



CENTRAL OREGON & PACIFIC RAILROAD, INC.

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CORP*

To: Shippers That Move Traffic Via The Siskiyou Subdivision of CORP

From: Tom Hawksworth

December 13, 2007

CORP has a business problem. We lose money operating over the Siskiyou Subdivision. In order to try to stem our losses we will be making several changes in our service offering.

Effective January 15, 2008, all traffic that originates or terminates north of Belleview, OR will be interchanged at Eugene. Today a portion of this traffic moves south over the Siskiyou Subdivision via the Black Butte interchange. We have talked with UP about service schedules and have been told that total car cycle times should be roughly comparable to the cycle times today, even though some of these cars may travel further than they do today. We are also told that you will not see a change to your rate as a result of this routing change. You will not have to alter your bills of lading or do anything differently for the change to take place. We will make all the arrangements with UP. This change will reduce most of the tonnage moving over the Siskiyou Subdivision.

All traffic that originates or terminates south of Hornbrook that is interchanged with UP at Black Butte will continue to be interchanged at that point.

For traffic that originates and terminates in the Weed area on CORP, we will continue to operate over the Siskiyou Subdivision on a reduced service schedule effective January 15th. Our plan is to operate twice a week in each direction, but we will modify our schedule as appropriate for the traffic. And we will be working with our shippers to determine if we can secure enough revenue commitments to continue operating the line on a reduced schedule. We will seek some combination of higher prices and / or additional volume in an effort to achieve the necessary economics. If we are unable to secure the necessary economics to profitably operate the subdivision, we will discontinue all service over the Siskiyou mountain pass on April 15, 2008.

We are in the railroad operating business, so anytime we consider discontinuing service it is painful for us. But we do not want to be in the business of losing money, so we are prepared to make some changes. The Siskiyou Subdivision is difficult, expensive terrain for rail operations. Shifting most of the traffic to the Eugene interchange and reducing our days of service will help us reduce our costs. We hope that we will be able to offer you a value proposition that is sufficiently attractive to you to allow us to maintain operations over the segment while still providing you savings compared with alternative transportation and / or shipping patterns. We understand that you will only favor us with your business if we earn it by providing you with the best service and rate option for you. We trust that you will understand that we will only be able to continue operations over the Siskiyou Sub if the line can become economically viable.

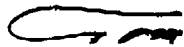


A RailAmerica Company

We will continue to keep you apprised if there are any changes to this plan.

I will ask for a meeting with you in the near future to discuss this change more fully. In the meantime, if you have any questions please let me know.

Thank you,

A handwritten signature in black ink, appearing to be a stylized name or set of initials.