

JUNE 2011 AMENDMENT TO AGREEMENT FOR THE RESURRECTION OF OPERATIONS UPON THE NORTHWESTERN PACIFIC RAILROAD LINE AND LEASE

WHEREAS North Coast Railroad Authority ("NCRA") and Northwestern Pacific Railroad Company now known as Northwestern Pacific Railroad Company, a California Corporation, ("NWP") entered into an Agreement For The Resurrection of Operations Upon The Northwestern Pacific Railroad Line and Lease, ("Agreement") providing for the resumption of operations upon the Northwestern Pacific Railroad Line on September 13, 2006;

WHEREAS freight operations contemplated by the Agreement will commence forthwith;

WHEREAS the parties have committed to renegotiation of the Agreement to reflect the current conditions and revised contemplations by the parties;

WHEREAS there is insufficient time to conduct such negotiations prior to the commencement of operations. The parties therefore enter into this Amendment as an interim agreement in contemplation that the parties will promptly meet and negotiate in good faith the amendment of the Agreement.

THEREFORE it is agreed as follows:

1. Article IV is amended as follows: The conditions relating to execution of an Equipment Lease and receipt of necessary approvals relating to Private Activity Tax Rules are no longer necessary and are deleted. The condition relating to obtaining the necessary consent from Sonoma Marin Area Rail Transit ("SMART") is deemed satisfied. The condition relating to compliance with the California Environmental Quality Act (CEQA) is deemed satisfied as to the Russian River Division.

2. A provision is added to VIIB and numbered as paragraph 7 as follows:

NWP must comply with the Mitigation Monitoring and Reporting Plan set forth in the resolution certifying the environmental impact report on the Russian River Division by the North Coast Railroad Authority Board of Directors on June 20, 2011.

3. A provision is added to VIIB and numbered as paragraph 8 as follows:

The operational obligations set forth in the Operating and Coordination Agreement between the NCRA and SMART dated June 2011 shall be assumed by NWP upon the commencement of freight operations. In those instances where the Operating and Coordination Agreement with SMART is inconsistent with this Agreement, the provisions

of the Operating and Coordination Agreement shall prevail except that:

(a) NWP shall perform normalized maintenance to the track class certified by the Federal Railroad Administration in May 2011 and any inconsistency with SMART shall be disregarded;

(b) NWP shall not carry any hazardous materials unless and until any necessary independent clearance under the California Environmental Quality Act is obtained.

NCRA shall timely enforce the provisions of the agreement and in the event that NCRA fails to do so, NWP may do so in NCRA's stead.

4. Article X relating to compensation shall be renegotiated by the parties. The parties agree to promptly meet in good faith to renegotiate the provisions of Article X to provide that the lease payments will be a monthly agreed-upon percentage of gross lease revenue, and further to negotiate the conversion of the Advanced Lease Payments made by NWP to the NCRA since October 2006 to a current payable.

5. The track class requirements set forth in section V11 B4 are amended to the class of track recognized by the Federal Railroad Administration in its release of Emergency Order 21 in May 2011.

6. Article XVI relating to a negotiation reopener is amended to reflect that the negotiations contemplated by this Agreement shall replace the renegotiation reopener as to the SMART Operation and Coordination Agreement.

7. Article XB2 relating to transfer of property management will be renegotiated. However, pending renegotiation of this agreement, the NCRA will retain any property proceeds for its own account.

8. Until the time of the renegotiation contemplated by the parties the parties shall have the following interim obligations:

NCRA Interim Obligations:

NCRA must: (1) promptly process the pending Railroad Rehabilitation & Improvement Financing (RRIF) program Loan in the maximum amount available and dedicate the application of proceeds to repay NWP Co its allowable costs for the Rehabilitation Project with NCRA as the principal obligor; (2) NCRA must refrain from granting any security interests in either the Ukiah Depot or in any metals in the Eel River Division from MP 142.5 and MP 238.0; and (3) NCRA must refrain from dispersing proceeds from any sale of the Ukiah Depot or Eel River Division metals such as might

otherwise be permitted by the California Transportation Commission without the prior written consent of NWP, or completion of renegotiations, whichever first occurs.

NWP Interim Obligations:

NWPCo. must on the first day of each month following the commencement of operations pay the sum of \$25,000 per month with NWP having the discretion to apply up to \$15,000 per month of accrued Advance Lease Payments toward this payment.

9. ~~NWP shall be the sole and exclusive provider of freight rail service~~ from and across the Russian River Division pursuant to its common carrier authority. The NCRA shall retain its residual common carrier authority to exercise its common carrier obligations by and through the NWP pursuant to the Agreement and this Interim Agreement

Dated: June 20, 2011

Northwestern Pacific Railroad Co.

By John H. Williams
John Williams
its President

John H. Williams
Secretary

North Coast Railroad Authority

By _____
Hal Wagenet
its Chairman

Attest: Mitch Stogner
Mitch Stogner

Approved as to Form

Christopher J. Neary
Christopher J. Neary

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