

UNION PACIFIC RAILROAD  
24125 Old Aldine Westfield Road  
Spring, TX 77373  
(281) 350-7361



Jerry S. Wilmoth  
General Manager  
Network Infrastructure

February 9, 2016

Mr. Sid Covington  
Chairman  
Lone Star Rail District  
P. O. Box 1618  
San Marcos, Texas 78667

Re: Lone Star Rail District Feasibility Study

Dear Mr. Covington:

Reference is made to the following documents related to the review of a potential passenger rail operation by Lone Star Rail District (LSRD) between Taylor and San Antonio, Texas:

- 1) *Agreement for Initial Feasibility Study Services and Project Reimbursement* (Reimbursement Agreement) between Austin San Antonio Rail District (now LSRD) and Union Pacific Railroad Company (UPRR) executed in 2009, providing for reimbursement by LSRD of certain cost and expenses incurred by UPRR in its participation of a study being performed by LSRD to determine the feasibility of: (i) a possible passenger operation between Taylor and San Antonio, and (ii) a freight rail bypass between Taylor/Seguin/San Antonio.
- 2) *Memorandum of Understanding* (MOU) dated October 13, 2010, between LSRD and UPRR, including *Taylor – San Antonio Bypass Transaction - Union Pacific Railroad/Lone Star Rail District - Deal Points* (Deal Points) attached thereto, providing for the evaluation of the viability of possible passenger service on UPRR lines between Taylor and San Antonio and a broad outline of business terms.

The MOU/Deal Points, which by their own terms are non-binding, were developed to provide the parties with broad, general principles that would be the basis for the feasibility study. Over the course of the past 6+ years of meetings, discussions and studies, it has become apparent that the desired track alignments and infrastructure requirements necessary to support the efficient and reliable comingling of freight and commuter passenger rail are unattainable. In addition, UPRR continually needs to analyze, develop and implement enhancements to its network to meet customer demands in this vital and growing corridor. UPRR can no longer, in good faith, constrain its growth by the conceptual discussions or previous expressions of interest between the parties.



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For the reasons set forth above, the Reimbursement Agreement and the MOU/Deal Points are hereby terminated. Please note, termination of the Reimbursement Agreement and the MOU/Deal Points shall not affect any of the rights, obligations or liabilities of the parties, accrued or otherwise, which may have arisen prior to the termination date. Certain terms and conditions, including confidentiality obligations, shall survive the expiration of the agreements.

If you would like to discuss further, please let me know.

Sincerely,

A handwritten signature in blue ink, appearing to read "William H. Bingham", with a large, stylized loop at the beginning.

copy: Mr. William H. Bingham, Partner  
McGinnis Lochridge  
600 Congress Avenue, Suite 2100  
Austin, Texas 78701