

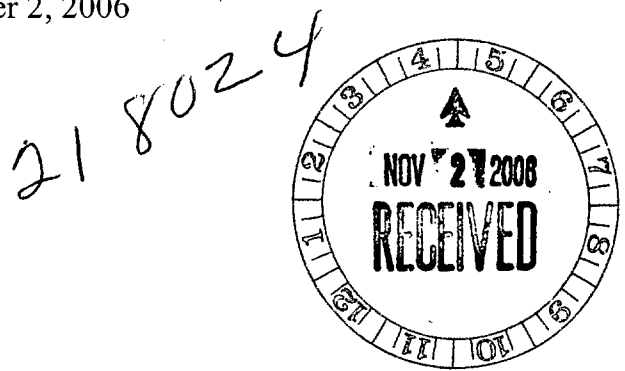
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November 2, 2006

By Hand Delivery

The Honorable Vernon A. Williams
Secretary
Surface Transportation Board
1925 K Street, N.W., Suite 715
Washington, D.C. 20423-0001



Re: Finance Docket No. 34792, Portland & Western Railroad, Inc. –
Acquisition and Operation Exemption – Union Pacific Railroad Company

Dear Secretary Williams:

Portland & Western Railroad, Inc. ("P&W") hereby certifies that on November 2, 2006, the attached Notice was posted at the workplace of the employees of P&W. P&W also certifies that a copy of the notice was served by overnight mail on the national office of the only labor union that represents any employees of P&W, the Brotherhood of Locomotive Engineers and Trainmen ("BLET").

An original and 11 copies of this letter, the letter to the BLET President, and the attached Notice are enclosed for filing with the Surface Transportation Board. Please date stamp the extra copy of this letter and return it with our messenger. Should any questions arise regarding this filing, please contact the undersigned. Thank you for your assistance on this matter.

Respectfully submitted,

A handwritten signature in black ink that reads 'Marc D. Machlin'.

Marc D. Machlin

ENTERED
Office of Proceedings

NOV 2 - 2006

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Public Record

Enclosures

cc: Kevin M. Sheys, Esq.

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November 2, 2006

By Overnight Delivery

Mr. Don M. Hahs
National President
Brotherhood of Locomotive Engineers and Trainmen
1370 Ontario Street
Mezzanine
Cleveland, Ohio 44113

Re: Finance Docket No. 34792, Portland & Western Railroad, Inc. –
Acquisition and Operation Exemption – Union Pacific Railroad Company

Dear Mr. Hahs:

Portland & Western Railroad, Inc. ("P&W") is serving notice of its intent to consummate a proposed transaction with the Union Pacific Railroad Company ("UP"). Under this transaction, P&W will continue to be the sole common carrier on the 5 mile segment between Tigard, Oregon and Beaverton, Oregon (the "Subject Line"). Rather than operating under a lease, however, P&W will operate under a perpetual rail easement for freight operations. This easement will be granted by UP.

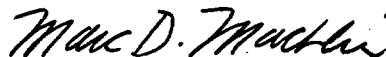
In conjunction with the acquisition of this easement, P&W expects to sign a Shared Use Agreement with the Tri-County Metropolitan Transportation District of Oregon ("Tri-Met"). This Shared Use Agreement is designed to enable Tri-Met to provide commuter rail service in the future on the Subject Line. Under the Shared Use Agreement, P&W or an affiliate may provide locomotive engineer and conductor services for Tri-Met. If P&W or an affiliate does provide these services, the hiring of these employees will be governed by or subject to P&W's collective bargaining agreement with the Brotherhood of Locomotive Engineers and Trainmen ("BLET"). The most recent agreement became effective July 1, 2006.

Mr. Don M. Hahs
November 2, 2006
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P&W anticipates that each Tri-Met passenger train will be operated by one engineer and one conductor. As specified in the collective bargaining agreement, if P&W or an affiliate provides locomotive engineer and conductor services to Tri-Met, engineer positions on the commuter trains will be awarded to the senior qualified applicant. Pursuant to the Shared Use Agreement and pursuant to P&W's collective bargaining agreement with BLET, Tri-Met will have some degree of control or oversight over P&W's selection of conductors for Tri-Met's commuter operations. As specified in the collective bargaining agreement, conductor positions will be advertised and will be awarded to the highest qualified bidder. Tri-Met will have the right (but not the obligation) to interview employee candidate for the position of conductor. Qualifications for conductor positions will be established by Tri-Met and P&W.

Enclosed is a copy of P&W's submission to the Surface Transportation Board relating to P&W's transaction with UP. Also enclosed is a copy of the notice P&W has posted in the workplace. If you have any questions regarding the proposed transaction, please call.

Respectfully submitted,



Marc D. Machlin
Attorney for Portland & Western Railroad, Inc.

Enclosures

cc: Kevin M. Sheys, Esq.

NOTICE

Portland & Western Railroad, Inc. ("P&W") hereby provides notice to employees who work on the approximately 5 miles of rail line between Tigard, Oregon and Beaverton, Oregon ("Subject Line") that, on this segment, P&W intends to acquire a permanent, exclusive rail freight operating easement from Union Pacific Railroad Company ("UP"). The Subject Line extends from milepost 749.95 in Tigard, Oregon to approximately milepost 755.43 in Beaverton, Oregon.

P&W presently operates on the Subject Line under a lease with UP, and, after this transaction, P&W will continue to operate on the Subject Line as an easement holder.

In conjunction with the acquisition of this easement, P&W expects to sign a Shared Use Agreement with the Tri-County Metropolitan Transportation District of Oregon ("Tri-Met"). This Shared Use Agreement is designed to enable Tri-Met to provide commuter rail service on the Subject Line in the future. Tri-Met is separately seeking confirmation from the Surface Transportation Board ("STB") that its commuter operations are beyond the STB's jurisdiction. In any event, under the Shared Use Agreement, P&W or an affiliate may provide locomotive engineer and conductor services for Tri-Met's commuter trains. If P&W or an affiliate does provide these services, the hiring of these employees will be governed by or subject to P&W's collective bargaining agreement with the Brotherhood of Locomotive Engineers and Trainmen ("BLET"). As specified in that agreement, engineer positions will be awarded to the senior qualified applicant. Additionally, as specified in that agreement, conductor positions will be advertised and will be awarded to the highest qualified bidder. Tri-Met will have the right (but not the obligation) to interview employee candidates for the position of conductor.

The most qualified candidates will of course be selected without regard to race, creed, color, religion, national origin, sex, age, marital status or disability.

While it is not being provided 60 days in advance, this notice is being posted in accordance with the other requirements of 49 C.F.R. § 1150.42(e). This regulation of the STB requires posting of a notice at the workplace of the employees of the affected railroad line where the carrier proposing to consummate a transaction under 49 U.S.C. § 10902 has annual revenue in excess of \$5 million. This notice requirement also applies where the projected annual revenue of the rail

lines to be acquired or operated, together with the acquiring carrier's projected annual revenue, will exceed \$5 million.

A copy of this notice is being served by overnight delivery on the national office of the BLET. P&W has requested that the Surface Transportation Board waive the 60 day notice requirement set forth at 49 C.F.R. § 1150.42(e).