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March 8, 2013

Joseph E. Kellerman, Attorney at Law
Hornecker, Cowling, Hassen & Heysell
717 Murphy Road
Medford, OR 97504

RE: Timberlake Railroad, LLC License Agreement

Dear Mr. Kellerman:

As you know, our firm serves as counsel for Friends of Train Mountain, an Oregon nonprofit corporation. Friends of Train Mountain is currently a court-appointed custodian of the Train Mountain Railroad Park near Chiloquin, Oregon, including the trackage which crosses your client's property.

On February 12, 2013, you wrote a letter addressed to me, representing your clients Thomas Vertel and Timberlake Railroad, LLC. Your letter did not indicate if you represent Fred Vertel. We would ask that you clarify that point.

In your letter, you purported to unilaterally replace Justin Throne as a member of the special committee designated in the License Agreement dated June 19, 2007. You further stated that the Friends of Train Mountain, as an Oregon nonprofit corporation and successor in interest to Train Mountain Railroad Museum, owed fiduciary duties to protect your clients from the acts of private individuals which your client described as unacceptable to their peace and tranquility. Your clients requested a response.

Mr. Carl Vanderspek responded to your letter with an email dated February 18, 2013, which said that he would address the various errors in your letter of February 12, 2013, within two to four weeks time.

On February 27, 2013, you responded with another letter, this time addressed to Friends of Train Mountain and two of the four members of the special committee identified in the License Agreement of June 19 2007. Your letter stated that the license was being terminated by Timberlake Railroad, LLC and Thomas Vertel. You listed four reasons for this termination.

1. You allege that Tom Vertel and Timberlake Railroad, LLC had suffered harassment, threats, and criminal conduct, and allege that the special committee had failed to alleviate these concerns. Your letter pointed to no language within the License Agreement which would make such concerns the duty of Friends of Train Mountain or the special committee. Friends of Train Mountain cannot be held

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responsible for the intemperate or unprofessional conduct of individuals, and there has been no action taken by the board of Friends of Train Mountain or the special committee members which in any manner has violated the terms of the License Agreement.

2. An effort is made to claim that the License Agreement is suspect and unenforceable because Justin Throne worked on the agreement for Mr. Vertel. You assert a conflict of interest on the part of Mr. Throne because at a later date, after the License Agreement was fully executed, he undertook some work, with the consent of all parties, on behalf of Friends of Train Mountain. Contrary to your allegations, this representation was disclosed and understood by everyone, and has absolutely nothing to do with the implementation or enforceability of the License Agreement.

3. Your letter addresses the fact that a general agreement was executed at the same time as the License Agreement. The general agreement contains a paragraph 6(B) which says that Train Mountain agrees to accept Frederick Vertel or Thomas Vertel as members of Train Mountain at prevailing membership rates and agrees that they will enjoy the same privileges and meet the same requirements as other members. These provisions have been fully met by Train Mountain. Their dues and track usage agreements are the same as all other members of Friends of Train Mountain. Again, you allege that the special committee has done nothing to alleviate the concerns of mistreatment which Tom Vertel has received from other members. Whatever those individual issues may have been, they were not the action of the special committee or the Friends of Train Mountain, and they serve as no justification for the termination of the License Agreement.

4. Your letter asserts that an editorial article which was described as Exhibit "C" to the 2007 agreement was not to your clients' liking, and that it forms the basis for a termination of the agreement by your clients. First of all, the editorial was not a part of the License Agreement or an exhibit to it. Secondly, nearly six years later, this is the first time your client has ever indicated that the general agreement was breached in that respect.

Finally, your letter ignores the fact that the License Agreement itself contains its own termination provisions. The License Agreement says that it may be revoked by Timberlake for Train Mountain's failure to comply with the terms of the License Agreement as determined by the special committee. It is clear from the language of the agreement itself that the special committee, and only the special committee, can determine that a breach has occurred which would justify termination by Timberlake. No such determination has been made to date by the special committee.

In fact, the special committee met prior to May 20, 2012, as called for by the License Agreement, and voted to renew the license for 2013. Friends of Train Mountain paid the fee for 2013 to Timberlake in January, and it was accepted by Timberlake Railroad, LLC.

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In addition to the wrongful attempted termination of the License Agreement, on Saturday, March 2, 2013, Frederick Vertel emailed a photograph to various individuals advising them that locked gates had been installed at the entrance of the tunnel to the Timberlake property and that the track had been closed by unilateral actions of the Vertel family.

My clients are mystified by the actions of your clients in this case. They understand and appreciate that your clients may have been subjected to unkind remarks by various individuals, but they find no justification for holding Friends of Train Mountain or the special committee for the License Agreement responsible for such actions. We hereby put you on notice of the following facts:

1. Timberlake Railroad, LLC, Frederick Vertel, and Thomas Vertel have no right to terminate the License Agreement of June 19, 2007, or to replace one of the designated members of the special committee. Such actions may only be taken by the special committee, as indicated in the terms of the License Agreement.

2. Timberlake was paid the license fee for 2013 in January. Timberlake is in breach of the License Agreement by any attempted termination of the License Agreement.

3. The actions of Frederick Vertel, Thomas Vertel, and Timberlake, LLC in constructing locked gates blocking the tracks is in violation of the License Agreement of June 19, 2007, and each and every member of the Friends of Train Mountain and Train Mountain Railroad organizations is damaged and has a right to seek recovery of damages as a result of this unwarranted action. If due to your clients' actions, Train Mountain Railroad cannot hold meets or participate as they have in the past, not only will both organizations sustain financial loss, but the Train Mountain facility will lose hours and hours of volunteer work which would have directly benefitted all users of Train Mountain, including your clients.

4. The blockage of the tracks is also a violation of other easements over the Timberlake property, including those granted to Jerry G. Balf and 36869 Highway 62, Limited. All parties holding easements over the Timberlake property retain the right to assert claims for damages resulting from the blockage of the tracks.

Demand is hereby made that Timberlake Railroad, LLC, Frederick Vertel, and Thomas Vertel immediately remove the gates installed on the tunnels which are precluding the use of the tracks crossing the Timberlake Railroad, LLC property. If the gates are not removed and access is not resumed for use of the tracks on or before March 29, 2013, our clients reserve the rights to pursue all legal remedies at their disposal, including suits for injunctive relief and daily damages caused by the blockage of the tracks. Please advise us if your office will be representing Mr. Frederick Vertel in addition to the clients that you have named in your previous letters in the event such litigation is

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necessary to protect the rights of all members who have justifiably relied upon the terms of the track license agreement.

Friends of Train Mountain is doing its best to represent the interest of all users of the Train Mountain facility to ensure the continued operation of a world-class facility far into the future. This facility will benefit the Vertel family and their property, as well as all the other multiple users who have invested blood, sweat, and tears in building the Train Mountain Railroad Park. We are available to work with you and your clients in that regard, but we will not be intimidated by strong-arm tactics which violate existing legal agreements. Once the gates are removed and access is provided, as called for by the License Agreement, Friends of Train Mountain and members of the special committee under the License Agreement remain willing to do what they can to address any adverse actions against the Vertels by individuals. However, we would point out that the unilateral conduct of your clients in closing the tracks across the Timberlake LLC is not something that will develop fond feelings toward your clients by the other users of Train Mountain.

Very truly yours,

BROPHY SCHMOR BROPHY
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Douglass H. Schmor

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