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SURFACE TRANSPORTATION BOARD

October 22, 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 May 7, 2004, a primary document under the Board's recordation regulations.

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: Point Comfort & Northern Railway Co.
Farm to Market Route 616 at
Corner Jackson Street
Lolita, TX 77971

A description of the railroad equipment covered by Lease Agreement is:

One EMD model GP40-2 road switching locomotive
bearing road number NREX 7250

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

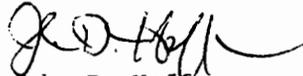
"Locomotive Lease Agreement"

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

Hon. Vernon A. Williams
October 22, 2004
Page two

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

Sincerely yours,



John D. Heffner

Enclosure

cc: Robert Loewer, Esq.

MEMORANDUM OF LEASE AGREEMENT

THIS MEMORANDUM OF LEASE AGREEMENT is made and entered into as of May 7, 2004, by and between NATIONAL RAILWAY EQUIPMENT CO. ("Lessor"), and POINT COMFORT & NORTHERN RAILWAY CO.

("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 May 7, 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:

POINT COMFORT & NORTHERN RAILWAY CO.

By: David A. Besio

Name: David A. Besio

Title: President

LESSOR:

NATIONAL RAILWAY EQUIPMENT CO.

By: James M. Wurtz, Jr.

Name: James M. Wurtz, Jr.

Title: Vice President

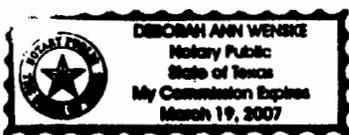
STATE OF Texas)
COUNTY OF Calhoun) SS.

On this 7th day of May, 2004, before me appeared David A. Besio, the person who signed this instrument who acknowledged that (s) he is the President of Point Comfort and Northern Railway and that, being duly authorized, (s) he signed such instrument as a free act on behalf of said corporation.

Deborah Ann Wenske

Notary Public

[Seal]



My Commission Expires:

3-19-2007

STATE OF ILLINOIS)
COUNTY OF WILL) SS.

On this 14th day of May, 2004, before me appeared J. Woods, 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.

Lisa A. Fuehrmeyer

Notary Public

[Seal]



My Commission Expires:

12-30-06

SCHEDULE OF EQUIPMENT

Lessor: NATIONAL RAILWAY EQUIPMENT CO.

Lessee: POINT COMFORT & NORTHERN RAILWAY CO.

Approved by: _____
(Lessee to initial each page)

Equipment Schedule No.: See Schedule "A"

Manufacturer and/or Vendor
Name & Invoice Number

Equipment
Description

National Railway Equipment Co.

EMD GP40-2 General Purpose Locomotive
NREX 7250