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FILED

SEP - 9 2009

**SURFACE
TRANSPORTATION BOARD**

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September 8, 2009



225711

VIA FEDERAL EXPRESS

Ms. Anne K. Quinlan
Acting Secretary
Surface Transportation Board
395 E Street, S.W.
Washington, DC 20024

Re: **Finance Docket No. 35292**
Pinsly Railroad Company -- Control Exemption --
The Prescott and Northwestern Railroad Company

Dear Secretary Quinlan:

Enclosed for filing in the above-captioned proceeding are an original and ten copies of the **Verified Notice of Exemption of Pinsly Railroad Company Pursuant to 49 C.F.R. § 1180.2(d)(2)**, dated September 8, 2009. A check in the amount of \$1,300, representing the appropriate fee for this filing, is attached.

One extra copy of the Notice and this letter also are enclosed. I would request that you date-stamp those items to show receipt of this filing and return them to me in the provided envelope.

If you have any questions regarding this filing, please feel free to contact me. Thank you for your assistance on this matter.

Respectfully submitted,

Thomas J. Litwiler
Attorney for Pinsly Railroad Company

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TJL:tl

Enclosures

BEFORE THE
SURFACE TRANSPORTATION BOARD

FINANCE DOCKET NO. 35292

PINSLY RAILROAD COMPANY
-- CONTROL EXEMPTION --
THE PRESCOTT AND NORTHWESTERN RAILROAD COMPANY



225711

**VERIFIED NOTICE OF EXEMPTION
OF
PINSLY RAILROAD COMPANY
PURSUANT TO 49 C.F.R. § 1180.2(d)(2)**

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TRANSPORTATION BOARD

William C. Sippel
Thomas J. Litwiler
Fletcher & Sippel LLC
29 North Wacker Drive
Suite 920
Chicago, Illinois 60606-2832
(312) 252-1500

**ATTORNEYS FOR
PINSLY RAILROAD COMPANY**

Dated: September 8, 2009

BEFORE THE
SURFACE TRANSPORTATION BOARD

FINANCE DOCKET NO. 35292

PINSLY RAILROAD COMPANY
-- CONTROL EXEMPTION --
THE PRESCOTT AND NORTHWESTERN RAILROAD COMPANY



**VERIFIED NOTICE OF EXEMPTION
OF
PINSLY RAILROAD COMPANY
PURSUANT TO 49 C.F.R. § 1180.2(d)(2)**

Pinsly Railroad Company ("Pinsly"), a non-carrier, hereby files this notice of exemption under 49 C.F.R. § 1180.2(d)(2) to obtain control of The Prescott and Northwestern Railroad Company ("PNW"), a Class III rail carrier, through the purchase of all of PNW's stock from Potlatch Land & Lumber, LLC ("Potlatch"). Pinsly currently controls five other Class III rail carriers, operating rail lines in Massachusetts, Florida and Arkansas.

PNW's rail line does not connect with the lines of the other regulated rail carriers controlled by Pinsly, and this control transaction is not part of a series of anticipated transactions that would result in such a connection. Nor does this proposed control transaction involve a Class I carrier. Pinsly's acquisition of control of PNW is accordingly exempt under 49 C.F.R. § 1180.2(d)(2).

Concurrently with this notice of exemption, Pinsly is filing a petition for exemption pursuant to 49 U.S.C. §§ 11323 and 10502 in Finance Docket No. 35293, Pinsly Railroad Company -- Control Exemption -- Warren & Saline River Railroad Company, to acquire control of Warren & Saline River Railroad Company ("WSR"), another Class III rail carrier currently controlled by Potlatch. Because WSR connects with one of Pinsly's existing rail

carrier subsidiaries, the class exemption in 49 C.F.R. § 1180.2(d)(2) is not available for Pinsly's control of WSR. Pinsly has sought expedited consideration of its petition in Finance Docket No. 35293, and hopes to simultaneously acquire control of PNW and WSR in a single closing.

In accordance with the requirements of 49 C.F.R. § 1180.4(g), Pinsly submits the following information:

Description of Proposed Transaction: 49 C.F.R. § 1180.6(a)(1)(i)

Pinsly is a non-carrier holding company which currently controls through stock ownership five Class III rail carriers: Pioneer Valley Railroad Company, Inc., which operates rail lines in Massachusetts; Florida Central Railroad Company, Inc., Florida Midland Railroad Company, Inc. and Florida Northern Railroad Company, Inc., each of which operates rail lines in Florida; and Arkansas Midland Railroad Company, Inc. ("AKMD"), which operates several disconnected line segments in Arkansas. See Pinsly Railroad Company -- Continuance in Control Exemption -- Arkansas Midland Railroad Company, Inc., Finance Docket No. 32001 (ICC served March 6, 1992).

PNW is a Class III rail carrier which owns and operates approximately 5 route miles of rail line in and near Prescott, Arkansas. See generally The Prescott and Northwestern Railroad Company -- Abandonment Exemption -- In Hempstead and Pike Counties, AR, Docket No. AB-431 (Sub-No. 1X) (ICC served November 30, 1994); Prescott & Northwestern R.R. Co., 103 I.C.C. 484 (1925). PNW is a wholly-owned subsidiary of Potlatch, see Potlatch Land & Lumber, LLC -- Change of Control Within Corporate Family Exemption, Finance Docket No.

35199 (STB served November 26, 2008), and is historically associated with the forest products industry.¹ PNW connects with Union Pacific Railroad Company ("UP") at Prescott.

Pursuant to a Stock Purchase Agreement dated as of September 4, 2009 by and between Pinsly and Potlatch, Pinsly proposes to acquire all of PNW's stock from Potlatch and assume control of PNW.² AKMD will provide operational support for PNW, and no significant changes in the rail service currently provided by PNW are anticipated as a result of the proposed transaction.³

While AKMD currently operates several line segments throughout the state of Arkansas, none of those lines are in the vicinity of Prescott or connect with the line of PNW. See Arkansas Midland Railroad Company, Inc. -- Acquisition and Operation Exemption -- Missouri Pacific Railroad Company, Finance Docket No. 31999 (ICC served March 6, 1992); Arkansas Midland Railroad Company -- Lease and Operation Exemption -- Union Pacific Railroad Company, Finance Docket No. 33908 (STB served August 23, 2000); Arkansas Midland Railroad Company, Inc. -- Change in Operators Exemption -- Line of Union Pacific Railroad Company, Finance Docket No. 34567 (STB served November 17, 2004); Arkansas Midland Railroad Company, Inc. -- Lease and Operation Exemption -- Union Pacific Railroad Company, Finance Docket No. 34714 (STB served August 30, 2005); Arkansas Midland

¹ Pinsly notes that there are no solid waste rail transfer facilities located on PNW. See Consolidated Appropriations Act, 2008, Pub. L. No. 110-161, Division K, § 193, 121 Stat. 1844, 2408 (2007); Consolidated Appropriations Act, 2008 -- Solid Waste Rail Transfer Facilities, Ex Parte No. 675 (STB served January 16, 2008).

² The same Stock Purchase Agreement also provides for Pinsly's acquisition from Potlatch of the stock of WSR.

³ The Stock Purchase Agreement neither prohibits PNW from nor penalizes PNW for interchanging traffic with a railroad not owned or controlled by Pinsly. Cf. 49 C.F.R. § 1180.4(g)(4); Disclosure of Rail Interchange Commitments, Ex Parte No. 575 (Sub-No. 1) (STB served May 29, 2008). As noted above, PNW connects solely with UP.

Railroad Company, Inc. -- Operation Exemption -- In Jacksonville, AR, Finance Docket No. 35152 (STB served September 12, 2008).

The full name and address of the applicant herein is:

Pinsly Railroad Company
53 Southampton Road
Westfield, Massachusetts 01085
(413) 568-6426

Any questions concerning this Notice should be sent to Pinsly's representative at the following address:

Thomas J. Litwiler
Fletcher & Sippel LLC
29 North Wacker Drive
Suite 920
Chicago, Illinois 60606-2832
(312) 252-1500

Proposed Schedule for Consummation: 49 C.F.R. § 1180.6(a)(1)(ii)

If timely action is taken on Pinsly's concurrently-filed petition for exemption in Finance Docket No. 35293, Pinsly intends to consummate its proposed control of both PNW and WSR simultaneously and no later than December 31, 2009. In no event will Pinsly exercise control of PNW prior to October 9, 2009, thirty days after the filing of this notice of exemption. See 49 C.F.R. § 1180.4(g)(1).

Purpose Sought to Be Accomplished: 49 C.F.R. § 1180.6(a)(1)(iii)

The exemption sought herein will allow Pinsly to exercise common control of PNW and Pinsly's existing rail carrier subsidiaries.

States in Which Property of Applicants is Located: 49 C.F.R. § 1180.6(a)(5)

Pinsly is a non-carrier holding company and does not directly own any rail property. PNW owns and operates rail property in the state of Arkansas. Pinsly's existing rail carrier subsidiaries own or lease and operate over rail property located in the states of Massachusetts, Florida and Arkansas.

Map - Exhibit 1: 49 C.F.R. § 1180.6(a)(6)

A map showing the rail lines of PNW and AKMD in the state of Arkansas is attached hereto as Exhibit 1.

Agreement - Exhibit 2: 49 C.F.R. § 1180.6(a)(7)(ii)

A redacted version of the Stock Purchase Agreement dated September 4, 2009 by and between Pinsly and Potlatch is attached hereto as Exhibit 2. An unredacted copy of the Stock Purchase Agreement is being submitted under seal subject to a motion for protective order filed concurrently herewith.

Labor Protective Conditions: 49 C.F.R. § 1180.4(g)(1)(i)

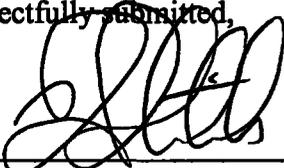
Pursuant to 49 U.S.C. § 11326(c), no employee protective conditions may be imposed on this transaction. PNW and all of Pinsly's existing railroad subsidiaries are Class III rail carriers.

Environmental and Historic Preservation Matters: 49 C.F.R. § 1180.4(g)(3)

Under 49 C.F.R. § 1105.6(c)(2)(i), the proposed control transaction is exempt from environmental reporting requirements. Pinsly's acquisition of control of PNW will not result in significant changes in carrier operations, i.e., changes that exceed the thresholds established in 49 C.F.R. § 1105.7(e)(4) or (5).

Under 49 C.F.R. § 1105.8(b)(3), Pinsly's proposed control of PNW also is exempt from historic preservation reporting requirements. That control transaction will not substantially change the level of maintenance of any railroad property.

Respectfully submitted,

By: 

William C. Sippel
Thomas J. Litwiler
Fletcher & Sippel LLC
29 North Wacker Drive
Suite 920
Chicago, Illinois 60606-2832
(312) 252-1500

**ATTORNEYS FOR
PINSLY RAILROAD COMPANY**

Dated: September 8, 2009

STOCK PURCHASE AGREEMENT

This STOCK PURCHASE AGREEMENT (this "*Agreement*"), dated as of the 4th day of September, 2009 (the "*Agreement Date*"), is by and between POTLATCH LAND & LUMBER, LLC, a Delaware limited liability company, ("*Seller*"), whose main offices are located at 601 W. First Avenue, Suite 1600, Spokane, Washington 99201, and PINSLY RAILROAD COMPANY, a Delaware corporation ("*Purchaser*"), whose main offices are located at 53 Southampton Road, Westfield, Massachusetts 01085. Seller and Purchaser are sometimes collectively referred to as the "*Parties*," and individually, as a "*Party*."

RECITALS

A. Seller is the owner of all of the issued and outstanding shares of common stock (the "*Shares*") of (i) The Prescott and Northwestern Railroad Company, an Arkansas corporation ("*PNW*"), and (ii) Warren & Saline River Railroad Company, an Arkansas corporation ("*WSR*," and together with PNW, the "*Companies*"). The Companies are rail carriers subject to the jurisdiction of the Surface Transportation Board (the "*STB*").

B. Seller desires to sell to Purchaser, and Purchaser desires to purchase from Seller, the Shares on the terms and subject to the conditions set forth in this Agreement.

C. Concurrently herewith, Seller is delivering to Purchaser certain disclosure schedules (referred to herein as the "*Company Disclosure Schedules*"), in the form attached hereto as Exhibit A, which are incorporated herein.

AGREEMENT

NOW, THEREFORE, in consideration of the mutual benefits to be derived and the representations and warranties, conditions, covenants and agreements herein contained, and intending to be legally bound hereby, the Parties hereto agree as follows:

**ARTICLE 1
CERTAIN DEFINITIONS**

Section 1.01 **Certain Defined Terms**. As used in this Agreement, the following terms have the meanings specified in this Section 1.01.

"*Affiliate*" means, with respect to a specified Person, any other Person which directly or indirectly, through one or more intermediaries, controls, is controlled by or is under common control with the Person specified; and the term "control" (including the terms "controlling," "controlled by" and "under common control with") means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of a Person, whether through the ownership of voting securities or otherwise.

"*Agreement*" means this Agreement, together with all Exhibits and Schedules attached hereto, as the same may be modified, amended, supplemented or restated from time to time.

"*Agreement Date*" means the date of this Agreement, as set forth in the Preamble hereto.

"*Announcement*" means any announcement to the public or to the trade with respect to this Agreement or the transaction contemplated hereby.

“Balance Sheet” has the meaning set forth in Section 4.04.B of this Agreement.

“Balance Sheet Date” has the meaning set forth in Section 4.04.B of this Agreement.

“Blue Sky Laws” means the securities or blue sky laws of any state of the United States.

“Business Day” means any day that is not a Saturday, Sunday or other day on which banking institutions in Spokane, Washington or Westfield, Massachusetts are authorized or required by Law to close.

“CERCLA” means the federal Comprehensive Environmental Response, Compensation and Liability Act, as the same may have been amended.

“CERCLIS” means the Comprehensive Environmental Response Compensation and Liability Inventory System established pursuant to CERCLA.

“Closing” means the payment of the Purchase Price to Seller, transfer of the Shares to Purchaser and execution and delivery of the Seller Documents and the Purchaser Documents on a date mutually agreed upon by Purchaser and Seller after all of the conditions set forth in Article 7 shall have been satisfied or waived, to be effective at 12:01 AM, local time, on the next calendar day, or such other date or time as the Parties may mutually agree.

“Closing Date” means the date on which the Closing becomes effective.

“Code” means the Internal Revenue Code of 1986, as the same may have been amended.

“Companies” has the meaning set forth in Recital A to this Agreement.

“Company Disclosure Schedules” has the meaning given in Recital C to this Agreement.

“Company Material Adverse Effect” means, (a) with respect to the Companies, a circumstance, condition, change, event or effect (a **“Change”**) that has a material adverse effect on the business, financial condition or results of operations of the Companies, taken together as a whole, or (b) which would reasonably be expected to prevent or materially impair or delay the ability of Seller to perform its obligations under this Agreement or to consummate the transaction contemplated by this Agreement, other than, in each case, relating to or resulting from (i) Changes generally affecting the economy or the financial, credit, securities or transportation markets, to the extent such Changes do not affect the Companies in a materially disproportionate manner relative to other participants in the businesses and industries in which the Companies operate; (ii) national or international political or regulatory Changes, including any engagement in hostilities, whether or not pursuant to the declaration of a national emergency or war or the occurrence of any military or terrorist attack occurring prior to, on or after the Agreement Date, to the extent such Changes do not affect the Companies in a materially disproportionate manner relative to other participants in the businesses and industries in which the Companies operate; (iii) Changes in the businesses or any of the industries in which the Companies operate, to the extent such Changes do not affect the Companies in a materially disproportionate manner relative to other participants in such businesses and industries; (iv) Changes, after the date hereof, in GAAP or in Law, to the extent such Changes do not affect the Companies in a materially disproportionate manner relative to other participants in the businesses and industries in which the Companies operate; (v) natural disasters, to the extent such Changes do not affect the Companies in a materially disproportionate

manner relative to other participants in the businesses and industries in which the Companies operate; or (vi) the announcement of this Agreement or the pendency of the transaction contemplated hereby.

“Company Plan” means all Plans of which either of the Companies is a Plan Sponsor, or to which either of the Companies otherwise contributes or in which either of the Companies otherwise participates.

“Consent” means any governmental, judicial or private party consent, approval, permission, authorization, waiver or exemption.

“Contract” means any written contract, agreement, instrument, undertaking, commitment or arrangement, of any kind or description whatsoever to which either of the Companies is a party or by which any property, assets, capital stock of either of the Companies is subject or bound.

“Employees” has the meaning set forth in Section 4.11 of this Agreement.

“Environmental, Health and Safety Liabilities” means any Liabilities arising from or under Environmental Law or Occupational Safety and Health Law and consisting of or relating to:

(i) any environmental, health or safety matters or conditions (including on-site or off-site contamination, occupational safety and health, and regulation of Hazardous Substances);

(ii) fines, penalties, judgments, awards, settlements, legal or administrative proceedings, damages, losses, claims, demands, and remedial action, response, investigation or inspection costs and expenses arising under Environmental Law or Occupational Safety and Health Law; or

(iii) financial responsibility under Environmental Law or Occupational Safety and Health Law for cleanup costs or corrective action, including any investigation, cleanup, removal, containment, or other remedial action required by applicable Environmental Law or Occupational Safety and Health Law.

“Environmental Law” means any Law of, any Permit from, or any consent decree or agreement with, any federal, state, regional, special district or local governmental authority regulating, relating to or imposing liability or enforceable standards of conduct relating to environmental matters or the protection of the environment, including, without limitation (as the same may have been amended from time to time), the federal Clean Air Act, the federal Clean Water Act, the federal Resource Conservation and Recovery Act, CERCLA, any so-called “Superfund” or “Superlien” Law, the federal Toxic Substances Control Act and any similar state or local Law.

● **“Equitable Exceptions”** has the meaning set forth in Section 4.02.C of this Agreement.

“ERISA” means the federal Employee Retirement Income Security Act of 1974, as the same may have been amended.

“ERISA Affiliate” means, with respect to the Companies, any other Person that, together with either of the Companies, would be treated as a single employer under Section 414 of the Code.

“Exchange Act” means the federal Securities Exchange Act of 1934, as the same may have been amended, together with the rules and regulations promulgated thereunder.

“Final Balance Sheets” means the balance sheet for each of the Companies as of the Closing.

“Financial Statements” means the financial statements of the Companies included in Company Disclosure Schedule 4.04.

“GAAP” means generally accepted accounting principles as in effect from time to time in the United States.

“Governmental Body” means any state, county, city, district or other jurisdiction of any nature; federal, state, local, municipal or other government; governmental or quasi-governmental authority of any nature (including any governmental agency, branch, department, official or entity); or body exercising, or entitled to exercise, any administrative, executive, legislative, policing, regulatory or taxing authority or power of any nature.

“Hazardous Substance” means any hazardous, toxic or polluting contaminant, substance or waste, including, without limitation, any solid waste, toxic substance, hazardous substance, hazardous material, hazardous chemical, pollutant or hazardous or acutely hazardous waste defined or qualifying as such in (or for the purposes of) any Environmental Law, and shall also include (but not be limited to) petroleum (including, without limitation, crude oil and any fraction thereof), any radioactive material (including, without limitation, any source and special nuclear by-product material as defined at 42 U.S.C. § 2011 *et seq.*, as amended), polychlorinated biphenyls (PCBs) and asbestos in any form or condition.

“Income Taxes” means all U.S. federal income taxes and all income and franchise taxes imposed by states, territories and possessions of the United States and political subdivisions thereof which are based on or measured by net income or net profits together with all interest, penalties and additions imposed with respect to such taxes.

“Indemnified Person” has the meaning set forth in Section 9.04 of this Agreement.

“Indemnifying Person” has the meaning set forth in Section 9.04 hereof.

“Intellectual Property Rights” means all patents, patent applications, trademarks, service marks, trademark or service mark registrations, applications for trademark or service mark registrations, trade names, Internet domain names, brand names, trade dress rights, logos and registered copyrights.

“IRS” means the U.S. Internal Revenue Service.

“Laws” means all federal, state, regional, special district and local laws, statutes, ordinances, codes, directives, rules and regulations of any Governmental Body.

“Liabilities” means any direct or indirect indebtedness, liability, claim, deficiency, obligation or responsibility, whether known or unknown, fixed or unfixed, liquidated or unliquidated, secured or unsecured, accrued, absolute, contingent or otherwise.

“Liens” means all liens, security interests, mortgages, pledges, covenants, easements and similar encumbrances and defects in title.

“Losses” has the meaning set forth in Section 9.03 of this Agreement.

“Material Contracts” has the meaning set forth in Section 4.13 of this Agreement.

“Net Working Capital” means current assets minus current liabilities, each as determined in accordance with GAAP.

“Notice” means any notice, announcement, communication or other advice.

“Occupational Safety and Health Law” means any Law, including but not limited to the Laws administered by the Federal Railroad Administration and the Occupational Safety and Health Administration, designed to provide safe and healthful working conditions and to reduce occupational safety and health hazards.

“Ordinary Course of Business” means any action taken by a Person will be deemed to have been taken in the “Ordinary Course of Business” only if:

(i) such action is consistent with the past practices of such Person or is taken in the ordinary course of the normal operations of such Person; or

(ii) such action is similar in nature and magnitude to actions customarily taken in the ordinary course of the normal operations of other Persons that are in the same line of business as such Person.

“Other Benefit Obligation” means all legally binding obligations, arrangements or customary practices to provide benefits, other than salary, as compensation for services rendered, to present or former employees other than obligations, arrangements, and practices that are Plans. **“Other Benefit Obligations of the Companies”** means any Other Benefit Obligation owed, adopted or followed by either of the Companies or by an ERISA Affiliate of either of the Companies.

“Permits” means all governmental licenses, permits, rights, privileges, registrations, required reports, franchises, authorizations and other consents which are required under any applicable Law to own or operate the business of either of the Companies.

“Permitted Exceptions” means: (i) Liens for taxes not yet due and payable; (ii) Liens imposed by Law, such as banker’s, warehousemen’s, mechanic’s and materialmen’s liens, and other similar statutory or common law liens arising in the Ordinary Course of Business; (iii) Liens arising out of pledges, bonds or deposits under worker’s compensation laws, unemployment insurance, old age pension or other social security or retirement benefits or similar legislation and deposits securing obligations for self-insurance arrangements in connection with any of the foregoing; (iv) easements, rights of way, building restrictions, minor defects or irregularities in title and such other encumbrances or charges against property (real, personal or mixed) existing as of the date hereof which do not in a materially adverse way affect the marketability of the same or materially interfere with the use thereof in the Ordinary Course of Business; (v) statutory Liens of landlords arising under leases as to which either of the Companies is lessee; and (vi) leases or subleases granted to others in the Ordinary Course of Business .

“Person” means any natural person, corporation (including any non-profit corporation), general or limited partnership, joint venture, limited liability company, bank, trust or unincorporated organization, joint-stock company or other similar organization, Governmental Body, estate, trust, organization, labor union or any other legal entity, whether acting in an individual, fiduciary or other capacity.

“Plan” has the meaning given in Section 3(3) of ERISA.

“Plan Sponsor” has the meaning given in Section 3(16)(B) of ERISA.

“Policy” has the meaning set forth in Section 4.18 of this Agreement.

“Prime Rate” means the interest rate that the Bank of America holds out as its lowest rate for a short-term loan to its most creditworthy borrowers.

“Purchase and Sale” means the transaction provided for in Section 2.01 of this Agreement.

“Purchase Price” has the meaning set forth in Section 2.02 of this Agreement.

“Purchaser” has the meaning set forth in the Preamble to this Agreement, and its successors and permitted assigns.

“Purchaser Consents” has the meaning set forth in Section 5.02.A of this Agreement.

“Purchaser Documents” means this Agreement, the Service Agreement and the other agreements, instruments, certificates or other documents executed and delivered by Purchaser in connection with this Agreement or the Closing.

“Purchaser Material Adverse Effect” means a condition or event which results in or has (a) a material adverse change in, or a material adverse effect on, the business, liabilities, condition (financial or otherwise), properties, assets or results of operations of the Purchaser, or (b) a material adverse effect on the ability of the Purchaser to perform its obligations under this Agreement and the other Purchaser Documents to which it is a party or to consummate the transaction contemplated hereby and thereby.

“Purchaser’s Indemnified Persons” means Purchaser and its directors, officers, shareholders, controlling persons, employees and agents.

“Real Property” has the meaning set forth in Section 4.05.A of this Agreement.

“Required Consents” has the meaning set forth in Section 7.01.B of this Agreement.

“Retained Employees” has the meaning set forth in Section 3.02 of this Agreement.

“Securities Act” means the Securities Act of 1933, as the same may have been amended, together with the rules and regulations promulgated thereunder.

“Seller” has the meaning set forth in the Preamble to this Agreement, and its successors and permitted assigns.

“Seller Consents” has the meaning set forth in Section 4.02.B of this Agreement.

“Seller Documents” means this Agreement, the Service Agreement and the other agreements, instruments, certificates or other documents executed and delivered by Seller, the Companies or any Affiliate thereof in connection with this Agreement or the Closing.

“Seller Income Tax Periods” has the meaning set forth in Section 6.09.A of this Agreement.

“Seller’s Indemnified Persons” means Seller and its directors, officers, shareholders, controlling persons, employees and agents, and the directors, officers, employees and agents of the Companies who served as such for any period while Seller or any of its Affiliates owned the Companies.

“Service Agreement” has the meaning set forth in Section 3.01 of this Agreement.

“Shares” has the meaning set forth in Recital A of this Agreement.

“Straddle Period Returns” means all Tax Returns of the Companies for taxable periods beginning before and ending after the Closing Date.

“STB” has the meaning given in Recital A of this Agreement.

“Survey” has the meaning set forth in Section 6.13 of this Agreement.

“Tangible Personal Property” has the meaning set forth in Section 4.05.A of this Agreement.

“Tax Returns” means all returns (including information returns) and reports, including all schedules and other information and materials filed, submitted or required to be filed or submitted to any Governmental Body in connection with the determination, assessment, collection or administration of any Taxes.

“Tax” or **“Taxes”** means all taxes, charges, levies or other like assessments, including without limitation all net income, gross income, gross receipts, sales, use, ad valorem, transfer, franchise, profits, capital, payroll, employment, excise, stamp, property or other taxes, together with any interest and any penalties, additions to tax or additional amounts imposed by any Governmental Body.

“Termination Date” has the meaning set forth in Section 8.02.D of this Agreement.

“Threshold Amount” has the meaning set forth in Section 9.01.B(iii) of this Agreement.

Section 1.02 **Other Definitional Matters.**

A. References. Unless otherwise indicated, references in this Agreement to “Articles,” “Sections,” “Exhibits,” “Schedules” and other subdivisions are references to articles, sections, exhibits, schedules and other subdivisions hereof.

B. Terminology. All personal pronouns used in this Agreement, whether used in the masculine, feminine or neuter gender, shall include all other genders; the singular shall include the plural, and the plural shall include the singular. Titles of Articles and Sections in this Agreement are for convenience only, and neither limit nor amplify the provisions of this Agreement.

C. Rule of Construction. The Parties to this Agreement acknowledge that each Party and its respective counsel have participated in the drafting and revision of this Agreement. Accordingly, the Parties agree that any rule of construction which disfavors the drafting party shall not apply in the interpretation of this Agreement.

D. Gender and Plural Terms. Words of gender or neuter may be read as masculine, feminine or neuter, as required by the context. Singular and plural forms of defined and other terms herein may be read as singular or plural, as required or permitted by the context.

ARTICLE 2
PURCHASE AND SALE

Section 2.01 Purchase and Sale. On the Closing Date, Seller shall sell, transfer, assign, grant, convey and set over to Purchaser, and its successors and assigns forever, and Purchaser shall purchase and receive from Seller, free and clear of any and all Liens (other than any restrictions on transfer imposed by federal and state securities laws), all of Seller's right, title and interest in, to and under the Shares.

Section 2.02 Consideration. In consideration of Seller's sale of the Shares to Purchaser as aforesaid, Purchaser shall pay to Seller (the "***Purchase Price***"). The Purchase Price shall be allocated to each of the Companies as set forth in Company Disclosure Schedule 2.02. The Purchase Price shall be payable at Closing, at Potlatch's election, by certified check delivered at Closing or by wire transfer of immediately available funds to a bank account designated by Potlatch.

Section 2.03 Post-Closing Adjustment. In addition to the Purchase Price due at Closing (as set forth in Section 2.02 hereof), the following amounts shall be payable as an adjustment to the Purchase Price after the Closing Date as set forth below in this Section 2.03.

(a) **Net Working Capital.** There shall be an adjustment with respect to Net Working Capital as follows:

(i) **Calculation of Net Working Capital.** Within sixty (60) days after the Closing Date, Seller shall deliver to Purchaser a calculation of Net Working Capital as of the Closing (the "***Initial Net Working Capital Determination***") prepared by Seller and determined in accordance with the applicable books and records of the Companies. Seller and the Companies shall take no action between the Closing and the Closing Date that would affect Net Working Capital.

(ii) **Disputed Items Notice.** If Purchaser delivers written notice (the "***Net Working Capital Disputed Items Notice***") to Seller within thirty (30) days after delivery of the Initial Net Working Capital Determination, stating that Purchaser objects to the Initial Net Working Capital Determination and specifying in detail the basis for such objection, Purchaser and Seller shall attempt to resolve and finally determine the amount of Net Working Capital as of the Closing within fifteen (15) days of the Net Working Capital Disputed Items Notice.

(iii) **Conclusive Presumption.** If Purchaser shall not have delivered the Net Working Capital Disputed Items Notice to Seller within (thirty) 30 days after delivery of the Initial Net Working Capital Determination, the amount of Net Working Capital, as specified in the Initial Net Working Capital Determination, shall be conclusively presumed to be true and correct and shall be binding upon the Parties hereto for purposes of determining any amounts due hereunder and final payment pursuant to paragraph (v) of this Section 2.03 shall not be delayed or disputed.

(iv) **Dispute Resolution; Payment of Fees and Expenses.** If Purchaser and Seller shall be unable to agree upon the amount of Net Working Capital as of the Closing within fifteen (15) days after delivery of the Net Working Capital Disputed Items Notice, an independent accountant mutually acceptable to the Parties (the "***Independent Accountant***") shall review the disputed items and make a determination as to the amount of Net Working Capital as of the Closing (the "***Revised Net Working Capital Determination***"). At the time of the submission of the dispute to the Independent Accountant, Purchaser and Seller shall each submit in writing to the other and to the Independent Accountant a final proposed amount of Net Working Capital as of the Closing

(the “*Proposed Net Working Capital Adjustment*”). The Revised Net Working Capital Determination shall be made within thirty (30) days after the submission of the dispute to the Independent Accountant and shall be binding upon the Parties. The fees, costs and expenses of the Independent Accountant with respect to this Section 2.03(a) (the “*Net Working Capital Dispute Fees*”) shall be borne as follows: (i) in the event that the difference between the Revised Net Working Capital Determination and Purchaser’s Proposed Net Working Capital Adjustment exceeds the difference between the Revised Net Working Capital Determination and Seller’s Proposed Net Working Capital Adjustment, Purchaser shall bear and pay all of the Net Working Capital Dispute Fees; (ii) in the event that the difference between the Revised Net Working Capital Determination and Seller’s Proposed Net Working Capital Adjustment exceeds the difference between the Revised Net Working Capital Determination and Purchaser’s Proposed Net Working Capital Adjustment, Seller shall bear and pay all of the Net Working Capital Dispute Fees; and (iii) if the difference between the Revised Net Working Capital Determination and Purchaser’s Proposed Net Working Capital Adjustment is equal to the difference between the Revised Net Working Capital Determination and Seller’s Proposed Net Working Capital Adjustment, Purchaser and Seller shall each bear and pay one-half of the Net Working Capital Dispute Fees. The Revised Net Working Capital Determination shall be final and binding on the Parties for purposes of determining any adjustments to the Purchase Price and final payment pursuant to paragraph (v) of this Section 2.03(a) shall not be delayed or disputed.

(v) **Final Payment Regarding Adjustment Amount.** Within five (5)-business days after the final determination of Net Working Capital as of the Closing (the “*Final Net Working Capital Determination Amount*”) pursuant to this Section 2.03(a):

- (A) In the event that the Final Net Working Capital Determination Amount is greater than the Estimated Net Working Capital Amount as such term is defined in Section 7.01J hereof (such difference being hereinafter referred to as the “*Seller Net Working Capital Amount*”), Purchaser shall pay to Seller the Seller Net Working Capital Amount, together with interest on such amount from the Closing Date to the date of payment at the Prime Rate per annum, compounded daily on the basis of a 365-day year.
- (B) In the event that the Final Net Working Capital Determination Amount is less than the Estimated Net Working Capital Amount (such difference being hereinafter referred to as the “*Purchaser Net Working Capital Amount*”), the Seller shall pay to Purchaser the Purchaser Net Working Capital Amount, together with interest on such amount from the Closing Date to the date of payment at the Prime Rate per annum, compounded daily on the basis of a 365-day year.

In the event of default by Purchaser or Seller, as the case may be, in the payment when due of any sum owing pursuant to paragraph (v) of this Section 2.03(a), the amount so owing shall become immediately due and payable with interest from the Closing Date at the Prime Rate plus two percent (2%) per annum, compounded daily on the basis of a 365-day year.

Section 2.04 338(h)(10) Election. With respect to the acquisition of the Shares hereunder, Purchaser shall make a timely election under Section 338(g) of the Code and Seller and Purchaser shall jointly make an election under Section 338(h)(10) of the Code (and any corresponding elections under state or local tax law) (collectively, a “Section 338(h)(10) Election”). Seller and Purchaser shall (i) take, and cooperate with each other to take, all actions necessary and appropriate (including filing such forms, returns, elections, schedules and other documents as may be required) to effect and preserve a timely

Section 338(h)(10) Election in accordance with Section 338 of the Code or any successor provision promptly following the Closing Date, but not later than the date that is the last date for making such Section 338(h)(10) Election, and from time to time thereafter; and (ii) report the sale of the Shares pursuant to this Agreement consistent with the Section 338(h)(10) Election and shall take no position contrary thereto or inconsistent therewith in any tax return, any discussion with or proceeding before any tax authority, or otherwise. The fair market value of the assets of the Companies for purposes of the Section 338(h)(10) Election shall be as stated in Disclosure Schedule 2.02, adjusted for any final adjustment with respect to Net Working Capital as provided in Section 2.03(a).

**ARTICLE 3
ADDITIONAL COVENANTS AND AGREEMENTS OF THE PARTIES**

Section 3.01 Service Agreement. At Closing, the Parties shall sign and deliver a Service and Demurrage Agreement between Seller, and WSR, substantially in the form of Exhibit B hereto (the "*Service Agreement*").

Section 3.02 Employees.

Section 3.03 Final Balance Sheets. Within sixty (60) days after the Closing Date, Seller shall provide the Final Balance Sheets to Purchaser.

**ARTICLE 4
REPRESENTATIONS AND WARRANTIES OF SELLER**

Seller hereby represents and warrants to Purchaser as follows:

Section 4.01 Organization and Good Standing.

A. Seller is a limited liability company duly organized, validly existing and in good standing under the laws of the State of Delaware.

B. Each of the Companies is a corporation duly organized, validly existing and in good standing under the laws of the State of Arkansas. Each of the Companies has the full corporate power and authority to own, lease and operate its properties and assets, to carry on its businesses as presently conducted, and to perform its obligations under all applicable Contracts, except where the failure to have

Section 338(h)(10) Election in accordance with Section 338 of the Code or any successor provision promptly following the Closing Date, but not later than the date that is the last date for making such Section 338(h)(10) Election, and from time to time thereafter; and (ii) report the sale of the Shares pursuant to this Agreement consistent with the Section 338(h)(10) Election and shall take no position contrary thereto or inconsistent therewith in any tax return, any discussion with or proceeding before any tax authority, or otherwise. The fair market value of the assets of the Companies for purposes of the Section 338(h)(10) Election shall be as stated in Disclosure Schedule 2.02, adjusted for any final adjustment with respect to Net Working Capital as provided in Section 2.03(a).

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such power and authority would not reasonably be expected to result in a Company Material Adverse Effect.

Section 4.02 **Consents, Authorizations and Conflicts.**

A. **Consents Generally.** Neither the execution and delivery by Seller of this Agreement or of any of the other Seller Documents, nor the performance by Seller of its obligations hereunder and thereunder, requires any material Consent or the giving of any material Notice applicable to Seller (as opposed to Purchaser), except for (i) the approval or exemption of the STB as provided in Section 6.03B, and (ii) such Consents and Notices that:

(a) are listed in Company Disclosure Schedule 4.02; and

(b) (i) have been or will be obtained or given on or before, and remain in full force and effect as of the Closing Date, or (ii) if not so obtained or given, would not reasonably be expected to result in a Company Material Adverse Effect.

B. **Seller Consents.** Set forth in Company Disclosure Schedule 4.02 is a complete and accurate list of all material Consents of, or material filings with or Notices to, any Person or Governmental Body (other than the STB), required in connection with the Seller's valid execution, delivery and performance of this Agreement and the Seller Documents and the consummation of the transaction contemplated hereby and thereby, including, without limitation, any material Consents or material Notices required in connection with the Permits listed in Company Disclosure Schedule 4.08 and the Contracts listed in Company Disclosure Schedule 4.13 (collectively, the "***Seller Consents***").

C. **Authorization.** This Agreement has been duly authorized, executed and delivered by Seller and constitutes the legal, valid and binding obligation of Seller enforceable against Seller in accordance with its terms, except as such enforceability may be limited by bankruptcy, reorganization, insolvency, fraudulent conveyance or similar laws of general application relating to or affecting the enforcement of creditors' rights (the "***Equitable Exceptions***"). At the Closing, each other Seller Document shall be duly authorized, executed and delivered by Seller, and shall constitute the legal, valid and binding obligation of Seller, enforceable against Seller in accordance with its terms, except as such enforceability may be limited by the Equitable Exceptions.

D. **No Conflicts.** The execution and delivery by Seller of this Agreement and the other Seller Documents, and the performance by Seller of its obligations hereunder and thereunder, does not and will not contravene, conflict or be inconsistent with, result in a breach of, constitute a violation of or default under, or require or result in any right of acceleration or create or impose any Lien under (all or any of the foregoing a "breach"): (i) Seller's Limited Liability Company Agreement or the certificate of incorporation or by-laws, as amended to date of the Companies; (ii) any Law applicable or relating to Seller or either of the Companies or any of the businesses, assets or properties of Seller or either of the Companies; or (iii) any Contract or Permit, *except*, with respect to clauses (ii) and (iii), for such breaches, violations, defaults, accelerations or Liens as would not, alone or in the aggregate, be reasonably expected to have a Company Material Adverse Effect.

Section 4.03 **Minute and Stock Transfer Books.** Seller has made available to Purchaser the original or true copies of the minute books and stock transfer records of PNW and WSR which are in the possession of Seller.

Section 4.04 Financial Statements.

A. **Preparation of Financial Statements.** The financial statements, which are included as part of Company Disclosure Schedule 4.04 (the “*Financial Statements*”), present fairly, in all material respects, the financial condition and the results of operations of the Companies as at the respective dates of and for the periods referred to in such Financial Statements, each in a manner that is consistent with the historical financial accounting and reporting practices of the Companies.

B. **Balance Sheet Indebtedness.** At March 31, 2009 (the “*Balance Sheet Date*”), neither of the Companies had any indebtedness or liabilities required to be included on a balance sheet which are not included in its balance sheet at and as of such date (the “*Balance Sheets*”) included as part of Company Disclosure Schedule 4.04. Since the Balance Sheet Date, neither of the Companies has incurred any indebtedness or liabilities of the type required to be included on a balance sheet except for such indebtedness or liabilities incurred by PNW and WSR in the Ordinary Course of Business, as applicable.

Section 4.05 Title, and Nature of Tangible Assets.

A. **Real Property and Tangible Personal Property.** Set forth in the Company Disclosure Schedule 4.05A is a list of all real property (“*Real Property*”) and material tangible personal property and fixtures (“*Tangible Personal Property*”) owned or leased by either PNW or WSR as of the Agreement Date having, as applicable, a purchase cost of \$25,000 or more or a fair market value (at lease inception) of \$25,000 or more. Each of the Companies has good and marketable title to, or a valid leasehold interest in, its respective Tangible Personal Property free and clear of all Liens other than Permitted Exceptions. Set forth on Company Disclosure Schedule 4.05A is a list of all real property leases or subleases affecting any of the Real Property, and all equipment or other personal property leases or subleases affecting any of the Tangible Personal Property.

B. **Condemnation or Eminent Domain Proceedings.** Neither of the Companies has received written notice of any pending or overtly threatened condemnation or eminent domain proceeding in respect of its Real Property or Tangible Personal Property which would reasonably be expected to result in a Company Material Adverse Effect.

Section 4.06 **Intellectual Property Rights.** Set forth in Company Disclosure Schedule 4.06 is a complete list of (i) all material Intellectual Property Rights owned, licensed or used by PNW or WSR, as applicable, and (ii) all license and other agreements with respect to any of the foregoing. PNW and WSR, as applicable, own or have the right to use pursuant to license, sublicense, agreement or permission all such Intellectual Property Rights necessary for the operation of their respective businesses as presently conducted, except where the failure to own or possess rights in such Intellectual Property Rights would not reasonably be expected to result in a Company Material Adverse Effect. To the Knowledge of Seller, neither PNW or WSR has infringed upon or otherwise violated any Intellectual Property Rights of third parties; there are no existing or, to the Knowledge of Seller, overtly threatened claims against either of the Companies by any Person claiming any adverse right of ownership or use of any of the Intellectual Property Rights, or that the Companies are infringing any rights in or to the Intellectual Property Rights of any other Person. To the Knowledge of Seller, no third party has interfered with, infringed upon, misappropriated or otherwise come into conflict with any Intellectual Property Rights of PNW or WSR, as applicable.

Section 4.07 **Litigation.** Except as set forth on Company Disclosure Schedule 4.07, there are no Governmental Body or private party actions, suits, claims, proceedings or investigations pending or, to the Knowledge of Seller, overtly threatened against, the Companies or Seller which has or would

reasonably be expected to result in a Company Material Adverse Effect, and which (i) relate to either of the Companies, the ownership or business of the Companies, any of the Shares or any properties or assets currently owned, leased or operated by the Companies, or (ii) which question or challenge Seller's right, title or interest in or to any of the Shares.

Section 4.08 Compliance. Each of the Companies has obtained all Permits necessary to operate its business as currently conducted, except those the absence of which would not reasonably be expected to result in a Company Material Adverse Effect. Company Disclosure Schedule 4.08 contains a complete list of all material Permits held by or issued in favor of the Companies as of the Agreement Date. To the Knowledge of Seller, except as set forth in Company Disclosure Schedule 4.08, there exists no default or violation by either PNW or WSR under any of its material Permits which default or violation would reasonably be expected to result in a Company Material Adverse Effect.

Section 4.09 Taxes.

A. Tax Returns. Each of the Companies has filed or caused to be filed all Tax Returns that it was required to file on or prior to the Agreement Date. Each of the Companies has paid or provided for all Income Taxes shown on its Income Tax Returns, except such Taxes as are listed in Company Disclosure Schedule 4.09 and which are being contested in good faith and as to which adequate reserves have been provided in the Balance Sheet of PNW or WSR, as applicable, except where the failure to file Income Tax Returns or to pay Income Taxes would not reasonably be expected to result in a Company Material Adverse Effect.

B. Tax Assessments. Except as disclosed in the Balance Sheet of PNW or WSR, as applicable, or in Company Disclosure Schedule 4.09, there exists no material written proposed Tax assessment or to the Knowledge of Seller, no threatened material proposed Tax assessment against either of the Companies.

C. Payment of Taxes. To the Knowledge of Seller, the Companies have withheld and timely deposited or paid or accrued all Taxes required to have been withheld in connection with amounts paid or owing to any employee, independent contractor, or other third party.

D. Sales and Use Taxes. Each of the Companies has been reported under Seller's Arkansas sales and use tax permit which allows each Company to be a self-assessor. Sales and use tax returns have been filed monthly for all prior periods and have been audited through 2005, and all deficiencies have been paid. Seller shall be responsible for any sales and use tax liability for periods up to the Closing Date not provided for in the general ledger on the Closing Date.

Section 4.10 [Intentionally Omitted].

Section 4.11 Employees and Labor Relations. Seller has previously provided Purchaser with a complete list of all active employees of PNW and WSR (collectively, "**Employees**"), which list sets forth the name, job title, date of hire, date of birth, annual compensation, wage or hourly rate and annual vacation days entitlement. Seller has provided or made available to Purchaser copies of all written employment contracts, consulting agreements and similar written arrangements to which either of the Companies is a party. Except as disclosed in Company Disclosure Schedule 4.11, neither PNW nor WSR has any contract with any of its Employees which cannot be terminated without penalty payable to such Employee on thirty (30) days' notice. No Employee or former employee of either of the Companies will become entitled to any bonus, retirement, severance, job security or Other Benefit Obligation of the Companies solely as a result of the transaction contemplated by this Agreement. Except as disclosed in Company Disclosure Schedule 4.11, no Employee of either of the Companies is covered by any collective

bargaining agreement or a party to any Contract with either of the Companies. Except where the failure to comply would not reasonably be expected, individually or in the aggregate, to result in a Company Material Adverse Effect, each of PNW and WSR is in compliance with all Laws relating to the employment of labor, including, without limitation, those relating to wages, hours, unfair labor practices, discrimination and payment of social security and similar Taxes. Set forth in Company Disclosure Schedule 4.11 are all complaints against either of the Companies pending or, to the Knowledge of Seller, threatened before the National Labor Relations Board, the Equal Employment Opportunity Commission or any similar state or local labor or employment discrimination agency by or on behalf of any Employee.

Section 4.12 **Environmental Matters.** Except as set forth in Company Disclosure Schedule 4.12:

A. **Compliance With Environmental Laws.** To the Knowledge of Seller, PNW and WSR are in compliance with, and are not in violation of or liable under, any Environmental Law, except for such noncompliance, violation or liability which would not reasonably be expected to result in a Company Material Adverse Effect.

B. **CERCLIS and CERCLA.** Neither Seller nor either of the Companies has received any written notice that any of the Companies' Real Property has been identified on any current or proposed (i) National Priorities List under 40 C.F.R. § 300, (ii) CERCLIS list or (iii) any list arising from a state or local law similar to CERCLA.

C. **Environmental, Health and Safety Liabilities.** Neither Seller nor either of the Companies has received any written notice of any claims or Liens against either PNW or WSR resulting from any Environmental, Health and Safety Liabilities or arising under or pursuant to any Environmental Law, with respect to or affecting properties and assets (whether real, personal or mixed) in which PNW or WSR has an interest.

Section 4.13 **Contracts.** Set forth in Company Disclosure Schedule 4.13 is a complete list of all Contracts over \$50,000 to which either of the Companies is a party (collectively, the "**Material Contracts**"), except for: (a) routine purchase orders or invoices; (b) employment and other contracts terminable at will or on thirty (30) days' (or less) notice without penalty; (c) any Contract listed on any other of the Company Disclosure Schedules; and (d) any other Contract involving liabilities or obligations for future payments by either PNW or WSR of not more than \$50,000. Seller has heretofore delivered or made available to Purchaser true and complete copies of all such Material Contracts. Except as may be indicated in Company Disclosure Schedule 4.13, all such Material Contracts are in full force and effect in accordance with the terms thereof (except to the extent that any courses of dealing have effected deviations therefrom, none of which are materially adverse to PNW or WSR, as applicable), and there are no outstanding defaults by either of the Companies or, to the Knowledge of Seller, any other party under any such Material Contracts which would reasonably be expected to result in a Company Material Adverse Effect.

Section 4.14 **Absence of Certain Changes.** Since March 31, 2009, except as otherwise expressly contemplated by this Agreement, or as set forth in Company Disclosure Schedule 4.14, each of PNW and WSR, as applicable, has conducted its business and operations in the Ordinary Course of Business and, except as consistent with recent past practice, has not:

(i) issued or sold any shares of its capital stock or debt securities or partnership interests, or granted any rights calling for the issuance or sale of any of the foregoing (including, without limitation, options, warrants, convertible or exchangeable securities or similar rights);

- (ii) amended its articles of incorporation or by-laws;
- (iii) to the Knowledge of Seller, granted any right to severance or termination payment to any of its officers, directors or employees other than in the Ordinary Course of Business;
- (iv) to the Knowledge of Seller, incurred any damage to or destruction or loss of any property or assets, whether or not covered by insurance, which would reasonably be expected to result in a Company Material Adverse Effect;
- (v) to the Knowledge of Seller, entered into, terminated or received notice of termination of any Material Contract that is or was of a nature required to be disclosed in Company Disclosure Schedule 4.13;
- (vi) made any material change in its accounting methods;
- (vii) to the Knowledge of Seller, entered into, amended, or terminated any employment agreement with any Employee, except in the Ordinary Course of Business; entered into, amended, or terminated any agreement with a labor union or association representing any Employee; adopted, entered into, or amended any Company Plan or Other Benefit Obligation which materially affects its business; or other than in the Ordinary Course of Business, made any wage or salary increase, bonus, or increased any other direct or indirect compensation, for or to any of its Employees, or any accrual for or commitment or agreement to make or pay the same;
- (viii) to the Knowledge of Seller, other than in the Ordinary Course of Business, entered into any lease (as lessor or lessee); sold, abandoned, or made any other disposition of any of its assets or properties except for assets sold in the Ordinary Course of Business; other than in the Ordinary Course of Business, granted any Lien on any of its assets or properties; incurred or assumed any debt, obligation, or liability (whether absolute or contingent or whether or not currently due and payable) except for liabilities incurred in the Ordinary Course of Business; or paid, directly or indirectly, any of its material liabilities otherwise than in the Ordinary Course of Business;
- (ix) except for equipment and other fixed assets and supplies acquired in the Ordinary Course of Business, made any acquisition of all or any part of the assets, properties, capital stock, or business of any other Person;
- (x) to the Knowledge of Seller, transferred, granted or licensed any rights under, or permitted to lapse, any Intellectual Property Rights other than in the Ordinary Course of Business;
- (xi) guaranteed, indemnified or otherwise become liable for the obligations or liabilities of another Person except in the Ordinary Course of Business; or
- (xii) agreed or committed in writing to do any of the foregoing.

Section 4.15 **Equity Interests.** Neither PNW nor WSR has an equity or ownership interest in any other entity.

Section 4.16 **Capitalization and Title to Shares.** The authorized capital stock of PNW consists of 300 Shares of Common Stock, of which 300 Shares are issued and outstanding and held beneficially and of record by Seller. The authorized capital stock of WSR consists of 500 Shares of

Common Stock, of which 500 Shares are issued and outstanding and held beneficially and of record by Seller. All of the Shares have been duly authorized and are validly issued, fully paid and nonassessable, and no personal liability attaches to the ownership thereof. Seller is the lawful record and beneficial owner of the Shares, all of which are free and clear of all Liens other than restrictions on transfer imposed by federal and state securities laws and the liens identified in Company Disclosure Schedule 4.16, which liens shall be discharged by Seller prior to the Closing Date. Seller has all requisite right, title, power and authority to sell, assign, transfer and deliver the Shares to Purchaser. Except as set forth in Company Disclosure Schedule 4.16, there are no:

- (i) proxies, voting trusts or other agreements or understandings with respect to the voting of any of the shares of capital stock or other equity interests of either PNW or WSR, as applicable;
- (ii) securities convertible into or exchangeable for any shares of capital stock of either PNW or WSR, as applicable;
- (iii) options, warrants or other rights to purchase or subscribe for any shares of capital stock of either PNW or WSR, as applicable, or for securities convertible into or exchangeable for any shares of capital stock of either PNW or WSR, as applicable;
- (iv) plans, agreements or commitments of any kind or description relating to the issuance or purchase of any shares of capital stock of either PNW or WSR, as applicable, any such convertible or exchangeable securities or any such options, warrants or other rights; or
- (v) agreements or commitments of any kind or description which would obligate either PNW or WSR, as applicable, to issue or purchase or otherwise acquire any of its securities.

Section 4.17 **Bank Accounts**. Set forth in Company Disclosure Schedule 4.17 is a complete list of the names and locations of all banks, brokers, depositories and other financial institutions in which each of the Companies has an account or safe deposit box, including all relevant account titles, account numbers and the identity of persons authorized to withdraw funds (or other items) therefrom.

Section 4.18 **Insurance**.

A. **Policy Information**. Set forth in Disclosure Schedule 4.18 is the following information with respect to each material insurance policy for any policy period commencing on or after January 1, 2009, with respect to which either PNW or WSR is a named insured or otherwise the beneficiary of coverage (each, a "**Policy**"): (i) the name of the insurer; (ii) the name, address and telephone number of the agent; (iii) the policy number and period of coverage; (iv) policy type (*i.e.*, whether coverage is on a claims made or occurrence basis) and amount of coverage and deductibles; and (v) a description of each claim to which either PNW or WSR, as applicable, is a party currently pending under any Policy. Seller's ultimate parent company, Potlatch Corporation ("**Potlatch**"), or a Potlatch Affiliate, is the policyholder under each Policy, and Potlatch or its Affiliate shall continue to own all such Policies after the Closing Date. Nothing contained herein shall be construed to be an attempted transfer of or a change to any part of the ownership of the Policies. Purchaser shall be responsible for procuring its own insurance coverage for the Companies from and after the Closing Date.

Section 4.19 **Guaranties**. Neither PNW nor WSR is a guarantor or otherwise liable for any Liability or obligation (including indebtedness) of any other Person.

Section 4.20 **Full Disclosure.** The representations and warranties contained in this Article 4 do not contain any untrue statement of a material fact.

Section 4.21 **No Other Representations and Warranties by Seller.** EXCEPT FOR THE REPRESENTATIONS AND WARRANTIES SET FORTH IN THIS ARTICLE 4 (AS SUCH REPRESENTATIONS AND WARRANTIES ARE MODIFIED OR LIMITED BY THE COMPANY DISCLOSURE SCHEDULES), PURCHASER IS ACQUIRING THE COMPANIES AND THE SHARES "AS IS" AND "WHERE IS", AND SELLER MAKES NO OTHER REPRESENTATIONS AND WARRANTIES, EXPRESS OR IMPLIED, TO PURCHASER (OR ANY OTHER PERSON) WITH RESPECT TO THE SHARES OR THE COMPANIES, OR THEIR RESPECTIVE PROPERTIES AND ASSETS, INCLUDING, WITHOUT LIMITATION, WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE. Without limiting the generality of the foregoing, and notwithstanding any other express representations and warranties made by Seller in this Article 4 (or elsewhere in this Agreement or in any certificate or document delivered pursuant hereto), Seller makes no representation or warranty to Purchaser (or any other Person) with respect to:

- (i) any projections, estimates or budgets heretofore delivered to or made available with respect to future revenues, expenses or expenditures, future results of operations (or any component thereof), future cash flows or future financial condition (or any component thereof) of either of the Companies or the future businesses and operations of either of the Companies;
- (ii) any continued business relationship with current vendors, customers or joint facility partners of either of the Companies on or after the Closing Date;
- (iii) any other information or documents made available with respect to either of the Companies or the businesses and operations of either of the Companies, except as expressly covered by a representation and warranty contained in this Article 4; or
- (iv) the physical condition of the Companies' (a) main lines, branches, sides, spurs, switching and yard tracks, including any affixed bridges, trestles and culverts; (b) rails, ties, switches, crossings, plates and other track materials; (b) signals, crossing protection devices and communication lines; and (c) locomotives, cars and maintenance-of-way and other equipment.

Section 4.22 **"To the Knowledge of, etc."** For all purposes of this Agreement, any use of the phrases "to the Knowledge of Seller," or "to Seller's Knowledge," and words of similar import, when modifying any particular representation or warranty set forth herein or in any other Seller Document, shall mean that the following persons have no actual knowledge that such representation and warranty is not complete and correct, without the requirement of any due diligence:

ARTICLE 5 REPRESENTATIONS AND WARRANTIES OF PURCHASER

Purchaser represents and warrants to Seller as follows:

Section 5.01 **Organization and Good Standing.** Purchaser is a corporation duly organized, validly existing and in good standing under the laws of the State of Delaware and is duly qualified or licensed to transact business and is in good standing as a foreign corporation in each jurisdiction in which the nature of the business conducted by it, or the character or location of the properties and assets owned or leased by it, requires such license or qualification, except where the failure to be so licensed or qualified would not reasonably be expected to, individually or in the aggregate, result in a Purchaser

Material Adverse Effect. Purchaser has the full corporate power and authority to own, lease and operate its properties and assets, to carry on its businesses as presently conducted, and to perform its obligations under all applicable contracts, except where the failure to have such power and authority would not reasonably be expected to result in a Purchaser Material Adverse Effect.

Section 5.02 **Consents, Authorizations and Conflicts.**

A. **Consents.** Neither the execution and delivery by Purchaser of this Agreement or any of the other Purchaser Documents to which it is a party, nor the performance by Purchaser of its obligations thereunder, require any Consent or the giving of any Notice applicable to Purchaser (as opposed to Seller) (including, without limitation, Consents and Notices necessary or required under or with respect to any contract or license of Purchaser or any subsidiary thereof), other than the approval or exemption of the STB, as provided in Section 6.03.B of this Agreement.

B. **Authorization.** This Agreement has been duly authorized, executed and delivered by Purchaser and constitutes the legal, valid and binding obligation of Purchaser enforceable against Purchaser in accordance with its terms, except as such enforceability may be limited by the Equitable Exceptions. At the Closing, each other Purchaser Document shall be duly authorized, executed and delivered by Purchaser, and shall constitute the legal, valid and binding obligation of Purchaser, enforceable against Purchaser in accordance with its terms, except as such enforceability may be limited by the Equitable Exceptions.

C. **No Conflicts.** The execution and delivery by Purchaser of this Agreement and the other Purchaser Documents, and the performance by Purchaser of its obligations hereunder and thereunder, does not and will not contravene, conflict or be inconsistent with, result in a breach of, or constitute a violation of or default under: (i) Purchaser's certificate of incorporation or by-laws, as amended to date, (ii) any Law applicable or relating to Purchaser or (iii) any contract or permit of Purchaser or any subsidiary or other Affiliate thereof, *except*, with respect to clauses (ii) and (iii), for such breaches, violations or defaults as would not, alone or in the aggregate, be reasonably expected to have a Purchaser Material Adverse Effect.

Section 5.03 **Litigation.** Except as heretofore disclosed to Seller in writing, there are no Governmental Body or private party actions, suits, claims, proceedings, or investigations pending or, to the Knowledge of Purchaser, overtly threatened against Purchaser or any Affiliate thereof which would reasonably be expected to result in a Purchaser Material Adverse Effect.

Section 5.04 **Financial Ability.** Purchaser has, or has received binding commitments for, sufficient funds to close the Purchase and Sale contemplated by this Agreement.

Section 5.05 **Due Diligence.** Purchaser has received and reviewed such information as it considers necessary or appropriate concerning the Companies and the transaction contemplated by this Agreement. Purchaser has had an opportunity to ask questions and receive answers from the Companies and Seller and their respective management personnel regarding the terms and conditions of the Purchase and Sale and regarding the business, financial affairs, and other aspects of the Companies, and has further had the opportunity to obtain all information (to the extent Seller or the Companies possess or can acquire such information without unreasonable effort or expense) which Purchaser deems necessary or appropriate to evaluate the Purchase and Sale contemplated by this Agreement and to verify the accuracy of information otherwise provided to Purchaser. Without limiting the generality of the foregoing, Purchaser has had an opportunity to (i) examine the Companies' reciprocal switching, trackage rights and joint facility agreements and the Companies' rate agreements or contracts; (ii) inspect the Companies' locomotives, cars and maintenance and other equipment; and (iii) examine any available valuations maps

and track charts of the Companies in the possession of Seller and to inspect the railroad lines of the Companies. During its review of the due diligence materials provided by Seller, and during the foregoing examinations and inspections, Purchaser did not become aware of any fact or condition that is materially inconsistent with any representation or warranty made by Seller herein. No oral or written statement, representation and warranty or inducement which is contrary to or inconsistent with the representations and warranties of Seller contained in this Agreement have been made by or on behalf of Seller or the Companies to Purchaser.

Section 5.06 **No Violation of Law.** Purchaser is not in violation of, and has not been given notice or been charged with any violation of, any Law, except for such violations, notices or charges that would not reasonably be expected to, individually or in the aggregate, result in a Purchaser Material Adverse Effect. Except as heretofore disclosed by Purchaser in writing to Seller, and except as would not reasonably be expected to, individually or in the aggregate, result in a Purchaser Material Adverse Effect, no investigation or review by any Governmental Body with respect to or affecting Purchaser is pending or, to the knowledge of Purchaser, threatened.

Section 5.07 **Accredited Investor.** Purchaser is an “accredited investor” as defined in Rule 501 of Regulation D promulgated by the Securities and Exchange Commission.

Section 5.08 **“To the Knowledge of, etc.”** For all purposes of this Agreement, any use of the phrases “to the Knowledge of Purchaser” or “to Purchaser’s Knowledge,” and words of similar import, when modifying any particular representation or warranty set forth herein or in any other Purchaser Document, shall mean that the following person has no actual knowledge that such representation and warranty is not complete and correct, without the requirement of any due diligence:

ARTICLE 6 CONDUCT AND TRANSACTIONS PRIOR TO CLOSING; AFTER CLOSING

Section 6.01 **Access to Records and Properties of the Company.** Seller shall give Purchaser and Purchaser’s counsel, accountants, lenders and their respective employees, agents and representatives such access to (during normal business hours), and opportunity to examine, the books, records, files, documents, properties and assets of, the Companies, and cause the officers, directors, Employees, agents, representatives, legal counsel, accountants, auditors and actuaries of the Companies to furnish such financial and operating data and other information with respect to the Companies, as Purchaser shall from time to time reasonably request. Any investigation pursuant to this Section 6.01 shall be conducted in such manner as not to interfere unreasonably with the Ordinary Course of Business and operations of the Companies or with the confidentiality respecting the transaction contemplated by this Agreement.

Section 6.02 **Operation of the Companies.** From the Agreement Date to the Closing Date, except to the extent that Purchaser shall consent in writing, the Companies shall operate their respective businesses in such a manner as would be in the Ordinary Course of Business. Without limiting the generality of the foregoing, each of the Companies shall:

- (i) not merge or consolidate with any other entity, acquire any other business or entity, or agree to do any of the foregoing;
- (ii) notify Purchaser of any significant loss of, damage to or destruction of any of its material properties or assets;

(iii) maintain in full force and effect all present insurance coverages and apply the proceeds received under any such coverages as a result of any loss of, damage to or destruction of any of its properties or assets to the repair, restoration or replacement thereof; and

(iv) use its commercially reasonable efforts to preserve its reputation and business relationships with Persons having business dealings with it.

Section 6.03 Consents and Approvals.

A. **General.** Promptly after the date hereof, the Parties hereto shall use their respective commercially reasonable efforts to obtain all Consents and give all Notices which may be necessary in order to consummate the Purchase and Sale contemplated hereby in accordance with the terms hereof. The Parties hereto shall otherwise cooperate with each other in discharging their respective obligations under this Section 6.03.A, and shall promptly advise the other Party hereto of any difficulties encountered in obtaining any such Consents or giving any such Notices.

B. **STB Approval.** Consistent with the provisions of Section 6.03.A above, Purchaser shall promptly, but no later than ten (10) Business Days after the Parties' execution of this Agreement, at its sole cost and expense, file with the STB a Notice of Exemption for Purchaser to acquire the stock of and to operate the PNW, pursuant to 49 C.F.R. 1180.2(d)(2), and a Petition for Exemption for Purchaser to acquire the stock of and to operate the WSR, pursuant to 49 C.F.R. 1121.1, et seq. and 49 C.F.R. 1180.2(c). Seller shall cooperate with Purchaser in preparing its requests to be filed with the STB, and Purchaser shall afford Seller the opportunity to review and comment on the draft pleadings a reasonable time in advance of their being filed with the STB.

Section 6.04 Accounting Records. Seller shall provide to Purchaser within sixty (60) days after the Closing Date copies of accounting records and documents related to the financial statements of the Companies that are not kept or maintained at the operating offices of the Companies, including but not limited to detailed accounting schedules that support the accounts receivable, accounts payable and accrued liabilities balances for each of the Companies as of the Balance Sheet Date and as of the date of the Final Balance Sheets.

Section 6.05 Efforts to Satisfy Conditions. Except as otherwise provided in this Agreement, each Party shall use its commercially reasonable efforts to cause the conditions to the Closing set forth in Article 7 hereof to be satisfied, to the extent that the satisfaction of such conditions is in the control of such Party, as soon as practicable after the date hereof; *provided, however*, the foregoing shall not constitute a limitation upon the covenants and obligations of either Party otherwise expressly set forth in this Agreement.

Section 6.06 Intracompany Indebtedness. On or before the Closing, any indebtedness owed to either of the Companies by Seller shall be treated as a dividend or a return of capital to Seller and shall be documented in the minutes of each Company as such.

Section 6.07 Transfer Restrictions. From and after the date hereof and until the Closing Date, Seller shall not sell, assign, pledge, donate, transfer, encumber or otherwise dispose of any of the Shares.

Section 6.08 Confidential Information. Seller and Purchaser have entered into a Confidentiality Agreement dated as of January 8, 2009, which remains in full force and effect. In addition, the Parties agree to the following provisions regarding confidentiality of information:

A. Confidentiality if No Closing Occurs. In the event the Closing shall not occur, Purchaser and Purchaser's counsel, accountants, lenders and their respective employees, agents and representatives shall treat in confidence all confidential documents and materials and other confidential information which they shall have obtained regarding the Companies or Seller or any Affiliate thereof during the course of the negotiations leading to the transaction contemplated hereby, the investigation of the Companies and the preparation of this Agreement, and shall return or destroy all copies (including computer files) of nonpublic confidential documents and materials which have been furnished in connection therewith or which contain or incorporate any of the foregoing. However, nothing contained herein shall prohibit Purchaser or any such other person or entity from (subject to the provisions of Section 6.03.B and Section 10.13) supplying or filing such documents, materials or other information with the STB or other such Governmental Body which Purchaser deems necessary or appropriate in connection with the Purchase and Sale contemplated hereby.

B. Confidentiality if Closing Occurs. In the event the Closing shall occur, Seller and Seller's counsel, accountants, lenders and their respective employees, agents and representatives shall (i) treat in confidence all confidential documents and materials and other confidential information which they shall have obtained regarding the Companies, and (ii) treat in confidence all confidential documents and materials and other confidential information which they shall have obtained regarding the Purchaser or any Affiliate thereof, if obtained during the course of the negotiations leading to the transaction contemplated hereby or the preparation of this Agreement, and shall return or destroy all copies (including computer files) of nonpublic confidential documents and materials which have been furnished in connection therewith or which contain or incorporate any of the foregoing. However, nothing contained herein shall prohibit Seller or any such other person or entity from (subject to the provisions of Section 6.08 and Section 10.13) supplying or filing such documents, materials or other information with the STB or other Governmental Body which Seller deems necessary or appropriate in connection with the Purchase and Sale contemplated hereby.

Section 6.09 Tax Returns and Payments.

A. Income Taxes and Returns. Seller files a consolidated federal income tax return ("*Income Tax Return*") that includes the Companies. Seller shall be responsible for including all items of income, gain, loss, deduction or credit of the Companies for the tax period beginning January 1, 2009 through the date immediately preceding the Closing Date (herein referred to as the "*Seller Income Tax Periods*"), and Seller shall be responsible for and shall pay all Income Taxes payable as a consequence of the inclusion or omission of such items in the consolidated Income Tax Returns, reports and filings of Seller for Seller Income Tax Periods and shall timely file such Income Tax Returns, forms and reports, including those required under Section 2.04. All tax attributes, including but not limited to net operating losses, credits, capital losses, state and local tax losses and credits, earned or incurred through the date immediately preceding the Closing Date shall remain with Seller.

B. Information to be Provided by Purchaser. With respect to the Seller Income Tax Period between the end of the most recent taxable period of the Companies and the date immediately preceding the Closing Date, Purchaser shall provide to Seller (to the extent not already provided), within fifteen (15) days after it shall have been requested by Seller, information required to compute separate taxable income and other relevant measures of income of the Companies.

C. Straddle Period Returns. The Companies or the Purchaser shall timely pay or accrue all Taxes for the periods to which the Straddle Period Returns relate as provided in Sections 6.09.A and 6.09.B. Any such liabilities for Taxes based on payroll shall include both Taxes withheld and Taxes accrued (and remaining unpaid) attributable to any period prior to the Closing Date, and any and all liabilities with respect to such Taxes shall be the sole responsibility of the Companies. Any liabilities for

Sales and Use Taxes (remaining unpaid) shall be accrued for all sales or purchases attributable to any period prior to the Closing Date, and shall be the sole responsibility of the Companies. Taxes on Real Property or personal property for taxable periods beginning before and ending after the Closing Date shall be the sole responsibility of the Companies.

Section 6.10 **Cooperation.** After the Closing Date, Purchaser and Seller shall (i) make available to each other, as reasonably requested, and to any taxing authority or any accountant or other authorized employee representative, all information, records or documents (a) relating to Tax liabilities or potential Tax liabilities of the Companies for all periods prior to the Closing Date, and (b) reasonably necessary in order to prepare consolidated financial statements for any period prior to the Closing Date, and (ii) preserve all such information, records and documents until the expiration of any applicable statute of limitations (including extensions thereof). From and after the Closing Date, except as required by Law, Purchaser shall not take any action with respect to Taxes or Tax Returns which would result in any liability, payment or obligation of Seller in respect of any Taxes owing by the Companies with respect to any pre-Closing Date periods under this Agreement or otherwise, without the prior written consent of Seller. From and after the Closing Date, Purchaser shall promptly notify Seller in writing of any notice, inquiry, audit, examination or other fact that would result in any liability, payment or obligation of Seller in respect of any Taxes owing by the Companies under this Agreement or otherwise. Seller shall be responsible for any assessment of Tax for periods up to the Closing Date and shall control any audit or assessment process, but shall provide notice to, and obtain input from, Purchaser prior to any agreement or decision to pay or contest such Tax assessment. Purchaser shall not extend the statute of limitations for assessment of any Tax for periods prior to the Closing Date without the prior written consent of Seller. Notwithstanding any other provisions hereof, each Party shall bear its own expenses in complying with the foregoing provisions.

Section 6.11 **Company Plans.** Seller shall take any and all actions necessary or appropriate to cause the Companies to cease to be participating employers or participating sponsors of those Company Plans and Other Benefit Obligations of the Companies that are maintained by Seller or its Affiliates, effective as of the Closing Date. Benefits accrued by and payable to Employees of either of the Companies under such Company Plans and Other Benefit Obligations of the Companies through the date immediately preceding the Closing Date (other than accrued vacation for Retained Employees) shall be paid to such Employees or otherwise distributed in accordance with the applicable terms of the Company Plans and Other Benefit Obligations of the Companies.

Section 6.12 **Operating the Companies as Railroads.** The Parties hereto acknowledge that the Companies are railroad common carriers subject to the jurisdiction of the STB and all applicable rules and regulations of the STB, including but not limited to those pertaining to abandonment of rail lines and discontinuance of rail service. Purchaser covenants and agrees that, for a period of five (5) years from the Closing Date, (i) neither PNW nor WSR shall assert that STB authority to abandon or discontinue all rail service to a current or former facility of Seller on PNW or WSR is not needed because the only commodities that move or had moved to or from such facility are or were commodities exempt from STB regulation, (ii) it will use its best efforts to assure that the provisions of the Service Agreement are observed by AKMD and WSR, and (iii) none of Purchaser, PNW, WSR or any affiliate of Purchaser, PNW or WSR will convey by sale, lease or otherwise all or any part of the railroad lines operated by PNW and WSR on the date of this Agreement that serve a current or former facility of Seller, unless the selling entity secures the buyer's or lessee's agreement to be bound by such Service Agreement and this Section 6.12, as applicable.

Section 6.13 **Survey.** Prior to the Closing, Seller shall, at Seller's sole cost and expense, provide a boundary line survey of the Real Property ("*Survey*"). The Survey shall be prepared by a surveyor licensed by the State of Arkansas and shall comply with all requirements of the Arkansas Board of Professional

Engineers and Surveyors Standard Surveys.

Section 6.14 **Resignations.** Seller shall cause the persons listed on Company Disclosure Schedule 6.14 to resign as directors of the Companies as of the Closing Date and shall provide the written resignation of each such director to Purchaser at the Closing. Seller shall indemnify Purchaser's Indemnified Persons against, and hold Purchaser's Indemnified Persons harmless from, any and all claims that any such director may make or assert against the Companies or either of them.

ARTICLE 7 CONDITIONS OF CLOSING

Section 7.01 **Conditions to Obligations of Purchaser.** The obligations of Purchaser to consummate the Purchase and Sale contemplated hereby are subject to the satisfaction of the following conditions, each of which may be waived in writing by Purchaser.

A. **Representations and Warranties; Performance of Obligations.** The representations and warranties of Seller set forth in Article 4 hereof or in any Seller Document shall be true and correct in all material respects on the Closing as though made on and as of the Closing, except insofar as any such representations and warranties refer to a particular date or period, in which case they shall be true and correct in all material respects on the Closing with respect to such date or period. Seller shall have performed the agreements and obligations required to be performed by it under this Agreement prior to the Closing in all material respects. Seller shall have executed and delivered to Purchaser a certificate or certificates certifying to its compliance with the foregoing, in form and substance reasonably satisfactory to Purchaser. Notwithstanding the first sentence of this Section 7.01.A: (i) from time to time on or prior to the Closing, Seller shall be permitted to deliver to Purchaser information which changes, modifies or supplements the representations and warranties set forth in Article 4 or the Company Disclosure Schedules because of the occurrence or nonoccurrence of any event, or any circumstance arising, after the Agreement Date; (ii) upon such delivery, such representations and warranties (or Company Disclosure Schedules) shall be deemed to be amended by such information; and (iii) if any such event or circumstance results in a Company Material Adverse Effect, then the condition stated in the first sentence of this Section 7.01.A shall be deemed not to have been satisfied, and Purchaser may terminate this Agreement pursuant to Section 8.02.B. If prior to the Closing, Purchaser discovers or otherwise has knowledge of any breach of any representation and warranty of Seller of which Seller is unaware, Purchaser shall notify Seller of such breach and, if such breach would result in a Company Material Adverse Effect that is not curable within twenty (20) Business Days and is not then cured within such period, then the condition stated in the first sentence of this Section 7.01.A shall be deemed not to have been satisfied, and Purchaser may terminate this Agreement pursuant to Section 8.02.B. If, notwithstanding (x) any failure of such condition as provided in clause (iii) of the foregoing sentence, or (y) any misrepresentation on the part of Seller as to which Purchaser has received notice or otherwise has actual knowledge prior to the Closing, Purchaser proceeds with the Closing, then such failure of such condition or such misrepresentation (as the case may be) shall be deemed for all purposes to be waived.

B. **Consents and Notices.** All Consents and Notices which are necessary in order to consummate the Purchase and Sale contemplated hereby in accordance with the terms hereof (the "**Required Consents**") shall have been obtained (in the case of Consents) or given (in the case of Notices) and shall be unconditional and in full force and effect. A list of the Required Consents is set forth on the Company Disclosure Schedule 7.01.B.

C. **Legal Restraints.** There shall not have been proposed or enacted any Law, or any change in any existing Law, which prohibits or delays the consummation of the Purchase and Sale which would reasonably be expected to have a Company Material Adverse Effect. No order, decree, judgment

or ruling by any court or Governmental Body shall have been rendered or issued, and no action, suit, claim or proceeding shall have been commenced by any Governmental Body to restrain, enjoin or hinder, or to seek damages from Purchaser, any Affiliate thereof or the Companies on account of the consummation of the Purchase and Sale.

D. Release of Guarantees and Liens. The Companies shall have been released from all liability under any guarantee of contracts or other obligations of Seller or any of its Affiliates (other than the Companies), and any Liens (other than Permitted Exceptions) affecting the property or assets of either of the Companies shall have been released and discharged on or prior to the Closing.

E. Share Certificates. Seller shall have delivered to Purchaser certificates representing the Shares, duly endorsed in blank or accompanied by a stock power covering such Shares duly executed in blank by Seller, and with all required stock transfer tax stamps affixed (if any).

F. Minute Books. The minute books and stock transfer records of the Companies, and their corporate seals (if any) shall have been delivered to Purchaser.

G. Corporate Documents. Seller shall have delivered to Purchaser: (i) a certified copy of the articles of incorporation and by-laws of each of the Companies; and (ii) a certified copy of resolutions of the board of directors of Seller authorizing the execution, delivery and performance of this Agreement and any other documents delivered by Seller hereunder.

H. Change of Ownership Approval. The approval of the STB for the Purchase and Sale, or an exemption from the need to obtain such approval of the STB, shall have become effective.

I. Seller Documents. Seller or its Affiliates, as applicable, shall have signed and delivered to Purchaser the Seller Documents.

J. Certificate. The Treasurer of each of the Companies shall have delivered a certificate of such officer, together with supporting documentation setting forth reasonable detail related thereto, an estimate of Net Working Capital as of the month end immediately preceding the Closing Date, if Closing occurs more than ten (10) days after the end of such month, or as of the end of the month prior to the month end immediately preceding the Closing Date, if Closing occurs less than ten (10) days after the end of such month (the "*Estimated Net Working Capital Amount*").

Section 7.02 **Conditions to Obligations of Seller.** The obligations of Seller to consummate the Purchase and Sale contemplated hereby are subject to the satisfaction of the following conditions, each of which may be waived in writing by Seller.

A. Representations and Warranties; Performance of Obligations. The representations and warranties of Purchaser set forth in Article 5 hereof or in any Purchaser Document shall be true and correct in all material respects on the Closing as though made on and as of the Closing except insofar as any such representations and warranties refer to a particular date or period, in which case they shall be true and correct in all material respects on the Closing with respect to such date or period. Purchaser shall have performed the agreements and obligations required to be performed by it under this Agreement prior to the Closing in all material respects. Purchaser shall have executed and delivered to Seller a certificate or certificates certifying to its compliance with the foregoing, in form and substance reasonably satisfactory to Seller.

B. Consents and Notices. All Required Consents shall have been obtained (in the case of Consents) or given (in the case of Notices) and shall be unconditional and in full force and effect.

C. **Legal Restraints.** There shall not have been proposed or enacted any Law, or any change in any existing Law, which prohibits or delays the consummation of the Purchase and Sale or which would reasonably be expected to have a Purchaser Material Adverse Effect. No order, decree, judgment or ruling by any court or Governmental Body shall have been rendered or issued, and no action, suit, claim or proceeding shall have been commenced by any Governmental Body to restrain, enjoin or hinder, or to seek damages from Seller, any affiliate thereof or the Companies on account of the consummation of the Purchase and Sale.

D. **Release of Guarantees.** Seller and its Affiliates (other than the Companies) shall have been released from all liability under any guarantee of contracts or other obligations of either of the Companies.

E. **Purchase Price.** Seller shall have received the Purchase Price for the Shares from Purchaser in immediately available U.S. funds, by wire transfer to an account identified by Seller to Purchaser prior to the Closing.

F. **Receipt.** Purchaser shall have executed and delivered to Seller a written instrument, in form and substance reasonably satisfactory to Seller, acknowledging Purchaser's receipt of the certificates representing the Shares.

G. **Corporate Documents.** Purchaser shall have delivered to Seller a certified copy of resolutions of the board of directors or other similar governing body of Purchaser authorizing the execution, delivery and performance of this Agreement and any other document delivered by Purchaser hereunder.

H. **Change of Ownership Approval.** The approval of the STB for the Purchase and Sale, or an exemption from such approval by the STB, shall have become effective.

I. **Purchaser Documents.** Purchaser shall have signed and delivered to Seller the Purchaser Documents.

ARTICLE 8 CLOSING DATE AND TERMINATION

Section 8.01 **Closing.** The Closing shall take place at the offices of Haley, Claycomb, Roper & Anderson PLLC, 114 North Myrtle, Warren, Arkansas 71671, at 1:00 PM, local time, unless another place or time is agreed to by Purchaser and Seller. The Closing shall be effective at 12:01 AM, local time, on the Closing Date.

Section 8.02 **Termination of Agreement.** This Agreement may, by written notice given prior to or at the Closing, be terminated:

A. **Material Breach.** By either Purchaser or the Seller if a material breach of any provision of this Agreement has been committed by the other Party and such breach has not been waived or cured within thirty (30) days after written notice of such breach by the other Party;

B. **Failure of Condition Precedent.** By Purchaser if satisfaction of any of the conditions in Section 7.01 is or becomes impossible (other than through the failure of the Purchaser to comply with its obligations under this Agreement) and Purchaser has not waived in writing such condition at or before the Closing; or by Seller, if satisfaction of any of the conditions in Section 7.02 is or becomes impossible

(other than through the failure of Seller to comply with its obligations under this Agreement) and the Seller has not waived in writing such condition at or before the Closing;

C. **Mutual Consent.** By mutual written consent of Purchaser and Seller; or

D. **Termination Date.** By either Purchaser or Seller, upon notice to the other parties hereto, if the Closing shall not have occurred on or before March 31, 2010 (the "**Termination Date**"); *provided, however,* that: (i) Purchaser shall not be permitted to terminate this Agreement under this Section 8.02.D if the Closing shall not have occurred by the Termination Date by reason of the non-fulfillment by Purchaser of its conditions to close under Section 7.02; and (ii) Seller shall not be permitted to terminate this Agreement under this Section 8.02.D if the Closing shall not have occurred by the Termination Date by reason of the non-fulfillment by Seller of its conditions to close under Section 7.01.

Section 8.03 **Effect of Termination.** In the event of termination of this Agreement under Section 8.02, this Agreement, other than Sections 6.08, 8.03, and 9.06 and Sections 10.02, 10.03, 10.04, 10.05, 10.06, 10.07, 10.08, 10.10 and 10.12 shall automatically and irrevocably be of no further force and effect; and, except as set forth in this Section 8.03 and Section 10.03, there shall be no liability on the part of any party, or its respective directors, officers, partners or Affiliates. Notwithstanding the foregoing, the liabilities and obligations arising under Section 6.08 shall survive any termination of this Agreement. Notwithstanding the foregoing, if this Agreement is terminated by a Party because of the willful breach of this Agreement by the other Party or because one or more of the conditions to the terminating Party's obligations under this Agreement is not satisfied as a result of the other Party's willful failure to comply with its obligations under this Agreement, the terminating Party's right to pursue all legal remedies will survive such termination unimpaired.

ARTICLE 9 INDEMNIFICATION

Section 9.01 **By Seller.**

A. **Seller's Indemnification Obligations.** Subject to the limitations set forth below in this Section 9.01, from and after the Closing Date, Seller shall indemnify the Purchaser's Indemnified Persons against, and hold the Purchaser's Indemnified Persons harmless from, any and all Losses directly or indirectly suffered or incurred by any of the Purchaser's Indemnified Persons resulting from, relating to or arising out of:

- (i) any breach of any of the representations or warranties of Seller set forth in Article 4 hereof,
- (ii) any breach of any covenant or agreement made by Seller (excluding actions taken by Seller on or after the Closing Date) under this Agreement; and
- (iii) any liability, payment or obligation in respect of any Taxes determined to be owing by either of the Companies by any taxing authority in a "determination" as defined in Section 1313 of the Code, or under similar circumstances with respect to state or local Taxes, for periods prior to the Closing Date, whether or not such Tax liability is shown as owing on either of the Companies' Tax Returns for periods prior to the Closing Date, including any liability imposed upon either of the Companies because of joint and several liability as a member of Seller's consolidated group.

B. Limitation on Seller's Indemnification Obligations. The right to indemnification under this Section 9.01 is subject to the following limitations:

(i) The indemnification rights under this Section 9.01 shall expire at the respective times set forth in Section 9.05, and Seller shall have no liability under this Section 9.01 or otherwise in connection with the transaction contemplated by this Agreement unless a Purchaser's Indemnified Person gives written notice to Seller asserting a claim for Losses, including reasonably detailed specific facts and circumstances pertaining thereto, before the expiration of the periods of time that the underlying representations, warranties, covenants and agreements survive under Section 9.05 hereof.

(ii) Seller's aggregate liability for all claims under this Section 9.01 shall not exceed

(iii) Notwithstanding anything else in this Agreement to the contrary, (i) Seller's indemnification obligation under this Section 9.01 shall not arise until the aggregate Losses of Purchaser's Indemnified Persons owed by Seller to Purchaser pursuant to Section 9.01.A exceeds (the "*Seller's Threshold Amount*"), at which time Seller's indemnification obligations will be only for those Losses of Purchaser's Indemnified Persons in excess of Seller's Threshold Amount, subject to the limitation on the Seller's aggregate liability set forth in Section 9.01.B(ii); *provided, however*, that the Purchaser's Indemnified Persons shall be entitled to indemnification for (i) all Losses pursuant to a "determination" as that term is defined in Section 1313 of the Code, or under similar circumstances for state or local purposes, relating to either of the Companies' Income Tax liability which is the responsibility of Seller hereunder, (ii) all Losses relating to or arising out of fraud on the part of Seller, or (iii) Losses arising in connection with Section 10.03.

(iv) If Purchaser shall have actual knowledge as of the Closing Date that any of the representations or warranties of Seller contained herein are false or inaccurate or that Seller is in breach of any covenant or obligation under this Agreement, then Seller shall have no liability for any Losses resulting from or arising out of the falsity or inaccuracy of such representations or warranties, or the breach of such covenant or obligation.

Section 9.02 By Purchaser.

A. Purchaser's Indemnification Obligations. Subject to the limitations set forth below in this Section 9.02, from and after the Closing Date, Purchaser shall indemnify the Seller's Indemnified Persons against, and hold the Seller's Indemnified Persons harmless from, any and all Losses directly or indirectly suffered or incurred by any of the Seller's Indemnified Persons resulting from, relating to or arising out of:

(i) any breach of any of the representations or warranties of Purchaser set forth in Article 5 hereof,

(ii) any breach of any covenant or agreement made by Purchaser under this Agreement,

(iii) except as specifically provided otherwise in Section 6.09 of this Agreement, any Liabilities of the Companies from and after the Closing Date.

B. Limitations on Purchaser's Indemnification Obligations. The right to indemnification under this Section 9.02 is subject to the following limitations:

(i) The indemnification rights under this Section 9.02 shall expire at the respective times set forth in Section 9.05, and Purchaser shall have no liability under this Section 9.02 or otherwise in connection with the transaction contemplated by this Agreement unless a Seller's Indemnified Person gives written notice to Purchaser asserting a claim for Losses, including reasonably detailed specific facts and circumstances pertaining thereto, before the expiration of the periods of time that the underlying representations, warranties, covenants and agreements survive under Section 9.05 hereof.

(ii) Purchaser's aggregate liability for all claims under Section 9.02A(i) and (ii) shall not exceed

(iii) Notwithstanding anything else in this Agreement to the contrary, (i) Purchaser's indemnification obligation under Section 9.02A(i) and (ii) shall not arise until the aggregate Losses of Seller's Indemnified Persons owed by Purchaser to Seller pursuant to Section 9.02.A(i) and (ii) exceeds (the "**Purchaser's Threshold Amount**"), at which time Purchaser's indemnification obligations will be only for those Losses of Seller's Indemnified Persons in excess of Purchaser's Threshold Amount, subject to the limitation on Purchaser's aggregate liability set forth in Section 9.02(B)(ii); *provided, however*, that Seller's Indemnified Persons shall be entitled to indemnification for (i) all Losses pursuant to a "determination" as that term is defined in Section 1313 of the Code, or other similar circumstances for state or local purposes, relating to either of the Companies' Income Tax liability which is the responsibility of Purchaser hereunder, (ii) all Losses relating to or arising out of fraud on the part of Purchaser, or (iii) Losses arising in connection with Section 10.03.

(iv) If Seller shall have actual knowledge as of the Closing Date that any of the representations or warranties of Purchaser contained herein are false or inaccurate or that Purchaser is in breach of any covenant or obligation under this Agreement, then Purchaser shall have no liability for any Losses resulting from or arising out of the falsity or inaccuracy of such representations or warranties, or the breach of such covenant or obligation.

Section 9.03 "Losses" Defined. As used in this Agreement, the term "**Losses**" means all losses, claims, liabilities, damages, judgments, Taxes, payments, obligations, costs and expenses (including, without limitation, any reasonable legal fees and reasonable costs and expenses incurred from and after the Closing Date in defense of or in connection with any alleged or asserted liability, payment or obligation as to which indemnification may apply hereunder), regardless of whether or not any liability, payment, obligation or judgment is ultimately imposed against the Purchaser's Indemnified Persons or Seller's Indemnified Persons and whether or not the Purchaser's Indemnified Persons or Seller's Indemnified Persons are made or become parties to an action, suit or proceeding in respect thereof, voluntarily or involuntarily.

Section 9.04 Notice of Claims. With respect to any matter as to which any person or entity (the "**Indemnified Person**") is entitled to indemnification from any other person or entity (the "**Indemnifying Person**") under this Article 9, the Indemnified Person shall have the right, but not the obligation, to contest, defend or litigate, and to retain counsel of its choice in connection with, any claim, action, suit or proceeding by any third party alleged or asserted against the Indemnified Person in respect of, resulting from, relating to or arising out of such matter, and the costs and expenses thereof shall be subject to the indemnification obligations of the Indemnifying Person hereunder; *provided, however*, that if the Indemnifying Person acknowledges in writing its obligation to indemnify the Indemnified Person in

respect of such matter to the fullest extent provided by this Article 9, the Indemnified Person shall be entitled, at its option, to assume and control the defense of such claim, action, suit or proceeding at its expense through counsel of its choice if it gives prompt notice of its intention to do so to the Indemnified Person. Neither an Indemnified Person nor an Indemnifying Person shall be entitled to settle or compromise any such claim, action, suit or proceeding without the prior written consent of the other Party hereto (and for purposes of this provision the “other Party hereto” shall be: (1) Purchaser, for any Indemnified Person or Indemnifying Person who is a Seller’s Indemnified Person, and (ii) Seller, for any Indemnified Person or Indemnifying Person who is a Purchaser’s Indemnified Person), which consent shall not be unreasonably withheld.

Section 9.05 Survival of Provisions.

A. **Representations and Warranties.** All representations and warranties contained herein or made pursuant to this Agreement shall survive the Closing until (but excluding) the first (1st) anniversary of the Closing Date, except that (i) the representations and warranties contained in Section 4.16 (Capitalization and Title to Shares) shall survive the Closing without limitation, and (ii) the representations and warranties contained in Section 4.09 (Taxes) shall survive until the end of the applicable statute of limitations period.

B. **Covenants.** All covenants and agreements of the parties contained in or made pursuant to this Agreement and required to be performed prior to the Closing Date shall not survive the Closing and shall be deemed to have been waived by the Party for whose benefit the covenant or agreement exists. All other covenants and agreements contained in or made pursuant to this Agreement (including Sections 9.01 and 9.02) shall survive the Closing for so long as any claim may be made in respect of such matters under any applicable statute of limitations.

Section 9.06 No Punitive Damages, etc. Notwithstanding anything to the contrary set forth in this Agreement, neither Party hereto shall have any liability to the other Party hereto, any of Purchaser’s Indemnified Persons or any of Seller’s Indemnified Persons for any punitive, consequential or special damages by virtue of any breach of any representation, warranty, covenant or agreement in or pursuant to this Agreement, any Seller Document or Purchaser Document or any other agreement, document or instrument executed and delivered pursuant hereto or in connection herewith or the Closing; *provided that* the foregoing shall not be deemed to limit the obligation of either Party hereunder to indemnify for Losses constituting punitive, consequential or special damages awarded to any third-party claimant.

Section 9.07 Exclusive Remedy. Each Party hereto agrees that the sole liability of the other Party hereto for any claim with respect to the transaction contemplated under this Agreement from and after the Closing Date shall be limited to indemnification under this Article 9; *provided, however*, that the foregoing shall not be deemed to prohibit or restrict the availability of any equitable remedies (including specific performance) in the event of any violation or threatened violation of Section 6.08.

**ARTICLE 10
MISCELLANEOUS PROVISIONS**

Section 10.01 Further Actions. From time to time after the Closing Date, the Parties hereto shall execute and deliver (or cause to be executed and delivered) such other and further documents and instruments and shall take (or cause to be taken) such other and further actions, as either Party hereto may reasonably request in order to further effect or evidence the transaction contemplated hereby or to otherwise consummate and give effect to the covenants and agreements set forth herein.

Section 10.02 Brokers. Seller shall indemnify Purchaser against, and hold Purchaser harmless from, at all times after the date hereof, any and all Losses resulting from, relating to or arising out of any agreement, arrangement or undertaking made or alleged to have been made by Seller or any officer, director, employee, agent, representative or Affiliate of Seller with any third party for brokerage or finder fees or other commissions in connection with this Agreement or the transaction contemplated hereby or thereby. Purchaser shall indemnify Seller against, and hold Seller harmless from, at all times after the date hereof, any and all Losses resulting from, relating to or arising out of any agreement, arrangement or undertaking made or alleged to have been made by Purchaser or any officer, director, employee, agent, representative or Affiliate of Purchaser with any third party for brokerage or finder fees or other commissions in connection with this Agreement or the transaction contemplated hereby or thereby.

Section 10.03 Expenses. Seller shall bear its and the Companies' legal fees, and other costs and expenses with respect to the negotiation, execution and the delivery of this Agreement and the consummation of the transaction hereunder. Purchaser shall bear its own legal fees, and other costs and expenses with respect to the negotiation, execution and the delivery of this Agreement and the consummation of the transaction hereunder. Seller shall pay any and all sales, transfer and documentary stamp taxes and other expenses incident to the transfer of the Shares.

Section 10.04 Entire Agreement. This Agreement, which includes the Exhibits hereto and the Company Disclosure Schedules, and the other Seller Documents and the Purchaser Documents, contain the entire agreement among Seller and Purchaser with respect to the subject matter hereof and thereof, and supersede all prior agreements, arrangements and understandings with respect thereto.

Section 10.05 Notices. Any notice or other communication which is required or permitted hereunder or under any other Seller Document or Purchaser Document shall be in writing and shall be deemed to have been delivered and received (x) on the day of (or, if not a Business Day, the first Business Day after) its having been personally delivered or telecopied to the following address or telecopy number, (y) on the first Business Day after its having been sent by overnight delivery service to the following address, or (z) if sent by regular, registered or certified mail, when actually received at the following address:

If to Seller:

Potlatch Land & Lumber, LLC
601 W. First Avenue, Suite 1600
Spokane, Washington 99201
Attention: Vice President and General Counsel
Telecopier No.: (509) 343-2896
Telephone No.: (509) 835-1523

with a copy to (which shall not constitute Notice):

Haley, Claycomb, Roper & Anderson
114 North Myrtle
Warren, Arkansas 71671
Attention: Richard Roper, Esq.
Telecopier No.: (870) 226-2685
Telephone No.: (870) 226-2681

If to Purchaser:

Pinsly Railroad Company
53 Southampton Road
Westfield, Massachusetts 01085
Attention: President
Telecopier No.: (413) 562-8460
Telephone No.: (413) 568-6426

with a copy to (which shall not constitute Notice):

Arkansas Midland Railroad Company, Inc.
314 Reynolds Road, Building 41
Malvern, Arkansas 72140
Attention: Vice President & General Manager
Telecopier No.: (501) 844-4710
Telephone No.: (501) 844-4444

Either Party may by notice change the address or telecopier number to which notices or other communications to it are to be delivered, telecopied or sent.

Section 10.06 Governing Law and Forum. This Agreement shall be governed by and construed in accordance with the laws of the State of Arkansas (other than the choice of law principles thereof). Any claim, action, suit or other proceeding initiated by any Indemnified Person under or in connection with this Agreement or any Purchaser Document shall exclusively be asserted, brought, prosecuted and maintained in any federal or state court in the State of Arkansas, as the party bringing such action, suit or proceeding shall elect, having jurisdiction over the subject matter thereof. Seller and Purchaser each hereby irrevocably (i) submit to the jurisdiction of such courts, (ii) waive any and all rights to object to the laying of venue in any such court, (iii) waive any and all rights to claim that any such court may be an inconvenient forum, and (iv) agree that service of process on them in any such action, suit or proceeding may be effected by the means by which notices may be given to it under this Agreement.

Section 10.07 Assignment. This Agreement, and the respective rights and obligations of the Parties hereunder, may not be assigned or delegated other than by operation of law by Purchaser or (after the Closing) the Companies without the prior written consent of Seller; *provided, however*, that notwithstanding the foregoing, Purchaser may assign this Agreement and its rights hereunder to a wholly-owned subsidiary of Purchaser without Seller's consent (provided, such assignment shall not relieve Purchaser of its indemnification obligations under this Agreement), and any purported assignment or delegation by Purchaser in violation of the foregoing shall be void *ab initio*; *provided, further*, that any or all rights of Purchaser to receive the performance of the obligations of Seller hereunder (but not any obligations of Purchaser hereunder) and rights to assert claims against Seller in respect of breaches of representations, warranties or covenants may be assigned to any entity extending credit to Purchaser or any of its affiliates, but any assignee of such rights shall take such rights subject to any defenses, counterclaims and rights of set-off to which Seller might be entitled under this Agreement. This Agreement shall inure to the benefit of and be binding upon the parties hereto and their respective successors and permitted assigns.

Section 10.08 Remedies. Purchaser and Seller acknowledge that any violation or threatened violation of Section 6.08 hereof will cause irreparable injury to the other Party and that the remedy at law for any such violation or threatened violation will be inadequate. Purchaser and Seller agree that the other

Party shall be entitled to temporary and permanent injunctive relief for any such violation or threatened violation without the necessity of proving (i) that the other Party will be irreparably injured thereby, (ii) that the remedy at law for such violation or threatened violation is inadequate or (iii) actual damages.

Section 10.09 **Waivers and Amendments**. Any waiver of any term or condition of this Agreement, or any amendment or supplementation of this Agreement, shall be effective only if in a writing executed by each of the Parties hereto. A waiver of any breach or failure to enforce any of the terms or conditions of this Agreement shall not in any way affect, limit or waive a Party's rights hereunder at any time to enforce strict compliance thereafter with every term or condition of this Agreement.

Section 10.10 **Third Party Rights**. Notwithstanding any other provision of this Agreement, and except as expressly provided in Article 9 or as permitted pursuant to Section 10.07 hereof, this Agreement and the other Seller Documents and Purchaser Documents shall not create benefits on behalf of any Employee, agent or representative of the Companies or any other person or entity not party hereto (including, without limitation, any accountant, broker or finder, notwithstanding the provisions of Section 10.02), and this Agreement shall be effective only as between the Parties hereto, their successors, and permitted assigns.

Section 10.11 **Severability**. In the event that any provision contained in this Agreement shall be determined to be invalid, illegal or unenforceable in any respect for any reason, the validity, legality and enforceability of any such provision in every other respect, and the remaining provisions of this Agreement, shall not, at the election of the Party for whose benefit the provision exists, be in any way impaired.

Section 10.12 **Nature of the Transaction**.

A. **Purchase of Business Entities**. Purchaser and Seller agree that the Purchase and Sale hereunder is a purchase of two businesses in their entirety as going concerns to be directed and operated by Purchaser, and not an investment in securities although the transaction will be effectuated by a sale of the Shares.

B. **Shares Are Restricted Securities**. For purposes of the Securities Act, Purchaser hereby acknowledges its understanding that the Shares are not registered under the Securities Act, or registered or qualified under any Blue Sky Laws, on the grounds that the offering, sale, issuance and delivery thereof is exempt from the registration and qualification requirements thereof, and that Seller's reliance on such exemption is predicated in part on the following covenants, agreements and acknowledgments of Purchaser. Purchaser hereby represents and warrants to and covenants and agrees with Seller that Purchaser: (i) is acquiring the Shares for its own account for investment purposes only, with no present intention of offering, selling, transferring, distributing or otherwise disposing of the same, any part thereof or any interest therein (subject, nevertheless, to any requirement of the law that the disposition of its securities shall at all times be within its control), and (ii) will not offer, sell, transfer, distribute or otherwise dispose of the Shares except in compliance with the Securities Act and all applicable Blue Sky Laws.

Section 10.13 **Public Announcements**. Neither Party hereto shall make any Announcement to which the other Party hereto shall reasonably object, provided, however, Seller may be required under the Exchange Act to report this Agreement and the transaction contemplated hereby, and such reporting shall be permitted in all events. Each Party shall afford the other Party a reasonable opportunity to review and comment upon each Announcement proposed to be made by it prior to the release thereof.

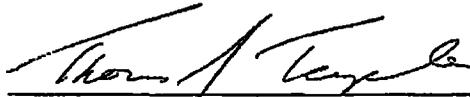
Notwithstanding the foregoing, Purchaser may contact in writing or meet with Employees, customers and suppliers of the Companies prior to the Closing, provided however, that Purchaser provides reasonable advance notice to Seller.

Section 10.14 **Counterparts.** This Agreement may be executed in any number of counterparts, and each such counterpart shall be deemed to be an original instrument, but all such counterparts together shall constitute but one agreement. Any signed counterpart may be delivered by facsimile or other form of electronic transmission, with the same legal force and effect as delivery of an originally signed agreement.

IN WITNESS WHEREOF, the undersigned have executed this Stock Purchase Agreement as of the date first above written.

"Seller":

POTLATCH LAND & LUMBER, LLC

By: 
Name: THOMAS J TEMPLE
Title: VICE PRESIDENT

"Purchaser":

PINSLY RAILROAD COMPANY

By: _____
Name:
Title:

Notwithstanding the foregoing, Purchaser may contact in writing or meet with Employees, customers and suppliers of the Companies prior to the Closing, provided however, that Purchaser provides reasonable advance notice to Seller.

Section 10.14 Counterparts. This Agreement may be executed in any number of counterparts, and each such counterpart shall be deemed to be an original instrument, but all such counterparts together shall constitute but one agreement. Any signed counterpart may be delivered by facsimile or other form of electronic transmission, with the same legal force and effect as delivery of an originally signed agreement.

IN WITNESS WHEREOF, the undersigned have executed this Stock Purchase Agreement as of the date first above written.

"Seller":

POTLATCH LAND & LUMBER, LLC

By: _____
Name:
Title:

"Purchaser":

PINSLY RAILROAD COMPANY

By: JPL
Name: JPLEVINE
Title: PRESIDENT
9/4/09

**POTLATCH LAND & LUMBER, LLC
ATTACHEMENT TO STOCK PURCHASE AGREEMENT
ALLOCATION OF ADJUSTED DEEMED SELLING PRICE**

SCHEDULE 2.02

[REDACTED]

Purchaser Disclosure Schedule 3.02
Normal and Customary AKMD Hiring Requirements

1. I-9
 - Must be U.S. citizen or legally able to work in the U.S. I-9 is federally mandated.
2. Drug Testing
 - Drug tests must be negative for the 5 panel DOT drug screen. Drug testing is federally mandated for HOS positions; company mandated for non-HOS positions.
3. DOT Background Check (only applicable if position is DOT Hours of Service)
 - Must not have failed or refused a DOT drug and/or alcohol test in the past two years. DOT background check is federally mandated by FRA.
4. Driving Record
 - Applicant's driving record must be clear or sufficiently low enough in points that our auto insurance carrier will agree to cover them if they operate company vehicles (usually 4 points or less). No DUI's. Company mandated.
5. Criminal Background Check (National, 7 year county, sex offender, terrorist watch list)
 - Must come back clear or with no criminal activity that would preclude them from being hired such as DUI, sex offender, history of repeated violence or drug use, etc. Company mandated.
6. Pre-employment Physical
 - Physician must recommend applicant as physically capable of doing the job with or without accommodation. Company mandated.

Disclosure Schedule 4.02
Material Consents

None

Disclosure Schedule 4.04
Financial Statements

[REDACTED]

Disclosure Schedule 4.05A
All real property
Personal property over \$50K and
All real and personal property leases

[REDACTED]

Disclosure Schedule 4.06
Intellectual property rights

None

Disclosure Schedule 4.07
Litigation

None

Disclosure Schedule 4.08
Material Permits

None

Disclosure Schedule 4.09
Contested taxes, Proposed assessments

THERE ARE NO TAXES WHICH ARE BEING CONTESTED IN GOOD FAITH AND AS TO WHICH ADEQUATE RESERVES HAVE BEEN PROVIDED IN THE BALANCE SHEETS OF PNW OR WSR EXCEPT WHERE THE FAILURE TO FILE INCOME TAX RETURNS OR TO PAY INCOME TAXES WOULD NOT REASONABLY BE EXPECTED TO RESULT IN A COMPANY MATERIAL ADVERSE EFFECT.

Disclosure Schedule 4.11
Officers, directors and employees
employment agreements
employee complaints

None

Disclosure Schedule 4.12
Environmental disclosures

[REDACTED]

Disclosure Schedule 4.13
Contracts over \$25,000

None

Disclosure Schedule 4.14
Non ordinary course events since 3/31/2009

None

Disclosure Schedule 4.16
Liens on stock

[REDACTED]

Disclosure Schedule 4.17
Bank accounts

None

Disclosure Schedule 4.15
Insurance

[REDACTED]

Disclosure Schedule 6.14
Director Resignations

[REDACTED]

Letter of Resignation

To: The Board of Directors of The Prescott and Northwestern Railroad Company:

I hereby tender my resignation as a director of The Prescott and Northwestern Railroad Company , effective _____.

Date: _____

Letter of Resignation

To: The Board of Directors of Warren & Saline River Railroad Company:

I hereby tender my resignation as a director of Warren & Saline River Railroad Company , effective _____.

Date: _____

Disclosure Schedule 7.01B

None

SERVICE AND DEMURRAGE AGREEMENT
POTLATCH LAND & LUMBER, LLC

[REDACTED]

