

UNION PACIFIC RAILROAD  
101 North Wacker Drive, Room 1920  
Chicago, Illinois 60606-1718

Mack H. Shumate, Jr.  
Senior General Attorney, Law Department

P 312.777.2055  
F 877.213.4433  
mackshumate@up.com

October 11, 2012

**Via: E-File**

The Honorable Cynthia T. Brown  
Chief, Section of Administration  
Surface Transportation Board  
395 E. Street, S.W., Room #100  
Washington, DC 20423-0001

**LETTER OF NOTIFICATION**

**RE: STB Docket No. FD35633, Santa Cruz and Monterey Bay Railway Company--  
Assignment of Lease Exemption--Union Pacific Railroad Company and Sierra  
Northern Railway**

Dear Ms. Brown:

The Union Pacific Railroad Company as owner of the line of railroad from milepost 0.433 at the east boundary of Salinas Road near Watsonville Junction to milepost 31.39 at the end of the line near Davenport including the interconnection with Santa Cruz, Big Trees & Pacific Railway Company at milepost 20.40 in Santa Cruz for a total distance of 31.00 miles and an additional 3.6 miles of siding and spur track all being located in Santa Cruz County, California (the "Line"), hereby informs the Board that the Santa Cruz and Monterey Bay Railway Company, LLC ("SCMBRY") acquired by assignment from Sierra Northern Railway ("SNR") SNR's lease and operating rights over the Line.

A copy of the Assignment Agreement dated as of September 18, 2012 is attached hereto as Exhibit "A" and hereby made a part hereof.

This transaction was authorized by the Board in FD35633 with a Service Date of August 17, 2012 with a consummation date of after August 31, 2012.

Sincerely,



Mack H. Shumate, Jr.  
Senior General Attorney

MHS:dro  
Attachment  
2012\_10\_11 Santa Cruz Letter of Notification

**STB Docket No. FD35633, Santa Cruz and Monterey Bay Railway Company--  
Assignment of Lease Exemption--Union Pacific Railroad Company and Sierra  
Northern Railway**

**CERTIFICATE OF SERVICE**

I hereby certify that on October 11, 2012, I mailed a copy of Union Pacific Railroad Company's Letter of Notification to the Surface Transportation Board dated October 11, 2012 with regard to the above-captioned matters to all parties of record by First Class U.S. Mail, postage prepaid, on the following parties:

John D. Heffner  
Strasburger & Price, LLP  
1700 K Street, N.W., Suite 640  
Washington, D.C. 20006-3817

Dated this 11th day of October, 2012.

A handwritten signature in black ink, reading "Mack H. Shumate, Jr." in a cursive script.

Mack H. Shumate, Jr.

**ASSIGNMENT AGREEMENT**

THIS ASSIGNMENT AGREEMENT is made and entered into as of this <sup>5<sup>th</sup></sup> ~~18<sup>th</sup>~~ day of ~~July~~ <sup>Sept</sup>, 2012, by and between SIERRA NORTHERN RAILWAY, a California corporation (hereinafter the "Assignor") and SANTA CRUZ AND MONTEREY BAY RAILWAY Company, a California corporation (hereinafter the "Assignee").

**RECITALS**

Whereas, Assignee desires to acquire from Assignor and Assignor desires to grant to Assignee by assignment, Assignors leasehold rights and obligations under the lease agreement defined herein as the Lease and operating rights in the line of railroad covered by said Lease and defined herein as the Line: and

Whereas, this Assignment Agreement is the contractual arrangement which forms the substantive basis upon which Assignee bases its Verified Notice of Exemption in STB Docket no. FD 35633; and

Whereas, this Assignment Agreement is necessary for the closing of the transactions for which STB authority is sought in the Petition for Declaratory Order filed by the Santa Cruz Regional Transportation Commission in STB Docket No. FD 35653.

**AGREEMENT**

NOW, THEREFORE, for good and valuable consideration the receipt and sufficiency of which being hereby acknowledged, the parties intending to be legally bound, hereby agree as follows:

Assignor and Assignee understand and agree that this Assignment is conditional and does not become effective until the Surface Transportation Board ("STB") issues a decision providing all necessary common carrier by railroad operating authority required for the Assignee to operate and for Assignor to cease operations of the line of railroad (the "Line") that runs from Milepost .433 near Watsonville, California to Milepost 31.90 near Davenport, California (the "STB Approval").

Assignor represents that the Lease Agreement and the amendments thereto as shown on Exhibit 1, collectively, (the "Lease") is the agreement between Union Pacific Railroad Company ("Union Pacific"), as Lessor, and Assignor, as Lessee, that cover Assignor's operation as a common carrier by railroad on the Line. Assignor's operation as a common carrier by railroad on the Line became effective as detailed in STB Docket No. FD 35331, on December 31, 2009.

Assignor hereby assigns all of Assignor's rights and obligations under the Lease to Assignee and Assignee hereby accepts all of Assignor's rights and obligations under the Lease upon issuance of the STB Approval.

It is further understood and agreed that, (1) Assignee shall not be responsible for any obligations of Assignor under the Lease that are attributable to the acts or omissions of Assignor prior to the effective date of this Assignment and (2) Assignor shall not be responsible for any obligations of Assignee under the Lease that are attributable to the acts or omissions of Assignee after the effective date of this Assignment.

IN WITNESS WHEREOF, the parties hereto have caused this Assignment Agreement to be duly executed on their behalf, as of the date first herein written.

Attest:

SIERRA NORTHERN RAILWAY,  
A California Corporation,

*Conni Hawk*

By

Title:

*David Magaw*  
*President*

Attest:

SANTA CRUZ AND MONTEREY BAY RAILWAY,  
A California Corporation,

*Justin Hagan*

By

Title:

*[Signature]*  
*VP - Strategic Planning*

#### CONSENT TO ASSIGNMENT AGREEMENT

In accordance with Section 23.04 of the Lease, Union Pacific Railroad Company as Lessor under the Lease hereby approves and consents to this assignment by Assignor of Assignor's rights and obligations as Lessee under the Lease to the Assignee and Assignee's acceptance of the rights and obligations of Assignor as Lessee under the Lease in accordance with and subject to the terms and conditions of this Assignment Agreement.

Attest:

UNION PACIFIC RAILROAD COMPANY,  
A Delaware Corporation,

\_\_\_\_\_

By

Title:

*[Signature]*  
*EVF-0*

