

**NATIONAL
RAILWAY EQUIPMENT CO.**



HOME OFFICE 14400 S ROBEY STREET P O BOX 2270 DIXMOOR, ILLINOIS 60426
TELEPHONE (708) 388-6002 · FAX (708) 388-2487

August 1, 2008



Hon. Vernon A. Williams
Secretary
Surface Transportation Board
395 F Street, SW
Washington, DC 20423-0001

RECORDATION NO 27592 FILED

AUG 06 08

3-50 PM

SURFACE TRANSPORTATION BOARD

Attn: Equipment Recordation

To Whom It May Concern:

I have enclosed for recordation, pursuant to the provisions of 49 U.S.C. 11301, an original and one counterpart of the memorandum of lease agreement and the schedule of equipment for a locomotive lease agreement dated July 23, 2008, a primary document under the Board's recordation regulations.

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

Lessor: National Railway Equipment Co.
14400 S. Robey St.
Dixmoor, IL 60426

Lessee: Allegheny Valley Railroad Company
519 Cedar Way Building One
Suite 100, P.O.Box 127
Oakmont, PA 15139

A description of the equipment covered by the Lease Agreement is as follows:

One ^{EMD}GP11 General Purpose Locomotive, bearing road # NREX 8749

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

"Locomotive Lease Agreement"

Also enclosed is a check in the amount of \$41 payable to the Surface Transportation Board to cover the required recordation fee for the attached agreement.

Please date-stamp and return an original copy after recordation to:

Kristina Buchthal
National Railway Equipment Co.
14400 South Robey Street
P.O. Box 2270
Dixmoor, IL 60426

Sincerely Yours,

NATIONAL RAILWAY EQUIPMENT CO.

By:  _____
Kristina Buchthal

AUG 06 '08

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LOCOMOTIVE LEASE AGREEMENT

SURFACE TRANSPORTATION BOARD

THIS LOCOMOTIVE LEASE AGREEMENT ("Lease"), entered into as of this 23rd day of July 2008, between the National Railway Equipment Co., an Illinois corporation, ("LESSOR"), and Allegheny Valley Railroad Company, ("LESSEE").

LESSOR AND LESSEE HEREBY AGREE AS FOLLOWS:**1. LEASE AND LEASED PROPERTY**

Lessee hereby leases from Lessor, the locomotive, ("Locomotive" or "locomotive"), together with the parts, accessories, attachments and devices, if any, now or hereafter affixed thereto, as described in Schedule "A" attached to and made part hereof.

2. TERM

The term of this Lease for each locomotive shall be the fixed term set forth in Schedule "A", commencing on the date such locomotive is accepted by Lessee ("Commencement Date"). In the event of default of the lease, Lessee shall affect prompt delivery of the locomotive to Lessor at its Dixmoor, Illinois manufacturing facility.

3. RENTAL

A. The rental payable shall be the sum identified in Schedule "A" payable in advance monthly installments, with one month of advance rent payable upon purchase order receipt date and, in addition, one month of advance payment to be held as a security deposit. Lessee shall operate such locomotive in service on its railroad. If the Commencement Date for any locomotive does not fall on the first day of the month, the first rental payment shall be prorated accordingly.

B. Payments past due for more than five (5) days shall bear interest at the rate of twelve percent (12%) per annum.

C. All rentals shall be paid to Lessor at:

National Railway Equipment Co.
1473 Paysphere Circle
Chicago, IL 60674

or at such other address as Lessor may direct in writing.

4. TAXES

Lessee shall pay all use, excise, ad valorem, stamp, documentary and similar taxes on or relating to this lease of the locomotive, or the use, registration, rental, maintenance, possession or operation thereof, and shall file any returns required therefor, and shall hold Lessor harmless against any liability and expense (including attorney fees and costs) on account of Lessee's failure to do the same.

MERCHANTABILITY OR FITNESS FOR ANY PARTICULAR PURPOSE OF THE LOCOMOTIVE, and Lessor hereby disclaims all such representation and warranties. LESSOR SHALL NOT BE RESPONSIBLE FOR ANY CONSEQUENTIAL, INCIDENTAL OR INDIRECT DAMAGES.

8. USE AND MAINTENANCE

Lessee agrees that:

A. Lessee shall be responsible and pay for all registrations, certificates, and permits, and all other similar requirements of governmental authorities, whether required to be obtained in the name of the Lessor or Lessee.

B. The locomotive shall be used and operated only by properly qualified, trained and registered personnel authorized by Lessee.

C. Lessee shall comply with all federal, state, municipal and local laws, ordinances, and rules, and regulations relating to the lease, possession, insuring, use and operation of the locomotive.

D. Lessee shall be solely responsible for the payment of any and all fines, penalties or forfeitures (including without limitation the confiscation of the locomotive) levied upon or arising out of the use, operation, maintenance or insuring of the locomotive in violation of any law, ordinance, rule or regulation of any governmental authority.

E. Lessee shall pay all costs, expenses and charges incurred in connection with the maintenance, lease, use and operation of the locomotive.

F. Lessee shall maintain the locomotive in good mechanical condition and running order and in compliance with OEM specifications and safety rules and regulations now or hereafter promulgated by applicable governmental authorities.

G. Lessee shall keep and maintain any and all books and records and make any filings required by any governmental authority with respect to the possession, lease, use or operation of the locomotive.

9. INSURANCE/INDEMNIFICATION

A. The Lessee will at all times during the term of the Agreement, at its own expense, cause to be carried and maintained insurance in respect of the Locomotives in the full value described in Schedule A. Lessee shall have the right to be self insured with respect to the requirements of this paragraph.

B. Lessee shall furnish Lessor with a certificate(s) of insurance or other evidence of said insurance coverage.

C. Notwithstanding that Lessee shall provide certain insurance hereunder and irrespective of any responsibility for negligence, Lessee does hereby agree to defend, indemnify, protect and hold harmless Lessor and any assignees or successors of Lessor, and their respective employees and agents, from and against any and all losses, liabilities (including without limitation strict liability imposed by law), damages, injuries, claims, demands and expenses (including legal expenses) of

exclusive, but each such right or remedy shall as to each locomotive be cumulative and may be availed of separately or concurrently with or in addition to any other right or remedy provided or referred to herein or otherwise available to Lessor at law or in equity. Any repossession or subsequent sale or lease by Lessor of any locomotive shall not bar an action against lessee for a deficiency. To the extent permitted by applicable law, **LESSEE WAIVES ANY AND ALL RIGHTS TO NOTICE AND TO A JUDICIAL HEARING WITH RESPECT TO THE REPOSSESSION OF EQUIPMENT BY LESSOR AS A RESULT OF ANY EVENT OF DEFAULT HEREUNDER BY LESSEE.**

C. Without limitation of any rights of Lessor otherwise existing or otherwise available to Lessor, it is expressly covenanted and agreed by the parties hereto that in the event of any assignment by operation of law of this Lease or of any lease hereunder, or of a bankruptcy of Lessee within the meaning of the Federal Bankruptcy Act, then Lessor may, at Lessor's election, terminate this Lease or any one or more leases hereunder.

14. RECORDATION OF LESSOR'S INTEREST

Lessee agrees to execute all recording documents requested by Lessor to show Lessor's interest in the locomotive. Lessee further authorizes Lessor to execute and file financial statements or other documents evidencing Lessor's interest in the locomotive without Lessee's signature.

15. MISCELLANEOUS

A. This Lease and all rights and obligations hereunder shall be governed by and construed in accordance with the laws of the State of Illinois.

B. Neither this Lease nor any schedule shall be amended, and no provision hereof or of any Schedule shall be waived or varied unless by a writing signed by the parties.

C. No delay or omission by Lessor in exercising any right hereunder shall operate as a waiver of such right or any other right. A waiver by Lessor of any Event of Default by Lessee shall not be construed as a waiver of any future occasion.

D. In case any provision (or portions thereof) in this Lease shall be held to be invalid, illegal or unenforceable, the validity, legality and enforceability of the remaining provisions (or portions thereof) hereby shall not in any way be affected or impaired thereby.

E. This Lease shall be binding upon and inure to the benefit of Lessor and Lessee and their respective successors.

F. All notices permitted or required to be given pursuant to this Lease shall be mailed by Certified or Registered Mail, Return Receipt Requested to the parties at the following addresses or at such other addresses as each party may notify the other.

If to Lessor: National Railway Equipment Co.
14400 S. Robey
Dixmoor, Illinois 60426

If to Lessee: Allegheny Valley Railroad Company
519 Cedar Way Building One Suite 100P.O. Box 127
Oakmont, Pennsylvania 15139

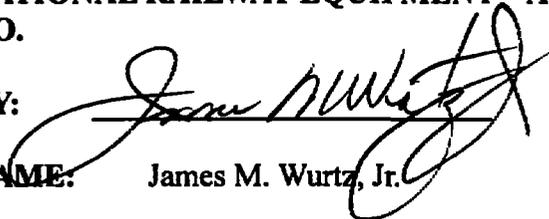
WITNESS WHEREOF, the parties have executed this Lease the day and year first mentioned above.

LESSOR:

LESSEE:

NATIONAL RAILWAY EQUIPMENT ALLEGHENY VALLEY RAILROAD COMPANY
CO.

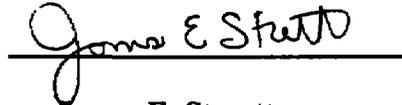
BY:



NAME: James M. Wurtz, Jr.

TITLE: Vice President

BY:

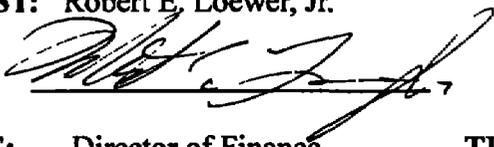


NAME: James E. Streett

TITLE: Vice President/ General Manager

ATTEST: Robert E. Loewer, Jr.

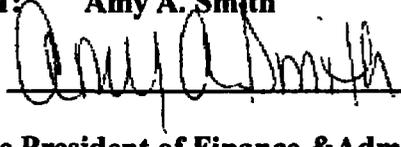
BY:



TITLE: Director of Finance

ATTEST: Amy A. Smith

BY:



TITLE: Vice President of Finance & Administration

(Corporate Seal)

(Corporate Seal)



SCHEDULE "A"

Attached to and incorporated into the Lease dated the 23rd day of July, 2008 by and between the National Railway Equipment Co. (LESSOR) and Allegheny Valley Railroad Company (LESSEE).

Type and General Description of Locomotive Unit, Marks and Numbers:

UNIT NO.	TYPE	GENERAL DESCRIPTION
NREX 8749	EMD	GP11 General Purpose Locomotive

LEASE RATE

**LEASE
TERM**

24 Months

MANDATORY LOCOMOTIVE BUYOUT TERM: At the end of the successful execution of the two year initial lease term, Lessee shall complete ownership of the locomotive by providing Lessor a finalized payment of \$75,000.00 for the subject NREX 8749 locomotive on/or before the termination date.

COMMENCEMENT DATE: Upon ex-works shipment receipt date of the locomotive at Lessee's project site in Verona, Pennsylvania.

Lessee agrees to pay the first month of rent with the execution of the Locomotive Lease Agreement and, in addition, one month of advance payment to be held as a security deposit.

MEMORANDUM OF LEASE AGREEMENT

THIS MEMORANDUM OF LEASE AGREEMENT is made and entered into as of July 23, 2008, 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 July 23, 2008, (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: James E. Streett

Name: James E. Streett

Title: VICE PRESIDENT / General mgr

LESSOR:

NATIONAL RAILWAY EQUIPMENT CO.

By: James M. Wurtz, Jr.

Name: James M. Wurtz, Jr.

Title: Vice President

STATE OF Pennsylvania)
COUNTY OF Allegheny) SS.

On this 25th day of July, 2008, before me appeared James E. Smith, the person who signed this instrument who acknowledged that (s) he is the VP & GM of Allegheny Valley Road Co. and that, being duly authorized, (s) he signed such instrument as a free act on behalf of said corporation.

Amy A. Smith
Notary Public

[Seal]

My Commission Expires:
4/15/2011

COMMONWEALTH OF PENNSYLVANIA
Notarial Seal
Amy A. Smith, Notary Public
Oakmont Boro, Allegheny County
My Commission Expires April 15, 2011
Member, Pennsylvania Association of Notaries

STATE OF ILLINOIS)
COUNTY OF Will) SS.
Cook

On this 29th day of July, 2008, 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.

Robert E. Loewer Jr.
Notary Public

[Seal]

My Commission Expires:

OFFICIAL SEAL
ROBERT E. LOEWER JR.
NOTARY PUBLIC, STATE OF ILLINOIS
MY COMMISSION EXPIRES 4-16-2011

OFFICIAL SEAL
ROBERT E. LOEWER JR.
NOTARY PUBLIC, STATE OF ILLINOIS
MY COMMISSION EXPIRES 4-16-2011

gE

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
manufacturing facility in Dixmoor, Illinois

Equipment Schedule No.: See Schedule "A"

**Manufacturer and/or Vendor
Name & Invoice Number**

**Equipment
Description**

National Railway Equipment Co.

GP11 General Purpose Locomotive