

PROPOSED VAUGHN TO CORDES JOINT VENTURE

1) CREATION OF THE JOINT VENTURE

A Joint Venture will be created to own and maintain the CORP's line between Vaughn (MP 669.0) and Cordes (MP 763.1)

- a. The CORP will contribute the real estate and the track structure, its revenues from its line haul divisions from Union Pacific for all shipments destined to stations south of Vaughn, and relevant real estate fees.
- b. ODOT will contribute sufficient funds to rehabilitate the line (current estimate \$23.3 million), provide for future necessary capital investment to maintain the line in safe condition as described in 2 (d), and to provide the transportation services fee described in 2 (a).
- c. ODOT and CORP will select an administrator of the Joint Venture to make the required business decisions.
- d. The amount of sufficient funds to rehabilitate the line will be determined by an independent engineering firm hired by CORP and ODOT.
- e. CORP and ODOT will each have 50% interest in the ownership of the line.
- f. CORP will maintain its operating rights over Union Pacific owned trackage from Cordes to Coquille.

2) OPERATION OF THE JOINT VENTURE

The Joint Venture will contract with the CORP to provide exclusive rail transportation services to the shippers at stations south of Vaughn. CORP will remain the common carrier.

- a. The CORP will provide these services at \$1087 per car, with a minimum payment based on 380 cars per month.
- b. The per-car fee will be adjusted annually on October 1 by the RCAF including fuel.
- c. The payment will cover transportation, mechanical, administrative and routine maintenance costs.
- d. Each year, CORP will submit to the Joint Venture a recommendation for capital improvements. The Joint Venture will determine and approve the annual level of capital expenditure. The funds for these improvements will be provided as described in 1 (b).
- e. The CORP will act as agent for the Joint Venture in collecting revenues from Union Pacific, and remitting those revenues to the Joint Venture. The CORP will also collect the relevant real estate lease fees from outside third parties, and submit those fees to the Joint Venture.
- f. Any profits (earnings in excess of operating costs and capital expenditures) earned from rail operations will be divided equally between CORP and ODOT.

JOINT VENTURE, page 2

3) DISPOSITION OF THE JOINT VENTURE

CORP and/or ODOT may, at some point, decide to end the Joint Venture. If that event occurs, the following will apply.

- a. At anytime during the tenure of the Joint Venture, the CORP, at its sole discretion, may offer its 50% share to ODOT, and ODOT will purchase that share for the net liquidation value of the track structure and the real estate that existed on the date the Joint Venture was created using the NLV method of the STB, or 50% of the value of the going concern, whichever is greater. At that point, ODOT will have the right to continue to contract with CORP for the operation of the line, or it may choose a different operator.
- b. If at anytime during the tenure of the Joint Venture, ODOT wishes, at its sole discretion, to dissolve the Joint Venture, the entire ownership of the real estate and track structure will revert to the CORP.
- c. If the Joint Venture decides to abandon the line, and the abandonment is approved, CORP and ODOT will divide the proceeds (either NLV or “going concern” value) from the liquidation on a 50%-50% basis.
- d. If the Joint Venture decides to sell the line to another entity, CORP and ODOT will divide the sales proceeds on a 50%-50% basis.