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Bradley E. Morris

RECORDATION NO. 25239 FILED

OCT 14 '04 10-55 AM

SURFACE TRANSPORTATION BOARD

October 6, 2004

Surface Transportation Board, Secretary  
1925 K Street, N.W.  
Room 800, Recordations  
Washington D.C. 20423-0001

VIA FEDERAL EXPRESS

Re: Filing of Assignment, Pledge and Security Agreement

Dear Secretary:

I am enclosing two originals of a document entitled "Assignment, Pledge and Security Agreement" to be recorded pursuant to Section 11301 of Title 49 of the U.S. Code. This document is a primary document assigning an interest in a Lease Agreement and Schedule 3 dated as of June 23, 2004 by and between Southern Rail Leasing, Inc., as Lessor, and Buffalo and Pittsburgh Railway, Inc. (a subsidiary of Genesee and Wyoming, Inc.), as Lessor, and granting a security interest in the leased railcars. This pertains to eight (8) 100-ton bulkhead flatcars, 69' between bulkheads, bearing the marks and numbers indicated below:

<u>Old Initial</u>	<u>Old Number</u>	<u>New Initial</u>	<u>New Number</u>
RTEX	173121BPRR		7626
RTEX	173123BPRR		7627
RTEX	173124BPRR		7628
RTEX	173130BPRR		7629
RTEX	173131BPRR		7630
RTEX	173132BPRR		7631
RTEX	173133BPRR		7632
RTEX	173134BPRR		7633

This Assignment is made pursuant to a Loan Agreement between Southern Rail Leasing, Inc., as Borrower, and Zions First National Bank, as Lender. The Assignment is assigning all rights in the Lease to Zions First National Bank. The parties involved are as follows:

Mr. Nathan B. Paddock  
October 6, 2004  
Page 2

Southern Rail Leasing, Inc. (as Debtor)  
Zions First National Bank (as Secured Party)  
Buffalo and Pittsburgh Railway, Inc. (the Lessee)

The railroad's address is:

1200 C Scottsville Rd. #200  
Rochester, NY 14624

I am enclosing a check in the amount of \$30.00 to cover your filing fee. Once the document has been returned, please return the original to my attention: Bradley E. Morris, Esq., Callister Nebeker & McCullough, 900 Gateway Tower East, 10 East South Temple, Salt Lake City, Utah 84133. If you desire any further information, please feel free to give me a call.

Very truly yours,

~~CALLISTER NEBEKER & McCULLOUGH~~



Bradley E. Morris

BEM:jr  
Enclosures  
413562.1

## ASSIGNMENT, PLEDGE AND SECURITY AGREEMENT

This Assignment, Pledge and Security Agreement (the "Agreement") is made between Southern Rail Leasing, Inc., a Nevada corporation, (the "Debtor"), and Zions First National Bank, a national association (the "Secured Party").

This Agreement is made pursuant to a Loan Agreement (the "Loan Agreement") between the Debtor, as Borrower, and the Secured Party, as Lender, dated the same date as this Agreement.

For good and valuable consideration, receipt of which is hereby acknowledged, Debtor and Secured Party hereby agree as follows:

1. Assignment, Pledge and Grant of Security Interest. Debtor hereby assigns to Secured Party, for purposes of security, pledges and grants to Secured Party a security interest in the following collateral (collectively, the "Collateral"):

a. Lease. All rights, titles, and interests of Debtor in, to and under the following lease, all amendments, modifications, and replacements thereof, and all proceeds therefrom, including without limitation the right to collect all amounts owing under the lease and including all insurance proceeds and casualty payments (the "Lease"):

Schedule Number 3, dated as of June 23, 2004, to that certain Lease Agreement between Debtor, as Lessor, and Buffalo and Pittsburgh Railroad, Inc. (also referred to therein as Buffalo and Pittsburgh Railway, Inc) (a subsidiary of Genesee and Wyoming Inc.), as Lessee, dated January 26, 1996, pertaining to eight (8) 100-ton bulkhead flatcars, 69' between bulkheads, bearing the marks and numbers indicated on Exhibit A attached hereto and incorporated herein, a true and correct copy of which is attached hereto as Exhibit B and incorporated herein.

b. Guaranty. All right, title and interest of Debtor in, to, and under the Guaranty of Performance and Guaranty of Lease executed by Genesee & Wyoming, Inc. dated January 26, 1996 guaranteeing the payment and performance of the Lease.

c. Railcars. All railcars subject to the Lease, now existing, including without limitation all improvements, equipment, machinery, accessories, spare and repair parts and tools, fittings, additions, attachments, accessions, substitutions and replacements of any of the foregoing, wherever located, and all related right, title and interest of Debtor, now owned or hereafter acquired or created, and all proceeds and products of the foregoing (including without limitation insurance proceeds and casualty payments, all leases of any of the foregoing, and all rents, revenues, issues, profits and proceeds arising from the sale, lease, license, encumbrance, collection, or any other temporary or permanent disposition of any of the foregoing or any interest therein), and all documents covering any of the foregoing (collectively the "Railcars"); and

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SURFACE TRANSPORTATION BOARD

d. General Intangibles. All general intangibles (as defined in the Uniform Commercial Code) of the Debtor, now existing or later arising, and relating, directly or indirectly, to the Lease and/or the Railcars, including without limitation general intangibles, choses in action, proceeds, contracts, distributions, dividends, refunds, security deposits, judgments, insurance claims, any right to payment of any nature, intellectual property rights (patents, copyrights, trademarks, trade names, etc.) or licenses, any other rights or assets of Debtor, or any of them, customarily or for accounting purposes classified as general intangibles, and all documentation and supporting information related to any of the foregoing, all rents, profits and issues thereof, and all proceeds thereof (collectively the "General Intangibles").

e. Other Collateral. All personal property in which Secured Party has been granted, or will in the future be granted, a security interest to secure any other obligation of Debtor to Secured Party.

The Debtor and the Secured Party acknowledge their mutual intentions that the assignment, pledge and security interests contemplated herein are given as a contemporaneous exchange for new value to the Debtor, regardless of when advances to the Debtor are actually made or when the Collateral is acquired.

2. Obligations and Debts Secured. The assignment, pledge and security interest granted by this Agreement shall secure all of the Debtor's present and future debts, obligations, and liabilities of whatever nature to the Secured Party, including, without limitation: (i) a term loan to the Debtor in the original principal amount of \$130,000.00, evidenced by a Promissory Note dated the same date as this Agreement; (b) all renewals, extensions, modifications and replacements of the foregoing (including any which increase the original principal amount); (c) all of the other obligations and debts described in or contemplated by the Loan Agreement; (d) advances of the same kind and quality or relating to this transaction; (e) transactions in which the documents evidencing the indebtedness refer to this grant of security interest as providing security therefor; and (f) all overdrafts on any account of the Debtor maintained with the Secured Party, now existing or hereafter arising.

The Debtor and the Secured Party expressly acknowledge their mutual intent that the assignment, pledge and security interest created by this Agreement secure any and all present and future debts, obligations, and liabilities of the Debtor to the Secured Party without any limitation whatsoever.

3. Location of Collateral. The Debtor represents and warrants that:

a. The Debtor's place of business is located at:

955 South Virginia Street  
Reno, Nevada 89502

b. Records concerning the Collateral are also located at:

Southern Rail Leasing, Inc.  
970 Los Vallecitos Blvd., Suite 224  
San Marcos, California 92069

c. The Lease and all other records concerning the Collateral are kept at the locations specified in subparagraphs 3A and 3B and no others.

d. The Railcars will be located in accordance with the terms and conditions of the Lease.

e. The Debtor agrees that it will not change any of the above locations or create any new locations for such matters without giving the Secured Party at least thirty (30) days prior written notice thereof.

4. Representations and Warranties Concerning Collateral. The Debtor represents and warrants that:

a. The Debtor is the sole owner of the Collateral.

b. The Collateral is not subject to any assignment, pledge, security interest, lien or other encumbrance of any nature whatsoever except for current taxes and assessments which are not delinquent, the assignment, pledge and security interest created by this Agreement, and those disclosed in writing to and approved in writing by the Secured Party.

c. The Lease has been executed and delivered and is a legal, valid, and binding agreement, enforceable in accordance with its terms. The Lease is in full force and effect, and no default or event which, with the passage of time or the giving of notice or both, would constitute a default, has occurred.

d. The Lease is a bona fide obligation of the Lessee identified therein for the amounts specified in the Lease.

e. To the best knowledge of the Debtor, there are no defenses or setoffs to payment of the Lease which can be asserted by way of defense or counterclaim against the Debtor or the Secured Party.

f. To the best knowledge of the Debtor, the Lease will be timely paid in full by the Lessee. The Debtor has no knowledge of any fact or circumstance which would materially impair the ability of any Lessee or guarantor on the Lease to timely perform the obligations thereunder.

g. The Railcars have been leased under the Lease in compliance with all applicable laws, ordinances, rules, and regulations.

h. There have been no extensions, modifications, or other agreements relating to the Lease except as disclosed in writing to the Secured Party.

5. Covenants Concerning Collateral. The Debtor covenants that:

a. The Debtor will keep the Collateral free and clear of any and all assignments, pledges, security interests, liens or other encumbrances, except those for current taxes and assessments which are not delinquent, those arising from this Agreement, and those disclosed in writing to and approved in writing by Secured Party.

b. The Debtor shall promptly execute and deliver any documents, including without limitation memoranda of the Lease, UCC Financing Statements, etc., reasonably requested by the Secured Party for perfection or enforcement of this Agreement and the assignment, pledge and security interests created hereby, to execute and deliver any applications for certificate of title, certificates of title, and to give good faith, diligent cooperation to the Secured Party and to perform such other acts reasonably requested by the Secured Party for perfection and enforcement of such assignment, pledge and security interests.

c. The Debtor will at all times comply with and timely and properly perform all obligations and duties under the Lease.

d. The Debtor will not terminate, modify or amend the Lease without the prior written consent of the Secured Party.

e. The Debtor will promptly notify the Secured Party, in writing, of any default or event which, with the passage of time or the giving of notice or both, would constitute a default under the Lease.

f. The Debtor shall submit to the Secured Party reports as to the Lease at such times and in such form as the Secured Party may reasonably request. The Debtor will at all times keep accurate and complete records of the Lease. The Secured Party or its representatives may, at any time and from time to time, enter any premises where the records pertaining to the Collateral are located and inspect, audit, check, copy and otherwise review the same.

g. All payments and proceeds from the Collateral shall be paid directly to the Secured Party and deposited into the account (the "Account") designated by and maintained at the Secured Party, Account Number 002-97420-2, which Account shall be under the sole and exclusive control of the Secured Party. All or any portion of the funds on deposit in the Account may, in the sole discretion of the Secured Party, be applied from time to time as the Secured Party elects to payment of obligations secured by this Agreement, or the Secured Party may elect to turn over to the Debtor, from time to time, all or any portion of such funds.

h. The Secured Party is authorized by the Debtor, without further act, to notify the Lessee and any guarantors under the Lease to make payment thereon directly to the Secured Party, to take possession of all payments and proceeds from the Collateral, and to take any action which the Debtor might or could take to collect such payments and proceeds, including the right to make any compromise, discharge, or extension. The Secured Party may exercise such collection rights at any time, whether or not the Debtor is in default under this Agreement. The Debtor further agrees to execute and deliver to the Secured Party all notices and similar documents requested by the Secured Party to facilitate collection of such payments and proceeds.

i. All costs of collection of payments and proceeds from the Collateral, including attorneys fees and legal expenses, shall be borne solely by the Debtor, whether such costs are incurred by or for the Debtor or the Secured Party. In the event the Secured Party elects to undertake such collection efforts, the Debtor agrees to deliver to the Secured Party, if so requested, all books, records, and documents in the Debtor's possession or under its control as may relate to the Collateral or as may be helpful to facilitate such collection. The Secured Party shall have no obligation to cause an attorneys demand letter to be sent, to file any lawsuit, or to take any other legal action in collection of the such payments and proceeds. It is agreed that collection of such payments and proceeds in a commercially reasonable manner does not require that any such legal action be taken.

j. The Debtor does hereby make, constitute, and appoint the Secured Party and its designees as the Debtor's true and lawful attorney in fact, with full power of substitution, such power to be exercised in the following manner: (1) the Secured Party may receive and open all mail addressed to the Debtor and remove therefrom any cash, notes, checks, acceptances, drafts, money orders or other instruments in payment of the Lease or other proceeds of the Collateral; (2) the Secured Party may cause mail relating to the Collateral to be delivered to a designated address of the Secured Party where the Secured Party may open all such mail and remove therefrom any cash, notes, checks, acceptances, drafts, money orders, or other instruments in payment of the Lease or other proceeds of the Collateral; (3) the Secured Party may endorse the Debtor's name upon such notes, checks, acceptances, drafts, money orders, or other forms of payment; (4) the Secured Party may settle or adjust disputes or claims in respect to the Collateral for amounts and upon such terms as the Secured Party, in its sole discretion and in good faith, deems to be advisable, in such case crediting the Debtor with only the payments and proceeds received and collected by the Secured Party after deduction of the Secured Party's costs, including reasonable attorneys fees and legal expenses; and (5) the Secured Party may do any and all other things necessary or proper to carry out the intent of this Agreement and to perfect and protect the interests and rights of the Secured Party created under this Agreement.

k. Consistent with the Lease, the Debtor shall cause the Railcars to be kept in good repair and be responsible for any loss or damage to the Railcars. The Debtor shall not sell, misuse, conceal, or in any way dispose of the Railcars or permit the Railcars to be used unlawfully or for hire or contrary to the provisions of the Lease or any insurance

coverage. Risk of loss of the Railcars shall be on the Debtor at all times unless the Secured Party takes possession of the Railcars. The Secured Party or its representatives may, at any time and from time to time, enter any premises where the Collateral is located and inspect, audit and check the Collateral.

l. Except as otherwise provided in the Lease, the Debtor shall pay when due all taxes, license fees, levies, assessments, impositions and other charges on the Railcars.

m. The Debtor shall insure or cause the Lessee to insure the Railcars as provided in the Lease, and shall cause such insurance policies to name the Secured Party as an additional insured and loss payee. Such insurance policies shall provide that the Secured Party receive at least thirty (30) days prior written notice of any material changes in coverage or cancellation. Proceeds from such insurance shall be payable to the Secured Party as its interest may appear. Upon request, policies or certificates attesting to such coverage shall be delivered to the Secured Party. Insurance proceeds may be applied by the Secured Party toward payment of any obligation secured by this Agreement, whether or not due, in such order of application as the Secured Party may elect.

6. Right to Perform for the Debtor. The Secured Party may, in its sole discretion and without any duty to do so, elect to discharge taxes, tax liens, security interests, levies, assessments, impositions and other charges or other encumbrances upon the Collateral, perform any duty or obligation of the Debtor, pay filing, recording, insurance and other charges payable by the Debtor, or provide insurance as provided herein if the Debtor fails to do so, unless the Debtor, in good faith, contests the validity or amount of such taxes, tax liens, security interests, levies, assessments, impositions and other charges or other encumbrances, and provides the Secured Party with adequate additional collateral, acceptable to the Secured Party, to protect the Secured Party against such taxes, tax liens, security interests, levies, assessments, impositions and other charges or other encumbrances. Any such payments advanced by the Secured Party shall be repaid by the Debtor upon demand, together with interest thereon from the date of the advance until repaid, both before and after judgment, at the default rate provided in the promissory notes secured by this Agreement.

7. Default. Time is of the essence of this Agreement. The occurrence of any of the following events shall constitute a default under this Agreement:

a. Any representation or warranty made by or on behalf of the Debtor in this Agreement is materially false or materially misleading when made;

b. Any default in the payment or performance of any obligation, debt, covenant, agreement or liability created by or contemplated by this Agreement or secured by this Agreement, if such default is not cured within fifteen (15) days after the Secured Party give written notice of such default to the Debtor; or

c. An Event of Default (as defined in the Loan Agreement) occurs.

No course of dealing or any delay or failure to assert any default shall constitute a waiver of that default or of any prior or subsequent default.

8. Remedies. Upon the occurrence of any default under this Agreement, the Secured Party shall have the following rights and remedies, in addition to all other rights and remedies existing at law, in equity, or by statute or provided in the Loan Agreement:

a. The Secured Party shall have all the rights and remedies available under the Uniform Commercial Code;

b. The Secured Party shall have the right to enter upon any premises where the Collateral or records pertaining thereto may be and take possession of the Collateral and records relating thereto;

c. Upon request of the Secured Party, the Debtor, at the expense of the Debtor, shall assemble the Collateral and records relating thereto at a place designated by the Secured Party and tender the Collateral and records to the Secured Party;

d. The Secured Party may elect to assume all of the Debtor's rights, titles and interests under the Lease; however, this Agreement shall not create or impose any obligation or liability on the Secured Party to perform any duty or obligation or pay any liability of the Debtor under the Lease unless the Secured Party elects to exercise its remedy of assuming all of the Debtor's rights, titles and interests under the Lease or purchases the such rights, titles and interests upon foreclosure pursuant to this Agreement.

e. The Secured Party may sell, lease or otherwise dispose of any or all of the Collateral and, after deducting the reasonable costs and out-of-pocket expenses incurred by the Secured Party, including, without limitation, (a) reasonable attorneys fees and legal expenses, (b) transportation and storage costs, (c) advertising of sale of the Collateral, (d) sale commissions, (e) sales tax, (f) costs for improving or repairing the Collateral, and (g) costs for preservation and protection of the Collateral, apply the remainder to pay, or to hold as a reserve against, the obligations secured by this Agreement.

The rights and remedies herein conferred are cumulative and not exclusive of any other rights and remedies and shall be in addition to every other right, power and remedy herein specifically granted or hereafter existing at law, in equity, or by statute which the Secured Party might otherwise have, and any and all such rights and remedies may be exercised from time to time and as often and in such order as the Secured Party may deem expedient. No delay or omission in the exercise of any such right, power or remedy or in the pursuance of any remedy shall impair any such right, power or remedy or be construed to be a waiver thereof or of any default or to be an acquiescence therein.

In the event of breach or default under the terms of this Agreement, the Debtor agrees to pay, on a non-recourse basis and in accordance with the Loan Agreement, all reasonable

attorneys fees and legal expenses incurred by or on behalf of the Secured Party in enforcement of this Agreement, in exercising any remedy arising from such breach or default, or otherwise related to such breach or default. The Debtor additionally agrees to pay, on a non-recourse basis and in accordance with the Loan Agreement, all reasonable costs and out-of-pocket expenses, including, without limitation, (1) reasonable attorneys fees and legal expenses, (2) transportation and storage costs, (3) advertising of sale of the Collateral, (4) sale commissions, (5) sales tax, (6) costs for improving or repairing the Collateral, and (7) costs for preservation and protection of the Collateral, incurred by the Secured Party in obtaining possession of Collateral, storage and preparation for sale, sale or other disposition, and otherwise incurred in foreclosing upon the Collateral. Any and all such costs and out-of-pocket expenses shall be payable upon demand, together with interest thereon from the date of the advance until repaid, both before and after judgment, at the default rate provided in the promissory notes secured by this Agreement.

Regardless of any breach or default, the Debtor agrees to pay all expenses, including reasonable attorneys fees and legal expenses, incurred by the Secured Party in any bankruptcy proceedings of any type involving the Debtor, the Collateral or this Agreement, including, without limitation, expenses incurred in modifying or lifting the automatic stay, determining adequate protection, use of cash collateral, or relating to any plan of reorganization.

9. Notices. All notices or demands by any party hereto shall be in writing and may be sent by regular mail. Notices shall be deemed received when deposited in a United States post office box, postage prepaid, properly addressed to the Debtor or the Secured Party at the mailing addresses stated in the Loan Agreement or to such other addresses as the Debtor or the Secured Party may from time to time specify in writing. Any notice otherwise delivered shall be deemed to be given when actually received by the addressee.

10. Indemnification. The Debtor agrees to indemnify the Secured Party for any and all claims and liabilities, and for damages which may be awarded against the Secured Party and for all reasonable attorneys fees, legal expenses, and other out-of-pocket expenses incurred in defending such claims, arising from or related in any manner to the negotiation, execution, or performance of this Agreement, excluding any claims and liabilities based upon breach or default by the Secured Party under this Agreement or upon the negligence or misconduct of the Secured Party. The Secured Party shall have sole and complete control of the defense of any such claims, and is hereby given the authority to settle or otherwise compromise any such claims as the Secured Party in good faith determines shall be in its best interests.

11. General. This Agreement is made for the sole and exclusive benefit of the Debtor and the Secured Party, and is not intended to benefit any third party. No such third party may claim any right or benefit or seek to enforce any term or provision of this Agreement.

In recognition of the Secured Party's right to have all its attorneys fees and expenses incurred in connection with this Agreement secured by the Collateral, notwithstanding payment in full of the obligations secured by the Collateral, the Secured Party shall not be required to release, reconvey, or terminate any assignment or pledge of or security interest in the Collateral unless and until the Debtor has executed and delivered to the Secured Party general releases in form and substance satisfactory to the Secured Party.

The Secured Party and its officers, directors, employees, representatives, agents, and attorneys, shall not be liable to the Debtor for consequential damages arising from or relating to any breach of contract, tort, or other wrong in connection with or relating to this Agreement or the Collateral.

If the incurring of any debt by the Debtor or the payment of any money or transfer of property to the Secured Party by or on behalf of the Debtor should for any reason subsequently be determined to be "voidable" or "avoidable" in whole or in part within the meaning of any state or federal law (collectively "voidable transfers"), including, without limitation, fraudulent conveyances or preferential transfers under the United States Bankruptcy Code or any other federal, state or foreign law, and the Secured Party is required to repay or restore any voidable transfers or the amount or any portion thereof, or upon the advice of the Secured Party's counsel is advised to do so, then, as to any such amount or property repaid or restored, including all reasonable costs, expenses, and attorneys fees of the Secured Party related thereto, the liability for such debt, payment or transfer shall automatically be revived, reinstated and restored and shall exist as though the voidable transfers had never been made.

This Agreement shall be governed by and construed in accordance with the laws of the State of Utah.

Any provision of this Agreement which is prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction only, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof, and any such prohibition or unenforceability in any jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction.

All references in this Agreement to the singular shall be deemed to include the plural if the context so requires and visa versa. References in the collective or conjunctive shall also include the disjunctive unless the context otherwise clearly requires a different interpretation.

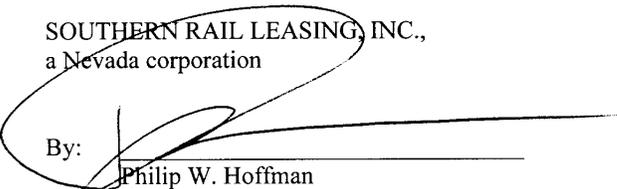
All agreements, representations, warranties and covenants made by the Debtor shall survive the execution and delivery of this Agreement, the filing and consummation of any bankruptcy proceedings, and shall continue in effect so long as any obligation to the Secured Party contemplated by this Agreement is outstanding and unpaid, notwithstanding any termination of this Agreement. All agreements, representations, warranties and covenants in this Agreement shall bind the party making the same and its heirs and successors, and shall be to the benefit of and be enforceable by each party for whom made and their respective heirs, successors and assigns.

This Agreement, together with the Loan Agreement and other documents and agreements identified in or contemplated by the Loan Agreement, constitute the entire agreement between the Debtor and the Secured Party as to the subject matter hereof and may not be altered or amended except by written agreement signed by the Debtor and the Secured Party. All other prior and contemporaneous understandings between the parties hereto as to the subject matter hereof are rescinded.

Dated as of September 1, 2004.

**Debtor:**

SOUTHERN RAIL LEASING, INC.,  
a Nevada corporation

By: 

Philip W. Hoffman

Its: Vice President

**Secured Party:**

ZIONS FIRST NATIONAL BANK  
a national association

By: 

Nathan Paddock

Its: Vice President



Exhibit "A"

Eight (8) 100-ton bulkhead flatcars  
69' between bulkheads  
Marks and Numbers

---

<u>Old Initial</u>	<u>Old Number</u>	<u>New Initial</u>	<u>New Number</u>
RTEX	173121	BPRR	7626
RTEX	173123	BPRR	7627
RTEX	173124	BPRR	7628
RTEX	173130	BPRR	7629
RTEX	173131	BPRR	7630
RTEX	173132	BPRR	7631
RTEX	173133	BPRR	7632
RTEX	173134	BPRR	7633

Exhibit "B"

Schedule Number 3 to  
Lease by and between Southern Rail Leasing, Inc.  
and Buffalo and Pittsburgh Railroad, Inc.

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### Schedule Number 3

This Schedule Number 3 ('Schedule') to that certain Lease Agreement, ('Agreement') which was dated for reference purposes as of January 26, 1996 by and between Southern Rail Leasing, Inc. as Lessor ("Lessor") and Buffalo and Pittsburgh Railway, Inc. as lessee ("Lessee") is made for reference purposes as of this 23<sup>rd</sup> day of June, 2004 between Lessor and Lessee.

Lessee and Lessor agree as follows:

All terms of the Agreement shall have the meanings defined therein when used in this Schedule except that the term "Cars" shall refer only to the equipment described in this schedule.

2. Lessor hereby leases the following Cars to Lessee:  
  
Eight (8) 100 ton bulkhead flatcars, 69' between bulkheads, as further described in Exhibit A to this Schedule.
3. The initial term of the lease with respect to the Cars described on this Schedule Number 3 shall be deemed to have commenced on the Delivery Date (see Paragraph 8 for definition) of the last Car ("Lease Commencement Date") and shall continue as to all of the Cars described in this schedule through the last day of the 60<sup>th</sup> month after delivery of the last Car to Lessee.
4. The date for commencement of payment of rent with respect to each Car (the "Rental Commencement Date") shall be the Delivery Date. During the term, the rental shall be a fixed amount of \$350.00 per month per Car (the "Base Rent"). Rent shall be paid on the first of each month, in advance. Any rent attributable to the period between delivery of a Car and the first of the month shall be pro-rated and paid with the first payment due with respect to such Car. Should any notice be given under Section 13 A (i) of the Railroad Car lease, then any rental payment then due shall incur liquidated damages equal to 5% of such late rental payment. Without limitation, Lessee's obligations to pay rent for the Cars are unconditional and irrevocable under any and all circumstances whatsoever.
5. Lessee shall bear the cost and obligations for maintenance, repair, and management with respect to the Cars leased pursuant to this schedule.
6. The Cars shall be used as log bunk equipped bulkhead flatcars to be loaded with log and log products and any other comparable commodity; and they shall be delivered to Lessee to be outfitted for such purpose. At the termination of this lease, the cars shall be returned to Lessor empty, free from residue, unless the Cars are loaded for return at the request of Lessor as set forth in Paragraph 8, below. At the termination of the Lease, returned Cars shall be in the same good order and condition as the Cars were in when they were delivered by the Lessor to Lessee, ordinary wear and tear excepted. Notwithstanding the foregoing, returned cars shall meet all AAR and FRA standards for interchange.  
  
Notwithstanding any provision in the Lease to the contrary, the Cars may be interchanged to any location in Canada without further consent of Lessor. Lessee may assign the cars to any railroad in the United States or Canada that is affiliated with the Genesee and Wyoming group without further consent of Lessor.
7. Lessor shall pay for initial inbound freight costs to interchange with Lessee's lines. Lessee shall be responsible for the cost of remarking and retagging the Cars to BPRR marks and numbers and registering the Cars in UMLER showing SRLX in the "Owner"

field. Lessor shall be responsible for running repairs performed on the initial inbound movement to Lessee's interchange point. Lessee shall be responsible for any other mechanical preparation of the Cars. Notwithstanding the date of reimbursement, payments of rent shall be owed for all periods from the Rental Commencement Date of each Car.

8. The delivery date for each Car shall be the date that each Car is first constructively placed for loading on lessee's lines (the "Delivery Date"). It is understood that this date will be subsequent to delivery to Lessee's interchange point.

Notwithstanding Section 14 A of the Railroad Car Lease, upon termination of this lease with respect to any Car (or upon expiration of the storage period described in Paragraph 14 C of the Lease), Lessee shall transport such Cars to any interchange point of Lessee lines or reasonably attempt to provide a final outbound load as specified by Lessor in accordance with the terms of the Lease.

9. The Record Keeper designated in Paragraph 7 of the Lease Agreement is Lessee.
10. In addition to the obligations described in Section 8 of the Railroad Car Lease, at the Lease Commencement Date Lessee shall provide casualty insurance on each Car in the minimum amounts determined as follows:

Beginning with the delivery date of the first Car and continuing through December 31 of the year following such delivery date, the amount of such casualty insurance shall be the amount per Car as set forth next to each Car number on Exhibit A to this Schedule Number 3 (the "Insured Amount"):

Thereafter in each subsequent year, such amount of such casualty insurance may be reduced to 92.5% (rounded to the nearest dollar) of the amount required in the previous year.

By way of example, if the initial Insured Amount of the first Car is \$25,500, and it is delivered in the year 2004, then Through December 31, 2005, the Insured Amount shall be \$25,500. The Insured amount may be reduced to 92.5% of the previous amount, or \$23,587 commencing January 1, 2006, then to \$21,818 commencing January 1, 2007, and so forth.

11. After the Delivery Date of the last Car, this Schedule may be assigned and financed by a separate documents. Lessee will reasonably cooperate with Lessor in consummating such transactions.
12. Except as expressly modified by this Schedule, with respect to these Cars, all terms and conditions of the Agreement shall remain in full force and effect.

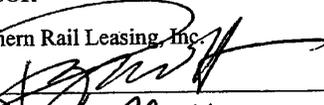
Signature Page Follows

SIGNATURE PAGE TO SCHEDULE NUMBER 3  
Document dated as of May 28, 2004

Each party, pursuant to due entity authority, has caused this Agreement to be executed by its authorized officer or other employee, and each of the undersigned declares under penalty of perjury that he or she holds the title indicated below, that the execution of this Agreement was the free act and deed of the entity, the foregoing is true and correct and that this Agreement was executed on the date indicated.

LESSOR

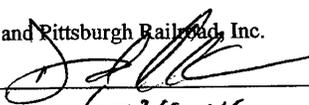
Southern Rail Leasing, Inc.

BY: 

DATE: 6-29-04

LESSEE

Buffalo and Pittsburgh Railroad, Inc.

BY: 

DATE: 6-24-04

## Exhibit A LIST OF CARS

The Cars to be delivered pursuant to Schedule 3 are as follows:

Old Mark	Old Number	New Mark	New Number	Initial Insured Amount
RTEX	173121	BPRR	7626	\$24,525.00
RTEX	173123	BPRR	7627	\$24,525.00
RTEX	173124	BPRR	7628	\$24,525.00
RTEX	173130	BPRR	7629	\$24,525.00
RTEX	173131	BPRR	7630	\$24,525.00
RTEX	173132	BPRR	7631	\$24,525.00
RTEX	173133	BPRR	7632	\$24,525.00
RTEX	173134	BPRR	7633	\$24,525.00

The above cars will be made available for shipment to Lessee. The new markings will be BPRR, running number series to be provided by Lessee. This Exhibit will be completed in tabular old number/ new number format as soon as the remarking and retagging has been completed by Lessee.