

**Request for Proposals for an
Operator of Freight and Recreational Passenger Rail Service
on the Santa Cruz Branch Rail Line**

Questions from Prospective Proposers (updated 03/28/2012)

Questions Submitted Prior to Pre-Proposal Conference on March 14, 2012

Q1. What is abandonment of the rail line?

A1. Abandonment, or relinquishment, of jurisdiction is the cessation of jurisdiction over a railroad company's operations by the Surface Transportation Board (STB). This abandonment occurs when the STB issues an order of abandonment. This determination is made when interstate commerce is no longer being served by the railroad company on the property and Federal oversight is no longer necessary. Abandonment can occur if the railroad company owns fee title to the property or has an easement interest in the property. If an easement interest only is owned, this abandonment does not necessarily terminate the easement or any other rights to use the property by the railroad company.

Q2. What is railbanking?

A2. Railbanking is a method by which rail corridors that would otherwise be abandoned can be preserved for future rail use through interim conversion to a trail or other transportation use. Established in 1983 as an amendment to Section 8(d) of the [National Trails System Act](#), the railbanking statute allows a railroad to turn the corridor over to any qualified private organization or public agency that has agreed to keep it for future rail use. This property transfer precludes abandonment.

Questions Asked at the Pre-Proposal Conference

Q3: How were the insurance requirements of \$25 million per occurrence and \$50 million aggregate determined?

A3: This was the result of advice from rail road consultants and negotiations with Sierra Northern Railway.

Q4: What are the plans for the Cemex property in Davenport?

A4: The RTC does not know. There have been rumors of interested buyers and articles in the local newspaper. One article reported that the cement plant and the quarry have not been sold but other property around the cement facility has been sold.

Q5: The request for proposals (RFP) schedule includes service starting in July 2012, is that dependent on finalizing the sale with Union Pacific?

A5: Yes. Negotiations with Union Pacific for the sale of the Santa Cruz Branch Rail Line have been completed and the negotiated purchase and sale agreement is on the RTC website. The RTC anticipates that the completion of the sale and the start of operations by a new operator will take place at the same time. Closing the sale is dependent on the time that the Surface Transportation Board will take to process and rule on the necessary filings.

Q6: Is UP switching at Watsonville a temporary situation and will it switch over to the new operator?

A6: Yes, when the sale closes, the new operator will take over the switching. The new operator must have any necessary agreements with Union Pacific to take over the switching. Providing service to the Watsonville shippers will be a very high priority for the new operator to address upon start of operations.

Q7: Is the switching with Big Trees temporary and will it switch over to the new operator?

A7: There is an agreement between Union Pacific and Santa Cruz Big Trees and Pacific Railway governing that switching at the Santa Cruz wye. That agreement along with all other agreements affecting the rail operations will be assigned to the selected operator. Lease agreements will be assigned to the RTC. The Administration Coordination and License agreement includes a table as Exhibit C listing the agreements that will be assigned to the selected operator.

Q8: Is there another study of the bridges currently underway by a consultant hired by the RTC?

A8: RTC has agreed to spend \$5m on repairs to improve the structures. J.L. Patterson and Associates has been contracted to undertake the inspections and final design for the structures improvements. Work is expected to be completed in October 2012. The RTC will submit the final design work to the California Transportation Commission (CTC) to release funding to make the improvements. Action is expected to be taken by the CTC at their December 2012 meeting. Structures assessments were done in 2005 and 2006 by two different engineering firms and those assessment reports can be found on the RTC website in the Rail Acquisition Due Diligence Documents section.

Q9: What is the procedure for obtaining information that may be considered confidential by Union Pacific?

A9: Communicate the desired information to RTC Deputy Director Luis Mendez and he will request the information from Union Pacific. If UP requires a confidential agreement to provide the information, he will work to have the correct individual at UP communicate with the person requesting the information to establish a confidentiality agreement and provide the information.

Q10: Regarding the RFP's request for recent financial results, is that the most recent or the most recent and audited?

A10: Audited financials are preferable. If the audited financial reports are dated, also provide the most recent financial reports even if not yet audited.

Q11: The RFP requested a start up timeframe for rail service, what type of service?

A11: The RTC would like to see a schedule for start up of both passenger and freight rail service. It is understood that it may take a longer period of time to initiate passenger rail service. The administration, coordination and license agreement provides a time frame of about 18 months from the effective date of the agreement to initiate recreational passenger rail service with approval of a service plan by the RTC, but of course a shorter startup would be encouraged

Q12: How long will the RTC require to review and approve the service plan for the recreational passenger rail service?

A12: It would depend on the level of plan development. As a government agency, we do have to abide by open government requirements. 3-4 months would be a reasonable estimate.

Q13: If funding for structure and any other improvements is released in December 2012, when will the work be done?

A13: Generally about three years are allowed to expend the funds, but the RTC intends to have the work completed much sooner.

Q14: Why would the segment north of Santa Cruz to Davenport be the first segment considered for recreational passenger operations?

A14: The condition of the tracks is best in that segment. Most of that segment has 112 lb continuously welded rail and can more easily qualify for Class 1 or Class 2 operations. The condition of the tracks between Santa Cruz and Watsonville is not as good and would require some improvement for operations at a level higher than 'excepted' track allows. Also, the north coast has great views, beaches, state parks and other destinations. In addition, because of the significant attraction for bicycling between Santa Cruz and Davenport there is a possibility for bike and ride service.

Q15: What is the condition of the crossing signals? Are they maintained? Are they FRA compliant?

A15: UP still owns the rail line and is currently the operator. Our understanding is that even though Union Pacific has placed the majority of the rail line out of service, Union Pacific must still meet all federal requirements to maintain and inspect the crossing signals and is doing so.

Q16: Is the line currently embargoed?

A16: No, Union Pacific has only designated the track "Out of Service" beyond about mile post 3.5 because there are no active customers beyond that point.

Q17: As an Out of Service line, is UP required to do regular signal inspections?

A17: Yes

Questions Submitted After the Pre-Proposal Conference

Q18: The RFP calls for commencing operations on July 1, 2012. What does "commencing operations" mean? Does this include recreational passenger rail operations?

A18: July 1, 2012 is the earliest anticipated date for the selected operator to commence freight rail operations. See responses to questions Q5, Q11 and Q12.

Q19: Big Trees believes that recreational passenger rail service cannot be provided from Santa Cruz to Davenport until the bridge at Antonelli Pond is repaired. Will the bridge at Antonelli Pond be repaired by July 1?

A19: As noted in the response to Q8 above, the RTC hired a consultant to inspect structures and produce the engineering and designs necessary to improve the structures. If the inspections reveal that improvements are needed to the bridge at Antonelli Pond before it can be used for recreational passenger service, the selected operator will not be expected to run recreational passenger rail service over the bridge before the improvements are completed. It is not anticipated that any structures improvements will be completed by the RTC by July 1, 2012.

Q20: There seems to be an issue with at-grade crossings of the rail line in Aptos resulting from the implementation of the Aptos Village Plan. Has this issue been settled? Is the rail operator being asked to be responsible for the contested crossing?

A20: The County of Santa Cruz filed with the California Public Utilities Commission (CPUC) for approval of improvements to two at-grade crossings, removal of one at-grade crossing and

addition of one at-grade crossing in the Aptos Village Plan area. Sierra Northern challenged the requested CPUC approval. The issue has not been settled and to obtain the best information on the issues involved, it is best to contact the County of Santa Cruz Public Works Department (Jack Sohriakoff at 831-454-2392).

Q21: What does the RTC expect of the operator vis a vis encroachments? Who will be enforcing RTC's property rights? What is the operator's role if the operator sees an encroachment in process?

A21: RTC will be responsible for its rights and liabilities as the owner of the Santa Cruz Branch Rail Line property. The RTC does not expect the selected operator to enforce the RTC's property rights or be responsible for resolving any encroachment issues. The RTC would appreciate being informed by the selected operator of any encroachment issues that come to the attention of the selected operator.

Q22: Will the fact that the Surface Transportation Board (STB) denied Sierra Northern Railway's petition to revoke its exemption to lease and operate the Santa Cruz Branch Rail Line impact the timing for this request for proposals process to secure an operator for the Santa Cruz Branch Rail Line?

A22: No. According to legal counsel the STB denial of Sierra Northern Railway's petition was based on the fact that Sierra Northern Railway used the wrong procedures to be relieved of its lease obligation. Sierra Northern Railway stopped operating the Santa Cruz Branch Rail Line at the end of 2011 and Union Pacific took over operations at the beginning of 2012.