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ENTERED
Office of Proceedings

December 16, 2009

VIA UPS SECOND DAY AIR

DEC 17 2009

Part of
Public Record

Ms. Cynthia T. Brown
Chief, Section of Administration
Office of Proceedings
Surface Transportation Board
395 E Street, SW
Washington, D. C. 20423



Dear Ms. Brown:

This refers to STB Finance Docket No. 35306, Lassen Valley Railway LLC--
Acquisition and Operation Exemption—Union Pacific Railroad Company and to the
Notice of Exemption of Lassen Valley Railway LLC, filed November 17, 2009.

Pursuant to 49 C.F.R. 1180.6(a)(7)(ii), I am enclosing an original and ten copies
of the redacted Line Sale Contract signed as of November 19, 2009, by representatives of
the Union Pacific Railroad Company and Lassen Valley Railway LLC and, under seal, an
original and ten copies of the unredacted Line Sale Contract.

If you have any question concerning this filing or if I otherwise can be of
assistance, please get back to me.

Sincerely yours,


Fritz R. Kahn

DEC 17 2009

Part of
Public Record**LINE SALE CONTRACT**

THIS LINE SALE CONTRACT ("Contract") is entered into as of this 19th day of November, 2009 ("Effective Date"), between UNION PACIFIC RAILROAD COMPANY, a Delaware corporation ("UP"), and LASSEN VALLEY RAILWAY LLC, a Nevada LLC ("LVR").

RECITALS:

WHEREAS, LVR desires to acquire that certain Right-Of-Way and specified Personal Property thereon, which includes specified fixtures, both being as hereinafter defined and individually known as the Flanigan Industrial Lead from Milepost 338.33 near Flanigan in Washoe County, Nevada to Milepost 360.75 near Wendel in Lassen County, California (the "Flanigan Industrial Lead") and the Susanville Industrial Lead from Milepost 358.68 to Milepost 359.25 near Wendel in Lassen County, California (the "Susanville Industrial Lead") and collectively referred to hereinafter as the Line, (the "Line"); and

WHEREAS, UP desires to sell the Line to LVR.

NOW, THEREFORE, in consideration of the terms and conditions of this Contract, the parties agree as follows:

Section 1. Purchase and Sale of the Line.

UP agrees to sell and LVR agrees to purchase, on the terms and conditions of this Contract, UP's right, title and interest in and to UP's Right-Of-Way (the "Right-of-Way") in Lassen County, California, and Washoe County, Nevada, consisting of the Susanville Industrial Lead and the Flanigan Industrial Lead, as described on **Exhibit A** and **Exhibit A-1**, respectively, which are attached hereto and hereby made a part hereof, and jointly depicted on the attached print marked **Exhibit B**, which is hereby made a part hereof, together with any track, yard tracks, spur tracks, sidetracks, ties, ballast, other track materials, signals, switches, bridges, culverts and other personal property (but not including rolling stock, or communications equipment or facilities), fixtures and improvements on the Right-of-Way to the extent owned by UP (the "Personal Property"). The Right-of-Way and the Personal Property are collectively referred to herein as the Line (the "Line").

EXCEPTING from this sale and RESERVING to UP, its successors and assigns, forever, the following:

(a) All minerals and all mineral rights of every kind and character now known to exist or hereafter discovered, including, without limiting the generality of the foregoing, oil and gas and rights thereto, together with the sole, exclusive and perpetual right to explore for, remove and dispose of said minerals by any means or methods suitable to UP, its successors and assigns, but without entering upon or using the

surface of the Line, and in such manner as not to damage the surface of the Line or to interfere with the use of the Line by LVR, its successors or assigns.

(b) An exclusive 15' easement running parallel to and adjacent with the Northeast boundary of the Line for the construction, maintenance, installation, repair and operation of fiber optic lines and other communication lines and appurtenant facilities ("Communication Facilities") by UP or any third party to whom UP may grant such rights, together with the right of ingress and egress to the Communication Facilities; provided, however, that no such Communication Facilities or access thereto may interfere unreasonably with LVR's ability to provide rail service over the Line. LVR shall have no right to use or to grant to third parties the right to use the Line for any Communication Facilities except for LVR's Communication Facilities used solely for the operation of LVR's railroad.

(c) Easements and licenses, if any, for "Clear Channel" signboards and "Strong" license agreements, existing fiber optic lines, roadways or utility lines that serve retained property, and railroad facilities to be retained by UP.

The sale and purchase of the Line made pursuant to this Contract is subject to all applicable federal, state and local laws, orders, rules and regulations, and all outstanding rights whether or not of record or open and obvious on the ground.

Section 2. Purchase Price.

The Purchase Price (the "Purchase Price") for the Line is [REDACTED]. The Purchase Price shall be paid by LVR to UP at Closing as defined in Section 4(a) by cashier's or certified check drawn on a reputable financial institution or by wire transfer of United States funds for immediate credit.

Section 3. Conditions Precedent to Sale.

The sale and purchase of the Line is subject to the following conditions precedent:

(a) Feasibility Studies. LVR and its agents and contractors are granted the privilege, commencing with the Execution Date and extending to November 30, 2009 ("Feasibility Review Period"), of entering upon the Right-of-Way to perform environmental audits, soil tests, engineering and feasibility studies of the Line as LVR may deem necessary to determine the physical condition of the Line. If the results of such audits, tests or studies or LVR's title review under subparagraph (b) below, are unsatisfactory in LVR's reasonable opinion, LVR may, at its option, terminate this Contract by giving UP written notice of termination before expiration of the Feasibility Review Period. If no written notice of termination is given by LVR to UP before expiration of the Feasibility Review Period, the Line shall be deemed suitable for LVR's purposes. If LVR terminates this Contract, then LVR shall surrender to UP copies of all environmental audits, engineering reports and any other environmental reports

prepared for LVR pertaining to the Line. Such audits and reports shall become the sole property of UP without cost or expense of UP, and the contents thereof shall be kept confidential by LVR and LVR's consultants.

Entry on the Right-of-Way by LVR and its agents and contractors is subject to the following terms and conditions:

(i) No invasive tests may be conducted without the prior written consent of UP. UP's consent may be conditioned upon UP's review and approval of LVR's consultant and work plan for the tests;

(ii) To the extent it may lawfully do so, LVR shall indemnify, defend and hold harmless UP and/or UP's affiliates ("UP's affiliates" means any corporation which directly or indirectly controls or is controlled by or is under common control with UP), their officers, agents, servants and employees, against and from any and all liability, loss, damage, cost and expense (including, without limitation, attorneys' fees) of whatsoever nature growing out of personal injury to or death of persons whomsoever, or loss or destruction of or damage to property whatsoever, where such personal injury, death, loss, destruction or damage is caused by, or arises in connection with or incident to or as a result of, the occupation or use of the Right-of-Way by, or the presence thereon of LVR, or its agents or contractors;

(iii) LVR shall pay in full for all materials joined or affixed to the Line and to pay in full all persons who perform labor upon the Line, and not to permit or suffer any mechanic's or materialman's lien of any kind or nature to be enforced against the Line for any work done or materials furnished at the request or on behalf of LVR. To the extent it may lawfully do so, LVR shall indemnify, defend and hold harmless UP against and from any and all liens, claims, demands, costs and expenses of whatsoever nature in any way connected with or growing out of such work done, labor performed or materials furnished;

(iv) If this Contract is terminated, LVR shall, as soon as possible (but in any event within thirty (30) days after termination of this Contract) and at LVR's sole cost and expense, repair any damage to the Line resulting from LVR's activities and restore the Line to the same condition it was in immediately prior to the time LVR entered the Right-of-Way, failing in which UP, at UP's election, may bring an action against LVR, or may itself perform the work of restoration and LVR shall reimburse UP for the cost and expense thereof within thirty (30) days after rendition of bill by UP; and

(v) Notwithstanding any provisions in this Contract to the contrary, if this Contract is terminated for any reason, LVR shall be obligated to comply with the provisions of this Section 3(a).

(b) Title Review and Line Inspection. LVR shall be responsible for assuring itself that the title to the Right-of-Way and ownership of the Personal Property is

adequate for the continued operation of the Line as a freight rail line. UP shall make available for LVR's review, at UP's Real Estate Department in Omaha, Nebraska, and during UP's business hours, UP's records located at such office and pertaining to the title to the Right-Of-Way. UP shall have no obligation to cure any title defects, except that at Closing, UP shall remove any liens against the Line of a definite and ascertainable amount that may be removed by the payment of money, other than liens created by LVR.

(c) STB Authority. LVR, at its sole cost and expense, shall acquire any necessary authority or exemption from the Surface Transportation Board (the "STB") or its successor agency to acquire the Line. Any conditions to STB authority or exemption shall be subject to UP's approval, which approval may be withheld at UP's sole and absolute discretion. UP shall cooperate with LVR in connection with any hearings or submittals before the STB to obtain STB authority or exemption, but shall not be obligated to incur any cost or expense or to support any legal position which is not acceptable to UP.

(d) Labor Issues. UP shall assure itself, in its sole discretion, that the sale of the Line to LVR will not result in a work stoppage on UP or any of its affiliates' lines of railroad, and that there are no other labor issues which might jeopardize the anticipated benefits to UP of the sale of the Line.

(e) UP's Representations and Warranties. The representations and warranties of UP in Section 7(a) shall be true and correct.

(f) LVR's Representations and Warranties. The representations and warranties of LVR in Section 7(b) shall be true and correct.

Section 4. Closing.

(a) The sale and purchase of the Line shall close ("Closing") within 30 days after service of necessary authority by the STB required to transfer ownership of the Line to LVR and provide for common carrier authority to operate the Line by LVR or its nominee ("Closing Date"). If Closing does not occur on or before during the Closing Date due to failure of a condition precedent in Section 3, then this Contract shall terminate and be without any further force and effect, and without further obligation of either party to the other. LVR shall have no right to occupancy of or entry upon any portion of the Line, except as set forth in Section 6(a), until Closing.

(b) At Closing, LVR shall deliver to UP the Purchase Price and the following documents as referenced in Section 5 of this Contract and executed by LVR as required thereon: Assignment and Assumption Agreement and Bill of Sale. Prior to Closing, UP shall deliver to LVR the following documents referred to in Section 5 as duly executed by UP (and, where appropriate, acknowledged): Quitclaim Deed, Assignment and Assumption Agreement, and Bill of Sale.

(c) UP shall pay the following costs at Closing:

(1) UP's prorata share of real estate taxes (whether general or special) assessed against the Line and due and payable for the year of Closing; and

(2) The cost of the required state revenue stamps, if any.

(d) LVR shall pay the following costs at Closing:

(1) The cost of recording the Quitclaim Deed;

(2) The California and Nevada real estate excise tax, if any;

(3) Any sales or use tax on the transaction; and

(4) LVR's prorata share of real estate taxes (whether general or special) assessed against the Line and due and payable for the year of Closing.

(e) Promptly after Closing, LVR shall record the Quitclaim Deed, and give written notice to the other parties to the agreements assigned to LVR under the Assignment and Assumption Agreement.

Section 5. Transfer and Operating Documents.

UP's right, title and interest in the Right-of-Way shall be transferred by UP to LVR by Quitclaim Deed in the form of **Exhibit C** and **Exhibit C-1**, respectively, which are attached hereto and hereby made a part hereof; in the Personal Property by Quitclaim Bill of Sale in the form of **Exhibit E** which is attached hereto and hereby made a part hereof; and in the agreements identified in **Exhibit G** which is attached hereto and hereby made a part hereof, to the extent such agreements affect the Line, by Assignment and Assumption Agreement in the form of **Exhibit F** which is attached hereto and hereby made a part hereof.

In addition to the Exceptions and Reservations referenced in Section 1 of this Contract, LVR acknowledges that the Line may be subject to licenses and other third party rights that have not been disclosed by UP to LVR. It is the responsibility of LVR to determine if any of these undisclosed rights exist. If any license or other third-party right that affects only the Line is identified after the Execution Date, UP's rights and obligations under such license or third-party right will be assigned to and assumed by LVR at or after Closing.

Section 6. As Is; Release; Environmental Indemnity; General Indemnity and Insurance.

(a) AS IS. IN ACCORDANCE WITH SECTION 3(a) OF THIS CONTRACT, LVR AND ITS REPRESENTATIVES, PRIOR TO THE EFFECTIVE DATE OF THIS CONTRACT, HAVE BEEN AFFORDED THE OPPORTUNITY TO MAKE

REASONABLE INSPECTIONS OF THE LINE AND MATTERS RELATED THERETO. LVR ACKNOWLEDGES AND AGREES THAT THE LINE IS TO BE SOLD TO AND ACCEPTED BY LVR IN AN "AS IS" CONDITION WITH ALL FAULTS. UP MAKES NO REPRESENTATION OR WARRANTIES OF ANY KIND WHATSOEVER, EITHER EXPRESS OR IMPLIED, WITH RESPECT TO THE LINE. IN PARTICULAR, BUT WITHOUT LIMITATION, UP MAKES NO REPRESENTATIONS OR WARRANTIES WITH RESPECT TO THE USE, CONDITION, TITLE, OCCUPATION OR MANAGEMENT OF THE LINE, OR COMPLIANCE WITH APPLICABLE STATUTES, LAWS, CODES, ORDINANCES, REGULATIONS, REQUIREMENTS, COVENANTS, CONDITIONS AND RESTRICTIONS (WHETHER OR NOT OF RECORD), OR THE VOLUME, NATURE OR QUANTITY OF RAIL TRAFFIC. LVR ACKNOWLEDGES THAT IT IS ENTERING INTO THIS CONTRACT ON THE BASIS OF LVR'S OWN INVESTIGATION OF THE PHYSICAL AND ENVIRONMENTAL CONDITIONS OF THE LINE, INCLUDING THE SUBSURFACE CONDITIONS, AND LVR ASSUMES THE RISK THAT ADVERSE PHYSICAL AND ENVIRONMENTAL CONDITIONS MAY NOT HAVE BEEN REVEALED BY ITS INVESTIGATION. LVR ACKNOWLEDGES THAT NOTWITHSTANDING ANY PRIOR OR CONTEMPORANEOUS ORAL OR WRITTEN REPRESENTATIONS, STATEMENTS, DOCUMENTS, OR UNDERSTANDINGS, THIS CONTRACT CONSTITUTES THE ENTIRE UNDERSTANDING OF THE PARTIES WITH RESPECT TO THE SUBJECT MATTER HEREOF AND THE PURCHASE AND SALE OF THE LINE AND SUPERSEDES ANY SUCH PRIOR OR CONTEMPORANEOUS ORAL OR WRITTEN REPRESENTATIONS, STATEMENTS, DOCUMENTS OR UNDERSTANDINGS.

(b) RELEASE. FROM AND AFTER CLOSING, LVR, FOR ITSELF, ITS SUCCESSORS AND ASSIGNS, TO THE MAXIMUM EXTENT PERMITTED BY LAW, HEREBY WAIVES, RELEASES, REMISES, ACQUITS AND FOREVER DISCHARGES UP, ITS AFFILIATES, THEIR EMPLOYEES, AGENTS, OFFICERS, SUCCESSORS AND ASSIGNS, FROM AND AGAINST ANY AND ALL SUITS, ACTIONS, CAUSES OF ACTION, LEGAL OR ADMINISTRATIVE PROCEEDINGS, CLAIMS, DEMANDS, RIGHTS, DAMAGES, FINES, PENALTIES, PUNITIVE DAMAGES, LOSSES, COSTS, LIABILITIES AND EXPENSES, INCLUDING ATTORNEY'S FEES IN ANY WAY ARISING OUT OF OR CONNECTED WITH THE KNOWN OR UNKNOWN, EXISTING OR FUTURE, PHYSICAL OR ENVIRONMENTAL CONDITION OF THE LINE (INCLUDING, WITHOUT LIMITATION, ANY CONTAMINATION IN, ON, UNDER OR ADJACENT TO THE LINE BY ANY HAZARDOUS OR TOXIC SUBSTANCE OR MATERIAL), OR ANY FEDERAL, STATE OR LOCAL LAW, ORDINANCE, RULE OR REGULATION APPLICABLE THERETO, INCLUDING, WITHOUT LIMITATION, THE TOXIC SUBSTANCES CONTROL ACT, THE COMPREHENSIVE ENVIRONMENTAL RESPONSE, COMPENSATION AND LIABILITY ACT, AND THE RESOURCE CONSERVATION AND RECOVERY ACT, AND INCLUDING, WITHOUT LIMITATION, ANY PERSONAL INJURY TO OR DEATH OF PERSONS WHOMSOEVER INCLUDING EMPLOYEES, AGENTS OR CONTRACTORS OF UP, LVR OR ANY THIRD-PARTY, AND DAMAGE TO PROPERTY OF UP, LVR OR ANY THIRD-PARTY. THE FOREGOING SHALL APPLY REGARDLESS OF ANY NEGLIGENCE OR STRICT LIABILITY OF UP, ITS AFFILIATES, THEIR EMPLOYEES, AGENTS, OFFICERS, SUCCESSORS OR ASSIGNS.

(c) ENVIRONMENTAL INDEMNITY.

(1) FROM AND AFTER CLOSING, LVR SHALL, TO THE MAXIMUM EXTENT PERMITTED BY LAW, INDEMNIFY, DEFEND AND SAVE HARMLESS UP, ITS AFFILIATES, THEIR EMPLOYEES, AGENTS, OFFICERS, SUCCESSORS AND ASSIGNS, FROM AND AGAINST ANY AND ALL SUITS, ACTIONS, CAUSES OF ACTION, LEGAL OR ADMINISTRATIVE PROCEEDINGS, CLAIMS, DEMANDS, FINES, PUNITIVE DAMAGES, LOSSES, COSTS, LIABILITIES AND EXPENSES, INCLUDING ATTORNEY'S FEES, IN ANY WAY ARISING OUT OF OR CONNECTED WITH THE KNOWN OR UNKNOWN, EXISTING OR FUTURE PHYSICAL OR ENVIRONMENTAL CONDITION OF THE LINE (INCLUDING, WITHOUT LIMITATION, ANY CONTAMINATION IN, ON, UNDER OR ADJACENT TO THE LINE BY ANY HAZARDOUS OR TOXIC SUBSTANCE OR MATERIAL), OR ANY FEDERAL, STATE OR LOCAL LAW, ORDINANCE, RULE OR REGULATION APPLICABLE THERETO (INCLUDING, WITHOUT LIMITATION, THE TOXIC SUBSTANCES CONTROL ACT, THE COMPREHENSIVE ENVIRONMENTAL RESPONSE, COMPENSATION AND LIABILITY ACT, AND THE RESOURCE CONSERVATION AND RECOVERY ACT), AND INCLUDING, WITHOUT LIMITATION, ANY PERSONAL INJURY TO OR DEATH OF PERSONS WHOMSOEVER INCLUDING EMPLOYEES, AGENTS OR CONTRACTORS OF UP, LVR OR ANY THIRD PARTY, AND DAMAGE TO PROPERTY OF UP, LVR OR ANY THIRD PARTY. THE FOREGOING SHALL APPLY REGARDLESS OF ANY NEGLIGENCE OR STRICT LIABILITY OF UP, ITS AFFILIATES, THEIR EMPLOYEES, AGENTS, OFFICERS, SUCCESSORS OR ASSIGNS.

(d) GENERAL INDEMNITY.

(1) TO THE MAXIMUM EXTENT PERMITTED UNDER APPLICABLE LAW, REGARDLESS OF THE NEGLIGENCE, NEGLIGENCE PER SE OR STRICT LIABILITY OF UP OR UP'S AGENTS, EMPLOYEES, SERVANTS, AFFILIATED COMPANIES, SUCCESSORS OR ASSIGNS (COLLECTIVELY THE "UP'S AGENTS"), LVR SHALL PROTECT, DEFEND, HOLD HARMLESS, AND INDEMNIFY AND REIMBURSE UP FROM AND AGAINST ANY AND ALL LIABILITY, CLAIMS, SUITS, PENALTIES, FINES, EXPENSES, DAMAGES, LOSSES AND COSTS, INCLUDING ATTORNEY'S FEES (COLLECTIVELY, "COST"), INCURRED BY OR ASSESSED AGAINST UP AND/OR THE UP'S AGENTS, DUE TO OR RESULTING FROM PERSONAL INJURIES, DEATH, OR PROPERTY LOSS OR DAMAGE ARISING DURING OR FROM LVR'S USE, OPERATION OR MAINTENANCE OF THE LINE AFTER THE CLOSING DATE OR AS A RESULT OF LVR'S BREACH OF OR FROM ITS FAILURE TO COMPLY WITH, ANY PROVISIONS OF THIS CONTRACT, EVEN IF THE COST (I) RESULTS IN WHOLE OR IN PART FROM A VIOLATION OR ALLEGED VIOLATION OF ANY FEDERAL, STATE, OR LOCAL LAW OR REGULATION BY UP OR UP'S AGENTS, INCLUDING BUT NOT LIMITED TO, THE FEDERAL EMPLOYERS' LIABILITY ACT ("FELA"), THE SAFETY

APPLIANCE ACT, THE LOCOMOTIVE INSPECTION ACT, AND THE OCCUPATIONAL SAFETY AND HEALTH ACT ("OSHA") OR (II) IS CAUSED IN WHOLE OR IN PART BY THE NEGLIGENCE, NEGLIGENCE PER SE, OR STRICT LIABILITY OF LVR, PROVIDED, HOWEVER, THAT ALL COST INCLUDING COST FOR ANY PERSONAL INJURIES, DEATH OR PROPERTY LOSS, OR DAMAGES ARISING IN CONNECTION WITH TOXIC WASTE OR ENVIRONMENTAL CONDITIONS, SHALL BE GOVERNED BY THE PROVISIONS OF SUBSECTION (a), (b), AND (c) OF THIS SECTION 6 OF THIS CONTRACT.

(e) Insurance. LVR shall, at its own sole cost and expense, procure the insurance policies and insurance coverages specified on **Exhibit I** which is attached hereto and hereby made a part hereof and promptly pay when due all premiums for that insurance. Such minimum insurance coverage shall be kept in force by LVR for a period of seven (7) years after the Closing under this Contract.

If LVR fails to procure and maintain insurance as required, UP may elect to do so at the cost of LVR.

The fact that insurance is obtained by LVR shall not be deemed to release or diminish the liability of LVR, including, without limitation, liability under the indemnity provisions of this Contract. Damages recoverable by UP shall not be limited to the amount of the required insurance coverage.

Section 7. Representations and Warranties.

(a) Representations and Warranties of UP. UP represents and warrants to LVR as of the Execution Date, as follows:

(i) Organization. UP is a corporation duly organized, validly existing and in good standing under the laws of the State of Delaware and qualified to do business in the State in which the Property is located.

(ii) Enforceability. Subject to the provisions of Section 4(c) and (d), this Contract and all documents executed by UP which are to be delivered to LVR at the Closing are intended, provided LVR has duly executed those documents requiring LVR's signature, to be legal, valid and binding obligations of UP, and do not and will not at the time of Closing violate any provisions of any agreement or judicial order to which UP is a party or to which UP or the Line is subject.

(iii) Environmental Remediation. For the environmental condition identified on the Environmental Data Resource Report as items: [REDACTED] and [REDACTED], UP has cleaned up, or will clean up, the Line to the extent required for industrial use in the state of California to the satisfaction of the applicable governmental authorities having jurisdiction for environmental condition.

(b) Representations and Warranties of LVR. LVR represents and warrants to UP as of the Execution Date, as follows:

(i) Organization. LVR is a limited liability company duly organized under the laws of the State of Nevada, and qualified to do business in the states of Nevada and California.

(ii) Enforceability. Subject to the provisions of Section 4(c) and (d), this Contract and all documents executed by LVR which are to be delivered to UP at the Closing are intended, provided UP has duly executed those documents requiring UP's signature, to be legal, valid and binding obligations of LVR, and do not and will not at the time of Closing violate any provisions of any agreement or judicial order to which LVR is a party or to which LVR is subject.

(iii) STB Authority. LVR has a time frame reasonably expected to permit the Closing of this transaction within a reasonable time and to make all necessary filings at the STB required to comply with Section 3(b).

(iv) Financial Responsibility; Experience in Rail Operations. LVR has the necessary assets, financing and railroad operating experience to fulfill its obligations under Section 8(a).

(v) Bankruptcy. No petition in bankruptcy (voluntary or otherwise), assignment for the benefit of creditors, or petition seeking reorganization or arrangement or other action under federal or state bankruptcy or insolvency laws is pending against or contemplated by LVR.

Section 8. Post-Sale Obligations. The following Post-Sale Obligations shall survive the Closing under this Contract and shall remain in full force and effect after Closing.

(a) UP will provide to LVR all available valuation maps, track charts and related documents to the extent UP possesses same as soon as possible after Closing.

(b) Option [REDACTED]

(i) [REDACTED]

(ii) The terms and conditions of the repurchase shall be the same as in this Contract for the sale of the Property, plus any costs and expenses paid by LVR for capital improvements, maintenance and taxes (collectively, "Improvement Costs"), but in no event in excess of [REDACTED] in the aggregate

for such Improvement Costs, except that LVR shall be required to remove from the title to the Property any liens, encumbrances or other outstanding rights created or permitted to be created by LVR, and to remediate any contamination of the Right-of-Way first occurring after the Closing of the sale of the Property to LVR.

(iii) At UP's election, a memorandum [REDACTED] shall be recorded at the Closing [REDACTED]

(c) Upon the occurrence of any breach of any term hereof after Closing, the injured party shall notify the breaching party in writing and specify the breach and what corrective action is desired to cure the breach. If, upon the expiration of thirty (30) days from the receipt of such notice, the breach has not been cured and is a material breach, the injured party shall have the right, at its sole option, to cure the breach if possible and be reimbursed by the breaching party for the cost thereof and for any reasonably foreseeable consequential damages. Nothing herein shall prevent the injured party from resorting to any other remedy permitted at law or equity including seeking damages and/or specific performance, as shall be necessary or appropriate to make the injured party whole. Failure of the injured party to demand or enforce a cure for breach in one instance or more shall not be deemed a waiver of its right to do so for any subsequent breach by the breaching party.

(d) LVR shall give UP 90 days advance notice of LVR's intention to commence interchange. Such interchange shall occur on a track that LVR shall construct on the first mile of its right of way at Flanigan. UP shall have no obligation to engage in interchange unless and until this track is constructed. Prior to commencement of interchange, LVR and UP shall execute an interchange agreement in the form attached as **Exhibit H**. It is agreed by both LVR and UP that this Contract obligates neither party to engage in a specific frequency of interchange or level of train service.

(e) Unless otherwise established through a commercial agreement, UP and LVR shall each establish and collect its own rate for the movement of traffic on its line that is interchanged at Flanigan.

(f) Purchaser agrees to the following: (i) Seller shall permit Seller's maintenance of way employees (Seller Employees) currently working on the Property to seek employment with Purchaser. Purchaser agrees to give priority consideration for employment to said Seller Employees for one year following the sale closing date. The terms of such employment (including, but not limited to, seniority, rates of pay, benefits and employees' responsibilities) shall be determined by Purchaser; and (ii) if an effort is undertaken by the Brotherhood of Maintenance of Way Employees (BMWE) to organize maintenance of way employees working on the Property, Purchaser will assume a neutral stance in such union organizing effort.

Section 9. Condemnation and Casualty

(a) Condemnation. If, prior to the Closing, a governmental agency commences or imminently threatens in writing to commence any eminent domain proceedings to take any material portion of the Line, LVR and UP shall each have the unilateral right, exercisable by giving notice of such decision to the other party within thirty (30) days after receiving written notice of such actual or threatened condemnation proceedings, to terminate this Contract, in which case the Deposit, if any, shall be returned to LVR and LVR and UP shall pay one-half (1/2) of the cost of cancellation of Escrow, if any, and neither party shall have any further rights or obligations under this Contract (other than the Surviving Obligations). If neither party elects to terminate pursuant to this Section 9, the net proceeds of condemnation awards payable to UP by reason of such condemnation shall be paid or assigned to LVR upon Closing.

(b) Casualty. If, prior to the Closing, the Line shall be damaged by fire, flood, earthquake or other insured casualty to a material degree, that is, if the cost of restoration of the damaged Line exceeds twenty percent (20%) of the Purchase Price, UP shall notify LVR to the extent of its knowledge and LVR shall have the option either to (i) elect not to acquire the Line, in which case this Contract shall terminate, and the parties shall be relieved of all further rights and obligations with respect thereto or (ii) to acquire the Line, subject to such casualty, without adjustment in the Purchase Price and otherwise in accordance with the terms and provisions of this Contract, but LVR shall be entitled to all insurance proceeds paid by an insurer on account of such casualty which would otherwise accrue to UP. LVR shall give written notice to UP of any election pursuant to this Section 9(b) within thirty (30) business days following receipt by LVR of any written notice of such casualty. Failure of LVR to make such election within said period shall be deemed an election to proceed to purchase the Property pursuant to clause (ii) above. If prior to the Closing, the Line suffers a casualty other than to an extent entitling LVR to elect not to acquire the Line pursuant to this Section 9(b), LVR shall close the transaction contemplated by this Contract in accordance with the terms hereof as though such casualty had not occurred, except that UP shall, at Closing, pay or assign to LVR any net insurance proceeds paid or payable to UP in respect thereof. Risk of physical loss to the Line on and after the Closing shall be borne by LVR.

Section 10. Miscellaneous Provisions

(a) Entire Agreement. This Contract constitutes the entire agreement between the parties and supersedes all prior agreements and understandings, oral or written, between the parties concerning the subject matter of this Contract.

(b) Amendment. No modification, addition or amendment to this Contract shall be effective unless such modification, addition or amendment is in writing and signed by the parties.

(c) Assignment. This Contract shall be binding upon, and inure to the benefit of the parties hereto and their respective successors, heirs, administrators and assigns, except that LVR's interests under this Contract may not be assigned, encumbered or

otherwise transferred, whether voluntarily, involuntarily, by operation of law or otherwise, without UP's prior written approval. Any assignment, encumbrance or other transfer in violation of the foregoing shall be void and LVR shall be deemed in default hereunder.

(d) Governing Law. This Contract shall be governed by the laws of the State in which the respective portion of the Line is located.

(e) Counterparts. This Contract may be executed in any number of counterparts, each of which shall be deemed an original and all of which together shall be deemed one and the same instrument.

(f) Exhibits. The Exhibits attached to and referred to in this Contract are incorporated into this Contract by reference.

(g) Notices and Knowledge. Any notices required or desired to be given under this Contract shall be in writing and personally served, given by overnight express delivery, or given by mail. Telecopy notices shall be deemed valid only to the extent they are (i) actually received by the individual to whom addressed and (ii) followed by delivery of actual notice in the manner described above within three (3) business days thereafter. Any notice given by mail shall be sent, postage prepaid, by certified mail, return receipt requested, addressed to the party to receive at the following address or at such other address as the party may from time to time direct in writing:

UP: UNION PACIFIC RAILROAD COMPANY
 ATTN: Senior Director-Interline Marketing
 1400 Douglas Street, Mailstop 1350
 Omaha, NE 68179
 Telephone: 402/544-4791
 Facsimile: 402/233-2460

With copy to: UNION PACIFIC RAILROAD COMPANY
 ATTN: Mack H. Shumate, Jr.
 101 North Wacker Drive, Suite 1920
 Chicago, IL 60606
 Telephone: 312/777-2055
 Facsimile: 312/777-2065

LVR: LASSEN VALLEY RAILWAY LLC
 ATTN: Michael J. Van Wagenen
 1505 South Redwood Road
 Salt Lake City, UT 84104
 Telephone: 801/977-6346
 Facsimile: 801/478-2868

Express delivery notices shall be deemed to be given upon receipt. Postal notices shall be deemed to be given three (3) days after deposit with the United States Postal Service.

(h) Knowledge. Unless specifically provided otherwise in this Contract, knowledge attributable to UP shall be limited to that which is to the knowledge of an officer of UP at the level of Vice President or above.

(i) Severability. If any provision of this Contract is illegal, invalid or unenforceable under present or future laws, then it is the intention of the parties that the remainder of the Contract shall not be affected and shall be valid and enforceable to the fullest extent permitted by law.

(j) Time is of the Essence. Time is of the essence of this Contract.

(k) Merger. The provisions of this Contract shall merge into the Quit Claim Deed to be delivered by UP to LVR and shall not survive the Closing, except for the provisions of Sections 6, 7, 8 and 10 which shall survive Closing.

(l) No Brokers. The negotiations relative to the transactions contemplated in this Contract have been conducted by the parties without the intervention of any person which would give rise to any valid claim against either party for brokerage commissions or other like payment. Each party, to the extent it may lawfully do so, shall indemnify, defend and hold harmless the other party against and from all claims for brokerage commission or other like payment arising out of the transactions contemplated by this Contract and occasioned by the actions of such indemnifying party.

(m) Non-Foreign Status. UP, Federal ID No. [REDACTED] is not a foreign corporation and withholding of Federal Income Tax from the amount realized will not be made by LVR. A certification prepared in conformance with IRS regulations under Section 1445 of the Internal Revenue Code is attached hereto as **Exhibit D** and is hereby made a part hereof.

(n) Professional Fees and Costs. If any legal or equitable action, arbitration, bankruptcy, reorganization or other proceeding is brought or undertaken, or an attorney retained to enforce this Contract or because of an alleged dispute, breach, default, or misrepresentation in connection with any of the provisions of this Contract, then the successful or prevailing party or parties in such undertaking (or the party that would prevail if an action were brought) shall be entitled to recover reasonable attorney's fees, expert witness fees, court costs and other expenses, in addition to any other relief to which such party may be entitled.

(o) Contract Expenses. The parties agree to bear their respective expenses, incurred or to be incurred in negotiating and preparing this Contract and in Closing and carrying out the transactions contemplated by this Contract.

(p) Satisfaction or Waiver of Contingencies. The consummation of the Closing shall be conclusive evidence that the contingencies and conditions to Closing have been fully satisfied or waived.

(q) Parties in Interest. Except as expressly provided in this Contract, nothing in this Contract, whether express or implied, is intended to confer any rights or remedies under or by reason of this Contract on any persons other than the parties to it and their respective successors and assigns, nor is anything in this Contract intended to relieve or discharge the obligation or liability of any third persons to any party to this Contract, nor shall any provision give any third persons any right to subrogation or action over against any party to this Contract.

(r) Waiver. No waiver of any of the provisions of this Contract shall be deemed, or shall constitute, a waiver of any other provision, whether or not similar, nor shall any waiver constitute a continuing waiver. No waiver shall be binding unless executed in writing by the party making the waiver.

(s) Effect of Headings. The headings of the paragraphs of this Contract are included for purposes of convenience only, and shall not affect the construction or interpretation of any of its provisions.

(t) Number and Gender. When required by the context of this Contract, each number (singular and plural) shall include all numbers, and each gender shall include all genders.

(u) Joint and Several Liability. In the event either party hereto now or hereafter shall consist of more than one person, firm, or corporation, then and in such event, all such persons, firms, or corporations shall be jointly and severally liable as parties under this Contract.

(v) Further Assurances. Each party to this Contract agrees to execute, acknowledge, and deliver such further instruments as may be necessary or desirable to accomplish the intent and purpose of this Contract, provided that the party requesting such further action shall bear all costs and expenses related thereto.

(w) Negotiated Terms. The parties agree that the terms and conditions of this Contract are the result of negotiations between the parties and that this Contract shall not be construed in favor of or against any party by reason of the extent to which any party or its professionals participated in the preparation of this Contract.

(x) Recitals and Exhibits. The recitals and contents of all Exhibits to this Contract are incorporated by reference and constitute a material part of this Contract.

(y) Confidentiality. All information, studies and reports relating to the [REDACTED] either by the observations and examinations of its agents and representatives or as disclosed to it by UP, shall remain confidential and LVR shall not disclose any such matters to any person or governmental

agency except as unconditionally required by law. If the transaction contemplated herein fails to Close for any reason, LVR shall deliver and return to UP, at no cost to UP, [REDACTED], and LVR shall make no further distributions or disclosures [REDACTED]. The provisions of this Subsection (x) shall survive the termination of this Contract.

(z) Not an Offer. The submission of this Contract to LVR for review or signature does not constitute an offer to sell the Property to LVR nor the granting of an option or other rights with respect to the Property to LVR. No Contract with respect to the purchase and sale of the Property shall exist, and this writing shall have no binding force or effect, until executed and delivered by UP and LVR.

(aa) Merger. Except as otherwise expressly provided herein, the covenants, representations and warranties of LVR and UP herein shall merge into the Deeds to be delivered by UP to LVR at Closing and shall not survive the Closing.

(bb) Survival after Termination. LVR and UP acknowledge and agree that in the event of the termination howsoever of this Contract, the obligations of and indemnity, to the extent allowed by law, by LVR, and its respective agents and contractors, shall not be limited, impaired or otherwise affected by any termination of this Contract or as a result of such termination and the provisions of Subsection (x) will remain in full force and effect and survive any such termination.

IN WITNESS WHEREOF, the parties have caused this Contract to be executed as of the Effective Date.

Attest:

UNION PACIFIC RAILROAD COMPANY

By: Maura J. Hines

By: [Signature]

Title: Asst. Secretary

Title: EVPO

Attest:

LASSEN VALLEY RAILWAY LLC

By: [Signature]

By: [Signature]

Title: VP

Title: Managing Member

Vice President

EXHIBIT LIST

- EXHIBIT A - PROPERTY DESCRIPTION (California)
- EXHIBIT A-1 - PROPERTY DESCRIPTION (Nevada)
- EXHIBIT B - PRINT OF RIGHT-OF-WAY
- EXHIBIT C - QUITCLAIM DEED TO RIGHT-OF-WAY (California)
- EXHIBIT C-1 - QUITCLAIM DEED TO RIGHT-OF-WAY (Nevada)
- EXHIBIT D - CERTIFICATION OF NON-FOREIGN STATUS
- EXHIBIT E - QUITCLAIM BILL OF SALE
- EXHIBIT F - ASSIGNMENT AND ASSUMPTION AGREEMENT
- EXHIBIT G - LIST OF AGREEMENTS TO BE ASSIGNED AND ASSUMED
- EXHIBIT H - FORM OF INTERCHANGE AGREEMENT
- EXHIBIT I - INSURANCE

PROPERTY DESCRIPTION (California)

All that certain right of way of varying widths of the Union Pacific Railroad as was originally constructed and operated over and across the following legal subdivisions in Lassen County, California extending in a westerly direction from the a point on the east line of Section 1, Township 27 North, Range 17 East, Mt Diablo Base and Meridian being the east line of Lassen County and the state line of California to a point in the NW¼ of Section 13, Township 29 North, Range 15 East Mt. Diablo Base and Meridian being Railroad M.P. 360.75 in Lassen County, California.

<u>Subdivision</u>	<u>Section</u>	<u>Township</u>	<u>Range</u>	<u>Meridian</u>
SE ¼	1	27N	17E	MDM
SW ¼	1	27N	17E	MDM
NW ¼	1	27N	17E	MDM
NE ¼	2	27N	17E	MDM
SE ¼	35	28N	17E	MDM
SW ¼	35	28N	17E	MDM
SE ¼	34	28N	17E	MDM
NE ¼	34	28N	17E	MDM
NW ¼	34	28N	17E	MDM
SW ¼	27	28N	17E	MDM
SE ¼	28	28N	17E	MDM
SW ¼	28	28N	17E	MDM
NW ¼	28	28N	17E	MDM
NE ¼	29	28N	17E	MDM
NW ¼	29	28N	17E	MDM
SW ¼	20	28N	17E	MDM
SE ¼	19	28N	17E	MDM
SW ¼	19	28N	17E	MDM
NW ¼	19	28N	17E	MDM
NE ¼	24	28N	16E	MDM
NW ¼	24	28N	16E	MDM
SW ¼	13	28N	16E	MDM
SE ¼	14	28N	16E	MDM
SW ¼	14	28N	16E	MDM
NW ¼	14	28N	16E	MDM
NE ¼	15	28N	16E	MDM
NW ¼	15	28N	16E	MDM
<u>Subdivision</u>	<u>Section</u>	<u>Township</u>	<u>Range</u>	<u>Meridian</u>
SE ¼	10	28N	16E	MDM

SW ¼	10	28N	16E	MDM
SE ¼	9	28N	16E	MDM
NE ¼	9	28N	16E	MDM
NW ¼	9	28N	16E	MDM
SW ¼	4	28N	16E	MDM
SE ¼	5	28N	16E	MDM
NE ¼	5	28N	16E	MDM
NW ¼	5	28N	16E	MDM
SW ¼	32	29N	16E	MDM
SE ¼	31	29N	16E	MDM
NE ¼	31	29N	16E	MDM
SE ¼	30	29N	16E	MDM
SW ¼	30	29N	16E	MDM
NW ¼	30	29N	16E	MDM
NE ¼	25	29N	15E	MDM
SE ¼	24	29N	15E	MDM
SW ¼	24	29N	15E	MDM
NW ¼	24	29N	15E	MDM
SW ¼	13	29N	15E	MDM
NW ¼	13	29N	15E	MDM

EXCEPTING: therefrom the following property; an easement for electric power lines in favor of the United States of America in and over the NE ¼ and SE ¼ Section 24, Township 28 North, Range 16 East Mt. Diablo Base and Meridian and the NE ¼ Section 25, Township 28 North, Range 16 East Mt. Diablo Base and Meridian.

Together with that portion of the Susanville Industrial Lead laying in the NE ¼ Section 25, Township 29 North, Range 15 East Mt. Diablo Base and Meridian and terminating at a point in the NW ¼ of Section 25, Township 29 North, Range 15 East Mt. Diablo Base and Meridian being Railroad Mile Post 359.25.

Contains 438.12 Acres more or less.

OFFICE OF REAL ESTATE
OMAHA, NEBRASKA

January 19, 2007
File: 2347-08ca

PROPERTY DESCRIPTION (Nevada)

All that certain right of way of varying widths of the Union Pacific Railroad as was originally constructed and operated over and across the following legal subdivisions in Washoe County, Nevada extending in a westerly direction from a point in the NW ¼ of Section 25, Township 27 North, Range 18 East, Mt Diablo Base and Meridian at Railroad Mile Post 338.33 to a point SW ¼ of Section 8, Township 27 North, Range 18 East Mt. Diablo Base and Meridian being the west line of Washoe County and the Nevada State Line.

<u>Subdivision</u>	<u>Section</u>	<u>Township</u>	<u>Range</u>	<u>Meridian</u>
NW ¼	25	27N	18E	MDM
NE ¼	26	27N	18E	MDM
SE ¼	23	27N	18E	MDM
SW ¼	23	27N	18E	MDM
SE ¼	22	27N	18E	MDM
NE ¼	22	27N	18E	MDM
NW ¼	22	27N	18E	MDM
SW ¼	15	27N	18E	MDM
SE ¼	16	27N	18E	MDM
SW ¼	16	27N	18E	MDM
NW ¼	16	27N	18E	MDM
NE ¼	17	27N	18E	MDM
NW ¼	17	27N	18E	MDM
SW ¼	8	27N	18E	MDM

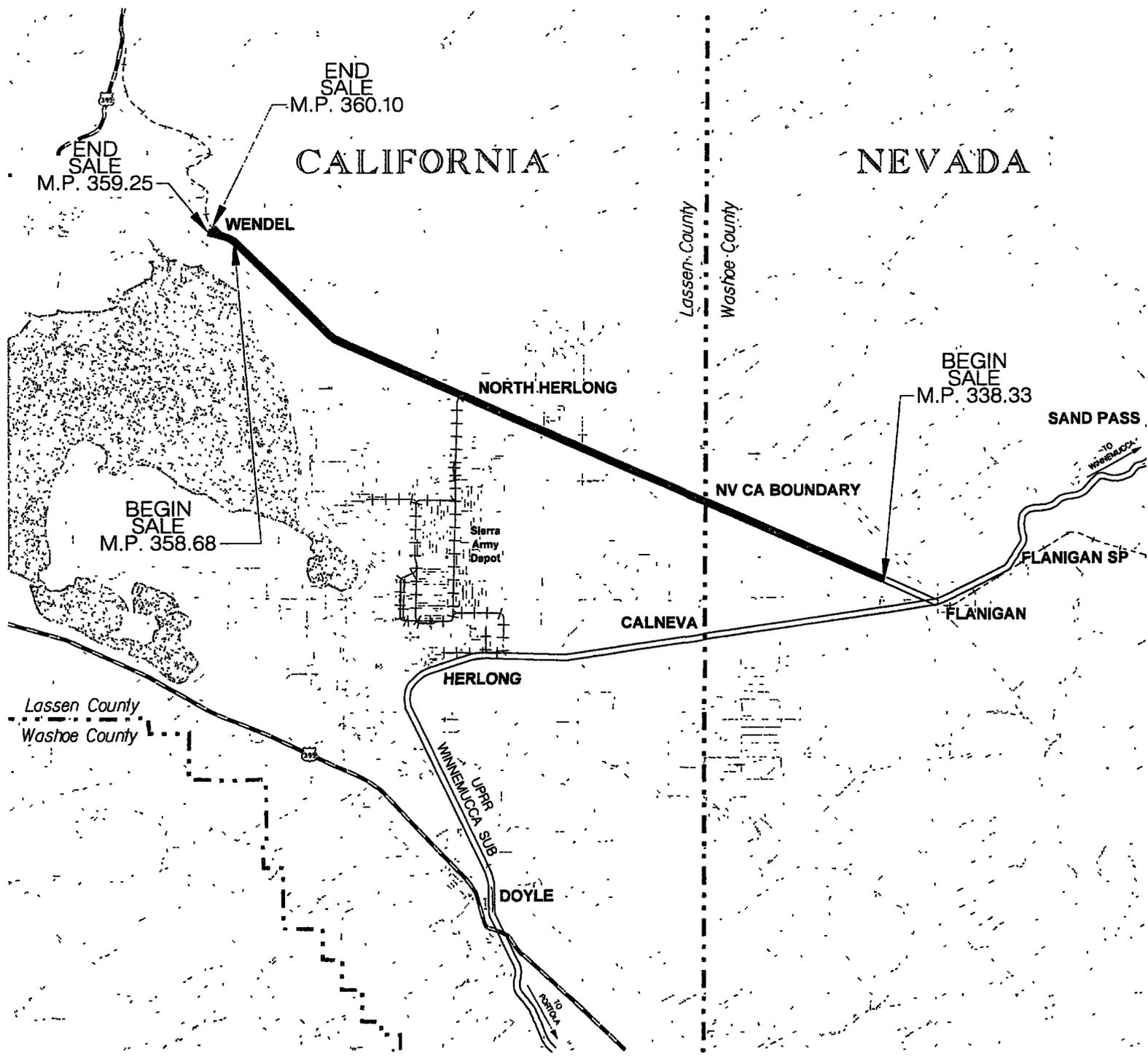
Contains 114.029 Acres more or less.

OFFICE OF REAL ESTATE
OMAHA, NEBRASKA

January 19, 2007
File: 2347-08

PRINT OF RIGHT-OF-WAY

(See Print Next Attached)



STATION	MILE POST	AGENCY
CA/NV SI LINE	343.12	NO
NORTH HERLONG	349.8	NO
WENDEL	358.7	NO

LEGEND

- UPRR LINES TO BE SOLD
- OTHER UPRR LINES
- OTHER RAILROADS
- RAILROADS (abandoned)
- PRINCIPAL HIGHWAYS
- OTHER ROADS
- 50+ YEAR OLD STRUCTURES

EXHIBIT A
FLANIGAN INDUSTRIAL LEAD

MP 338.33 TO MP 360.10
TOTAL OF 21.77 MILES
IN WASHOE COUNTY, NEVADA = 4.79 MILES
IN LASSEN COUNTY, CALIFORNIA = 16.98 MILES

SUSANVILLE INDUSTRIAL LEAD

MP 358.68 TO MP 359.25
TOTAL OF 0.57 MILES
IN LASSEN COUNTY, CALIFORNIA = 0.57 MILES

UNION PACIFIC RAILROAD CO.

CALIFORNIA - NEVADA



Quitclaim Deed (California)

**Recording Requested By and
When Recorded Mail to:**

Name:

**Street Address:
City & State:**

Address Tax Statements to:

Name:

**Street Address:
City & State:**

Space Above for Recorder's Use Only
[Real Estate Dept. File Folder Number]

QUITCLAIM DEED (California)

UNION PACIFIC RAILROAD COMPANY, a Delaware corporation, formerly known as the Southern Pacific Transportation Company, a Delaware corporation ("Grantor") in consideration of the sum of [REDACTED], and other valuable consideration to it duly paid, the receipt whereof is hereby acknowledged, does hereby REMISE, RELEASE and forever QUITCLAIM unto LASSEN VALLEY RAILWAY LLC, a Nevada LLC ("Grantee") whose address is 1505 South Redwood Road, Salt Lake City, UT 84104, and unto its successors and assigns forever, all of Grantor's right, title, interest, estate, claim and demand, both at law and in equity, of, in, and to the real estate (hereinafter the "Property") situated in Washoe County, State of Nevada, and Lassen County, State of California, as more particularly described in Exhibit A, hereto attached and hereby made a part hereof.

EXCEPTING from this Quitclaim and RESERVING to Grantor, its successors and assigns, forever, the following:

(a) All minerals and all mineral rights of every kind and character now known to exist or hereafter discovered, including, without limiting the generality of the foregoing, oil and gas and rights thereto, together with the sole, exclusive and perpetual right to explore for, remove and dispose of said minerals by any means or methods suitable to Grantor, its successors and assigns, but without entering upon or using the surface of the Property, and in such manner as not to damage the surface of the Property or to interfere with the use of the Property by Grantee, its successors or assigns.

(b) An exclusive 15' easement running adjacent to and parallel with the Northeast boundary of the Property for the construction, maintenance, installation, repair and operation of fiber optic lines and other communication lines and appurtenant facilities ("Communication Facilities") by Grantor or any third party to whom Grantor may grant such rights, together with the right of ingress and egress to the Communication Facilities; provided, however, that no such Communication Facilities or access thereto may interfere unreasonably with Grantee's ability to provide rail service over the Property. Grantee shall have no right to use or to grant to third parties the right to use the Property for any Communication Facilities except for Grantee's Communication Facilities used solely for the operation of Grantee's railroad.

(c) An existing wireline and appurtenant facilities, whether owned by Grantor or any third party, and a PERPETUAL EASEMENT upon, along, under and across that portion of the Property that lies five feet (5') on each side of the centerline of such existing pipeline and appurtenant facilities (the "Easement Area"), for the purposes of constructing, maintaining, repairing, operating, renewing, replacing, using and/or removing pipelines and appurtenant facilities (whether now or hereafter installed, and including facilities which are the technological successor to any existing or hereafter installed facilities); together with (a) the right of ingress and egress to and from the Easement Area, and (b) the right to grant, at Grantor's sole discretion, sub-easements, licenses and any other interests in the Easement Area with respect to the easement rights herein reserved, and to collect the rents, issues and profits therefrom, and from any existing contracts. In addition to and not in limitation of Grantor's rights under the foregoing reservation of easement, Grantee, for itself, its successors and assigns, hereby covenants and agrees that Grantee shall not interfere in any manner with the rights of Grantor's Licensee under that certain License Agreement between Southern Pacific Transportation Company (predecessor in interest to Grantor) and Citizens Utilities Company of California dated March 26, 1990, identified in Grantor's records as Audit Number 210438 and granting certain rights to said Licensee to use the Property for wireline purposes; and

(d) An existing wireline and appurtenant facilities, whether owned by Grantor or any third party, and a PERPETUAL EASEMENT upon, along, under and across that portion of the Property that lies five feet (5') on each side of the centerline of such existing pipeline and appurtenant facilities (the "Easement Area"), for the purposes of constructing, maintaining, repairing, operating, renewing, replacing, using and/or removing pipelines and appurtenant facilities (whether now or hereafter installed, and including facilities which are the technological successor to any existing or hereafter installed facilities); together with (a) the right of ingress and egress to and from the Easement Area, and (b) the right to grant, at Grantor's sole discretion, sub-easements, licenses and any other interests in the Easement Area with respect to the easement rights herein reserved, and to collect the rents, issues and profits therefrom, and from any existing contracts. In addition to and not in limitation of Grantor's rights under the foregoing reservation of easement, Grantee, for itself, its successors and assigns, hereby covenants and agrees that Grantee shall not interfere in any manner with the rights of Grantor's Licensee under that certain Agreement between the Southern Pacific Transportation Company (predecessor in interest to Grantor) and the Citizens Utilities

Company of California dated April 1, 1975, identified in Grantor's records as Audit Number S176861, granting certain rights to said Licensee to use the Property for wireline purposes.

IN WITNESS WHEREOF, the Grantor has caused this deed to be duly executed as of the ____ day of _____, 2009.

Attest:

UNION PACIFIC RAILROAD COMPANY

Printed Name: _____
Title: Assistant Secretary

By _____
Tony K. Love
Title: Assistant Vice President – Real Estate

(Seal)

ACKNOWLEDGMENT

STATE OF NEBRASKA)
) ss.
COUNTY OF DOUGLAS)

On this ____ day of _____, 2009, before me, a Notary Public in and for said County and State, personally appeared Tony K. Love and _____ who are the Assistant Vice President – Real Estate and the Assistant Secretary, respectively, of Union Pacific Railroad Company, a Delaware corporation, and who are personally known to me (or proved to me on the basis of satisfactory evidence) to be the persons whose names are subscribed to in the within instrument, and acknowledged to me that they executed the same in their authorized capacities, and that by their signatures on the instrument the persons, or the entity upon behalf of which the persons acted, executed the instrument.

WITNESS my hand and official seal.

Notary Public

(Seal)

**EXHIBIT A
TO
QUITCLAIM DEED (California)**

All that certain right of way of varying widths of the Union Pacific Railroad as was originally constructed and operated over and across the following legal subdivisions in Lassen County, California extending in a westerly direction from the a point on the east line of Section 1, Township 27 North, Range 17 East, Mt Diablo Base and Meridian being the east line of Lassen County and the state line of California to a point in the NW¼ of Section 13, Township 29 North, Range 15 East Mt. Diablo Base and Meridian being Railroad M.P. 360.75 in Lassen County, California.

<u>Subdivision</u>	<u>Section</u>	<u>Township</u>	<u>Range</u>	<u>Meridian</u>
SE ¼	1	27N	17E	MDM
SW ¼	1	27N	17E	MDM
NW ¼	1	27N	17E	MDM
NE ¼	2	27N	17E	MDM
SE ¼	35	28N	17E	MDM
SW ¼	35	28N	17E	MDM
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NE ¼	34	28N	17E	MDM
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SW ¼	27	28N	17E	MDM
SE ¼	28	28N	17E	MDM
SW ¼	28	28N	17E	MDM
NW ¼	28	28N	17E	MDM
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NW ¼	29	28N	17E	MDM
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NW ¼	19	28N	17E	MDM
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NW ¼	24	28N	16E	MDM
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SW ¼	14	28N	16E	MDM
NW ¼	14	28N	16E	MDM
NE ¼	15	28N	16E	MDM
NW ¼	15	28N	16E	MDM
<u>Subdivision</u>	<u>Section</u>	<u>Township</u>	<u>Range</u>	<u>Meridian</u>
SE ¼	10	28N	16E	MDM

SW ¼	10	28N	16E	MDM
SE ¼	9	28N	16E	MDM
NE ¼	9	28N	16E	MDM
NW ¼	9	28N	16E	MDM
SW ¼	4	28N	16E	MDM
SE ¼	5	28N	16E	MDM
NE ¼	5	28N	16E	MDM
NW ¼	5	28N	16E	MDM
SW ¼	32	29N	16E	MDM
SE ¼	31	29N	16E	MDM
NE ¼	31	29N	16E	MDM
SE ¼	30	29N	16E	MDM
SW ¼	30	29N	16E	MDM
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NW ¼	24	29N	15E	MDM
SW ¼	13	29N	15E	MDM
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Together with that portion of the Susanville Industrial Lead laying in the NE ¼ Section 25, Township 29 North, Range 15 East Mt. Diablo Base and Meridian and terminating at a point in the NW ¼ of Section 25, Township 29 North, Range 15 East Mt. Diablo Base and Meridian being Railroad Mile Post 359.25.

Contains 438.12 Acres more or less.

OFFICE OF REAL ESTATE
OMAHA, NEBRASKA

January 19, 2007
File: 2347-08ca

Quitclaim Deed (Nevada)

**Recording Requested By and
When Recorded Mail to:**

Name:

Street Address:

City & State:

Address Tax Statements to:

Name:

Street Address:

City & State:

Space Above for Recorder's Use Only
[Real Estate Dept. File Folder Number]

QUITCLAIM DEED (Nevada)

UNION PACIFIC RAILROAD COMPANY, a Delaware corporation, formerly known as the Southern Pacific Transportation Company, a Delaware corporation ("Grantor") in consideration of the sum of [REDACTED], and other valuable consideration to it duly paid, the receipt whereof is hereby acknowledged, does hereby REMISE, RELEASE and forever QUITCLAIM unto LASSEN VALLEY RAILWAY LLC, a Nevada LLC ("Grantee") whose address is _____ and unto its successors and assigns forever, all of Grantor's right, title, interest, estate, claim and demand, both at law and in equity, of, in, and to the real estate (hereinafter the "Property") situated in Washoe County, State of Nevada, and Lassen County, State of California, as more particularly described in Exhibit A, hereto attached and hereby made a part hereof.

EXCEPTING from this Quitclaim and RESERVING to Grantor, its successors and assigns, forever, the following:

(a) All minerals and all mineral rights of every kind and character now known to exist or hereafter discovered, including, without limiting the generality of the foregoing, oil and gas and rights thereto, together with the sole, exclusive and perpetual right to explore for, remove and dispose of said minerals by any means or methods suitable to Grantor, its successors and assigns, but without entering upon or using the surface of the Property, and in such manner as not to damage the surface of the Property or to interfere with the use of the Property by Grantee, its successors or assigns.

(b) An exclusive 15' easement running adjacent to and parallel with the Northeast boundary of the Property for the construction, maintenance, installation, repair and operation of fiber optic lines and other communication lines and appurtenant facilities ("Communication Facilities") by Grantor or any third party to whom Grantor may grant such rights, together with the right of ingress and egress to the Communication Facilities; provided, however, that no such Communication Facilities or access thereto may interfere unreasonably with Grantee's ability to provide rail service over the Property. Grantee shall have no right to use or to grant to third parties the right to use the Property for any Communication Facilities except for Grantee's Communication Facilities used solely for the operation of Grantee's railroad.

IN WITNESS WHEREOF, the Grantor has caused this deed to be duly executed as of the ____ day of _____, 2009.

Attest:

UNION PACIFIC RAILROAD COMPANY

Printed Name: _____
Title: Assistant Secretary

By _____
Tony K. Love
Title: Assistant Vice President – Real Estate

(Seal)

**EXHIBIT A
TO
QUITCLAIM DEED (Nevada)**

All that certain right of way of varying widths of the Union Pacific Railroad as was originally constructed and operated over and across the following legal subdivisions in Washoe County, Nevada extending in a westerly direction from a point in the NW ¼ of Section 25, Township 27 North, Range 18 East, Mt Diablo Base and Meridian at Railroad Mile Post 338.33 to a point SW ¼ of Section 8, Township 27 North, Range 18 East Mt. Diablo Base and Meridian being the west line of Washoe County and the Nevada State Line.

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NE ¼	22	27N	18E	MDM
NW ¼	22	27N	18E	MDM
SW ¼	15	27N	18E	MDM
SE ¼	16	27N	18E	MDM
SW ¼	16	27N	18E	MDM
NW ¼	16	27N	18E	MDM
NE ¼	17	27N	18E	MDM
NW ¼	17	27N	18E	MDM
SW ¼	8	27N	18E	MDM

Contains 114.029 Acres more or less.

OFFICE OF REAL ESTATE
OMAHA, NEBRASKA

January 19, 2007
File: 2347-08

CERTIFICATION OF NON-FOREIGN STATUS

Under Section 1445(e) of the Internal Revenue Code, a corporation, partnership, trust, or estate must withhold tax with respect to certain transfers of property if a holder of an interest in the entity is a foreign person. To inform the transferee, LASSEN VALLEY RAILWAY LLC, that no withholding is required with respect to the transfer of a U.S. real property interest by UNION PACIFIC RAILROAD COMPANY, the undersigned hereby certifies the following on behalf of UNION PACIFIC RAILROAD COMPANY:

1. UNION PACIFIC RAILROAD COMPANY is not a foreign corporation, foreign partnership, foreign trust, or foreign estate (as those terms are defined in the Internal Revenue Code and Income Tax Regulations);
2. UNION PACIFIC RAILROAD COMPANY is not a disregarded entity as defined in Section 1.445.2(b)(2)(iii) of the Internal Revenue Code;
3. UNION PACIFIC RAILROAD COMPANY'S U.S. employer identification number is [REDACTED]; and
4. UNION PACIFIC RAILROAD COMPANY'S office address is 1400 Douglas Street, Omaha, Nebraska 68179, and place of incorporation is Delaware.

UNION PACIFIC RAILROAD COMPANY agrees to inform the transferee if it becomes a foreign person at any time during the three year period immediately following the date of this notice.

UNION PACIFIC RAILROAD COMPANY understands that this certification may be disclosed to the Internal Revenue Service by the transferee and that any false statement contained herein could be punished by fine, imprisonment, or both.

Under penalties of perjury I declare that I have examined this Certification and to the best of my knowledge and belief it is true, correct and complete, and I further declare that I have authority to sign this document on behalf of UNION PACIFIC RAILROAD COMPANY.

**UNION PACIFIC RAILROAD COMPANY,
a Delaware corporation**

By: _____

Title: _____

Date: _____

Quitclaim Bill of Sale

BILL OF SALE

UNION PACIFIC RAILROAD COMPANY, a Delaware corporation ("UP") for and in consideration of [REDACTED] and other valuable consideration does hereby sell, quitclaim, transfer and deliver to LASSEN VALLEY RAILWAY LLC, a NEVADA LLC ("Buyer"), its successors and assigns, UP's ownership interest in and to the following described personal property, to wit:

[See attached Schedule A for description of personal property and location.

UP, BY THIS INSTRUMENT, MAKES NO WARRANTY OF ANY KIND, EXPRESS OR IMPLIED, AND FURTHER MAKES NO WARRANTY AS TO THE TITLE, OWNERSHIP, MERCHANTABILITY OR FITNESS FOR ANY PARTICULAR PURPOSE, IT BEING UNDERSTOOD THAT THE BUYER IS PURCHASING THE PERSONAL PROPERTY DESCRIBED ABOVE IN AN "AS IS" AND "WHERE IS" CONDITION WITH ALL FAULTS.

IN WITNESS WHEREOF, the UP and Buyer have each duly executed this instrument as of the _____ day of _____, 2009.

UNION PACIFIC RAILROAD COMPANY

By _____

Title: _____

LASSEN VALLEY RAILWAY LLC

By _____

Title: _____

ASSIGNMENT AND ASSUMPTION AGREEMENT

KNOW ALL MEN BY THESE PRESENTS, that UNION PACIFIC RAILROAD COMPANY, a Delaware corporation (hereinafter the "Assignor") does, for valuable consideration, effective as of the date hereof assign, transfer and set over unto the LASSEN VALLEY RAILWAY LLC, A NEVADA LLC ("Assignee"), all of the Assignor's right, title and interest in, to and under each and all of the agreements shown in **Exhibit 1**, hereto attached and hereby made a part hereof.

Assignor and Assignee understand and agree that this Assignment is conditional and does not become fully and finally effective until [REDACTED] from the date hereof, and that Assignor reserves the right to revoke this Assignment as to any contract or agreement listed in **Exhibit 1** by giving written notice to Assignee within such [REDACTED] that a particular agreement should not be included in this Assignment. Assignor may, in such manner, revoke this Assignment as to any such agreement or contract, ab initio, in whole or in part if it shall determine that any such agreement does not affect, or only partially affects, the property transferred this date by Assignor to Assignee. Assignor represents that, to the best of its knowledge, the agreements shown on **Exhibit 1** are all that pertain to or affect the "Line" as described in that certain Line Sale Contract between the parties dated, as of October 9, 2009 covering the sale of the Right of Way from Milepost 338.33 near Flanigan, NV, to Milepost 360.75 near Wendel, CA, known as the Flanigan Industrial Lead, and from Milepost 358.68 to Milepost 359.25 at Wendel, CA, known as the Susanville Industrial Lead. In the event, however, other contracts or agreements affecting the aforementioned trackage are subsequently discovered by Assignor, Assignor will promptly execute an assignment of same to Assignee using the form of this Assignment.

In addition, it is understood and agreed that:

1. One or more of the agreements or contracts listed in **Exhibit 1** may affect, pertain to or cover the aforesaid Line, as well as property and/or right-of-way not sold by Assignor to Assignee, and this Assignment shall only be effective to partially assign Assignor's interest therein to the extent that such agreement or contract pertains to the Property. Any future payments due from third parties thereunder shall be collected by Assignor and the Assignor shall pay to the Assignee its pro rate portion thereof.

2 This Assignment is subject to all of the terms and conditions of the aforesaid Line Sale Contract including, without limitation, Section 9(h).

Subject to the above, Assignee hereby accepts the assignment of the agreements shown on **Exhibit 1**, assumes all of the duties, obligations and liabilities of Assignor thereunder, and agrees to release the Assignor, its successors and assigns, from any and all obligations arising out of, or pursuant to, the agreements or applicable portions thereof herein assigned from and after the effective date hereof.

THIS ASSIGNMENT shall be binding upon and shall inure to the benefit of the parties hereto, their successors and assigns. No provision hereof shall be construed as intended for the benefit of any third party.

Dated as of: _____, 2009.

Attest:

UNION PACIFIC RAILROAD COMPANY,
A Delaware corporation,

By: _____

Title: _____

(Seal)

Attest:

LASSEN VALLEY RAILWAY LLC

By: _____

Title: _____

LIST OF AGREEMENTS TO BE ASSIGNED AND ASSUMED

(See Sheet Next Attached)

EXHIBIT G

LIST OF AGREEMENTS TO BE ASSIGNED AND ASSUMED

Audit #	City	State	Legal Status	Party Name	MP Start	Annual Amt	Purpose
S715484	HERLONG	CA	Active	TUSCARORA GAS TRANSMISSION COMPANY	0	[REDACTED]	Pipeline
S717543	HERLONG	CA	Active	SIERRA PACIFIC POWER COMPANY	0	[REDACTED]	Wire
SPA3049	HERLONG	CA	Active	SIERRA ORDINANCE DEPOT		[REDACTED]	Track Industry Track Agreement
S708071	WENDEL	CA	Active	GRIBBLE, HOLLIS C	358 71	[REDACTED]	Lease of Land [REDACTED]
S174555	WENDEL	CA	Active	CITIZENS UTILITIES CO OF CA	359 01	[REDACTED]	Wire
S170076	WENDEL	CA	Active	CP NATIONAL	360 06	[REDACTED]	Wire
S715489	WENDEL	CA	Active	TUSCARORA GAS TRANSMISSION COMPANY	359.29	[REDACTED]	Pipeline
S715487	WENDEL	CA	Active	TUSCARORA GAS TRANSMISSION COMPANY	358 09	[REDACTED]	Pipeline
206770	WENDEL	CA	Active	TUSCARORA GAS TRANSMISSION COMPANY		[REDACTED]	Easement - Pipe, Wire, Roadway, Drainage
207492	WENDEL	CA	Active	LASSEN MUNICIPAL UTILITY DISTRICT	354 49	[REDACTED]	Crossing - Wireline
213710	WENDEL	CA	Active	LASSEN MUNICIPAL UTILITY DISTRICT	358 71	[REDACTED]	Encroachment - Wireline
SP29690	WENDEL	CA	Active	WENDEL, CITY OF		[REDACTED]	Crossing Pipeline
S034547	WENDEL	CA	Active	RIESENMAN, ALDA C		[REDACTED]	Water Wells and Water Rights
S052177	WENDEL	CA	Active	NEVADA-CALIFORNIA-OREGON RAILWAY		[REDACTED]	Crossing Pipeline

INTERCHANGE AGREEMENT

THIS AGREEMENT, made and entered into as of this _____ day of _____, 2009 (the "Effective Date") by and between UNION PACIFIC RAILROAD COMPANY, a Delaware corporation ("UP") and LASSEN VALLEY RAILWAY, LLC, a Nevada LLC ("LVR"). UP and LVR being sometimes referred to individually as "Party" and collectively called "Parties";

WHEREAS, UP and LVR desire to enter into and set forth in writing an agreement with respect to the interchange between them of Equipment, as defined in Section 2 of Exhibit "H-2" attached hereto and made a part hereof:

NOW THEREFORE, in consideration of the mutual covenants and conditions contained herein, the Parties hereto agree as follows:

Section 1. General Conditions

The General Conditions are set forth in Exhibit "H-1" of this Agreement. If any conflict between the General Conditions and this Agreement shall arise, the provisions of this Agreement shall prevail.

Section 2. Location

UP and LVR agree to interchange Equipment (as such term is defined in Exhibit "H-1") at Flanigan, NV on trackage owned by LVR and designated from time to time by an authorized operating officer of LVR (the "Interchange Tracks").

Section 3. Liability

Any liability for loss, damage, injury or death which arises from the operation under this Agreement shall be assumed, settled and paid as provided by Exhibit "H-1".

Section 4. Notices

All notices, demands, request, submissions and other communications which are required or permitted to be given pursuant to this Agreement shall be given by either Party to the other in writing and shall be deemed properly served when (i) delivered by hand to the Party to whose attention it is directed, (ii) when sent by facsimile transmission and a confirmation is received by the sender or (iii) when mailed by registered or certified mail, return receipt requested, with postage prepaid and addressed as follows:

If intended for UP:

Executive Vice President Operations
Union Pacific Railroad Company
1400 Douglas St., MS1180
Omaha, NE 68179

With a copy to:

Director Joint Facilities
Union Pacific Railroad Company
1400 Douglas Street, MS1180
Omaha, NE 68179

If intended for LVR:

Lassen Valley Railway LLC
ATTN: Michael J. Van Wagenen
1505 South Redwood Road
Salt Lake City, UT 84104

or to such other address or facsimile number as any party may, from time to time designate pursuant to the foregoing notice provisions.

Section 5. Term

The term of this Agreement shall begin on the Effective Date and continue thereafter until concluded (1st) by the expiration of thirty (30) days following serving by either Party on the other written notice of intention to end term hereof, or (2nd) by either Party failing for thirty (30) days to cure any default after written notice thereof is given by the other Party.

Section 6. Assignment

This Agreement is exclusively for the benefit of the Parties hereto and not for the benefit of any third party. This Agreement shall inure to the benefit of and shall be binding upon the Parties, their successors and assigns. Either Party may waive any default at any time without affecting or impairing any right arising from any other default.

IN WITNESS WHEREOF, the Parties hereto have caused this Agreement to be duly executed in duplicate as of the date first above written.

UNION PACIFIC RAILROAD COMPANY

LASSEN VALLEY RAILWAY, LLC

By _____
Title: Director – Joint Facilities

By _____
Title: _____

**GENERAL CONDITIONS
EXHIBIT "H-1"**

Section 1. Definitions

(a) "Agreement" shall mean that certain Interchange Agreement dated _____, 2009 to which this Exhibit "H-1" is appended, and shall include this Exhibit "H-1".

(b) "Delivering Party" shall mean the Party delivering Equipment in interchange.

(c) "Equipment" shall mean rail cars, locomotives, cabooses, or other rail equipment.

(d) "Receiving Party" shall mean the Party receiving Equipment in interchange.

Section 2. No Interference with Operations; Bad Ordered Equipment

No Equipment of the Parties shall be placed on the Interchange Trackage in such a manner as to interfere in any way with the operation of other Equipment on tracks adjacent to and/or connecting with the Interchange Trackage.

Unless it shall be otherwise agreed between the authorized representatives of the Parties, if Equipment of the Delivering Party shall become derailed, wrecked, or otherwise disabled while upon the Interchange Trackage, it shall be railed or cleared, or caused to be railed or cleared, by the UP. The reasonable costs and expenses of raiiling or clearing derailed, wrecked or disabled Equipment shall be borne by the Parties in accordance with Section 7 of these General Conditions.

If any Equipment of the Delivering Party is bad ordered on the Interchange Trackage and (i) it is necessary that it be set out, and (ii) only light repairs to such Equipment are required, such bad ordered Equipment shall be promptly repaired, and, thereafter, promptly removed from the Interchange Trackage by the Delivering Party. Unless otherwise agreed, the LVR may, upon request of the UP and at the UP sole cost and expense, furnish the required labor and material and perform light repairs to make such bad ordered Equipment safe for movement. The employees or contractors and Equipment of the LVR while in any manner so engaged or while en route to or returning to the LVR terminal from such assignment shall be considered the sole employees and sole Equipment of the UP. However, should the LVR, after repairing such bad ordered Equipment for the UP, move directly to perform service for the LVR's benefit rather than return to the LVR's terminal, then the UP's exclusive time and liability will end when the LVR's employees depart for work to be performed for the LVR's benefit. In the case of such repairs by LVR to freight cars in the UP's account, billing therefore shall be in accordance with the Field and Office Manuals of the Interchange Rules, adopted by the Association of American Railroads ("AAR"), hereinafter called "Interchange Rules" in

effect on the date of performance of the repairs. LVR shall then prepare and submit billing directly to and collect from the car owner for car owner responsibility items as determined under said Interchange Rules, and LVR shall prepare and submit billing directly to and collect from the UP for handling line responsibility items as determined under said Interchange Rules. LVR shall also submit billing to and collect from the UP any charges for repairs to freight cars that are the UP's car owner responsibility items as determined under said Interchange Rules, should said car owner refuse or otherwise fail to make payment therefor. Repair to locomotives shall be billed according to the rules, additives, and equipment rental rates as published by LVR.

Section 3. Operation

The UP shall, with its own employees and at its sole cost and expense, operate its Equipment incident to handling of interchange traffic over the Interchange Trackage in accordance with the rules, instructions, and restrictions of the LVR, but such rules, instructions, and restrictions shall be reasonable, just, and fair between the Parties and shall not unjustly discriminate against either of them.

Unless otherwise provided by separate agreement or agreements, UP shall not use any track or tracks, or parts thereof, of the LVR that it is not entitled to use by virtue of the Agreement.

If any employee of the UP shall neglect, refuse, or fail to abide by the LVR's rules, instructions, and restrictions governing the operation on or along the Interchange Trackage, such employee shall, upon written request of the LVR, be prohibited by the UP from working on the Interchange Trackage. If either party shall deem it necessary to hold a formal investigation to establish such neglect, refusal, or failure on the part of any such employee, then upon such notice presented in writing, the Parties shall promptly hold a joint investigation in which all parties concerned shall participate and each Party shall bear the expense for its officer, counsel, witnesses, employees and agent. Notice of such investigations to employees of the UP shall be given by the UP's officers, and such investigation shall be conducted in accordance with the terms and conditions of labor agreements, if applicable, between the UP and its employees. If, in the judgment of the LVR, the result of such investigation warrants, such employee shall, upon written request of the LVR, be withdrawn by the UP from service on the Interchange Trackage, and the UP shall release and indemnify the LVR from and against any and all claims and expenses because of such withdrawal.

If the disciplinary action is appealed by such employee of the UP to the National Railroad Adjustment Board or other tribunal lawfully created to adjudicate such cases, and if the decision of such board or tribunal sustains the employee's position, such employee shall not thereafter be barred from service on the Interchange Trackage by reason of such occurrence.

Section 4. Possession and Control

Interchange of Equipment (including without limitation cars and containers

moving loaded or empty) between the Parties shall be in accordance with the Field and Office Manuals of the AAR Interchange Rules and Code of Car Service Rules. Equipment shall be considered interchanged and in the possession and control of the Receiving Party when: i) the Equipment is placed on the designated Interchange Trackage, ii) the locomotives of the Delivering Party are uncoupled from such Equipment, iii) the brakes set, and iv) the Equipment is preceded by or accompanied by the necessary data for forwarding and to ensure delivery. The character of the necessary data shall be determined by the Parties in accordance with industry defined Electronic Data Interchange ("EDI") Rail Standards. All Equipment delivered in interchange shall be preceded by an EDI Advance Interchange Consist 418 transaction set.

Section 5. Car Hire and Demurrage

It is understood and agreed between the Parties that car hire and demurrage on Equipment being interchanged under the terms of this Agreement shall be handled in accordance with the Field and Office Manuals of the AAR Interchange Rules and Code of Car Service Rules.

Section 6. Compliance with Law

Each of the Parties undertakes and agrees, in respect to its use of the Interchange Trackage and the operation of Equipment thereon and thereover, to comply with all applicable laws, rules, regulations, and orders (collectively, "Laws") promulgated by any municipality, board or commission for the protection of persons or otherwise. Any action which may be brought against a Party on account of the failure of the other Party to comply with any Law shall, upon notice thereof being given to such other Party, be defended by such other Party free of cost, charge, or expense (including attorneys' fees) to the Party against which the action is brought. If any failure on the part of a Party to comply with any Law shall result in any fine, penalty, cost or charge being imposed on or assessed against the other Party, such fine, penalty, cost or charge shall be the responsibility (through direct payment or reimbursement) of the Party who failed to so comply.

Neither Party shall treat, store or dispose of petroleum products or hazardous waste or hazardous substances, as defined in (1) the Resource Conservation and Recovery Act, as amended, or (ii) the Comprehensive Environmental Response Compensation and Liability Act, as amended, or (iii) subsequent legislation regulating discharges into the environment, on the Interchange Trackage.

Responsibility for Environmental Claims (as defined below) as between the parties shall be borne as follows:

Each Party shall be responsible for Environmental Claims to the extent they result from (i) its use of, or the presence of it or its contractors or invitees upon, the Interchange Trackage, or (ii) the negligence or willful misconduct of its employees, contractors, invitees or customers in operations on or over the Interchange Trackage.

Each Party shall release the other Party to the extent it is responsible for an Environmental Claim, and, to the extent of such responsibility, shall defend, indemnify, protect and save harmless such other Party from and against such Environmental Claim and costs associated therewith, including, but not limited to, environmental consultant fees, attorneys' fees and third party claims.

In the event of any incident, accident, derailment, or vehicle striking or being struck by Equipment (hereinafter "Derailment") operated by a Party hereto carrying (i) hazardous materials, substances or wastes, as defined pursuant to Federal or State Law, or (ii) pollutants (hereinafter collectively referred to as "Hazardous Materials") shall occur on the Interchange Trackage, any report required by Federal, State or local authorities shall be the responsibility of the operating Party at its sole cost and expense. Each Party shall advise the other Party immediately of the occurrence of a Derailment involving Hazardous Materials and Equipment operated by the Party.

Unless otherwise agreed by the parties, The LVR shall undertake, or cause to be undertaken, any Response Action (as defined below) in accordance with all Federal, State, or local regulatory requirements necessitated by a release of Hazardous Materials on the LVR's right-of-way underlying the Interchange Trackage from Equipment operated by either Party hereto upon the occurrence of a Derailment. The Party in whose account the Equipment is moving shall have data or a representative available at the scene of any Derailment involving Equipment operated by it to provide information concerning the characteristics of Hazardous Materials released.

If, following a Derailment upon the Interchange Trackage, Hazardous Materials must be transferred to undamaged cars or other vehicles, unless otherwise agreed by the Parties, the Party whose Equipment was involved in such Derailment shall perform the transfer; provided, however, that if the Hazardous Materials are in damaged cars that are blocking the Interchange Trackage, the LVR shall transfer, or caused to be transferred, the Hazardous Materials; provided further that transfers of Hazardous Materials by UP shall only be conducted after being authorized by the LVR.

In the event any cleanup, response, removal or remediation of any environmental condition on the Interchange Trackage is necessary (collectively referred to herein as "Response Action"), neither Party shall be entitled to any damages, actual, punitive, exemplary or consequential, by reason of the Response Action's interference with the other Party's use of the Interchange Trackage. The LVR and its contractors shall have full, unrestricted and unconditional access to the Interchange Trackage for the purpose of completing or engaging in a Response Action. UP shall provide the LVR with all information requested by the LVR regarding any Environmental Claims for which the UP is responsible.

The term "Environmental Claim" means the direct costs of any cleanup, response, removal, remediation, natural resource damage, closure and/or post-closure required by any environmental conditions affecting the air, soil, surface waters, ground waters, streams, sediments and similar environmental conditions caused by, resulting from, arising out of, or occurring in connection with the Agreement.

The total cost of clearing a Derailment, performing any Response Action, transferring any Hazardous Materials, and/or repairing the Interchange Trackage or any other property damaged thereby shall be borne by the Party or Parties liable therefor pursuant to the allocation of liability in Section's 6 and 7 of this Exhibit "H-1".

Section 7. Liability

(a) "Loss or Damage" shall mean all damage to any property and injury to or death of any person and all liability therefor, and shall embrace all payments made on account thereof, including, without limitation, expense of rerailling Equipment and clearing wrecks, Environmental Claims, fines or penalties, amounts paid or payable under all applicable laws and shall also embrace all cost and expense incident to any such injury, death, loss or damage arising in connection with operations under the Agreement. Loss or Damage shall also include attorneys' fees and costs in defending against all such claims or alleged claims or in enforcing any indemnity rights hereunder.

(b) (i) It is understood and agreed that LVR shall maintain the Interchange Trackage in a state of reasonable repair which is reasonably suited for the combined requirements of the Parties hereof, but the UP shall accept such trackage as it finds it and shall not, by reason of any failure, deficiency or defect therein or failure or neglect in the maintenance or dispatching of the Interchange Track, have or make against LVR any claim or demand for any Loss or Damage whatsoever, nor shall Loss or Damage be allocated to the LVR under Section 7(c) arising from or incident to such deficiency, defect, failure or neglect.

(ii) It is understood and agreed that a number of vehicular and pedestrian crossings ("Crossings") of the Interchange Trackage to be used for operations hereunder presently exist or may in the future be constructed. The UP agrees to accept all Crossings in whatever condition they may be during the term of the Agreement and shall not assert any claim, demand, or cause of action against the LVR and shall hold the LVR harmless from any claim, demand, or cause of action arising out of any Crossing accident on the Interchange Trackage involving the UP's sole Equipment.

(c) Except as provided in Section 7(b), liability for Loss or Damage shall be fixed between the Parties as follows:

(i) When caused by the acts or omissions of the employees of only one Party or the defective property of only one Party (other than Interchange Trackage), whether or not in conjunction with the acts or omissions or defective property of a third party, such Loss or Damage, including Loss or Damage to the Interchange Trackage, shall be borne solely by such Party.

(ii) When caused by the acts or omissions of the employees of

one Party or defective property (other than Interchange Trackage) of one Party in combination with the acts or omissions of the employees of the other Party or the defective property (other than Interchange Trackage) of the other Party, then, whether or not in conjunction with the acts or omissions or defective property of a third party, such Loss or Damage shall be borne solely by each Party as to its own employees, contractors, agents, invitees, and property, other than real property owned by it, and property of third parties in its possession, care, custody or control. Loss or Damage to real property of the Owning Party underlying or surrounding the Interchange Trackage, Loss or Damage to the Interchange Trackage, as well as Loss or Damage to third parties and their property shall be borne equally between the Parties.

(iii) Environmental Claims shall be borne in accordance with Section 6 hereof.

(iv) Loss or Damage due to any other cause shall be borne solely by each party as to its own employees, invitees and equipment (including lading) in its custody, and equally as to damage to trackage and damage suffered by the third parties and their property.

It is the express intention of the Parties hereto, that where an indemnity provided for in this Agreement is applicable as provided herein, that such indemnity includes the negligence of the indemnified Party whether that negligence is active or passive, or is a sole or concurring cause of the Loss or Damage; provided that said indemnity shall not protect the indemnified Party from liability for Loss or Damage arising solely from the criminal actions of the indemnified Party, its officers, agents or employees.

The foregoing notwithstanding, if such Loss or Damage involves the Equipment of only one Party, or in the possession or custody of only one Party, that Party shall bear all Loss or Damage.

The foregoing notwithstanding, neither Party shall have any claim against the other Party for its acts or omissions giving rise to Loss or Damage caused by or resulting from interruption of or delay to such Party's business or for special, indirect or consequential damages or for loss of profit or income.

Each Party hereto covenants and agrees that it shall forever release, defend, indemnify and save harmless the other Party, its successors and assigns, from and against any and all liability or claims for damages, costs and expenses herein assumed by it, whether or not such liability or claims arise during the time that the Agreement is in effect or thereafter or are occasioned by or incident to or the result of any acts or omissions of the other Party, its successors and assigns, and regardless of the acts or omissions or alleged acts or omissions of the other Party; provided, however, that the Party liable, in whole or in part, as to any claim or suit filed against the other Party, shall be given prompt written notice thereof and an opportunity to join in or take over, as may be appropriate, the defense and settlement of such claim or suit.

Each Party hereto may make settlement of any claim for Loss or Damage for which it and the other Party may be jointly liable hereunder, but no payment in excess of [REDACTED] shall be voluntarily made by any Party in settlement of any such claim without first having obtained in writing consent of the other Party, which consent shall not be unreasonably withheld, and giving of such consent shall not be deemed an admission that such claim involves joint liability. The Party against which a claim in excess of [REDACTED] is made for which the other Party hereto may be jointly liable hereunder shall give written notice thereof to such other Party.

All releases taken pursuant to the settlement of claims or suits involving joint liability shall include both Parties hereto involved, and copies thereof shall be furnished each of them.

Section 8. Force Majeure

A Party shall be relieved from its performance under the Agreement, except for the provisions of Section 7, without penalty, due to reason of any cause beyond such Party's control, including, but not limited to, flood, earthquake, hurricane, tornado or other severe heat or climatic conditions, acts of God, acts of a public enemy, war, blockade, insurrection, vandalism, sabotage, strike, lockout, or other labor disturbance, or governmental law, order, or regulation, or other similar cause, provided the Party so relieved hereunder shall use all reasonable efforts to minimize its non-performance and to overcome, remedy, cure, or remove such cause as soon as reasonably practical.

Section 9. Other Provisions

In the event either Party breaches any part of the Agreement, the other Party shall be entitled to all its lawful remedies under the Agreement or at law or equity.

All Section headings are inserted for convenience only and shall not affect any construction or interpretation of the Agreement.

Each and every clause of the Agreement shall be severable from each other. In the event that any particular clause herein shall be held null and void in an arbitral or judicial proceeding, such finding shall have no effect on the remaining clauses.

In the event there shall be any conflict between the provisions of this Exhibit "H-1" and the Agreement, the provisions of the Agreement shall prevail.

**UNION PACIFIC SELLER
CONTRACT INSURANCE REQUIREMENTS**

Sale of Branch Lines

Buyer shall, at its sole cost and expense, procure and maintain from the date of sale to the expiration of applicable State(s) and Federal statutes of limitations allowing for claims against the seller (except as otherwise provided in this Agreement) the following insurance coverage:

- A. Commercial General Liability insurance.** Commercial general liability (CGL) with a limit of not less than [REDACTED] each occurrence and an aggregate limit of not less than [REDACTED] CGL insurance must be written on ISO occurrence form CG 00 01 12 04 (or a substitute form providing equivalent coverage), for a period of 7 years after the Closing Date.
- B. Umbrella or Excess insurance.** If Buyer utilizes umbrella or excess policies, these policies must "follow form" and afford no less coverage than the primary policy.

Other Requirements

- C.** All policy(ies) required above must include Railroad as "Additional Insured" using ISO Additional Insured Endorsement CG 20 26 (or a substitute form providing equivalent coverage). The coverage provided to Railroad as additional insured shall, to the extent provided under ISO Additional Insured Endorsement CG 20 26 provide coverage for Railroad's negligence whether sole or partial, active or passive, and shall not be limited by Buyer's liability under the indemnity provisions of this Agreement.
- D.** Punitive damages exclusion, if any, must be deleted (and the deletion indicated on the certificate of insurance), unless (a) insurance coverage may not lawfully be obtained for any punitive damages that may arise under this agreement, or (b) all punitive damages are prohibited by all states in which this agreement will be performed.
- E.** Prior to purchase of the property, Buyer shall furnish Railroad with a certificate(s) of insurance, executed by a duly authorized representative of each insurer, showing compliance with the insurance requirements in this Agreement.
- F.** All insurance policies must be written by a reputable insurance company acceptable to Railroad or with a current Best's Insurance Guide Rating of A- and Class VII or better, and authorized to do business in the state(s) in which the work is to be performed.
- G.** The fact that insurance is obtained by Buyer or by Railroad on behalf of Buyer will not be deemed to release or diminish the liability of Buyer, including, without limitation, liability under the indemnity provisions of this Agreement. Damages

recoverable by Railroad from Buyer or any third party will not be limited by the amount of the required insurance coverage.