

# **RAILAMERICA, INC.**

## **CORPORATE GOVERNANCE GUIDELINES**

**Dated as of October, 2009**

The following Corporate Governance Guidelines have been adopted by the board of directors (the “Board”) of RailAmerica, Inc. (the “Company”) to assist the Board in the exercise of its responsibilities. These Corporate Governance Guidelines reflect the Board’s commitment to monitor the effectiveness of policy and decision making at both the Board and management level, with a view to enhancing the long-term shareholder value. These Corporate Governance Guidelines are not intended to change or interpret any federal or state law or regulation, or the Company’s certificate of incorporation and bylaws, as have been and may, from time to time, be amended and/or restated (the “Certificate of Incorporation and Bylaws”). These Corporate Governance Guidelines are subject to modification from time to time by the Board. A current version of the Corporate Governance Guidelines shall be posted on the Company’s website.

### **THE BOARD**

#### **Role of Directors**

The business and affairs of the Company shall be managed by or under the direction of the Board. A director is expected to spend the time and effort necessary to properly discharge such director’s responsibilities. Accordingly, a director is expected to regularly attend meetings of the Board and committees on which such director sits, and to review prior to meetings material distributed in advance for such meetings. A director who is unable to attend a meeting (which it is understood will occur on occasion) is expected to notify the chairperson (“Chairperson”) of the Board or the Chairperson of the appropriate committee in advance of such meeting.

In addition, the Board acknowledges that effective directors maintain an attitude of constructive skepticism; they ask incisive, probing questions and require accurate, honest answers; they act with integrity and diligence; and they demonstrate a commitment to the Company, its business plans and long-term stockholder value.

#### **Selection of the Chairperson of the Board**

The Board does not require the separation of the offices of the Chairperson of the Board and the Chief Executive Officer. The Board shall be free to choose its Chairperson of the Board in any way that it deems best for the Company at any given point in time.

#### **Size of the Board**

The Board believes that it should generally have no fewer than three and no more than nine directors. This range permits diversity of experience without hindering effective discussion or diminishing individual accountability. The size of the Board could,

however, be increased or decreased if determined to be appropriate by the Board in accordance with the terms of the Certificate of Incorporation and Bylaws. For example, it may be desirable to increase the size of the Board in order to accommodate the availability of an outstanding candidate for director.

### **Selection of New Directors**

The Board shall be responsible for nominating members for election to the Board and for filling vacancies on the Board that may occur between annual meetings of shareholders. The Nominating, Corporate Governance and Conflicts Committee is responsible for identifying, screening and recommending candidates to the Board for Board membership. When formulating its Board membership recommendations, the Nominating, Corporate Governance and Conflicts Committee shall also consider advice and recommendations from others as it deems appropriate.

The Nominating, Corporate Governance and Conflicts Committee will consider candidates recommended by shareholders. In considering candidates submitted by shareholders, the Nominating, Corporate Governance and Conflicts Committee will take into consideration the needs of the Board and the qualifications of the candidate. The Nominating, Corporate Governance and Conflicts Committee may establish procedures, from time to time, regarding shareholder submission of candidates.

### **Board Membership Criteria**

The Nominating, Corporate Governance and Conflicts Committee shall be responsible for assessing the appropriate balance of criteria required of Board members.

The Nominating, Corporate Governance and Conflicts Committee may apply several criteria in selecting nominees. At a minimum, the Committee shall consider (a) whether each such nominee has demonstrated, by significant accomplishment in his or her field, an ability to make a meaningful contribution to the Board's oversight of the business and affairs of the Company and (b) the nominee's reputation for honesty and ethical conduct in his or her personal and professional activities. Additional factors which the Committee may consider include a candidate's specific experiences and skills, expertise, diversity, personal and professional integrity, character, business judgment, time availability in light of other commitments, dedication, conflicts of interest and such other relevant factors that the Committee considers appropriate in the context of the needs of the Board.

### **Other Public Company Directorships**

The Company does not have a policy limiting the number of other public company boards of directors upon which a director may sit, in general. However, the Nominating, Corporate Governance and Conflicts Committee shall consider the number of other public company boards and other boards (or comparable governing bodies) on which a prospective nominee is a member.

Although the Company does not impose a limit on outside directorships, it does recognize the substantial time commitments attendant to Board membership and expects

that the members of its Board be fully committed to devoting all such time as is necessary to fulfill their Board responsibilities, both in terms of preparation for, and attendance and participation at meetings.

### **Independence of the Board**

The Board shall be comprised of a majority of directors who qualify as independent directors (“Independent Directors”) in accordance with the listing standards of the New York Stock Exchange (the “NYSE”).

The Board shall review annually the relationships that each director has with the Company (either directly or as a partner, shareholder or officer of an organization that has a relationship with the Company). Following such annual review, only those directors who the Board affirmatively determines have no material relationship with the Company (either directly or as a partner, shareholder or officer of an organization that has a relationship with the Company) will be considered Independent Directors, subject to additional qualifications prescribed under the listing standards of the NYSE or under applicable law. The Board may adopt and disclose categorical standards to assist it in determining director independence. In the event that a director becomes aware of any change in circumstances that may result in such director no longer being considered independent under the listing standards of the NYSE or under applicable law, the directors shall promptly inform the Chairperson of the Nominating, Corporate Governance and Conflicts Committee.

### **Directors Who Change Their Present Job Responsibility**

The Board does not believe that directors who retire or change the position they held when they became a member of the Board should necessarily leave the Board. Promptly following such event, the director must notify the Nominating, Corporate Governance and Conflicts Committee, which shall review the continued appropriateness of the affected director remaining on the Board under the circumstances. The affected director is expected to act in accordance with the Nominating, Corporate Governance and Conflicts Committee’s recommendation following such review.

### **Retirement Age**

It is the general policy of the Company that no director having attained the age of 70 years shall be nominated for re-election or reappointment to the Board. However, the Board may determine to waive this policy in individual cases.

### **Director Tenure**

In connection with each director nomination recommendation, the Nominating, Corporate Governance and Conflicts Committee shall consider the issue of continuing director tenure and take steps as may be appropriate to ensure that the Board maintains an openness to new ideas and a willingness to critically re-examine the status quo. An individual director’s renomination is dependent upon such director’s performance evaluation, as well as a suitability review, each to be conducted by the Nominating,

Corporate Governance and Conflicts Committee in connection with each director nomination recommendation.

### **Board Compensation**

A director who is also an officer of the Company shall not receive additional compensation for such service as a director.

The Company believes that compensation for non-employee directors should be competitive and should encourage increased ownership of the Company's shares through the payment of a portion of director compensation in Company shares, options to purchase Company shares or similar compensation. The Compensation Committee will periodically review the level and form of the Company's director compensation, including how such compensation relates to director compensation of companies of comparable size, industry and complexity. Such review will also include a review of both direct and indirect forms of compensation to the Company's directors, including any charitable contributions by the Company to organizations in which a director is affiliated and consulting or other similar arrangements between the Company and a director. Changes to director compensation will be proposed to the full Board for consideration.

Director's fees (including any additional amounts paid to chairpersons of committees and to members of committees of the Board) are the only compensation a member of the Audit Committee may receive from the Company; provided, however, that a member of the Audit Committee may also receive fixed amounts of compensation under a retirement plan (including deferred compensation) from the Company for prior service with the Company so long as such compensation is not contingent in any way on continued service.

### **Separate Sessions of Non-Management Directors**

The non-management directors of the Company shall meet in executive session without management on a regularly scheduled basis, but no less than once a year. A non-management director designated by the non-management directors on the Board (the "Lead Non-Management Director") shall preside at such executive sessions, or in such director's absence, another non-management director designated by the Lead Non-Management Director shall preside at such executive sessions.

In the event that the non-management directors include directors who are not independent under the NYSE listing standards, the Company should, at least once a year, schedule an executive session including only independent directors.

Any interested parties desiring to communicate with the Lead Non-Management Director and the other non-management directors regarding the Company may directly contact such directors by U.S. mail or such other method as may be established by the Board.

## **Self-Evaluation by the Board**

The Nominating, Corporate Governance and Conflicts Committee will sponsor an annual self-assessment of the Board's performance as well as the performance of each committee of the Board, the results of which will be discussed with the full Board and each committee. The assessment should include a review of any areas in which the Board or management believes the Board can make a better contribution to the Company. The Nominating, Corporate Governance and Conflicts Committee will utilize the results of this self-evaluation process in assessing and determining the characteristics and critical skills required of prospective candidates for election to the Board and making recommendations to the Board with respect to assignments of Board members to various committees.

## **Strategic Direction of the Company**

Normally it is management's job to formalize, propose and implement strategic choices and the Board's role to approve strategic direction and evaluate strategic results. However, as a practical matter, the Board and management will be better able to carry out their respective strategic responsibilities if there is an ongoing dialogue among the Chief Executive Officer, other members of top management and other Board members. To facilitate such discussions, members of senior management who are not directors may be invited to participate in Board meetings when appropriate.

## **Board Access to Management**

Board members shall have access to the Company's management and, as appropriate, to the Company's outside advisors. Board members shall coordinate such access through the Chief Executive Officer and Board members will use judgment to assure that this access is not distracting to the business operation of the Company.

## **Attendance of Management Personnel at Board Meetings**

The Board encourages the Chief Executive Officer to bring members of management from time to time into Board meetings to (i) provide management insight into items being discussed by the Board which involve the manager; (ii) make presentations to the Board on matters which involve the manager; and (iii) bring managers with significant potential into contact with the Board. Attendance of such management personnel at Board meetings is at the discretion of the Board. Should the Chief Executive Officer desire to add additional members of management as attendees on a regular basis, this should be suggested to the Board for its concurrence.

## **Board Interaction with Institutional Investors, Analysts, Press and Customers**

It is important that the Company speak to employees and outside constituencies with a single voice, and that management serve as the Company's primary spokesperson. Directors should not discuss matters relating to the Company's business and affairs with third parties other than management or advisors without the approval of the Chairperson of the Board, the Chief Executive Officer or the General Counsel.

## **Confidentiality**

The proceedings and deliberations of the Board and its committees are confidential. Each director shall maintain the confidentiality of information received in connection with his or her service as a director.

## **Board Orientation and Continuing Education**

The Company shall provide new directors with a director orientation program to familiarize such directors with, among other things, the Company's business, strategic plans, significant financial, accounting and risk management issues, compliance programs, conflicts policies, code of business conduct and ethics, corporate governance guidelines, principal officers, internal auditors and independent auditors. Each director is expected to participate in continuing educational programs in order to maintain the necessary level of expertise to perform his or her responsibilities as a director.

## **Director Attendance at Annual Meetings of Shareholders**

Directors are invited and encouraged to attend the Company's annual meeting of shareholders in person, by telephone or video conference, but the Company recognizes that such attendance may be impractical as a result of personal or business circumstances.

## **BOARD MEETINGS**

### **Frequency of Meetings**

The Board currently plans to hold at least four regularly scheduled meetings each year, with the actual number of meetings to occur as the Board or its Chairperson deems appropriate. The Board may take action at a meeting or by unanimous written consent as the Board or its Chairperson deems appropriate.

### **Selection of Agenda Items for Board Meetings**

The Chairperson of the Board, Chief Executive Officer, or either of their respective designees may prepare an agenda for Board meetings. Each Board member is free to suggest the inclusion of additional items on the agenda. Each Board member is also free to raise at any Board meeting subjects that are not on the agenda for that meeting.

### **Board Materials Distributed in Advance**

Information and materials that are important to the Board's understanding of the agenda items and other topics to be considered at a Board meeting should, to the extent practicable, be distributed by management sufficiently in advance of the meeting to permit prior review by the directors, although the Board recognizes that distributing materials in advance of meetings will not always be feasible in light of timing of transactions and the operation of the business and that, in certain cases, it may not be practical or advisable. Any materials submitted to the Board or its committees should be as concise as possible.

## **EXECUTIVE SESSIONS**

The Board shall meet at least once a year in executive session without any members of management, whether or not they are directors, or any non-Independent Directors present. There shall be a single presiding director at all executive sessions, with the presiding director to be selected by, and from among, such directors as are permitted to participate in executive sessions in accordance with the foregoing sentence (the “Eligible Directors”) pursuant to any manner for selecting such presiding director as the Eligible Directors deem appropriate, or, in the absence of any such designated manner, the presiding directorship shall rotate, from executive session to executive session, among the non-management directors in alphabetical order (unless the director who would otherwise be presiding director at any applicable session is not present, in which case the next director in alphabetical order shall preside at such session); provided, however, that the directors meeting in executive session shall have to formulate and disclose the manner by which a presiding director was selected for each executive session. If one director is chosen to preside at all executive sessions, his or her name shall be disclosed in the annual proxy statement of the Company.

## **COMMITTEE MATTERS**

### **Number and Names of Board Committees**

The Company shall have three standing committees: (1) Audit, (2) Nominating, Corporate Governance and Conflicts and (3) Compensation. The purpose and responsibilities for each of these committees shall be outlined in committee charters adopted by the Board. The Board may, from time to time, form a new committee or disband a current committee depending on circumstances. In addition, the Board may form ad hoc committees from time to time, and determine the composition and areas of competence of such committees.

### **Independence of Board Committees**

Each of the Audit Committee, the Nominating, Corporate Governance and Conflicts Committee and the Compensation Committee shall be composed entirely of Independent Directors satisfying applicable legal, regulatory and stock exchange requirements necessary for an assignment to any such committee.

### **Assignment and Rotation of Committee Members**

The Nominating, Corporate Governance and Conflicts Committee shall be responsible, after consultation with the Chairperson of the Board, for making recommendations to the Board with respect to the assignment of Board members to various committees. After reviewing the Nominating, Corporate Governance and Conflicts Committee’s recommendations, the Board shall be responsible for appointing the Chairperson and members to the committees on an annual basis.

The Nominating, Corporate Governance and Conflicts Committee shall annually review the Committee assignments and shall consider the rotation of the Chairperson and members from time to time to the extent that the Committee deems appropriate.

## **LEADERSHIP DEVELOPMENT**

### **Selection of the Chief Executive Officer**

The Board shall be responsible for identifying potential candidates for, and selecting, the Company's Chief Executive Officer. In identifying potential candidates for, and selecting, the Company's Chief Executive Officer, the Board shall consider, among other things, a candidate's experience, understanding of the Company's business environment, leadership qualities, knowledge, skills, expertise, integrity, and reputation in the business community.

### **Evaluation of Chief Executive Officer**

The Board, acting through the Compensation Committee of the Company, will annually conduct an evaluation of the performance of the Company's Chief Executive Officer. The Compensation Committee shall establish policies, principles and procedures, as it deems appropriate, for the evaluation of the Chief Executive Officer. Such evaluation shall be based on objective criteria, including performance of the Company, accomplishment of long-term strategic objectives and development of management. The evaluation shall solicit the views of the Independent Directors regarding the Chief Executive Officer's performance. The Chairperson of the Compensation Committee and the Lead Non-Management Director shall communicate the evaluation to the Chief Executive Officer.

### **Succession Planning**

The Board shall plan for the succession to the position of the Chief Executive Officer. To assist the Board, the Chief Executive Officer shall prepare and distribute to the Board any materials, including recommendations and evaluations of potential successors, that the Chief Executive Officer deems necessary or that the Board shall request from time to time.