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SURFACE TRANSPORTATION BOARD

February 2, 2005

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 January 10, 2005, 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.
P.O. Box 2270
Dixmoor, IL 61282

Lessee: Allegheny Valley Railroad Company
P.O. Box 127
Verona, PA 15147

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

One EMD model SW-1500 switching locomotive
bearing road number NREX 2531

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

"Locomotive Lease Agreement"

Also enclosed is a check in the amount of \$32 payable to the Surface Transportation Board to cover the required recordation fee for the attached agreement.

Hon. Vernon A. Williams
February 2, 2005
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 January 10, 2005, 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 January 10, 2005, (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**

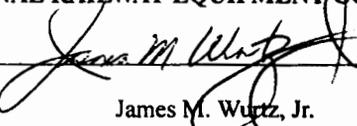
By: 

Name: Russell A. Peterson

Title: President

LESSOR:

NATIONAL RAILWAY EQUIPMENT CO.

By: 

Name: James M. Wurtz, Jr.

Title: Vice President

STATE OF PA)
COUNTY OF Allegheny) SS.

On this 8th day of January, 2005, before me appeared Russell A. Peterson, the person who signed this instrument who acknowledged that (s) he is 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.

h

Notary Public

[Seal]

Notarial Seal
Thomas P. Hunkeler, Notary Public
Penn Hills Twp., Allegheny County
My Commission Expires Jan. 22, 2005

My Commission Expires:

STATE OF ILLINOIS)
COUNTY OF WILL) SS.

On this 11th day of January, 2005, before me appeared James M. Wurtz Jr., 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.

[Seal] OFFICIAL SEAL
LISA A. FUEHRMEYER
NOTARY PUBLIC, STATE OF ILLINOIS
MY COMMISSION EXPIRES 12-30-2008

Lisa Fuehrmeyer
Notary Public

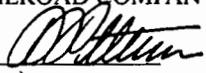
My Commission Expires:

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:

National Railway Equipment Co.'s
staging facility in Coltsneck, New Jersey

Equipment Schedule No.: See Schedule "A"

Manufacturer and/or Vendor
Name & Invoice Number

National Railway Equipment Co.

Equipment
Description

EMD SW-1500 Switcher Locomotive

ex- SP 2531