

LATE MATERIAL

MEETING DATE 10/6/2011

ITEM # 23 B.

Materials included:

1. Train Service Agreement – 2011
2. Carson Eastgate Depot Operations Management/Staffing Agreement
3. Interim Track Use Agreement
4. CCCVB Financials (4 pages)

TRAIN
SERVICE
AGREEMENT

2011

Agreement by and between the Carson City Convention and Visitor's Bureau and the Virginia Truckee Railroad Company of Virginia City, Nevada to provide Train Services for the calendar year of 2011.

Includes
Schedule A
and
Promotional
License
Agreement

INDEPENDENT TRAIN SERVICES AGREEMENT

THIS INDEPENDENT TRAIN SERVICES AGREEMENT ("AGREEMENT") is made and entered into effective the 1st day January of 2011, notwithstanding a later date of execution hereof by and between the **Carson City Convention and Visitors Bureau** ("BUREAU") and the **Virginia & Truckee Railroad Company, Inc.**, A Nevada Corporation, by and through its authorized officer ("VTRR").

W I T N E S S E T H

WHEREAS, both the Bureau and the VTRR recognize the importance of establishing tourist excursion train service from Carson City to Gold Hill and/or Virginia City, open to the general public, at the earliest possible opportunity to promote tourism in the region:
and

WHEREAS, both the BUREAU and the VTRR recognize the historic significance and economic importance of re-establishing and operating a railroad between Virginia City and Carson City, Nevada to the State of Nevada and to the Storey County, Lyon County, Carson City, Washoe County and Douglas County areas in particular; and

WHEREAS, the Bureau and the Nevada Commission for the Reconstruction of the V&T Railway ("COMMISSION") have entered into an Interim Track Use Agreement permitting the Bureau to, among other authorities, enter into an agreement utilizing the Commission's track for tourist excursion trains; and

WHEREAS, in the Interim Track Use Agreement between the Commission and the Bureau, the Commission will provide for required, regular track, structure, right-of-way and crossing signal inspections and maintenance operations in accordance with Federal Railway Administration Class II Safety Standards and applicable regulations of the Nevada State Public Utilities Commission for the track owned by the Commission. However, in the Interim Track Use Agreement between the Commission and the Bureau, the Bureau is required to ensure that all necessary inspections, maintenance, testing, documentations and reports for locomotives, rolling stock and other equipment, accidents and such other matters as may be required by local, state or federal agencies are filed by the person or entity with whom the Bureau contracts to operate tourist excursion trains on the Commission's Track; and

WHEREAS, because VTRR will operate tourist excursion trains for the Bureau pursuant to this Agreement, VTRR agrees that it will file all such reports required by local, state or federal agencies for all necessary inspections, maintenance, testing, documentations and reports for locomotives, rolling stock and other equipment and such other reports as may be required by local, state or federal agencies; and

WHEREAS, in support of the interim tourist excursion train operations to be provided by or through the Bureau, the Commission will provide water service for locomotive and domestic use, an ADAA compliant parking area and loading platform at the Eastgate Siding, and a standard fire hydrant for emergency water use by the Bureau near the Linehan Road at-grade crossing; and

WHEREAS, in support of the interim train excursion operations to be provided by or through the Bureau, the Commission has granted the Bureau use of its track; and

WHEREAS, the Bureau, in an effort to actively and aggressively market tourist excursion train operations on the Commission owned track, desires to contract with VTRR for the provision of tourist excursion trains originating from and returning to Carson City, and to coordinate the marketing of those operations with the Virginia City Convention and Tourism Authority and other Northern Nevada tourism authorities; and

WHEREAS, this Agreement is entered into by the Bureau pursuant to its powers set forth in NRS 244A.597, 244A.619 and/or 244A.621 to operate historical sites and recreational facilities such as the historic V&T Railway reconstructed by the Commission and funded, in part, by the Bureau through its transient lodging tax; and/or pursuant to the Bureau's powers to promote tourism in Carson City to produce revenue for the Bureau and to enhance the general economy; and

WHEREAS, Bureau enters into this Agreement pursuant to NRS 332.115 as a contract which, by its nature, is not adapted to award by competitive bidding.

NOW, THEREFORE based upon the above-stated recitals, each and every one of which are an important term and condition of this Agreement and incorporated into this Agreement as though set forth verbatim below, and upon the following terms and provisions, the parties hereto agree as follows:

TERMS AND CONDITIONS OF AGREEMENT

- 1) Bureau and VTRR agree that this Agreement is to establish an independent contract for excursion services to be provided by the VTRR to the Bureau. This Agreement shall be in effect until 31 December 2011 unless earlier terminated pursuant to the terms and provisions of this Agreement. The schedule of tourist excursion trains to be operated by VTRR for Bureau shall be as fixed by the Train Service Agreement Schedule attached as Exhibit "A" to this Agreement and incorporated herein as if set forth in full. The Executive Director of the Bureau and VTRR may agree, in writing, to change alter or reschedule rates, times and any other pertinent items of Schedule "A" at any time during a term of this Agreement

Bureau and VTRR agree that this Agreement may be renewed upon terms and provisions as are mutually agreed between Bureau and VTRR. Provided, however, that no independent train services shall be provided unless, and until,

the parties have reviewed and approved an independent train services agreement for each of the years 2011 and 2012.

A separate Promotional License Agreement is included for the term of this agreement as Schedule B.

- 2) Bureau and VTRR agree that Bureau and the VTRR has advertised the train operations for the 2011 season, which advertising has been of direct benefit to the railroad. VTRR agrees to pay to Bureau on or before November 30, 2011 the sum of \$8,750 or \$127 per operating day ($\$8,750 / 69$ days) to reimburse Bureau for the costs of such advertising efforts, which include, but are not limited to, print, media and electronic advertising and the construction of a unified web presence. VTRR reserves the right to issue a limited number of passes on unoccupied seats
- 3) Bureau and VTRR agree that VTRR is an independent, professional entity, and that the relationship created by this Agreement is that of employer-independent contractor. VTRR is not an employee of the Bureau and is not entitled to the benefits provided by the Bureau to its employees, including, but not limited to, any benefit which would be provided by an employer to an employee within the State of Nevada such as group insurance. VTRR may practice its profession for others during those periods when VTRR is not performing work under this Agreement for the Bureau.
- 4) Bureau and VTRR agree that the Commission's track and related property and facilities shall be identified as the Commission Track. The Commission's Track shall consist of all that track which has been constructed by the Commission in Phases 1 through 3A of the Commission's railroad reconstruction project.
- 5) Should the Commission commence future construction activities, Bureau and VTRR shall not interfere in any way with the Commission's contractor and reconstruction activities, and shall not access or utilize any track constructed in Phases 3B, 3C and 4 without the prior approval of the Commission.
- 6) Due to the potentially dangerous nature of operating a tourist excursion train or trains on the Commission's Track, the VTRR shall ensure that VTRR, and any entity or person with whom it contracts to operate a tourist excursion train or trains, shall conduct its operations in a manner that is free from safety and health hazards, and ensure that any person employed to operate a train or trains is competent, adequately trained in all safety and health aspects of operation of a tourist excursion train, and not under the influence of any alcoholic beverage, legal or illegal drug, or any substance that may impair the safe performance of their work. The Bureau shall have no responsibility for the VTRR's operations, passengers or employees. No employee or agent of VTRR or any person or entity operating a tourist excursion train shall be deemed to be employees of Bureau. VTRR shall ensure that any person or entity operating a tourist excursion train pursuant to this Agreement shall promptly notify the Bureau and the Commission

of any United States Occupational Safety and Health Administration reportable injuries occurring to any person during VTRR's use of the Commission's Track pursuant to this Agreement.

7. VTRR shall ensure that it complies with all applicable local, state and federal laws, rules, regulations and orders relating to its operations over the Commission's Track including, but not limited to, those of the Federal Railroad Administration, Nevada State Public Utilities Commission, and as required by the Americans with Disabilities Act, as amended. VTRR shall ensure its privately owned passenger facilities located in either Virginia City, Nevada or Gold Hill, Nevada comply in all respects with the Americans with Disabilities Act, as amended, including, without limitation, ADA compliant parking, restroom and loading facilities. VTRR shall ensure that all necessary inspections, maintenance, testing, documentations and reports for locomotives, rolling stock and other equipment, accidents, and such other matters as may be required by local, state or federal agencies are filed by the VTRR, and VTRR shall file all such reports as required by local, state or federal agencies, and shall provide copies of all such reports to the Bureau and to the Commission. VTRR further agrees to provide and document operating and safety certification for all personnel operating equipment over the track and provide copies of all reports and certifications to the Bureau and the Commission. VTRR further agrees to immediately notify the Bureau and the Commission in writing of any derailments or other accidents that occur on or adjacent to Commission's Track and prepare necessary accident reports to federal, state and local agencies as required.
- 8) VTRR shall be responsible for the repair or replacement of any damaged or destroyed property which is a part of, or related to, the Commission's Track when such damage or destruction arises out of VTRR's acts of gross negligence when using the Commission's Track
- 9) VTRR shall agree to set up dispatch/radio block/key block/train warrant or other train traffic control system to ensure collision accidents do not occur on track between trains and between other equipment using track, and to provide the Bureau and the Commission a copy of these requirements to allow the Commission to communicate these operating requirements to its maintenance forces. VTRR shall further agree to provide a copy of its Standard Operating and Safety Rules to the Bureau and to the Commission for use on the Commission's Track.

Except as necessary for the provision of tourist excursion trains on the Commission's Track for Bureau, VTRR shall not allow any person, other than employees of VTRR performing duties in furtherance of the excursion train operations for Bureau, to use, occupy or travel upon the Commission's Track. Both Bureau and VTRR recognize the exposure to property damage, injury or death from any unauthorized use of the Commission's Track by persons other than VTRR and its employees, and to that end, VTRR shall not issue or dispatch by

train warrant or order any third person to utilize the Commission's Track. Violation of this provision shall be grounds for immediate termination of this Agreement, without notice.

- 10) VTRR shall prepare and implement through its employees an Emergency Response Plan detailing procedures to be used by the operator during all operations on the Commission Track for preventing, and for responding to, emergencies on-board trains or along the railroad right-of-way, including, without limitation, fire prevention.
- 11) VTRR shall ensure that any person operating an excursion on the Commission's Track shall not release, dispose of or place any materials or debris on the Commission's Track, and shall be responsible for removing and properly disposing of any such materials or debris.
- 12) **VTRR AGREES TO RELEASE, INDEMNIFY, DEFEND AND HOLD HARMLESS THE BUREAU AND THE COMMISSION FOR, FROM AND AGAINST ANY AND ALL LOSSES, DAMAGES, CLAIMS, DEMANDS, ACTIONS, COSTS AND EXPENSES (INCLUDING, WITHOUT LIMITATION, COURT COSTS AND ATTORNEYS' FEES) (COLLECTIVELY, "LOSSES") (a) CAUSED BY OR ARISING FROM, IN WHOLE OR IN PART, ANY ACT OR OMISSION OF USE, OR (b) ANY BREACH BY VTRR OF THIS AGREEMENT, OR (c) FOR PERSONAL INJURY TO OR DEATH OF VTRR'S EMPLOYEES, AGENTS, PASSENGERS OR CONTRACTORS OCCURRING WHILE SUCH PERSON IS ON OR ABOUT THE COMMISSION'S TRACK. THE FOREGOING RELEASE AND INDEMNITY SHALL APPLY REGARDLESS OF ANY NEGLIGENCE OR STRICT LIABILITY OF COMMISSION EXCEPT TO THE EXTENT THE LOSS IS CAUSED BY THE GROSS NEGLIGENCE OR WILLFUL MISCONDUCT OF BUREAU**
- 13) VTRR shall procure insurance in the amount of \$5 million dollars per act or occurrence and shall at all times maintain such insurance in full force and effect. VTRR shall provide the Bureau and the Commission with a Certificate issued by its insurance carrier evidencing the insurance coverage required. VTRR shall maintain the required insurance coverage throughout the term of this Agreement and require the VTRR's insurance carrier to notify the Bureau and the Commission at least 30 days prior to modification or cancellation of such insurance. Property insurance carried by the Bureau and by the Commission, if any, shall be considered excess insurance and shall not contribute to any loss covered by VTRR property insurance or VTRR's obligations under this Agreement. All insurance correspondence to the Bureau shall be directed to the Bureau with copies to Charles P. Cockerill, 415 W. Second Street, Carson City, Nevada, 89703 and also shall be directed to the Commission by sending such correspondence to Michael Smiley Rowe, Esq., Rowe & Hales, LLP, P.O. Box 2080, Minden, Nevada, 89423.

- 14) The term of this Agreement for the train movements on the Commission's Track operated by or through its agreement with the Bureau is to, and ending on December 31, 2011, unless otherwise earlier terminated pursuant to the terms of this Agreement. Bureau's executive director may cease operations of any or all trains on the Commission's track upon ten days written notice to VTRR if it is determined that operations cannot continue without financial subsidy by the Bureau's general fund. The Bureau's executive director's determination will be made based solely on operating costs in excess of revenues, or a lack of sufficient ridership (ticket sales) on scheduled or special trains. Any determination made by the Bureau's executive director shall be after consultation with the Bureau's auditor. **All VTRR obligations would be cancelled upon termination of this contract.**
- 15) This Agreement prohibits any other use of the Commission's Track by any third person not an employee of VTRR, and does not permit any other use of the Commission's Track without the express approval of the Commission and the Bureau. This Agreement does not permit any use of any other of the Commission's Track, including, without limitation, any track to be constructed in Phases 3B, 3C and 4 by the contractor retained by the Commission, without the prior express approval of the Commission and the Bureau.
- 16) All references in this Agreement to "Bureau" shall mean and include Bureau and its officers, contractors, agents, passengers, retained train excursion operator and employees, and others acting under its or their authority. All references to "VTRR" shall mean and include the VTRR and its officers, contractors, agents, passengers, retained train excursion operator and employees, and other acting under its or their authority.
- 17) Severability: All provisions in this Agreement are separate and severable. If any provision of this Agreement shall be found by a court of competent jurisdiction to be illegal, in conflict with any laws of the State of Nevada, contrary to policy or otherwise unenforceable, the validity and enforceability of the remaining provisions shall not be affected, and the rights and obligations of the parties shall be construed and enforced as if this Agreement did not contain the particular provision found to be illegal, invalid, or otherwise unenforceable, and the legality of the remaining portions of the Agreement shall be unaffected.
- 18) Should VTRR fail to perform or keep any of the covenants, conditions, provisions and agreements herein provided to be performed or kept by VTRR, within ten (10) days following delivery of the Bureau's written notice specifying in detail such failure on the part of VTRR and demand the same to be cured within said ten (10) day period; then VTRR shall be deemed to be in default hereunder and the Bureau may immediately terminate this Agreement. Provided, however, that should VTRR allow any third person to use the Commission's Track, which

person is not an employee of VTRR providing services in furtherance of this Agreement, Bureau may immediately terminate this Agreement without notice.

If any such failure on the part of VTRR as described herein can be cured, but not completed within said ten (10) day period set forth because of circumstances beyond VTRR's control, no default may be entered or deemed to exist on the part of VTRR so long as VTRR, in good faith within the specified ten (10) day period, undertakes to cure the failure and to faithfully and diligently proceed thereafter to complete the cure of VTRR's failure; provided, however, that VTRR must completely cure the failure within thirty (30) days after notice is provided by the Bureau.

In no event shall this Agreement become an asset of VTRR in any bankruptcy, receivership or insolvency proceeding, or in any judicial proceedings. If at any time during the term of this Agreement VTRR shall file a petition in bankruptcy or insolvency, or if a receiver or trustee is appointed to take charge of all or a portion of VTRR's property, or if VTRR is adjudicated bankrupt or insolvent in any court, or if VTRR makes an assignment for the benefit of creditors, or if the property or business of VTRR be seized under execution and unreleased therefrom for ten (10) or more days, the Bureau may, at its option and without notice, terminate this Agreement with or without process of law.

- 19) Time is of the essence for each, every and all of the provisions of this Agreement.
- 20) It is mutually understood and agreed by and between the Bureau and VTRR that the various rights and remedies herein contained and reserved to the Bureau shall not be considered as exclusive of any other right or remedy, but the same shall be construed as cumulative and shall be in addition to any other remedy now or hereafter existing at law, in equity or by statute. No delay or omission of the Bureau to exercise any right or power arising from any omission, neglect or default of VTRR shall impair any such right or power, or shall be construed as a waiver of any such default or acquiescence therein. No waiver of the breach of any of the covenants of this Agreement shall be construed or held to be a waiver of any other breach or waiver or acquiescence in or consent to any further or succeeding breach of the same covenant.
- 21) In the event that suit is brought to enforce the provisions of this Agreement or to collect damages for any breach of this Agreement, the prevailing party shall be entitled to recover their litigation costs, including reasonable attorney's fees. Such shall include appeal.
- 22) This Agreement shall be governed and construed in accordance with the laws of the State of Nevada, as they exist from time to time. Venue of any proceedings regarding this Agreement shall be in the First Judicial District Court.

23) Any notice required to be provided by this Agreement to the parties shall be deemed given when mailed by U.S. Mail, certified mail return receipt requested, or personally delivered.

Carson City Convention & Visitors Bureau
1900 S. Carson Street
Carson City, NV 89701

With Copy to: Charles P. Cockerill
415 W. Second Street
Carson City, Nevada, 89703

Nevada Commission for the Reconstruction of the V&T
Railway
c/o Dwight Millard, Chairman
2989 U.S. Hwy. 50 East
Carson City, NV 89701

With Copy to: Michael Smiley Rowe, Esq.
1638 Esmeralda Avenue
Minden, NV 89423

Virginia & Truckee Railroad Co., Inc.
Tom Gray
P.O. Box 467
Virginia City, NV 89440

With Copy to: Ryan D. Russell, Esq.
402 North Division Street
Carson City, Nevada 89703

**CARSON CITY CONVENTION AND
VISITORS' BUREAU**

By: STEPHEN LINCOLN
Its: Chairman

VIRGINIA & TRUCKEE RAILROAD CO.

THOMAS GRAY
Its: Director and Vice-President

SCHEDULE A
TRAIN SERVICE AGREEMENT SCHEDULE
For 2011
Updated 3/1/2011

SECTION 1 – HOME BASE

The **VIRGINIA CITY-GOLD HILL** train to be housed in Virginia City.
The **CARSON-VIRGINIA CITY** train will be housed in Virginia City and guarded in Carson City on it's stay-over nights.

SECTION 2 – REGULAR SCHEDULED TRAINS FOR 2011

The CARSON-VIRGINIA CITY Train

Starting **Friday** May 27th Through **Sunday** October 30, 2011 (23 Weekends)

Friday	8:00 AM Deadhead VC-CC	
	10:00 AM Depart CC to VC	Diesel Operation
	3:00 PM Depart VC to CC	
	5:00 PM (Diesel Engine CC-VC could take cars)	
Saturday	8:00 AM Deadhead VC-CC	Steam (could have cars)
	10 AM Depart CC to VC	Steam Operation
	3:00 PM Depart VC to CC	
Sunday	10 AM Depart CC to VC	Steam Operation
	3:00 PM Depart VC to CC	
	5:00 Full train Deadhead	

The VIRGINIA CITY – GOLD HILL train will run the following schedule:

	10:30 AM	VC to GH and Return	Steam/Diesel
	11:20 AM	VC to GH and Return	Steam/Diesel
	12:30 PM	VC to GH and Return	Steam/Diesel
	1:20 PM	VC to GH and Return	Steam/Diesel
	2:10 PM	VC to GH and Return	Steam/Diesel
	3:00 PM	VC to GH and Return	Steam/Diesel
	4:00 PM	VC to GH or Hayward and Return	Steam/Diesel
Optional	5:00 PM	VC to GH or Hayward and Return	

Scheduled trains originating at the CARSON EASTGATE DEPOT are subject to change or cancellation with a minimum of 48 hours notice to the Virginia and Truckee Railroad Company. Cancellation will be communicated by mutual agreement by and between the Bureau and The Railroad Company.

SECTION 3 – SPECIAL TRAINS, SPECIAL EVENT TRAINS

BUREAU may schedule special trains or trains for special events with the Train Company for any day and time that Train Company agrees that they can provide train service and Train Company shall make every effort to meet the demands of the Bureau for special trains. Train Company shall quote prices for each train depending on length of trip, standing time, and other operating costs, but pricing shall be predicated on the base price established for the regularly scheduled trains in SECTION 1.

The BUREAU may schedule a departure from either depot with mutual consent of RAILROAD COMPANY out of Virginia City.

SECTION 4 – COMPENSATION FOR TRAIN SERVICES

BUREAU will pay to the Virginia and Truckee Railroad Company for train services according to the following table within 15 Days of receipt of invoice for all services rendered:

ROUND TRIP CC to VC

		Standard Round Trip Trains	Special Trains If deadheads Are required	
Round Trip CC to VC	Steam	\$5,500.00	7,500	
Round Trip VC to CC	Steam	\$5,500.00	5,500	
One way CC to VC	Steam		7,500	2 round trips
One way VC to CC	Steam		5,500	
Round Trip CC to VC	Diesel	\$4,500.00	6,500	
Round Trip VC to CC	Diesel	\$4,500.00	4,500	
One way CC to VC	Diesel		6,500	
One way VC to CC	Diesel		4,500	

For clarification: The 3 round trips per week are compensated at \$15,500.00 per week which includes the Friday night diesel dead head up, the Saturday morning Steam dead head down and the Sunday night Steam dead head up.

Bureau will pay to Railroad a fuel escalation charge based on the rate of 500 gallons of steam fuel per day at a rate of 2010 prices of .85 cents per gallon to be adjusted each week. For example if the proceedings months fuel cost was \$1.50 per gallon and the

average fuel cost of the 2010 season was \$0.85 per gallon the V&T would include a fuel surcharge of \$1.50 less \$0.85 or \$0.65 times 500 or \$325 per day. There is no surcharge for the diesel train this season. The VTRR will make available to the Bureau such documents as necessary to determine pricing surcharges or reductions.

In the event of an emergency the Bureau will reimburse the VTRR for the costs of busses and other transportation to transport passengers to and from their destination.

SECTION 5 – TRAIN SERVICE

RAILROAD COMPANY, for each scheduled train in Section 2 will make best efforts to provide a train that has the capacity to carry 210 passengers depending on available motive power and passenger equipment. Currently the 29 and D-1 pull two coaches, the 18 and D-2 three. Railroad Company will notify the CCCVB with as much advance notice as possible if capacity is reduced below 210 passengers. RAILROAD COMPANY may substitute an "OPEN CAR" in acceptable weather. Train must have restroom facilities. Changes may be made to train configuration by mutual consent of Bureau and Railroad Company and Bureau will notify railroad promptly if reduced capacity is applicable.

All trains shall run on time, within reason, and VTRR may be penalized TEN (10%) of the gross payment for that train which operates later than scheduled, if due to gross negligence of the VTRR

In the event of an unexpected breakdown of the equipment, VTRR shall make every reasonable effort to provide a redundancy backup (with current equipment as available, 18, 29, D-1, D-2, 101,102,103, 55, 50) with the ability to provide a train that has the minimum capacity to carry 210 passengers. However, unless the breakdown is caused by the gross negligence of the VTRR, the BUREAU shall not penalize VTRR by a deduction in the gross payment pursuant to the compensation due to VTRR for operation. If VTRR is unable to run a particular train pursuant to the schedule herein established, then VTRR shall forfeit any compensation for that scheduled trip.

SECTION 6 – V&T EXEMPTIONS

The VIRGINIA AND TRUCKEE RAILROAD COMPANY shall continue to run the VIRGINIA CITY-GOLD HILL Train excursion from the Virginia City depot as their sole and separate business and the RAILROAD COMPANY will be allowed to run Extended trains to HAYWARDS provided they do not conflict with the scheduled Carson-Virginia City long trains each day with no fees or assessments in exchange for the RAILROAD COMPANY waiving the fees and assessments for the Carson-Virginia City train using the RAILROAD'S track from Virginia City to Gold Hill during the term of this agreement.

SECTION 7 – TRACK USE AND SCHEDULING RESPONSIBILITY

In as much as the BUREAU has a TRACK USE AGREEMENT with the NEVADA COMMISSION FOR THE RECONSTRUCTION OF THE V&T RAILWAY for the Commission track, and since the BUREAU has engaged the services of the Virginia and Truckee Railroad Company to provide various train services on this track, then the BUREAU assigns to the Virginia and Truckee Railroad Company, and the Company accepts the full responsibility for track use by the Railroad Company to eliminate conflicts by any other users who subscribe to warrants on the track from the Railroad Company. All other trains, railcars, scooters, high-rails, and any other rail equipment, whether for operation or inspections shall obtain a warrant from the Railroad Company and Railroad Company shall have the right to deny, restrict or refuse access by anyone with the right of review by the Bureau for such action.

SECTION 8 TICKET PRICING

BUREAU shall set the pricing for schedule trains as set forth below and from time to time review and adjust such fees to maintain a balanced operating budget, VTRR shall be consulted on such fare changes:

	Steam Round Trip	Steam One Way	Diesel Round trip	Diesel One Way
Adult Ticket	48.00	29.00	29.00	19.00
Senior	42.00	25.00	26.00	18.00
Child	28.00	18.00	16.00	13.00

SECTION 9 GROUP PRICING

These prices established, published and used by groups booked under the BUREAU through Candy Duncan and Janet Jones, group sales coordinator.

SECTION 10 – CONTACTS

For the BUREAU: Candy Duncan
1900 South Carson Street
Carson City, Nevada 89703
Tel: 775 687 7410
Fax: 775 687 7416
Candace@visitcarsoncity.com

For the BUREAU: Janet Jones-Group Booking
Special Train Booking
janet@visitcarsoncity.com

For the VIRGINIA AND TRUCKEE RAILROAD:
Thomas Gray, Vice President
P O Box 467
Virginia City, Nevada 89440
tgray@virginatruckee.com

Schedule B

The Virginia & Truckee Railroad Co., Inc. Promotional License Agreement

This Agreement is entered into by and between The Virginia & Truckee Railroad Company, Inc. ("Licensor"), a Nevada corporation and the Carson City Convention and Visitors Bureau ("Licensee"), a political subdivision of the State of Nevada (collectively "the Parties").

WHEREAS, Licensor owns and operates The Virginia & Truckee Railroad;

WHEREAS, Licensor owns the service marks depicted on Schedule A hereto;

WHEREAS, Licensee desires for Licensor to operate trains between Carson City and Virginia City during 2011 and Licensor has agreed to operate such trains;

WHEREAS, Licensee desires to promote the trains using the service marks belonging to Licensor;

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

1. Licensor represents and warrants that it owns all right, title and interest in and to Licensor's Marks depicted on Schedule A hereto and incorporated herein by reference, and may license such Marks to Licensee.
2. Licensee represents and warrants that it is has the authority to contract with Licensor for the operation of trains for the term of this agreement.
3. Licensor hereby grants a royalty free, non-transferable, non-exclusive, limited license to Licensee to use Licensor's Marks in the forms depicted on Schedule A hereto (incorporated herein by reference) solely for the purpose of marketing trains operated by Licensor on behalf of Licensee.
4. Licensee shall not alter Licensor's Marks in any way without express prior written consent from Licensor. Licensor reserves all rights in and to Licensor's Marks that are not expressly granted herein. Licensee acknowledges that Licensor is the sole owner of all right, title and interest in and to Licensor's Marks, and that Licensee will not acquire, any right, title or interest in or to Licensor's Marks except the limited right to use such Mark as described herein. All use of the Licensor's Marks by Licensee shall inure to the benefit of Licensor.
5. Licensee shall refrain from using or registering any trade name or trademark that Licensor deems identical or confusingly similar to the trade name or any of the trademarks belonging to Licensor. Licensee further agrees not to challenge Licensor's rights in or to any of its marks at any time. Additionally, Licensee shall use Licensor's Marks in a manner that does not derogate Licensor's rights in the Marks or the value thereof, and will take no action that would interfere with, diminish or tarnish Licensor's rights in, or the value of, the Marks

6. This Term commences on the date of Execution below and terminates on December 31, 2011.

7. In the event of termination of this agreement, Licensee shall cease and desist from all new use of Licensor's Marks and provide written confirmation of cessation of all marks to Licensor within ninety (90) business days of its receipt of the Termination Notice.

8. Licensee shall pay Licensor a seven and one half percent (7.5%) royalty on its gross revenue from the sale of any merchandise bearing the Licensed Marks and not supplied by the licensor. All merchandise bearing the licensed mark shall be submitted for written approval by the licensor.

IN WITNESS WHEREOF, Licensee hereby expressly acknowledges that it has reviewed and understands this Agreement, and freely and voluntarily agrees to be bound by each of its provisions.

This agreement is effective the 1st day January of 2011, notwithstanding a later date of execution hereof by and between the **Carson City Convention and Visitors Bureau** ("BUREAU") and the **Virginia & Truckee Railroad Company, Inc.**, A Nevada Corporation, by and through its authorized officer ("VTRR").

By Virginia & Truckee Railroad Co., Inc.

By Carson City Convention & Visitors Bureau

Tom Gray, Director

Stephen Lincoln, Chairperson

**The Virginia & Truckee Railroad Co., Inc.
Promotional License Agreement
Schedule A -- Licensor's Marks**

VIRGINIA & TRUCKEE RAILROAD COMPANY

VIRGINIA & TRUCKEE RAILROAD

V&T Railroad

QUEEN OF THE SHORTLINES



CARSON EASTGATE DEPOT OPERATIONS MANAGEMENT/STAFFING AGREEMENT

THIS INDEPENDENT MANAGEMENT AGREEMENT ("Agreement") is made and entered into effective January 1, 2011, notwithstanding a later date of execution hereof by and between the **Carson City Convention and Visitors Bureau** ("Bureau") and **Capital City Management (CCM)**.

WHEREAS, this Agreement is entered into by the Bureau pursuant to its powers set forth in NRS 244A.597, 244A.619 and/or 244A.621 to operate historical sites and recreational facilities such as the historic V&T Railway reconstructed by the Commission and funded, in part, by the Bureau through its transient lodging tax; and/or pursuant to the Bureau's powers to promote tourism in Carson City to produce revenue for the Bureau and to enhance the general economy; and

WHEREAS, Bureau enters into this Agreement pursuant to NRS 332.115 as a contract which, by its nature, is not adapted to award by competitive bidding,

NOW, THEREFORE based upon the above-stated recitals, and upon the following terms and provisions, the parties hereto agree as follows:

TERMS AND CONDITIONS OF AGREEMENT

- 1) Bureau and CCM agree that this Agreement is to establish an independent contract for the Management and Staffing services for the Carson City Depot, to be provided by CCM on behalf of the Bureau.
- 2) This Agreement shall be in effect until December 31, 2011.
- 3) Bureau and CCM agree that this Agreement may be renewed upon terms and provisions as are mutually agreed between Bureau and CCM and may be cancelled by either party with a 30 Day Notice. If this Agreement is cancelled by the CCCVB, all monies owed to CCM will be paid within 10 business days.
- 4) The Executive Director of the Bureau and CCM may agree, in writing, to change alter or reschedule times and any other pertinent items at any time during the term of this Agreement.
- 5) Bureau and CCM agree that CCM is an independent, professional entity, and that the relationship created by this Agreement is that of an independent contractor. CCM is not an employee of the Bureau and is not entitled to the benefits provided by the Bureau to its employees.
- 6) CCM may practice its profession of Management and Staffing for others during this Agreement.

SCOPE OF WORK

CCM will manage and control all aspects of the Carson City Depot with the main functions to include staffing for ticket sales, concessions and customer service.

CCM will manage the daily operation of the Carson City Depot.

CCM will coordinate and account for daily ticket sales at the Depot.

CCM will use the POS system provided by the Bureau for all ticket charges.

CCM will provide all reporting to the Bureau as requested.

CCM will hire, train and supervise all staff that work in ticket sales, customer service and concession sales at the Carson City Depot.

CCM will respond to customer complaints at the Carson City Depot.

CCM staff will greet guests before their departures and upon their arrivals.

CCM will work with group/tour leaders under the direction of the Bureau's Executive Director.

CCM will handle all visitors to the center with speed, efficiency and quality, by knowledgeable and friendly staff.

CCM will coordinate shuttle vans as requested for passengers between the Carson Depot and the Virginia City Depot.

CCM will answer calls at the Depot that are referred by the Bureau, to sell tickets or provide information.

CCM will coordinate concessions and promotional materials as requested.

CCM will coordinate all Special Events held at the Carson Depot under the direction of the Bureau's Executive Director.

FEES AND PAYMENT

The Bureau agrees to pay for all expenses necessary for the functioning of the Carson Depot, including, but not limited to, Portable Restrooms, Phones, Internet, POS System and Security.

The Bureau agrees to pay CCM for Expenses, Management and Staffing Fees.

Management fees will be \$36,000 annually.

Staffing fees will be \$36,000 for 23 weeks with 69 trains scheduled between May 27 and October 30, 2011.

The Depot will be open for ticket sales and information on Monday, Tuesday, Wednesday and Thursday from 11:00 am to 3:00 pm with a minimum of one staff member and the Depot will be open on Friday, Saturday and Sunday from 8:30 am to 5:00 pm for Train Passengers, ticket sales and information with a minimum of one staff member at all times and a minimum of three staff members prior to each departure and upon each of the scheduled passenger arrivals at the Carson Depot.

Additional Staffing fees for special trains outside of the above schedule will be billed at \$150 for a one way departure or arrival. A roundtrip special train will be billed at \$300 for the Depot to be staffed for passengers, except if the Bureau elects to have an evening special train such as the Canyon Runs on any Friday, Saturday or Sunday when the Depot is open; those trips will be billed at \$150.

Contractor (CCM) will have current Carson City and Nevada business license and provide workers compensation Insurance for its employees. CCM will carry Errors, Omissions Liability Insurance naming the Bureau as additional insured and will bill this expense at its actual cost.

FEES for staffing provided to the Bureau will be billed bi-monthly along with all preapproved EXPENSES incurred by CCM on behalf of the Bureau, which are billed at the actual expense plus 10%. All expenses will be approved by the Bureau prior to the expenditure.

Any other additional staffing fees and expenses necessary prior to the Season Opening on May 27, for any preparation of the Depot or other requests, will be agreed on between CCM and the Executive Director of the Bureau.

CARSON CITY CONVENTION AND VISITORS' BUREAU

By: STEPHEN LINCOLN
Its: Chairman

DATE

CAPITAL CITY MANAGEMENT

Sherman Bertrand
Its: President

DATE

INTERIM TRACK USE AGREEMENT

This INTERIM TRACK USE AGREEMENT ("Agreement") is made and entered into effective the 31 day of March, 2010, notwithstanding a later date of execution hereof by and between the Carson City Convention and Visitors' Bureau ("Bureau"), and the Nevada Commission for the Reconstruction of the V&T Railway ("Commission"), a political subdivision of the State of Nevada, upon the following recitals, terms and conditions:

WITNESSETH

WHEREAS, the Commission efforts to reconstruct the historic Virginia and Truckee Railroad from Gold Hill to Carson City, Nevada will result in the completion of approximately three quarters of the of overall project at the conclusion of the Phase 3A Construction Project completed in 2009 ("Project"); and

WHEREAS, this Agreement is entered into by the Bureau pursuant to its powers set forth in NRS 244A.597, 244A.619 and/or 244A.621 to operate historical sites and recreational facilities such as the historic V&T Railway reconstructed by the Commission and funded, in part, by the Bureau through its transient lodging tax; and/or pursuant to the Bureau's powers to promote tourism in Carson City to produce revenue for the Bureau and to enhance the general economy; and

WHEREAS, this Agreement is entered into between the Bureau and Commission pursuant to the requirements of NRS 277.045 (Cooperative Agreements between Local Governments); and

WHEREAS, the Commission has completed useable track for operation of a tourist excursion train between Gold Hill and the Eureka Siding located approximately two miles from the Eastgate Siding, Carson City, Nevada; and

WHEREAS, both the Bureau and the Commission recognize the importance of the obligation of the Commission to establish tourist excursion train service from Carson City to Virginia City open to the general public at the earliest possible opportunity to promote and raise funds for completion of project; and

WHEREAS, both the Bureau and the Commission recognize the historic significance and economic importance of re-establishing and operating the Virginia and Truckee Railway from Virginia City to Carson City, Nevada to the State of Nevada and to the Storey County, Lyon County, Carson City, Washoe County and Douglas County areas in particular; and

WHEREAS, since the Commission and the Bureau recognize that interim tourist excursion train operations provided by the Bureau may not generate sufficient revenues to provide for required regular track, structure, right-of-way and crossing signal inspections and maintenance operations, the Commission will provide for these inspections and maintenance in accordance with Federal Railroad Administration ("FRA") Class 2 Track Safety Standards and applicable regulations of the Nevada State Public Utilities Commission for the track owned by the Commission for the term of this Agreement subject to the Bureau's reimbursement to the Commission of all or part of the required regular track, structure, right-of-way and crossing signal inspections, repair and maintenance operations; and

WHEREAS, in support of the interim tourist excursion train operations to be provided by or through the Bureau, the Commission will provide water service for locomotive and domestic use, an ADA compliant parking area and loading platform at the Eastgate Siding, and a standard fire hydrant for emergency water use by the Bureau near the Linehan Road at-grade crossing; and

WHEREAS, in support of the interim tourist excursion train operations to be provided by or through the Bureau, the Commission will allow use of its track to the Bureau as provided herein, and will provide a one time subsidy of up to \$160,000 prior to the May 2010 commencement of operations as provided below; and

WHEREAS, Bureau desires to obtain a license to use the name(s), rights, marks, logo and goodwill possessed by Commission in and to the name(s) of Virginia & Truckee Railway, V&T Railway and the logo and/or mark utilized by the Commission identifying such name(s). Commission and Bureau agree that the operation of tourist excursion trains on the Commission's Track, and the promotion of the Commission's efforts at reconstruction of the V&T Railway, performed by or under the direction of the Bureau is good and valuable consideration for the license of the Commission's name(s), the reasonableness and sufficiency of which is acknowledged by the Commission and by Bureau; and

WHEREAS, should the Commission enter into a license agreement with the Virginia & Truckee Railroad Company, Inc. ("VTRR") allowing the Commission to use the name(s), rights, marks and logo possessed by the VTRR in and to the name(s) of Virginia & Truckee Railroad, V&T Railroad, Queen of the Shortlines, Virginia & Truckee R.R. Queen of the Shortlines, and the logo and/or mark utilized by VTRR identifying such name(s), the Commission, to the extent allowed under any such license agreement, agrees to sub-license the Bureau for the use of such name(s) owned by VTRR. Commission and Bureau agree that the operation of tourist excursion trains on the Commission's track, and the promotion of the Commission's efforts at reconstruction of the V&T Railway, performed by or under the direction of the Bureau, is good and valuable consideration for the sub-license of the VTRR intellectual property, if allowed by any future license agreement entered into by the Commission. The Commission and Bureau agree such consideration is reasonable and sufficient; and

WHEREAS, Bureau agrees to actively and aggressively market the tourist excursion train operations it conducts or arranges to be conducted, and in particular, tourist excursion trains originating from and returning to Carson City, and to coordinate marketing of those operations with the Virginia City Convention and Tourism Authority and other Northern Nevada tourism authorities. To that end, the Commission and Bureau agree that all or a portion of the one-time lump sum grant of \$160,000 may, at the Bureau's discretion, be utilized for marketing of the tourist excursion train operations the Bureau conducts.

NOW THEREFORE, based upon the above-stated recitals, each and every one of which are an important term and condition of this Agreement and incorporated into this Agreement as though set forth verbatim below, and upon the following terms and provisions, the parties hereto agree as follows:

TERMS AND CONDITIONS OF AGREEMENT

1. Bureau and Commission agree that this Agreement is an Interim Track Use Agreement and shall be in effect until 31 December 2010. At the conclusion of the 2010 operations, the Commission and Bureau agree that the Bureau will be granted an option to renew this Agreement for a period of one year to, and including, 31 December 2011. At the conclusion of the second year of operations (2011), the Bureau shall have the option to renew this Agreement for an additional one year term through 31 December 2012. Should the Bureau elect to renew this Agreement, it shall provide thirty days written notice to the Commission of its intention to renew this Agreement for an additional one year term.
2. Bureau and Commission agree that the Commission's track and related property and facilities shall be identified as the "Commission Track". The Commission's Track shall consist of that track which has been constructed by the Commission in Phase 1, Phase 2A/B, Phase 2C, and, when construction now underway and currently scheduled to be completed in November, 2009, Phase 3A of the Commission's railroad reconstruction project. Use of the Commission's Track and the name(s), rights, marks, logo and goodwill owned by the Commission, and the use, if permitted by a license agreement entered into by the Commission and VTRR, the VTRR name(s), rights, marks, logo and goodwill, shall be at no cost to the Bureau except as provided in this Agreement.
3. Bureau is aware of the Commission's construction activities in Phase 3A of the project, and that the construction activities in Phase 3A of the project are scheduled to conclude, and the Commission may accept such track, in or about November, 2009. While construction is ongoing in Phase 3A, Bureau shall not interfere in any way with Commission's contractor in the contractor's construction activities and shall not access or utilize the Commission's Track for any reason without the prior approval of the Commission. Bureau is also aware of the Commission's application for federal TIGER grant funds which, if such application is successful, may result in the Commission's construction activities in Phases 3B, 3C and Phase 4. Should the Commission commence future construction activities, Bureau shall not interfere in any way with the Commission's contractor and reconstruction activities, and shall not access or utilize any track constructed in Phases 3B, 3C and 4 without the prior approval of the Commission.
4. Due to the potentially dangerous nature of operating a tourist excursion train or trains on the Commission's Track, the Bureau shall ensure that any entity or person with whom it contracts to operate a tourist excursion train or trains shall conduct its operations in a manner that is free from safety and health hazards, and ensure that any person employed to operate a train or trains is competent, adequately trained in all safety and health aspects of operation of a tourist excursion train, and not under the influence of any alcoholic beverage, illegal drug, or any substance that may impair the safe performance of their work. The Bureau shall ensure that any person or entity operating a tourist excursion train on the Commission's Track observe the rules, regulations or directions of the Commission or the Commission's authorized representatives. The Bureau shall ensure that any person or entity operating a tourist

excursion train on the Commission's Track shall be solely responsible for the safety and use of the Commission's Track and the property and employees of the Commission. The Commission shall have no responsibility for the Bureau's or the Bureau's operator's operations, passengers or employees. No employee or agent of the Bureau or any person or entity operating a tourist excursion train shall be deemed to be employees of Commission. The Bureau shall ensure that any person or entity operating a tourist excursion train shall promptly notify the Commission of any United States Occupational Safety and Health Administration reportable injuries occurring to any person during use of the Commission's Track pursuant to this Agreement.

5. The Bureau shall ensure that any person or entity operating a tourist excursion train agrees to comply with all applicable Local, State and Federal laws, rules, regulations and orders relating to his or its operations over the Commission's Track including but not limited to those of the Federal Railroad Administration, Nevada State Public Utilities Commission, and as required by the American with Disabilities Act. The Bureau shall ensure that all necessary inspections, maintenance, testing, documentations and reports for locomotives, rolling stock and other equipment, accidents, and such other matters as may be required by Local, State or Federal Agencies shall be filed by the Bureau or by the person or entity with the whom the Bureau contracts to operate tourist excursion trains on the Commission's Track, and the Bureau shall ensure that it, or the person with whom it contracts to operate tourist excursion trains, files all such reports required by Local, State or Federal agencies and provide copies of all such reports to the Commission. The Bureau further agrees to provide and document operating and safety certification for all personnel operating equipment over the track and provide copies of all reports and certifications to the Commission. The Bureau further agrees to immediately notify Commission in writing of any derailments or other accidents that occur on or adjacent to Commission's Track and prepare necessary accident reports to Federal, State and Local Agencies as required.
6.
 - A. The Commission and Bureau agree that the Commission has assumed the obligation of regular maintenance of its track, signals and structures. The Commission will retain such contractor(s) as is (are) required to performed such maintenance service under the direction of the Commission. The payments by the Bureau to the Commission as provided in this paragraph 6 are to reimburse the Commission for the costs of such maintenance; provided, however, that the Bureau's reimbursement payments to the Commission shall be made only as required by this paragraph 6.
 - B. Independent of any maintenance reimbursement payments to be made to the Commission, the Bureau has requested, and the Commission by formal action at its 11 January 2010 meeting approved, a one time subsidy to the Bureau up to ONE HUNDRED SIXTY THOUSAND DOLLARS (\$160,000) (the "Subsidy") to assist the Bureau's efforts to operate in 2010. The Commission has agreed to immediately advance to the Bureau a portion of the Subsidy prior to the 2010 operating season for the purpose of assisting the Bureau in its tourist excursion train marketing efforts

which are required well in advance of the 2010 operating season. The Commission has further agreed to advance to the Bureau not more than the full Subsidy prior to the 2010 operating season on request made by the Bureau. The Bureau and the Commission agree that any requests for additional amounts of the one time Subsidy will be submitted to the Chairman of the Commission who has been authorized to approve of such additional requests for funds from the Subsidy made by the Bureau upon receipt of written notice specifying the purposes of the expenditure, which may include marketing expenses.

C. The Commission and the Bureau agree that in the initial term of this Agreement, and should the Bureau sell 70% or more of the available tickets for all trains operated in the 2010 operating season, then at the conclusion of the 2010 operating season, when all costs and expenses are known and paid and net revenue is determined from the operation of trains pursuant to this Agreement, the Commission and the Bureau will agree on an amount of reimbursement to the Commission for Commission maintenance expenses in an amount not to exceed \$50,000.

On renewal of this Agreement, and at the conclusion of each operating season of any renewed term of this Agreement, and when net revenues are determined for each season of any renewed term of this Agreement, the Bureau and the Commission will negotiate an amount of reimbursement to the Commission for maintenance expenses with a goal of a reimbursement payment of \$100,000 for the second year of the Bureau's operations, and \$150,000 for the third year of the Bureau's operations.

D. As set forth in the recitals to this Agreement, both the Bureau and the Commission have recognized the importance of establishing tourist excursion train service on the Commission's Track, and have mutually agreed that the Bureau will schedule trains from Memorial Day through Nevada Day of each year of the term of this Agreement. The Commission and Bureau further agree that the Bureau will operate a minimum of 96 train trips during each year of the term of this Agreement, one-half of which will be powered by a steam locomotive. To that end, the Bureau conducted limited tourist excursion train operations in 2009 and based on that limited experience believes that the anticipated, expanded tourist excursion train operations planned for 2010 will only generate sufficient revenues to pay for all of the Bureau's responsibilities for advertising and maintenance should the Bureau sell 70% or more of the available tickets to be sold in the 2010 operating season.

E. If, at any time during the term of this Agreement, and after the Commission has provided its maximum Subsidy to the Bureau of up to \$160,000, it is determined by the Bureau that operational losses continue to be incurred, the Commission and Bureau agree that the Bureau, on ten days notice to the Commission, may, in the first instance, reduce the number of excursion train operations conducted on the Commission's Track. If the reduced operations fail to sustain continued tourist excursion train trips over a period reduced operations, the Bureau may, on ten days written notice to the Commission, request an additional financial Subsidy of train operations from the Commission. At such time as the Bureau notifies the Commission that it requires additional Subsidy to continue operations, the Bureau and the Commission will review existing revenues based on the then level of

ridership on scheduled or special trains, and determine whether operations will continue. Should the parties determine to cease all excursion train operations on the Commission's track, the Bureau and the Commission agree that either party may cancel and terminate this Agreement.

7. Any tourist excursion train operator retained by the Bureau shall agree, prior to operating a train on the Commission's Track during the term of this Agreement, to implement dispatch/radio block/key block/train warrant or other train traffic control system to ensure collision accidents do not occur on track between trains and between other equipment using track, and to provide the Commission a copy of these requirements to allow the Commission to communicate these operating requirements to its maintenance forces. Prior to tourist excursion train operations, the operator shall provide a copy to the Commission and the Bureau of its Standard Operating and Safety Rules to the Commission for use on the Commission's Track.

Except as necessary for the provision of tourist excursion trains on the Commission's Track, Bureau shall not allow any person, other than employees of the person or entity performing duties in furtherance of the excursion train operations for Bureau, to use, occupy or travel upon the Commission's Track. Both Bureau and Commission recognize the exposure to property damage, injury or death from any unauthorized use of the Commission's Track by persons other than the person or entity providing train excursions and its employees, and to that end, Bureau shall ensure Bureau or its operator shall not issue or dispatch by train warrant or order any third person to utilize the Commission's Track. Violation of this provision shall be grounds for immediate termination of this Agreement without notice.

8. The Bureau shall ensure that, prior to any operations on the Commission's Track pursuant to this Agreement, its tourist excursion train operator shall prepare and implement an Emergency Response Plan detailing procedures to be used by the operator during all operation on the Commission Track for preventing, and for responding to, emergencies on-board trains or along the railroad right-of-way, including, without limitation, fire prevention.
9. The Bureau shall ensure that any person operating a tourist excursion train on the Commission's Track shall not release, dispose of or place any materials or debris on the Commission's Track, and shall be responsible for removing and properly disposing of any such materials or debris.
- 10a. **THE BUREAU AGREES TO RELEASE, INDEMNIFY, DEFEND AND HOLD HARMLESS COMMISSION FOR, FROM AND AGAINST ANY AND ALL LOSSES, DAMAGES, CLAIMS, DEMANDS, ACTIONS, COSTS AND EXPENSES (INCLUDING, WITHOUT LIMITATION, COURT COSTS AND ATTORNEY'S FEES) (COLLECTIVELY, "LOSSES") (a) CAUSED BY OR ARISING FROM, IN WHOLE OR IN PART, ANY ACT OR OMISSION OF USE, OR (b) ANY BREACH BY BUREAU OF THIS AGREEMENT, OR (c) FOR PERSONAL INJURY TO OR DEATH OF BUREAU'S EMPLOYEES, AGENTS, PASSENGERS, OR CONTRACTORS OCCURRING WHILE SUCH**

PERSON IS ON OR ABOUT THE COMMISSION'S TRACK. THE FOREGOING RELEASE AND INDEMNITY SHALL APPLY REGARDLESS OF ANY NEGLIGENCE OR STRICT LIABILITY OF COMMISSION EXCEPT TO THE EXTENT THE LOSS IS CAUSED BY THE GROSS NEGLIGENCE OR WILLFUL MISCONDUCT OF COMMISSION.

- 10b. THE COMMISSION AGREES TO RELEASE, INDEMNIFY, DEFEND AND HOLD HARMLESS BUREAU FOR, FROM AND AGAINST ANY AND ALL LOSSES, DAMAGES, CLAIMS, DEMANDS, ACTIONS, COSTS AND EXPENSES (INCLUDING, WITHOUT LIMITATION, COURT COSTS AND ATTORNEY'S FEES) (COLLECTIVELY, "LOSSES") (a) CAUSED BY OR ARISING FROM, IN WHOLE OR IN PART, ANY ACT OR OMISSION RELATED TO THE CONSTRUCTION OF THE COMMISSION'S TRACK AND/OR RELATED TO ANY CLAIM ASSERTED BY SIERRA NEVADA RAILROAD CORPORATION ALLEGING A BREACH OF THE MEMORANDUM OF UNDERSTANDING ENTERED INTO BY THE COMMISSION AND SIERRA NEVADA RAILROAD CORPORATION OR ITS PREDECESSOR SIERRA ENTERTAINMENT, INC., DATED 2 JULY 2008; ASSIGNED TO SIERRA NEVADA RAILROAD CORPORATION ON 9 JANUARY 2009. THE FOREGOING RELEASE AND INDEMNITY SHALL APPLY REGARDLESS OF ANY NEGLIGENCE OR STRICT LIABILITY OF COMMISSION EXCEPT TO THE EXTENT THE LOSS IS CAUSED BY THE GROSS NEGLIGENCE OR WILLFUL MISCONDUCT OF COMMISSION.
11. The Bureau shall procure insurance in the amount of \$2 million dollars per act or occurrence and shall at all times maintain such insurance in full force and effect. The Bureau shall provide the Commission with a Certificate issued by its insurance carrier evidencing the insurance coverage required. The Bureau shall maintain the required insurance coverages throughout the term of this Agreement and require the Bureau's insurance carrier to notify Commission at least 30 days prior to modification or cancellation of such insurance. Any insurance carried by the Commission, shall be considered excess insurance and shall not contribute to any loss covered by Bureau's property insurance or Bureau's obligations under this Agreement. All insurance correspondence shall be directed to Michael Smiley Rowe, Esq., Rowe & Hales, LLP, P.O. Box 2080, Minden, Nevada, 89423.
12. The term of this Agreement for the train movements on the Commission's Track operated by or through a contract with the Bureau is to, and ending on, December 31, 2012, unless otherwise earlier terminated pursuant to the terms of this Agreement.
13. Subject to the terms and conditions set forth in this Agreement, the Commission hereby grants to Bureau, and Bureau hereby accepts, a non-exclusive license to use the name(s) of the Virginia & Truckee Railway or V&T Railway in connection with Bureau's exclusive use of the Commission Track and its promotion of any tourist excursion train trips which are run on the Commission's Track and use, if permitted by a license agreement entered into by the Commission and VTRR, the VTRR name(s), rights, marks, logo and goodwill (hereinafter collectively "the Names"). The use of the Names by Bureau shall be for the promotion of tourist excursion train

trips on the Commission's Track and for the retail sale of goods by Bureau in promotion of such excursion railroad trips.

Any other use of the Names by Bureau shall be the subject of a written request to the Commission for such use, which must be reviewed and approved by the Commission prior to any other such use by Bureau. All rights not expressly granted to Bureau are expressly reserved by the Commission and Bureau shall not use the Names for any other purpose than the licensed uses specified in this Agreement.

Bureau shall ensure that all advertising, marketing and promotional materials containing the name(s) shall contain the appropriate designation (such as "®" or "™" and other legends, markings, disclaimers and trademark as the Commission or VTRR may specify). Bureau must and shall ensure that its licensed goods shall meet a high level of quality. Bureau agrees to maintain a consistent and high level of quality including, but not limited to, using the Names only as licensed and selling only high quality goods. The Commission may inspect, at any time upon reasonable notice, the licensed goods that are sold by Bureau during the term of this Agreement, and may make any recommendations or changes as it deems appropriate.

The Commission and Bureau agree that the license and/or sublicense if permitted by the Commission/VTRR license agreement to Bureau to use the Names, rights, marks, logo and goodwill of Virginia & Truckee Railway and V&T Railway, and the logo and/or mark identifying such Names licensed to the Bureau by this Agreement, is(are) a valuable right(s).

Bureau acknowledges that the Commission and/or VTRR are the sole and exclusive owners of all rights, title and interest in and to the Names, and the logo and/or mark assigned, together with any applications, registrations, designs, marks and/or logos in all forms or formatives. Bureau agrees that its use of the Names shall be limited to the uses specified in this Agreement and only for the term of this Agreement, and not any forms or formatives thereof, with the exception of those uses by Bureau specified in this Agreement. Bureau recognizes the value of the goodwill associated with the Names and acknowledges all rights in and to goodwill associated with the Names belong exclusively to the Commission and/or VTRR. Bureau agrees that its use of the Names shall inure to the benefit of the Commission and/or VTRR and that Bureau shall not, at any time, acquire any rights in the name(s) by virtue of any use they may make of the Names.

Nothing in this Agreement shall be construed as an assignment or other transfer to Bureau of any rights, title and/or interest in and to the Names. Bureau agrees that it shall not at any time claim or apply for any trademark protection in the Names nor file any document with any government authority or take any other action that could affect the ownership of the Names or the maintenance of the registration of such Names, or aid or abet anyone else doing so. If any claim or issue arises with respect to the protection of the Names of which Bureau has knowledge, Bureau shall promptly advise the Commission in writing of the nature and extent of such claim or problem. If Bureau makes any changes to any of the Names, the Commission or

VTRR shall own all rights, title and interest to the Names as altered and any goodwill represented thereby and to the extent necessary, Bureau agrees to and hereby assigns all right, title and interest in the alterations and any accompanying goodwill to the Commission or VTRR.

14. This Agreement prohibits any other use of the Commission's Track by any third person not an employee of the person or entity providing train excursions and does not permit any other use of the Commission's Track without the express approval of the Commission. This Agreement does not permit any use of any other of the Commission's Track, including, without limitation, any track to be constructed in Phases 3B, 3C and 4 by the contractor retained by the Commission, without the prior express approval of the Commission and the Bureau.
15. All references in this Agreement to "Bureau" shall mean and include Bureau and its officers, contractors, agents, passengers, retained excursion operator and employees, and others acting under its or their authority.
16. Severability: All provisions in this Agreement are separate and severable. If any provision of this Agreement shall be found by a court of competent jurisdiction to be illegal, in conflict with any laws of the State of Nevada, contrary to policy or otherwise unenforceable, the validity and enforceability of the remaining provisions shall not be affected, and the rights and obligations of the parties shall be construed and enforced as if this Agreement did not contain the particular provision found to be illegal, invalid, or otherwise unenforceable, and the legality of the remaining portions of the Agreement shall be unaffected.
17. Should the Bureau fail to perform or keep any of the covenants, conditions, provisions and agreements herein provided to be performed or kept by the Bureau, within ten (10) days following delivery of the Commission's written notice specifying in detail such failure on the part of the Bureau and demand the same to be cured within said ten (10) day period; then, the Bureau shall be deemed to be in default hereunder and the Commission may immediately terminate this Track Use Agreement.

If any such failure on the part of the Bureau as described herein can be cured, but not completed within said ten (10) day period set forth because of circumstances beyond the Bureau's control, no default may be entered or deemed to exist on the part of the Bureau so long as the Bureau, in good faith within the specified ten (10) day period, undertakes to cure the failure and to faithfully and diligently proceed thereafter to complete the cure of the Bureau's failure; provided, however, that the Bureau must complete cure the failure within thirty (30) days after notice is provided by the Commission.

In no event shall this Agreement become an asset of the Bureau in any bankruptcy, receivership or insolvency proceeding, or in any judicial proceedings. If at any time during the term of this Agreement the Bureau shall file a petition in bankruptcy or insolvency, or if a receiver or trustee is appointed to take charge of all or a portion of the Bureau's property, or if the Bureau is adjudicated bankrupt or insolvent in any

court, or if the Bureau makes an assignment for the benefit of creditors, or if the property or business of the Bureau be seized under execution and unreleased therefrom for ten (10) or more days, the Commission may, at its option and without notice, terminate this Agreement and retake possession of the Team Track with or without process of law.

18. Time is of the essence for each, every and all of the provisions of this Agreement.
19. It is mutually understood and agreed by and between the Bureau and the Commission that the various rights and remedies herein contained and reserved to the Commission shall not be considered as exclusive of any right or remedy, but the same shall be construed as cumulative and shall be in addition to any other remedy now or hereafter existing at law, in equity or by statute. No delay or omission of the Commission to exercise any right or power arising from any omission, neglect or default of the Bureau shall impair any such right or power, or shall be construed as a waiver of any such default or acquiescence therein. No waiver of the breach of any of the covenants of this Agreement shall be construed or held to be a waiver of any other breach or waiver or acquiescence in or consent to any further or succeeding breach of the same covenant.
20. In the event that suit is brought to enforce the provisions of this Agreement or to collect damages for any breach of this Agreement, the prevailing party shall be entitled to recover their litigation costs, including reasonable attorney's fees. Such shall include appeal.
21. This Agreement shall be governed and construed in accordance with the laws of the State of Nevada, as they exist from time to time. Venue of any proceedings regarding this Agreement shall be in the First Judicial District Court in and for Carson City, Nevada.
22. Any notice required to be provided by this Agreement to the parties shall be deemed given when mailed by U.S. Mail, certified mail return receipt requested, or personally delivered.

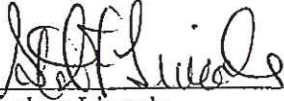
Carson City Convention & Visitors Bureau
1900 S. Carson Street
Carson City, NV 89701

With Copy to: Charles P. Cockerill
415 W. Second Street
Carson City, Nevada, 89703

Nevada Commission for the Reconstruction of the V&T Railway
c/o Dwight Millard, Chairman
2989 U.S. Hwy. 50 East
Carson City, NV 89701

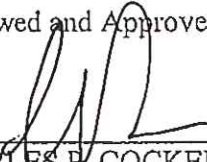
With Copy to: Michael Smiley Rowe, Esq.
1638 Esmeralda Avenue
Minden, NV 89423

CARSON CITY CONVENTION AND
VISITORS' BUREAU



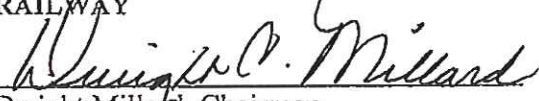
By: Stephen Lincoln
Its: Vice-Chairman

Reviewed and Approved by:




CHARLES P. COCKERILL, ESQ.

NEVADA COMMISSION FOR THE
RECONSTRUCTION OF THE V&T
RAILWAY



Dwight Millard, Chairman

Reviewed and Approved by:



MICHAEL SMILEY ROWE, ESQ.

CARSON CITY CONVENTION & VISITORS BUREAU
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
V & T ENTERPRISE FUND
For the Fiscal Year Ended June 30, 2011

OPERATING REVENUES

Train tickets	\$ 435,772
Miscellaneous operating income	3,745
Merchandise (net)	8,940
Total operating revenues	<u>448,457</u>

OPERATING EXPENSES

Salaries, benefits	30,000
Marketing	54,112
Operating agreements	443,292
Other expenses	64,896
Total operating expenses	<u>592,300</u>

Operating loss (143,843)

NON OPERATING REVENUES:

Intergovernmental revenue	117,984
Other non-operating	1,076
Interest income	68

Total non operating revenues 119,128

Change in net assets (24,715)

Net assets, July 1 60,765

Net assets, June 30 \$ 36,050

See accompanying notes

CARSON CITY CONVENTION & VISITORS BUREAU
STATEMENT OF FUND NET ASSETS
V & T ENTERPRISE FUND
June 30, 2011

ASSETS

Current assets:	
Cash	\$ 76,351
Accounts receivable	6,891
Grants receivable	14,000
Prepaid expenses	4,174
Inventory	<u>8,300</u>
Total current assets	<u>109,716</u>
Start-up expenses	<u>3,390</u>
Total assets	<u>113,106</u>

LIABILITIES

Accounts payable	24,730
Deferred revenue	<u>52,326</u>
Total liabilities	<u>77,056</u>

NET ASSETS

Unrestricted	<u>36,050</u>
Total net assets	<u>\$ 36,050</u>

See accompanying notes

CARSON CITY CONVENTION & VISITORS BUREAU
STATEMENT OF CASH FLOWS
V & T ENTERPRISE FUND
For the Fiscal Year Ended June 30, 2011

Cash flow from operating activities:	
Cash received for sales and services	476,407
Cash paid to suppliers	(618,168)
Cash paid to employees	<u>(23,400)</u>
Net cash flow from operating activities	<u>(165,161)</u>
 Cash flow from noncapital financing activities:	
Cash received from V&T Commission	103,984
Cash received from State of Nevada grants	5,000
Cash received from private donors	<u>1,076</u>
Net cash flow from noncapital financing activities	<u>110,060</u>
 Cash flow from investing activities:	
Interest received	<u>68</u>
Net cash flow from investing activities	<u>68</u>
Net decrease in cash	(55,033)
Cash and cash equivalents at the beginning of the year	<u>131,384</u>
Cash and cash equivalents at the end of the year	<u>\$ 76,351</u>
 Reconciliation of change in net assets to net cash flow from operating activities:	
Operating loss	<u>\$ (143,843)</u>
Adjustment to reconcile net income to net cash:	
Amortization	1,694
Decrease in accounts receivable	(4,514)
Increase in prepaid expenses	(4,174)
Increase in inventory	(3,181)
Decrease in accounts payable	(34,041)
Increase in deferred revenues	<u>22,898</u>
Total adjustments	<u>(21,318)</u>
Net cash flow from operating activities	<u>\$ (165,161)</u>

See accompanying notes

CARSON CITY CONVENTION & VISITORS BUREAU
BUDGETARY COMPARISON SCHEDULE - V & T ENTERPRISE FUND
For the Year Ended June 30, 2011

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
INCOME				
Train tickets and service fees	\$ 530,813	\$ 530,813	\$ 435,772	\$ (95,041)
Merchandise	47,780	47,780	8,940	(38,840)
Miscellaneous operating income	-	-	3,745	3,745
Total income	<u>578,593</u>	<u>578,593</u>	<u>448,457</u>	<u>(130,136)</u>
EXPENSES				
Salaries	23,400	23,400	23,400	-
Benefits	6,600	6,600	6,600	-
Services and supplies	461,418	631,568	560,606	70,962
Amortization	1,694	1,694	1,694	-
Total expenses	<u>493,112</u>	<u>663,262</u>	<u>592,300</u>	<u>70,962</u>
Operating income (loss)	<u>85,481</u>	<u>(84,669)</u>	<u>(143,843)</u>	<u>(59,174)</u>
NONOPERATING REVENUES:				
NCOT Grant	14,000	14,000	14,000	-
NV Comm for Reconstruct V&T	100,000	100,000	103,984	3,984
Other non-operating	-	-	1,076	1,076
Interest	-	-	68	68
Total nonoperating revenues	<u>114,000</u>	<u>114,000</u>	<u>119,128</u>	<u>5,128</u>
Income (loss) before transfers	<u>199,481</u>	<u>29,331</u>	<u>(24,715)</u>	<u>(54,046)</u>
Net income	<u>\$ 199,481</u>	<u>\$ 29,331</u>	<u>\$ (24,715)</u>	<u>(54,046)</u>