

**WEINER, BRODSKY, SIDMAN & KIDER**  
ATTORNEYS AT LAW

PROFESSIONAL CORPORATION

1350 NEW YORK AVENUE, N.W., SUITE 800  
WASHINGTON, D.C. 20005-4797  
(202) 628-2000  
TELECOPIER (202) 628-2011

RICHARD J. ANDREANO, JR.  
JAMES A. BRODSKY  
JO A. DeROCHE  
CYNTHIA L. GILMAN  
KAREN R. GUSTAVSON\*  
DON J. HALPERN  
MICHAEL W. KARDASH  
MITCHEL H. KIDER  
SUSAN L. KORYTKOWSKI  
SHERRI L. LEDNER  
TODD A. NEWMAN  
HOWARD D. REITZ, JR.  
LEAH SCHMULEWITZ GETLAN  
MARK H. SIDMAN  
RUGENIA SILVER  
JOHN D. SOCKNAT  
MICHAEL S. WALDRON  
HARVEY E. WEINER  
ROSE-MICHELE WEINRYB  
JOSEPH F. YENOUSKAS

June 4, 1999

**BY HAND DELIVERY**

The Hon. Vernon A. Williams  
Secretary  
Surface Transportation Board  
1925 K Street, NW  
Washington, DC 20423-0001

RECORDATION NO. **22182**

FILED

JUN 4 '99

3-10PM

\*NOT ADMITTED IN D.C.

Dear Secretary Williams:

I have enclosed one (1) original and one (1) certified counterpart copy of the document described below, to be recorded pursuant to Section 11301 of Title 49 of the United States Code.

This Locomotive Lease Agreement (the "Agreement") is a primary document.

The parties to the Agreement are as follows:

The Lessor: Piedmont & Atlantic Railroad Co., Inc.,  
d/b/a Yadkin Valley Railroad  
401 Henley Street, Suite 5  
Knoxville, Tennessee 37902

The Lessee: Georgia & Florida RailNet, Inc.  
2350 Airport Freeway  
Suite 300  
Bedford, Texas 76022

Please index this Agreement under each of the names listed above.

Included in the property covered by the Agreement are the following locomotives owned by Lessor:

<u>Model No.</u>	<u>Unit No.</u>	<u>Model No.</u>	<u>Unit No.</u>
GP-10	7913	GP-10	8309
GP-10	8050	GP-10	8314
GP-10	8136	GP-10	8331
GP-10	8265	GP-10	8395
GP-10	8274	GP-10	8396
GP-10	8302		

WEINER, BRODSKY, SIDMAN & KIDER, P.C.

Secretary Williams

2

June 4, 1999

A fee of \$26.00 is enclosed pursuant to the schedule of filing fees appearing at 49 C.F.R. § 1002.2(f)(83). Please return the original and any extra copies not needed to:

Weiner, Brodsky, Sidman & Kider, P.C.  
1350 New York Avenue, N.W.  
Suite 800  
Washington, D.C. 20005-4797  
Attention: Michael W. Kardash

The Agreement should be indexed as follows:

Locomotive Lease Agreement covering 11 GP-10  
locomotives numbered 7913, 8050, 8136, 8265, 8274, 8302,  
8309, 8314, 8331, 8395 and 8396.

If you have any questions or require any further information, please contact me at the phone number or address listed above. Thank you for your assistance.

Very truly yours,

Michael W. Kardash  
Weiner, Brodsky, Sidman &  
Kider, P.C.  
1350 New York Avenue, N.W.  
Suite 800  
Washington, D.C. 20005-4797

Attorney for:

Piedmont & Atlantic Railroad Co., Inc.,  
d/b/a Yadkin Valley Railroad

Enclosures

JUN 4 '99

3-10PM

**LOCOMOTIVE LEASE AGREEMENT**

LOCOMOTIVE LEASE AGREEMENT ("Lease"), dated as of April 30, 1999, between Georgia & Florida RailNet, Inc., a Delaware corporation ("Lessee"), and Piedmont & Atlantic Railroad Co., Inc. d/b/a Yadkin Valley Railroad, a Tennessee corporation ("Lessor"). References herein to this "Lease" or this "Agreement" shall refer to this Locomotive Lease Agreement.

**WITNESSETH:**

WHEREAS, Gulf & Ohio Railways, Inc. ("G&O"), Lessee and The Seven Islands Foundation ("Foundation") are parties to that certain Asset Purchase Agreement, dated March 31, 1999 (the "Purchase Agreement"), pursuant to which Lessee is acquiring certain real property, rail lines and related personal property in Georgia and Florida; from G&O;

WHEREAS, G&O and Lessor are both wholly owned subsidiaries of Gulf & Ohio Railways Holding Co., Inc.;

WHEREAS, Lessor acquired the Units (as hereinafter defined) from G&O, and Lessor desires and agrees to assume all of G&O's obligations to Lessee under the Purchase Agreement with respect to the Units; and

WHEREAS, in addition to the assets purchased by Lessee under the Purchase Agreement, Lessee shall lease from Lessor the eleven (11) locomotives identified on Schedule 1 hereto.

NOW, THEREFORE, in consideration of the premises and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties agree as follows:

**SECTION 1****DELIVERY AND LEASE OF UNITS; TERM**

1.1 Lessor shall lease to Lessee, on the terms and subject to the conditions set forth herein, each locomotive identified on **Schedule 1** hereto (referred to herein individually as a "Unit," and collectively as the "Units"). The term of the Lease of the Units shall be from 12:01 a.m. on the date following the Closing Date (as defined in section 3.1 of the Purchase Agreement) through the fifth (5th) annual anniversary of the Closing Date, unless terminated earlier with respect to one or more Units in accordance with section 1.4 hereof.

1.2 The Units shall be delivered by Lessor to Lessee at rail yards and sidings located on the Subject Line (as defined in the Purchase Agreement).

1.3 Lessee shall be deemed to have accepted each Unit in acceptable condition unless, within five (5) business days after the Closing Date, Lessee provides to Lessor written notice in the form of Schedule 2 hereof ("Defect Notice") identifying any Unit(s) that (i) do not have a current Federal Railroad Administration blue card in the cab, (ii) are not in operating condition, (iii) do not meet one or more of the Association of American Railroads ("AAR") requirements for interchange (the "Interchange Rules"), (iv) have any wheels with less than one and one-half inches of tread, (v) have any broken, damaged or missing parts or components, (vi) smoke excessively or exhaust excessive oil, and/or (vii) fail to generate at full throttle at continuous load at least six-hundred (600) amperes ("Nonconforming Units"). In the event Lessee identifies one or more Nonconforming Units, Lessor shall remedy the identified defects on such Nonconforming Units within thirty (30) days after receipt of the Defect Notice. If Lessor completes the repairs within such thirty (30) day period, the Nonconforming Units shall be subject to the Lease and Lessee shall be entitled to a rent credit equal to (i) the daily rental amount for such Unit (as determined by dividing the monthly rental amount for such Unit shown on Schedule 1 hereto by 30), multiplied by (ii) the number of days from the Closing Date through the date on which Lessor delivers the remedied Unit to Lessee on the Subject Line (such product shall be referred to herein as a "Rent Credit"). If Lessor does not complete repairs within thirty (30) days after receipt of the Defect Notice, the Nonconforming Units shall be excluded from the Lease.

1.4 On December 31, 1999, and on each June 30 and December 31 thereafter during the term of this Agreement ("Early Termination Date(s)"), Lessee shall have the right to terminate this Lease as to one or more Units. Termination of this Lease as to one or more Units may be effected by Lessee only by (i) providing Lessor with written notice of termination identifying the Unit(s) in question not less than thirty (30) days prior to the applicable Early Termination Date, and (ii) shipping the Unit(s) to Lessor, at Lessee's expense, at the Knoxville & Holston River Railroad Co. Inc. ("K&HR") in Knoxville, TN, or such other location as Lessor shall advise Lessee in writing on or prior to the applicable Early Termination Date; provided, however, that if Lessor selects a location other than K&HR, Lessor shall be responsible for shipping costs in excess of reasonable and customary costs to K&HR. Lessee shall bear the risk of loss during transit. Prior to shipping the Unit(s) to Lessor at the K&HR (or at such other location specified by Lessor) Lessee shall provide Lessor with an opportunity to inspect, test and operate the Unit(s) under load at Albany, Georgia. Lessor shall be deemed to have accepted the Unit(s), and this Lease shall be terminated as to such Unit(s), unless within five (5) business days after the applicable Early Termination Date (or after the date the Unit(s) are delivered to the K&HR or other location specified by Lessor if said date is later than the applicable Early Termination Date), Lessor delivers to Lessee a Defect Notice identifying (i) one or more of the defects referenced in section 1.3 hereof, or (ii) any major component system of the Unit that has been replaced by Lessee with components of a lower rated locomotive. This Lease shall not terminate with respect to any Unit until the defects identified in the Defect Notice have

been remedied and the Unit has been delivered to Lessor at the K&HR (or such other location specified by Lessor).

1.5 On the fifth anniversary of the Closing Date (the "Termination Date"), Lessee shall return the Units (other than Units for which there has been an Early Termination Date) to Lessor, at Lessee's expense, at the K&HR or at such other location as Lessor shall advise Lessee in writing; provided, however, that if Lessor selects a location other than K&HR, Lessor shall be responsible for shipping costs in excess of reasonable and customary costs to K&HR. Lessee shall bear the risk of loss during transit. The Units shall be returned in operating condition and without any of the defects referenced in section 1.3 hereof and with all major components consistent with the specifications for such model locomotive. Prior to shipping the Unit(s) to Lessor, Lessee shall provide Lessor with an opportunity to inspect, test and operate the Units under load at Albany, Georgia. Lessor shall be deemed to have accepted the Unit(s), and this Lease shall be terminated as to such Unit(s), unless within five (5) business days after the Termination Date (or after the date the Unit(s) are delivered to the K&HR or other location specified by Lessor if such date is later than the Termination Date) Lessor delivers to Lessee a Defect Notice identifying (i) one or more of the defects referenced in section 1.3 hereof, or (ii) any major component system of the Unit that has been replaced by Lessee with components of a lower rated locomotive. Lessee's obligation to pay Rent (as defined in section 2.1 hereof) shall not terminate with respect to any Unit until the defects identified in the Defect Notice have been remedied. Upon request of Lessor, Lessee shall store one or more of the Units on storage tracks on the Subject Line, at no risk or expense to Lessee, for up to one hundred twenty (120) days following the date this Lease terminates with respect to such Unit(s) (*i.e.*, the Termination Date or an Early Termination Date, as applicable). In the event that Lessor requests storage of any Unit(s) by Lessee, Lessee shall: (i) upon initial storage of such Unit(s), adequately cover the exhaust stacks, close cab and carbody windows and doors, and take reasonable steps to prevent the batteries, engine, air compressor, radiators, fuel pre-heater and associated piping from freezing; (ii) allow Lessor reasonable access to such stored Unit(s) to inspect, test and operate the Unit(s) under load; and (iii) be responsible for shipping the Unit(s) to Lessor, at Lessee's expense, to K&HR, or such other location as Lessor shall advise Lessee in writing on or prior to the end of the one hundred twenty (120) day storage period; provided, that if Lessor selects a location other than K&HR, Lessor shall be responsible for shipping costs in excess of reasonable and customary costs to K&HR. Lessor shall bear the risk of loss for any such stored Unit(s) during such storage period, and the shipment of such Unit(s) by Lessee in accordance with the terms of this Section 1.5; provided, that Lessee shall exercise reasonable care in storing and shipping such Unit(s).

## SECTION 2

### RENTAL PAYMENTS

2.1 Lessee shall pay Lessor monthly rent, in advance, with respect to each Unit, in the applicable amount set forth in **Schedule 1** hereto (the "Rent") during the Term, commencing as of the Closing Date. All Rent shall be paid at the offices of Lessor described in section 13.1 hereof. In the event that Lessee shall fail to return one or more Units in the condition set forth in section 1.5, then either: (i) Lessee shall repair the defects within thirty (30) days following the date of the Defect Notice (during which time Lessee shall continue to pay Rent); or (ii) if Lessee fails to remedy the defects and deliver the Unit(s) back to Lessor within thirty (30) days following the date of the Defect Notice (during which time Lessee shall continue to pay Rent), Lessor shall cause the necessary repairs to be made at Lessee's sole expense.

2.2 (a) Lessor shall use reasonable efforts to invoice Lessee each month for the Rent due hereunder. However, Lessee's nonreceipt of an invoice shall not relieve Lessee of its obligation to make any Rent payment payable hereunder when due.

(b) This is a true lease. Lessee's obligation to pay Rent and all other amounts payable under this Lease shall be as set forth herein.

2.3 If any Rent or other payment hereunder is not paid when due, Lessee shall pay interest thereof at a rate equal to (i) the rate of interest publicly announced by NationsBank, Charlotte, North Carolina, or its successor, as its prime rate, as such rate may change from time to time (the "Prime Rate"), plus 3 percent, and (ii) if lower than the rate determined under clause (i), the highest rate permitted by applicable law. In the event Lessee pays any interest under this Lease and it is determined that the rate of such interest is in excess of the then legal maximum rate, then that portion of the interest payment representing an amount in excess of the then legal maximum rates shall be deemed a payment of Rent obligations under this Lease.

## SECTION 3

### REPRESENTATION AND WARRANTIES OF LESSOR

3.1 Lessor is a corporation duly organized, validly existing and in good standing under the laws of the state of Tennessee.

3.2 Lessor has the full power, authority and legal right to execute and deliver this Lease and perform the terms hereof. This Lease has been, and the delivery of each Unit will be, duly authorized, executed and delivered and constitutes or will constitute, as the case may be, the valid and binding obligations of Lessor enforceable in accordance with its terms.

3.3 Neither the execution and delivery of this Lease nor the performance of the terms hereof by Lessor contravene any law, regulation, judgment, order or permit affecting Lessor or result in any breach of, or constitute an event of default under, any contract or agreement, corporate charter or by-law or other instrument to which Lessor or any of its subsidiaries is a party or by which Lessor or any such subsidiary or any of its or their properties may be bound.

3.4 No consent of the shareholders or the trustee or holder of any indebtedness or obligation of Lessor is a condition to the performance of the terms hereof by Lessor or the validity of this Lease.

3.5 No notice to, filing with, or approval of, any governmental agency or commission is or will be required for the performance of the terms hereof by Lessor or for the validity or enforceability of this Lease (other than recordings with the Surface Transportation board, hereinafter referred to as the "Board").

3.6 There is no action or proceeding pending or, insofar as Lessor knows, threatened against Lessor or any of its subsidiaries before any court or administrative agency which might have a materially adverse effect on the business, condition or operations of Lessor or the performance by Lessor of the terms of this Lease.

3.7 Lessor represents and warrants that it has the lawful right to lease the Units to Lessee in accordance with the terms hereof.

3.8 EXCEPT AS OTHERWISE PROVIDED HEREIN, THE LEASE OF EACH UNIT IS "AS IS, WHERE IS." THE WARRANTIES SET FORTH IN SECTIONS 3.1 THROUGH 3.7 AND 3.9 AND 3.10 HEREOF ARE EXCLUSIVE AND IN LIEU OF ALL OTHER WARRANTIES OF LESSOR WHETHER WRITTEN, ORAL OR IMPLIED, AND LESSOR SHALL NOT BY VIRTUE OF HAVING LEASED THE UNITS BE DEEMED TO HAVE MADE ANY OTHER REPRESENTATION OR WARRANTY. LESSEE ACKNOWLEDGES AND AGREES THAT: (A) LESSOR IS NOT A MANUFACTURER OF OR A DEALER IN PROPERTY OF SUCH KIND AS THE UNITS; (B) LESSOR HAS NOT MADE, AND DOES NOT HEREBY MAKE, ANY REPRESENTATION, WARRANTY OR COVENANT WITH RESPECT TO THE DESIGN, OPERATION, MERCHANTABILITY, DESCRIPTION, CONDITION, QUALITY OR DURABILITY OF THE UNITS, THEIR SUITABILITY FOR THE PARTICULAR PURPOSES AND USES OF LESSEE, THE PRESENCE OR ABSENCE OF ANY DEFECTS (WHETHER LATENT OR PATENT), THE POSSIBLE INFRINGEMENT OF ANY PATENT OR TRADEMARK, OR ANY OTHER REPRESENTATION, WARRANTY OR COVENANT OF ANY KIND AND LESSOR SHALL NOT BE LIABLE TO LESSEE FOR ANY LIABILITY, CLAIM, LOSS, DAMAGE OR EXPENSE OF ANY KIND OR NATURE CAUSED, DIRECTLY OR INDIRECTLY, BY ANY UNIT OR ANY INADEQUACY THEREOF FOR ANY PURPOSE, ANY DEFICIENCY OR DEFECT THEREIN, THE USE OR MAINTENANCE THEREOF, ANY REPAIRS,

SERVICING OR ADJUSTMENTS THERETO, OR ANY INTERRUPTION OR LOSS OF SERVICE OR USE THEREOF OR ANY LOSS OF BUSINESS OR FOR ANY DAMAGE WHATSOEVER OR HOWSOEVER CAUSED, AS ALL SUCH RISKS ARE TO BE BORNE BY LESSEE, LESSOR MAKES NO REPRESENTATION AS TO THE TREATMENT OF THIS LEASE, THE UNITS OR THE RENT FOR FINANCIAL REPORTING OR TAX PURPOSES. LESSEE HEREBY WAIVES ANY CLAIM LESSEE MAY HAVE OR REQUIRE IN THE FUTURE AGAINST LESSOR FOR ANY LOSS, DAMAGE OR EXPENSE CAUSED BY ANY UNIT OR ANY DEFECT THEREIN OR THE USE OR MAINTENANCE THEREOF. LESSEE AGREES AND ACKNOWLEDGES THAT ITS SOLE RIGHT UNDER THIS LEASE BASED ON THE CONDITION OF A UNIT SHALL BE NOT TO ACCEPT SUCH UNIT IN ACCORDANCE WITH SECTION 1.3 HEREOF.

3.9 Lessor represents that except as provided in this paragraph, no other party has any rights arising by, through or under Lessor that might affect Lessee's sole possession and peaceful enjoyment of the Units. If Lessor subjects any of the Units to a mortgage, deed of trust, equipment trust, pledge or assignment or similar security arrangements, hereinafter jointly referred to as the "Instrument", Lessor will use reasonable efforts to advise Lessee as contemplated by Section 5.4 below. Lessor will give Lessee notice if the holder of the Instrument asserts that Lessor is in default of the Instrument if such default in any manner results in a third party attempting to acquire title to or possession of the Units.

3.10 Lessor covenants that, so long as no Event of Default has occurred and is continuing, Lessee shall have sole possession and peaceful enjoyment of the Units.

#### **SECTION 4**

##### **REPRESENTATIONS AND WARRANTIES OF LESSEE**

Lessee represents and warrants as of the date hereof that:

4.1 Lessee is a corporation duly organized, validly existing and in good standing under the laws of the state of Delaware.

4.2 Lessee has the necessary power and authority to perform Lessee's obligations under the terms of this Lease. The execution, delivery and performance by Lessee of this Lease has been, and the acceptance of each Unit will be, duly and validly authorized by all necessary corporate action of the Lessee and by any other necessary action of Lessee under applicable law, its articles of incorporation, by-laws and otherwise (none of which actions have been modified or rescinded and all of which actions are in full force and effect). Assuming that this Lease and each other agreement and instrument called for hereunder is a valid and binding obligation of Lessor, this Lease constitutes the legal, valid and binding obligation of Lessee, enforceable against Lessee in accordance with its terms, subject to applicable bankruptcy, insolvency,

fraudulent conveyance, reorganization, moratorium and similar laws affecting creditors' rights and remedies generally and subject, as to enforceability, to general principles of equity, including principles of commercial reasonableness, good faith and fair dealing (regardless of whether enforcement is sought in a proceeding at law or in equity).

4.3 Neither the execution and delivery of this Lease nor the performance of the terms hereof by Lessee contravene any law, regulation, judgment, order or permit affecting Lessee or result in any breach of, or constitute an event of default under, any contract or agreement, corporate charter or by-law or other instrument to which Lessee or any of its subsidiaries is a party or by which Lessee or any such subsidiary or any of its or their properties may be bound.

4.4 No consent of the shareholders or the trustee or holder of any indebtedness or obligation of Lessee is a condition to the performance of the terms hereof by Lessee or the validity of this Lease.

4.5 No notice to, filing with, or approval of, any governmental agency or commission is or will be required for the performance of the terms hereof by Lessee or for the validity or enforceability of this Lease (other than recordings with the Surface Transportation board, hereinafter referred to as the "Board").

4.6 There is no action or proceeding pending or, insofar as Lessee knows, threatened against Lessee or any of its subsidiaries before any court or administrative agency which might have a materially adverse effect on the business, condition or operations of Lessee or the performance by Lessee of the terms of this Lease.

4.7 No one acting by, through or under Lessee will have or be entitled to a lien, mortgage, charge, encumbrance, security interest or other adverse claim on or in respect of any Unit or this Lease other than a leasehold interest with the rights and obligations specified herein (individually a "Lien" and collectively "Liens").

## **SECTION 5**

### **POSSESSION AND USE OF UNITS: MARKINGS: ASSIGNMENT: SUBLEASE**

5.1 At all times during the Term, title to the Units shall be vested in Lessor to the exclusion of Lessee, and the delivery of the Units to Lessee and Lessee's possession thereof shall constitute a letting only.

5.2 Lessee shall not directly or indirectly, create or incur or suffer to be created or incurred or to exist any Lien of any kind on any Unit or on any of its rights under this Lease, and if any such Lien shall come to exist, Lessee shall, at its sole cost and expense, promptly remove the same and provide Lessor such written evidence of such removal as Lessor may reasonably

request. Notwithstanding the foregoing, Lessor hereby agrees that Lessee may make collateral assignment of this Lease to its lender ("Lender"); provided that such assignment shall obligate Lender to assume, in writing, all of Lessee's obligations under the terms of this Lease in the event that Lender forecloses on Lessee's interests hereunder.

5.3 Lessee shall not add, remove or alter the current reporting marks or identification on the Units except as requested or authorized by Lessor.

5.4 Lessee acknowledges and agrees that Lessor may, subject to the terms of this Lease, including, without limitation, Section 3.3 above, sell, assign, grant, a security interest in, or otherwise transfer all or any part of its rights, title and interest in this Lease and the Units. Upon Lessor's written notice, Lessee shall, if requested, pay directly to such assignee without abatement, deduction or set-off all amounts which become due hereunder, other than any Rent Credit provided in section 1.3. Lessee waives and agrees it will not assert against such assignee any counterclaim or set-off in any action for Rent under the Lease, other than any Rent Credit provided in section 1.3. Such assignee shall have and be entitled to exercise any and all rights and remedies of Lessor hereunder, and all references herein to Lessor shall include Lessor's assignee. Lessee acknowledges that such a sale, assignment, grant or transfer would neither materially change the Lessee's duties nor materially increase the burdens or risk imposed on the Lessee under this Lease. With the exception of collateral assignment of this Lease by Lessee to its Lender in accordance with the provisions of Section 5.2 hereof, to which Lessor hereby agrees, **LESSEE MAY NOT, WITHOUT LESSOR'S PRIOR WRITTEN CONSENT, (i) SUBLEASE, TRANSFER, DISPOSE OF OR ASSIGN ITS RIGHTS IN RESPECT OF ANY UNIT OR ITS OBLIGATIONS UNDER THIS LEASE (except to a successor in interest to all or substantially all of the business of Lessee to which the Unit relates, provided, that such successor has a net worth and financial condition greater than or equal to that of Lessee at the time of execution of this Lease as determined in good faith by Lessor prior to such transfer), OR (ii) ASSIGN, GRANT A SECURITY INTEREST IN, OR OTHERWISE TRANSFER ALL OR ANY PART OF ITS RIGHTS, TITLE AND INTEREST IN AND TO THIS LEASE OR THE UNITS.**

## **SECTION 6**

### **MAINTENANCE OF, AND IMPROVEMENT TO UNITS: INSPECTION: RECORDS**

6.1 Lessee shall, at its sole cost and expense, use good maintenance practices to maintain the Units in serviceable condition, free of broken, damaged or missing parts and the other defects listed in Section 1.3 hereof, suitable for the commercial use originally intended, substantially in the same condition as when received by Lessee, normal wear and tear excepted, and meeting the applicable AAR Interchange Rules during the Term and the maintenance recommendations and requirements of the manufacturer currently applicable to such Units.

6.2 Lessee agrees to comply, at its sole cost and expense, with all applicable laws, regulations, directives, statutes, ordinances and rules, including, without limitation, the rules and regulations of the FRA, the Board and the rules and regulations of the Environmental Protection Agency (including state agencies thereof or other agencies serving a similar purpose), with respect to the use and maintenance of each Unit. If any component, equipment or appliance in or on any Unit is altered, added to, replaced, changed or otherwise modified (each, a "Modification" or collectively, "Modifications") on any Unit in order to comply with any such laws, regulations, directives, statutes, ordinances or rules, Lessee shall make such Modifications at its own cost and expense and notwithstanding any other provision of this Lease.

6.3 Lessee shall not use, operate or permit any Unit to be used or operated in an improper or unsafe manner, in violation of any contract of insurance applicable to the Unit or in violation of any applicable law, regulation, directive, statute, ordinance or rule or manufacturers' warranty, including, without limitation, any Environmental Law (as defined in Section 7.2(b) below).

6.4 Lessee shall pay for any and all materials and other supplies required for the operation of the Units.

6.5 Lessee shall keep and maintain and make available to Lessor all records of Lessee's use, operation, inspection, repairs and maintenance of the Units. Lessor may inspect any Unit at any reasonable time on request to Lessee; provided, however, that such inspection shall not hinder operations of Lessee.

6.6 (a) Lessee may make Modifications to the Units with new or newly rebuilt parts and materials necessary for the continued use by Lessee of the Units for their original intended purpose; provided, however, that (i) all modifications shall be consistent with the original specifications of the Unit (except to the extent required otherwise by law or regulation), and (ii) Lessee shall seek Lessor's prior written consent to any such Modifications with a cost exceeding \$1,000.00 per Unit. No other Modifications shall be made without Lessor's prior written consent, except to comply with Sections 6.1 and 6.2 hereof.

6.7 During any period in which a Unit is not operating, Lessee shall store such Unit in accordance with manufacturer's recommendations, including but not limited to, (i) covering the exhaust stack in order to protect it from water, sand, dirt, or other potentially harmful substances, (ii) completely draining the water from such Unit in order to prevent freeze damage, and (iii) ensuring the batteries do not freeze or crack.

## SECTION 7

### INDEMNIFICATION: TAXES

7.1 Lessee shall indemnify, reimburse and hold Lessor and its successors, assigns, agents and employees harmless from and against all liabilities, costs, taxes, expenses (including attorneys' fee and expenses), fines, penalties (and other charges of applicable governmental authorities), damages to property of Lessee or others (including, without limitation, consequential damages), loss of use of property (including, without limitation, agents and employees of Lessee)(each a "Claim") that result from the use, leasing, ownership, operation, possession, replacement, maintenance, control, storage, loading, unloading, delivery and redelivery of any Unit from 12:01 a.m. on the day after the Closing Date of such Unit hereunder until the termination of this Lease with respect to such Unit. The foregoing indemnity shall cover, without limitation, (i) any Claim in connection with a design or other defect (latent or patent) in any Unit, (ii) any Claim resulting from the presence on or under or the escape, seepage, leakage, spillage, discharge, emission or release from any Unit of any Hazardous Materials (as defined in Section 7.2 below), including, without limitation, any Claims asserted or arising under any Environmental Law (as defined in Section 7.2 below), or (iii) any Claim for negligence or willful misconduct. Such indemnities shall continue in full force and effect, notwithstanding the expiration or termination of this Lease. Upon Lessor's written demand, Lessee shall assume and diligently conduct, at its sole cost and expense, the entire defense of Lessor and its agents, employees, successors and assign against any indemnified Claim described in this section 7. Lessee shall not settle or compromise any Claim against or involving Lessor without first obtaining Lessor's written consent thereto, which consent shall not be unreasonably withheld.

7.2 For purposes of this Lease, the following capitalized terms shall have the following meanings:

(a) "Environmental Law" The Comprehensive Environmental Response, Compensation and Liability Act (42 U.S.C. § 9601 *et seq.*), the Hazardous Materials Transportation Act (49 U.S.C. § 5101 *et seq.*), the Resource Conservation and Recovery Act (42 U.S.C. § 6901 *et seq.*), the Federal Water Pollution Control Act (33 U.S.C. § 1251 *et seq.*), the Clean Air Act (42 U.S.C. § 7401 *et seq.*) the Toxic Substances Control Act (15 U.S.C. § 2601 *et seq.*) and analogous state or local laws (and regulations and orders issued thereunder).

(b) "Hazardous Material" Any materials or substances regulated or defined as or included in the definition of "hazardous substances," "hazardous materials," "hazardous wastes," "hazardous constituents," "toxic substances," "pollutants," "contaminants" or any similar denomination intended to classify or regulate substances or materials by reason of toxicity, carcinogenicity, ignitability, corrosivity or reactivity, or otherwise under any Environmental Law, but only to the extent such substance exceeds or is reasonably believed to

exceed the minimal reportable quantity under applicable Environmental Law or to require investigation or remediation under an applicable Environmental Law.

7.3 Lessee shall be responsible for payment of all local, state, and federal taxes (other than net income taxes) and other fees or assessments imposed upon or with respect to Lessee's acceptance, possession, lease, or return of the Units (collectively, "Taxes"), together with any applicable penalties, fines or interest. Without limiting the foregoing, Lessee shall promptly pay all sale, use or similar taxes imposed on the leasing of the Units hereunder, and, if not so paid by Lessee, Lessor shall have the right to increase the Rent by the amount of such taxes. Taxes which are applicable or levied with respect to a period prior to acceptance by Lessee pursuant to Section 1.3 and/or a period subsequent to a Units' return to Lessor pursuant to Section 1.4 or Section 1.5 hereof, shall be prorated between the Lessor and Lessee. Although Lessor has no obligation to contest any Taxes, Lessee may do so provided that: (a) Lessee does so in its own name and at its own expense unless it is necessary to join Lessor in the contest or bring the contest in Lessor's name; (b) the contest does not and will not result in any Lien attaching to any Unit or otherwise jeopardize Lessor's rights to any Unit; and (c) Lessee indemnifies Lessor for all expenses (including legal fees and costs), liabilities and losses that Lessor incurs as a result of any such contest. Lessee does not warrant, or indemnify Lessor against the loss of, the availability of cost recovery deductions, tax credits or other tax benefits associated with Lessor's ownership of the Units.

## SECTION 8

### INSURANCE

(a) Lessee shall obtain and maintain for the Term, at its own expense (i) "all risk" insurance against loss or damage to the Units, (ii) commercial general liability insurance (including contractual liability and completed operations coverages), and (iii) such other insurance against such other risks of loss and with such terms, as shall in each case be obtained and maintained for its other assets and liabilities.

(b) The amount of the "all risk" insurance shall be the per Unit "Casualty Value" specified in Section 10. The self-insured retention with respect to "all risk" insurance required by the clause shall not exceed \$50,000.00.

(c) The amount of commercial general liability insurance required by clause (a) above shall be at least \$5,000,000.00 per occurrence.

(d) Each "all risk" policy shall: (i) name Lessor as sole loss payee with respect to the Units, (ii) provide for each insurer's waiver of its right of subrogation against Lessor and Lessee, and (iii) provide that such insurance (A) shall not be invalidated by any action of, or breach of warranty by, Lessee of a provision of any of its insurance policies, and (B) shall waive

set-off, counterclaim or offset against Lessor. Each liability policy shall (w) name Lessor as an additional insured and (x) provide that such insurance shall have cross-liability and severability of interest endorsements (which shall not increase the aggregate policy limits of Lessee's insurance). All insurance policies shall (y) provide that Lessee's insurance shall be primary without a right of contribution of Lessor's insurance, if any, or any obligation on the part of Lessor to pay premiums of Lessee, and (z) shall contain a clause requiring the insurer to give Lessor at least 30 days' prior written notice of its cancellation. Lessee shall on or prior to the Closing Date and prior to each policy renewal, furnish to Lessor certificates of insurance or other evidence satisfactory to Lessor that such insurance coverage is in effect. Lessee further agrees to give Lessor prompt notice of any damage to, or loss of, the Units, or any part thereof exceeding \$5,000.00.

## **SECTION 9**

### **CASUALTIES AND REPORTS: FINANCIAL INFORMATION**

9.1 Lessee shall be solely responsible for any loss, theft, condemnation, governmental seizure or damage to any Unit. If a Unit is lost, stolen, condemned, seized by a governmental authority or damaged beyond repair or is otherwise not useful for any purpose (each event being an "Event of Loss"), then Lessee shall, not later than the next Rent payment after any such occurrence, or if this Lease has expired or been terminated, on demand, but in either case, no later than 30 days after such expiration or termination, as the case may be, pay Lessor or cause Lessor to be paid the Casualty Value set forth in Schedule 1 hereto opposite of the number of the affected Unit (the "Casualty Value"). On receipt of such payment and all other amounts due under this Lease with respect to the Unit subject to the Casualty Event, Lessee's obligation to pay Rent for such Unit shall cease. On payment of all such amounts to Lessor under this Lease, Lessor shall convey to Lessee title to the Unit "AS IS, WHERE IS", WITHOUT REPRESENTATION OF, OR RECOURSE TO, LESSOR, its agents, servants, employees or representatives, except for the warranties of good, indefeasible and unencumbered title.

9.2 Lessee shall, without demand, immediately notify Lessor in reasonable detail of any Event of Loss or other accident involving actual or potential damages in excess of \$5,000.00 relating to any Unit or all the Units.

## **SECTION 10**

### **DEFAULT**

10.1 The following events shall constitute "Events of Default" for purposes of this Lease:

(a) Lessee shall fail or be unable to make any Rent or other payment required hereby in full and such inability or failure shall continue for five (5) days after the giving of written notice thereof by Lessor;

(b) Lessee shall fail to procure or maintain any insurance coverage required hereby;

(c) Lessee shall fail or be unable to observe or perform any covenant, condition or agreement of Lessee contained herein, other than such as are referred to in clause (a) and (b) above, and such failure shall continue for 30 days after the giving of notice thereof by Lessor;

(d) Any representation or warranty of Lessee contained herein or any representation or warranty contained in any document or certificate furnished to Lessor in connection herewith or pursuant hereto shall be untrue or incorrect in any material respect when made and shall continue to be untrue or incorrect in any material respect thirty (30) days after the giving of notice thereof by Lessor;

(e) Lessee shall apply for or consent to the appointment of, or the taking of possession by, a custodian, receiver, trustee or liquidator of itself or a substantial part of its property, shall become insolvent, shall fail or be unable to pay its debts generally as they become due, or shall cease to conduct its business in its ordinary course;

(f) Lessee shall file a voluntary petition in bankruptcy or a petition or answer seeking reorganization or an arrangement with creditors or to take advantage of any other federal or state bankruptcy, insolvency or other law relating to the relief of debtors, the readjustment, composition or extension of indebtedness or reorganization; file an answer admitting the material allegations of a petition filed against it in a case under Title 11 of the United States Code or in proceedings relating to the relief of debtors, the readjustment, composition or extension of indebtedness or reorganization; or taking corporate action for the purpose of effecting any of the foregoing; or

(g) Without the application, approval or consent of Lessee, a proceeding shall be instituted in any court of competent jurisdiction, seeking in respect of Lessee an order for relief under the aforesaid Title 11, reorganization, dissolution, winding up, liquidation, a composition or arrangement with creditors, a readjustment of debts, the appointment of a custodian, receiver, trustee or liquidator of Lessee, any substantial part of its property or any of the Units, or other such like relief in respect of Lessee under any bankruptcy, insolvency or other similar law, and the same shall continue undismissed or unstayed for any period of 60 days.

10.2 Upon the occurrence of an Event of Default, Lessor may, at its option:

- (a) enforce performance by Lessee of the terms hereof;
- (b) recover damages for Lessee's breach of the terms hereof;

(c) by giving notice to Lessee specifying the Event of Default, accelerate the due date with respect to all Rents contemplated by this Lease and due after the date hereof, and, but for the giving of such notice, all such Rents, discounted at the Prime Rate in effect at the date of acceleration, and any other amounts due hereunder shall be immediately due and payable;

(d) by giving notice to Lessee specifying the Event of Default, terminate this Lease effective on the date specified in such notice (hereinafter, the "Date of Termination"), and on the Date of Termination, this Lease shall expire and terminate and all rights of Lessee under this Lease shall absolutely cease (but Lessee shall remain liable as herein set forth), and Lessee shall deliver possession of the Units to Lessor in accordance with Section 8 hereof. Upon such expiration and termination, Lessor shall have the right to immediate possession of the Units free of any claims of Lessee whatsoever, and Lessor may remove all or any of the Units, from the possession of Lessee, its agents and affiliates, at Lessee's sole cost and expense, and for such purpose may enter premises where the Units are located, and may use and employ any supplies, services, means or other facilities of Lessee, its agents and affiliates, and Lessor shall not be liable for, and shall be held harmless by Lessee from any liability for, damage caused to real or personal property during any such removal. Lessee shall, without further demand, within five (5) days after the Date of Termination pay to Lessor an amount equal to any unpaid Rent due and payable for all periods up to and including the Date of Termination (i) plus all Default Costs (as hereinafter defined), (ii) plus, as liquidated damages for loss of a bargain and not as a penalty, an amount equal to the Casualty Value for all Units subject to the Lease on the Date of Termination, (iii) plus all other sums due Lessor hereunder. Interest at the rate specified in Section 2.3 hereof shall be paid on all amounts due hereunder, including, without limitation, such Default Costs, until paid in full. Following the return of the Units to Lessor pursuant to this Section 10.2, Lessor shall, within a commercially practicable time, proceed to either sell or re-let the Units (as hereinafter described) in a commercially reasonable manner.

10.3 Upon the occurrence of an Event of Default, Lessee shall, upon demand, reimburse Lessor for all expenses, charges, costs and commissions (including reasonable attorneys' fees and expenses) reasonably incurred by Lessor in enforcing its rights hereunder and in taking possession of, disassembling, overhauling, repairing, maintaining, transporting, insuring, storing or modifying the Units determined by Lessor to be required to place such Units in the condition required under Section 6 of this Lease (such expenses, charges, costs and commissions sometimes being herein called "Default Costs"). Amounts recoverable under this Section 10.3 shall include reasonable Default Costs incurred after the Date of Termination.

10.4 Lessor shall have the option, if it elects to re-lease any Units as contemplated in Section 10.2(d) hereof, on or after the occurrence of an Event of Default, whether or not it shall

then have possession thereof, to establish conclusively the present value at the Date of Termination of the prevailing Rent value of a Unit by entering into a bona fide lease of the Unit with a third party which lease shall be free from any and all claims at law or in equity of Lessee. If Lessor exercises such option, the present worth at the Date of Termination of the prevailing Rent value of the Units shall be conclusively deemed to be proceeds of such bona fide lease, to the date on which the Term would have expired but for such termination, discounted at the Prime Rate in effect at the Date of Termination from the dates such proceeds are to be paid to Lessor thereunder to the Date of Termination.

10.5 Lessor shall also have the option, if it elects to sell any unit as contemplated in Section 10.2(d) hereof, on or after the occurrence of an Event of Default, whether or not it shall have possession thereof, to establish conclusively the prevailing sale value of a unit as of the Rent payment date preceding the Date of Termination by consummating a bona fide arm's length sale of the Unit to a third party which sale shall be free from any and all claims at law or in equity of Lessee. Lessor may deduct from any such sale proceeds any or all outstanding Default Costs. The aforementioned option may be exercised by public or private sale, with or without advertisement or publication, as Lessor may determine. Lessor may otherwise dispose of the Units, hold the Units idle, or lease the Units to others (for a period greater or lesser than the balance of the term of this Lease in the absence of the termination), all on such terms and conditions as Lessor may determine and all free and clear of any rights of Lessee and of any claim or right of redemption of Lessee in equity, at law or by statute, whether for loss or damage or otherwise.

10.6 The proceeds of such sale or re-letting, as described in Sections 10.4 and 10.5 hereof, as the case may be, shall be applied, as received by Lessor, first, to pay all Default Costs, second, against the amount of Lessee's obligations under or in respect of this Lease other than Default Costs (such obligations, together with Default Costs, being herein sometimes called "Lessee's Default Obligation"), to the extent not previously paid by Lessee under this Section 10, and third, to reimburse Lessee for the Casualty Value paid by Lessee to Lessor per Unit as a consequence of the termination and to the extent previously paid by Lessee as liquidated damages to (and to the extent retained by) Lessor free of any claims to such payment by Lessee, any trustee or other third party. Any surplus remaining thereafter shall be retained by Lessor. To the extent that Lessee's Default Obligations shall not have been paid when due, Lessee shall forthwith fully pay to Lessor the remaining amount thereof.

10.7 Each and every power and remedy hereby specifically given to Lessor shall be in addition to every other power and remedy specifically so given or now or hereafter existing at law or in equity, including, without limitation, under the UCC, and each and every power and remedy may be exercised from time to time or simultaneously and as often and in such order as may be deemed expedient by Lessor. All such powers and remedies shall be cumulative and the exercise of one shall not be deemed a waiver of the right to exercise any others. No delay or omission of Lessor in the exercise of any such power or remedy and no renewal or extension of

time with regard to any payment due hereunder shall impair any such power or remedy or shall be construed to be a waiver of any default or any acquiescence therein. Except to the extent expressly provided herein, nothing in this Lease shall be deemed to reduce or eliminate Lessor's duty to mitigate its damages as provided by applicable law.

## **SECTION 11**

### **PURCHASE OPTION**

Provided that the Lease has not been terminated and that no Event of Default or event which, with notice or lapse of time or both, would become an Event of Default shall have occurred and be continuing, Lessee may at any time during the Term, elect to purchase all or some of the Units by providing Lessor with not less than 30 days' written notice of its intent to purchase (or 90 days notice during the final year of the Term). Purchases of the Units must be completed by the Termination Date. The purchase price for the Units shall be as set forth on **Schedule 1** hereto. If Lessee elects to purchase one or more Unit(s), then on payment of the entire purchase price in cash and on payment of all other amounts, if any, payable to Lessor and the satisfaction of all other obligations to Lessor under this Lease, Lessor shall convey to Lessee title to the Units "AS IS, WHERE IS", WITHOUT REPRESENTATION OF, OR RECOURSE TO, LESSOR, its agent, servants, employees or representatives, free and clear of Liens created prior to the commencement of this Lease or by Lessor. Upon payment of the price for a Unit, Lessee's obligation to pay Rent for such Unit shall terminate.

## **SECTION 12**

### **MISCELLANEOUS**

12.1 All demands, notices and other communications hereunder shall be in writing, and shall be deemed to have been duly given when delivered, if personally delivered; or when sent, if mailed certified or registered mail, postage prepaid (with electronic evidence of receipt); in each case addressed to the parties at the locations specified below, or such other location(s) as may hereafter be furnished in writing by either party to the other:

To Lessee: Georgia & Florida RailNet, Inc.  
2350 Airport Freeway  
Suite 300  
Bedford, Texas 76022  
Attention: Robert F. McKenney

To Lessor:                   Piedmont & Atlantic Railroad  
                                  Co., Inc. d/b/a Yadkin Valley Railroad  
                                  401 Henley Street, Suite 5  
                                  Knoxville, TN 37902  
                                  Attention: H. Peter Claussen

12.2 This Lease shall be binding upon and shall inure to the benefit of Lessee, Lessor and, to the extent assignment hereof is permitted hereby, their respective successors and assigns.

12.3 Lessee will, promptly, but in no event later than 45 days after the new markings, if any, and Lessor identification are affixed to the Units by Lessee pursuant to Section 5.3 hereof, execute an addendum to this Lease to be filed with the Board by the Lessor in accordance with 49 U.S.C. § 11303. Lessor will furnish Lessee a copy of such addendum of this Lease as so filed within 5 days after the date of filing.

12.4 This Lease constitutes the entire agreement between the parties hereto.

12.5 Lessee's obligations hereunder shall survive the expiration or termination of this Lease.

12.6 The captions set forth herein are for convenience only and shall not define or limit any of the terms hereof. The language in this Lease and the related documents is to be construed as to its fair meaning and not strictly for or against any party. All payments shall be paid to the address designated by Lessor in Section 12.1 hereof or otherwise designated in a writing signed by Lessor.

12.7 Lessee's and Lessor's obligations hereunder shall survive the expiration and termination of the term to the extent required for full performance and satisfaction thereof.

12.8 ALL MATTERS INVOLVING THE CONSTRUCTION, VALIDITY, PERFORMANCE AND ENFORCEMENT OF THIS LEASE WILL BE GOVERNED BY THE LAWS OF THE STATE OF GEORGIA WITHOUT GIVING EFFECT TO PRINCIPLES OF CONFLICTS OF LAW OR CHOICE OF LAW.

12.9 This Lease may be executed by the parties hereto in separate counterparts, each of which when so executed and delivered shall be an original, but all such counterparts shall together constitute one and the same instrument; provided, however, that to the extent, if any, that this Lease constitutes chattel paper (as such term is defined in the UCC), no security interest in this Lease may be created through the transfer or possession of any counterpart of this Lease other than the original executed counterpart of this Lease, which shall be identified as such counterpart.

12.10 If any provision of this Agreement shall be held unenforceable or void, such unenforceability or invalidity shall not affect the validity or enforceability of other provisions hereof.

12.11 Lessee and Lessor shall from time to time do and perform such other and further acts and execute and deliver any and all such other and further instruments as may be required by law or reasonably requested by the other to establish, maintain and protect their respective rights and remedies and to carry out and effect the intents and purposes of this Lease.

12.12 If Lessee fails to perform any of its obligations under this Lease, Lessor may perform such obligation for Lessee and Lessee shall, on Lessor's written demand, repay Lessor for all reasonable costs and expenses incurred by Lessor in satisfying such obligation.

12.13 AMENDMENTS, MODIFICATIONS, WAIVERS; NONE OF THE PROVISIONS OF THIS LEASE MAY BE AMENDED, MODIFIED OR WAIVED EXCEPT IN WRITING SIGNED BY LESSOR AND LESSEE.

12.14 Lessee and Lessor agree that execution of this Lease by Lessee and Lessor satisfies all conditions to closing contained in the Purchase Agreement relating to the execution and delivery of the Lease Agreement (as such term is defined in the Purchase Agreement).

12.15 As security for Lessor's performance of its obligations under the term of this Lease, Lessor's performance of those obligations shall be guaranteed by G&O in a guaranty agreement substantially in the form attached hereto as Schedule 3 (the "Guaranty").

12.16 The Guaranty shall be irrevocable by G&O for the entire term of this Lease, and shall apply to any successors or assigns of Lessor; provided, however, in the event (a) Lessor transfers and assigns all of its right, title and interest in and to the Units and this Lease Agreement to any non-affiliate of Lessor; and (b) such assignee of Lessor assumes in writing all of Lessor's obligations under this Lease; and (c) all of Lessor's obligations under Section 1.3 of this Lease have been fully performed to the satisfaction of Lessee as evidenced by a written statement of acceptance of performance by Lessee, then the Guaranty shall terminate.

12.17 Lessor and Lessee specifically acknowledge and agree that, with respect to this Lease and the Units, Lessor shall be deemed one of the Sellers under the Purchase Agreement for all purposes, including without limitation for purposes of the indemnification obligations set forth in Article XII of the Purchase Agreement; and that this Lease and the Guaranty of G&O referenced in the Lease shall be deemed agreements executed by Sellers incident to the Purchase Agreement for all purposes, including without limitation for purposes of Section 12.2 of the Purchase Agreement.

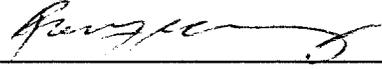
IN WITNESS WHEREOF, the parties hereto have caused this Lease to be executed by their respective duly authorized officers as of the date first above written.

PIEDMONT & ATLANTIC RAILROAD  
CO., INC. d/b/a YADKIN VALLEY  
RAILROAD

GEORGIA & FLORIDA RAILNET, INC.

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

Its: President

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

Its: Chrisman & CEO

Schedule 1

Units

Unit Number	Model	Monthly Rental	Casualty Value & Purchase Price (Closing prior to Termination Date)	Purchase Price (Closing on Termination Date)
7913	GP-10	1,347.88	125,000	112,500
8050	GP-10	1,347.88	125,000	112,500
8136	GP-10	1,347.88	125,000	112,500
8265	GP-10	1,347.88	125,000	112,500
8274	GP-10	1,347.88	125,000	112,500
8302	GP-10	1,347.88	125,000	112,500
8309	GP-10	1,347.88	125,000	112,500
8314	GP-10	1,347.88	125,000	112,500
8331	GP-10	1,347.88	125,000	112,500
8395	GP-10	1,347.88	125,000	112,500
8396	GP-10	1,347.88	125,000	112,500

Schedule 2

The undersigned officer of Georgia & Florida RailNet, Inc. ("Lessee") certifies that the following Units have been determined to have one or more of the defects identified in section 1.3(i)-(iv) of the Lease Agreement between Gulf & Ohio Railways, Inc. and Lessee, dated April 30, 1999:

Unit	Defect (describe with specificity)
_____	_____
_____	_____
_____	_____
_____	_____
_____	_____

Georgia & Florida RailNet, Inc.

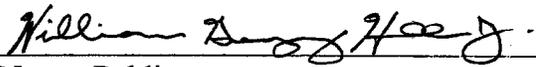
By: \_\_\_\_\_

Its: \_\_\_\_\_

STATE OF TENNESSEE  
COUNTY OF KNOX

Before me, William Gregory Hall, Jr., a Notary Public in and for the State and County aforesaid, personally appeared **H. Peter Claussen**, with whom I am personally acquainted (or proved to me on the basis of satisfactory evidence), and who, upon oath, acknowledged himself (or herself) to be the President of **Piedmont & Atlantic Railroad Co., Inc. d/b/a Yadkin Valley Railroad**, the within named bargainor, a corporation, and that he as such President, being duly authorized so to do, executed the foregoing instrument for the purposes therein contained, by signing the name of the corporation by himself as such President.

WITNESS my hand and seal at office, on this the 30th day of April, 1999.

  
Notary Public

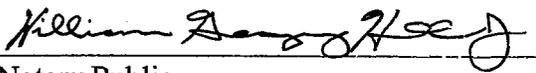
My Commission Expires:

January 5, 2001

STATE OF TENNESSEE  
COUNTY OF KNOX

Before me, William Gregory Hall, Jr., a Notary Public in and for the State and County aforesaid, personally appeared **Robert F. McKenney**, with whom I am personally acquainted (or proved to me on the basis of satisfactory evidence), and who, upon oath, acknowledged himself (or herself) to be the Chairman and CEO of **Georgia & Florida RailNet, Inc.**, the within named bargainor, a corporation, and that he as such President, being duly authorized so to do, executed the foregoing instrument for the purposes therein contained, by signing the name of the corporation by himself as such President.

WITNESS my hand and seal at office, on this the 30th day of April, 1999.

  
Notary Public

My Commission Expires:

January 5, 2001

DISTRICT OF COLUMBIA

I, Lynnette D. Tellis a notary public in the District of Columbia, do hereby certify the following document to be a true and exact copy of the foregoing original Locomotive Lease Agreement.



Notary Public

**LYNNETTE D. TELLIS**  
**Notary Public, District of Columbia**  
**My Commission Expires April 14, 2004**

My commission expires: \_\_\_\_\_

