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SURFACE TRANSPORTATION BOARD

February 25, 2004

Hon. Vernon A. Williams
Secretary
Surface Transportation Board
Washington, D.C. 20423-0001
Attn: Equipment recordations

To Whom It May Concern:

I am enclosing for recordation pursuant to the provisions of 49 U.S.C. 11301 a Locomotive Lease Agreement dated February 17, 2004, a primary document.

The names and addresses of the parties to the enclosed document are:

Lessor: National Railway Equipment Co.
14400 S. Robey Street
P.O. Box 2270
Dixmoor, IL 60426

Lessee: Allegheny Valley Railroad Company
25 South Broadway
Scottsdale, PA 15683

A description of the railroad equipment covered by the enclosed document is:

One EMD model SW-1500 switching locomotive
bearing road number NREX 2671

A short summary of the document to appear in the index is:

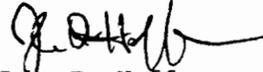
"Locomotive Lease Agreement"

Also enclosed is a check in the amount of \$30 payable to the Surface Transportation Board to cover the required recordation fee.

Hon. Vernon A. Williams
February 25, 2004
Page two

Please date stamp and return to me one copy of the enclosed document.

Sincerely yours,

A handwritten signature in black ink, appearing to read "J. D. Heffner", with a long horizontal flourish extending to the right.

John D. Heffner

Enclosure

cc: Robert Loewer, Esq.

MEMORANDUM OF LEASE AGREEMENT

THIS MEMORANDUM OF LEASE AGREEMENT is made and entered into as of February 17, 2004, by and between NATIONAL RAILWAY EQUIPMENT CO. ("Lessor"), and ALLEGHENY VALLEY RAILROAD COMPANY ("Lessee"), with reference to the following:

1. Lessor has agreed to lease to Lessee, and Lessee has agreed to lease from Lessor, Locomotive model(s) described herein.

Each locomotive is fully-described in a certain Lease Agreement dated as of February 17, 2004 (together with all of the riders, schedules and other attachments thereto, collectively, the "Lease"), each between Lessor and Lessee. A Schedule of the equipment is attached hereto.

2. The Lease shall be effective as of the date hereof and shall be subject to the term specified in the Lease, and any extension of such term to the extent provided for in the Lease.

The Memorandum of Lease Agreement may be executed in any number of counterparts, each executed counterpart constituting an original but all together only one Memorandum of Lease Agreement.

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

LESSEE:

ALLEGHENY VALLEY RAILROAD COMPANY

By: *Russell A. Peterson*

Name: RUSSELL A. PETERSON

Title: PRESIDENT

LESSOR:

NATIONAL RAILWAY EQUIPMENT CO.

By: *James M. Wurtz, Jr.*

Name: James M. Wurtz, Jr.

Title: Vice President

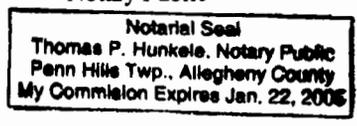
STATE OF PA)
COUNTY OF Allegheny) SS.

Russell A Peterson On this 17th day of February, 2004, before me appeared the president of Allegheny Valley Railroad and that, being duly authorized, (s) he signed such instrument as a free act on behalf of said corporation.

[Signature]

Notary Public

[Seal]



My Commission Expires:

STATE OF ILLINOIS)
COUNTY OF WILL) SS.

On this 23rd day of February, 2004, before me appeared [Signature], the person who signed this instrument who acknowledged that (s) he is an officer of NATIONAL RAILWAY EQUIPMENT CO. and that, being duly authorized, (s) he signed such instrument as a free act on behalf of said corporation.

[Signature]

Notary Public

[Seal]



My Commission Expires:

12-30-06

SCHEDULE OF EQUIPMENT

Lessor: NATIONAL RAILWAY EQUIPMENT CO.

Lessee: ALLEGHENY VALLEY RAILROAD COMPANY

Approved by: _____
(Lessee to initial each page) 

Attached to Bill of Sale dated: _____ Equipment Located at:
NRE-ALCO Locomotive of Canada Co.
Capreol, Ontario

Equipment Schedule No.: See Schedule "A"

<u>Manufacturer and/or Vendor Name & Invoice Number</u>	<u>Equipment Description</u>
National Railway Equipment Co.	EMD SW-1500 Switcher Locomotive