a Notice of Consummation that has been filed with the United States Surface Transportation Board or successor agency ("STB") subsequent to, and in connection with, any final order or other final action by the STB permitting or requiring the holder of the Freight Railroad Easement to abandon all or part of the Railroad Line. Contemporaneously with the delivery of this Quitclaim Deed, Grantor and Grantee are entering into an Operating Agreement pertaining to the Railroad Line (the "Operating Agreement"). The terms and conditions of the Freight Railroad Easement shall include those contained in the Operating Agreement (as the Operating Agreement may be amended from time to time) while the Operating Agreement remains in effect.

IN WITNESS WHEREOF, St. Lawrence & Atlantic Railroad Company has caused this Quitclaim Deed to be signed as an instrument under seal by _____, its _____, duly authorized, this ___ day of _____, 20__.

ATTEST:

ST. LAWRENCE & ATLANTIC RAILROAD COMPANY

Name: _____

By: _____
Print Name: _____
Its _____

STATE OF MAINE
Kennebec, ss.

_____, 20__

Personally appeared the above-named _____ in his/her capacity as
_____ of St. Lawrence & Atlantic Railroad Company and
acknowledged the foregoing instrument to be his/her free act and deed and the free act and deed
of said corporation.

Before me,

Notary Public/Attorney-at-Law
Printed Name: _____

EXHIBIT C TO OPTION AGREEMENT

[INSERT]

St. Lawrence & Atlantic Railroad Company
415 Rodman Road
Auburn, Maine 04210

Dear [INSERT]:

The sale by St. Lawrence & Atlantic Railroad Company ("SLR") to the State of Maine, acting by and through its Department of Transportation ("Maine DOT") of the SLR line between milepost 12.163 just south of the diamond crossing at Yarmouth Junction, Maine, and the town line between New Gloucester, Cumberland County, Maine, and Auburn, Androscoggin County, Maine (approximately milepost 25.97) (the "Railroad Line"), has been completed today by means of the delivery by SLR to Maine DOT of a deed for the Railroad Line. As you know, in the deed SLR has reserved a Freight Railroad Easement to enable it to continue to provide common carrier freight service on the Railroad Line.

The deed provides for the termination of the Freight Railroad Easement (in whole or in part) upon the recording in the Cumberland County Registry of Deeds of a Notice of Consummation that has been filed with the United States Surface Transportation Board or successor agency ("STB") subsequent to, and in connection with, any final order or other final action by the STB permitting or requiring the holder of the Freight Railroad Easement to abandon all or part of the Railroad Line. In order to effectuate the termination of the Freight Railroad Easement and to clear Maine DOT's title to the Railroad Line, Maine DOT understands that SLR will, as promptly as practicable, but in no event later than 60 days, after abandonment has been authorized or ordered by final action of the STB, file a Notice of Consummation with the STB, thereby enabling Maine DOT to record the Notice of Consummation in the Cumberland County Registry of Deeds. If the grant of abandonment authority by the STB is subject to environmental or other routine conditions, Maine DOT understands that SLR will use its best efforts to satisfy and remove the conditions as promptly as practicable so that the Notice of Consummation may be filed and recorded. Maine DOT will provide such assistance as it deems feasible and appropriate to assist SLR in satisfying any such conditions. SLR shall not, however, be required to satisfy and remove any conditions imposed by the STB that SLR reasonably determines are unacceptable (and, in such case, SLR shall not consummate its abandonment authority and shall remain a common carrier on the Railroad Line) unless ordered to do so by the STB or a court of competent jurisdiction as part of an adverse abandonment proceeding. Maine DOT also understands that if SLR determines that it will seek authority to terminate its freight operations over any portion of the Railroad Line indefinitely, SLR will seek abandonment, rather than discontinuance, authority from the STB. Finally, Maine DOT understands that SLR will require any assignee of the Freight Railroad Easement to comply with the understandings set forth in this paragraph.

Please indicate SLR's agreement to the foregoing understandings by signing and returning the enclosed copy of this letter.

Very truly yours,

[INSERT]
Commissioner

SEEN AND AGREED TO:

St. Lawrence & Atlantic Railroad Company

By: _____
Print Name: _____
Print Title: _____

EXHIBIT D TO OPTION AGREEMENT
AMENDMENT TO OPERATING AGREEMENT

This Amendment to Operating Agreement ("Amendment") is made as of the ___ day of _____, 20___, by and between St. Lawrence & Atlantic Railroad Company, a Delaware corporation ("SLR"), and the State of Maine, acting by and through its Department of Transportation ("Maine DOT").

RECITALS:

A. By deed from SLR to Maine DOT dated [INSERT], and recorded in the Cumberland County Registry of Deeds at Book [INSERT], Page [INSERT], Maine DOT acquired ownership of a line of railroad (hereinafter referred to as the "Portland/Yarmouth Line") located in Portland, Falmouth, Cumberland, and Yarmouth, Cumberland County, Maine, between Berlin Subdivision milepost 1.74 and Grand Trunk valuation station 8089+50 (Berlin Subdivision milepost 12.163).

B. Maine DOT's acquisition of the Portland/Yarmouth Line was subject to SLR's reservation of an exclusive and perpetual freight railroad operating easement on the Portland/Yarmouth Line.

C. At the time of the acquisition of the Portland/Yarmouth Line, SLR and Maine DOT entered into an Operating Agreement dated [INSERT], 2007 (hereinafter referred to as the "Operating Agreement"), setting forth the terms and conditions applicable to SLR's freight rail operations on the Portland/Yarmouth Line pursuant to said freight railroad operating easement and Maine DOT's rights and obligations with respect to the Portland/Yarmouth Line (including Maine DOT's rights with respect to passenger rail service on the Portland/Yarmouth Line).

D. Contemporaneously with the execution of this Amendment, Maine DOT will be acquiring from SLR ownership of a line of railroad (hereinafter referred to as the "Yarmouth/New Gloucester Line") located in Yarmouth, North Yarmouth, Pownal, and New Gloucester, Cumberland County, Maine, between the northerly endpoint of the Portland/Yarmouth Line at Grand Trunk valuation station 8089+50 (Berlin Subdivision milepost 12.163) and the town line between New Gloucester, Cumberland County, Maine, and Auburn, Androscoggin County, Maine, at Grand Trunk valuation station 7360+00 (approximately Berlin Subdivision milepost 25.97). The Yarmouth/New Gloucester Line is located northerly of, and is bounded at one end by, the Portland/Yarmouth Line.

E. Maine DOT's acquisition of the Yarmouth/New Gloucester Line will be subject to SLR's reservation of an exclusive and perpetual freight railroad operating easement on the Yarmouth/New Gloucester Line.

F. SLR and Maine DOT wish to amend the Operating Agreement so that it applies to the Yarmouth/New Gloucester Line as well as to the Portland/Yarmouth Line.

NOW, THEREFORE, in consideration of the foregoing premises and other good and valuable consideration, the receipt and sufficiency of which are acknowledged, SLR and Maine DOT, intending to be legally bound, hereby agree as follows:

1. Effective on the date of this Amendment, the Operating Agreement applies to the Yarmouth/New Gloucester Line as well as to the Portland/Yarmouth Line. As such, the Operating Agreement sets forth the terms and conditions applicable to SLR's freight rail operations on the Yarmouth/New Gloucester Line as well as on the Portland/Yarmouth Line pursuant to SLR's freight railroad operating easement over those

lines, and the Operating Agreement sets forth Maine DOT's rights and obligations with respect to the Yarmouth/New Gloucester Line as well as to the Portland/Yarmouth Line (including Maine DOT's rights with respect to passenger rail service on those lines).

2. This Amendment does not change the term of the Operating Agreement. The expiration date of the initial term of the Operating Agreement remains [INSERT 10th ANNIVERSARY OF OPERATING AGREEMENT EFFECTIVE DATE].

3. All provisions of the Operating Agreement shall remain in effect except to the extent that they may conflict with the provisions of this Amendment, in which event the provisions of this Amendment shall control.

IN WITNESS WHEREOF, SLR and Maine DOT have caused this Amendment to be executed by their duly authorized representatives.

**ST. LAWRENCE & ATLANTIC
RAILROAD COMPANY,**

By: _____
Name: _____
Title: _____

**STATE OF MAINE, acting by
and through its DEPARTMENT OF
TRANSPORTATION**

By: _____
Name: _____
Title: _____

EXHIBIT E TO OPTION AGREEMENT
PASSENGER OPERATING AGREEMENT

This Passenger Operating Agreement (the "Agreement") made as of the ___ day of _____, 200_ by and between St. Lawrence & Atlantic Railroad Company, a Delaware corporation ("SLR"), and the State of Maine, acting by and through its Department of Transportation ("Maine DOT").

RECITALS:

A. Maine DOT has acquired ownership of a line of railroad located in Portland, Falmouth, Cumberland, Yarmouth, North Yarmouth, Pownal, and New Gloucester, Cumberland County, Maine, between Berlin Subdivision milepost 1.74 and the town line between New Gloucester, Cumberland County, Maine, and Auburn, Androscoggin County, Maine, at Grand Trunk valuation station 7360+00 (approximately Berlin Subdivision milepost 25.97) for purposes of providing rail passenger service or preserving or facilitating the ability to provide rail passenger service.

B. In order to extend such passenger service from the town line between New Gloucester, Cumberland County, Maine, and Auburn, Androscoggin County, Maine, at Grand Trunk valuation station 7360+00 (approximately Berlin Subdivision milepost 25.97) to Grand Trunk valuation station 7171+00 (approximately Berlin Subdivision milepost 29.56), Maine DOT requires access to a line of railroad owned by SLR between such points (the "Line").

C. SLR is willing to provide such access to the Line, as well as certain related services, pursuant to and on the terms and conditions set forth in this Agreement.

NOW, THEREFORE, in consideration of the foregoing premises, the mutual covenants set forth below and other good and valuable consideration, the receipt and sufficiency of which are acknowledged, SLR and Maine DOT, intending to be legally bound, hereby agree as follows:

Section 1. Definitions

The following capitalized terms shall have the following meanings:

"Effective Date" shall mean the date of this Agreement, as indicated on the first page hereof.

"Line" shall mean the rail, ties and other appurtenant facilities located on the SLR railroad line from the town line between New Gloucester, Cumberland County, Maine, and Auburn, Androscoggin County, Maine, at Grand Trunk valuation station 7360+00 (approximately Berlin Subdivision milepost 25.97), to Grand Trunk valuation station 7171+00 (approximately Berlin Subdivision milepost 29.56).

"Line Upgrade" shall mean any material improvement or betterment that Maine DOT may elect to perform or construct or to have performed or constructed on the Line.

"Passenger Rail Service" shall mean the operation of passenger trains of any kind, including without limitation trains providing regularly-scheduled service for the transportation of commuters or intercity passengers and trains as to which tourism, entertainment or recreation, rather than transportation between origins and destinations, is the primary purpose; provided that such passenger trains comply with any FRA safety requirements applicable to the Line.

"Passenger Service Contractor" shall mean any entity engaged by Maine DOT or by the Northern New England Passenger Rail Authority or its successor ("NNEPRA") to

provide Passenger Rail Service on the Line or to perform a Line Upgrade or other authorized activities on the Line. "Passenger Service Contractor" may include, without limitation, NNEPRA itself and/or the National Railroad Passenger Corporation or its successor ("Amtrak") in the event NNEPRA and/or Amtrak provide Passenger Rail Service on the Line or perform a Line Upgrade or other authorized activities on the Line.

Section 2. Grant and Reservation of Rights

2.1 Maine DOT Rights. SLR hereby grants to Maine DOT and its successors and assigns, subject to and on the terms and conditions set forth in this Agreement, the right, either directly or through a Passenger Service Contractor, to operate Passenger Rail Service on the Line with the locomotives, cars and other equipment and the crews and other personnel of Maine DOT or its Passenger Service Contractor. Maine DOT or its Passenger Service Contractor shall be permitted to operate a maximum of twenty one (21) trains per day in each direction over the Line, subject to then-existing capacity constraints and pursuant to a schedule that is provided by Maine DOT or its Passenger Service Contractor to SLR and approved by SLR, which approval shall not be unreasonably delayed, conditioned or withheld. Maine DOT or its Passenger Service Contractor shall have the right to modify such schedule by means of providing notice to SLR at least 30 days prior to the implementation of any such modification and upon receipt of approval by SLR, which approval shall not be unreasonably delayed, conditioned or withheld. In addition to scheduled Passenger Rail Service, Maine DOT or its Passenger Service Contractor shall have the right to operate special trains in Passenger Rail Service over the Line by providing at least 7 days' advance notice to SLR. Such special trains shall not unreasonably interfere with SLR's freight operations.

2.2 Reservation of Rights. SLR reserves the right to operate or authorize a third party to operate scheduled Passenger Rail Service over the Line, provided that such Passenger Rail Service does not unreasonably interfere with the Passenger Rail Service operated on the Line by Maine DOT or its Passenger Service Contractor. SLR also reserves the right to operate or authorize a third party to operate special trains in Passenger Rail Service over the Line by providing at least 7 days' advance notice to Maine DOT or its Passenger Service Contractor.

Section 3. Control and Management

3.1 Operation. The Line and trains moving over the Line in Passenger Rail Service shall be subject to the exclusive control and management of SLR. Operations on the Line shall be subject to the operating rules of SLR. Employees and personnel of Maine DOT or its Passenger Service Contractor operating trains in Passenger Rail Service on the Line shall be qualified by SLR for such operations on the Line. Maine DOT or its Passenger Service Contractor shall operate trains in Passenger Rail Service in accordance with, and the equipment used by Maine DOT or its Passenger Service Contractor for Passenger Rail Service on the Line shall comply with, applicable laws, rules and regulations.

3.2 Dispatching. SLR shall be responsible for dispatching all trains on the Line. Such dispatching and control and management of the Line shall be exercised by SLR in a fair, equitable and impartial manner in order to promote the most economical and efficient movement of all traffic on the Line and to ensure, to the maximum extent practicable, that the schedule for the operation of trains in Passenger Rail Service, as established from time to time in accordance with Section 2 above, is maintained. If the

dispatching, control and management of the Line by SLR is the sole reason that trains in Passenger Rail Service are prevented from maintaining the schedule on a consistent basis, and such delays are not otherwise attributable to safety issues or legal requirements, then SLR shall meet promptly with Maine DOT or its Passenger Service Contractor to discuss in good faith possible changes to the dispatching protocol or other approaches that may help facilitate the on-time performance of such trains in Passenger Rail Service.

3.3 Derailments. If the trains or equipment of SLR, Maine DOT or its Passenger Service Contractor or any other operator on the Line become derailed, wrecked or otherwise disabled while on the Line, SLR shall, at its initial cost and expense, but subject to the provisions of Section 7 below, re-rail or remove such equipment and clear or repair the Line as promptly as practicable so that normal rail operations on the Line may be resumed. Maine DOT or its Passenger Service Contractor shall have the right, but not the obligation, to re-rail or remove equipment or clear or repair the Line, at the initial cost and expense of SLR, if SLR fails to take such action to clear the Line within 24 hours after the occurrence of such an event or such longer time period as may be required by applicable law or the activities of governmental agencies. Maine DOT or its Passenger Service Contractor shall provide SLR with advance verbal notice to the SLR dispatcher (by phone to 207-753-4220) and advance written notice to the dispatcher's attention (by fax to 207-777-5497) before taking any such action. Promptly upon receipt of such notice, SLR shall advise Maine DOT or its Passenger Service Contractor if any such action shall violate, or is limited by, the terms of any then-existing collective bargaining agreement affecting the employees of SLR. Maine DOT or its Passenger Service Contractor shall not take any action which would cause SLR to violate any such

provisions of such collective bargaining agreements, and SLR shall promptly take all such actions as may be necessary to clear and repair the Line.

Section 4. Maintenance

SLR shall, at its sole cost and expense, maintain, repair and renew the Line, including furnishing all necessary labor and materials, so that at all times during the term of this Agreement the Line is in the Federal Railroad Administration ("FRA") class that it is in as of the date on which Passenger Rail Service commences and is capable of accommodating trains in Passenger Rail Service at the maximum passenger train speed for such FRA class; provided, however, that in the event that a Line Upgrade results in a change in the condition of the Line to a higher FRA class than it is in as of the date on which Passenger Rail Service commences, SLR shall maintain, repair and renew the Line to such higher FRA class and so that the Line is capable of accommodating trains in Passenger Rail Service at the maximum passenger train speed for such higher FRA class for the remainder of the term of this Agreement. Subject to reasonable orders of SLR concerning safety, Maine DOT or its Passenger Service Contractor shall have the right to operate trains in Passenger Rail Service at such maximum speeds. The obligation of SLR to maintain, repair and renew the Line shall include all maintenance activities required by applicable laws, rules or regulations, including inspections and maintenance of signals and bridges.

Section 5. Improvements

5.1 Passenger Improvements. Maine DOT shall have the right, at its expense and on the terms and conditions set forth below, to undertake Line Upgrades, including without limitation projects or work to change the condition of the Line to a higher FRA

class, to construct a second track so that the Line becomes double-tracked with such second track being devoted exclusively to Passenger Rail Service or to construct passenger facilities, including without limitation platforms, adjacent to the Line, so long as the construction or use of such passenger facilities or other Line Upgrades does not unreasonably interfere with freight rail service provided by SLR. In the event that Maine DOT elects to proceed with a Line Upgrade, Maine DOT shall deliver to SLR plans and specifications for, and a proposed schedule for the construction or implementation of, such Line Upgrade at least 90 days prior to the date on which the Line Upgrade project is scheduled to commence. SLR shall have the right to review and approve such plans, specifications and schedule within 30 days after receipt thereof. Such approval shall not be unreasonably delayed, conditioned or withheld. At the option of Maine DOT, and except as provided below in conjunction with SLR's labor requirements, the work required for a Line Upgrade shall be performed either by Maine DOT or by a Passenger Service Contractor designated by Maine DOT. SLR shall have the right to bid for contracts issued by Maine DOT for Line Upgrades. Such Line Upgrade work shall be conducted in accordance with the plans and specifications and on the schedule approved by SLR, and if performed by an entity other than SLR shall be coordinated with SLR's activities on the Line. If any collective bargaining agreement or other labor requirement or restriction applicable to SLR prevents SLR from allowing Maine DOT or its Passenger Service Contractor (other than SLR) to perform a Line Upgrade, SLR shall perform such Line Upgrade at the cost and expense of Maine DOT. Whether the Line Upgrade is performed by SLR or by a Passenger Service Contractor designated by Maine DOT, the party performing the work shall take appropriate actions to minimize the disruption or

delay in the movement of trains over the Line during the pendency of the construction or work. Maine DOT shall be solely responsible for the maintenance of any Line Upgrade that is used exclusively for Passenger Rail Service, such as platforms, and that is not part of the maintenance of track and related facilities to be performed by SLR in accordance with Section 4 above, and Maine DOT shall remove any such facilities for which it has maintenance responsibility and restore the Line to its condition prior to the installation of such facility at the termination of this Agreement.

5.2 Freight Improvements. SLR shall have the right, at its sole expense, to make improvements to the Line deemed by SLR to be necessary or appropriate for its freight operations so long as the construction or use of any such improvements does not unreasonably interfere with Passenger Rail Service. The construction or use of any such freight improvements shall not relieve SLR from any of its obligations or duties pursuant to this Agreement.

Section 6. Compensation and Incentive Mechanism

Because the condition and configuration of the Line may change prior to the commencement of Passenger Rail Service, and because the frequency and schedule of Passenger Rail Service cannot be precisely defined at the time of the execution of this Agreement, SLR and Maine DOT have not agreed on either (a) the compensation to be paid to SLR for the use of the Line for Passenger Rail Service (“Compensation Payments”), or (b) an incentive mechanism that includes on-time performance payments and penalties for Passenger Rail Service trains operating on the Line (“Incentives”). SLR and Maine DOT instead have agreed on the following framework for resolving these two items:

- At least 90 days prior to the date on which Passenger Rail Service is anticipated to commence, Maine DOT shall notify SLR of the date on which Passenger Rail Service is anticipated to commence.
- SLR and Maine DOT thereupon shall, in good faith, attempt to reach an agreement on Compensation Payments and Incentives, taking into consideration all relevant factors, including without limitation the existing and projected freight and passenger traffic levels, track configuration, physical track condition, train schedules, and prevailing rail industry practices.
- If SLR and Maine DOT reach an agreement on Compensation Payments or Incentives or both, SLR and Maine DOT shall amend this Agreement to include the agreed-upon terms and conditions.
- If SLR and Maine DOT fail to reach an agreement on both Compensation Payments and Incentives within 30 days after the date on which Maine DOT notifies SLR of the date on which Passenger Rail Service is anticipated to commence, either party may submit either or both of these two items as to which no agreement has been reached to arbitration in the following manner:
 - The party wishing to initiate arbitration shall notify the other of its desire to submit either or both of these two items as to which no agreement has been reached to arbitration and in the notice shall designate one arbitrator.
 - Within 10 days of such notice, the other party shall respond by designating a second arbitrator.
 - Within 10 days of the designation of a second arbitrator, the two designated arbitrators shall appoint a third arbitrator to serve as chair. If

the two designated arbitrators fail to appoint a third arbitrator, or if a party fails to designate an arbitrator within the appointed time, the initiating party may request the Chief Justice of the Maine Supreme Judicial Court to appoint an arbitrator.

- The parties shall instruct the arbitrators to hold a hearing as promptly as practicable on, and decide, the items being arbitrated, giving both parties reasonable notice of the time and place of hearing and taking into account for purposes of a decision all relevant factors, including without limitation those factors, referred to above, that the parties considered in attempting to reach an agreement. Unless otherwise agreed, the arbitration will be conducted in Portland, Maine.
- The parties shall instruct the arbitrators to render their decision as promptly as practicable and if possible prior to the date on which Passenger Rail Service is scheduled to commence, in writing, to the parties. This decision shall be final and binding upon the parties, and the parties shall amend this Agreement to incorporate the terms and conditions of the decision. If a decision is not rendered by the date designated for the commencement of Passenger Rail Service, Maine DOT shall nonetheless be entitled to commence Passenger Rail Service on such date, and the decision of the arbitrators shall be effective retroactively to the commencement date.

- o Each party shall bear the fees of the arbitrator designated by that party, and the parties shall bear equally the fees of the third arbitrator. Each party shall bear its own costs and expenses of arbitration.

Section 7. Liability

7.1 General. Except as may be otherwise provided in this Agreement, Maine DOT's Passenger Service Contractor and SLR each shall assume and bear liability as provided in this Section 7. Maine DOT's Passenger Service Contractor and SLR each shall indemnify and save harmless the other, the other's parent company and affiliates, and all of such entities' respective officers, directors, employees, agents, and representatives from and against any and all losses, damages, claims, demands, costs, expenses (including without limitation reasonable attorneys' fees), fines or penalties of whatever kind or nature (collectively, "Losses") arising from or by reason of the circumstances described in this section.

7.2 Sole Involvement. Whenever any loss of, damage to, or destruction of any property whatsoever, or injury to or death of any person or persons whomsoever, occurs with only the trains, locomotives, cars or equipment of or in the account of Maine DOT's Passenger Service Contractor being involved, Maine DOT's Passenger Service Contractor shall assume all responsibility therefor and bear all Losses in connection therewith. Whenever any loss of, damage to, or destruction of any property whatsoever, or injury to or death of any person or persons whomsoever, occurs with only the trains, locomotives, cars or equipment of or in the account of SLR being involved, SLR shall assume all responsibility therefor and bear all Losses in connection therewith.

7.3 Joint Involvement. Whenever any loss of, damage to, or destruction of any

property whatsoever, or injury to or death of any person or persons whomsoever, occurs with the trains, locomotives, cars or equipment of or in the account of both SLR and Maine DOT's Passenger Service Contractor being jointly involved, SLR and Maine DOT's Passenger Service Contractor each shall separately assume and bear all responsibility for loss of and damage to the trains, locomotives, cars (including lading) and equipment operated by each of them and for injury to or death of each of their officers, directors, employees, agents and representatives. Maine DOT's Passenger Service Contractor shall be solely responsible for Losses arising from injury to or death of any passenger or other persons on board Maine DOT's Passenger Service Contractor's Passenger Rail Service trains or of any persons on property comprising the Line (or passenger facilities adjacent to the Line) for purposes of meeting or delivering passengers or waiting for or having alighted from Passenger Rail Service trains, but excluding trespassers. All Losses arising from injury to or death of any other person or persons whomsoever and for loss of, damage to, or destruction of all other property (including the Line) so occurring as a result of joint involvement shall be borne by SLR and Maine DOT's Passenger Service Contractor in proportion to their respective degrees of fault.

7.4 No Operational Involvement. Whenever any loss of, damage to, or destruction of any property whatsoever, or injury to or death of any person or persons whomsoever, occurs without any train, locomotive, car or other equipment of or in the account of either SLR or Maine DOT's Passenger Service Contractor being involved, SLR and Maine DOT's Passenger Service Contractor each shall separately assume and bear all responsibility for Losses arising from injury to or death of each of their respective officers, directors, employees, agents and representatives. All Losses arising

from injury to or death of any other person or persons whomsoever and for loss of, damage to, and destruction of all other property (including the Line) so occurring shall be borne by SLR and Maine DOT's Passenger Service Contractor in accordance with applicable statutory and common law.

7.5 No Third Party Beneficiaries. The provisions of this Section 7: (a) are intended solely for the purpose of allocating responsibility between SLR and Maine DOT's Passenger Service Contractor, (b) shall not create any rights or benefits for any person or entity (other than a Passenger Service Contractor) not a party to this Agreement, and (c) except as between SLR and Maine DOT's Passenger Service Contractor, shall not be construed as a waiver of any defense or as an admission of liability in any underlying litigation or other proceeding arising out of, or in connection with, any Loss.

7.6 Additional Passenger Rail Service Operators. For purposes of this Section 7, any references to SLR shall be deemed to include any entity designated or authorized by SLR to operate Passenger Rail Service on the Line, and SLR shall be jointly and severally liable and responsible with any such entity.

7.7 Obligations Not Obligations of Maine DOT. The obligations of Maine DOT's Passenger Service Contractor contained in this Section 7 are limited to Maine DOT's Passenger Service Contractor and shall not be obligations of Maine DOT. Maine DOT's Passenger Service Contractor shall not be allowed to access the Line or otherwise exercise any rights under this Agreement until it commits to SLR in writing that it will abide by the provisions of this Section 7 and other applicable terms and conditions of this Agreement.

Section 8. Insurance

Maine DOT or its Passenger Service Contractor shall maintain in effect insurance policies meeting the liability limits and other requirements of 23 M.R.S.A. § 8012 (as such statute may be amended from time to time) as a condition to using the Line for Passenger Rail Service. SLR shall be named as an "additional insured" on any such policy.

Section 9. Term

The initial term of this Agreement shall be 10 years beginning as of the date on which Maine DOT or its Passenger Service Contractor commences to provide Passenger Rail Service on the Line and ending on the 10th anniversary of such date. Unless Maine DOT gives SLR written notice at least one year prior to the expiration of the initial term, this Agreement shall continue in effect for a renewal term of 10 years beginning as of the expiration of the initial term.

Section 10. Assignment

This Agreement shall be binding upon, and inure to the benefit of, the parties and their respective successors and permitted assigns. Neither party may assign its rights, interests or obligations under this Agreement without the consent of the other party, which consent shall not be unreasonably withheld, conditioned or delayed; provided, however, that notwithstanding any other provision of this Agreement to the contrary Maine DOT may assign this Agreement or its rights, interests or obligations under this Agreement to NNEPRA or Amtrak or any successor of either of them and may assign its right to undertake Line Upgrades in accordance with the terms and conditions of this Agreement to a Passenger Service Contractor approved by SLR, which approval shall not

be unreasonably withheld, conditioned or delayed. Any assignment in violation of this Section 10 shall be void.

Section 11. Transfer of Line

In the event that SLR agrees to sell, convey or otherwise transfer all or substantially all of the Line (as part of a sale of all of SLR's assets or otherwise), SLR shall provide Maine DOT with written notice of such transactions at least 45 days prior to the proposed consummation date of any sale, conveyance or other transfer and shall require the transferee or purchaser to acquire the Line subject to this Agreement and the rights of Maine DOT hereunder. SLR shall assign this Agreement to any such transferee or purchaser, and Maine DOT shall consent to any such assignment.

Section 12. Miscellaneous

12.1 Notices. Except as may be otherwise provided in this Agreement, any notice required or desired to be given by either party shall be deemed to be delivered if sent to the addresses and the persons specified below (i) on the date of delivery, if hand delivered, (ii) one day after sending, if sent by overnight courier, or (iii) if sent by registered or certified mail three days after the notice is posted by registered or certified mail, postage prepaid. Either party may change its address for notice, but until written notice of such change of address is actually received by the other party the last address of such party designated for notice shall remain such party's address for notice.

(a) If intended for SLR:

St. Lawrence & Atlantic Railroad Co.
415 Rodman Rd
Auburn, Maine 04210
Attention: General Manager

With a copy to:

Exhibit E to Option Agreement
Passenger Operating Agreement
Page 15 of 17

Allison Fergus
General Counsel
Genessee & Wyoming, Inc.
66 Field Point Road
Greenwich, CT 06830

(b) If intended for Maine DOT:

State of Maine
Department of Transportation
16 State House Station
Augusta, ME 04333-0016
Attention: Commissioner

With a copy to:

State of Maine
Department of Transportation
16 State House Station
Augusta, ME 04333-0016
Attention: Chief Counsel

12.2 Entire Agreement. This Agreement contains the entire agreement between SLR and Maine DOT with respect to the subject matter hereof and supersedes all prior or contemporaneous oral or written agreements between SLR and Maine DOT with respect thereto. If any term, covenant or provision of this Agreement, or the application thereof to any person or circumstance, shall be held to be illegal, invalid or unenforceable, then, in such event, the remainder of this Agreement or the application of such terms, covenants and provisions shall remain valid and enforceable to the fullest extent permitted by law.

12.3 Amendments. No modification or amendment of this Agreement shall be of any force or effect unless made in writing and executed by both parties.

12.4 Governing Law. This Agreement shall be governed by and construed in accordance with the laws of the United States of America and the State of Maine.

12.5 Headings. The section headings in this Agreement are for convenience only and shall not be used in its interpretation or considered part of this Agreement.

12.6 Counterparts. This Agreement may be executed in any number of counterparts each of which shall be deemed an original but all of which together shall constitute one and the same instrument.

12.7 Third Party Beneficiaries. Except as may be otherwise provided in this Agreement, no provision of this Agreement shall be construed as intended for the benefit of any person not a party hereto.

Executed and delivered as of the Effective Date.

ST. LAWRENCE & ATLANTIC
RAILROAD COMPANY,

By: _____
Name: _____
Title: _____

STATE OF MAINE, acting by
and through its DEPARTMENT OF
TRANSPORTATION

By: _____
Name: _____
Title: _____

EXHIBIT F TO OPTION AGREEMENT

[INSERT]
St. Lawrence & Atlantic Railroad Company
415 Rodman Road
Auburn, Maine 04210

Dear [INSERT]:

St. Lawrence & Atlantic Railroad Company ("SLR") today has entered into a Passenger Operating Agreement with Maine DOT that grants to Maine DOT assignable passenger rail operating rights over SLR's rail line in Auburn, Maine, between the New Gloucester-Auburn town line at Grand Trunk valuation station 7360+00 (approximately Berlin Subdivision milepost 25.97) and Grand Trunk valuation station 7171+00 (approximately Berlin Subdivision milepost 29.56).

Section 7 of the Passenger Operating Agreement pertains to the allocation of liability between SLR and Maine DOT's Passenger Service Contractor and is premised on the operation of Passenger Rail Service on the Line by a Passenger Service Contractor, rather than directly by Maine DOT. This letter confirms that, while Maine DOT has the right directly to operate Passenger Rail Service on the Line, Maine DOT anticipates that Passenger Rail Service on the Line will be operated by a Passenger Service Contractor and not directly by Maine DOT. In the event that Maine DOT in the future wishes directly to operate Passenger Rail Service on the Line, Maine DOT shall so notify SLR, whereupon Maine DOT and SLR in good faith shall seek to negotiate an amendment to Section 7 of the Passenger Operating Agreement to accommodate such operation. Maine DOT shall not directly operate Passenger Rail Service over the Line unless and until Maine DOT and SLR have agreed on such an amendment.

Please indicate SLR's agreement to the foregoing by signing and returning the enclosed copy of this letter.

Very truly yours,

[INSERT]
Commissioner

SEEN AND AGREED TO:

St. Lawrence & Atlantic Railroad Company

By: _____
Print Name: _____
Print Title: _____

ATTACHMENT 3

NOTICE OF EXERCISE OF OPTION



JOHN I. LIAS BALDACCI
GOVERNOR

STATE OF MAINE
DEPARTMENT OF TRANSPORTATION
16 STATE HOUSE STATION
AUGUSTA, MAINE
04333-2016

DAVID A. COLE
COMMISSIONER

October 20, 2010

CERTIFIED MAIL

St. Lawrence & Atlantic Railroad Company
Attn: Ed Foley, General Manager
415 Rodman Road
Auburn, ME 04210

Re: Exercise of Option

Dear Mr. Foley:

Please consider this as constituting formal notice from the State of Maine, acting by and through its Department of Transportation (MaineDOT), of its exercise of its option to purchase that portion of St. Lawrence & Atlantic Railroad Company's rail lines located in Yarmouth, North Yarmouth, Pownal and New Gloucester, Cumberland County, Maine, between the northerly endpoint of the rail line previously acquired by MaineDOT (Berlin Subdivision mile post 12.163) and the town line between New Gloucester, Cumberland County, and Auburn, Androscoggin County, Maine (Berlin Subdivision mile post 25.97) (the "Rail Line"). MaineDOT also hereby exercises its option to purchase assignable passenger operating rights over the St. Lawrence & Atlantic Railroad Company's rail line between Berlin Subdivision mile post 25.97 and Berlin Subdivision mile post 29.56 (the "Passenger Operating Rights")

This exercise of option is pursuant to that certain Option Agreement to Purchase Rail Line and Passenger Operating Rights entered into between St. Lawrence & Atlantic Railroad Company and MaineDOT on September 27, 2007 (the "Option Agreement"), and the terms and conditions of the Option Agreement will govern our consummation of this transaction.

Sincerely,

Bruce Van Note
Deputy Commissioner

BVN/tlk:jlh

Cc: Allison Fergus, General Counsel, Genesee & Wyoming, Inc.



ATTACHMENT 4

**OPERATING AGREEMENT
DATED SEPTEMBER 27, 2007**

OPERATING AGREEMENT

THIS OPERATING AGREEMENT ("Agreement") is dated as of September 27, 2007 (the "Effective Date"), by and between ST. LAWRENCE & ATLANTIC RAILROAD COMPANY, a Delaware corporation ("SLR"), and THE STATE OF MAINE, acting by and through its Department of Transportation ("MAINE DOT").

RECITALS:

A. Pursuant to a Purchase and Sale Agreement between SLR and MAINE DOT dated December 29, 2006 ("Sale Agreement"), MAINE DOT is acquiring from SLR a line of railroad between approximately milepost 1.74 at Deering, Maine and approximately milepost 12.163 just south of the diamond crossing at Yarmouth Junction, Maine, as more particularly described in the Quitclaim Deed attached hereto as Exhibit A (the "Subject Line").

B. MAINE DOT's acquisition of the Subject Line is subject to SLR's reservation of an exclusive and perpetual freight railroad operating easement on the Subject Line ("Freight Easement"), contained in the Quitclaim Deed.

C. This Agreement sets forth the terms and conditions applicable to SLR's freight rail operations on the Subject Line pursuant to the Freight Easement and MAINE DOT's rights and obligations with respect to the Subject Line after its acquisition by MAINE DOT (including MAINE DOT's rights with respect to passenger rail service on the Subject Line).

NOW, THEREFORE, in consideration of the mutual covenants in this Agreement and other good and valuable consideration, the receipt and sufficiency of which are

acknowledged, SLR and MAINE DOT, intending to be legally bound hereby, agree as follows:

SECTION 1. DEFINITIONS

Any capitalized terms used but not otherwise defined herein shall have the meanings ascribed to such terms in the Sale Agreement. In addition to terms defined elsewhere in this Agreement, the following capitalized terms shall have the following meanings:

"Agreement" shall mean this Operating Agreement dated as of the Effective Date by and between SLR and MAINE DOT.

"Construction Commencement Date" shall mean the date on which MAINE DOT commences construction of the first Subject Line Upgrade (if any).

"Effective Date" shall mean the date of execution of this Agreement, as indicated on the first page hereof.

"Excursion Train Service" shall mean the operation of passenger trains, other than the operation of trains in Passenger Rail Service, where the primary purpose of such trains is entertainment or recreation and not transportation from origins to destinations.

"Freight Easement" shall have the meaning set forth on the first page hereof.

"Freight Only Changes and/or Additions" shall mean any material additions or betterments that are designed solely for use in SLR's freight rail operations on the Subject Line and are not required for MAINE DOT's passenger rail operations on the Subject Line.

"Hazardous Materials" shall mean any material or substance that is defined as a hazardous substance, hazardous material, or hazardous waste under the

Comprehensive Environmental Response, Compensation and Liability Act, the Federal Water Pollution Control Act, the Clean Air Act or any other federal or state laws.

"Other Track Material" shall mean fastenings, tie plates, spikes, switches, switch mechanisms, and frogs with associated materials, but excluding ballast.

"Passenger Rail Service" shall mean the operation of passenger trains of any kind other than Excursion Train Service, including without limitation trains providing regularly-scheduled service for the transportation of commuters or intercity passengers.

"Passenger Service Commencement Date" shall mean the date (if any) on which MAINE DOT commences Passenger Rail Service on the Subject Line.

"PRS Contractor" shall mean the Northern New England Passenger Rail Authority ("NNEPRA") or its successor or any contractor engaged by MAINE DOT or by NNEPRA to provide services in connection with MAINE DOT's maintenance, design and construction of improvements, operation of Excursion Train Service or the operation of Passenger Rail Service, or other authorized activities on the Subject Line, including the services (if any) provided by SLR or any of its Affiliates if selected to provide any such service to MAINE DOT under a contract other than this Agreement.

"RCR" shall mean the AAR Quarterly Index of Chargeout Prices and Wage Rates (Table C) - East, material prices, wage rates and supplements combined (excluding fuel) as calculated by the Association of American Railroads.

"Subject Line Upgrade(s)" shall mean any material improvements or betterments that MAINE DOT may elect to construct on the Subject Line.

SECTION 2. OPERATING TERMS

2.1 Retained Freight Operating Rights

(a) SLR currently provides, and shall have the exclusive right to continue to provide, local and overhead freight rail service to current and future freight rail shippers, receivers, consignees, and other entities that are located on the Subject Line or that may be seeking freight rail service over or on the Subject Line in the future. Subject to the terms and conditions of this Agreement and with the prior express written consent of MAINE DOT, which consent shall not be unreasonably withheld, conditioned or delayed, SLR shall have the exclusive right to admit other freight railroads to the Subject Line or to provide freight rail service on the Subject Line for other freight railroads. SLR retains the obligation to provide common carrier freight rail service to shippers, receivers, consignees or other entities located on the Subject Line (or using the Subject Line for overhead service) as of the Effective Date. SLR may market, price and provide its services on the Subject Line to shippers and receivers of freight without restriction or interference of any kind by MAINE DOT. SLR shall provide such services and exercise such other rights as it has pursuant to the Freight Easement and this Agreement in a manner that does not unreasonably interfere with Excursion Train Service or Passenger Rail Service.

(b) Except as provided in Section 2.3 as a condition to MAINE DOT's commencement of Passenger Rail Service, SLR shall not sell, lease or otherwise transfer the Freight Easement to another entity without the prior express written consent of MAINE DOT, which consent shall not be unreasonably withheld, conditioned or delayed.

(c) SLR expressly retains the right to sell or transfer all or substantially all of its assets, merge with another entity, or be acquired by another entity; provided

that this Agreement shall be binding on any such purchaser, lessee, or transferee and any successor(s) or permitted assignee(s) of SLR. SLR expressly retains the right to seek STB authority to abandon its common carrier rights and obligations on the Subject Line or to impose lawful embargoes suspending freight rail service on the Subject Line; provided that SLR's right to seek abandonment or impose such embargoes shall not diminish any of its obligations to MAINE DOT under this Agreement. MAINE DOT shall not oppose any application, exemption petition, exemption notice or similar request for authority relating to such actions concerning the Subject Line that SLR files with the STB or any other government agency. Nothing in this Agreement shall be construed as creating any new right that MAINE DOT did not have prior to the Effective Date of this Agreement, or as enlarging or abridging any rights that MAINE DOT had prior to the Effective Date of this Agreement, to oppose any embargo that MAINE DOT deems to be unlawful.

(d) MAINE DOT expressly declines to assume any obligation to provide common carrier freight rail service on the Subject Line. Neither MAINE DOT nor any person or entity other than SLR (or its successors or permitted assigns) shall be permitted to provide any type of freight rail service on the Subject Line. Without limiting the generality of the foregoing, MAINE DOT shall not transport for hire packages, mail, diesel fuel, or freight of any kind on the Subject Line; provided, however, that nothing herein shall prohibit the transport in passenger rail cars of those things ordinarily or reasonably carried by passengers on those cars, or the transport of goods and supplies used in and for the construction of a Subject Line Upgrade (if any), or the operation and maintenance of Excursion Train Service or Passenger Rail Service.



2.2 Subject Line Upgrades

(a) MAINE DOT shall have the right (but not the obligation), at its sole cost and expense, to design and construct Subject Line Upgrades. Subject Line Upgrades shall be designed and constructed in accordance with all applicable laws, rules and regulations and railroad industry standards and to ensure interoperability with the systems operated by SLR and other U.S. freight railroads.

(b) MAINE DOT shall deliver to SLR a set of Plans (including available schematic drawings and specifications) (collectively, "Plans") for any Subject Line Upgrade at least ninety (90) days prior to the date it intends to commence construction. The first such set of Plans shall state the intended Construction Commencement Date. The proposed design or location of any Subject Line Upgrade shall not materially interfere with SLR's use of the Subject Line for freight rail service. SLR shall have the right to provide comments on such Plans within thirty (30) days after receipt thereof, and MAINE DOT shall provide SLR with a copy of any material revisions to such Plans prior to the Construction Commencement Date or, in the case of material modifications to such Plans after the Construction Commencement Date, as promptly thereafter as such revised Plans become available. MAINE DOT shall retain the right, in its sole discretion, to decide whether to modify any such Plans.

(c) MAINE DOT may commence the first Subject Line Upgrade on or after the intended Construction Commencement Date and any subsequent Subject Line Upgrade on or after the date set forth in the Plans. MAINE DOT shall construct Subject Line Upgrades at such times and in such a manner as to not unreasonably interfere with, delay or endanger SLR's freight rail operations on the Subject Line. MAINE DOT

shall deliver to SLR, and shall update on a monthly basis, a detailed schedule for the construction of Subject Line Upgrades showing both the sequence and location of such construction work. SLR shall have ten (10) days from receipt to comment on such schedules. The parties shall then consult with each other in order to coordinate the scheduling of such construction work. MAINE DOT shall retain the right, in its sole discretion, to proceed with such Subject Line Upgrades whether or not such consultations result in an agreement concerning scheduling. Except as otherwise provided in Section 2.2(d) and except for Subject Line Upgrades initiated after the Changeover Date, as defined in Section 2.6 below, SLR acknowledges and agrees that, during construction of any Subject Line Upgrade, MAINE DOT (and its PRS Contractors) shall have exclusive access to the Subject Line on each day when SLR is not scheduled to operate freight rail service on the Subject Line and non-exclusive access with flagging (at the sole cost and expense of MAINE DOT or its PRS Contractors) on days when SLR is scheduled to operate such freight rail service on the Subject Line. SLR shall provide MAINE DOT at least 30 days' prior notice in the event SLR intends to change the days or hours of operation of its freight rail service.

(d) At MAINE DOT's election, and its sole cost and expense, MAINE DOT may direct SLR to impose a temporary embargo on all or a portion of the Subject Line during all or some portion of the construction period. MAINE DOT must provide SLR with at least sixty (60) days' notice if it elects this option and the length of the embargo must be minimized to the shortest period necessary for completing the Subject Line Upgrade in a reasonably efficient manner that minimizes disruption to SLR's freight service obligations. MAINE DOT must reimburse SLR for all actual and reasonable

out-of-pocket costs and expenses incurred by SLR as a direct result of shutting down SLR's freight service on the Subject Line during the period of any such embargo, including (1) all costs and expenses necessary to reroute freight from/to customers on the Subject Line and to reroute SLR overhead traffic by truck to/from SLR's Auburn, Maine facility during the affected portion of the construction period, (2) the difference (if any) between SLR's cost of moving such freight to/from the Auburn facility by truck and SLR's cost of moving such freight over the Subject Line by rail and (3) any additional costs, expenses or damages (including transload costs but excluding such items as lost profits, consequential damages or punitive damages) incurred by SLR as a result of such rerouting activities. If SLR seeks reimbursement for any such costs, SLR shall provide MAINE DOT with a detailed statement showing the amount of such costs and the basis of any calculations, together with adequate supporting documentation.

MAINE DOT shall have the right to request additional information from SLR and to inspect the books and records of SLR in order to verify the amount and validity of any such costs. If any SLR shipper, receiver or overhead customer served by the Subject Line challenges any such embargo as being unlawful, then MAINE DOT shall, at its option, either authorize SLR to suspend the embargo for the relevant shipper, receiver or overhead customer during the affected portion of the construction period or direct SLR to continue the embargo; provided, however, that in the event that MAINE DOT directs SLR to continue the embargo, MAINE DOT shall assume responsibility for the costs of defending the lawfulness of the embargo and of any damages payable to the relevant shipper, receiver or overhead customer in the event that the embargo is determined to be unlawful and damages are awarded.



(e) MAINE DOT will use PRS Contractors to design and construct any Subject Line Upgrade. Such PRS Contractors must have railroad construction experience and have bonding coverage consistent with reasonable and customary standards within the railroad industry and shall agree to waive any and all rights or causes of action against SLR for any and all loss of, or damage to, any property owned or used by PRS Contractors and any property owned by third parties in the custody or control of PRS Contractors.

(f) In the event that MAINE DOT elects to construct any Subject Line Upgrade, MAINE DOT shall require its PRS Contractors to procure and maintain, prior to the Construction Commencement Date, at the sole cost and expense of parties other than SLR, the insurance coverage specified below. All insurance shall be placed on an occurrence or claims made basis with insurance carriers that are licensed to do business in Maine and that are reasonably acceptable to SLR. The insurance coverage shall consist of the following:

- (i) Railroad Protective Liability Insurance covering liability imposed on MAINE DOT and its PRS Contractors with respect to all construction activities on the Subject Line. SLR shall be named as an additional insured and the policy shall contain a waiver of subrogation against SLR. Coverage under this policy shall have limits of liability not less than Two Million Dollars (\$2,000,000) per occurrence and not less than Six Million Dollars (\$6,000,000) in the aggregate;

- (ii) **General Liability Insurance, with limits of liability not less than Two Million Dollars (\$2,000,000) per occurrence and not less than Twenty-Five Million Dollars (\$25,000,000) in the aggregate. SLR shall be named as an additional insured and the policy shall contain a waiver of subrogation against SLR;**
- (iii) **Workers' Compensation Insurance to the extent required by Maine law;**
- (iv) **Builders' Risk Insurance from the PRS Contractors selected by MAINE DOT which includes Direct Damage Insurance with limits of liability not less than Twenty-Five Million Dollars (\$25,000,000) and Earthquake and Flood Insurance with limits of liability not less than Ten Million Dollars (\$10,000,000).**

(g) All rail, reusable ties and Other Track Material removed during the Subject Line Upgrades will become the property of SLR. SLR shall remove these materials from the Subject Line upon receiving written notice of their availability from MAINE DOT or its PRS Contractor, shall remove such materials in a manner that does not interfere with construction and shall handle and manage these materials in accordance with applicable laws and regulations. If SLR fails to remove such materials from the Subject Line within ninety (90) days after receiving notice from MAINE DOT or its PRS Contractor, MAINE DOT may after giving 10 days' notice of its intent to do so

remove such materials to a reasonable location adjacent to the Subject Line and invoice SLR for the cost and expense of such removal and any storage charges.

2.3 Excursion Train and Passenger Rail Services

(a) MAINE DOT has the right to use the Subject Line for operation of Excursion Train Service and the operation of Passenger Rail Service. Except in the capacity of a PRS Contractor, SLR shall not have the right to use the Subject Line for operation of Excursion Train Service or the operation of Passenger Rail Service.

(b) No person or entity other than MAINE DOT or its PRS Contractor(s), or their successors or assigns, shall be permitted to provide Excursion Train Service or Passenger Rail Service on the Subject Line. MAINE DOT shall have the exclusive right, in its sole discretion, to select persons or entities to provide Excursion Train Service or Passenger Rail Service. As a condition to use of the Subject Line for Excursion Train Service or Passenger Rail Service, MAINE DOT (or its PRS Contractor) shall procure and maintain insurance meeting the aggregate limit and otherwise satisfying the applicable requirements of 23 M.R.S.A. § 8012 (as such statute may be amended from time to time), which insurance shall name SLR as an additional insured.

(c) As a further condition to use of the Subject Line for Excursion Train Service, MAINE DOT agrees that Excursion Train Service shall be subject to the dispatching control of SLR for so long as SLR dispatches the Subject Line and shall not unreasonably interfere with SLR's freight rail operations on the Subject Line. For Excursion Train Service operated prior to the Passenger Service Commencement Date,



MAINE DOT shall provide a minimum of 7 days' advance notice to SLR of the schedule established by the operator of the Excursion Train Service before MAINE DOT or its PRS Contractor may operate such Excursion Train Service, and the parties shall negotiate in good faith to resolve any coordination issues prior to commencement of Excursion Train Service; provided, however, that SLR's freight service shall not unreasonably interfere with Excursion Train Service.

(d) As a further condition to use of the Subject Line for Passenger Rail Service, MAINE DOT shall provide SLR with written notice of its intention to do so at least one (1) year prior to the Passenger Service Commencement Date. Simultaneously with such written notice, MAINE DOT shall use its best efforts to select and identify a potential freight railroad operator satisfactory to MAINE DOT that is willing to accept assignment of SLR's Freight Easement and attendant common carrier obligations on the Subject Line as of or prior to the Passenger Service Commencement Date. If MAINE DOT is able to select such a freight railroad operator and SLR and such freight rail operator are able to negotiate mutually acceptable terms and conditions for the coordination of operations on the Subject Line within sixty (60) days prior to the Passenger Service Commencement Date, then SLR shall assign the Freight Easement to such freight railroad operator and, at the option of MAINE DOT, SLR shall (i) assign this Agreement to such freight railroad operator or (ii) MAINE DOT shall negotiate a new operating agreement with such freight railroad operator and, in the case of (i) or (ii) above, SLR shall terminate its operations on the Subject Line as of the Passenger Service Commencement Date or the date on which such freight railroad operator assumes its operations on the Subject Line, whichever occurs first. If MAINE DOT is

not able to select and identify such a freight railroad operator or if SLR and MAINE DOT's designee are not able to negotiate mutually acceptable terms and conditions for the coordination of operations on the Subject Line by such other freight operator and operations of SLR on its other lines within sixty (60) days prior to the Passenger Service Commencement Date, then MAINE DOT and SLR shall jointly operate on the Subject Line; provided that after the Passenger Service Commencement Date: freight shall operate only between 11 PM and 4:30 AM on such days as SLR shall designate in its schedule, which shall be provided to MAINE DOT, and Passenger Rail Service, Excursion Train Service, Subject Line maintenance and any Subject Line Upgrades shall take place only on such days and at such times as freight service is not operating; and MAINE DOT and SLR agree to use their best efforts to amend 23 M.R.S.A. § 8012 to cover the freight operations of SLR on the Subject Line.

2.4 SLR's Right to Make Freight Only Changes and/or Additions

(a) SLR shall have the right, at its sole cost and expense, to design and construct Freight Only Changes and/or Additions to the Subject Line, including without limitation the construction, reconstruction, alteration, modification or relocation of turnouts, sidetracks, industrial spur tracks or other facilities related to SLR's freight operations at locations determined by SLR and any other improvements deemed necessary or desirable by SLR for its freight operations; provided, however, that any such Freight Only Changes and/or Additions shall not unreasonably interfere with Passenger Rail Service or Excursion Train Service. MAINE DOT shall not have the right to use Freight Only Changes and/or Additions for any purpose without the prior express written consent of SLR, which consent may be withheld in SLR's sole



discretion. The design or location of such Freight Only Changes and/or Additions shall be conducted in accordance with all applicable laws, rules and regulations, shall follow sound engineering and architectural practices, and shall not unreasonably interfere with Passenger Rail Service or Excursion Train Service on the Subject Line. SLR shall construct such Freight Only Changes and/or Additions in such a manner so as not to unreasonably interfere with any Passenger Rail Service or Excursion Train Service and shall reimburse MAINE DOT for any additional operating costs of Passenger Rail Service or Excursion Train Service (including bus bridge costs) if such construction unreasonably interferes with Passenger Rail Service or Excursion Train Service.

(b) SLR shall deliver to MAINE DOT copies of the Plans for such Freight Only Changes and/or Additions at least thirty (30) days prior to commencing construction of such Freight Only Changes and/or Additions. MAINE DOT shall have fifteen (15) days to review and approve such Plans, and such approval shall not be unreasonably withheld, conditioned or delayed .

2.5 Additional PRS Contractor Provision

Any contract between MAINE DOT and a PRS Contractor (other than SLR or one of its Affiliates) providing operating, maintenance, design or construction of improvements, or other services on or related to the Subject Line shall authorize prompt termination by MAINE DOT if such PRS Contractor's actions or inactions cause MAINE DOT to breach this Agreement. MAINE DOT's use of a PRS Contractor shall not relieve MAINE DOT of its obligations to SLR under this Agreement.

2.6 Maintenance Obligations



(a) Subject to Section 2.6(b), SLR shall at its sole cost and expense maintain, repair and renew the Subject Line at no less than Federal Railroad Administration ("FRA") Class II standard (except for those segments of the Subject Line listed on **Schedule 2.6** attached hereto, which shall be maintained at FRA Class I track standards, or any additional segments that Maine DOT may, upon the request of SLR, authorize SLR to maintain at FRA Class I track standards). Such maintenance shall include any necessary repair of trackage and structures (including without limitation bridges), installation of ties and ballast, surfacing work and replacement in-kind of existing facilities such as trackage, structures and signals. In conducting such maintenance, SLR shall use reasonable and customary care, skill and diligence and shall comply with all applicable laws, regulations and rules. SLR shall have no obligation to pay any per car or other fee to MAINE DOT for using the Subject Line during the period that SLR is responsible for maintenance.

(b) MAINE DOT (or a PRS Contractor) shall at its sole cost and expense assume sole and exclusive responsibility for maintaining, repairing and renewing the Subject Line (including any switches and turnouts connecting the main line to shipper sidings) as of the Passenger Service Commencement Date (if any) or the Construction Commencement Date (if any), whichever occurs first (herein, the "Changeover Date"). MAINE DOT shall maintain the Subject Line at no less than FRA Class II standards (except for those segments of the Subject Line listed on **Schedule 2.6** that, at the Changeover Date, are not maintained to FRA Class II or higher by SLR, which SLR shall list in writing at the Changeover Date). Such maintenance shall include any necessary repair of trackage and structures (including without limitation bridges),



installation of ties and ballast, surfacing work and replacement in-kind of existing facilities such as trackage, structures and signals. In conducting such maintenance, MAINE DOT (or its PRS Contractor) shall use reasonable and customary care, skill and diligence and shall comply with all applicable laws, regulations and rules.

(c) If MAINE DOT becomes responsible for maintenance of the Subject Line pursuant to Section 2.6(b), SLR thereafter shall pay to MAINE DOT on a monthly basis in arrears, a per-car fee of 50 cents per car mile for every car that SLR operates over the Subject Line. Within 30 days after the end of each calendar quarter, SLR shall provide MAINE DOT with a report showing the number of car miles operated during such preceding quarter and tendering payment of the amount due. MAINE DOT shall have the right to inspect the books and records of SLR as they pertain to the Subject Line in order to verify the information in such reports and the amounts of such payments. The per-car fee shall be subject to annual adjustment as of January 1 of each year during the term of this Agreement, beginning January 1, 2008, based on the RCR. The method of adjusting such fees shall be to calculate the percent of increase or decrease in the most recent available RCR as of the time of such adjustment as related to the RCR upon which the immediately preceding adjustment was based (using the most recent available RCR for January 1, 2007 to make the initial adjustment as of January 1, 2008). The parties shall negotiate in good faith if the per-car fee (as adjusted by the RCR) becomes disproportionate to market rates.

(d) MAINE DOT may at its sole cost and expense retain a PRS Contractor to perform such maintenance on the Subject Line. MAINE DOT may retain SLR as the PRS Contractor to perform such maintenance on the Subject Line. If SLR is

not retained by MAINE DOT as the maintenance PRS Contractor, MAINE DOT or its PRS Contractor must perform the maintenance without unreasonably interfering with SLR's activities on the Subject Line. Any contract between MAINE DOT and a PRS Contractor (other than SLR or an affiliate of SLR) providing maintenance services on the Subject Line shall specify that all maintenance activities, except maintenance required in emergency situations, must be scheduled with SLR's consent (unless the parties are operating pursuant to Section 2.3(d), in which case maintenance does not occur during SLR's operations), which consent shall not be unreasonably withheld, conditioned or delayed. Except with respect to maintenance required in emergency situations, MAINE DOT acknowledges that SLR may reasonably withhold, condition or delay its consent so as to minimize unreasonable interference with ongoing freight operations.

(e) In the event that either SLR or MAINE DOT (as appropriate, the "Maintaining Party") fails to fulfill any maintenance obligations under this Agreement, the other party (the "Non-Maintaining Party") shall give written notice of such failure to the Maintaining Party. If the Maintaining Party does not cure such failure within thirty (30) days after receipt of such notice, the Non-Maintaining Party may perform such maintenance obligations and shall be entitled to full reimbursement for the costs and expenses thereof from the Maintaining Party. The performance of any such maintenance obligations by the Non-Maintaining Party shall not be deemed or construed as an assumption by such party of any other or ongoing maintenance obligations of the Maintaining Party. The Maintaining Party shall be responsible for any fines and/or penalties assessed against either party by the FRA or any successor



agency, and shall be responsible for defending (at its sole cost and expense) both parties in any enforcement action, arising from the Maintaining Party's failure to comply with applicable FRA requirements.

2.7 Dispatching

Prior to the Changeover Date, the dispatching of any and all trains, locomotives, freight cars, intermodal units, cabooses, vehicles and other machinery over and along the Subject Line, shall be subject to the direction and control of SLR's train dispatchers and other authorized agent. As of the Changeover Date, the dispatching of any and all trains, locomotives, freight cars, intermodal units, cabooses, vehicles and other machinery over and along the Subject Line, shall be subject to the direction and control of MAINE DOT or a PRS Contractor.

2.8 Liability

Except as otherwise provided in this Agreement, each party's liability for any and all losses, damages, claims, demands, costs, fines and civil penalties arising from its activities on the Subject Line will be determined by applicable statutory and common law.

2.9 Additional Insurance Obligations

(a) SLR shall, at its sole cost and expense, procure and maintain the insurance coverage specified in Section 2.9 for as long as SLR operates freight rail service on the Subject Line. All insurance shall be placed on an occurrence or claims made basis with insurance carriers that are licensed to do business in Maine and that are acceptable to MAINE DOT. SLR shall provide MAINE DOT with a certificate of



insurance giving evidence of the required coverage at the Effective Date and annually thereafter (if requested by MAINE DOT) for as long as SLR continues to operate freight rail service on the Subject Line. SLR shall require all of its contractors to carry the insurance specified in Section 2.9 and to provide MAINE DOT with a certificate of insurance giving evidence of the required coverage prior to commencing any service or activity on the Subject Line and annually thereafter (as necessary and if requested by MAINE DOT) for as long as SLR continues to operate freight rail service on the Subject Line and the contractors continue to provide such service or activity. All such insurance shall provide for no less than ten days' prior written notice by certified mail (return receipt requested) to be given to MAINE DOT in the event coverage is substantially changed, cancelled or not renewed. SLR shall, on request, permit MAINE DOT to examine original insurance policies.

(b) SLR shall waive any and all rights or causes of action against MAINE DOT for any and all loss of, or damage to, any property owned or used by SLR and any property owned by third parties in the custody or control of SLR (whether or not such loss or damage is caused by the fault or negligent acts or omissions of MAINE DOT). Written notice of this waiver shall be given to each insurance carrier, and said insurance policies shall be properly endorsed, if necessary, to prevent the invalidation of said insurance coverages by reason of this waiver.

(c) SLR shall procure and maintain the following insurance as of the Effective Date and for the period specified in subparagraph (a) above:



- (i) Workers' Compensation Insurance to the extent (if any) required by Maine law.**
- (ii) FELA Insurance covering the SLR's FELA liability, with limits of liability as reasonably agreed to in writing by MAINE DOT.**
- (iii) Commercial Railroad Liability Insurance covering liability imposed on SLR with respect to all of SLR's services and activities on the Subject Line and all obligations assumed by SLR under this Agreement. Independent Contractors Liability, Personal Injury/Advertising Liability, and Contractual Liability coverages are to be included, and all Railroad and Explosion/Collapse/Underground (X-C-U) exclusions are to be deleted. MAINE DOT and its successors or assigns shall be named as additional insureds, and the policy shall contain a waiver of subrogation against MAINE DOT and its successors and assigns. Coverage under this policy shall have limits of liability not less than Eight Million Dollars (\$8,000,000) per occurrence and Sixteen Million Dollars (\$16,000,000) per annum for bodily injury liability (including disease or death), personal injury liability, and property damage liability (including loss of use).**



(iv) **Pollution Liability Insurance covering liability imposed on SLR arising out of the pollution or impairment of the environment, including investigation and clean-up costs, caused by the SLR's services or activities on the Subject Line. MAINE DOT and its successors and assigns shall be named as an additional insured, and the policy shall contain a waiver of subrogation against MAINE DOT and its successors and assigns. Coverage under this policy shall have limits of liability not less than the Commercial Railroad Liability Insurance required above. SLR may, at its option, cover this pollution liability exposure in the Commercial Railroad Liability Insurance required above, and if this is done, the certificate of insurance submitted must clearly indicate that these coverages are combined.**

(v) **Property Insurance covering all property on the Subject Line owned or used by SLR in connection with this Agreement, excluding the Subject Line and any Other Track Material (including, without limitation, any leased premises or other property owned by MAINE DOT and used by SLR), and covering all property owned by third parties in the custody or control of SLR, with limits adequate to protect the full replacement value of such property. The property insurance**

policy shall contain a waiver of subrogation against MAINE DOT and its successors and assigns.

(vi) Automobile Liability Insurance issued to and covering SLR's liability arising out of the use of all owned, non-owned, hired, rented or leased vehicles which bear, or are required to bear, license plates in the jurisdiction in which they are to be operated. MAINE DOT and its successors and assigns shall be named as additional insureds, and the policy shall contain a waiver of subrogation against MAINE DOT and its successors and assigns. Coverage under this policy shall have limits of liability not less than One Million Dollars (\$1,000,000) combined single limit for bodily injury liability (including disease or death), personal injury liability, and property damage liability (including loss of use).

(vii) Professional Liability Insurance, in the event that SLR provides engineering or other professional services pursuant to this Agreement, with limits of liability as agreed to in writing by MAINE DOT. MAINE DOT and its successors and assigns shall be named as additional insureds, and the policy shall contain a waiver of subrogation against MAINE DOT and its successors and assigns.

(viii) Additional Insurance, as may be usual and customary with respect to the services provided and activities



undertaken on the Subject Line by SLR pursuant to this Agreement, and as may be required under any applicable federal or state statute or regulation, any applicable local ordinance, or any applicable federal or state administrative or judicial order.

(d) MAINE DOT may every two (2) years specify higher limits of liability for the insurance specified in Section 2.9, which higher limits of liability shall be procured by SLR within sixty (60) days after they have been specified by MAINE DOT.

(e) Except as MAINE DOT may otherwise agree in writing:

(i) no deductible under any insurance policy may exceed \$500,000;

(ii) no insurance may be maintained through so-called "umbrella policies"; and

(iii) insurance may not be diluted by including coverage for risks other than those arising out of or relating to this Agreement and the services provided and activities undertaken pursuant to this Agreement.

2.10 Clearing Derailments

If, after the Passenger Service Commencement Date, the trains or equipment of SLR become derailed, wrecked or otherwise disabled while on the Subject Line, it shall



be rerailed or cleared by SLR at SLR's cost and expense, except that MAINE DOT or a PRS Contractor shall have the right (but not the obligation) to rerail or clear SLR's derailed train or equipment (at the sole cost and expense of SLR) if SLR fails to clear the Subject Line within 12 hours of the occurrence. If any portion of the Subject Line is damaged as a result of a derailment or operations of a SLR train or equipment, the party with maintenance responsibility at the time of the derailment or such operations shall promptly repair such damage, and SLR shall bear the full cost of such repairs.

2.11 Release of Hazardous Materials

In the event of leakage, spillage, release, discharge or disposal of any Hazardous Materials on the Subject Line by SLR, SLR shall give MAINE DOT immediate notice of such event, and at its sole cost and expense, promptly clean or remediate the Subject Line in accordance with applicable law.

SECTION 3. TERM

The initial term of this Agreement shall expire on the 10th anniversary of the Effective Date. So long as SLR is not in default with respect to a material term or condition of this Agreement, SLR may elect to continue this Agreement for a renewal term of 10 years by giving MAINE DOT written notice of such intent at least 1 year prior to the expiration of the initial term. Notwithstanding the foregoing, this Agreement shall terminate (1) in the event that SLR or any successor freight operator of the Subject Line abandons the Freight Easement or otherwise ceases to provide freight service on the Subject Line, (2) if MAINE DOT elects, pursuant to Section 2.3 (d) above, not to have SLR assign this Agreement to a successor freight operator of the Subject Line, upon transfer of the Freight Easement by SLR to such successor operator or (3) 60 days after

written notice by MAINE DOT to SLR that SLR is in default with respect to a material term or condition of this Agreement, which default has not been cured on or prior to such 60th day.

SECTION 4. MISCELLANEOUS

4.1 Binding Successors; Assignment

This Agreement shall be binding upon, and inure to the benefit of, the parties hereto and their respective successors and permitted assigns, except that neither party may assign its rights, interests and obligations under this Agreement without the consent of the other party, which consent shall not be unreasonably withheld, conditioned or delayed. Any assignment, encumbrance or other transfer in violation of the foregoing shall be void.

4.2 Time of the Essence

Time is important to both SLR and MAINE DOT in the performance of this Agreement, and they have agreed that strict compliance is required as to any date set forth herein. If the final date of any period which is set forth in any term or condition of this Agreement falls upon a Saturday, Sunday or legal holiday under the laws of the United States or the state in which the Subject Line is located, then, and in such event, the time of such period shall be extended to the next day which is not a Saturday, Sunday or legal holiday.

4.3 Notices

Any notice required or desired to be given to either party hereto shall be deemed to be delivered, if delivered to the addresses and the parties specified below (i) on the date of delivery, if hand delivered, (ii) one day after sending, if sent by overnight courier, or (iii) if sent by registered or certified mail, three (3) days after the same is posted by

registered or certified mail, postage prepaid, to the address of the applicable party set out below. Either party hereto may change such party's address for notice, but until written notice of such change of address is actually received by the other party, the last address of such party designated for notice shall remain such party's address for notice.

(a) If intended for SLR:

ST. LAWRENCE & ATLANTIC RAILROAD COMPANY
415 Rodman Road
Auburn, ME 04210
ATTN: GENERAL MANAGER

With a copy to:

Allison Fergus
General Counsel
Genesee & Wyoming, Inc.
66 Field Point Road
Greenwich, CT 06830

(b) If intended for MAINE DOT:

STATE OF MAINE
Department of Transportation
16 State House Station
Augusta, ME 04333-0026
Attn: Commissioner

With a copy to:

STATE OF MAINE
Department of Transportation
16 State House Station
Augusta, ME 04333-0026
Attn: Toni Kemmerle

4.4 Entire Agreement; Severability

This Agreement (together with any Schedules, which are hereby incorporated by reference as if fully set forth herein) contains the entire agreement between SLR and

MAINE DOT with respect to the subject matter hereof and supersedes all prior or contemporaneous oral or written agreements between SLR and MAINE DOT with respect thereto. If any term, covenant or provision of this Agreement, or the application thereof to any person or circumstance, shall ever be held to be illegal, invalid or unenforceable, then, in such event, the remainder of this Agreement or the application of such terms, covenants and provisions hereof shall remain valid and enforceable to the fullest extent permitted by law. Furthermore, any such invalidity or unenforceability of a term, covenant or provision of this Agreement shall not be deemed to affect the validity or effectiveness of the remaining terms and provisions of this Agreement.

4.5 Amendments in Writing

No modification or amendment of this Agreement shall be of any force or effect unless made in writing and executed by both SLR and MAINE DOT.

4.6 Governing Law

This Agreement shall be governed by and construed in accordance with the laws of the United States of America and the State of Maine .

4.7 Headings

The Section headings in this Agreement are for convenience only and shall not be used in its interpretation or considered part of this Agreement.

4.8 Counterparts

This Agreement may be executed in any number of counterparts each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.



4.9 No Third Party Beneficiary

No provision of this Agreement shall be construed as intended for the benefit of any third party.

EXECUTED by SLR and MAINE DOT as of the date first written above.

ST. LAWRENCE & ATLANTIC
RAILROAD COMPANY,

a Delaware corporation

By: *Mario Brault*

Name: MARIO BRAULT

Title: PRESIDENT

STATE OF MAINE,

acting by and through its Department of
Transportation

By: *Nathan E. Moulton*

Name: Nathan E. Moulton

Title: Mgr. Rail Transportation

OPERATING AGREEMENT -- SCHEDULE 2.6

**ST. LAWRENCE & ATLANTIC RAILROAD
PORTLAND TO YARMOUTH JCT.
SIDE TRACK LOCATIONS**

Track #	Switch Milepost	Length Length	Customer
X289	1.92	200'	Burnham & Morrill
X283	2.11 & 2.44	1384'	Run Around
X282	2.61 & 2.76	788'	Independent Cement
X280	2.8	250'	Nappi
X281	2.85	400'	Former Nissen
X270	5.49	150'	Platform Track
X265	11.29	100'	Hancock Lumber