

**NORTHWESTERN
PACIFIC
RAILROAD
COMPANY**

**BUSINESS PLAN
FOR THE
NORTHWESTERN PACIFIC RAILROAD COMPANY**

**Prepared For:
California Transportation Commission**

**Prepared By:
NWP Co.**

**Date Due:
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I. Summary and Conclusions

This document responds to the California Transportation Commission's request for a *Business Plan* for the Northwestern Pacific Railroad Company's (NWP Co.'s) operations on the Northwestern Pacific Line (NWP Line). A map of the NWP Line is contained in Attachment A.

A new company, NWP Co., was incorporated in California on July 8, 2006 having its stated objectives being to lease, manage, operate, and maintain the entire NWP Line from Lombard to Samoa. Subject to certain conditions, NWP Co. will be the sole and exclusive operator of all freight trains, work trains, and passenger excursion trains on the NWP Line. On September 13, 2006, NWP Co. entered into the Lease Agreement governing its relationship with NCRA that has an initial term of five (5) years, with options to extend the term on the same terms and conditions for as many as 99 additional years.

The Lease Agreement has been carefully structured to provide to NCRA its desired public-private partnership for reopening and resuming service on the entire NWP Line. Accordingly, the capital required to rehabilitate the NWP Line will be provided from both public and private sources, although all of the funds required to start-up and operate the Line will be provided by private capital through NWP Co.

NWP Co. has strong financial backing by its owners. NWP Co. has assembled a Management Team that has unsurpassed financial capability, technical knowledge, operations experience, business skills, and political expertise. NWP Co. also has significant strengths and strategic advantages in the ability to attract new freight business. In combination, NWP Co. possesses all the necessary components needed to successfully restore operations on the NWP Line quickly and reestablish it as a vital part of the trade and transportation infrastructure along California's North Coast, indefinitely into the future.

NWP Co.'s financial projections for the Lombard – Windsor segment of the NWP Line that are contained in Attachment F are for profitable operations in Years 3 and beyond after start-up losses in Year 1 and in Year 2. Capital to fund these start-up costs and losses has been committed by Berg Holdings and The Woodside Consulting Group, Inc. Specific highlights from the financial projections are:

- **Net Income After Taxes** swings from a loss of \$0.7 million in Year 1 and a loss in Year 2 of \$0.1 million to profits of \$0.7 million each in Years 3 and 4.
- **Investments** of \$1.1 million from NWP Co.'s owners are made in Years 1 and 2 and are projected to be repaid by the end of Year 4.

- **Cash Balance** at the end of Years 3 and 4 is approximately \$0.5 million.

It is NWP Co.'s opinion that these financial projections demonstrate that the Lombard – Windsor segment of the NWP Line will be financially viable in future years.

As a result of its analyses and the experience of its Management Team, NWP Co. believes that its financial estimates and projections are based on reasonable assumptions. Within the range of error normally anticipated in such projections of future financial performance, NWP Co. believes that these estimates and projections are, therefore, likely to be achieved.

We believe that the NWP Co. has the following primary advantages:

- NWP Co.'s Management Team has broad experience in railroading;
- NWP Co.'s principal shippers strongly prefer NWP Co.'s rail service to higher cost and less convenient truck service;
- NWP Co.'s road properties are projected to be in good physical condition when the planned Rehabilitation Project is completed between Lombard and Windsor; and
- NWP Co.'s traffic base between Lombard and Windsor can be serviced with a relatively simple Operating Plan.

From our experience, NWP Co. has concluded that it, like any other transportation company, will be exposed to several primary business risks:

First, the performance of NWP Co.'s Management Team must be satisfactory if the financial results projected by this *Business Plan* are to be achieved.

Second, as with any railroad, there is the risk of an adverse impact stemming from an economic recession. If a severe recession occurred, then NWP Co.'s projected traffic volume and revenue levels could be adversely affected.

Third, there is a risk of inadequate service by NWP Co.'s connecting rail carriers. Even though NWP Co.'s service may be excellent, the provision of poor service by either of its two principal connecting carriers, California Northern or Union Pacific, could cause the service quality assumed to be available to the shipping public by this *Business Plan* to not be attained; if that occurred, then the traffic volume, revenue, and financial projections contained in this *Business Plan* may not be attainable.

Fourth, there is the risk that the NWP Lines will be again subjected to catastrophic damage caused by floodings or by failure of any one of its three principal bridges. NCRA and SMART, as public agencies, are essentially “insured” financially by FEMA/OES against catastrophic damage, even though the short-term effects on NWP Co.’s rail operations could be disruptive. However, if claims for damage were filed promptly by NCRA and/or SMART with FEMA/OES and the available advances from FEMA for such claims were used, then NWP Co.’s short-term cash needs should be minimized.

Even in combination, we believe that these business risks are reasonable to assume. Our experience with other regional and short line railroads suggests that, because an effective Management Team is in place, not only will NWP Co.’s business risks be mitigated, but new opportunities will be recognized and exploited. Given NWP Co.’s service territory, we believe that significant potential exists to derive increased traffic and revenues from the effective marketing of NWP Co.’s high quality service.

II. Corporate Structure and Key Personnel

This section of the *Business Plan* discusses NWP Co.'s corporate objectives, corporate structure, and the key personnel who comprise NWP Co.

A. Corporate Objectives

The stated corporate objectives of NWP Co. are to:

- Rehabilitate the entire NWP Line to FRA Class 2/3 standards so that it may efficiently sustain increasing volumes of freight and passenger traffic in future years, providing both transportation and economic benefits to communities along California's North Coast;
- Restart railroad operations on the Russian River Division beginning in late summer 2007 from Lombard to Windsor and by year-end 2007 from Windsor to Willits. Service to the Eel River Division from Willits to Island Mountain and from Island Mountain to Samoa will be provided when the required environmental studies have been completed and rehabilitation funding has been obtained; and
- Operate the entire NWP Line efficiently, profitably, reliably and safely to ensure its long-term financial stability and viability.

B. Corporate Structure

The group of individuals and entities that own NWP Co. is best equipped to meet the corporate objectives stated above because of the combined financial strength, relevant experience, and strategic partnerships that its members bring to the organization. Key members include:

- **H. Skip Berg:** As owner of Berg Holdings, which is the Property Manager and Developer of Port Sonoma, Mr. Berg will be an owner, investor, and member of the NWP Co. Board of Directors.
- **R. Allen Ennis, Jr.:** Chief Executive Officer of Evergreen Natural Resources, developer of the Island Mountain Rock Quarry, President and Chief Executive Officer of Sierra Pacific Packing, Inc., Mr. Ennis will be an owner, investor, and member of the NWP Co. Board of Directors.

- **Douglas H. Bosco**, Attorney, NWP Co.'s General Counsel, will be an owner, and member of the NWP Co. Board of Directors.
- **John H. Williams**: President of the Woodside Consulting Group, Inc., is an owner, investor, and member of the NWP Co. Board of Directors and will be responsible for the overall management of NWP Co. as its President.

The Board of Directors will establish policies and guide the progress of NWP Co. Members of the Board will include:

- H. Skip Berg, of Berg Holdings;
- J. T. Wick, of Berg Holdings;
- Douglas H. Bosco, Attorney;
- R. Allen Ennis, Jr., of Evergreen Natural Resources;
- Roger R. Green, of Evergreen Natural Resources;
- John H. Williams, of The Woodside Consulting Group, Inc.; and
- Judith H. Roberts, of The Woodside Consulting Group, Inc.

Resumes for Messrs. Berg, Bosco, Ennis, Green, and Wick are included in Attachment B. Resumes for Ms. Roberts and Mr. Williams are included in Attachment C.

C. Organizational Structure

Attachment D is an Organization Chart showing NWP Co.'s organizational structure, which consists of five executive management personnel, two NWP Co. officer employees, and four specialized subcontractors.

John H. Williams, as President and Chief Financial Officer, is responsible for the overall management of NWP Co., including its relationship with NCRA. Also President of The Woodside Consulting Group, Inc. John Williams' 43 year career in the railroad industry includes employment with Southern Pacific, Conrail, and the FRA. He is intimately familiar with the NCRA and NWP Line, as he was Executive Director of the North Coast Railroad Authority in the mid-1990s.

As shown by Attachment D, Alan D. DeMoss, Vice President, Maintenance of Way & Structures (MofW&S) oversees all aspects of NWP Co.'s MofW&S activities. Day-to-day management of the MofW&S function, including making all required FRA track inspections, will be the responsibility of the Manager, MofW&S, subject to the policy direction and guidance of Mr. DeMoss. NWP Co.'s Manager of MofW&S, an officer position, will be selected at a later date.

In combination, Mr. DeMoss and the Manager of MofW&S will be responsible for NWP Co.'s compliance with the requirements of the Consent Decree and FRA EO-21, as well as with all other laws, rules, and regulations that apply to the NWP Line's MofW&S. In addition, they will provide advice, recommendations, and coordination with NCRA as to the rehabilitation requirements, plans, and schedules for reopening and retaining the NWP Line at its designated FRA class standards.

NWP Co. will use on-call subcontractors as necessary for specific MofW&S work and for all signal work, including maintenance and required FRA inspections of grade crossing warning systems. These subcontractors will be selected by NWP Co. through a competitive bidding process. The work of both subcontractors will be directed by the Manager, MofW&S, subject to oversight by Alan D. DeMoss.

NWP Co. will initially operate train service three days per week using a two-person officer crew comprised of a Manager of Train Service and the Manager of MofW&S. The Manager of Train Service will be responsible for operation of the train service, placing cars on and pulling cars from shipper tracks, interchanging with the California Northern and California Western Railroads, and ensuring that locomotive and freight car inspections and maintenance are performed as required. The Manager of MofW&S will be responsible for opening and closing the drawbridges and assisting the Manager of Train Service.

DieselMotive Co. has been designated as the subcontractor to provide maintenance and all required FRA inspections for the two locomotives initially required by NWP Co. DieselMotive Co. and its President, Mr. Matt Monson, own nine of the locomotives currently located on the NWP Line.

NWP Co. will also subcontract its required freight car inspection and repair activities. In the interest of efficiency, NWP Co. intends to utilize the same subcontractor now handling California Northern's freight car inspection and repairs. Moreover, because California Northern already inspects most cars at its interchange with Union Pacific at Suisun, NWP Co. proposes to coordinate with California Northern, so that only those cars that have not been inspected at Suisun by the California Northern will be inspected by NWP Co. at Lombard or Schellville. NWP Co. will also utilize this subcontractor for either the repair of rail cars that are damaged or become bad order for any reason while located on the NWP Line, or to prepare such cars for movement to an AAR approved freight car repair facility.

As shown by Attachment D, Judith H. Roberts serves as Vice President, Marketing Services and Administration, for NWP Co. Judith Roberts and John Williams are responsible for all aspects of marketing the rail services provided by NWP Co. to the shipping public. Judith Roberts will also be responsible for oversight of marketing

administration, including placement of car orders, payment of car hire, and shipper billing.

Until such time as the expansion of NWP Co. necessitates additional clerical forces, all of the NWP Co. administrative functions will be provided by The Woodside Consulting Group, Inc. These include the accounts receivable, accounts payable, bookkeeping, and accounting functions.

It is expected by NWP Co. that a larger but fully qualified Management Team will be installed at NWP Co. prior to the commencement of the movement of high volumes of Island Mountain aggregate, in order to efficiently and effectively manage the continuing operations on the NWP Line.

In addition to a team of railroad experts, NWP Co. will have unique advantages in the navigation of the logistical challenges inherent in rehabilitating the railroad. As General Counsel, Doug Bosco will focus on building trusted relationships with the public agencies. J. T. Wick, an expert in the fields of environmental mitigation and entitlements, will serve as an advisor on all issues pertaining to the inevitable physical, environmental, and other entitlement-related challenges of the rehabilitation process.

Because NWP Co. is NCRA's rail service contract operator with responsibility for operating the NWP in accordance with all FRA and regulatory standards, NWP Co. will fully participate with NCRA in the planning, implementation, and acceptance of the NWP Line rehabilitation, as provided by the Lease Agreement. NWP Co. expects the NWP Line rehabilitation to be overseen primarily by the following four individuals:

- Alan D. DeMoss, Vice President, MofW&S;
- Richard R. Mahon, past Chief Engineer of Southern Pacific;
- James C. Mahon, past Manager of Track Programs of Southern Pacific; and
- Richard (Dick) Carter, past Manager of Structural Projects of Union Pacific and Southern Pacific.

A resume for Mr. DeMoss is contained in Attachment C. Resumes for the three Engineering Staff experts, Messrs. R. Mahon, J. Mahon, and Carter, are contained in Attachment E. In combination, this engineering team's combined experience spans work on various aspects of the Union Pacific, Southern Pacific, and NWP Lines. Their experience in railroad engineering will commit to this task a level of expertise that is unparalleled in the history of the NWP Line.

D. Experience of Key Personnel

As described above, the Core Management Team of NWP Co. consists of three individuals:

- John H. Williams, President and Chief Financial Officer;
- Alan D. DeMoss, Vice President, MofW&S; and
- Judith H. Roberts, Vice President, Marketing Services & Administration.

Attachment C contains resumes of these three individuals.

Other key advisors will be Douglas H. Bosco, General Counsel, on public funding issues and J. T. Wick of Berg Holdings on environmental matters and entitlements. Attachment B contains resumes of these two individuals.

1. John H. Williams, President and Chief Financial Officer

John H. Williams serves as President and Chief Financial Officer of NWP Co. He holds B.A. and M.B.A. degrees, both from the University of Illinois. His experience extends over 43 years in the railroad industry, including employment by Southern Pacific and Conrail, as well as by the Federal Railroad Administration. As John Williams' resume demonstrates, he has broad experience in railroading, extending across the functional areas of operations, finance, and all areas of executive management. His on-the-ground railroad operating experience has included positions as a track laborer, fireman, brakeman, assistant trainmaster, and trainmaster.

In 1986, John Williams was a key participant in the formation and start-up of the Dakota, Minnesota and Eastern Railroad (DM&E), a 1,000-mile long regional railroad generating more than \$40 million of annual revenues. He was actively involved as a consultant to the DM&E in its early years, and completed its turnaround during his tenure as Chairman of the Board.

From 1993-1995, as NCRA Executive Director, John Williams was actively involved in the management of the Eel River Division of NCRA and its operating subsidiary, the North Coast Railroad. Subsequently, he assisted NCRA as a consultant during the negotiations that led to the purchase of the Russian River Division of the NWP Line in 1996.

2. Alan D. DeMoss, Vice President, MofW&S

Alan D. DeMoss will be Vice President, MofW&S for NWP Co. In that capacity, he will be responsible for all of the engineering and road property maintenance aspects of the NWP Line. He will also provide advice and assistance on the operational aspects of NWP Co.

Alan DeMoss was employed by Southern Pacific for 42 years in positions that included Vice President of Operations and 20 years as a Maintenance of Way and Engineering Officer. He is thoroughly familiar with railroad fixed facilities – freight and passenger, has broad experience in developing and implementing rail freight and passenger operations plans, has prepared, evaluated and implemented capital expenditure and rehabilitation proposals and plans, and has extensive experience in railroad operations and maintenance. Many of Alan DeMoss's engineering and operations responsibilities as an SP Officer encompassed the NWP. Since 1993, he has provided engineering assessments and capital project programs for NCRA, so that he is thoroughly familiar with the more recent physical aspects and operations of the NWP Line.

In his long and distinguished career as a railroad engineering, maintenance, and operations officer for Southern Pacific, combined with his consulting work on behalf of the Peninsula Corridor Joint Powers Board, Southern California Regional Rail Authority, San Joaquin Regional Rail Commission, Santa Cruz County Transportation Commission, and some two dozen regional railroad systems, Alan DeMoss has acquired and consistently demonstrated the levels of knowledge and practical railroad engineering experience required by NWP Co.

Alan DeMoss's railroad engineering and operations experience has included overall management responsibility for major construction projects on Southern Pacific (e.g., line construction/relocation, equipment maintenance and other facility construction, mainline and yard track rehabilitation programs, subgrade stabilization programs, and natural disaster and accident response/recovery programs), as well as planning/estimating responsibility for the annual and long range maintenance and/or upgrading and operation of over two dozen U.S. regional railroads.

Alan DeMoss holds a Bachelor of Arts Degree in Mathematics from Sacramento State University and received an Alfred P. Sloan fellowship to the Graduate School of Business at Stanford University.

3. Judith H. Roberts, Vice President, Marketing Services and Administration

Judith H. Roberts holds a B.A. in Mathematics from Vassar College and M.S. degrees in Transportation Planning and Operations Research from Stanford University. An expert in systems and the analytical aspects of railroading, she has over 25 years experience in the railroad and consulting industries, as is more completely described in her resume in Attachment B. She has developed and evaluated the marketing projections and plans for more than two dozen regional railroads, and has evaluated a similar number of capital and rehabilitation plans.

For NCRA between 1993 and 1995, she assisted John Williams in his duties as Executive Director and Chief Financial Officer and, as a part of the Project Administrator function, was instrumental in interacting with, and preparing invoices and project status reports for, the funding agencies. Judith Roberts will work with John Williams to manage the marketing, financial, and administrative functions of NWP Co.

4. Douglas H. Bosco, General Counsel

Douglas H. Bosco, General Counsel of NWP Co., will also be an advisor on all public funding matters. Mr. Bosco will assist in the interface between NWP Co., NCRA, and the funding agencies in order to ensure that all aspects of the public funding process are properly adhered to by NCRA and NWP Co. and that the public agencies' reimbursement funding flows smoothly to NCRA.

5. J. T. Wick, Advisor, Environmental Matters

J. T. Wick, of Berg Holdings, will be an advisor to NWP Co. on real estate and environmental matters and entitlements. He has extensive experience dealing with such issues on behalf of Berg Holdings' real estate development projects, and he is responsible for converting the Port Sonoma marina into a premier multi-modal transit center linking ferry, rail, and bus service to the Bay Area.

IV. Rehabilitation Plan

NCRA has adopted a policy of reopening the entire Northwestern Pacific Railroad Line from Lombard to Arcata/Samoa. Reopening the entire line is currently estimated to cost \$150.6 million.

The first phase of construction has been identified as the Russian River Division Phase 1 from Lombard to Windsor based on the market demand for rail service, the existing condition of the line, the ability to team with SMART, and the ability to work within NCRA's right-of-way to restore a prior-existing service.

Future construction phasing will be based on several factors including market demand for rail service, environmental clearance, and availability of funding. However, the current plan, once the Russian River Division Phase 1 is completed, is to move forward with the Russian River Division Phase 2, then the Canyon, and finally the North End.

NWP Co.'s schedule for the resumption of service on the NWP Line is contingent upon receiving from NCRA and the funding agencies the authorization to spend the available public funds in accordance with our proposed construction schedule.

A. Russian River Division

It is NWP Co.'s objective to reopen that portion of the Russian River Division from Lombard to Windsor as soon as possible. Because all of the Russian River Division's known traffic will originate or terminate between Lombard and Windsor, rehabilitation in that area has received the highest priority.

NCRA proposes to use TCRP funds to open Phase 1 of the Russian River Division, Lombard to Windsor, to FRA Class 3 standards. This will allow NWP Co. the ability to serve several shippers that have expressed interest in using rail and to provide Sonoma County with an economical rail movement alternative for their solid waste.

The items listed below summarize the major work elements required for the Phase 1 Project. These items are further described in the 2005 Capital Assessment Report and rehabilitation plans.

- Replacement or repair of 53 railroad grade crossing warning systems. This work is specifically required to address FRA's Emergency Order 21;

- Repair of 32 timber bridges, 4 steel bridges, and 2 concrete bridges. All of these repairs consist of replacement of in-kind members like the replacement of cap beams, stringers, and walkway and railing planks;
- Rehabilitation of three movable bridges including structural, mechanical, and electrical repairs;
- Replacement of approximately 50,000 ties to upgrade the line to FRA Class 3;
- Placement of approximately 62,000 tons of ballast; and
- Repair and surfacing of 62 miles of track.

All of the proposed work can be characterized as repair or replacement and will be completed within the railroad's right-of-way. In the case of the signal work, several of the signals would be upgraded to meet both freight and future SMART passenger service.

It is currently proposed that the Russian River Division Phase 1 Reopening be completed through the letting of two or possibly three separate construction contracts. The first would be to complete all the signal work. This would provide for the safe use of track equipment and work trains to complete all subsequent track and bridge repairs. Several of the bridges in their present condition restrict the use of work trains and these will be repaired at the same time the signals are being constructed. This will allow for an efficient use of track equipment to complete the remaining track work and bridge work requiring rail access.

NCRA anticipates that the two or three construction contracts would be let for the following disciplines:

- Signals;
- Structures; and
- Roadway and Geotechnical.

Of these, it is NWP Co.'s opinion that the critical path work element that must be completed in order to permit the reopening of the Russian River Division Phase 1 is the drawbridge signals and grade crossing warning system signals improvements necessary to bring the railroad into conformance with CPUC requirements and FRA Emergency Order No. 21. This is also the single most expensive component of the Russian River Division Phase 1 rehabilitation plan.

B. Eel River Division

The rehabilitation and operations of the Eel River Division are not included in this *Business Plan*. However, because of the importance and magnitude of the potential revenue stream projected from the movement of large volumes of aggregate from Island Mountain, NWP Co. would like to reopen the portion of the Eel River Division from Willits to Island Mountain as soon as possible.

The determination of the appropriate environmental document for the Canyon by performing an Initial Study is the first step and is on the critical path to reopening the NWP Line from Willits north. Due primarily to the nature of the project, the complexities of the processes, and the extent of public disagreements as to the physical effects of the proposed project, NCRA, as lead agency for NEPA and CEQA, is prepared, if necessary, to process a combined EIR/EIS document (CEQA/NEPA) that involves facility upgrades, landslide stabilization and reopening of the line from Willits to South Fork. In order to prepare an EIR/EIS, several items must be defined: project scope, design features, and costs including mitigation. Therefore, NCRA has proposed to begin this work immediately when authorized to do so by the California Transportation Commission, in order to allow ample time to address all relevant issues; NWP Co. has concurred with this NCRA decision.

C. Rehabilitation Funding

According to NCRA, the total cost of rehabilitating the entire NWP Line is \$150.6 million, of which \$42.6 million would be spent on the Russian River Division and the remaining \$108.0 million spent on the Eel River Division.

Funding the \$108.0 million of rehabilitation on the Eel River Division will likely be accomplished by a combination of private and public funds. NCRA has identified the public funding sources that may be available as a small, remaining amount of TCRP funds, the Governor's proposed infrastructure bonds, Federal Railroad Administration (FRA) Railroad Rehabilitation and Improvement Financing (RRIF) loans, and Humboldt Bay Port Demonstration Bond proceeds. The use by NWP Co. of FRA Railroad Rehabilitation and Improvement Funding (RRIF) loans may have particular appeal as a railroad-oriented public lending program. Private funding may also be available from the sale of revenue bonds that would be secured by and based on the free cash flow to be generated by the Island Mountain aggregate movement and/or by the Port of Humboldt Bay traffic and from other sources.

V. Rail Traffic and Revenues

Based on recent history, there is no more important component of the NWP Co. projected financial future than the development of a robust freight traffic base that will generate sufficient revenues for the NWP Co. operator to become and remain financially viable. With the long closure of rail operations on the NWP Line, many former rail shippers located both south and north of Willits have disappeared. Those potential rail customers who remain have, of necessity, converted their former rail movements to truck. Thus, it is NWP Co.'s challenge and marketing responsibility to convert back to rail those former rail customers of the NWP Line, as well as to develop and market rail service on the NWP Line to new customers. In addition, in order to restart commercial rail service on the NWP Line, NWP Co. will restore frayed commercial relations with connecting rail carriers, including the California Western, California Northern, and the Union Pacific.

A. Russian River Division Freight Traffic

NWP Co.'s assessment of the former rail shippers who remain on the NWP Line is that some 1,800 – 2,000 carloads annually can be generated in a full year of normal operations, after those rail customers' confidence in the continuing service of NWP Co. has been restored. The principal rail shippers are expected to be Standard Structures, Mead Clark, Diablo Timber, Dairyman's Co-Op, and Hunt and Behrens, all of whom have a preference for rail over truck because of rate and loading advantages. We project that their combined volume of traffic will generate annual revenue in Year 2, the second full year of operations, of \$1,134,000. Our projections are based on historical NWP carloadings by shipper, the 2002 PB Ports & Marine Report, shipper interviews, and NWP Co.'s judgment.

It is our experience that start-up of a new rail carrier is both slow and costly. Because re-starting operations on the NWP Line will be occurring for the second time with the third operator in a decade, we expect that volume and revenues will increase slowly until NWP Co. gains credibility as an effective operator that will stay in business. For this reason, we estimate that in the first year of operations, NWP Co. will achieve a total carload volume of only about one-half of the 1,800 – 2,000 potential carloads that will be realized in Year 2. That volume of 900 – 1,000 carloads will generate estimated revenue of \$579,000 in Year 1.

In our opinion, the most likely near-term addition to the traffic base of the Russian River Division is the movement of Sonoma County solid waste. NWP Co. has thoroughly reviewed the Sonoma County report on the volume and revenue potential of that traffic and believe its projections of about 4,056 carloads generating revenue of \$2,023,000

annually are reasonable. When that amount of additional revenue is included with the traditional rail customer's revenue, NWP Co. projects total revenue of \$3,157,000 in Year 3.

Developing and marketing the Sonoma County solid waste traffic requires both political success within Sonoma County and technical railroad marketing success with the Union Pacific and California Northern Railroads. Based on NWP Co.'s knowledge of Union Pacific's handling of similar commodities, we believe that a single weekly unit train movement of Sonoma County solid waste over a long haul distance into a Nevada or Utah disposal site would be attractive to both the Union Pacific and California Northern Railroads.

Executing a long-term contract for handling Sonoma County solid waste will be a high priority for NWP Co. during the first two years of its operations. NWP Co. is believed to have a strategic advantage because of its **exclusive** right to negotiate to use a solid waste site in Nevada owned by Nevada Resource Recovery Group, LLC that has a capacity of about 200 million tons. NWP Co.'s longer term objective would be to meld solid waste haulage from Mendocino County, and eventually from Marin County and Humboldt County, with that of Sonoma County to the Nevada disposal site which could accommodate all of those counties' solid waste for more than 200 years. Although NWP Co.'s traffic volume and revenue would be increased, no allowance for additional solid waste traffic other than that of Sonoma County has been included in the NWP Co. revenue projections that are contained in this *Business Plan*.

B. Eel River Division Freight Traffic

So far as the Eel River Division's traffic base and revenues are concerned, the extent and permanency of traffic erosion away from the NWP Line during the decade that it has been closed is unknown to all parties. However, what is known is that some important shippers on the NWP Line north of Willits are no longer in business and that others have substituted truck or barge service for rail service or concentrated their marketing efforts toward geographic areas that are not well suited to rail transportation.

It is NWP Co.'s opinion that the best near-term prospect for additional traffic is the Island Mountain aggregate. As demonstrated by its inclusion in NWP Co.'s corporate structure, Evergreen Natural Resources (ENR) will be a full participant in NWP Co.'s efforts to attract that traffic. At present, ENR is actively involved in the permitting process for developing a prime-grade aggregate quarry that is projected to have a minimum production rate of six million tons per year, although that rate would be substantially increased in order to provide aggregate for the large highway and levee construction projects contemplated by the proposed "Highway Safety, Traffic Reduction,

Air Quality, and Port Security Bond Act of 2006.” Clearly, the movement of Island Mountain aggregate, which NWP Co. and ENR are both committed to achieve, would generate a substantial annual traffic volume, with revenues that NWP Co. has estimated would be at least \$30 million per year.

A second potential rail market would result from the development of the Port of Humboldt Bay’s capacity for handling both bulk commodities and containers in order to provide relief to other, increasingly congested California ports. Because of the large traffic volumes that would be generated by the Port, the availability of continuing rail service over the entire NWP Line would be required for the realization of the increased traffic volume and revenues.

It is the NWP Co.’s opinion that the realization of either or both of these traffic opportunities on the Eel River Division would enable NWP Co. to operate the entire NWP Line efficiently, profitably, reliably and safely, thereby ensuring its long term financial stability and viability.

C. Passenger Service

NWP Co. is committed to complying fully with the terms and conditions of the August 1996 agreement between NCRA and NWPRRA, the predecessor agency to SMART. We are of the opinion that the operation of the rail commuter service proposed by SMART would be beneficial to NWP Co.’s own freight operations, so long as full coordination between the rail commuter and rail freight service operator occurs.

Although NWP Co.’s first priority will be to restore freight service on the NWP Line, NWP Co. may also seek to operate excursion passenger train service. Since the NWP Line literally traverses the property of several important wineries and goes through some of the most spectacular scenery in the State, excursion service could be developed as a profitable secondary use of the NWP Line.

If NWP Co. decides not to operate rail passenger excursion service on portions of the NWP Line, then subject to NCRA’s approval, NWP Co. will consider contracting with other excursion passenger train operators. Potential passenger train operators must be operationally and financially qualified, as judged by NWP Co., must not unduly interfere with NWP Co.’s freight train schedules and operations, and must fully compensate NWP Co. for all of its associated costs, including risk and liability. In order to avoid duplicate passenger train excursion services, NWP Co. will not agree to permit the operation of more than one excursion passenger train operator over any single section of its trackage.

VI. Rail Operations

This section of the *Business Plan* discusses the freight service to be provided by NWP Co. and our plans for complying with FRA and environmental requirements.

A. Freight Service

NWP proposes to establish train service that will be operated reliably and efficiently to handle the volume of traffic of its rail customers. A hallmark of NWP Co.'s train operations will be reliability. We intend to buy or lease sufficient locomotives so that trains will not be canceled because of locomotive failures, and to operate trains according to schedules, even if traffic volumes are small on any particular day. Equally important, NWP Co. will take all possible steps to ensure that train service will not be canceled because of track maintenance problems. In order to achieve this objective, NWP Co. has committed to maintain the track and structures of the NWP Line to the appropriate FRA Class 2/3 standards, and in no event to less than FRA Class I standards.

Providing reliable service to NWP Co.'s shippers also means that all possible actions must be taken to ensure that the NWP Line will not be closed again. We are convinced that, if the shipping public is to continue to use rail service, then closure of the Russian River Division of the NWP Line for more than a few days in the future will not be tolerated. NWP Co. has access to funds that would be immediately available in emergencies to keep the NWP Line open.

When the NWP Line has been restored to FRA Class 2/3 standards between Lombard and Windsor, NWP Co. plans to operate three round trip trains each week. The proposed train service would operate between Lombard and Windsor on Mondays, Wednesdays, and Fridays. The operation of the Sonoma County solid waste unit train will occur one day per week, when required.

B. NWP Line Compliance Plan

The level of experience of the key railroad personnel who will work for NWP Co. demonstrates and provides assurance of NWP Co.'s ability to comply with the requirements of the Consent Decree and FRA EO-21, as well as the requirements of all other public agencies involved with the NWP Line. NWP Co.'s Compliance Plan describes how NWP Co. will operate and maintain the NWP Line in compliance with all of the applicable rules, regulations, and requirements of the various public agencies.

NWP Co. will be the operator of the NWP Line for the NCRA, which is a “Railroad,” as defined by the Federal Railroad Administration (FRA). As an operator for a Railroad, NWP Co. will comply with all FRA regulations (49 CFR Parts 209 through 240, Parts 171.15, 172.7 and 174, and the National Grade Crossing Inventory), as well as all current applicable California Public Utilities Commission (CPUC) General Orders, including GO 26D, 72-B, 75-C, 95 and 118.

NWP Co. will adopt the current General Code of Operating Rules (GCOR) published by the General Code of Operating Rules Committee of the U.S. Western Railroads. NWP Co.’s Compliance Plan will consist of the following:

- Safety will be the most important element in performing duties. “Injury free” and “accident free” will be the goals of each day’s operations. Obeying the rules will be essential to job safety and continued employment;
- NWP Co. will issue a Timetable and Special Instructions, which will include the NWP Co. Rules and Regulations;
- All managers, employees and subcontractors will be issued copies of the GCOR and NWP Co.’s Timetable and Special Instructions (which by reference incorporate the GCOR, FRA, and CPUC Regulations);
- All managers, employees and subcontractors will be required to meet NWP Co.’s employment requirements and to meet the qualifications and certifications required by the FRA for the craft to which the person is assigned;
- NWP Co. will provide an initial training program for managers, employees and subcontractors that will include over-the-line familiarization of the NWP Line. Subsequently, each craft will be provided with a periodic refresher-training program. Train service employees will receive Hazmat training per 49 CFR Part 172.7, as appropriate;
- NWP Co. management will make periodic efficiency tests of each craft, as well as inspections of trackage, rollingstock, right-of-way, etc., to assure compliance with NWP Co.’s rules and regulations and FRA inspection requirements for signal, track, and rollingstock. Tests also include safety apparel, hard hats, safety glasses, boots, reflectorized vests, etc.;
- NWP Co. will prepare a System Safety Program (SSP) patterned after existing railroad SSP’s, but designed for the NWP Line’s operations and location. The Plan will include an Emergency Call List for city, county and state emergency response units, and a Call List for NWP Co. and NCRA officials; and

- The SSP will include responses to such conditions as heavy rains, earthquakes, hazardous material spills, and highway grade crossing incidents.

All appropriate, required publications and forms will be maintained in the NWP Co.'s corporate office at all times.

VI. Financial Projections

The financial projections for NWP Co. are contained in Attachment F. In our opinion, these financial projections for NWP Co. demonstrate that its operations between Lombard and Windsor will be financially viable in the future years following a start-up period. None of the financial projections have been adjusted for inflation of either NWP Co.'s revenues or expenses so that all of the financial data are in constant 2006 dollars.

A. Revenue and Expense Projections

The revenue projections contained in Attachment F were taken from the rail traffic and revenue discussion contained in Section V of this *Business Plan*. In addition to the rail revenues, NWP Co. projects in the Income Statement in Attachment F that new real estate income will be produced from its development of property not required for railroad purposes in Ukiah, Willits, and Eureka, based on the real estate expertise of Berg Holdings, one of NWP Co.'s principal owners.

The expenses projected in Attachment F are based on the number and associated costs of employees and subcontractors shown on the organization chart in Attachment D and on the proposed service plan. The largest cost items are for labor, locomotive fuel and leases, car hire, maintenance subcontractors, and insurance. All projected expenses have been based on our knowledge and experience not only with the North Coast Railroad, but also with other regional, short line, and Class I railroads, and we believe that they are realistic and achievable.

B. Payments To NCRA

The Lease Agreement between NCRA and NWP Co. provides that the Lease Payment Fund will make maximum annual Administrative Payments to NCRA of \$1.0 million per year, adjusted for inflation. The maximum annual Administrative Payment to be paid to NCRA shall be reduced by the total of all of NCRA's income from other sources, including but not limited to its income from real estate leases and fees,

easements, crossing fees and charges, proceeds from the sale of its assets, and its boxcar lease, which the parties calculate at this time to total about \$500,000.

However, unbudgeted administration fees funded by FEMA or the Governor's Office of Emergency Services, or any other source dedicated for administration of specific projects, shall not cause a reduction of the maximum annual Administrative Payment. At this time, management of NCRA's real estate and crossing leases and fees, its leased boxcars, and other sources will continue to be performed by NCRA.

NWP Co. shall make annual Lease Payments in the amount of 20% of its Net Income, as determined by STB and GAAP accounting principles, commencing in the first year after NWP Co. has generated positive Net Income in excess of \$5.0 million, subject to the Maximum Required Balance of \$20.0 million, adjusted for inflation.

Until such time as the trigger of \$5 million net profit is reached, NWP Co. may make advance Lease Payments in any amount to the Fund in any year. All such advance Lease Payments shall be credited so as to reduce NWP's required annual Lease Payments in future years, on a dollar-for-dollar basis. Either a portion or all of such advance Lease Payments may be paid to NCRA as Administrative Payments. Prior to the commencement of operations that produce net income of \$5.0 million or more per year, the Operator has agreed to provide a funding supplement of \$20,000 per month, contingent upon the CTC's approval of the requested allocation for the rehabilitation and reopening of the line between Lombard and Windsor. The funding supplement from NWP Co. commenced in September 2006, and is projected to continue throughout the four year planning horizon of the projected financial statements.

It is the intent of NCRA and NWP Co. that the increment of funds required to establish a \$1.0 million annual Administrative budget for NCRA, adjusted for inflation, will have first claim on all of the available monies in the Lease Payment Fund. Thus, if the Lease Payment Fund is inadequate to fund both the required Administrative Payments and repairs, the amount of funds available for repairs will be reduced.

The Operator has also committed to provide a Bridge Loan to NCRA in an amount not to exceed \$500,000 for the sole purpose of permitting NCRA to pay approved vendor invoices that are reimbursable from TCRP or ISTEAF funding. Interest will be charged on the outstanding balance in the amount paid by NWP Co. and interest in addition to any disallowed invoices, in whole or in part, shall be credited as Advance Lease Payments made by NWP Co.

B. Capital Availability

In order to provide capital to fund NWP Co.'s operations in Years 1-4, cash investments will be made by Skip Berg through Berg Holdings and by John Williams through The Woodside Consulting Group, Inc.

Initial cash requirements for NWP Co.'s operations are estimated at \$1.1 million and will arise primarily from funding start-up costs and losses projected to be a total of \$0.8 million in Years 1 and 2. Because of the financial difficulties of NCRA's prior operators, we have provided a high level of cash for payment of its contractors and suppliers in advance of revenue receipts. The total of these amounts plus start-up costs is within the committed cash investment that will be available to NWP Co.

As shown by the projected Cash Flow Statement contained in Attachment F, the amount of capital required to fund operations in Year 3 and beyond should be minimal, as a positive cash flow from operations will be generated.

The majority of the capital expenditures related to the track and structures will be funded through the Rehabilitation Program. All of the capital expenditures related to the Rehabilitation Project will be assets of the North Coast Railroad Authority. There are other expenditures that will be required in order to sustain rail operations: communication and office equipment, computers, vehicles, and some maintenance equipment. NWP Co. will acquire, through purchase or lease, this equipment. At this time, the NWP Co. plans to lease locomotives and utilize rail cars from its connecting carriers.

D. Income Projections

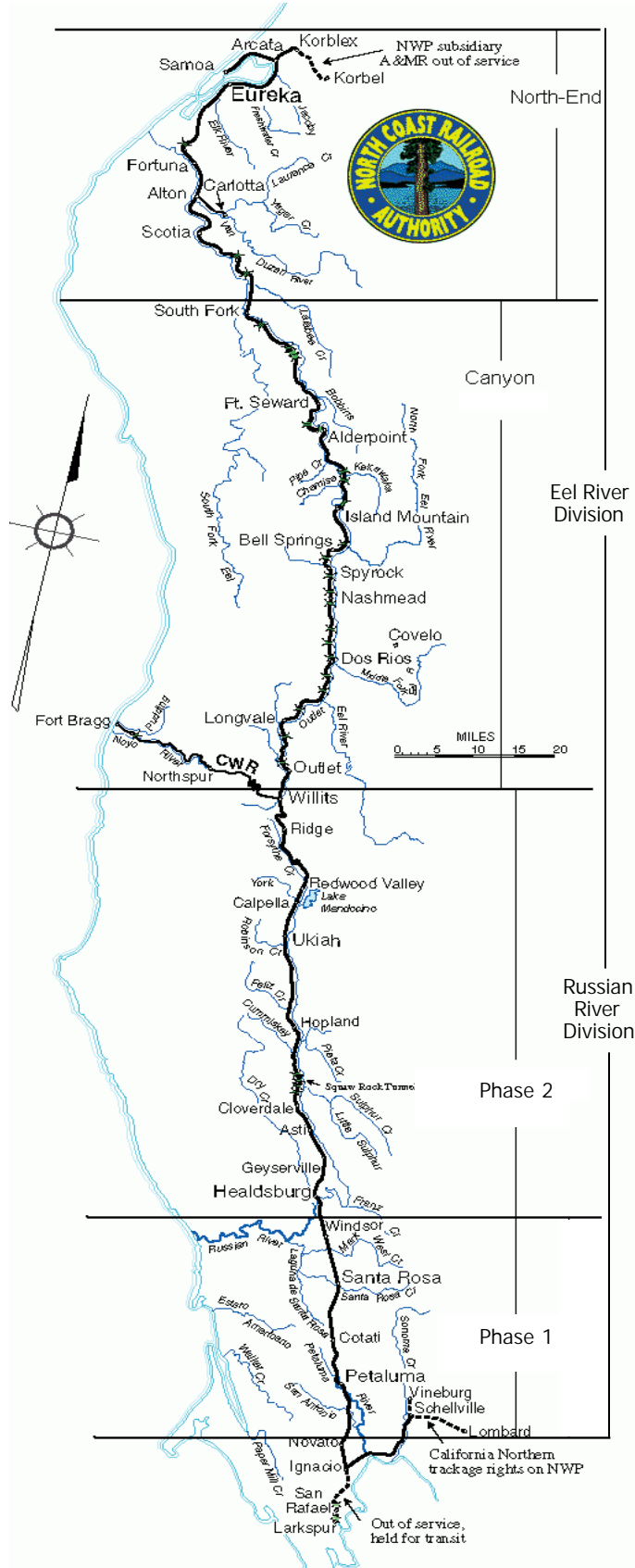
Attachment F contains the "Projected NWP Co. Income Statement For Years 1-4 Operations of the Russian River Division: Lombard to Windsor." We project the following NWP Co. Net Income (Loss) After Income Taxes from operation of the Russian River Division:

- Year 1: \$(653,740)
- Year 2: \$(135,406)
- Year 3: \$662,862
- Year 4: \$686,254

These projections assume a full year of operations at FRA Class 2/3 standards in each of the three years after the resumption of rail service on the Russian River Division.

Attachment A

Map of NWP Rail Lines



Attachment B

Resumes for Selected Members of the Board of Directors

Berg Holdings Company Profile

Skip Berg

Skip completed his undergraduate and graduate work from the University of Southern California in 1964 and 1966 respectively, earning his Bachelors of Science in Finance and an MBA in General Management. Shortly after becoming the youngest Vice President of NYSE listed CNA Financial Corporation and the only corporate officer under 30, Skip set out as an entrepreneur.

Skip's 35 year career as a real estate investor/developer has spanned across a multitude of property types and geographic regions. In total Skip has acquired or developed 3600+ residential units, 325,000+ square feet of office space, and 175,000 square feet of industrial space spanning from California to Florida. Skip's 1971 Spyglass Hill residential development won the prestigious Golden Nugget Award.

Skip also acquired and repositioned Sears Point Raceway, an industrial site and 800 acre racetrack, from a backwater fifth-rate track to one of the most desirable road courses in the country. The track had bankrupted its previous three owners, but Skip successfully repositioned and sold the track in 1998 to NYSE listed Speedway Motorsports.

In one recent twelve month period, Skip acquired over \$100 million in commercial property without partners.

Skip has served as a State Assembly-appointed member of the California Coastal Commission, a member of San Francisco Bay Conservation and Development Commission, President of the Board of Directors of the Marin County Suicide Prevention Center, as a professor of Advanced Real Estate Finance and Investments at the University of California at Berkeley, and as a member of the Board of Directors of the Marin Community Foundation Child Care Scholarship Fund.

Berg Holdings

Skip created Berg Holdings as a management and development company for a growing portfolio of real estate assets. Since it's founding, Berg Holdings has assembled a team of experienced professionals in the fields of real estate law, entitlements, finance, and marketing. Background companies of members of the Berg Team include Trammell Crow, Hancock, Rothert & Bunshoft, Colony Capital, and a former Marin County Development Chief.

The current portfolio owned by the company includes 962 multifamily units, 325,341 square feet of office space, 152 marina slips and an additional 640 acres of agricultural land under management.

Berg Holdings Key Personnel

J.T. Wick, Director of Entitlements

J.T. Wick leads Berg Holdings in entitlements, government and public affairs, and site acquisition. Educated as an attorney, J.T. has practiced as a planner in California for 25 years. In 1996, he left his position as Development Chief of the County Marin to work for CSW/Stuber-Stroeh Engineering Co., Inc., a civil engineering and planning firm. In 1999, after making partner, J.T. helped found the firm's first Sonoma County office and made it a financial success. His responsibilities included representing clients, including Berg Holdings', in project applications in Marin County.

In his three years with Berg Holdings, J.T. has secured \$20 million in Federal funding for Port Sonoma. He is responsible for converting the Port Sonoma marina into a premier multi-modal transit center linking ferry, rail, and bus service to the Bay Area. Port improvements will enhance transit ridership and generate significant revenues for investors. Wick is also responsible for developing a food and wine center on a ranch managed by the company. Additionally, J.T. is spearheading the design and conversion of existing office sites to mixed use developments.

J.T. maintains a strong civic presence in the North Bay by serving as President of the Petaluma People Services Center, past President and present Transportation Subcommittee Chair of the Petaluma Area Chamber of Commerce, PACC Governmental Affairs Committee Member, Santa Rosa Chamber of Commerce Transportation Committee Member, Bank of Marin Petaluma Advisory Board Member, Sporting Healthy Active Kids in Education (SHAKE) Member, and Run Club Parent at McNear Elementary School.

EVERGREEN NATURAL RESOURCES

525 Airport Parkway
Oroville, CA 95965
530-533-1058
aennis@sppkg.com

RESUME

R. Allen Ennis, Jr.
Chief Executive Officer
Evergreen Natural Resources

R. Allen Ennis, Jr. is Chief Executive Officer of Evergreen Natural Resources, the Company that holds the mineral rights to the Island Mountain Quarry. He is also President and Chief Executive Officer of the highly successful Sierra Pacific Packaging, Inc.

Allen graduated in 1991 from California State University at Chico in the top five percent of his class with a B.S. in Construction Management. He graduated in 1994 in the top five percent of his class with a J.D. from the University of the Pacific, McGeorge School of Law with Great Distinction and induction into The Order of the Coif. He also served as Editor-in-Chief of the Transnational Lawyer, McGeorge's International Law Journal.

While he was still in law school, Allen wrote the business plan for Sierra Pacific Packaging, Inc. which he founded in 1993.

In October of 1994, initial construction began on a 38,000 square foot manufacturing facility in Oroville, California, and limited production of finished boxes began in early 1995.

Today, Sierra Pacific Packaging, Inc. is a high quality supplier of printed folding cartons and specialty corrugated boxes serving primarily the beverage and food sectors. The current production facility is 100,000 square feet that is supported by an additional 30,000 square feet of off-site warehousing and distribution. Sierra Pacific Packaging, Inc. has invested more than \$25 million in equipment and facilities and is projecting sales in excess of \$30 million in 2006.

Sierra Pacific Packaging, Inc. serves customers primarily in the western United States, but also services customers in Alaska, Hawaii and the mid-west. Sierra Pacific Packaging, Inc. proudly employs in excess of 100 full time equivalent employees.

EVERGREEN NATURAL RESOURCES

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RESUME

Roger R. Green
President
Evergreen Natural Resources

Roger has years of experience in mining. He was owner/operator of Green Rock Quarries, a mining company in Oroville, CA. Green Rock Quarries employed 100+ people and produced ballast for railroad track beds and many other types of crushed stone. It shipped an average 1.1 million short tons each year to national and international locations. It was the number one supplier for the Union Pacific Railroad. The quarry was sold to Martin Marietta in 1996.

Under Roger's direction, Green Rock Quarries was responsible for the total construction of 25 miles of track through the Feather River Canyon leading to the quarry at Table Mountain, Oroville. Green Rock provided superior rock ballast for hundreds of miles of railroad line including the Union Pacific Railroad line from Wyoming to Southern CA to Portland OR; and the Southern Pacific line through western states including Salt Lake City, UT. *See "Keeping it Simple", Pit & Quarry, November, 1990.*

Current Position: President, Evergreen Natural Resources. Roger is also serving as the Commissioner of Mining for Butte County, CA.

Roger owns the CalNique Mine in Fallon, NV, a mine dedicated to health solutions. CalNique is a powdered calcium supplement of Evergreen Mining, Inc. Evergreen has been in business for 28 years. Roger and staff are committed to maintaining the highest degree of quality in their products and customer service.

Roger is currently involved in the business development and planning of a potential mining operation in Trinity County, CA. The *Island Mountain Mining and Reclamation Plan*, submitted to the Trinity County Planning Department, had recently been circulated to 50 state agencies and was heralded by environmental groups, such as Friends of the Eel River, for development of a "well thought plan". The Island Mountain Quarry will bring much needed revenue to Trinity County.

Past Achievements: For many years, Roger worked for the Southern Pacific Communications Company (now known as Sprint) as a construction planner. He was

responsible for building the infrastructures that support telecommunications throughout California and the western regional states.

Recognition: In 2005, the board of directors of the National Stone Association, Washington, D.C., formally invited Roger to assume the presidency of the association.

RESUME

Douglas H. Bosco
Attorney at Law
37 Old Courthouse Square, Suite 200
Santa Rosa, CA 95404
Tel: 707-525-8999
dbosco@boscolaw.com

Douglas H. Bosco practices law in Santa Rosa, California. Formerly a partner of the international firm Holland & Knight, Mr. Bosco currently serves as counsel to California's largest private landowners, handling legal, regulatory and legislative matters. He represents Fidelity Financial, a major national finance entity. His practice includes environmental toxic waste remediation and litigation.

Mr. Bosco serves as Chairman of the California Coastal Conservancy, a public board responsible for disbursing hundreds of millions of state bond dollars to worthy environmental projects. He is a former Member of the Industrial Welfare Commission with responsibilities for setting the state's wage and employment regulations. From 1978-82, he served in the California Legislature, and from 1982-90 represented the First District in the United States Congress.

His experience with the North Coast Railroad dates back to proceedings before the California Public Utilities Commission where he successfully worked to prevent Southern Pacific from abandoning and dismantling the line. In 1987, he initiated the process by which the federal and state governments purchased the railroad. Mr. Bosco has appeared before the Congress, the Legislature, the California Transportation Commission and many other public and private entities in support of the North Coast Railroad Authority.

Attachment C

Resumes for NWP Co. Core Management Team

JOHN H. WILLIAMS

FIELDS OF SPECIAL COMPETENCE

Strategic planning, railroad mergers, acquisitions, restructuring/privatization planning, regional railroad plans and evaluation, financial analyses and projections, marketing research, forecasts of traffic demand, pricing and profitability evaluations, cost analyses and models, operations assessment, investment and operations economics analyses, and litigation and negotiation support.

CURRENT EXPERIENCE

The Woodside Consulting Group (1983 - Present). As President, Williams is responsible for the management, financing, business development, and conduct of all project activities for this transportation and management consulting firm, which has provided consulting services to more than 100 clients to date. Major projects include: Consultant to Australia's Hunter Valley Rail Project for the privatization of its railroad export coal network; consultant to the Agent banks of Eurotunnel on commercial matters; appraisals of the Business Plans of MidSouth Rail; Dakota, Minnesota and Eastern; Chicago South Shore & South Bend; Chicago, Missouri & Western; Montana Rail Link; Wisconsin Central; Buffalo & Pittsburgh; Illinois Central Railroad; and Wheeling & Lake Erie Railroad. Williams also recommended properties to be acquired, and assisted in purchase and trackage rights negotiations and in the selection of new operators for commuter rail service in the San Francisco and Los Angeles areas.

Williams prepared an operational assessment of alternative organizational structures for the Alaska Railroad, and also prepared and presented expert testimony before the Interstate Commerce Commission concerning the potential impacts to the State of California resulting from the merger of the Santa Fe and Southern Pacific Railroads. He also conducted traffic studies of the estimated benefits from a major Class I railroad's potential acquisitions of the Santa Fe, Southern Pacific, Missouri-Kansas-Texas, Denver & Rio Grande Western, Conrail, and selected lines of Norfolk Southern, and estimated the market potential for High Productivity Integral Trains in the US. Williams was Chairman of the Board of Directors of the Dakota, Minnesota & Eastern Railroad Corporation, and Executive Director/Chief Financial Officer for the North Coast Railroad Authority.

PRIOR EXPERIENCE

Manalytics, Inc. (1981 - 1983). Williams was Vice President of Land Transportation, responsible for the business development and conduct of all land transportation activities for this consulting firm. He conducted traffic studies and competitive analyses, and presented testimony before the Interstate Commerce Commission.

Consolidated Rail Corporation (1980 - 1981). As Assistant Vice President of Strategic Analysis, Williams was responsible for the preparation and presentation of Conrail's position on the Norfolk Southern and Union Pacific/Missouri Pacific mergers. He testified before the Interstate Commerce Commission and participated in the resulting negotiated settlements.

Southern Pacific Transportation Company (1971 - 1980). Williams was Assistant to the Vice President in the Executive Department. He managed the Office of Special Projects, which included Southern Pacific's acquisition of Rock Island's Tucumcari Line, and its prospective acquisitions of the Family Lines and other railroads.

Williams was also Manager of the Bureau Transportation Research in the Executive Department, where he was responsible for analysis of commodity and route profitability, cost-of-service calculations, evaluation of possible line abandonments, and analyses of prospective investments and acquisitions in other railroads and non-railroad business.

Williams' earlier position with SPTC was as Special Assistant in the Executive Department. He coordinated the preparation of Southern Pacific's 10-year financial plan, which encompassed Corporate railroad, trucking, pipeline, real estate, and communications lines of business.

U.S. Department of Transportation, Federal Railroad Administration (1968 - 1971).

Williams was a transportation Specialist in the Office of Policy and Planning, where his responsibilities included providing economic and operational analyses of various U.S. railroad issues. He evaluated proposed, and assisted in the development of public policies affecting the U.S. railroads, specializing in the rail network restructuring and rationalization. Williams developed the Federal Railroad Administration's first computerized railroad network model, and also provided operational expertise for other railroad issues, including freight car supply requirements and shortages. In addition, Williams formulated an economic research and development program, and participated in an interdepartmental team which proposed deregulation of many aspects of the U.S. railroads' activities; most such proposals have subsequently been implemented.

Southern Pacific Transportation Company (1963 - 1968). As Trainmaster, Williams was responsible for planning, supervising, and controlling some 25 daily train movements over 300 miles of Southern Pacific's main line track between Tucson, AZ and El Paso, TX. Williams was also Assistant Trainmaster, responsible for the movement of perishable and other commodities originating and terminating in California's Imperial Valley. Earlier, Williams was employed as a Brakeman on Southern Pacific's Western Division.

As an Operations Analyst-Information Design, Williams was a member of the Design Team for the "Total Operations Processing System" (TOPS), a real-time, computerized information system for planning, controlling, and evaluating railroad operations. Williams first position with SPTC was as Economic Analyst in the Executive Department, where he provided micro-economic analyses of proposed capital investments and cost analyses of numerous railway services.

EDUCATION

B.A., Liberal Arts & Sciences, University of Illinois, Urbana

M.B.A., Specializing in Finance and Transportation, University of Illinois, Urbana

ALAN D. DEMOSS

FIELDS OF SPECIAL COMPETENCE

An experienced railway senior executive officer and operations consultant, DeMoss combines analytic and technical skills and the ability to communicate highly complex materials to specialists and non-specialists alike. He also brings extensive practical experience to rail operations planning, the design and maintenance of rail lines and facilities, specification and maintenance of rolling stock, labor strategies, financial valuation of railroads, and agreement negotiations.

In the Operations Planning field, DeMoss has experience with analyzing, designing, or redesigning rail transportation operations, using appropriate planning tools, combined with practical knowledge gained from 38 years of line management experience. DeMoss develops schedules, equipment costs and requirements, labor and management staffing plans, and facility designs. He also contributes detailed operating plans to engineering studies for main lines and terminals.

In Maintenance of Rail Lines and Rolling Stock, DeMoss analyses, designs, or redesigns railroad trackage and facilities in concert with operational requirements. He specifies/evaluates locomotive and car requirements to support viable operating plans, assesses rolling stock condition and potential upgrade requirements, specifies/evaluates rolling stock workshop requirements and capabilities, and also develops contract qualifications for contract operation/maintenance of commuter and other rail systems.

In the Finance area, DeMoss specializes in developing operating costs, and capital investment requirements for freight and passenger carriers, and proposes strategies for restructuring, privatization, or divestiture.

CURRENT EXPERIENCE

The Woodside Consulting Group (1985 - Present). DeMoss is a Principal, conducting over 20 restructuring studies and evaluations of various U.S. railroads, including Iowa Interstate Railroad, MidSouth Rail Corporation, Dakota, Minnesota & Eastern Railroad, Illinois Central Railroad, Montana Rail Link, Wisconsin Central, Ltd., Pittsburgh & Lake Erie Railroad, and the Wheeling & Lake Erie Railroad. These studies and evaluations included “due diligence” studies for loan applications, preparation of operating and capital improvement plans, determination of actions necessary to correct negative railway earnings, and net liquidation value studies.

DeMoss’ recent work has included the comprehensive redesign of the Anchorage and Fairbanks Yard/Terminal complexes for the Alaska Railroad, and studies performed for the Peninsula Corridor Joint Powers Board, the Los Angeles County Transportation Commission and BART. Projects for these agencies involved the analysis of main line and terminal capacity requirements, development of trackage and facilities plans, and the estimation of associated capital and operating costs.

PRIOR EXPERIENCE

Southern Pacific Transportation Company (1943 - 1985). DeMoss held various Senior Management positions with this former major (Class 1) U.S. carrier, including Senior Vice President-Operations, Vice President-Executive Department, Vice President-Purchasing, Division Superintendent, Division Engineer, and Assistant Engineer of Maintenance-System. As a senior officer in various operating engineering, and maintenance positions, DeMoss was active in a period of U.S. railway history during which dramatic technological advances and other changes took place. These changes involved massive restructuring of railway operations and important changes in labor-management relationships. DeMoss was also involved in numerous railway construction projects ranging from major line changes and large classification yards to the 50 million cubic yard, \$50 million Great Salt Lake Fill Project.

EDUCATION

B.A., Mathematics, Sacramento State University
Diploma, Transportation Management Program, Stanford University
Diploma, Alfred P. Sloan Foundation Fellowship - Graduate School of Business, Stanford University

JUDITH H. ROBERTS

FIELDS OF SPECIAL COMPETENCE

Roberts expertise includes railroad mergers and acquisitions, economic analysis, marketing research, litigation support, railroad purchase and operating contracts negotiation, and computer analysis.

CURRENT EXPERIENCE

The Woodside Consulting Group (1983 - Present). As Vice President, Roberts handles economic analysis, marketing research, litigation support, and computer analyses for clients of this transportation and management consulting firm. Principal projects have included: Selection of contract operator for San Francisco Peninsula Commuter Rail Service (Caltrain); appraisals or development of business plans of numerous regional railroads, including MidSouth Rail, Dakota, Minnesota and Eastern, Montana Rail Link, Illinois Central Railroad, and others; and negotiations for purchase of railroad right-of-way for commuter rail services in the San Francisco and Los Angeles areas.

Other areas in which Roberts has experience include impact assessment, including computer analysis of large traffic databases, and litigation support for State of California in federal regulatory proceedings concerning proposed merger of the Santa Fe and Southern Pacific Railroads. She also was involved with competitive analysis and litigation support in the regulatory proceeding supporting proposed acquisition of Southern Pacific by the Kansas City Southern Railway. Roberts appraised the expected life of new bi-level commuter rail cars for San Francisco Peninsula Commuter Rail Service, and conducts traffic studies to assess benefits to railroad clients of potential merger partners.

PRIOR EXPERIENCE

Manalytics, Inc. (1982 - 1983). Roberts was a Transportation Consultant, involved in traffic studies, competitive analyses, and litigation support in railroad merger proceedings.

Southern Pacific Transportation Company (1977 - 1982). As a Transportation Analyst in the Executive Department, Roberts was responsible for economic analysis and policy planning and implementation of strategic goals of top management.

Stanford Research Institute (SRI International) (1973 - 1975). Roberts was a Transportation Analyst in the Transportation Department, where she conducted studies of existing transport facilities and future needs of Arabian Peninsula countries, and performed computer analysis of shipping commodity flows from the Far East for use in rate modification. Roberts also evaluated economic and social impacts of proposed railroad relocation within urban areas, and reviewed the decision history of the San Francisco Bay Area Rapid Transit District.

Compusize, Inc. (1971). Roberts was a Computer Programmer involved in programming and documentation involving material optimization in commercial applications.

Columbia University Computer Center (1969 - 1970). As Computer Programmer, Roberts provided teaching and documentation of computer language courses for graduate students.

Western Electric Company, Bell Telephone Laboratories (1968 - 1969). Roberts was Information Systems Designer, conducting computer programming for a data reduction group, formatting output of radar data.

EDUCATION

B.A., Mathematics, Vassar College

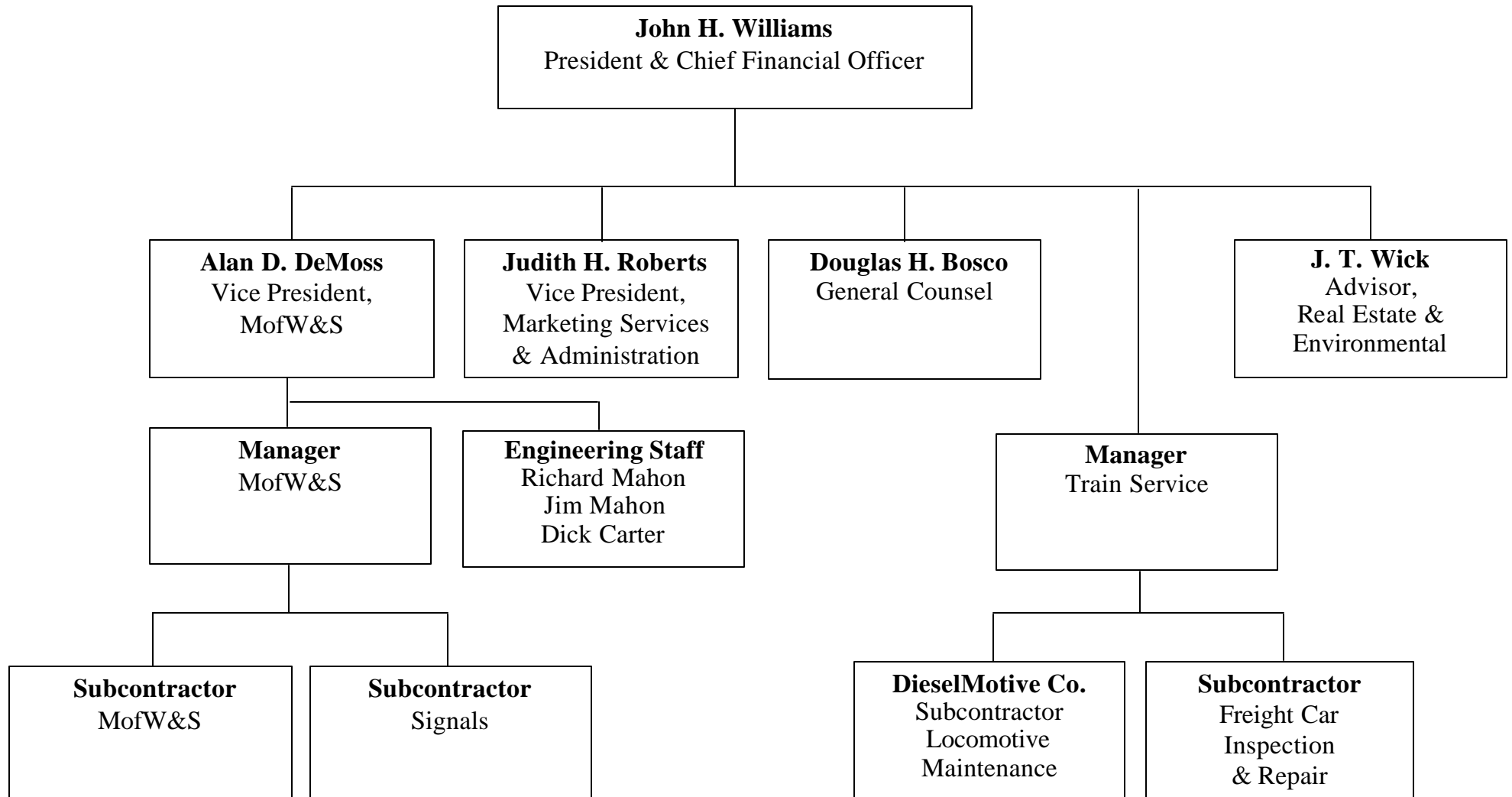
M.S., Transportation, Stanford University

M.S., Operations Research, Stanford University

Attachment D

Organization Chart for NWP Co.

Attachment D
Organization Chart for NWP Co.



Attachment E

Resumes for Engineering Staff

RESUME

Richard R. Mahon
2612 Sullivan Drive
Auburn, CA 95603
Tel: (530) 887-1152
rrmahon@ssctv.net

June 1946 – June 1948	Track laborer and attended school	Track Maintenance
June 1948 – May 1949	Relief Foreman	
May 1949 – July 1952	Extra Gang Foreman	Track Maintenance and Construction
July 1952 – Feb. 1956	Extra Gang Foreman	Track Maintenance and Construction
Feb. 1956 – Feb. 1958	General Track Foreman	Track Maintenance and Construction
March 1958 – Feb. 1959	Supervisor of Track	Pacific Electric Railway, Los Angeles, CA
Feb. 1959 – April 1959	Acting Roadmaster	Merced, CA
May 1959 – Oct. 1960	Roadmaster	Gila Bend, AZ
Oct. 1960 – March 1964	Roadmaster	Martinez, CA
April 1964 – April 1965	Assistant Division Engineer Track	Portland, OR
May 1965 – April 1975	General Track Supervisor	San Francisco, CA General Office
May 1975 – Dec. 1977	Division Engineer	San Antonio, TX
Dec. 1977 – Sept. 1978	Production Engineer	San Francisco, CA
Sept. 1978 – Sept. 1980	Engineer Track	San Francisco, CA

Sept. 1980 – July 1981	Assistant Engineer MofW Eastern Lines	Houston, TX
July 1981 – July 1985	Assistant Engineer MofW Western Lines	Sacramento, CA
July 1985 – Oct. 1985	Engineer MofW Western Lines	Sacramento, CA
Oct. 1985 – Dec. 1986	Assistant General Manager Engineering	Sacramento, CA
Dec. 1986 – July 1987	Assistant to Chief Engineer Track	Sacramento, CA
July 1987 – Aug. 1989	Assistant General Manager Engineering	Houston, TX
Sept. 1989 – June 1990	Chief Engineer	San Francisco, CA
Feb. 1994 – April 1994	Track Construction Consultant	Palmdale, CA

My tenure with Southern Pacific Transportation Company covered a period of 44 years. The early years of service from 1946 – 1956 were mostly confined to track maintenance and construction at various locations from Yuma, AZ to Fresno, CA.

I spent one year on the Pacific Electric Railway in and surrounding Los Angeles. My assignment was to organize and establish fully mechanized track maintenance gangs, which included tie renewal gangs, surfacing gangs, and rail relay gangs. I also performed routine track inspections to assure compliance with track standards as set by the parent company, Southern Pacific Transportation Company.

The position of Roadmaster involved responsibility for track maintenance and production activities on an assigned territory. The Roadmaster was on call 24/7 and responded to any emergency that might arise at any time. He was accountable for the safety of the employees under his jurisdiction, as well as materials used or on hand, along with budget expenditures.

The position of Assistant Division Engineering – Track was a position that reported to the Division Engineer and was held responsible to see that the trackage within the limits of a division were maintained in compliance with track standards as set by the chief engineer as well as the track safety standards as set by the Federal Railway Administration.

The position of General Track Supervisor was related to track inspection, including compliance with the Rules and Regulations for MofW&S. This required a field

inspection of all trackage in your assigned territory that included proposed rail, tie, and ballast renewals for the ensuing years.

The maintenance programs were submitted to the chief engineer for approval. All track maintenance proposals were submitted to the assistant engineer MofW in detail, for review, as well as for budget approval. All maintenance programs were computerized in detail.

The remaining positions were all upper level positions that related to track and structure maintenance and renewal.

With the exception of the chief engineer position, all of my assignments were related to the track maintenance and construction field.

Emergency situations were handled at the local level unless there was a major derailment or catastrophe of any nature, and then all MofW officers became involved.

RESUME

James C. Mahon
Railroad Track Consultant
8700 Hubbard Road
Auburn, CA 95602
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Cell: 530-305-7719

1952 – At a young age I started work for the Southern Pacific Co. as a laborer, working through summer and Christmas Holidays until 1955, when I graduated from high school.

June 13, 1955 – I continued to work as a laborer full time and on various equipment such as spike pullers, spike drivers, bolt machines, crib-x's, tie sprayers, adzer machines, and burro crane operator.

December 1, 1957 – I was asked to take a position on the system rail gang as an Assistant Foreman.

November, 1958 – I was promoted to Foreman on a system rail gang which was responsible for laying new rail of 10 to 50 mile stretches of territory at one time in seven different states. This rail gang consisted of 100 to 120 people.

July 1959 – I was promoted to Track Supervisor in Bakersfield, CA territory between Fresno and Bakersfield, main line trackage. I was responsible for maintenance upkeep of rail bed and properties, creating track speed from 65 mph to 79 mph, which included passenger trains.

October 1960 – I was promoted to General Track Foreman in charge of all maintenance work and installing CTC (centralized traffic control) and 16 new sidings of 10,000 ft. each between Bakersfield and Lathrop, CA to upgrade signal system for safety and greater track speed of trains.

July 1961 – I was transferred to Phoenix, AZ as General Track Foreman to rehabilitate the Old Christmas Branch Line. This was to relay rail, ballast, ties, and upgrade trackage for safety and faster running of trains.

September 1961 – I was sent to Tucson as a General Track Foreman to rehabilitate the Tucson Rail Yard to extend ten tracks, one mile each, and rebuild five other yard tracks.

December 1961 – I was sent to Deming, NM as General Track Foreman to assist in rail renewal between Lordsburg, NM and Deming, NM. This was to remove 113 lb. jointed

rail, replace it with 136 lb. ribbon rail, install 40,000 ties, reballast and surface 50 miles of track, and rebuild 35 main line no. 14 switches.

April 1962 – Promoted to Road Master on the Deming, NM District. As Road Master, I was responsible for all trackage, properties, including all personnel from Lordsburg to El Paso, NM.

October 1963 – I was transferred as Road Master to Truckee, CA on the High Sierras. I was responsible for all snow removal, all track and property, including all personnel, for a total of 140 miles of territory.

July 1, 1969 – I was transferred as Road Master from Truckee, CA to Colfax, CA. I was responsible for 142 miles of trackage and personnel, and rehabilitation of the entire district of rail, ties, ballast, and surfacing.

April 1973 – I was promoted from Road Master to Assistant Division Engineer/Track Territory running between Sacramento, CA and Ogden, UT. During this time I was in charge of rail gangs, tie gangs, surfacing gangs (including derailments), snow removal using all equipment such as rotary snow plows, Jordan spreaders, flangers, dozers, and front end loaders. I inspected roadbeds and made up programs for replacement of rail, ties, ballast, and surfacing from year-to-year.

July 1983 – I was sent to Utah to restore the Great Salt Lake Causeway, which had been damaged by high winds and flooding. I organized men, equipment, and materials for restoration of tracks.

January 1984 – Returned to Roseville, CA and assumed my regular duties as Assistant Division Engineer/Dash Track in charge of 13 Road Master Districts and 550 men including making up the maintenance program on a yearly basis.

July 1985 – Recurrence of damage on the Great Salt Lake Causeway. I was sent there to again restore the track between Little Mountain and Lakeside. From Lakeside Siding to Hogup Siding, winds and flooding submerged the track 3 to 4 feet under water, misaligning the track to the south. At this time, I was in charge of assembling a campsite at Lakeside, UT for 250 people and three different construction groups to help restore trackage east and west of Lakeside. At Hogup constructed a campsite with trailers and commissary to accommodate 300 people, of which 250 were railroad workers and 50 were construction workers. The estimated time to restore this track back to service was 11 to 12 months; it was restored in five months time.

December 1985 – I returned to Roseville, CA and assumed my regular duties as Assistant Division Engineer.

1989 – I was promoted to District Engineer in charge of the Sacramento Division. This included the states of California, Utah, and Nevada under the management of the DRGWRR.

Approximately 1994 – More changes occurred in the management of the SPRR and the DRGW and I was given the title of District Manager with the same duties as the previous title.

1007 – Union Pacific bought out SP and DRGW and again my position was changed from District Manager to Manager of Track Programs.

I worked extensively with other departments such as Bridge and Building, Electrical, Water Quality Service, and Transportation. With the movement of trains I dealt with government agencies (FRA), environmental agencies, fire departments (city and county). Also, with the U.S. Forestry, Highway Patrols, in connection with replacement of grade crossings and bridges over major highways.

On major derailments, I rerailed cars and cleared the right-of-way, which also included Amtrak passenger trains. Snow and mud slides, snow bound trains, and any other emergency would require my bringing together men and equipment to handle the problems while interfacing with all departments.

October 1999 – Retired from UPRR.

RESUME

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Currently I am self-employed as a consultant on railroad projects dealing with tunnels, bridges, and culverts.

- 25 bridge removals and replacements with smooth wall steel culvert, Dunsmuir Canyon, CA
- 60 ft. double track bridge removed and then replaced with CMP culverts main line near Elmira, CA
- 15 wooden bridge replacements with pre-cast concrete drop ins, Dunsmuir Canyon, CA
- Replaced 160 ft. of wooden trestle with pre-stress concrete girders and steel pipe piling over Elk Horn Slough near Moss Landing, CA
- Constructed 350 ft. of steel bridge for Texas Industries (the piling were placed in shafts drilled into granite) Oklahoma
- Inspected all the track, bridges, tunnels, and culverts on Northwestern Pacific Railroad from Lombard to Eureka, CA

In April 2001 I retired from Union Pacific Railroad (early buy-out).

I was with the Southern Pacific Railroad from 1971 to 1997 and the Union Pacific Railroad after the merger from 1997 to 2001. I have extensive experience with railroad tunnels, snow sheds, rock sheds, and numerous types of railroad bridges including wood, steel, pre-stress concrete, and moveable structures.

From 1998 to 2001 I was the Manager of Structural Projects (Western Region) with Union Pacific Railroad. My responsibilities included overseeing the long range budget and project planning for all tunnels, bridges, buildings, and culverts, prioritizing projects (using inspection criteria), and on site overview of all proposed projects. I also estimated the cost of projects, ensured that the projects were built according to plan, and within estimates. I administered sub contractor bids, established what type and size of equipment was needed, and oversaw (tracked) budget spending on each project. The

Union Pacific (Western Region) at that time covered all UP structures from El Paso, TX, all of Arizona, California, Oregon, Idaho, and Utah to Ogden.

- After the merger I inspected and evaluated all of the Bridge Department's locomotive cranes and their pile driving equipment as to their condition, operator qualifications, and state of readiness for use in emergencies throughout the entire Union Pacific system (23 states).
- After a unit coal train derailed on a 120 ft. through plate truss bridge, causing it to collapse in the Caliente Canyon, it was replaced with driven steel piles and deck plate girders.
- Replaced 3 through plate girders with new, stronger through plate girders on the Feather River route near Portola, CA.

From 1991 to 1998 I was the Regional District Bridge Supervisor (Western Region) with SP. My responsibilities included overseeing bridge and building supervisors, employee safety, construction of tunnel, bridge, building, and culvert projects, inspection and repair of all structures, and budget. I was also involved in the development of the bridge inspection system currently in use on the Union Pacific Railroad. The Southern Pacific (Western Region) at that time covered all SP structures from El Paso, TX, Arizona, California, Oregon, and Utah.

- Due to the Great Salt Lake rising it became necessary to raise the 600 ft. Bear River Bridge 6 ft. by placing framed bents on the existing caps.
- The wooden bridge over the Ogden River, Ogden, UT, was destroyed by fire and rebuilt by driving 120 ft. friction piling with a pre-stress box girder deck.
- The bronze lens on the "I" Street Bridge in Sacramento, CA was damaged during the flood of 1996. We raised the bridge vertically (all 7,500,000 lbs. of it), removed the lens, set the bridge down on steel blocking, and had the lens machined. One week later the bridge was raised again and the rebuilt lens was reset; the bridge was then lowered back onto the rebuilt lens.
- After being hit by an ocean-going barge and moved 36 inches downstream, the Coos Bay Draw Bridge (when built, it was the world's largest swing span) was raised and moved back on its lens.
- Pier 1 Section B of the Pahavro River Bridge in Watsonville, CA dropped 30 inches during an earthquake. It was rebuilt by driving steel H beams on either side of the pier, and then placing the steel span on corbel blocks.
- During a flood in Arizona which washed out a deck plate girder structure at one location on the Nogales River and a 50 ft. pre-stress concrete box girder structure

at another, they were both rebuilt by driving steel H beam piling and then resetting the girders.

- As Regional District Bridge Supervisor (Western Region) I was sent to Texas in 1994 to rebuild 450 ft. of a deck plate girder (steel bridge) trestle using 24-inch steel pipe piles, pre-cast concrete caps, and pre-stress concrete girders. As the entire 450 ft. of bridge was gone we started from scratch and finished in 18 days.
- After an underwater inspection revealed that some 45 of the original 50 wooden piling were missing from beneath one of the abutment piers, temporary H piling were driven to support the bridge while the original concrete pier was sawn into 5 pieces and removed. A new concrete rest pier was constructed using steel pipe pile and H beams. This entire operation was accomplished without stopping train traffic.
- Built a pre-stress concrete bridge in Oklahoma that was washed out due to flood. Hopper cars were still hanging on the old piling.
- Rebuilt a double track main line bridge near Benson, AZ, one wood, one concrete. The concrete got so hot from the wooden bridge fire next to it that the pre-stress cables in the concrete were damaged beyond repair and the concrete girders had to be replaced. The wood bridge was rebuilt using steel H beam piling and pre-stress concrete girders.
- Following a bridge fire on the main line in Bakersfield, CA, the bridge was rebuilt under traffic using steel H beam piling and pre-stress concrete girders.

From 1983 to 1991 I was a Bridge and Building Supervisor and General Foreman, Bridge and Building on the Sacramento Division. My responsibilities included employee safety, inspection and repair of tunnels, bridges, buildings, and culverts, construction of capital projects, and budget. The Sacramento Division, at that time, included all structures from Tehama, CA south to Chowchilla, CA; Ogden, UT west to Sacramento, CA.

- After the Bear River Bridge washed out near Wheatland, CA it was rebuilt using driven steel H beam piling and steel deck plate girders.
- Replaced the east approach to the Feather River Bridge in Yuba City, CA using driven steel H beam piling and pre-stress concrete girders.
- As the Bridge and Building Supervisor on the Sacramento Region we retrofit the "I" Street double track (with roadway above) turn span bridge over the Sacramento River from a mechanical gear driven structure to a fully automatic, push button, electric/hydraulics.

- Stabilizing the no. 3 pier on the old Western Pacific Yuba River Bridge was accomplished by driving piling around the existing concrete pier, placing reinforcing steel between piles, then pumping concrete into the forms to fill the voids under and around the existing pier.
- The method used to stabilize the undermined piers on the Southern Pacific's Yuba River Bridge, driving sheet piling around the piers, thus sealing the water off, then drilling through the footers on the existing pier in order to pressure grout the voids beneath the piers.
- After being transferred to the Sacramento Division in 1983 as Bridge and Building Supervisor, I was placed in charge of replacing the wooden snow sheds on the number 1 and number 2 tracks on the Donner Summit with pre-stress concrete snow shed.
- Replaced the wooden portion of the west approach to the Yuba River Bridge with driven steel H beam piling and pre-stress concrete girders (2,250 ft.).
- Replaced 4 wooden bridges on the Yolo Causeway number 1 track with driven steel H beam piling and pre-stress concrete girders (10,900 ft.).
- Reconstructed burned out bridge over Simberly Slough in Marysville, CA with driven steel H beam piling and pre-stress concrete girders.

In 1983 I was a bridge inspector with Southern Pacific Railroad on the Oregon Division. My responsibilities included the inspection of tunnels, culverts, buildings, plus the steel, wood, and concrete bridges. My responsibilities included all structures from Crescent Lake, OR to Albany, OR on the main line, the Coos Bay Branch, and the Siskiyou Branch.

From 1982 to 1983 I was a certified bridge welder for Southern Pacific Railroad on the Eugene District.

From 1979 to 1982 I was a bridge and building supervisor in Eugene, OR on the Oregon District with SP. My responsibilities included employee safety, inspection of tunnels, bridges, buildings and culverts; construction of capital projects; and budget. The Oregon District included all structures from Crescent Lake, OR to Albany, OR on the main line, the Coos Bay Branch, and the Siskiyou Branch.

- Just after being promoted to Bridge and Building Supervisor in 1979, the Klamath River Bridge collapsed during a derailment. We rebuilt the 204 ft. structure with steel piling and pre-stress concrete girders.

- As the Bridge and Building Supervisor in Eugene, OR, both the 1st and 5th crossings on Tahkenitch Lake were rebuilt from wood to steel pile and pre-stress concrete girders (total of 1,455 ft.)

From 1971 to 1979 I was an agreement employee with SP, working as a foreman, assistant foreman, welder, and carpenter on various tunnels, bridges, buildings, and culverts on the Oregon District.

- As the bridge foreman in Canary OR, 1,200 ft. of wooden trestle on Siltcoos Lake was rebuilt with steel piling and pre-stress concrete girders.

In Regard to Tunnels:

- Fires (5 times) – Cascade line between Eugene and Crescent Lake
- Fire – Tehachapi
- Barrel cracking DRGW – Utah
- Loosing sub grade in tunnel – Oklahoma
- Side bulging and moving in tunnel 16 – Sims, CA
- Footing moving tunnel 4 – Carlin, NV
- Removing lining and gunite tunnel 19 – Reedsport, OR
- Portions of tunnel nos. 13, 16, 18, and 19 caved in on the Coos Bay Branch near Reedsport, OR
- Tunnel no. 9 caved in on the Siskiyou Branch near Hugo, OR
- Clearances for double stack container and tri-level auto cars

The fires were all extinguished using various methods (water, foam, fire breaks, pressure grouting, etc.) The cracking, moving, and bulging were repaired by rock bolting, driving mini pile, relaging, placing steel sets, and pressure grouting. The cave-ins were repaired by removing debris, placing steel sets, and guniting. The removal of tunnel lining was done by first removing the wood lining, then scaling the loose rock and applying gunite to seal the surface. The clearances for excessive height cars was archived by lowering the tunnel floors, notching the arches, and mining back the crowns. It also involved rock bolting and pressure grouting to stabilize the surrounding ground.

All remaining wood in the tunnels on both the old Southern Pacific and Union Pacific Railroads is scheduled to be removed due to fire.

Sawyer/Mill Wright, Coburg Veneer	Coburg, OR
Mill Write, Roseburo Lumber Co.	Springfield, OR
University of Oregon	Eugene, OR
Eugene Technical Institute	Eugene, OR
Springfield H high School	Springfield, OR

Attachment F

**Projected NWP Co. Financial Statements for
Years 1 – 4 Operations Between Lombard – Windsor**

NWP Co.
Proforma Income Statement

INCOME STATEMENT				
	Year 1	Year 2	Year 3	Year 4
PROJECTED CARLOADS:	1,000	2,000	6,056	6,056
REVENUE PER CARLOAD:	\$ 579	\$ 567	\$ 521	\$ 521
OPERATING REVENUES				
FREIGHT REVENUE	\$ 579,000	\$ 1,134,000	\$ 3,157,000	\$ 3,157,000
REAL ESTATE INCOME	\$ -	\$ 120,000	\$ 240,000	\$ 240,000
TOTAL	\$ 579,000	\$ 1,254,000	\$ 3,397,000	\$ 3,397,000
OPERATING EXPENSES				
MAINTENANCE OF WAY	\$ 200,000	\$ 200,000	\$ 375,000	\$ 375,000
MAINTENANCE OF EQUIPMENT	\$ 73,000	\$ 73,000	\$ 146,000	\$ 146,000
TRANSPORTATION	\$ 348,490	\$ 396,390	\$ 684,180	\$ 684,180
GENERAL AND ADMINISTRATIVE	\$ 371,250	\$ 371,250	\$ 744,750	\$ 744,750
LEASE PAYMENTS	\$ 240,000	\$ 240,000	\$ 240,000	\$ 240,000
TOTAL	\$ 1,232,740	\$ 1,280,640	\$ 2,189,930	\$ 2,189,930
INCOME FROM OPERATIONS	\$ (653,740)	\$ (26,640)	\$ 1,207,070	\$ 1,207,070
OTHER INCOME	\$ -	\$ -	\$ -	\$ -
ONE-TIME EXPENSES	\$ -	\$ -	\$ -	\$ -
INCOME AVAILABLE FOR FIXED CHARGES	\$ (653,740)	\$ (26,640)	\$ 1,207,070	\$ 1,207,070
INTEREST ON DEBT/CAPITAL LEASES	\$ -	\$ 108,766	\$ 102,300	\$ 63,314
AMORTIZATION OF ACQUISITION	\$ -	\$ -	\$ -	\$ -
PRE-TAX INCOME	\$ (653,740)	\$ (135,406)	\$ 1,104,770	\$ 1,143,756
INCOME TAXES	\$ -	\$ -	\$ 441,908	\$ 457,502
NET INCOME AFTER TAXES	\$ (653,740)	\$ (135,406)	\$ 662,862	\$ 686,254
EBITDA	\$ (653,740)	\$ (26,640)	\$ 1,207,070	\$ 1,207,070
OPERATING RATIO	n/a	1.02	0.64	0.64

NWP Co.
Proforma Balance Sheet Statement

BALANCE SHEET STATEMENT				
	Year 1	Year 2	Year 3	Year 4
ASSETS				
CASH	\$ 400,738	\$ 256,561	\$ 496,613	\$ 479,381
SHORT-TERM INVESTMENTS	\$ -	\$ -	\$ -	\$ -
ACCOUNTS RECEIVABLES	\$ 48,250	\$ 94,500	\$ 263,083	\$ 263,083
PROPERTY AND PLANT	\$ -	\$ -	\$ -	\$ -
ACCUMULATED DEPRECIATION	\$ -	\$ -	\$ -	\$ -
NET PROPERTY AND PLANT	\$ -	\$ -	\$ -	\$ -
OTHER ASSETS- RESERVE ACCT.	\$ -	\$ -	\$ -	\$ -
TOTAL ASSETS	\$ 448,988	\$ 351,061	\$ 759,697	\$ 742,464
LIABILITIES & EQUITY				
ACCOUNTS PAYABLE	\$ 102,728	\$ 106,720	\$ 182,494	\$ 182,494
SHORT TERM DEBT				
LONG-TERM DEBT:	\$ 1,000,000	\$ 1,033,486	\$ 703,486	\$ -
OTHER LIABILITIES	\$ -	\$ -	\$ -	\$ -
TOTAL LIABILITIES:	\$ 1,102,728	\$ 1,140,206	\$ 885,981	\$ 182,494
STOCKHOLDERS EQUITY:	\$ -	\$ -	\$ -	\$ -
RETAINED EARNINGS	\$ (653,740)	\$ (789,146)	\$ (126,284)	\$ 559,970
TOTAL LIABILITES AND EQUITY:	\$ 448,988	\$ 351,061	\$ 759,697	\$ 742,464
	-	-	-	-

NWP Co.
Proforma Cash Flow Statement

CASH FLOW STATEMENT				
	Year 1	Year 2	Year 3	Year 4
CASH PROVIDED FROM OPERATIONS				
NET INCOME	\$ (653,740)	\$ (135,406)	\$ 662,862	\$ 686,254
DEPRECIATION	\$ -	\$ -	\$ -	\$ -
OTHER	\$ -	\$ -	\$ -	\$ -
SUB-TOTAL	\$ (653,740)	\$ (135,406)	\$ 662,862	\$ 686,254
DECREASE (INC.) IN WORKING CAPITAL				
RECEIVABLES	\$ (48,250)	\$ (46,250)	\$ (168,583)	\$ (0)
PAYABLES	\$ 102,728	\$ 3,992	\$ 75,774	\$ -
OTHER CURRENT ASSETS/LIAB:	\$ -	\$ -	\$ -	\$ -
SUB-TOTAL	\$ 54,478	\$ (42,258)	\$ (92,809)	\$ (0)
CASH PROVIDED FROM OPERATIONS	\$ (599,262)	\$ (177,664)	\$ 570,053	\$ 686,254
EXPENDITURE FOR PROPERTY	\$ -	\$ -	\$ -	\$ -
INCREASE IN STOCKHOLDER EQUITY	\$ -	\$ -	\$ -	\$ -
REDUCTION IN LONG-TERM DEBT	\$ -	\$ (66,514)	\$ (330,000)	\$ (703,486)
INCREASE IN LONG-TERM DEBT	\$ 1,000,000	\$ 100,000	\$ -	\$ -
CHANGE IN CASH	\$ -	\$ 400,738	\$ (144,178)	\$ 240,053
CASH- BEGINNING OF THE YEAR	\$ -	\$ 400,738	\$ 256,561	\$ 496,613
CASH- END OF THE YEAR	\$ 400,738	\$ 256,561	\$ 496,613	\$ 479,381

**NCRA MANAGEMENT AND FUNDING PLAN
FOR THE
REHABILITATION OF THE NWP LINE**

Prepared For:

California Transportation Commission

Prepared By:

North Coast Railroad Authority

Date Due:

October 24, 2006

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I. Introduction

On September 13, 2006, NCRA entered into a Lease Agreement with the Northwestern Pacific Railroad Co. (NWP Co.) that will govern its relationship with the Operator of the entire Northwestern Pacific Line (NWP Line) extending from Lombard to Samoa. Subject to certain conditions, NWP Co. will be the sole and exclusive operator of all freight trains, work trains, and passenger excursion trains on the NWP Line. The initial term of the Lease Agreement is five (5) years with options to extend the term on the same terms and conditions for as many as 99 additional years.

Responsive to the California Transportation Commission's (CTC) request, NWP Co. has submitted a *Business Plan* that, although focused on its initial operations over the NWP Line between Lombard and Samoa, also addresses its more general plan for operating the entire NWP Line.

NCRA is providing this Management and Funding Plan for the rehabilitation of the NWP Line to the CTC as a companion document to the *Business Plan* provided by NWP Co. NCRA's objective in doing so is to demonstrate the high quality of the Management Team that NCRA has assembled to manage the rehabilitation and reopening of the NWP Line and to show that its available

funding, although limited, is projected to be adequate to fund the required activities of the Agency while doing so.

II. Management Team

NCRA has carefully assembled a fully qualified Management Team that has gained wide experience with similar projects and, therefore, possesses the necessary credentials for the management of the rehabilitation and reopening project of the NWP Line.

Mitch Stogner, Executive Director of NCRA, is responsible for the overall management of NCRA, including its relationship with the CTC, Caltrans, and NWP Co. An Executive Director of NCRA since 2003, Mitch Stogner has served for almost 30 years in state and federal government positions. His experience includes 12 years as Director of Government Affairs for BART with a major focus on obtaining local, state, and federal funding for the BART extension from Daly City to San Francisco International Airport. Prior to that time, from 1983 to 1991, he served as Chief of Staff for Representative Douglas H. Bosco with a primary focus on the House Public Works and Transportation Committee, currently House Transportation and Infrastructure Committee. Prior to that, from 1976 to 1982, he

was Chief of Staff for Assemblyman Doug Bosco as well as a consultant to the Assembly Democratic Caucus with a focus on public transportation projects.

David R. Anderson, P.E., serves as NCRA's Engineer/Project Manager, reporting to Mitch Stogner. Also President of American Rail Consultants, Inc., Mr. Anderson brings over 35 years of railroad and civil engineering experience, and he has served as project manager on several major multi-discipline rail and public works projects. His experience has included conceptual studies, environmental studies, preliminary engineering, PS&E, and construction management of rail and roadway projects including bridges, road bed, drainage and flood control, transportation corridor planning, and transit facilities. During his career, Mr. Anderson has participated in the design and construction of over \$2 billion of transportation and related public works projects. As NCRA's Engineer / Project Manager, David Anderson will be responsible for overseeing NCRA's on-call engineer and construction contractors and coordinating rehabilitation and operation and maintenance issues with the NWP Co.

Angel Lucero, also a member of American Rail Consultants, Inc., serves as NCRA's Planning and Funding Manager. She provides analysis, interpretation and implementation of funding options for public and private clients, and works with stakeholders to identify challenges and solutions to funding shortfalls. With 18 years of public financial consulting experience, Angel Lucero has assisted 70

public agencies and private interests in financing capital improvements and ongoing maintenance. Her experience also includes the preparation of fee and rate studies, as well as the formation and administration of over 100 local improvement districts in California, Nevada, and Arizona. For NCRA, she is responsible for preparing and coordinating funding plans for this Northern California railroad. Activities include preparing Transportation Congestion Relief Program (TCRP) project reports and applications, updating the Authority's Policies and Procedures Manual, preparing the DBE Program including changes initiated state-wide in May 2006, support related to obtaining ISTEA funds, and coordinating funding and project scheduling with the engineer/construction needs of the Authority.

Timothy W. Cobb, P.E. heads HNTB's multi-disciplinary Team for all NCRA work. As NCRA's On-Call Engineering Firm, HNTB is supported by multiple subcontractors including Oscar Larson & Associates and Kleinfelder for environmental analyses, and Shannon & Wilson for geotechnical and tunnels assessments. Timothy Cobb, HNTB Senior Project Manager, has almost 20 years experience in the railway design and construction field, which allows him to manage engineering projects through design and construction phases. His rail experience includes project management of the Boston, Massachusetts to Portland, Maine passenger service start project and Deputy Program Manager for the JPB general services. Mr. Cobb has been responsible for design, layout and field inspection of construction work performed on railroad systems. He has worked

with environmental agencies on permitting and wetland issues. He has also worked with major shippers on capital improvement projects including track infrastructure. Federal Rail/Highway crossing safety improvements and crossing maintenance programs. Timothy Cobb is Deputy Program Manager for on-call multi-disciplinary engineering and construction management services to the San Mateo County Transit District and the Peninsula Corridor Joint Powers Board. In that capacity, HNTB is providing a full range of planning, design, engineering, program management and construction management services for both the district and the board. Work includes seismic retrofitting for Caltrans bridges on the Caltrain system; PCJPB Program Management Plan development; planning, design and CM services for development of a new central maintenance facility for the Caltrain fleet; development of a new centralized traffic control system for the Caltrain system; and development of a \$127 million project to build new third and fourth track alignments for the Caltrain system in conjunction with development of higher speed express service between the cities of San Francisco and San Jose.

In combination, NCRA's Management Team possesses all of the experience and qualifications that are necessary to manage the rehabilitation and reopening project of the NWP Line. The specific components of the Project are contained in NCRA's strategic plan dated September 15, 2006 as well as in its TCRP Applications dated September 15, 2006, all of which have been provided to Caltrans and the CTC.

III. Cash Flow Projections

In parallel with the financial projections provided by NWP Co. in its *Business Plan*, NCRA has projected its cash flow for the same four year planning horizon; these cash flow projections are contained in Attachment A. It is NCRA's opinion that these cash flow projections for NCRA demonstrate that it will be financially stable throughout the planning horizon. Note that none of the cash flow projections have been adjusted for inflation of either NCRA's revenues or expenses so that all of the financial data are in constant 2006 dollars.

A. Revenue and Expense Projections

All of the revenue and expense projections contained in NCRA's projected Financial Statements are based on the Agency's historical experience, modified by budgets for the current fiscal year. An exception is the additional funding that NWP Co., as the Operator of the NWP Line, has agreed to provide in accordance with a Memorandum of Understanding dated October 11, 2006. By that agreement, a supplement to the Lease Agreement between the parties that was signed on September 13, 2006, the Operator has agreed to provide a funding supplement of \$20,000 per month, contingent upon the CTC's approval of the

requested allocation for the rehabilitation and reopening of the line between Lombard and Windsor. The funding supplement from NWP Co. commenced in September 2006, and is projected to continue at least throughout the four year planning horizon of the projected financial statements.

The Operator has also committed to provide a Bridge Loan to NCRA in an amount not to exceed \$500,000 for the sole purpose of permitting NCRA to pay approved vendor invoices that are reimbursable from TCRP or ISTEAF funding. Interest will be charged on the outstanding balance in the amount paid by NWP Co. and interest in addition to any disallowed invoices, in whole or in part, shall be credited as Advance Lease Payments made by NWP Co.

B. Cash Flow Projections

NCRA's cash flow projections for the next four years compared with actual FY 2005/2006 results are shown in Attachment A. Those data demonstrate that NCRA will, during that planning horizon continue to be financially viable as well as being able to pay down a portion of its long term debt.

NCRA continues to negotiate its debts and settlements. Settlement discussions are ongoing with Union Pacific with a settlement proposal being reviewed internally

by Union Pacific. Discussion has been initiated with PALCO but there are no offers presently pending. A settlement has been completed and paid to Mass Electric. NCRA has no debts to either John Darling or to NWPY; however, NWPY has requested arbitration of its claims against NCRA, which NCRA believes will be favorably resolved. Although NCRA holds a number of counter-claims against NWPY, it suspects that the counter-claims are not likely to result in recovery and are useful only for the purpose of offsetting any legitimate claims of NWPY.

As shown by the cash flow projections, NCRA's estimates that it will be able to pay down a total of \$125,144 in previously incurred long term debts over the four year planning horizon in addition to funding all of the expenses of the Agency and the costs of the personnel who are essential to managing the rehabilitation and reopening project.

Attachment "A"

**North Coast Railroad Authority
2006 / 2007 and Projected Cash Flow Statements**

**North Coast Railroad Authority
2006/2007 and Projected Cash Flow Statement
Attachment "A"**

		Actual 2005/06	Projected 2006/07	Projected 2007/08	Projected 2008/09	Projected 2009/10
note						
Revenues:						
	Sub-Object					
	1700 Interest on Pooled Cash	1,843	3,000	3,000	3,000	3,000
	1701 Interest Earned	0	24,000	24,000	24,000	24,000
	1760 Investment Income	0	0	0	0	0
1	1800 Rents-NWP	0	200,000	240,000	240,000	240,000
	1801 Rents-Real Estate	228,701	220,000	230,000	240,000	250,000
	1850 Equipment Lease	140,875	241,500	241,500	241,500	241,500
	Total Use of Money/Property	371,419	688,500	738,500	748,500	758,500
	2500 State -Other	78,583	50,000	0	0	0
	2680 Fed - Disaster Relief	37,408	50,000	0	0	0
	Total Intergovernmental Revenues	115,991	100,000	0	0	0
	3323 Encroachment Permits	7,300	3,000	3,000	3,000	3,000
	3702 Application Fees	2,400	3,600	3,600	3,600	3,600
	3980 Revenue Applicable to Prior Years	0	0	0	0	0
	Total Charges for Services	9,700	6,600	6,600	6,600	6,600
	4040 Miscellaneous Revenues	15,523	0	0	0	0
	Total Miscellaneous Revenues	15,523	0	0	0	0
	4600 Sale-Fixed Assets	0	0	0	0	0
	4601 Sale-Fixed Assets	0	0	0	0	0
	4624 Unclaimed-OT-Enterprise Fund	0	0	0	0	0
	4864 RET- Within Enterprise	0	0	0	0	0
	Total Other Financing Sources	0	0	0	0	0
	Total Revenues	512,633	795,100	745,100	755,100	765,100

Expenses:**Salaries and Benefits**

5100	Permanent Positions	173,980	170,000	170,000	170,000	170,000
5110	Extra Help	834	3,500	3,500	3,500	3,500
5120	Overtime	58	0	0	0	0
5140	Premium Pay	0	0	0	0	0
5210	County Retirement	27,337	30,000	30,000	30,000	30,000
5220	FICA	4,598	5,000	5,000	5,000	5,000
5240	PST Deferred Comp	0	0			
5300	Health Insurance	17,688	20,000	20,000	20,000	20,000
5350	Unemployment Insurance	0	0	0	0	0
5910	Perm Positions-Loc Bds	0	0	0	0	0
5911	Extra Help- Loc Bds	0	0	0	0	0
5913	Boards/Commissions	0	0	0	0	0
5915	Vacation Pay - Local Boards	0	0	0	0	0
5920	Retirement Contrib-Loc Bds	0	0	0	0	0
5921	County Retirement	0	0	0	0	0
5922	FICA Retirement-LOC	0	0	0	0	0
5930	Health Ins-Loc Bds	0	0	0	0	0
5931	Disability Insurance-Local Boards	0	0	0	0	0
Total Salaries and Benefits		224,495	228,500	228,500	228,500	228,500

Services and Supplies

6040	Communications	6,977	5,000	5,000	5,000	5,000
6060	Food	967	700	700	700	700
6100	Insurance	30,273	29,000	29,000	29,000	29,000
6140	Maintenance - Equipment	4,568	3,000	3,000	3,000	3,000
6166	Bridge Repair	14,126	5,000	5,000	5,000	5,000
6180	Maintenance - Bldg/Imp	7,930	7,000	7,000	7,000	7,000
6280	Memberships	0	0	0	0	0
6300	Miscellaneous	11,646	0	0	0	0
6400	Office Expense	3,400	3,400	3,400	3,400	3,400
6410	Postage	2,407	2,000	2,000	2,000	2,000
6415	Books/Periodicals	688	500	500	500	500
6500	Professional/Special Services	41,568	20,000	20,000	20,000	20,000
6507	Weed Abatement	0	0	0	0	0
6516	Data Processing Services	1,163	900	1,200	1,200	1,200
6540	Contract Services	0	120,000	120,000	120,000	120,000
6573	Administration Costs	7,098	12,700	12,700	12,700	12,700
6589	Permits	0	5,000	5,000	5,000	5,000

6610	Legal Services	97,281	95,000	95,000	95,000	95,000
6629	Fiscal Accounting	30,278	37,000	37,000	37,000	37,000
6630	Accounting/Audit Services	28,201	26,000	26,000	26,000	26,000
6639	Property Management Fees	5,258	5,500	5,500	5,500	5,500
6800	Public/Legal Notice	199	1,000	1,000	1,000	1,000
6820	Rents/Leases - Equipment	913	1,000	1,000	1,000	1,000
6840	Rents/Leases - Buildings/Improvements	10,440	11,000	11,000	11,000	11,000
6889	Software	30	100	50	50	50
7053	License Fees	0	0	0	0	0
7120	Training-In-Service	124	150	100	100	100
7302	Travel Expense	2,701	5,000	5,000	5,000	5,000
7303	Private Car Expense	4,137	6,000	6,000	6,000	6,000
7320	Utilities	20,180	20,000	20,000	20,000	20,000
Total Services & Supplies		332,553	421,950	422,150	422,150	422,150
7920	Interest	54,472	56,562	56,562	56,562	56,562
7930	Interest-LT Debt	22,152	22,152	22,152	22,152	22,152
7970	Taxes/Assessments	4,251	4,500	4,500	4,500	4,500
Total Other Charges		80,875	83,214	83,214	83,214	83,214
9000	Appropriations for Contingencies	0	0	0	0	0
Total Appropriations for Contingencies		0	0	0	0	0
Total Expenses		637,923	733,664	733,864	733,864	733,864
Cash						
Beginning Balance - Retained Earnings		53,463	19,679	19,679	19,679	19,679
Total Revenue		512,633	795,100	745,100	755,100	765,100
Total Expenses		637,923	733,664	733,864	733,864	733,864
Change in Retained Earnings		(71,827)	61,436	11,236	21,236	31,236
Debt Repayment		0	61,436	11,236	21,236	31,236
Ending Balance - Retained Earnings		(71,827)	0	0	0	0

Note 1 - Payments of \$20,000 initiated in September 2006.