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ENTERED
Office of Proceedings

August 3, 2005

AUG 03 2005

Part of
Public Record

Honorable Vernon A. Williams
Secretary
Surface Transportation Board
1925 K Street, N.W.
Room 700
Washington, D. C. 20423

FEE RECEIVED

AUG 03 2005

RE: Finance Docket No. 34738, *Paducah & Louisville Railway, Inc.*—**TRANSPORTATION BOARD**
Acquisition—CSX Transportation, Inc.

Dear Secretary Williams:

Enclosed are the original and 10 copies of an Application (with filing fee of \$6,300), Motion for Protective Order, a Request for Issuance of a Procedural Schedule, an Acquisition Notice of Exemption (with filing fee of \$1,500), a Control Notice of exemption (with filing fee of \$1,100) in the above-entitled proceeding, 20 unbound copies of the maps, and a computer diskette containing the Application, Motion, and Request, and Notices. Submitted in a separate package are 10 copies of the Confidential unredacted Land Lease and Purchase of Rail Improvements Agreement.

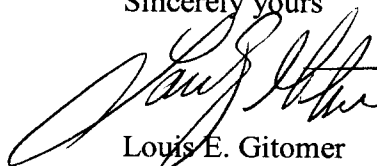
Please time and date stamp the additional copy of this letter, the Application, the Motion, the Request and the Notices and return them with our messenger. Thank you for your assistance.

If you have any questions please call or email me.

FILED

AUG 03 2005

Sincerely yours



Louis E. Gitomer

Attorney for: CSX Transportation, Inc.

**SURFACE
TRANSPORTATION BOARD**

Enclosures

ORIGINAL

PLRY-1/CSXT-1

BEFORE THE
SURFACE TRANSPORTATION BOARD

Finance Docket No. 34738

PADUCAH & LOUISVILLE RAILWAY, INC.—ACQUISITION—
CSX TRANSPORTATION, INC.

APPLICATION

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TRANSPORTATION BOARD

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Public Record

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Counsel for CSX Transportation, Inc.

Counsel for Paducah & Louisville Railway,
Inc.

Dated: August 3, 2005

FILED

AUG 03 2005

SURFACE
TRANSPORTATION BOARD

BEFORE THE
SURFACE TRANSPORTATION BOARD

Finance Docket No. 34738

PADUCAH & LOUISVILLE RAILWAY, INC.—ACQUISITION—
CSX TRANSPORTATION, INC.

APPLICATION

The Paducah & Louisville Railway, Inc. (“PAL”) and CSX Transportation, Inc. (“CSXT”), jointly referred to as “Applicants,” respectfully submit this Application for Surface Transportation Board (“the “Board”) approval and authorization, pursuant to 49 U.S.C. § 11323, *et seq.*, of PAL’s acquisition of approximately 124.5 miles of CSXT’s rail line running between Evansville, IN, milepost OOH-324.0, and Okawville, IL, milepost OOH-445.7, including the Mt. Vernon Branch between milepost OZJ-300 and milepost OZJ-302.8 (the “Line”). PAL will purchase the track, ties, and other track material (the “Improvements”) and will lease the real property (the “Real Property”) from CSXT for a term of 20 years with a five year extension available. The purchase of the Improvements and the lease of the Real Property are collectively known as the “Transaction.”

Upon consummation of the Transaction, PAL will transfer the Improvements and assign its lease of the Real Property to its newly created subsidiary, Evansville Western Railway, Inc. (“EVWR”). EVWR has concurrently filed a directly related notice of exemption in Finance Docket No. 34738 (Sub-No. 1), *Evansville Western Railway, Inc.—Acquisition and Operation*

Exemption—Paducah & Louisville Railway, Inc. PAL and its parent company, Four Rivers Transportation, Inc. (“Four Rivers”), have also concurrently filed a directly related notice of exemption for PAL to continue in control of EVWR and for Four Rivers to continue in control of PAL and EVWR once EVWR becomes a carrier. *See* Finance Docket No. 34738 (Sub-No. 2), *Four Rivers Transportation, Inc. and Paducah & Louisville Railway, Inc.—Continuance in Control—Evansville Western Railway, Inc.*

A more complete description of the Line can be found in section 1180.6(a)(7)(vi) of this Application, and in the Land Lease and Purchase of Rail Improvements Agreement (the “Agreement”), which is in Exhibit 2 hereto.

The subject Transaction is a minor transaction, as that term is defined in the Board’s regulations at 49 C.F.R. § 1180.2(c). The proposed Transaction is not a control or merger, and does not involve two Class 1 railroads. Even though CSXT is a Class 1 railroad, PAL is a Class 2 railroad and EVWR will be a Class 3 railroad. In addition, the proposed Transaction will not have any anticompetitive effects. EVWR will replace CSXT as the railroad providing service on the Line.

EVWR’s subsequent purchase and operation of the Line is intended to permit PAL to retain certain substantial tax advantages available to it as a Kentucky railroad that PAL would lose if it were to operate a railroad outside of the Commonwealth of Kentucky and to protect the independence of PAL from other potential liabilities and risks associated with operating a railroad outside of Kentucky. EVWR will have its own employees, its own management, and its own financial arrangements. It will publish tariffs, interline, and otherwise operate as a railroad

independent of PAL. Although intended to operate independently of PAL, EVWR and PAL will share common management until such time as EVWR can hire its own management team.

Although created as a non-carrier subsidiary of PAL, EVWR is not being created to avoid PAL's collective bargaining agreements or to avoid union operations over the Line. Indeed, EVWR intends to become a fully unionized carrier and PAL and EVWR intend to enter into any necessary implementing agreements required to accomplish that purpose. EVWR expects to have any employees hired to operate and maintain the Line work under essentially the same agreements as if PAL were doing the work. As such, EVWR expects its employees to be represented by five unions; the same unions and crafts that would operate and maintain the Line if PAL had not sold the Line to EVWR.

The following information is furnished to the Board in accordance with its Railroad Consolidation Procedures, which are set forth at 49 C.F.R. Part 1180.

Section 1180.6. Supporting information.

(a) All applications filed under 49 U.S.C. 11323 shall show in the title the names of the applicants and the nature of the proposed transaction. Beneath the title indicate the name, title, business address, and telephone number of the person(s) to whom correspondence with respect to the application should be addressed. The following information shall be included in all applications:

(1) A description of the proposed transaction, including appropriate references to any supporting exhibits and statements contained in the application and discussing the following:

(i) A brief summary of the proposed transaction, the name of applicants, their business address, telephone number, and the name of the counsel to whom questions regarding the transaction can be addressed.

PAL, 1500 Kentucky Avenue, Paducah, KY 42003-2893, (270) 444-4430, represented by J. Thomas Garrett, Executive Vice President and General Counsel, Paducah & Louisville Railway, Inc., 1500 Kentucky Avenue, Paducah, KY 42003-2893, (270) 444-4430, and William A. Mullins, Baker & Miller PLLC, 2401 Pennsylvania Avenue, NW, Suite 300, Washington, DC 20037, (202) 663-7820, seeks approval to acquire by purchase and lease the Line from CSXT, 500 Water Street, Jacksonville, FL 32202, represented by Peter J. Shudtz, CSX Corporation, 1331 Pennsylvania Avenue, N.W., Suite 560, Washington, DC 20004, (202) 783-8124, and Louis E. Gitomer, Ball Janik LLP, 1455 F Street, N.W., Suite 225, Washington, DC 20005, (202) 638-3307.

Questions can be addressed to any of the above counsel.

(ii) The proposed time schedule for consummation of the proposed transaction.

The transaction is scheduled to be consummated on the later of December 30, 2005, or the earliest date PAL can acquire the Line pursuant to the authority sought herein in this Application.

(iii) The purpose sought to be accomplished by the proposed transaction, e.g., operating economies, eliminating excess facilities, improving service, or improving the financial viability of the applicants.

Upon Board approval and consummation of this proposed Transaction, EVWR will be responsible for rail service on the Line. EVWR will have its own employees, its own management, and its own financial arrangements. It will publish tariffs, interline, and otherwise operate as a railroad independent of PAL. Although intended to operate independently of PAL,

EVWR and PAL will share common management until such time as EVWR can hire its own management team. EVWR and PAL will also enter into a Management and Administrative services contract whereby PAL will provide management oversight and certain administrative services to EVWR.

EVWR intends to aggressively market its operation to shippers on the Line and to potential receivers of western coal traffic, as well as the coal traffic available along the Line. EVWR believes that there are shippers along the Line who currently do not use rail service, but who could be convinced to use EVWR's service instead of truck service. In addition, EVWR plans to explore expansion of rail-water transload opportunities on the Line.

EVWR will be headquartered on the Line, will hire qualified existing employees now working on the Line, and will have local management and local personnel. As such EVWR expects to provide a more personalized and responsive service to the customers on the Line than CSXT has been able to provide.

The Applicants expect the proposed transaction to result in operating economies, improved service, and improved financial viability. They do not anticipate any changes to routes and rates as EVWR takes over the service. EVWR will provide more frequent and responsive service to the local customers.

EVWR expects initially to handle about 63,100 carloads annually. This traffic will consist of about 42,900 carloads of coal, 6,700 carloads of chemicals, 9,600 carloads of agricultural commodities, 1,400 carloads of phosphate and fertilizer, 1,600 carloads of food and consumer products, and about 900 carloads of metals. Based on such volumes, EVWR expects to earn gross revenues of about \$12,500,000 in its first year of operation.

CSXT expects the proposed transaction to improve its financial viability through system rationalization.

(iv) The nature and amount of any new securities or other financial arrangements.

PAL intends to finance the acquisition through its existing line of credit or pay for it from cash on hand, depending on the situation at the time of closing. PAL does not plan to issue any new securities in connection with this transaction. CSXT does not plan any new financial arrangements in connection with this transaction.

EVWR will finance its purchase of the Improvements through a cash infusion from its initial capitalization.

(2) A detailed discussion of the public interest justifications in support of the application, indicating how the proposed transaction is consistent with the public interest, with particular regard to the relevant statutory criteria, including

(i) The effect of the transaction on inter- and intramodal competition, including a description of the relevant markets (see Sec.1180.7). Include a discussion of whether, as a result of the transaction, there is likely to be any lessening of competition, creation of a monopoly, or restraint of trade in freight surface transportation in any region of the United States.

Applicants expect the proposed transaction to increase inter- and intramodal competition. Applicants do not expect that as a result of the transaction, there is likely to be any lessening of competition, creation of a monopoly, or restraint of trade in freight surface transportation in any region of the United States.

PAL is an experienced and successful railroad operating over approximately 262 miles of track it owns in Kentucky, from Louisville to Clayburn. It has been operating since 1986 and has built its traffic base from about 77,000 carloads in its first full year of operation (1987) to a high of 216,000 carloads in its best year. During this time, PAL has maintained an excellent safety

record, winning several Harriman Awards, and from the time current management took over in 1995 until last year, had not had a mainline derailment.

PAL originates and terminates local traffic on its line and interchanges with CSXT, Norfolk Southern Railway Company ("NS"), Louisville and Indiana Railroad Company and Canadian Pacific Railway Company at Louisville; CSXT at Central City and Madisonville; and Canadian National Railways and BNSF Railway Company ("BNSF") at Paducah, Kentucky. PAL employs 223 persons, including 45 management or salaried employees and 178 craft employees represented by seven labor unions. The company owns 41 locomotives, owns, and/or leases 1,155 revenue service cars, 23 non-revenue cars and 25 pieces of self-propelled Maintenance of Way equipment. In addition to rolling stock, PAL owns buildings and/or facilities in Louisville, Cecilia, Horse Branch, Central City, Princeton, Calvert City, and Paducah, Kentucky.

Initially, EVWR and PAL will share some of the same officers and directors. These PAL managers will bring PAL's excellent safety, operating, and management practices to EVWR and EVWR will operate in much the same way as PAL has operated. In addition, other senior PAL management will be available to EVWR under the Management and Administrative Services Agreement.

EVWR expects to have its own employees. EVWR plans to utilize three management and 19 non-management employees. EVWR plans to have five locomotive engineers, five trainmen, five maintenance-of-way employees, two signal and communication employees, and two mechanical employees. PAL may provide administrative support for EVWR with PAL

employees pursuant to the Management and Administrative Services Agreement between PAL and EVWR.

PAL has a largely unionized work force. Eight national unions represent PAL's contract employees. EVWR contemplates that, to the extent that EVWR has employees that perform the same or similar functions as the crafts or classes of PAL employees, EVWR's employees will also be represented by these labor organizations, and EVWR will be party to collective bargaining agreements to be negotiated with such organizations.

To the extent that EVWR does not have employees at the time it plans to commence operations over the Line, it may contract with PAL, pursuant to the Management and Administrative Services Agreement, to provide such employees until such time that EVWR has its own employees.

Initially, EVWR will operate with approximately seven locomotives leased from PAL and will lease additional locomotives from PAL or third parties as business dictates. EVWR will acquire or lease from PAL and other third parties the maintenance of way equipment necessary to operate and maintain the Line. For its car supply, EVWR will use the existing cars on the line, which are largely privately owned, or will use CSXT-supplied equipment as necessary. EVWR will lease additional car supply from third parties as business dictates.

The 124.5-mile rail line being acquired by PAL and transferred to EVWR travels in an east west direction between Evansville, IN and Okawville, IL. The Line parallels rail lines of CSXT and NS to the north. In addition, the Line is within the region served by the Ohio, Wabash, and Mississippi Rivers.

There is also significant truck competition to the use of the Line for transportation. The Line is paralleled by Interstate Highway 64 and is crossed by Interstate Highway 57, both of which provide major highway access for truck traffic to and from customers on the Line and significant competition to railroad traffic. EVWR plans to compete fiercely with trucks for traffic originating and terminating on the Line. EVWR plans to intensely market itself to the customers on the Line to build the traffic base. EVWR believes that it can effectively compete with motor carriers for the freight traffic on the Line by providing more frequent rail service, and by providing local sales, marketing, and operating personnel. CSXT, BNSF and Union Pacific Railroad Company ("UP") will provide effective interchange with EVWR and will maintain competitive routes and rates over connections with EVWR.

The product market is freight transportation. The geographic market served by the Line, which runs between Evansville, IN and Okawville, IL, includes the towns of Mt. Vernon, IN, Upton, IN, Epworth, IL, Carmi, IL, Trumbull, IL, Enfield, IL, Inland, IL, McLeansboro, IL, Delafield, IL, Opdyke, IL, Mt. Vernon, IL, Woodlawn, IL, Ashley, IL, Nashville, IL, Addieville, IL, and Okawville, IL.

In addition to being located on the Ohio River and continuing to receive service from CSXT, Evansville is served by major highways including Interstate Highways 64 and 164, U.S. Route 41 and Indiana Routes 62 and 66. Mt. Vernon, IN is located on the Ohio River and is served by Indiana Route 62. Upton, IN is on the Wabash River and has access to Indiana Route 62.

Epworth, IL has access to Illinois Route 1 and Carmi, IL is located on Illinois Routes 1 and 14. Enfield, IL is located on U.S. Route 45. McLeansboro, IL is located on Illinois Routes

14, 142 and 242. Delafield and Opdyke, IL are located on Illinois Route 142. Mt. Vernon, IL is located on the UP and near the interchange of Interstate Highways 64 and 57. Woodlawn, IL is located on the BNSF and on Illinois Route 9. Ashley and Nashville, IL are located on Illinois Route 15. Addieville and Okawville, IL are located on Illinois Route 160 within several miles of Interstate Highway 64.

EVWR will replace CSXT as the railroad serving local and overhead customers. EVWR believes that, by concentrating on more frequent service and closer customer relations, it can divert traffic from trucks to more efficient rail service. EVWR plans to have local people marketing its services to the customers on the Line to build a relationship that will encourage the shift of truck shipments to rail.

(ii) The financial consideration involved in the proposed transaction, and any economies, to be effected in operations, and any increase in traffic, revenues, earnings available for fixed charges, and net earnings, expected to result from the consummation of the proposed transaction.

To acquire the Improvements, PAL will pay CSXT the amount shown in the confidential portion of the Bill of Sale, which has been filed under seal in this proceeding. PAL will immediately transfer those Improvements to EVWR for the same price. PAL will assign its lease in the Real Property to EVWR and EVWR will be responsible to pay annual rental for the Real Property identified in Section 4.1 of the Agreement, which has been filed under seal in this proceeding, plus additional rental depending upon the number of carloads.

As previously noted, EVWR will finance its purchase of the Improvements through its initial capitalization. Continuing operations and the annual lease payments will be financed

through a combination of initial capitalization and borrowing from a third party and from cash from continuing operations.

(iii) The effect of the increase, if any, of total fixed charges resulting from the proposed transaction.

As a result of the proposed transaction, there will be no increase in fixed charges.

(iv) The effect of the proposed transaction upon the adequacy of transportation service to the public, as measured by the continuation of essential transportation services by applicants and other carriers.

The proposed transaction will improve the adequacy of transportation service to the shipping public.

EVWR will provide service to all customers on the line seven days per week. The operation from Mt. Vernon, Indiana to Okawville, Illinois will use two locomotives. One two-person crew will depart Mt. Vernon, Indiana on Sunday, Tuesday and Thursday and return from Okawville on Monday, Wednesday and Friday, setting out and picking up cars at industries and interchange enroute.

One two-person crew will perform station and industry switching at Mt. Vernon, Indiana. Another two-person crew will perform station switching and perform interchange to and from CSXT at Evansville, Indiana.

Two two-person crews will perform loading of unit coal trains at Epworth, Illinois, transit to Mt. Vernon, Indiana for unloading and return.

(v) The effect of the proposed transaction upon applicant carriers' employees (by class or craft), the geographic points where the impact will occur, the time frame of the impact (for at least 3 years after consolidation), and whether any employee protection agreements have been reached.

See Appendix 1. In order to provide the level of labor protection mandated by 49 U.S.C. § 11326, Applicants request the Board to impose the labor protective conditions in *New York Dock Ry.—Control—Brooklyn Eastern Dist.*, 360 I.C.C. 60 (1979), as modified by *Wilmington Term. RR, Inc.—Pur. & Lease-CSX Transp., Inc.*, 6 ICC2d 799, 814-826 (1990), *aff'd sub nom. Railway Labor Executives' Ass'n v. I.C.C.*, 930 F.2d 511 (6th Cir. 1991).

(vi) The effect of inclusion (or lack of inclusion) in the proposed transaction of other railroads in the territory, under 49 U.S.C. 11324.

Not applicable.

(3) Any other supporting or descriptive statements applicants deem material.

CSXT owns 35 percent of Four Rivers' common stock with the remaining 65% concentrated in the hands of PAL management. CSXT owns 100% of Four Rivers' non-voting preferred stock. Four Rivers owns 100% of PAL, which in turn owns 100% of EVWR. One of the three Directors of Four Rivers is a CSX employee. Three of the seven members of PAL's Board of Directors are employees of CSXT. CSXT does not control PAL. PAL independently conducts its daily operations. Moreover, in order to avoid even the appearance of control, the CSXT-appointed directors of PAL have refrained from participating in any discussions or required votes concerning PAL's proposal to acquire the Line.

CSXT's ownership of a 35 percent interest in Four River's stock would not place CSXT in control of PAL within the meaning of section 11323. The remaining shares of PAL are not diffused. The remaining shares of Four River are owned by PAL's management, who acquired their interest in Four rivers at the same time CSXT acquired its interest. The non-CSXT stockholders of PAL have the power to appoint four of the seven members of PAL's board, which

has the sole right and authority to manage, control and make all decisions affecting the business of PAL. CSXT has the power to appoint three members of the seven member board. No PAL or EVWR officers will be appointed by, or affiliated with, CSXT. Clearly, CSXT does not control the PAL's board which, in turn, has the power to direct the day-to-day operations of PAL. Moreover, PAL's board has exercised exclusive control over PAL's business affairs since PAL was reorganized and CSXT purchased its equity interest in PAL in 1995. CSXT has not nor will it become involved in PAL's day-to-day management. *See Soo Line Railroad Company-Petition for Declaratory Order*, STB Finance Docket No. 33350 (STB served February 4, 1998). Indeed, the lengthy and difficult negotiations between CSXT and PAL over this Transaction demonstrate CSXT's lack of control over PAL.

Applicants believe that the information furnished in this application adequately supports the Board's approval of this minor transaction under applicable statutory criteria and Board precedent. Applicants will furnish the Board with any information concerning this transaction that it may require, and will participate fully in any proceedings on this transaction which the Board deems appropriate.

(4) An opinion of applicants' counsel that the transaction meets the requirements of the law and will be legally authorized and valid, if approved by the Board. This should include specific references to any pertinent provisions of applicants' bylaws or charter or articles of incorporation.

See Appendix 2.

(5) A list of the State(s) in which any part of the property of each applicant carrier is situated.

PAL owns and operates about 262 miles of railroad in the Commonwealth of Kentucky. CSXT owns and operates about 23,000 miles of railroad in the States of Alabama, Connecticut,

District of Columbia, Delaware, Florida, Georgia, Illinois, Indiana, Kentucky, Louisiana, Massachusetts, Maryland, Michigan, Mississippi, Missouri, New Jersey, New York, North Carolina, Ohio, Pennsylvania, South Carolina, Tennessee, Virginia, and West Virginia, and the Provinces of Ontario and Québec.

(6) Map (exhibit 1). Submit a general or key map indicating clearly, in separate colors or otherwise, the line(s) of applicant carriers in their true relations to each other, short line connections, other rail lines in the territory, and the principal geographic points in the region traversed. If a geographically limited transaction is proposed, a map detailing the transaction should also be included. In addition to the map accompanying each application, 20 unbound copies of the map shall be filed with the Board.

See Exhibit 1. Because it contains colored maps, Exhibit 1 is attached to the end of this Volume 1.

(7) Explanation of the transaction.

(i) Describe the nature of the transaction (e.g., merger, control, purchase, trackage rights), the significant terms and conditions, and the consideration to be paid (monetary or otherwise).

PAL is purchasing the Improvements from CSXT and is leasing the Real Property from CSXT. In turn, PAL will sell the Improvements, including its common carrier obligation, to EVWR and assign its lease of the Real Property to EVWR. EVWR will thereby assume the common carrier obligation over the Line and will operate the Line as an independent rail carrier affiliated with PAL.

(ii) Agreement (exhibit 2). Submit a copy of any contract or other written instrument entered into, or proposed to be entered into, pertaining to the proposed transaction. In addition, parties to exempt trackage rights agreements and renewal of agreements described at Sec.1180.2(d)(7) must submit one copy of the executed agreement or renewal agreement with the notice of exemption, or within 10 days of the date that the agreement is executed, whichever is later.

See Exhibit 2. The proposed Agreement is attached to this application. Certain commercially sensitive terms of the proposed Agreement have been redacted from this public version of the application. The complete proposed Agreement has been filed under seal pursuant to 49 C.F.R. § 1104.14(b) and a protective order requested from the Board.

(iii) If a consolidation or merger is proposed, indicate: (A) The name of the company resulting from the consolidation or merger; (B) the State or territory under the laws of which the consolidated company is to be formed or the merged company is to file its certificate of amendment; (C) the capitalization proposed for the resulting company; and (D) the amount and character of capital stock and other securities to be issued.

Not applicable.

(iv) Court order (exhibit 3). If a trustee, receiver, assignee, or personal representative of the real party in interest is an applicant, submit a certified copy of the order, if any, of the court having jurisdiction, authorizing the contemplated action.

Not applicable.

(v) State whether the property involved in the proposed transaction includes all the property of the applicant carriers and, if not, describe what property is included in the proposed transaction.

CSXT is selling the Improvements and leasing the Real Estate to PAL for about 124.5 miles of CSXT's 23,000-mile railroad.

(vi) Briefly describe the principal routes and termini of the lines involved, the principal points of interchange on the routes, and the amount of main-line mileage and branch line mileage involved.

PAL is acquiring CSXT's St. Louis Sub, which runs between Evansville, IN, milepost OOH-324.0, and Okawville, IL, milepost OOH-445.7, and the Mt. Vernon Branch between milepost OZJ-300 and milepost OZJ-302.8. There are 121.7 mile of main line track and 2.8 miles of branch line. There are also sidings located at Addieville, IL, Woodlawn, IL, Mt.

Vernon, IL, Delafield, IL, McLeansboro, IL, Enfield, IL, Trumbull, IL, Carmi, IL, and Epworth, IL. The Siego Spur is located at Mt. Vernon, IN.

Interchange on the Line occurs at Woodlawn, IL with the BNSF and at Mt. Vernon, IL with the UP. CSXT and EVWR will conduct interchange at the east end of the Line and in CSXT's Howell Yard, both in Evansville, IN.

(vii) State whether any governmental financial assistance is involved in the proposed transaction and, if so, the form, amount, source, and application of such financial assistance.

No governmental financial assistance is involved in the proposed transaction.

(8) Environmental data (exhibit 4). Submit information and data with respect to environmental matters prepared in accordance with 49 CFR part 1105. In major and significant transaction, applicants shall, as soon as possible, and no later than the filing of a notice of intent, consult with the Board's Section of Environmental Analysis for the proper format of the environmental report.

No environmental documentation is required because there will be no operational changes that would exceed the thresholds established in 49 C.F.R. §1105.7(e)(4) or (5) and there will be no action that would normally require environmental documentation. Hence, this Application does not require environmental documentation under 49 C.F.R. §1105.6(b)(4) and (c)(2)(i).

An historic report is not required because EVWR will operate the Line, will require further Board approval to discontinue or abandon any service, and there are no plans to dispose of or alter properties subject to Board jurisdiction that are 50 years old or older. Hence, this Application does not require an historic report under 49 C.F.R. §1105.8(b)(1).

Section 1180.8(c). Operational data.

(c) For minor transactions: Operating plan-minor (exhibit 15). Discuss any significant changes in patterns or types of service as reflected by the operating plan expected to be used after consummation of the transaction. Where relevant, submit information related to the following:

(1) Traffic level density on lines proposed for joint operations.

There will be no joint operations on the proposed transaction.

(2) Impacts on commuter or other passenger service operated over a line which is to be downgraded, eliminated, or operated on a consolidated basis.

There is no commuter or other passenger service over the Line. Therefore, the proposed Transaction will have no impact on commuter or passenger operations.

(3) Operating economies, which include, but are not limited to, estimated savings.

CSXT expects operating economies as a result of the transaction. CSXT will reduce its operating expenses and save capital expenditures. Although CSXT and PAL have agreed to the proposed transaction in principle and have resolved many specific items, it is difficult to estimate savings until all of the specific terms of the transaction are resolved.

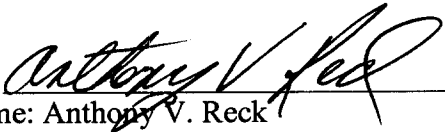
(4) Any anticipated discontinuances or abandonments.

EVWR does not anticipate discontinuing service over or abandoning any portion of the Line.

CONCLUSION

Paducah & Louisville Railway, Inc. and CSX Transportation, Inc. pray that the Board grant this application and related notice of exemption and enter an appropriate order approving the transaction proposed as required by 49 U.S.C. § 11323(a).

Paducah & Louisville Railway, Inc.

By: 
Name: Anthony V. Reck
Title: President

CSX Transportation, Inc.

By: _____
Name: Lester M. Passa
Title: Vice President Strategic Planning

Dated: August 3, 2005

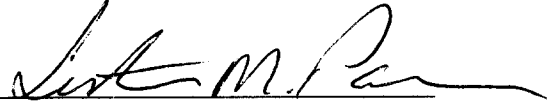
CONCLUSION

Paducah & Louisville Railway, Inc. and CSX Transportation, Inc. pray that the Board grant this application and related notice of exemption and enter an appropriate order approving the transaction proposed as required by 49 U.S.C. § 11323(a).

Paducah & Louisville Railway, Inc.

By: _____
Name: Anthony V. Reck
Title: President

CSX Transportation, Inc.

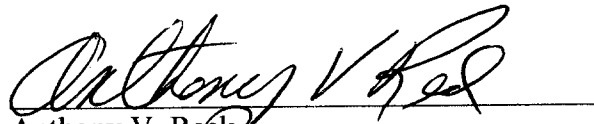
By: 
Name: Lester M. Passa
Title: Vice President Strategic Planning

Dated: August 3, 2005

49 CFR 1180.4(c)(2)(i)

Signature of Four Rivers Transportation, Inc.

I, Anthony V. Reck, declare under penalty of perjury that I am President and Chief Executive Officer of Four Rivers Transportation, Inc., a non-carrier corporation that controls the Paducah and Louisville Railway, Inc., applicant herein, and that I am one of the executive officers duly authorized to sign this application on behalf of the foregoing.

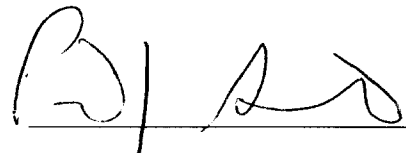

Anthony V. Reck

Executed on August 2, 2005

49 CFR 1180.4(c)(2)(i)

Signature of CSX Corporation

I, Peter J. Shudtz, declare under penalty of perjury that I am Vice President-Regulatory Affairs and Washington Counsel of CSX Corporation and that I am one of the executive officers duly authorized to sign this application on behalf of the foregoing.

A handwritten signature in black ink, appearing to read 'PJ Shudtz', is written over a horizontal line.

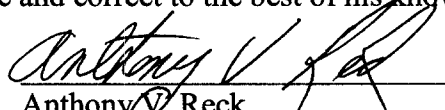
Peter J. Shudtz

Executed on August 2, 2005

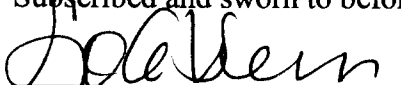
VERIFICATION

District of Columbia)
)ss
City of Washington)

Anthony V. Reck, being duly sworn, states that he is the President of the Paducah & Louisville Railway, Inc.; that he is duly authorized to sign, verify and file the foregoing Application and the exhibits thereto on behalf of the Paducah & Louisville Railway, Inc.; and that such matters as are set forth therein are true and correct to the best of his knowledge, information and belief.


Anthony V. Reck

Subscribed and sworn to before me this 27th day of July 2005.


Notary Public

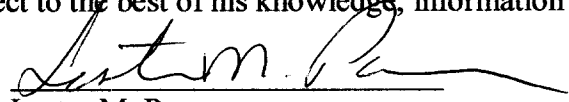
My Commission expires: _____

LOLA M. SHANNON
Notary Public, District of Columbia
My Commission Expires
Feb. 14, 2010

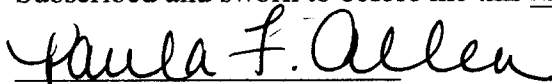
VERIFICATION

State of Florida)
)ss
County of Duval)

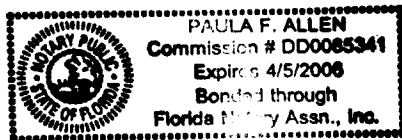
Lester M. Passa, being duly sworn, states that he is the Vice President Strategic Planning of CSX Transportation, Inc.; that he is duly authorized to sign, verify and file the foregoing Application and the exhibits thereto on behalf of CSX Transportation, Inc.; and that such matters as are set forth therein are true and correct to the best of his knowledge, information and belief.


Lester M. Passa

Subscribed and sworn to before me this 26th day of July 2005.

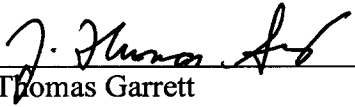

Notary Public

My Commission expires: 4-5-2006



CERTIFICATE

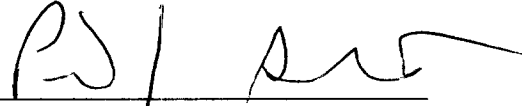
J. Thomas Garrett certifies this 27th day of July, 2005, that he Executive Vice President and General Counsel to the Paducah & Louisville Railway, Inc.; that Anthony Reck is President of the Paducah & Louisville Railway, Inc.; and that he is duly authorized to sign, verify and file the foregoing Application and Exhibits thereto on behalf of the Paducah & Louisville Railway, Inc.



J. Thomas Garrett

CERTIFICATE

Peter J. Shudtz certifies this 2nd day of July, 2005, that he is Counsel to CSX Transportation, Inc.; that Les Passa is Vice President Strategic Planning of CSX Transportation, Inc.; and that Les Passa is duly authorized to sign, verify and file the foregoing Application and Exhibits thereto on behalf of CSX Transportation, Inc.



Peter J. Shudtz

APPENDIXES AND EXHIBITS

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INDEX TO APPENDIXES AND EXHIBITS

Appendixes

- Appendix 1 Impacts of the proposed transaction upon carrier employees.
- Appendix 2A Opinion of Counsel for the Paducah & Louisville Railway, Inc.
- Appendix 2B Opinion of Counsel for CSX Transportation, Inc.

Exhibits

- Exhibit 1 Maps.
- Exhibit 2 Land Lease and Purchase of Rail Improvements Agreement between Applicants.
- Exhibits 3-14 Not Applicable.
- Exhibit 15 Minor Transaction Operating Plan.
- Exhibits 16-21 Not Applicable.

APPENDIX 1-Impacts of the proposed transaction upon carrier employees.

Table 1
CSXT Employees Affected by PAL's Acquisition of CSXT's Line between
Evansville, IN and Okawville, IL (the "Line")

Classifications	Dismissed	Displaced	Relocated
Trainmen (UTU)	0	10	0
Engineers (BLE)	0	7	0
Maintenance of Way (BMW)	0	11	0
Signal & Communications (BRS)	0	2	2
Clerical (TCU)	0	1	1
Total	0	31	3

Table 2
On Duty Location of Affected CSXT Employees

On Duty Location	Classification					
	BLE	UTU	BMW	BRS	TCU	TOTAL
Evansville, IN	7	10	2	0	0	20
Mount Vernon, IN	0	0	0	1	1	2
McLeansboro, IL	0	0	2	1	0	3
Mount Vernon, IL	0	0	0	0	0	0
Floating	0	0	7	0	0	7
Total	7	10	11	2	1	31

Prior to consummation of the Transaction, CSXT Trainmen and Engineers operate service over the Line for CSXT. Upon consummation of the Transaction, work formerly performed by the CSXT Trainmen and Engineers will be performed by EVWR employees. The maintenance of way work on the Line performed by CSXT employees prior to consummation of the Transaction will upon consummation of the Transaction be performed by EVWR employees. Signal and Clerical work performed on the Line for CSXT will be performed by EVWR employees after consummation of the transactions.

At this time, CSXT has not obtained any implementing agreements with its employees, but CSXT intends to shortly begin voluntary negotiations with its employees.

The number of positions shown above is based on conditions prior to the date of this Application, and may change based upon conditions at the time of consummation of this transaction.

APPENDIX 1-Impacts of the proposed transaction upon carrier employees.

EVWR Employees Affected by EVWR's Purchase and Lease of CSXT's St. Louis Subdivision Between Milepost 324 (near Evansville, Indiana) and Okawville, Illinois (the "Line") Including the Mt. Vernon Branch

Classifications	Hired	Dismissed	Displaced	Relocated
Trainmen	5	0	0	0
Engineers	5	0	0	0
Maintenance of Way	5	0	0	0
Signal & Communications	2	0	0	0
Mechanical	2	0	0	0

Immediately after acquisition of the Line, PAL intends to transfer the Improvements and the common carrier obligation to its whollyowned, newlycreated subsidiary, EVWR, and to assign its lease of CSXT's Real Property to EVWR. EVWR plans to hire approximately ten employees for train and engine service and approximately nine employees for maintenance of the Line and equipment. EVWR plans to begin operating and maintaining the Line on the date of consummation of the Lease. EVWR plans to consider local CSXT employees for hire based on qualifications to be determined by EVWR. No existing employees of PAL will be adversely affected by the proposed acquisition of the Line by EVWR.

Subject to negotiation with the existing unions on the PAL, EVWR intends to adopt similar, if not identical, collective bargaining agreements to those that exist on the PAL. PAL and EVWR intend to negotiate implementing agreements with its unions as necessary to accomplish the proposed transaction.

The number of positions shown above is based on conditions prior to the date of this Application, and may change based upon conditions at the time of consummation of this transaction.

Appendix 2A-Opinion of Counsel for the Paducah & Louisville Railway, Inc.



Paducah & Louisville Railway, Inc.

1500 Kentucky Avenue • Paducah, KY 42003 • (270) 444-4300

August 3, 2005

Surface Transportation Board
Washington, D.C. 20423

Gentlemen:

As counsel for Paducah & Louisville Railway, Inc. ("PAL"), I am familiar with the Application of PAL and CSX Transportation, Inc. ("CSXT") for PAL's acquisition from CSXT of approximately 124.5 miles of CSXT line running between Evansville, IN, milepost OOH-324.0 and Okawville, IL, milepost OOH-445.7, including the Mt. Vernon Branch between milepost OZJ-300 and milepost OZJ-302.8, where PAL will purchase the track, ties and other track material and will lease the real property from CSXT, and am of the opinion that the transaction described in said Application meets the requirements of law and will be legally authorized and valid, if approved by the Board.

Very truly yours,

J. Thomas Garrett

Appendix 2B-Opinion of Counsel for CSX Transportation, Inc.



1331 Pennsylvania Avenue, N.W.
Washington, D.C. 20004

Peter J. Shudtz
Vice President
Federal Regulation & Washington Counsel

Direct phone: 202-783-8124
Fax: 202-783-5929

July 26, 2005

Surface Transportation Board
1925 K Street, NW
Washington, DC 20423-0001

Gentlemen:

As counsel for CSX Transportation, Inc. ("CSXT"), I am familiar with the Application of the Paducah & Louisville Railway, Inc. ("P&L") and CSXT for P&L's acquisition from CSXT of approximately 124.5 miles of CSXT line running between Evansville, IN, milepost OOH-324.0, and Okawville, IL, milepost OOH-445.7, including the Mt. Vernon Branch between milepost OZJ-300 and milepost OZJ-302.8, where P&L will purchase the track, ties, and other track material and will lease the real property from CSXT, and am of the opinion that the transaction described in said Application meets the requirements of law and will be legally authorized and valid, if approved by the Board.

Very truly yours,

A handwritten signature in black ink, appearing to read "P. J. Shudtz", with a long horizontal line extending from the end of the signature.

Exhibit 1-Maps.

See last three pages of Application for colored maps.

Exhibit 2-Land Lease and Purchase of Rail Improvements Agreement between Applicants.

D – R – A – F – T

**LAND LEASE
AND
PURCHASE OF RAIL IMPROVEMENTS
AGREEMENT**

Between

**CSX Transportation and
Paducah & Louisville Railway, Inc.**

Covering

The St. Louis Subdivision, from Evansville, IN (at or near Milepost OOH-324.0) to Okawville, IL (at or near Milepost OOH-445.7) and the Mt. Vernon Branch (Milepost OZJ-300 to Milepost OZJ-302.8) a distance of 124.5 miles

**THIS IS A DRAFT DOCUMENT FOR DISCUSSION
PURPOSES ONLY.
THIS DRAFT DOES NOT CONSTITUTE A BINDING
OFFER UNLESS IT IS SIGNED BY AN AUTHORIZED
OFFICER OF
CSX TRANSPORTATION, INC.**

LAND LEASE AND PURCHASE OF RAIL IMPROVEMENTS AGREEMENT

THIS LAND LEASE AND PURCHASE OF RAIL IMPROVEMENTS AGREEMENT ("Agreement") is made this 30th day of December, 2005, by and between **CSX TRANSPORTATION, INC.**, a Virginia corporation, along with its subsidiaries and affiliates (collectively, "CSXT") and **Paducah & Louisville Railway, Inc.**, a Kentucky corporation, ("Short Line").

WITNESSETH:

WHEREAS, CSXT is the owner of, or has an interest in, the line of railroad consisting of real property and improvements, as defined below, from Milepost **OOH-324.0** at the **Evansville, IN** station to milepost **OOH-445.7** at the **Okawville, IL** station and the Mt. Vernon Branch (Milepost OZJ-300 to Milepost OZJ-302.8) a distance of 124.5 miles (the "Real Property") together with the Improvements, as defined below, all as generally shown on **Exhibit A** (collectively the "Line");

WHEREAS, it is CSXT's goal in entering into this Agreement to reduce its capital needs, to rationalize its rail system and to restructure its business;

WHEREAS, it is CSXT's desire to sell and Short Line's desire to acquire the tracks, rails, ties, ballast, other track materials, switches, crossings, bridges, culverts, signals, crossing warning devices and any and all improvements or fixtures affixed to the Line (hereinafter, the "Improvements"); and

WHEREAS, it is CSXT's desire to lease to Short Line and Short Line's desire to lease from CSXT the real estate underlying the Improvements as well as the buildings as more particularly described in Section 5 herein from CSXT, in accordance with the terms and conditions stated in this Agreement; and

WHEREAS, Short Line desires to enter into this Agreement in order to provide rail service to current and future customers located on the Line and to provide common carrier rail services.

NOW, THEREFORE, in consideration of the premises, the mutual covenants, and the other good and valuable consideration set forth herein, CSXT and Short Line agree as follows:

1 PROPERTY COVERED.

- 1.1 Except as otherwise provided herein and subject to the Reserved Rights and the terms and conditions hereof, CSXT hereby leases the Real Property, as generally shown in Exhibit A and more particularly described in Exhibit A-1, to Short Line effective on the Commencement Date, as defined in Section 7 hereto, provided that the Real Property shall be leased in its "AS IS, WHERE IS" CONDITION AND WITHOUT ANY EXPRESS OR IMPLIED WARRANTIES, INCLUDING BUT NOT LIMITED TO ANY WARRANTIES OF TITLE, MERCHANTABILITY, HABITABILITY, OR FITNESS FOR A PARTICULAR PURPOSE provided, however, CSXT warrants that it has a sufficient property interest in the Real Property to operate a continuous and uninterrupted rail line. Further, to the best of CSXT's knowledge, Short Line will be able to conduct common carrier railroad operations over the Line after the Commencement Date. Short Line acknowledges that it has inspected the Line and accepts it in its current condition and Short Line deems it appropriate for all purposes, including Short Line's intended use. Short Line leases the Real Property subject to all existing agreements, encroachments, claims, easements, occupancies, grants, reservations, deed obligations and similar covenants, rights, title defects and other impediments, whether or not recorded and whether or not this Agreement provides actual notice thereof.
- 1.2 Except as otherwise provided herein, during the Term of this Agreement, Short Line shall have the exclusive right to conduct rail freight operations on the Line, provided that Short Line may not grant trackage rights, haulage rights, or any other right to operate a railroad over the Line to any other carrier or third party. In addition, CSXT shall not grant to any third party any rights whatsoever to conduct rail freight operations on the Line.

1.3 CSXT hereby transfers and sells the Improvements to Short Line in accordance with the "Bill of Sale" attached hereto as Exhibit B.

2 RIGHT TO POSSESSION.

On the Commencement Date, CSXT will deliver to Short Line possession of the Real Property and Improvements for Short Line's lease and ownership, respectively, and operation; provided, however, that CSXT will have three (3) months after said Commencement Date in which to remove, at its sole expense and without unreasonable interference to Short Line's operations, all equipment, locomotives and other rolling stock, inventories and personal property of CSXT located on, but not affixed to, the Real Property as of the Commencement Date, which equipment, locomotives and other rolling stock, inventories and personal property are more particularly described on Exhibit C.

3 TERM.

3.1 General. Unless otherwise terminated pursuant to Section 3.2 herein, this Agreement shall be for a term of TWENTY (20) years from the Commencement Date ("Term"). This Agreement may be renewed for a period of FIVE (5) years if, and only if, the parties reach a mutually accepted agreement on the terms and conditions of such renewal.

3.2 Material Breach.

3.2.1 This Agreement may be terminated by the non-breaching party if either Short Line or CSXT breaches any one or more of the material covenants or obligations under this Agreement and if such breach continues without cure for a period of twenty (20) calendar days from the date of receipt of written notice of such breach with respect to breach of payment obligations under this Agreement and any other agreements entered into between Short Line and CSXT pursuant to the Transaction Agreement.

3.2.2 A breach of a material covenant or obligation includes, but is not limited to, the following:

3.2.2.1 failure of Short Line to pay the lease payments provided for in Section 4 of this Agreement,

3.2.2.2 failure of Short Line to carry CSXT-mandated minimum insurance as defined in Section 31 of this Agreement.

3.3 Non-Material Breach.

- 3.3.1 The party that breaches a non-material covenant or obligation under this Agreement shall cure the breach within sixty (60) calendar days from the date of receipt of written notice from the non-breaching party. If a cure of a non-material breach would reasonably take more than sixty (60) days, the cure period shall be extended for a reasonable period of time, as agreed to by CSXT and Short Line. The cure of a non-material breach shall be commenced within thirty (30) calendar days of notice and diligently pursued until completion.
- 3.4 If the non-breaching party reasonably deems that the breaching party has not complied with the terms of this Section 3, then termination of the Agreement will be effective upon receipt of notice from the non-breaching party following the passage of the cure period provided herein and pursuant to the terms in Section 27.

4 LEASE PAYMENTS.

4.1 Annual Rent.

- 4.1.1 The annual rent shall consist of
cash, payable, in advance, in annual
installments of
be received by CSXT on or before the
Commencement Date of this Agreement and each anniversary
date of the Commencement Date. If such rent or any other
amount due pursuant to the terms of this Agreement is not paid
by the due date, it will be subject to CSXT's standard late charge
and will also accrue interest at nine percent (9%) per annum,
unless limited by local law, and then at the highest rate so
permitted.

- 4.3 Failure of Short Line to receive any bill for periodic rent, or receipt of a bill showing an incorrect rent, shall neither override the Agreement terms nor excuse or release Short Line from liability or responsibility for the correct rent. Limitation on collection for any erroneous billings or payments shall be three (3) years from the issuance of the erroneous bill or payment of the Agreement. In the event the CSXT is required to employ an attorney to collect the rent, Short Line agrees to reimburse the cost of the attorney employed to collect the rent upon receipt of a statement from CSXT.
- 4.4 The rent stated in this Section shall be due irrespective of Short Line's abandonment or cessation of use of any portion of the Line.

5 BUILDING MAINTENANCE.

- 5.1 Short Line shall be solely responsible for and shall bear all the risk, cost and expense of use and maintenance of the Yard Office Building in _____ that is located on and part of the Real Property (the "Building") using Short Line's own labor and/or contractor(s).
- 5.2 During the Term of this Agreement, Short Line shall maintain, keep and repair the Building in substantially the same condition as the same existed on the Commencement Date, normal wear and tear excepted, and as may be required under any applicable federal, state or local law(s), ordinance(s) and regulation(s).
- 5.3 Short Line shall not be responsible for and shall bear no cost and expense of the maintenance of any portion of the Building occupied or of any fixtures, structures or appurtenances placed thereon by CSXT or any third parties pursuant to CSXT's exercise of any of its exceptions, reservations, rights and/or privileges under Section 25 of this Agreement.
- 5.4 Should Short Line fail to maintain the Building in accordance with the standards of this Section 5, CSXT shall have the right, but not the obligation, to make the repairs necessary to bring the Building into conformance with the requirements of this Section, and Short Line shall reimburse CSXT the cost of making such repairs.

- 5.5 Short Line acknowledges receipt of asbestos and/or lead-based paint surveys or similar environmental documentation ("Surveys") for the following buildings: _____. In addition to compliance with any and all applicable environmental laws and regulations, Short Line shall assume responsibility for the maintenance of these buildings in accordance with the recommended asbestos management guidance contained in these Surveys.
- 5.6 Surveys have not been completed for the following buildings included in this Agreement: _____. Therefore, Short Line shall not allow use or occupation of these buildings until proper Surveys, by a qualified, certified and licensed environmental professional, have been completed and submitted to CSXT for review and approval. Once approved, Short Line shall be granted authority to use and occupy these buildings. Also, in addition to compliance with any and all applicable environmental laws and regulations, Short Line shall assume full responsibility for the maintenance of these buildings in accordance with the recommended asbestos management guidance contained in these additional Surveys.
- 5.5 Asbestos and/or lead-based paint surveys or similar environmental documentation ("Surveys") have not been completed for the following buildings included in this Agreement: _____. Therefore, Short Line shall not allow use or occupation of these buildings until proper Surveys, by a qualified, certified and licensed environmental professional, have been completed and submitted to CSXT for review and approval. Once approved, Short Line shall be granted authority to use and occupy these buildings. Also, in addition to compliance with any and all applicable environmental laws and regulations, Short Line shall assume full responsibility for the maintenance of these buildings in accordance with the recommended asbestos management guidance contained in these additional Surveys.

6 INSPECTION OF LINE.

CSXT (or its agent) shall have the right to inspect the Real Property annually and at such other times as it reasonably deems necessary to monitor compliance with this Agreement. CSXT shall have the right to enter the Line to conduct such

inspections; however, CSXT will comply with any instructions of Short Line reasonably designed to insure the safety of the personnel and property of Short Line and CSXT. At Short Line's option, a representative of Short Line may accompany CSXT (or its agent) during the inspection, provided however, that the Short Line representative does so at his or her own risk. CSXT will provide Short Line Five (5) days advance notice before entering the Line to conduct an inspection.

7 COMMENCEMENT DATE, STB REVIEW AND LABOR.

7.1 Short Line shall file with the Surface Transportation Board ("STB") and any other governmental authority with jurisdiction over the Line, an application under 49 U.S.C. § 11323 and any and all other applications, petitions, or notices, and/or secure any and all approvals or exemptions from the STB and other such governmental authorities, that may be required for the lease of the Real Property, purchase of the Improvements and rail operations on the Line. Short Line shall be responsible for any and all filing fees with respect to the aforesaid filings.

7.2 Short Line's lease of the Real Property shall commence on December 31, 2005, contingent upon the approval of the STB authorizing the consummation hereof becoming effective (the "Commencement Date") and such other conditions to closing as are set forth in the Transaction Agreement executed by the parties on or about August 1, 2005. As of the Commencement Date, Short Line and CSXT shall have jointly determined that they have complied with all STB conditions imposed on this transaction, if any, so as to be authorized by law to commence the Agreement.

7.3 Each party to this Agreement shall be responsible for all costs of protection of its respective employees arising out of STB approval of this transaction under 49 U.S.C. §11323 and implementation of the transaction, the exercise or performance by CSXT or Short Line of any rights or obligations hereunder, the termination of this Agreement, or Short Line's abandonment or discontinuance of operations on the Line, whether such costs are attributable to protective conditions or benefits imposed by any judicial, regulatory or governmental body or are required to be paid pursuant to collective bargaining or other agreements. Short

Line shall consider for employment any of CSXT's employees on the Line who, in Short Line's sole judgment, are qualified for the positions for which they apply and make proper application therefor; provided, however, that Short Line shall have no obligation to hire any such applicant.

8 JOINT USE ARRANGEMENTS.

CSXT and Short Line will enter into a LOCOMOTIVE RUN THROUGH POWER AGREEMENT more fully described in Exhibit F.

9 COMPLIANCE WITH LAWS.

Short Line shall comply with all applicable Federal, State and local laws, ordinances and regulations in its use and operation of the Line. Short Line shall provide notification to the Federal Railroad Administration ("FRA") pursuant to 49 C.F.R. §213.5(c) at least 30 days prior to Commencement Date.

10 INTENTIONALLY BLANK

11 PUBLIC FUNDS.

11.1 If Short Line seeks public funding for any portion of the Line, Short Line shall give CSXT notice of its intent to seek such public funding. No consent of CSXT will be required unless such funding will impose any restrictions or liens on the Real Property.

11.2 If Short Line seeks public funding that will impose any restrictions or liens on the Real Property, Short Line shall first give CSXT notice of its intent to seek such public funding and obtain CSXT's prior written approval, which may be withheld in CSXT's sole and absolute discretion. Notwithstanding the foregoing, no notice to, or consent of CSXT will be required with respect to public funding for crossings and signals.

11.3 If the public agency requests a security interest in Short Line's leasehold interest, Short Line shall give CSXT notice of such request and obtain CSXT's prior written approval, which approval CSXT shall not unreasonably withhold or delay.

12 SPECIAL AUDITS.

At any time, CSXT may perform a special audit if it has a reasonable belief that Short Line is not in compliance with this Agreement. The cost of the audit shall be borne by CSXT, provided that if such audit reveals Short Line is not in

compliance with this Agreement, Short Line shall reimburse CSXT for the costs of the audit.

13 TRANSACTION AUTHORITY.

As of the Commencement Date, Short Line and CSXT will have the necessary corporate authority and approval to enter this Agreement. Short Line represents and warrants that: (A) it has secured all requisite corporate and governmental authority to enter into this Agreement and operate the Line; and (B) it has secured all requisite governmental authority to conduct common carrier railroad freight operations on the Line.

14 ENVIRONMENTAL.

14.1 Beginning on the Commencement Date, and throughout the Term, Short Line shall:

14.1.1 operate, and maintain the Real Property in compliance in all material respects with any applicable Environmental Law and be responsible for making any notification or report concerning the Line or operating thereon required to be made by any applicable Environmental Law;

14.1.2 not enter any assignment or sublease, except on terms and conditions concerning environmental, health, and safety matters which are reasonably satisfactory to CSXT;

14.1.3 maintain in full force and effect all permits or approvals required by any applicable Environmental Law for operations of the Line;

14.1.4 expeditiously cure at its own expense to the reasonable satisfaction of CSXT any material violation of applicable Environmental Laws to the extent such violation is attributable to events or conditions which arose on or after the Commencement Date;

14.1.5 not create or operate any (A) nuisance, (B) landfill or dump, or (C) hazardous waste management facility or solid waste disposal facility as defined by Environmental Law;

14.1.6 not manufacture, use, generate, transport, treat, store, release, dispose, or handle any hazardous substance on the Real Property except in the ordinary course of its business as of the Commencement Date, without the written permission of CSXT;

- 14.1.7 within ten (10) business days notify CSXT in writing of and provide any reasonably requested documents upon learning of any of the following which arise in connection with the operations on the Line: any liability for response or corrective action, natural resource damage, or other harm pursuant to CERCLA, RCRA, or any comparable state law; any Environmental Claim; any violation of an Environmental Law or Release, threatened Release, or disposal of a hazardous substance; any restriction on the ownership, occupancy, use, or transferability arising pursuant to any (A) Release, threatened Release, or disposal of a hazardous substance or (B) Environmental Law; or any environmental, natural resource, health, or safety condition which could materially impair the condition of the Line;
- 14.1.8 conduct expeditiously at its expense to the reasonable satisfaction of CSXT and in accordance with any applicable Environmental Law response action necessary to remove, remediate, clean up, or abate any material Release, threatened Release, or disposal of a hazardous substance attributable to events or conditions which arose on or after the Commencement Date; upon the written request of CSXT, timely provide at Short Line's expense a report of an environmental assessment of reasonable scope, form, and depth (including, where appropriate, invasive soil or groundwater sampling) by a consultant reasonably approved by CSXT as to (A) any matter to the extent such matter arises during the lease Term and for which notice is provided pursuant to the above requirements; and (B) the general environmental condition of the Real Property within three hundred and sixty-five (365) days of the termination date. If such a requested environmental report is not delivered within seventy-five (75) days after receipt of CSXT's request, then CSXT may arrange for same. The reasonable cost of any assessment arranged for by CSXT pursuant to this provision shall be payable by Short Line on demand;

- 14.1.9 allow CSXT or its representatives from time to time at CSXT's reasonable discretion and expense to inspect the Real Property and conduct an environmental audit or assessment (including invasive soil or groundwater sampling), including, without limitation, to facilitate any other sale or lease of the Real Property;
 - 14.1.10 remove from the Real Property at Short Line's expense by the termination date any hazardous substances or equipment to manufacture, generate, transport, treat, store, Release, dispose or handle any hazardous substance used by Short Line or in the course of Short Line's business; and
 - 14.1.11 provide CSXT financial assurances adequate to secure the eventual satisfaction of any of Short Line's obligations pursuant to this Section which have not been satisfied as of the termination date.
- 14.2 Short Line shall exercise due care in its use and operation of the Real Property, including taking reasonable precautions against foreseeable acts or omissions of any third party, to prevent the Release of a Hazardous Substance.
- 14.3 Short Line shall be responsible to CSXT and shall defend, indemnify and hold harmless CSXT, and its parent corporations, subsidiaries and affiliates, and all of its and their directors, officers, agents or employees, from and against any costs which at any time or from time to time may be claimed, suffered or incurred in connection with Environmental Contamination occurring after the Commencement Date, any Environmental Claim arising from conditions that occur or activities conducted after the Commencement Date, violation after the Commencement Date of any Environmental Law, or the breach of any provision of Section 14.1 or 14.2. This obligation to indemnify CSXT shall survive the Term of this Agreement.
- 14.4 CSXT shall be responsible to Short Line and shall defend, indemnify and hold harmless Short Line, and its parent corporation, subsidiaries and affiliates, and all of its and their directors and officers, agents or employees from and against any costs which at any time or from time to

time may be claimed, suffered or incurred in connection with Environmental Contamination existing as of the Commencement Date, any Environmental Claim arising from conditions that existed or activities that were conducted on or before the Commencement Date, the violation before the commencement date of any requirement of Environmental Law. The obligation to indemnify Short Line shall survive the Term of this Agreement.

14.5 As to the provisions of this Section 14 only, Short Line and CSXT waive any statute of limitations defense, provided, however, that if one party gives the other party written notice of Environmental Contamination of the Line, the waiver of the statute of limitations shall cease, but only as to the Environmental Contamination which is the subject of the written notice, and as to such contamination, the parties shall then be subject from the date of receipt of such written notice to the times then provided in the then-applicable statute of limitations. The waiver of statute of limitations for any matter not covered in said written notice shall continue.

14.6 For purposes of this Section,

14.6.1 "Costs" means all liabilities, losses, costs, damages, punitive damages, Natural Resource damages, expenses, claims, diminution in value, attorneys' fees, experts' fees, consultants' fees, penalties, fines, obligations, judgments and disbursements, as well as expenses of Remediation and any other remedial, removal, response, abatement, cleanup, legal, investigative, monitoring, or record keeping costs and all expenses related thereto, whether incurred voluntarily or mandated by Requirements of Environmental Law.

14.6.2 "Disposal" (or "disposed") shall have the meaning specified in RCRA.

14.6.3 "Environmental Claim" means any claim; loss; demand; action; cause of action; suit or other legal proceeding which seeks to impose or leads to the imposition of any Cost; damage assessment; punitive damage assessment; fine, penalty, expense, liability, criminal liability, judgment, governmental or private investigation relating to Remediation or compliance with

Requirements of Environmental Laws; proceeding; lien; personal injury, Natural Resource damage, whether threatened, sought, brought or imposed, that is related to or that in any way seeks to impose liability regarding the Real Property or operations conducted at the Line, including, but not limited to, matters concerning (A) improper use of wetlands or other protected land or wildlife; (B) noise; (C) pollution, contamination, damage, impairment, preservation, protection, Remediation or clean-up (on-site or off-site) of air, surface water, ground water, sediments, soil, wetlands or other Natural Resources; (D) generation, handling, discharge, Release, threatened Release, treatment, storage, disposal or transportation of solid, gaseous or liquid waste; (E) exposure, injury to, death of or threat to the health or safety of any person or persons or damage to the Real Property caused directly or indirectly by Hazardous Substances; (F) the manufacture, processing, distribution in commerce, use, treatment, storage, disposal or Remediation of Hazardous Substances; (G) destruction caused directly or indirectly by Hazardous Substances or the Release of any Hazardous Substance on the Real Property; (H) the implementation of spill prevention plans relating to Hazardous Substances; (I) community right-to-know and other disclosure laws; (J) maintaining, disclosing or reporting information to governmental authorities under any Environmental Law; or (K) failure to hold, maintain or comply with any Environmental Permit. The term "Environmental Claim" also includes any Costs incurred in responding to efforts to require Remediation and any claim based upon any asserted or actual breach or violation of any Requirements of Environmental Law, or upon any event, occurrence or condition as a consequence of which, pursuant to any Requirements of Environmental Law, (Y) any owner, operator or person having any interest in the Line, including, without limitation, any mortgagee or the beneficiary of any deed of trust, shall be liable with respect to any Environmental Claim

or otherwise suffer any loss or disability, or (Z) the Line shall be subject to any restriction on use, ownership or transferability. An "Environmental Claim" further includes a proceeding to issue, modify, revoke or terminate an Environmental Permit.

- 14.6.4 "Environmental Contamination" means any land, sediment, surface water, ground water, structure or location that has been contaminated or adversely affected by Hazardous Substances.
- 14.6.5 "Environmental Laws" or "Requirements of Environmental Laws" means any and all laws, rules, permits, regulations, ordinances, judgments, or orders now or hereafter in effect of any federal, state or local executive, legislative, judicial, regulatory or administrative agency, board or authority or any judicial or administrative decision relating thereto that could give rise to or form the basis for any Environmental Claim.
- 14.6.6 "Environmental Matters" means any matter, dispute, proceeding or obligation of any nature falling within the scope of this Section 14.
- 14.6.7 "Environmental Permits" means any permit, license, registration, waste identification number, approval or other authorization relating to business activities or operations on the Line required by any Environmental Law.
- 14.6.8 "Governmental Authority" means any federal, state or local government or any subdivision, agency, instrumentality, authority, department, commission, board or bureau thereof or any federal, state or local court or tribunal.
- 14.6.9 "Hazardous Substances" means (A) those substances included within the statutory and/or regulatory definitions of "hazardous substance," "hazardous waste," "extremely hazardous substance," "regulated substance," "contaminant," "hazardous materials" or "toxic substances," under any Environmental Law, (B) those substances listed in 49 C.F.R. 172.101 and in 40 C.F.R. Part 302; (C) any material, waste or substance which is (i) petroleum, oil or a fraction thereof, (ii) asbestos or asbestos containing material, (iii) polychlorinated biphenyls, (iv)

formaldehyde, (v) designated as a "hazardous substance" pursuant to 33 U.S.C. §321 or listed pursuant to 33 U.S.C. §317, (vi) explosives, (vii) radioactive materials (including naturally occurring radioactive materials), (viii) chemicals used to treat or coat wood or wood that has been so treated or coated, or (ix) Solid Wastes; (D) radon gas in an ambient air concentration exceeding four picocuries per liter (4 pCi/l), or (E) such other substances, materials, or wastes that are or become classified or regulated as hazardous or toxic under any federal, state or local law or regulation.

14.6.10 "Natural Resources" shall have the meaning specified in CERCLA.

14.6.11 "RCRA" means the Resource Conservation and Recovery Act, 42 U.S.C. §6901, et. seq.

14.6.12 "Release" (or "released") shall have the meaning specified in CERCLA.

14.6.13 "Remediation" means a type of action required by a Governmental Authority or necessary to ensure compliance with the Requirements of Environmental Law, including by way of example (A) the removal and disposal or containment (if containment is practical under the circumstances and is permissible within Requirements of Environmental Law) or monitoring of any and all Hazardous Substances at the Line; (B) the taking of reasonably necessary precautions to protect against the Release or threatened Release of Hazardous Substances at, on, in, about, under, within or near the air, soil, surface water, groundwater or soil vapor at the Line or any public domain affected by the operations on the Line or any surrounding areas thereof; (C) any action necessary to mitigate damage to wetlands, pinelands or other protected land or reclaim the same or to protect and preserve wildlife species; (D) any action necessary to meet the requirements of an Environmental Permit; (E) any action required to satisfy Requirements of Environmental Law; and (F) any action

required to redress or restore damages to or achieve restoration of Natural Resources as a result of Releases from the operations on the Line.

14.6.14 "Solid Waste" shall have the meaning ascribed to it in RCRA.

15 ASSIGNMENT AND SUBLEASE/SUBLICENSE.

15.1 Assignment. Subject to the provisions of Section 15.2, this Agreement may not be assigned, or in any manner transferred, nor shall the Real Property be sublet by Short Line, other than to a subsidiary or railroad affiliate of Short Line, without the advance written consent of CSXT, which may be withheld in its sole discretion, signed by an authorized officer, which shall not be unreasonably delayed. In addition to other conditions as may be placed on such assignment, transfer or sublease, as a condition to obtaining CSXT's consent for assignment, Short Line will provide written notice to CSXT of its desire to assign, transfer or sublease this Agreement, together with an agreement, in form and substance acceptable to CSXT, signed by the intended assignee, transferee or subShort Line and agreeing that the intended assignee will be bound by all provisions of this Agreement.

15.2 Track Leases, Public/Private Road/Pedestrian Crossings, and Private Sidetracks. Short Line shall hereby solely be responsible for the approval and preparation for new track lease agreements, public/private road/pedestrian crossing agreements, and private sidetrack agreements on the Line, whether overhead, underpass or at grade. Any new agreement prepared for the purposes stated in this Section, shall be prepared in the form of a sublease/sublicense subject to the terms of this Agreement, and a copy of each executed agreement shall be promptly forwarded to CSXT. Short Line hereby acknowledges that any new track lease agreements, public/private road/pedestrian crossing agreements, and private sidetrack agreements, as well as the existing assigned agreements listed in Exhibit D, are not considered Reserved Rights, as described in Section 25 of this Agreement, by CSXT, and shall be subject to Section 36 of this Agreement.

- 15.3 Short Line shall not allow the placement of any permanent structures on CSXT's property, and shall not grant any type of permanent access/occupancy to CSXT's property.
- 15.4 Short Line's use of the Line, and third party uses authorized hereunder by Short Line, shall be for railroad operations only and for no other purpose.
- 15.5 Pools. Notwithstanding any provision hereof, Short Line may enter into contracts for the joint use and pooling of equipment.
- 15.6 Assignment of Certain of CSXT's Contracts. During the Term of this Agreement and pursuant to the Assignment and Assumption Agreement attached hereto as Exhibit D, CSXT shall assign to Short Line and Short Line shall assume from CSXT those certain agreements listed in Exhibit D. CSXT may, in its reasonable discretion, amend Exhibit D to add or remove agreements therefrom that do not relate to the Line or do not relate to Short Line's continuing freight operations thereon. Upon expiration or other termination of this Agreement, such assignment and assumption shall cease and the agreements listed therein shall revert to CSXT.

16 SOLE BENEFIT.

This Agreement is intended for the sole benefit of the parties hereto. Nothing in this Agreement is intended or may be construed to give any person, firm, corporation, or other entity, other than the parties hereto and their respective officers, agents, employees, parent corporation, subsidiaries, affiliates, successors, and permitted assigns, any right or benefit pursuant to any provision or term of this Agreement, and all provisions and terms of this Agreement are and will be for the sole and exclusive benefit of the parties to this Agreement.

17 WAIVER.

Any waiver at any time by one party of a breach of the other party to comply with any provision, condition, obligation, or requirement of this Agreement will extend only to the particular breach so waived and will not impair or affect the existence of any provision, condition, obligation, or requirement of this Agreement or the right of either party hereto thereafter to avail itself of any rights under this Agreement with respect to a subsequent breach. No provision of this Agreement shall be waived by any act or knowledge of the parties hereto, but only by a written instrument signed by the party waiving a right hereunder.

18 AMENDMENT.

No provision of this Agreement shall be modified without the written concurrence of the parties hereto. This Agreement includes exhibits appended hereto; represents the entire understanding of the parties hereto; and to that extent, supersedes any prior understandings of the parties, written or oral.

19 NOTICES.

All notices required to be given under this Agreement shall be in writing, signed by or on behalf of the party giving the same, and transmitted to the addresses shown on Exhibit E or such successor addresses as that party may specify by notice hereunder. Such notices shall be transmitted by United States registered or certified mail return receipt requested, with confirmed receipt, addressed to the officers and addresses shown on Exhibit E. All notices shall be effective on the day following confirmed receipt of the letter.

20 HEADINGS.

The headings of the Sections of this Agreement are inserted for convenience only and are not intended to govern, limit or aid in the construction of any term or provision of this Agreement.

21 TAXES.

21.1 Short Line shall be responsible for and pay or indemnify CSXT upon CSXT's written demand for all sales and use taxes, transfer taxes, gross receipts taxes, license fees, levies and assessments, ad valorem taxes and property taxes, (together including interest and penalties thereon referred to as "Tax" or "Taxes") relating to the Real Property, operations on the Line or to this Agreement (including, but not limited to, the rentals paid hereunder or the conveyance of property contemplated hereunder). CSXT shall be responsible for any taxes allocable to CSXT's "Reserved Rights."

21.2 All Taxes in the nature of ad valorem or property taxes relating to the Real Property or operation on the Line will be prorated for the first year of the Agreement as of the Commencement Date and be paid by Short Line in total thereafter; provided, however, that if this Agreement is terminated for reasons other than a breach of its terms by Short Line, the foregoing items shall be prorated for the final year of this Agreement as of the date of termination. After the Commencement Date and during the Term of

this Agreement, Short Line will pay when due, and prior to the imposition of any penalty, all Taxes in the nature of ad valorem or property taxes which may become a lien against the Line, and will indemnify CSXT against any liability for payment of such Taxes.

21.3 If CSXT receives notice from any taxing jurisdiction claiming that CSXT is liable for any Tax for which Short Line has agreed to make payment under this Section 21, CSXT shall so notify Short Line in writing of such claim, and Short Line shall promptly pay or indemnify CSXT the amount of such Tax no later than fifteen (15) days after receipt of the notice.

21.4 Nothing in this Agreement will be construed to diminish any right of Short Line to contest any Taxes in appropriate judicial or administrative proceedings to the extent provided by law.

22 ALLOCATION OF INCOME AND EXPENSES.

This is an absolute, pure net lease, except as otherwise expressly provided in this Agreement.

23 UTILITIES.

Short Line shall initiate, contract for and obtain in its sole name all utility services required for its use of or operations on the Line, including gas, electricity, telephone, water and sewer connections and services. Short Line shall pay all charges for such services as they become due, and shall defend, indemnify and hold CSXT (and the Line) harmless from costs of such services.

24 LIENS.

24.1 Short Line expressly agrees that it will not allow any lien or encumbrance against the Real Property, or any portion thereof, without first obtaining CSXT's express written consent, which may be withheld in CSXT's sole and absolute discretion.

24.2 Short Line will pay, satisfy, and discharge all claims or liens for material and labor or either of them used, contracted for, or employed by Short Line during the Term of this Agreement in the construction, repair, maintenance, or removal of the Line and any improvements located thereon, whether said improvements are the property of CSXT or of Short Line. In the event the Agreement is terminated or expires, Short Line shall return the Real Property and Building to CSXT free and clear of any such liens, claims and demands. Notwithstanding the foregoing, in the

event that Short Line participates in any federal or state funding programs after receiving the written consent of CSXT for such participation, CSXT shall comply with all obligations to which it is subject under any such federal or state funding programs.

25 RESERVED PROPERTY RIGHTS.

25.1 CSXT reserves unto itself, its affiliates, subsidiaries, parents, successors and/or assigns, the following property rights hereinafter collectively referred to as the "Reserved Rights":

25.1.1 all existing agreements, leases, licenses or occupations with third parties, including any affiliates of CSXT, whether recorded or not, except those assigned to Short Line pursuant to Section 15.6 and Exhibit D hereof;

25.1.2 subject to the terms of this Agreement, the exclusive right to prepare and enter into future agreements, leases, licenses or occupations with third parties directly, with the exception of track lease agreements, public/private road/pedestrian crossing agreements, sidetrack and other agreements covered by Section 15.2 of this Agreement;

25.1.3 the right, by any commercially reasonable means, to install, construct, operate, maintain, repair, renew, replace, and remove utility systems and their associated and appurtenant equipment and facilities as well as the right to attach the utility systems and related facilities to existing bridges and to install them in existing tunnels; and the right of ingress and egress for access purposes;

25.1.4 the right, by any commercially reasonable means, to install, construct, operate, maintain, repair, renew, replace, and remove commercial poster panels and towers and their associated and appurtenant equipment and facilities as well as the right to attach the commercial poster panels and towers and related facilities to existing bridges and to install them in existing tunnels; and the right of ingress and egress for access purposes;

- 25.1.5 the right to amend this Agreement at any time, in its sole discretion, to exclude from the Real Property any portion of the Real Property located more than twenty-five (25) feet from the track centerline and that does not materially interfere with Short Line's continuing freight operations for the purpose of conveying such properties to third parties;
 - 25.1.6 the right to convey all minerals, mineral rights and air rights in, on or under the Real Property; and
 - 25.1.7 after receiving a notice pursuant to Section 19 of this Agreement from Short Line at least 60 days prior to the date that Short Line plans to begin the proposed track construction project described in the notice, CSXT, in its reasonable discretion, shall have the right to object to the proposed track construction project and direct Short Line not to construct, or allow the construction of such track structure on the Real Property. If CSXT does not object to the proposed track construction project within 30 days of receipt of notice, Short Line shall be able to proceed with the proposed track construction project.
- 25.2 CSXT shall retain any rentals, fees or other payments associated with the Reserved Rights.
- 25.3 Short Line shall have the right and obligation to review any application by a third party, or by CSXT or CSXT's affiliates, to cross over or under the Line or to utilize any portion of the Line pursuant to this Section 25 that is located within twenty-five (25) feet of the centerline of any existing operating track (each a "Project"). Short Line shall have thirty (30) days from the date Short Line receives the application to review plans and any other related information CSXT deems appropriate for Short Line to adequately evaluate the proposed use(s) contemplated in the application and advise CSXT if the application is approved or denied. If Short Line has not responded to the application within such thirty (30) day period, Short Line shall be presumed to have approved the application and CSXT shall be free to enter into the appropriate agreement, lease, license or occupation. Should CSXT be contractually obligated to respond more timely to third party, then Short Line agrees, upon notice from CSXT, to

shorten its review time accordingly. Short Line's approval of any application shall not be unreasonably withheld, conditioned or delayed. An application may be objected to by Short Line only if and to the extent the Project would violate the conditions set forth in Section 25.6 below. Reasonable temporary interference with such operations during construction, potential maintenance or replacement of a Project shall not be grounds for objection by Short Line. In the event of a qualifying objection by Short Line, CSXT and Short Line shall work together, in good faith, to modify the Project so as to eliminate the objection. Short Line shall receive an application review fee for Short Line's time and expense associated with the review process. The application fee shall be the lesser of 25% of fee charged to third party by CSXT or \$250.00. Short Line shall waive the application fee where prohibited by State Statute, governmental regulation or master agreements or other contractual obligations between CSXT and third parties.

- 25.4 CSXT shall have the right to exclude from the Real Property any portion of the Real Property pursuant to this Section 25 that is located twenty-five (25) feet or more from the centerline of any existing operating track for the purpose of conveying, leasing or licensing such properties to third parties (each a "Transfer"). CSXT shall provide written notice to Short Line of any such sale to a third party following closing. The notice shall include the name and address of the Grantee and a map showing the Transfer area.
- 25.5 Short Line shall have the right and obligation to review any request by CSXT, or CSXT's affiliates, to exclude from the Real Property any portion of the Real Property that is located within twenty-five (25) feet of the centerline of any existing operating track for the purpose of making a Transfer. Short Line shall have thirty (30) days from the date Short Line receives a proposal for a Transfer from CSXT to review the proposed Transfer and any other related information CSXT deems appropriate, including the proposed intended use, for Short Line to adequately evaluate the proposed Transfer and advise CSXT if the proposal is approved or denied. If Short Line has not responded to the proposal within such thirty (30) day period, Short Line shall be presumed to have

approved the Transfer and CSXT shall be free to complete the same. Should CSXT be contractually obligated to respond more timely to third party, then Short Line agrees, upon notice from CSXT, to shorten its review time accordingly. Short Line's approval of any proposed Transfer shall not be unreasonably withheld, conditioned or delayed. A Transfer may be objected to by Short Line if and only to the extent the Transfer would violate the conditions set forth in Section 25.6 below. In the event of a qualifying objection by Short Line, CSXT and Short Line shall work together, in good faith, to modify the Transfer so as to eliminate the objection. Short Line shall receive an application review fee for Short Line's time and expense associated with the review process. The application fee shall be the lesser of 25% of fee charged to third party by CSXT or \$250.00. Short Line shall waive the application fee where prohibited by State Statute, governmental regulation or master agreements or other contractual obligations between CSXT and third parties.

25.6 CSXT's exercise of the Reserved Rights in this Section 25 shall not unreasonably interfere with Short Line's present or reasonably contemplated freight operations, and CSXT, its licensees and invitees shall be required to provide notice to Short Line before entering the Real Property for the purposes described in this Section 25, and such entry shall be at the sole risk of the entering party.

26 NO PASSENGER RAIL USE

Short Line shall use the Line for freight rail transportation purposes only and shall comply with all applicable Federal, State and local laws, ordinances and regulations in its use of the Line.

27 EFFECT OF TERMINATION OR EXPIRATION OF AGREEMENT.

27.1 At least one-hundred and twenty (120) days prior to the expiration of this Agreement, or promptly upon the earlier termination of this Agreement, Short Line shall submit all necessary applications, petitions and/or notices to the STB or any successor agency to effectuate a termination of this Agreement and an abandonment of the operations it acquired through the Bill of Sale attached hereto in Exhibit B. Upon obtaining any necessary

regulatory authority or exemption, Short Line will forthwith vacate and surrender the Real Property to CSXT.

27.2 Upon expiration or earlier termination of this Agreement, Short Line shall surrender the Real Property in good order to CSXT. Should CSXT exercise its option to enter onto and operate the Line, CSXT shall have the right to repurchase the Improvements on the Line. The price for the Improvements to be paid by CSXT shall be the net liquidation value as calculated pursuant to 49 C.F.R. § 1152.34 (c) (1) (iii) at the time CSXT seeks to repurchase same. Transfer of the Improvements to CSXT will be by a bill of sale in a format comparable to or similar to the bill of sale whereby CSXT transferred the Improvements to Short Line. In the event CSXT elects not to operate and repurchase the Improvements as described in this Section 27.2, Short Line shall remove said Improvements within six (6) months of the STB or any successor agency's authority to abandon or discontinue service.

27.3 If, subject to the right of CSXT to seek removal of Short Line from the Line by all applicable legal means, Short Line holds over or remains in possession of the Line after the expiration of this Agreement, in addition to all other legal and equitable rights it may have, CSXT may elect to treat such holding over or continued possession as creating a tenancy from month to month only, and monthly rental for such period will be payable as one (1) per cent of the corridor net liquidation value of the Real Property. Such monthly rental shall be due and payable on the first of each month, in advance.

28 ABANDONMENT, DISCONTINUANCE OR OTHER REGULATORY ACTIVITIES.

28.1 In the event Short Line desires to abandon its rail operations or to discontinue rail service on or over the Line, Short Line shall first file for necessary authorization from the STB or other regulatory authority as may be appropriate, to obtain abandonment authority or exemption.

28.2 Prior to filing for STB authorization, Short Line shall give CSXT one hundred and twenty (120) calendar days notice of its plan to seek such authorization.

- 28.3 If Short Line consummates an abandonment of any portion of the Line, this Agreement shall terminate as to the same, but the rental due hereunder shall continue unaffected.
- 28.4 Short Line shall be solely responsible for any protective conditions or benefits imposed by any judicial, regulatory or governmental body, for the benefit of Short Line's employees or the employees of any subsidiary or affiliate of Short Line, or are otherwise required to be paid to such employees under Short Line's collective bargaining or other agreement, howsoever arising, including as a consequence of the approval of this Agreement, the exercise or performance by CSXT or Short Line of any rights or obligations hereunder, the termination of this Agreement, or Short Line's abandonment or discontinuance of operations on the Line.
- 28.5 Short Line acknowledges that as part of the abandonment process governed by the STB or any successor agency, a third party may make application to the STB or other successor agency to request that interim trail use/rail banking be imposed under the Trails Act. Short Line shall advise CSXT if such an application is made by a third party and shall cooperate with the STB or other successor agency and CSXT, if desired by CSXT, to issue a public use condition ("PUC") giving a public agency the exclusive right with the CSXT for the purchase of the Real Property or a notice of interim trail use ("NITU") permitting the CSXT and trail manager to negotiate for railbanking and use of the Real Property for a trail.

29 EMINENT DOMAIN.

- 29.1 During the Term of this Agreement, if the whole or any part of the Real Property shall be taken, condemned, expropriated or seized by any governmental or lawful authority by the exercise of the right of eminent domain, for any public or quasi-public purpose, use or benefit, the following provisions shall be applicable:
- 29.1.1 If such proceedings result in the taking of the whole or a material portion of the Real Property (i.e., that which materially interferes with Short Line's use of the Line for railroad purposes), Short Line shall have the right, upon written notice to CSXT, to terminate this

Agreement in its entirety as of the date title to the Real Property, or such material portion, vests in the condemning authority.

- 29.1.2 If such proceedings result in the taking of less than all or a nonmaterial part of the Real Property, then the Agreement shall terminate only as to the part so taken, and this Agreement shall continue in full force and effect as to that part of the Real Property remaining, without any reduction, abatement or effect upon any rental.
- 29.2 If the temporary use (i.e., less than ninety (90) consecutive days) of the whole or any part of the Line shall be taken at any time during the Term of this Agreement for any public or quasi-public use, purpose, or benefit, Short Line shall give prompt notice thereof to CSXT and the Agreement shall be suspended for the duration of such temporary taking but continue for the balance of its Term. In such case, Short Line shall continue to pay, in full, all sums and charges to be paid by Short Line under the provisions of this Agreement. In the event that such temporary taking shall exceed such ninety (90) day period, then either CSXT or Short Line may elect to treat such taking in accordance with the provisions of Section 29.1 hereof. The provisions of this Section 29.2 shall not apply to any temporary use of taking of the Real Property, or any portion thereof, involving or incident to any of CSXT's exceptions, reservations, rights or privileges contained in Section 25 hereof.
- 29.3 During the Term of this Agreement, (A) if any such proceeding is instituted, or (B) if the exercise of such power is threatened, and (C) if such proceeding or threatened proceeding involves or affects any or all of CSXT's exceptions, reservations, rights or privileges contained in Section 25 hereof, CSXT shall be entitled to any and all funds payable for the taking of or damage to such exception, reservation, right or privilege; and CSXT shall be entitled to prosecute and receive, as the case may be, any and all claims, causes of action and awards for damages arising out of or connected therewith.
- 29.4 Except as otherwise expressly provided in this Section 29, CSXT shall be entitled to any and all funds payable for the total or partial taking or temporary use of the Real Property without any participation by Short Line,

provided that nothing contained herein shall be construed to preclude Short Line from prosecuting any claim directly against the condemning authority for loss of its business, for the value of the Improvements hereunder.

- 29.5 During the Term of this Agreement, each party shall provide prompt notice to the other party of any and all proceedings for condemnation, expropriation or seizure, or any and all threats of the exercise of the powers to condemn, expropriate or seize all or any portion of the Real Property, by furnishing the other party a copy of any and all documents and written communications with respect thereto that may be received by the receiving party. Short Line shall make all reasonable efforts to cooperate with CSXT in the defense of such proceedings.

30 GOVERNING LAW.

This Agreement will be construed in accordance with the laws of the state in which the Line is located. If the Line involves more than one state, the law of the state in which that portion of the Line at issue is located shall govern.

31 INSURANCE.

- 31.1 Prior to the Commencement Date of this Agreement, Short Line, at its sole cost and expense, shall procure, and thereafter shall maintain in full force and effect at all times during the Term of this Agreement, insurance meeting the requirements of this Section 31.
- 31.2 Short Line shall have Railroad Comprehensive Liability Insurance with a Combined Single Limit of not less than Ten Million Dollars (\$10,000,000) per occurrence, subject to a self-insured retention of Five Million Dollars (\$5,000,000.00) during the Term of this Agreement. Such insurance shall: (A) specifically name CSXT as an "additional insured" thereon; (B) include a "severability of interests" provision; (C) provide for thirty (30) calendar days notice to CSXT of any change in or cancellation of the policy; (D) provide Contractual Liability insurance specifically insuring all liability assumed by Short Line under this Agreement; and (E) provide Contractual Liability insurance specifically insuring all rolling stock and lading on the Line, regardless of cause, irrespective of the ownership thereof. This insurance shall not be deemed a limitation on Short Line's liability, but shall be deemed to be additional security therefor.

- 31.3 During the Term of this Lease, Short Line shall have Physical Damage Property Insurance covering all risk of loss or damage to the Buildings, Line and motive power, irrespective of the ownership thereof with a combined single limit of not less than Five Million Dollars (\$5,000,000.00) per occurrence subject to a self-insured retention of Two Hundred Fifty Thousand Dollars (\$250,000.00). Such insurance shall name Short Line as insured, and CSXT as loss payee, and further shall provide amounts provided herein for the replacement value of Buildings, the Line and locomotives, regardless of ownership. The policy also shall waive subrogation against CSXT.
- 31.4 Short Line shall furnish certified copies of the above policies to CSXT's Insurance – Law Department, 500 Water Street, S/C J-150, Jacksonville, FL 32202.
- 31.5 Each policy shall be endorsed to provide for thirty (30) calendar days written notice to said Risk Management Department prior to termination or material change in the coverage provided.
- 31.6 In the event that Short Line fails to procure or maintain the required coverages during the Term, CSXT may, in addition to CSXT's rights to declare Short Line to be in default and to terminate under Section 3.2 of this Agreement, procure such insurance for Short Line's account

32 ARBITRATION.

Any dispute arising between the parties hereto with respect to any of the provisions hereof which cannot be settled by the parties themselves within sixty (60) calendar days of either party giving the other notice of the dispute shall be settled under the Commercial Arbitration Rules of the American Arbitration Association. The arbitration will be held in Jacksonville, Duval County, Florida. The arbitrators shall be experienced in railroad matters and transportation law. The decision of the arbitrator(s) shall be final and conclusive upon the parties hereto and shall be enforceable in a court of competent jurisdiction. Each party to the arbitration shall pay the compensation, costs, fees and expenses of its own witnesses, exhibits and counsel. The compensation, costs and expenses of the arbitrator(s), if any, shall be borne equally by the parties hereto. The arbitrator(s) shall not have the power to award consequential or punitive damages or to determine violations of criminal laws or antitrust laws.

33 COUNTERPARTS.

This Agreement may be executed in any number of counterparts, each of which may be deemed an original for any purpose.

34 CONFIDENTIALITY.

- 34.1 Each party hereto covenants that all information and documents concerning the other party known to, or received or reviewed by, the first party, its employees, agents or representatives, in connection with this Agreement and the transactions contemplated hereby shall be maintained in confidence and not disclosed or utilized (other than in connection with the transactions contemplated hereby) by the first party, its employees, agents or representatives, without the other party's prior written consent, unless (A) such information and documents were, are now, or become generally available to the public (but not as a result of a breach of any duty of confidentiality by which the first party, or any of its employees, agents and representatives, is bound), (B) such information and documents were known to first party prior to their disclosure to the first party by the other party in connection with this Agreement, as demonstrated by the first party's written records, (C) such information and documents are disclosed by a third party, or (D) such items are required to be disclosed pursuant to a judicial order or applicable law, rule or regulation or to the parties' insurers. Notwithstanding anything herein to the contrary, each party may disclose (without prior notification to, or approval or consent by, the other party), to taxing authorities and/or to such party's representatives, outside counsel and advisors, any confidential information that is required to be disclosed in connection with such party's tax filings, reports, claims, audits, and litigation.
- 34.2 In the event that either party hereto, or any of its employees, agents or representatives, becomes legally compelled to disclose any such information or documents, the disclosing party shall provide the other party with prompt notice before such disclosure so that the other party may seek a protective order or other appropriate remedy or waive compliance with the provisions of this Agreement, or both. In the event that such protective order or other remedy is not obtained, or that the other party waives compliance with the provisions of this Agreement, the disclosing party shall

furnish only that portion of the information or documents that it is advised by written opinion of counsel is legally required.

- 34.3 It is agreed that money damages would not be a sufficient remedy for any breach of this Section 34 and that either party hereto shall be entitled to specific performance as a remedy for any such breach. Such remedy shall not be deemed to be the exclusive remedy for breach of this Section 34 but shall be in addition to all other remedies available at law or in equity. Each party hereto further agrees and covenants that it shall not use any information or document that it obtains or has obtained in connection with this Agreement in any judicial or administrative proceeding brought against the other party, except in a proceeding for breach of this Agreement. With respect to any judicial or administrative proceeding brought by a third party challenging any provision of this Agreement or relating to any action or inaction required by this Agreement, the party against whom such proceeding is brought may use for purposes of defending such proceeding information or documents that it obtains or has obtained in connection with this Agreement; provided, however, that the party against whom such proceeding is brought shall consult with and obtain the written consent of the other party prior to such use of information or documents.

35 FORCE MAJEURE.

- 35.1 The prompt and timely performance of all obligations and covenants under this Agreement, including the obligation to make prompt and timely payment of each installment of Rent or any other payment of any nature, is and shall be of the essence of this Agreement.
- 35.2 Whenever a period of time is provided in this Agreement for either party to do or perform any act or thing, other than payment of Rental, said party shall not be liable or responsible for any delays due to strikes, lockouts, casualties, acts of God, war, terrorist acts, court orders, work stoppages, nuclear incidents, riots, public disorder, criminal acts or acts or omissions of other parties or entities, governmental regulations, or other such causes beyond the reasonable control of said party (each a "Force Majeure"). In the event of such Force Majeure, the performance time period shall be extended for the amount of time said party is so delayed; provided, however, that this Section 35.2 shall not be construed to affect the

responsibilities of said party hereunder to perform such act or thing once such Force Majeure conditions have been removed.

36 INDEMNITY.

- 36.1 Except as otherwise provided herein, CSXT shall not be liable for or on account of any loss, damage, or claim to or concerning the Line, the Real Property or the Buildings, any and all improvements or fixtures located thereon, the property of Short Line or any third party, or for personal injury or death of any employee, agent or individual that may result from Short Line's operation, use or interest in the Line, the Real Property or the Buildings. Short Line shall defend, indemnify, reimburse, and hold harmless CSXT, its affiliates, and their respective directors, employees and agents from and against any and all liability, obligation, loss, judgment, claims, costs (including but not limited to court costs and attorney's fees), damages and expenses whatsoever arising in any manner out of Short Line's (A) failure to comply with all applicable laws, ordinances, regulations, protective conditions, benefits or agreements; (B) use of the Line, the Buildings and any other improvements or fixtures hereafter placed on the Real Property by Short Line during the Term of this Agreement; (C) liability for any and all claims, liens, or demands identified in Section 24.2; and/or (D) responsibility for any and all protective conditions or benefits imposed by any judicial, regulatory or governmental body as identified in Section 28.4.
- 36.2 Except as otherwise provided herein, Short Line does not assume and shall not be liable for or on account of any loss, damage, or claim concerning the Line, the Real Property or the Buildings, any and all improvements or fixtures located thereon, the property of CSXT or any third party, or for injury or death of any employee, agent or individual caused by or arising from (A) CSXT's (or CSXT's permittees, contractors, agents, invitees or others acting by, for or under the authority of CSXT) operation, use, ownership or presence on or about the Line or the Buildings prior to commencement of this Agreement or subsequent to termination or expiration of this Agreement, or (B) CSXT's (or CSXT's permittees, contractors, agents, invitees or others acting by, for or under the authority of CSXT) operation, use, ownership or presence on or about

the Line or the Buildings pursuant to any exercise or purported exercise of its Reserved Rights. CSXT shall defend, indemnify and hold harmless Short Line, its affiliates, and their respective directors, partners, employees and agents from and against any and all such loss, damage or claims, including their reasonable attorney's fees, and other costs of defense.

37 SEVERABILITY.

If any part of this Agreement is determined to be invalid, illegal or unenforceable, such determination shall not affect the validity, legality or enforceability of any other part of this Agreement and the remaining parts of this Agreement shall be enforced as if such invalid, illegal or unenforceable part were not contained herein.

38 TIME IS OF THE ESSENCE.

Time is of the essence with respect to each provision of this Agreement.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed in duplicate, each part being an original, as of the day and year first above written.

CSX TRANSPORTATION, INC.

WITNESS:

Name: _____
Title: _____

By: _____
Name: Lester M. Passa
Title: VP Strategic Planning

**PADUCAH & LOUISVILLE RAILWAY,
INC.**

WITNESS:

Name: _____
Title: _____

By: _____
Name: Anthony V. Reck
Title: President

List of Exhibits

Exhibit	Description	First Mention in Document
A	Map of Line to be Leased	First "Whereas"
B	Bill of Sale	Third "Whereas"
C	Equipment to be Removed by CSXT	Section 2
D	Assignment and Assumption of Various Agreements, Leases, Licenses and Ordinances	Section 15.2
E	List of Names and Addresses for Notice Purposes	Section 19
F	Locomotive Run Through Power Agreement	Section 8

EXHIBIT A-1
Description of Line to be Leased

TO BE PROVIDED

EXHIBIT B
Bill Of Sale

THIS BILL OF SALE, made as of this _____, by and between CSX TRANSPORTATION, INC., a Virginia corporation, whose mailing address is 500 Water Street, Jacksonville, Florida 32202, hereinafter called "Vendor," and the Paducah & Louisville Railway, Inc., whose mailing address is **1500 Kentucky Ave., Paducah, KY 42003**, hereinafter called "Vendee"; WITNESSETH:

THAT Vendor, for and in consideration of the sum of _____ paid to Vendor by Vendee, the receipt whereof is hereby acknowledged, does hereby BARGAIN, SELL, TRANSFER and DELIVER unto Vendee all of Vendor's right, title and interest in and to The St. Louis Subdivision, from Evansville, IN (at or near Milepost OOH-324.0) to Okawville, IL (at or near Milepost OOH-445.7) and the Mt. Vernon Branch (Milepost OZJ-300 to Milepost OZJ-302.8) a distance of 124.5 miles, hereinafter "Improvements," said Improvements being more particularly described as tracks, rails, ties, ballast, other track materials, switches, crossings, bridges, culverts, crossing warning devices and any and all improvements or fixtures affixed to the Line.

TO HAVE AND TO HOLD the same unto Vendee, Vendee's successors and assigns, forever.

Upon delivery of this Bill of Sale, and acceptance thereof, said Improvements shall be considered severed from the underlying real estate and it shall thereafter be personal property. This instrument conveys no rights, title or interest in any real estate of Vendor.

Said Improvements, related facilities and appurtenances are sold "as is, where is," in place, in exactly the condition in which the same exist on the date of this instrument, and without warranty as to the merchantability or fitness thereof for any purpose, and without any other warranty by Vendor, expressed or implied, except that Vendor warrants: that Vendor is the lawful owner of said goods and chattels; that the goods and chattels are free from all liens and encumbrances; and that Vendor has good right to sell its interest in the same as aforesaid.

Vendee shall be and agrees to be responsible for all Taxes on this conveyance to the extent set forth in Section 21 of that certain Lease and Purchase of Rail Improvements Agreement between Vendor and Vendee dated as of the day and year first above written.

IN WITNESS WHEREOF, Vendor has hereunto affixed its corporate name by the officer duly appointed and authorized to do so, the day and year first above written.

Signed, sealed and delivered
in the presence of:

CSX TRANSPORTATION, INC.

By: _____
Print Name: Lester M. Passa
Print Title: Vice President Strategic Planning

EXHIBIT C

Equipment to be Removed by CSXT

[need list specifying property to be removed]

EXHIBIT D
Assignment And Assumption Of Various
Agreements, Leases, Licenses And Ordinances

FOR VALUE RECEIVED, in connection with that certain Land Lease and Purchase of Rail Improvements Agreement date as of December 30, 2005 by and between CSX Transportation, Inc., hereinafter referred to as "Assignor," and Paducah & Louisville Railway, Inc., hereinafter referred to as "Assignee" (the "Agreement"), Assignor does hereby (i) fully assign unto Assignee all of the right, title and interest of Assignor in those agreements, leases, licenses and ordinances, indicated on Exhibit D-1, attached hereto and made a part hereof; and partially assign unto Assignee the right, title and interest of Assignor in those agreements, leases, licenses and ordinances indicated on Exhibit D-2, attached hereto and made a part hereof. With respect to such partial assignment, Assignor's intent is to assign only so much of the instruments indicated on Exhibit D-2 as affects the property covered by said Agreement.

Assignee does hereby assume, to the extent of the interest hereby assigned, all of the covenants, promises and obligations of Assignor contained within the subject agreements, leases, licenses and ordinances. Assignor shall be entitled to retain any and all rentals, fees and the like where the charge from the date of the billing period is prior to the Commencement Date of the Agreement, without proration. After the Commencement Date, Short Line shall be entitled to retain any and all rentals, fees and the like where the charge from the date of the billing period is prior to the expiration or earlier termination of the Agreement, without proration.

Upon the termination or expiration of the aforementioned Agreement, the assignments made by this instrument shall terminate. Within a reasonable time from the date of the termination or expiration of the Agreement, Assignee shall deliver to Assignor any amendments to the documents listed on Exhibits D-1 and D-2, and any new agreements entered into during the Term.

ASSIGNOR:

ATTEST:

Name: _____
Title: _____

CSX Transportation, Inc.

By: _____
Name: _____
Title: Vice President Strategic Planning

ASSIGNEE:

ATTEST:

Name: _____
Title: _____

Paducah & Louisville Railway, Inc.

By: _____
Name: Anthony V. Reck
Title: President

EXHIBIT E

List of Names and Addresses for Notice Purposes

Notices to CSXT shall be delivered (via mail and either fax or e-mail to):

AVP Property Services
CSX Transportation
500 Water Street, J180
Jacksonville, FL 32202

With copies to:

AVP Network Rationalization
CSX Transportation
500 Water Street, J200
Jacksonville, FL 32202

Senior Director – Short Line Marketing
CSX Transportation
500 Water Street, J848
Jacksonville, FL 32202

Notices to SHORT LINE shall be delivered (via mail and either fax or e-mail to):

President
Paducah & Louisville Railway, Inc.
1500 Kentucky Ave.
Paducah, KY 42003

Exhibit 15-Minor Transaction Operating Plan.

PAL is an experienced and successful railroad operating over approximately 262 miles of track it owns in Kentucky, from Louisville to Clayburn. It has been operating since 1986 and has built its traffic base from about 77,000 carloads in its first full year of operation (1987) to a high of 216,000 carloads in its best year. During this time, PAL has maintained an excellent safety record, winning several Harriman Awards, and up until last year, had not had a mainline derailment for over ten years.

The PAL originates and terminates local traffic on its line and interchanges with CSXT, Norfolk Southern Railway Company ("NS"), Louisville and Indiana Railroad Company and Canadian Pacific Railway Company at Louisville; CSXT at Central City and Madisonville; and Canadian National Railways and BNSF Railway Company ("BNSF") at Paducah, Kentucky. PAL employs 223 persons, including 45 management or salaried employees and 178 craft employees represented by seven labor unions. The company owns 41 locomotives, owns, and/or leases 1,155 revenue service cars, 23 non-revenue cars and 25 pieces of self-propelled Maintenance of Way equipment. In addition to rolling stock, PAL owns buildings and/or facilities in Louisville, Cecilia, Horse Branch, Central City, Princeton, Calvert City, and Paducah, Kentucky.

The transaction consists of PAL's acquisition, through a purchase, of CSXT's common carrier obligation and of the tracks, ties, switches, and other track materials currently on the Line known as the St. Louis Subdivision between milepost OOH 324.0 near Evansville, Indiana, and milepost OOH 445.7 near Okawville, Illinois; and the Mt. Vernon Branch, milepost OZJ 302.8 in Mt. Vernon, Indiana; a distance of 124.5 miles. PAL will also lease from CSXT the right to operate over the real estate.

As noted, immediately after the acquisition and lease, PAL will transfer the common carrier obligation and its ownership in the tracks, ties, switches, and other track materials to its wholly owned subsidiary, EVWR, and will also assign the lease of CSXT's real estate interests to EVWR. EVWR will then become the actual owner and operator of the Line. EVWR will have its own employees, its own management, and its own financial arrangements. It will publish tariffs, interline, and otherwise operate as a railroad independent of PAL. EVWR will operate from Mt. Vernon, Indiana. Traffic will be interchanged between EVWR and CSXT at Evansville, Indiana, between EVWR and Union Pacific Railroad Company at Mt. Vernon, Indiana, and between EVWR and BNSF at Woodlawn, Illinois.

Train service will be provided to all customers on the line seven (7) days per week. The operation from Mt. Vernon, Indiana to Okawville, Illinois will use two (2) locomotives. One two-person crew will depart Mt. Vernon, Indiana Sunday, Tuesday and Thursday and return Monday, Wednesday and Friday, setting out and picking up cars at industries and interchange enroute.

One two-person crew will perform station and industry switching at Mt. Vernon, Indiana. Another two-person crew will perform station switching and perform interchange to and from CSXT at Evansville, Indiana.

Two two-person crews will perform loading of unit coal trains at Epworth, Illinois, transit to Mt. Vernon, Indiana for unloading and return. EVWR will employ nine (9) maintenance employees.

EVWR intends to consider for employment all qualified current and former CSXT employees whose positions are abolished as a result of this transaction and who make proper application for employment. Although intended to operate independently of PAL, EVWR and

PAL will share common management until such time as EVWR can hire its own management team. EVWR and PAL will also enter into a Management and Administrative services contract whereby PAL will provide management oversight and certain administrative services to EVWR. Overall, EVWR expects to hire approximately ten train and engine service employees; nine maintenance of right of way, signals, and equipment employees; and three managers for the new operation. In addition to operating and maintenance employees, EVWR expects to hire three (3) additional management employees.

Although created as a non-carrier subsidiary of PAL, EVWR is not being created to avoid PAL's collective bargaining agreements or to avoid union operations over the Line. Indeed, EVWR intends to become a fully unionized carrier and PAL and EVWR intend to enter into any necessary implementing agreements required to accomplish that purpose. EVWR expects to have any employees who are hired to operate and maintain the Line work under essentially the same agreements as if PAL were doing the work. As such, EVWR expects its employees to be represented by five unions; the same unions and crafts that would operate and maintain the Line if PAL had not sold the Line to EVWR. No PAL employee will be adversely impacted in the transaction.

CERTIFICATE OF SERVICE

I hereby certify that I have caused the foregoing document to be served pursuant to the requirements of 49 C.F.R. § 1180.4(c)(5) and on the following parties:

VECTREN FUELS INC
8511 Welborn Rd
Abee, IN 47620

AMEREN ENERGY
6725 N. 500th St
Newton, IL 62448

G E CAPITAL RAILCAR SERVICES
511 State St
N. Vernon, IN 47250

WHITE COUNTY COAL CORP
500 White St
Epworth, IL 62821

AGRILIANCE LLC
2435 Kentucky Ave Bldg 11
Indianapolis, IN 46204

AMERICAN ELECTRIC POWER SVC
1530 Winfield Rd
St Albens, WV 25177

HAMSON AG INC
Route 3
McLeansboro, IL 62859

MICHEL FERTILIZER CO
1313 Shawnee St
Mt Vernon, IL 62864

ROYSTER CLARK INC
Route 3
McLeansboro, IL 62859

SMITH GEORGE AG SERVICE
Route 3
McLeansboro, IL 62859

CONSOLIDATED GRAIN & BARGE CO
PO Box 312
Enfield, IL 62835

AGRILIANCE LLC
2435 Kentucky Ave Bldg 11
Indianapolis, IN 46204

ALLIANCE RESOURCE OPERATING
PO Box 742
Mt Vernon, IN 47620

BROWN FEED AND CHEMICAL
404 South 5th St
Carmi, IL 62821

BROWNS FEED STORE
404 South 5th St
Carmi, IL 62821

OKAWVILLE FARMERS ELEVATOR
702 S Elevator
Okawville, IL 62271

ADM GRAIN CO
PO Box 1470
Decatur, IL 62525

MILES FARM SUPPLY
404 South 5th St
Carmi, IL 62821

ROYSTER CLARK INC
62 9th St
Montgomery, AL 36113

WHITE COUNTY COAL CORP
500 White St
Epworth, IL 62821

PEAVEY CO
PO Box 39 Pillsbury Rd
McLeansboro, IL 62859

ADM MILLING CO
614 W 2nd St
Mt Vernon, IN 47620

ALLIANCE RESOURCE OPERATING
PO Box 742
Mt Vernon, IN 47620

AMERICAN ELECTRIC POWER SVC
1530 Winfield Rd
St Albens, WV 25177

ARCHER DANIELS MIDLAND CO
612 W 2nd St
Mt Vernon, IN 47620

B & M PLASTIC
103 Brown St
Mt Vernon, IN 47620

BARRETT'S MINERALS INC
2700 Bluff Rd
Mt Vernon, IN 47620

BWX TECHNOLOGIES INC
1400 Old HWY 69 S
Mt Vernon, IN 47620

CARGILL INC
10500 Mulky Rd
Evansville, IN 47712

CF INDUSTRIES INC
1500 Old HWY 69 S
Mt Vernon, IN 47620

CGB PROCESSING DIVISION
PO Box 289
Mt Vernon, IN 47620

CINERGY CORP
1000 E Main St
Plainfield, IN 46168

COMPANHIA SIDERURGICA NACIONAL
445 W Industrial Drive
Terre Haute, IN 47802

CONSOLIDATED GRAIN & BARGE CO
PO Box 312
Enfield, IL 62835

CONSOLIDATED GRAIN & BARGE CO
PO Box 312
Enfield, IL 62835

CONTINENTAL TIRE
927 S Union St
Bryan, OH 43506

COUNTRYMARK COOPERATIVE INC
1200 Refinery Rd
Mt Vernon, IN 47620

DAYTON POWER & LIGHT CO
125 W Water St
Mt Vernon, IN 47620

DEBRUCE GRAIN INC
PO Box 34621
N Kansas City, MO 64117

EMERALD INTERNATIONAL CORP
6895 Burlington Pike
Florence, KY 41042

G E PLASTICS
HWY 69 S
Mt Vernon, IN 47620

GAF MATERIALS CORP
901 Givens Rd
Mt Vernon, IN 47620

GE PLASTICS SA DE CV EXPORTS
HWY 69 S
Mt Vernon, IN 47620

GENERAL ELECTRIC CO
HWY 69 S
Mt Vernon, IN 47620

HEAVY TRANSPORT
13188 Dahlia St
Fontana, CA 92337

NATIONAL FIBER SUPPLY CO
55 E Monroe St
Chicago, IL 60603

J L M INDUSTRIES
HWY 69 S
Mt Vernon, IN 47620

ORPACK STONE CORP
1800 W Oak
Herrin, IL 62948

KENTUCKY UTILITIES CO
PO Box 338
Ghent, KY 41045

LANGE STEGMANN CO
1 Angelica St
St Louis, MO 63147

MAMMOET USA
20525 FM 521
Rosharon, TX 77583

MARATHON ASHLAND PETROLEUM LLC
PO Box 1492
Catlettsburg, KY 41129

MOSAIC PHOSPHATES CO
PO Box 2000
Mulberry, FL 33860

MOUNT VERNON COAL TRANSFER
Bluff Rd
Mt Vernon, IN 47620

NATIONAL RAILWAY EQUIPMENT CO
1100 Shawnee St
Mt Vernon, IL 62864

NGL SUPPLY LTD
201 N Front St Suite 305
Sarnia, ON N7T7T9

NOVA CHEMICALS INC
201 N Front St
Sarnia, ON N7T7V1

P V S CHEMICALS INC
10900 Harper Ave
Detroit, MI 48213

ROYSTER CLARK INC
62 9th St
Montgomery, AL 36113

SPECIALTY MINERALS INC
2700 Bluff Rd
Mt Vernon, IN 47620

TAMPA ELECTRIC CO
PO Box 3285
Tampa, FL 33601

TAUBER OIL
PO Box 4645
Houston, TX 77210

TRANSLINK INC
2400 N Hemlock Circle
Broken Arrow, OK 74012

WESTECH BUILDING PRODUCTS
PO Box 567
Mt Vernon, IN 47620

SOUTHERN ILLINOIS RAILCAR CO
PO Box 510
Troy, IL 62294

NASHVILLE
AGRI PRIDE FS INC
RT 127 N. Mill St
Nashville, IL 62263

AGRILIANCE LLC
2435 Kentucky Ave Bldg 11
Indianapolis, IN 46204

GROWMARK INC
RT 127 N. Mill St
Nashville, IL 62263

Sam Siriano, Vice President
Transportation Communications International
Union Allied Services Division
53 W. Seegers Road
Arlington Heights, IL 60005

Donald Grissom, General Chairman
Transportation Communications International Union
Brotherhood Railway Carmen Division
PO Box 7657
Virginia Beach, VA 23458

Dayle Doyle, General Chairman
International Brotherhood of Electrical Workers
System Council No. 16
1310 Vermillion Street
Hastings, MN 55033

Warner E. Biedenharn, General Chairman
United Transportation Union
5050 Poplar Avenue, Suite 1018
Memphis, TN 38157

Hayward J. Granier, General Chairman
Brotherhood of Maintenance of Way Employees
302 East Broadway, Suite B
Mayfield, KY 42066

Mr. Don M. Hahs, International President
Brotherhood of Locomotive Engineers
and Trainmen
Standard Building
1370 Ontario Street
Cleveland, Ohio. 44113

Mr. D.L. Moates, General Chairman
Brotherhood of Locomotive Engineers and
Trainmen
452 Osceola Avenue
Jacksonville, Florida. 32250-4078

Mr. Paul C. Thompson
International President
United Transportation Union
14600 Detroit Avenue
Cleveland, Ohio. 44107-4250

Mr. R. McIntyre, General Chairman
United Transportation Union
Regency Tower, Suite 904
9550 Regency Square Boulevard
Jacksonville, Florida. 32225

Frederick D. Nalley, General Chairman
International Association of Machinists and
Aerospace Workers
201 Dakota Drive, Suite C
Cabot, AR 72023

Jerry L. Batton, General Chairman
United Transportation Union – Engineers
15 Northtown Drive
Suite M Box 7
Jackson, MS 39211

David F. Picou, General Chairman
Brotherhood of Railroad Signalmen
2200 Little Woods Lane
St. Mary, MO 63673

Mr. Freddie N. Simpson, President
Brotherhood of Maintenance of Way
Employes
20300 Civic Center Drive, Suite 320
Southfield, MI. 48076-4169

Mr. E.R. Brassell, General Chairman
Allied Eastern Federation
Brotherhood of Maintenance of Way Employees
114 Canfield Place Unit A-8
Hendersonville, TN. 37975

Mr. W. Dan Pickett,
President
Brotherhood of Railroad Signalmen
917 Shenandoah Shores Road
Front Royal, VA. 22630-6418

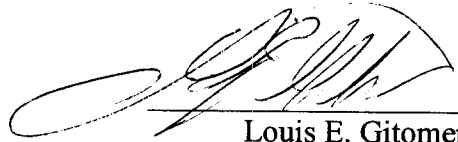
Mr. B.M. Wilson, General Chairman
Brotherhood of Railroad Signalmen
L&N General Committee
PO Box 709
Silver Creek, GA. 30173

Mr. Edwin D. Hill
International President
International Brotherhood of Electrical
Workers
900 Seventh Street, N.W.
Washington, DC. 20001

Mr. M.W. Stokes, General Chairman
System Board No. 3
Transportation Communications
International Union
5885 Richard Street
Jacksonville, Florida. 32216

Mr. Glen A. Heinz, General Chairman
System Council No. 9
International Brotherhood of
Electrical Workers
204-A River Bend Drive
London, KY. 40744-8887

Mr. Robert A. Scardelletti
International President
Transportation Communications
International Union
3 Research Place
Rockville, MD. 20854

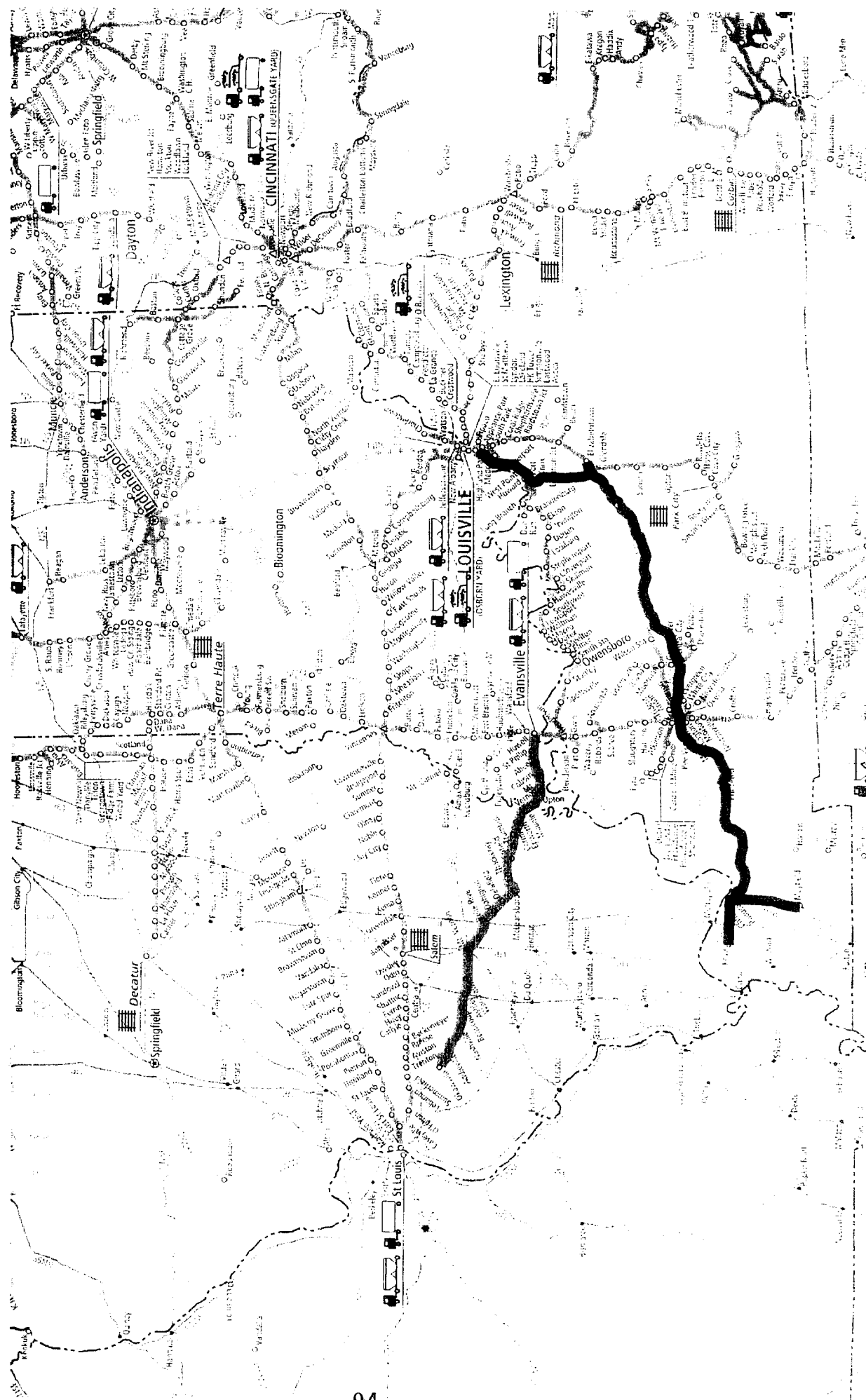


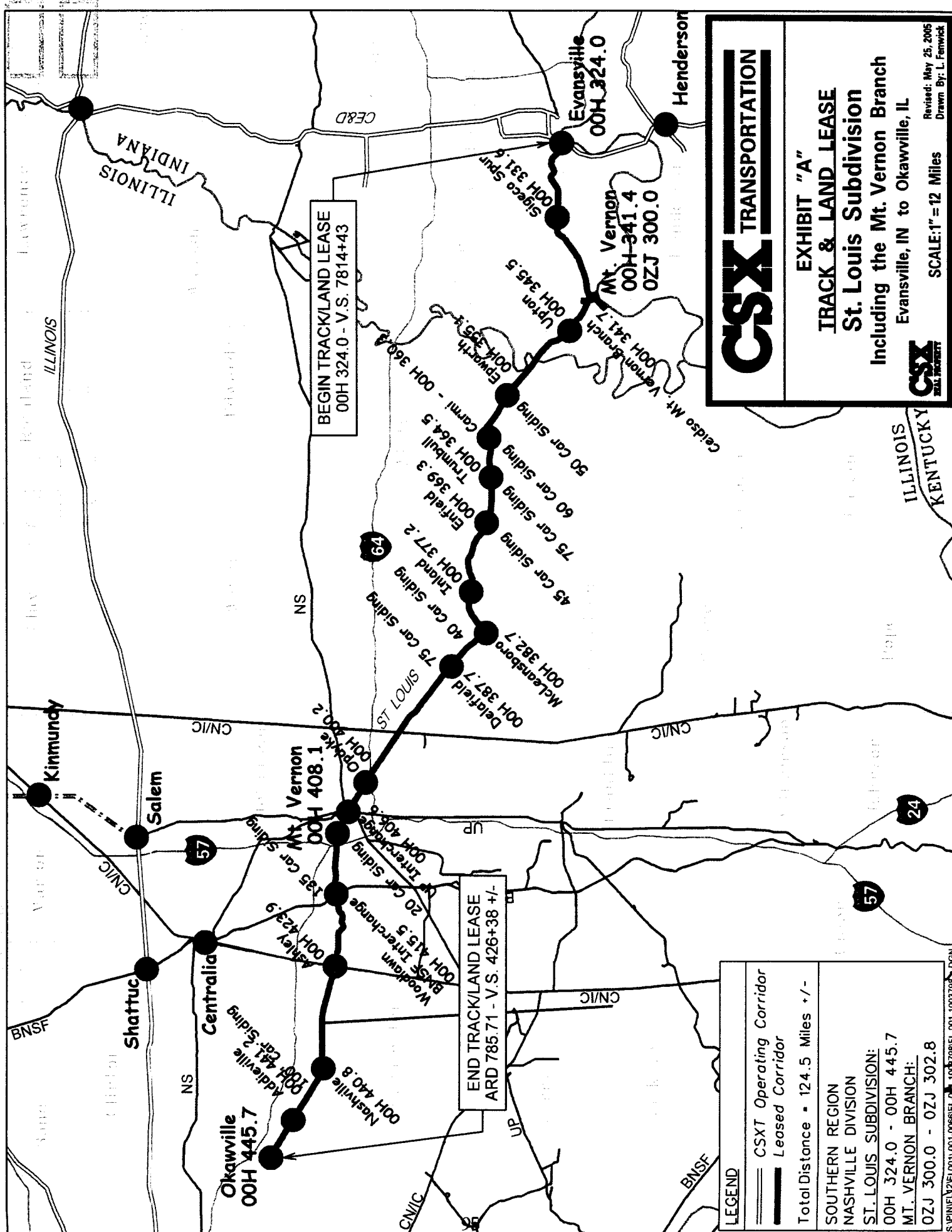
Louis E. Gitomer
August 3, 2005

Exhibit 1-Maps.

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1996, 1997, 1998, 1999, 2000, 2001, 2002, 2003, 2004, 2005, 2006, 2007, 2008, 2009, 2010, 2011, 2012, 2013, 2014, 2015, 2016, 2017, 2018, 2019, 2020, 2021, 2022, 2023, 2024, 2025, 2026, 2027, 2028, 2029, 2030, 2031, 2032, 2033, 2034, 2035, 2036, 2037, 2038, 2039, 2040, 2041, 2042, 2043, 2044, 2045, 2046, 2047, 2048, 2049, 2050, 2051, 2052, 2053, 2054, 2055, 2056, 2057, 2058, 2059, 2060, 2061, 2062, 2063, 2064, 2065, 2066, 2067, 2068, 2069, 2070, 2071, 2072, 2073, 2074, 2075, 2076, 2077, 2078, 2079, 2080, 2081, 2082, 2083, 2084, 2085, 2086, 2087, 2088, 2089, 2090, 2091, 2092, 2093, 2094, 2095, 2096, 2097, 2098, 2099, 2100, 2101, 2102, 2103, 2104, 2105, 2106, 2107, 2108, 2109, 2110, 2111, 2112, 2113, 2114, 2115, 2116, 2117, 2118, 2119, 2120, 2121, 2122, 2123, 2124, 2125, 2126, 2127, 2128, 2129, 2130, 2131, 2132, 2133, 2134, 2135, 2136, 2137, 2138, 2139, 2140, 2141, 2142, 2143, 2144, 2145, 2146, 2147, 2148, 2149, 2150, 2151, 2152, 2153, 2154, 2155, 2156, 2157, 2158, 2159, 2160, 2161, 2162, 2163, 2164, 2165, 2166, 2167, 2168, 2169, 2170, 2171, 2172, 2173, 2174, 2175, 2176, 2177, 2178, 2179, 2180, 2181, 2182, 2183, 2184, 2185, 2186, 2187, 2188, 2189, 2190, 2191, 2192, 2193, 2194, 2195, 2196, 2197, 2198, 2199, 2200, 2201, 2202, 2203, 2204, 2205, 2206, 2207, 2208, 2209, 2210, 2211, 2212, 2213, 2214, 2215, 2216, 2217, 2218, 2219, 2220, 2221, 2222, 2223, 2224, 2225, 2226, 2227, 2228, 2229, 2230, 2231, 2232, 2233, 2234, 2235, 2236, 2237, 2238, 2239, 2240, 2241, 2242, 2243, 2244, 2245, 2246, 2247, 2248, 2249, 2250, 2251, 2252, 2253, 2254, 2255, 2256, 2257, 2258, 2259, 2260, 2261, 2262, 2263, 2264, 2265, 2266, 2267, 2268, 2269, 2270, 2271, 2272, 2273, 2274, 2275, 2276, 2277, 2278, 2279, 2280, 2281, 2282, 2283, 2284, 2285, 2286, 2287, 2288, 2289, 2290, 2291, 2292, 2293, 2294, 2295, 2296, 2297, 2298, 2299, 2300, 2301, 2302, 2303, 2304, 2305, 2306, 2307, 2308, 2309, 2310, 2311, 2312, 2313, 2314, 2315, 2316, 2317, 2318, 2319, 2320, 2321, 2322, 2323, 2324, 2325, 2326, 2327, 2328, 2329, 2330, 2331, 2332, 2333, 2334, 2335, 2336, 2337, 2338, 2339, 2340, 2341, 2342, 2343, 2344, 2345, 2346, 2347, 2348, 2349, 2350, 2351, 2352, 2353, 2354, 2355, 2356, 2357, 2358, 2359, 2360, 2361, 2362, 2363, 2364, 2365, 2366, 2367, 2368, 2369, 2370, 2371, 2372, 2373, 2374, 2375, 2376, 2377, 2378, 2379, 2380, 2381, 2382, 2383, 2384, 2385, 2386, 2387, 2388, 2389, 2390, 2391, 2392, 2393, 2394, 2395, 2396, 2397, 2398, 2399, 2400, 2401, 2402, 2403, 2404, 2405, 2406, 2407, 2408, 2409, 2410, 2411, 2412, 2413, 2414, 2415, 2416, 2417, 2418, 2419, 2420, 2421, 2422, 2423, 2424, 2425, 2426, 2427, 2428, 2429, 2430, 2431, 2432, 2433, 2434, 2435, 2436, 2437, 2438, 2439, 2440, 2441, 2442, 2443, 2444, 2445, 2446, 2447, 2448, 2449, 2450, 2451, 2452, 2453, 2454, 2455, 2456, 2457, 2458, 2459, 2460, 2461, 2462, 2463, 2464, 2465, 2466, 2467, 2468, 2469, 2470, 2471, 2472, 2473, 2474, 2475, 2476, 2477, 2478, 2479, 2480, 2481, 2482, 2483, 2484, 2485, 2486, 2487, 2488, 2489, 2490, 2491, 2492, 2493, 2494, 2495, 2496, 2497, 2498, 2499, 2500, 2501, 2502, 2503, 2504, 2505, 2506, 2507, 2508, 2509, 2510, 2511, 2512, 2513, 2514, 2515, 2516, 2517, 2518, 2519, 2520, 2521, 2522, 2523, 2524, 2525, 2526, 2527, 2528, 2529, 2530, 2531, 2532, 2533, 2534, 2535, 2536, 2537, 2538, 2539, 2540, 2541, 2542, 2543, 2544, 2545, 2546, 2547, 2548, 2549, 2550, 2551, 2552, 2553, 2554, 2555, 2556, 2557, 2558, 2559, 2560, 2561, 2562, 2563, 2564, 2565, 2566, 2567, 2568, 2569, 2570, 2571, 2572, 2573, 2574, 2575, 2576, 2577, 2578, 2579, 2580, 2581, 2582, 2583, 2584, 2585, 2586, 2587, 2588, 2589, 2590, 2591, 2592, 2593, 2594, 2595, 2596, 2597, 2598, 2599, 2600, 2601, 2602, 2603, 2604, 2605, 2606, 2607, 2608, 2609, 2610, 2611, 2612, 2613, 2614, 2615, 2616, 2617, 2618, 2619, 2620, 2621, 2622, 2623, 2624, 2625, 2626, 2627, 2628, 2629, 2630, 2631, 2632, 2633, 2634, 2635, 2636, 2637, 2638, 2639, 2640, 2641, 2642, 2643, 2644, 2645, 2646, 2647, 2648, 2649, 2650, 2651, 2652, 2653, 2654, 2655, 2656, 2657, 2658, 2659, 2660, 2661, 2662, 2663, 2664, 2665, 2666, 2667, 2668, 2669, 2670, 2671, 2672, 2673, 2674, 2675, 2676, 2677, 26





CSX TRANSPORTATION

EXHIBIT "A"
TRACK & LAND LEASE
St. Louis Subdivision
Including the Mt. Vernon Branch
Evansville, IN to Okawville, IL



SCALE: 1" = 12 Miles
Revised: May 25, 2005
Drawn By: L. Fenwick