Montana Branch Line Study

Phase II

Other At-Risk Lines

A Report Prepared For

Montana Department of Transportation
Montana Department of Agriculture
And
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Montana Branch Line Study

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Requirement

Phase I evaluated the Burlington Northern Santa Fe (BNSF) Plentywood-Scobey and Glendive-Circle rail lines. The Phase II requirement is to determine the status of other at-risk rail lines, using Table 4 of the *2000 Montana State Rail Plan Update* as the starting point. Phase II describes each line with regard to traffic and infrastructure condition, and ranks them based upon potential risk of abandonment. Phase II further analyzes the top ten at-risk lines (1) to obtain the opinions and reactions of County Commissioners, rail shippers, railroads and other interested parties; (2) to perform a financial analysis of each line; and (3) to determine ways to preserve rail service. Although not included in Table 4 of the *2000 Montana State Rail Plan Update*, the Bainville-Plentywood line is included in this Phase II analysis because of the prospective abandonment of its Plentywood-Scobey segment.

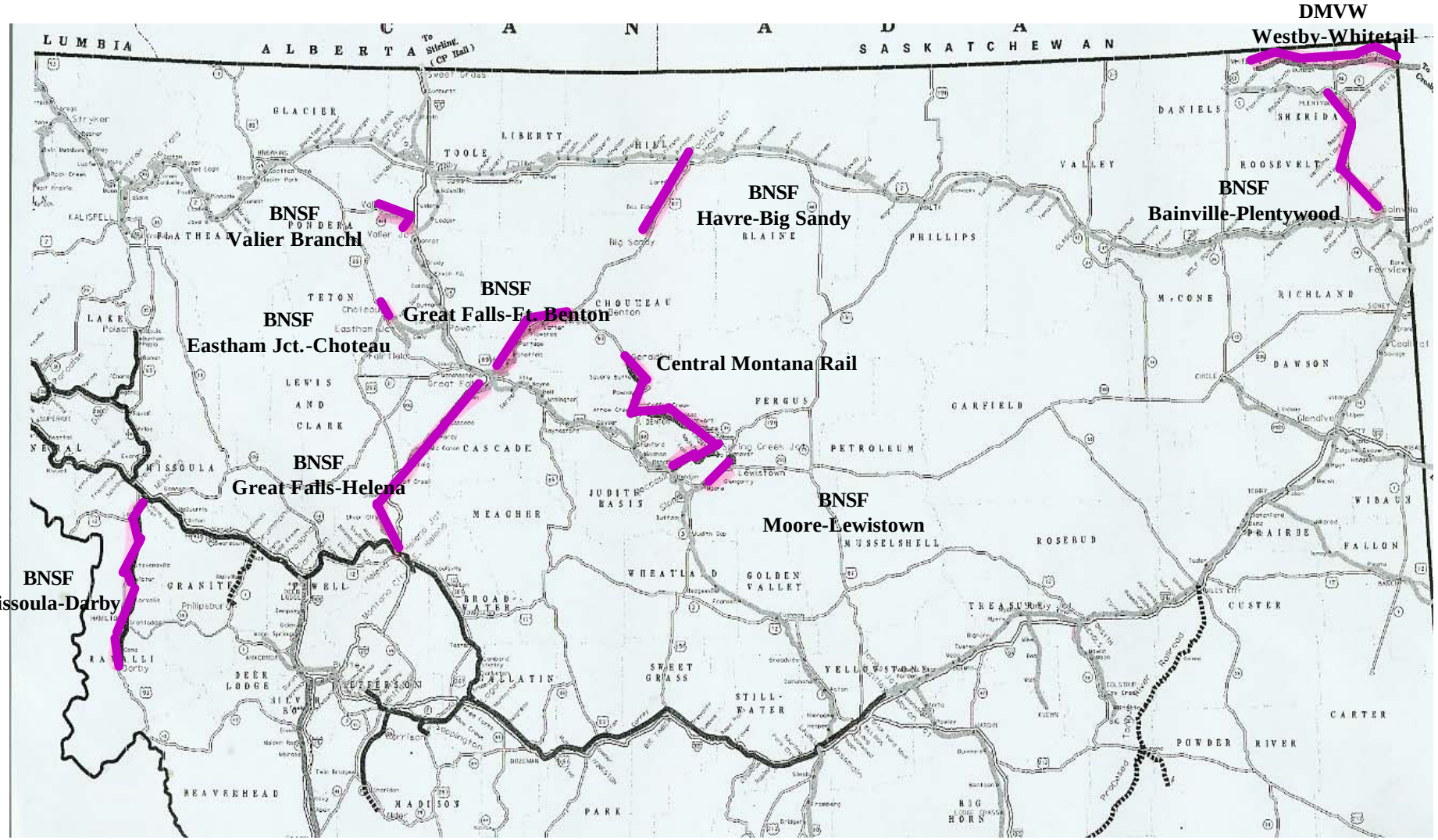
Executive Summary

This Phase II portion of the Branch Line Study looks beyond planned Plentywood-Scobey and Glendive-Circle abandonments and evaluates other at-risk rail lines in Montana, to determine their susceptibility to abandonment and to provide preservation options.

Table 4 from the *2000 Montana State Rail Plan Update,* "Low Density Rail Lines in Montana", is the starting point for the Phase II analysis. Data were gathered from the railroads to update data on the low traffic density rail lines. These lines (excepting Plentywood-Scobey and Glendive-Circle, which were analyzed in Phase I) were initially ranked based upon the number of annual carloads per mile and then evaluated based upon other factors which relate to potential risk of abandonment, such as traffic volume trends, number of customers on the line, and commodities shipped and received. In the case of grain lines, proximity to 110-car grain loading facilities also was considered.

Based on the new ranking, the top ten at-risk lines were further examined, including on-site visits. Community leaders, shippers, railroads and other interested parties were interviewed. Each line was evaluated with regard to its prospects, and conclusions were made regarding preservation of rail service. Figure 1 on page 2 is a map showing locations of the ten at-risk lines.

Figure 1
Ten At-Risk Rail Lines



Source: Montana Department of Transportation and RLBA.

Conclusions

Methods used to preserve rail service include a number of options. Where traffic is decreasing, reasons for the decline must be evaluated. It may be possible to arrest or reverse declining rail traffic by providing incentives to use rail, for example, financial incentives, and reduction of taxes with regard to the railroad property. Close coordination with the railroad and railroad users (shippers) is important in understanding declining rail use and in searching for ways to increase rail use.

The "Options Available" and "Conclusions" sections of the *Montana Branch Line Study Phase I* may also be pertinent, and should be considered along with the options to preserve rail service described in this Phase II report.

Introduction

Phase II examines at-risk rail lines in Montana, listed in Table 4 of the *2000 Montana State Rail Plan Update* and reproduced in this report as Table 1, which were not analyzed in Phase I. Phase II evaluates the prospects of ten lines considered at risk and important to the state, and recommends ways to preserve rail service.

As stated on page 63 of the *2000 Montana State Rail Plan Update*, identification of rail lines in danger of abandonment is an imperfect science at best. In the final analysis, each case must be evaluated on its own merits. A reasonably reliable predictor of rail line viability is the number of carloads per mile, as this figure indicates whether the traffic revenue (carloads) will pay for track maintenance (the per mile denominator). Carloads per mile is used in this analysis for initial screening; other factors which relate to potential risk of abandonment, such as traffic volume trends, number of customers on the line, and commodities shipped and received, are also considered.

Table 1 Lines

BNSF

Spire Rock-Butte

BNSF owns the rail right of way between Spire Rock and Butte, a distance of 19.5 miles.[1] Although track and bridges are in place, this line has been out of service since the early 1980s, but not abandoned. When last operated, track

[1] This distance is different from that shown in Table 1, based on more recent information received from BNSF.

TABLE 1
LOW DENSITY RAIL LINES IN MONTANA
(1999 Data)
By Descending Order of Risk

Number	Owner	Line End Points	Carloads	Length (miles)	Carloads Per Mile
1	BNSF	Spire Rock-Butte	0	21.0	0
2	MRL	Drummond-Philipsburg	0	26.0	0
3	MRL	Twin Bridges-Alder	0	19.5	0
4	MRL	Whitehall-Spire Rock	0	11.8	0
5	MRL	Sappington-Whitehall	3	19.1	0.2
6	MRL	Whitehall-Twin Bridges	29	26.1	1
7	MRL	Missoula-Darby	141	65.4	2
8	MRL	Sappington-Harrison	37	9.8	4
9	DMVW	North Dakota border-Whitetail	353	57.0	6
10	BNSF	Eastham Junction-Choteau	98	7.9	12
11	BNSF	Glendive-Circle	680	52.1	13
12	CMR	Moccasin Junction-Geraldine	1140	84.2	14
13	BNSF	Plentywood-Scobey	679	44.6	15
14	MRL	Dixon-Polson	575	33.4	17
15	RARW	Silver Bow-Anaconda	330	18.9	17
16	BNSF	Valier Branch	538	17.3	31
17	BNSF	Havre-Big Sandy	1233	31.2	40
18	BNSF	Moore-Lewistown	899	18.1	50
19	BNSF	Great Falls-Helena	5725	95.4	60
20	BNSF	Glendive-Sidney-Snowden	5500	78.6	70
21	BNSF	Power-Eastham Junction	1509	21.1	72
22	BNSF	Great Falls-Fort Benton	2175	44.8	49
23	UP	Idaho border-Silver Bow	10941	125.2	87

Source: *2000 Montana State Rail Plan Update*

was Federal Railroad Administration (FRA) excepted track.[2] Weight of rail is 131 and 132 pound, laid in 1956-57.

There has been no traffic on this line since the early 1980's. Notwithstanding the approximately two decades that this segment has been out of service, BNSF has elected not to abandon the line. At its eastern end, Spire Rock, this line continues as Montana Rail Link (MRL) track.

Eastham Junction-Choteau

This 7.9-mile segment has a maximum track speed of 25 miles per hour (mph), can carry 143-ton railcars but not six-axle locomotives, and has 115 pound rail rolled in 1982, except at the final two miles of track in Choteau, where rail is 90 pound, fabricated in 1954. The *2000 Montana State Rail Plan Update* shows 465 carloads on this segment in 1991, and 98 carloads in 1999.

Following are available data showing the carload trend.

Year	Carloads	
1991	465	
1999	98	
2000	35	wheat mostly (25 carloads), bran, corn, wallboard
2001	148	virtually all wheat (139 carloads)
2002	38	bran (15), oilseeds (10), wheat (9), corn (4)
2003	89	mostly wheat (50), also barley (32), corn (7)

There were 11 carloads per mile on this segment in 2003.

Eastham Junction-Fairfield (Fairfield Subdivision)

Though not included in Table 1, this rail line is described here because it is connected to the Power-Eastham Junction and Eastham Junction-Choteau rail lines.

This 10.4-mile branch line has a maximum track speed of 25 mph, can carry 143-ton railcars, and is composed of virtually all 115 pound rail rolled in 1982. The *1993 Montana State Rail Plan Update* shows 1,124 carloads in 1991, and the *2000 Montana State Rail Plan Update* shows 1,411 in 1999. Traffic is almost entirely originating grain.

[2] Excepted track is a Federal Railroad Administration (FRA) classification which results in certain restrictions, including that maximum allowable operating speed for freight trains is 10 miles per hour, and that no revenue passenger train shall be operated. Other restrictions are contained in 49 CFR Section 213.4.

Carload data trend:

Year	Carloads
1991	1,124
1999	1,411
2000	1,175 barley
2001	1,104 virtually all barley
2002	1,000 virtually all barley
2003	1,178 virtually all barley

There were 113 carloads per mile in 2003.

Anheuser Busch operates a 52-car facility loading outbound barley at Fairfield. This line serves a big barley area.

Power-Eastham Junction

This 21.1-mile segment connects the Eastham Junction-Choteau and Eastham Junction-Fairfield grain-gathering lines with the BNSF north-south main line between Shelby and Great Falls. Zero carloads originated or terminated in years 2000-2003, the segment has a ten mph permanent speed restriction, and it can carry 143-ton railcars but not 6-axle locomotives.

There were 60 carloads per mile over this line in 2003.

Valier Branch

This 17.3-mile branch line has a maximum speed of 25 mph between milepost (MP) 0.0 and 15.1, then 10 mph to end of track. The line can carry 143-ton railcars. Rail is mostly 110 pound, rolled in 1983.

Valier Branch has carried the following traffic (carloads).

Year	Carloads
1991	862
1999	538
2000	570 (249 wheat, 308 barley)
2001	275 (132 wheat, 117 barley)
2002	206 (156 wheat, 15 barley)
2003	107 (52 wheat, 35 barley)

There were six carloads per mile in 2003.

Havre (Pacific Junction)-Big Sandy

This 31.2-mile branch line has a 10 mph speed limit, can carry the 143-ton maximum gross weight railcar. Rail is almost entirely 110-pound, rolled in the 1950s. It has 14 bridges.

The *2000 Montana State Rail Plan Update* shows 1,747 carloads in 1991, and 1,233 in 1999, and states that construction of a 110-car loading facility at Havre "casts doubt over the future of this branch line."

Following shows the traffic trend on this line.

Year	Carloads	
1991	1,747	
1999	1,233	
2000	1,064	(1054 wheat)
2001	488	(485 wheat)
2002	292	(283 wheat)
2003	282	(272 wheat)

There were nine carloads per mile in 2003.

Moore-Lewistown

This 18.1-mile rail line has a maximum 25 mph track speed, with exceptions. The first 17.0 miles of the line, between Sipple (MP 0.0) and Glengarry (MP 17.0), can carry 143-ton railcars, but the remaining line is limited to 134-ton cars. Six-axle locomotives are restricted from most of the line. Rail weights vary and include 75, 90, 100, 112 and 115 pound sections. The Moore-Lewistown segment is part of the BNSF Sipple-Moore-Lewistown branch line. Moore is at MP 7.4.

1991 carloads were 2,025, mostly grain, but also wood chips and wood products. 1999 carloads totaled 1,694.

This line carried the following traffic in the years indicated.

Year	Carloads	
2000	635	(591 wheat)
2001	172	(124 wheat)
2002	160	(114 wheat)
2003	17	(17 wheat)

There was one carload per mile between Moore and Lewistown in 2003.

Trains Newswire reported on April 8, 2003, that Lewistown's last lumber mill closed in 2002 and that a metal recycler and grain elevator used rail transportation only

occasionally. The same source also stated that city and county officials are working on a plan to retain rail service. At about the same time it was reported that Montana Department of Transportation (MDT) assist in plans to develop an industrial park, allowing BNSF to close the rail line through Lewistown. BNSF has stated it intends to provide service to the industrial park for five years.[3]

Great Falls-Helena

There has been no traffic on this 95.4-mile line since about year 2000 because of riverbank stability problems. There were no customers on the line, which was used to "bridge" traffic between Great Falls and Helena. Before closure of the line, maximum track speed was 35 mph, with restrictions at certain locations. Maximum gross car weight was 143 tons, and rail weight varies: 90, 112, 115, 131 and 132 pound.[4] The line has 48 railroad bridges. Traffic in 1999 was one million gross tons (carload count not available: the *2000 Montana State Rail Plan Update* estimates 60 carloads per mile).

Glendive-Sidney-Snowden

This 78.6-mile line connects the coal-carrying main line through Glendive with the Hi Line at Snowden. Maximum track speed is 40 mph. Maximum gross weight of railcar is 134 tons. Rail weight is 132, 115, 112, 110, 100 and 90 pound.

Following is a listing of carloads originating or terminating over the last four years between Sidney and Snowden.

Year	Carloads	
2000	5,473	(sugar, sugar products, molasses (food & kindred) 2,100; petroleum & coal products 1,671; wheat 1,038; nonmetallic minerals (stone) 541)
2001	5,188	
2002	4,585	
2003	6,028	(sugar, sugar products, molasses (food & kindred) 1,645; barley 1,602; wheat 946; petroleum & coal products 1,364; stone 397)

Excepting three carloads in 2003, no traffic originated or terminated between Sidney and Glendive in years 2000-2003.

There were 244 carloads per mile between Sidney and Snowden in 2003. Over the entire Glendive-Sidney-Snowden line, there were 77 carloads per mile in 2003.

Great Falls-Fort Benton

[3] "Localities Seek To Stop Abandonments", *Rail Business*, April 21, 2003, page 1.
[4] Rail weight, normally express in pounds, refers to the weight of one yard of rail.

Authorized maximum track speed is 25 mph on this 44.8-mile line. Maximum gross car weight authorized is 143 tons. Rail is virtually all 90 pound, rolled in 1942. The line has eight bridges.

Chouteau County sources report two places between Great Falls and Fort Benton where BNSF has been required to repair erosion. Approximately one mile west of Fort Benton and just east of Kershaw, where the rail line is constructed alongside a bluff, there has been some "sluffing off", or erosion. BNSF repair efforts are evident. Closer to Great Falls, at Portage trestle, the approaches to the trestle are reportedly problematic.

This line saw the following traffic trend over the years indicated:

Year	Carloads
1991	3,600 (almost entirely originating grain)
1999	2,175
2000	2,003 (1,485 wheat, 518 barley)
2001	1,684 (1,398 wheat, 281 barley)
2002	1,125 (926 wheat, 195 barley)
2003	1,381 (1,207 wheat, 162 barley)

This line carried 31 carloads per mile in 2003.

Bainville-Plentywood

This rail line, even though not in Table 1, is included in this Phase II study because of the prospective abandonment of the Plentywood-Scobey segment, evaluated in the Phase I report.

This 54.4-mile line has a maximum speed of 25 mph, and will carry 143-ton railcars. There is a limit of 85 loads (85 loaded cars per train) between Bainville and Plentywood. Weight of rail is 90 pounds, rolled in 1926, 1928 and 1929.

The traffic trend is declining, as shown below.

Year	Carloads
1999	2,374
2000	2,036
2001	1,926
2002	1,653
2003	1,282

Traffic is almost entirely outbound wheat. Additionally, there are a few carloads per year of barley, oats and fertilizer.

There were 24 carloads per mile in 2003.

Union Pacific Railroad (UP)

Idaho border-Silver Bow

UP has 125.2 route-miles in Montana, running from the Idaho border (near Monida, Montana) to Silver Bow (near Butte). Maximum track speed is 40 mph; rail weight is 133 pound. UP interchanges at Silver Bow with BNSF and Rarus.

Traffic on this line, by year, is shown as follows.

Year Ending	Total Carloads	Originating	Terminating
1993	18,542	5,860	6,557
1994	16,699	5,388	3,948
1995	11,701	5,113	656
1996	12,637	5,912	0
1997	no data	no data	no data
1998	9,062	5,050	695
1999	10,941	6,911	1,075
2000	10,876	5,274	1,254
2001	9,769	4,258	1,162
2002	9,628	3,539	1,911
2003	11,249	4,080	1,755

Decline in carloads between 1993 and 1999 is attributed to loss of a customer, Rhone Poulenc, a phosphorus plant at Silver Bow. Recent originating traffic is mostly lumber and wood products (2,098, 2,176, 2,066 and 2,234, respectively, in 2000, 2001, 2002 and 2003) and farm products (2,064, 1,076, 808, 1,072). Recent terminating traffic is mostly lumber and wood products (695, 329, 85, 32), chemicals (395, 350, 324, 466) and transportation equipment (2, 397, 1,185, 1,155). Bridge traffic is mostly chemicals (1,280, 1,753, 1,320, 1,087); petroleum or coal products (1,131, 821, 752, 1,269); pulp, paper (994, 745, 664, 544) and lumber and wood products (624, 298, 162, 153).

In 2003 there were 90 carloads per mile.

Service on the line reportedly remains roughly the same as it was four years ago (*2000 Montana State Rail Plan Update*), and there is some optimism that traffic will increase. Pendleton Flour in Idaho is bringing loads (grain) from Montana. Idaho Asphalt is also getting loads, originating at Silver Bow, of road asphalt. A new General Motors facility has opened and is getting traffic through the Port of Montana at Silver Bow. Since BNSF bought the Montana Western Railway Company in 2003, UP now interchanges with Rarus and BNSF at Silver Bow.

Montana Rail Link (MRL)

Within Montana, MRL operates 812 miles of road, which figure includes 255 miles of branch line. Of the 255 road miles of branch line, MRL owns 191 miles, and leases the other 64 miles. MRL leases from BNSF the 557 road miles of main line which it operates in Montana.

On the main lines, MRL carries an agreed-amount of BNSF traffic. MRL may interchange with other railroads, only with BNSF permission. Very minute volumes are interchanged with UP at Sand Point, Idaho; 2,600 cars were interchanged in year 2003 with UP (via MWRR) at Silver Bow.

Drummond-Philipsburg

The *1993 Montana State Rail Plan Update* reported that this 26-mile branch line "has been out of service for ten years". In March 2004, MRL says that the line is currently not open and that there are no plans to re-open the line at this time. The track remains in place.

Twin Bridges-Alder

The *1993 Montana State Rail Plan Update* reported that the 19.5-mile extension of the Whitehall-Twin Bridges line to Alder is out of service. In March 2004, MRL states that the line is not open and that there are no plans to reopen the line. Track remains in place.

Whitehall-Spire Rock

The *1993 Montana State Rail Plan Update* states that MRL "purchased the 11 mile BN line between Whitehall (MP 39) and Spire Rock (MP 50.3 just east of Butte) to handle ballast and to serve as a detour route (in conjunction with Montana Western) between Logan and Garrison."[5]

The *2000 Montana State Rail Plan Update* reported no traffic on this 11.8-mile segment. In March 2004, MRL reported shipments of ballast (originates at Pipestone) on the segment, as follows.

Year	Carloads
2000	2,682
2001	3,521
2002	4,370
2003	2,456

Thus the 2003 traffic on the line was 208 carloads per mile. It was a mixture of revenue and non-revenue traffic; that is, some of the ballast went to BNSF, some to MRL.

[5] 1993 Montana State Rail Plan Update, page 4-35.

Sappington-Whitehall

No traffic originates on the 19.1-mile Sappington-Whitehall segment; the line carries bridge traffic only (ballast from Pipestone, grain from Twin Bridges). Adding these sources:

Year	Carloads
2000	2,726
2001	3,658
2002	4,418
2003	2,495

There were 131 carloads per mile in 2003.

Whitehall-Twin Bridges

This 26.1-mile branch line carries grain.

Following shows traffic in the years indicated.

Year	Carloads
1991	5
1999	29
2000	44
2001	137
2002	48
2003	39

The line carried one carload per mile in 2003.

Missoula-Darby

The *2000 Montana State Rail Plan Update* states that this 65.4-mile single track branch line has a maximum speed of 25 mph, can carry a maximum car weight of 134 tons, and that weight of rail is a combination of mostly 85 and 90 pound rail, with segments of 112, 115 and 136 pound rail.

The 2000 Montana Rail Plan Update reports 1999 traffic as 141 carloads. MRL states that recent traffic, over the past four years, was lumber, propane and grain. Traffic data are available in the following years.

Year	Carloads
1991	466
1999	141
2000	385
2001	818
2002	230
2003	199

There were 3 carloads per mile in 2003.

Sappington-Harrison

This 9.8-mile branch line carries grain. The following shows carloadings in several years. The *1993 State Rail Plan Update* does not provide a figure, but comments on this branch line's "extremely low traffic level".

Year	Carloads
1999	37
2000	44
2001	52
2002	43
2003	62

This amounts to traffic of six carloads per mile in 2003.

Dixon-Polson

The 33.4-mile Dixon-Polson branch line carried the following traffic in the years indicated.

Year	Carloads
1989	993
1991	806
1999	575
2000	1,112
2001	744
2002	739
2003	1,252

MRL reports that lumber, asphalt, propane and gravel are moved on this line.

There were 37 carloads per mile in 2003.

Dakota, Missouri Valley & Western Railroad, Inc. (DMVW)

Westby-Whitetail

This 57-mile line and the traffic on it are described in the Phase I report. The physical improvements made on this line in recent years seem to be having an effect on traffic. Recent figures show increasing carloadings from Whitetail, perhaps indicating that the line is a competitive option.

This line carried 22 carloads per mile in 2003.

The following is taken from the Phase I report:

RLBA includes mention of this railroad segment, operated by the Dakota, Missouri Valley & Western Railroad, Inc., (DMVW) and owned by Canadian Pacific Railway (CP), in Phase I of this study because of its proximity (about 7 miles north and parallel) to the Plentywood-Scobey line and therefore its potential relation to impacts resulting from cessation of rail traffic on the BNSF segment.

In 2000, the DMVW line in Montana was classified as FRA Excepted Track. Rail was mostly 60 pound at the west end, 72 pound in the middle (approximately 50 percent of the line in Montana) and 80 pound on the east end in Montana. Restrictions preclude six-axle locomotives, and impose a maximum train length of 100 cars, and a car gross weight limit (load limit) of 268,000 pounds.

A 21-mile segment of the DMVW line in Montana was reported recently rehabilitated by the *2001 Montana State Rail Plan Amendment*, which analyzed the DMVW line for yet another rehabilitation project, the purpose of which was to expand track capacity at Whitetail to allow handling of 50-car and later, 75-car, grain shipments.

The 29-mile segment between Westby (MP 620) and Outlook (MP 649) was the subject of restoration work (ties, ballast and surfacing) following which it was inspected in June 2003. Although the track remains excepted in accord with FRA track classification standards, it “could easily be brought in to FRA Class 1 or 2 track standards” according to J.W. Southworth, FRA Track Safety Inspector, in a June 19, 2003, memorandum.

The *2000 Montana State Rail Plan Update* shows the following carload history on the DMVW rail line in Montana:

Year Ending	Total Montana Carloads
1993	2,395
1994	1,617
1995	2,003
1996	1,307
1997	1,406
1998	856
1999	1,264

In January 2004, DMVW states that the 60 pound rail has been replaced by 100 pound (other light weight rail remains), that $1.6 million of CP and DMVW money was put into the line in 2003, and that line can be considered Class 1. DMVW carloads since 1999:

Year	Whitetail	Westby	Total
2000	582	1,170	1,752
2001	950	1,278	2,228
2002	1,619	1,126	2,745
2003	1,228	1,921	3,149

The recent-year Whitetail and Westby figures suggest that there has been at least an upturn (2001-2003) in the downward trend (1993-2000) in Montana grain shipments over the DMVW. Whitetail carloads (Columbia Grain) are virtually all outgoing spring wheat. Westby shipments (Farmers Elevator) are likewise outgoing grain, split roughly 50-50 between wheat and durum. The proportion of wheat shipped from Westby has been growing. DMVW states that the 2003 outbound carloads would have been even higher, perhaps by 300-400 carloads, were it not for congestion problems experienced by CP.

Central Montana Rail, Inc. (CMR)

Following is the carload history of this 84.2-mile short line railroad.

Year Ending	Carloads
1993	1,404
1994	1,895
1995	2,027
1996	1,601
1997	1,541
1998	1,456
1999	1,140
2000	1,147
2001	728
2002	914
2003	577

There were seven carloads per mile in 2003.

Year 2000-2002 carloads were predominantly originating wheat (1,048 carloads in 2000, 571 in 2001, 666 in 2002, and 499 in 2003, originating at Denton and Geraldine) and logs (121 carloads in 2001, 226 in 2002, and 46 in 2003).

The log business existed for a few years, but BN found a loading site on its line and CMR lost that business.

Rail weights are 100, 90 and 75 (over one-half the distance) pound over the 87 miles of road.

A 110-car facility opened at Moccasin in 2001, so CMR wishes to upgrade line to carry 286,000 pound railcars; the current limit is 268,000 pounds. The Moccasin facility has taken away some business, but CMR is working on ways to allow it to carry wheat to Moccasin. CMR's main concern is not the shuttle train facility, but rather that BNSF will increase the rate difference between 110 car and 52 car trains.

CMR operated 48 passenger trains (dinner trains) carrying 5,680 passengers in 2003. Revenues were $68,700 in 1999, and were about the same in 2003. Most of the passengers are out-of-state vacationers.

CMR is optimistic about the future, and is anticipating doubling 2003 carloads this year.

CMR leases the real estate over which it operates from the State of Montana, which owns the right of way since BNSF abandoned the rail line in 1984. The lease began in 1985 and was renewed in 1992.

CHS operates elevators and rail loading facilities at Geraldine and Denton, and attributes the decline in grain carloadings to drought and Conservation Reserve Program (CRP). CHS ships by rail mostly wheat (95%), some barley, and a very small volume of incoming fertilizer. CHS trucks some grain from these facilities, but the volume is minor. The shuttle facility at Moccasin reportedly has not interfered with rail shipments from Denton and Geraldine.

Rarus Railway Company (RARW)

Silver Bow-Anaconda

RARW, headquartered at Anaconda, Montana, operates over 25.3 route-miles between Butte and Anaconda.[6] In addition, there is a 4.7-mile quarry line (Brown Spur) west of Anaconda; at present Brown Spur has no traffic. At Butte, RARW connects with BNSF; at Silver Bow, RARW connects with BNSF and UP.

Maximum track speed is 30 mph: FRA Class 3 track. Rail is 100, 115 and 119 pound. 100 pound rail exists between MP 1.5 and 3.0 (near Butte); the remaining track is 115 and 119 pound rail.

Following is the carload history reported by RARW to the Montana Public Service Commission:

Year Ending	Carloads Originating, Terminating & Local
1993	5,456
1994	5,398
1995	2,757
1996	6,302
1997	2,366
1998	2,609
1999	2,421
2000	1,413
2001	5,895
2002	4,865
2003	3,181

The jump in carloads in year 2001 represents local movement of mine tailings, of which there were 5,518 carloads in 2001, 4,422 in 2002, and 2,617 in 2003. Next largest number of carloads in 2000-2003 was copper concentrate: 935 carloads originating in 2000, zero carloads in 2001 and 2002, and 84 carloads in 2003. Originating slag accounted for 284, 305, 349 and 334 carloads, respectively, in 2000, 2001, 2002 and

[6] Note that only a portion of this railroad, 18.9 miles between Anaconda and Silver Bow, was examined for its low traffic density in Table 1.

2003. Beer was switched only (not originated or terminated) in 2002 (94 carloads) and 2003 (100 carloads).

In March 2004, RARW states that it currently does not consider itself at risk, inasmuch as a major shipper, Montana Resources, in Butte, is back in business. Also, RARW is hauling contaminated mine tailings, a superfund remediation project, from Butte to Anaconda, and this will continue another two or three years. The Montana Western Railway was acquired last year by BNSF, and RARW is the last short line railroad in Montana that can offer service to both BNSF and Union Pacific. 2003 carloads amounted to 2617 carloads of mine tailings (Butte to Anaconda), 334 slag (Anaconda to Silver Bow), 100 beer (Silver Bow to Butte), 84 copper concentrate (Butte to Silver Bow), and 46 miscellaneous. The 2003 traffic shows approximately 445 carloads per mile between Butte and Silver Bow, and 156 carloads per mile between Silver Bow and Anaconda. RARW remains restricted to 263,000 pound maximum car weight, and this is not a problem at present.

Evaluation of Table 1 At-Risk Rail Lines

Utilizing the same procedures as were used in the *2000 Montana State Rail Plan Update*, Rail Lines At Risk, pages 63-69, a new table, based upon year 2003 data, is presented on the following page as Table 2. From Table 2, candidates for further study were identified.

TABLE 2
LOW DENSITY RAIL LINES IN MONTANA
2003 Data

Number	Owner	Line End Points	Carloads	Length (Miles)	Carloads Per Mile
1	BNSF	Great Falls-Helena	0	95.4	0
2	BNSF	Glendive-Circle	0	52.1	0
3	BNSF	Plentywood-Scobey	0	44.6	0
4	BNSF	Spire Rock-Butte	0	21.0	0
5	MRL	Drummond-Philipsburg	0	26.0	0
6	MRL	Twin Bridges-Alder	0	19.5	0
7	BNSF	Moore-Lewistown	17	18.1	1
8	MRL	Whitehall-Twin Bridges	39	26.1	1
9	MRL	Missoula-Darby	199	65.4	3
10	BNSF	Valier Branch	107	17.3	6
11	MRL	Sappington-Harrison	62	9.8	6
12	CMR	Moccasin Junction-Geraldine	577	84.2	7
13	BNSF	Havre-Big Sandy	282	31.2	9
14	BNSF	Eastham Junction-Choteau	89	7.9	11
15	DMVW	Westby-Whitetail	1228	57.0	22
16	BNSF	Bainville-Plentywood	1282	54.4	24
17	MRL	Dixon-Polson	1252	33.4	37
18	BNSF	Great Falls-Fort Benton	1381	44.8	31
19	BNSF	Power-Eastham Junction	1267	21.1	60
20	BNSF	Glendive-Sidney-Snowden	6031	78.6	77
21	UP	Idaho border-Silver Bow	11249	125.2	90
22	MRL	Sappington-Whitehall	2495	19.1	131
23	RARW	Silver Bow-Anaconda	2951	18.9	156
24	MRL	Whitehall-Spire Rock	2456	11.8	208

Source: RLBA analysis

Selection of Top Ten At-Risk Rail Lines

Following a discussion of the candidates, the State of Montana Departments of Transportation, Agriculture and Commerce decided to further analyze the following ten at-risk rail lines:

Owner	End Points	Carloads	Miles	Carloads Per Mile
BNSF	Great Falls-Helena	0	95.4	0
BNSF	Moore-Lewistown	17	18.1	1
MRL	Missoula-Darby	199	65.4	3
BNSF	Valier Branch	107	17.3	6
CMR	Moccasin Jct.-Geraldine	577	84.2	7
BNSF	Havre-Big Sandy	282	31.2	9
BNSF	Eastham Jct.-Choteau	89	7.9	11
DMVW	Westby-Whitetail	1,228	57.0	22
BNSF	Bainville-Plentywood	1,282	54.4	24
BNSF	Great Falls-Fort Benton	1,381	44.8	31

Top Ten At-Risk Lines: Discussions with County Commissioners

RLBA visited County Commissioners of Fergus, Chouteau, Pondera and Teton Counties, and other interested parties, and discussed with them the Moore-Lewistown, Moccasin Junction-Geraldine, Havre-Big Sandy, Great Falls-Fort Benton, Valier Branch and Eastham Junction-Choteau rail lines. By telephone conference call, RLBA discussed the Missoula-Darby line with Ravalli County Commissioners. The Great Falls-Helena rail line was discussed with state officials. The Westby-Whitetail and Bainville-Plentywood rail lines were discussed with Sheridan County Commissioners.

Summary of Discussions

BNSF Great Falls-Helena

State officials see this line, which has no rail customers and which remains out of service because of riverbank stability problems, as of strategic importance to the state and worthy of preservation.

BNSF Moore–Lewistown

Asked to explain the decline in carloads on the line, a County Commissioner said there were three factors at work. In the first place, drought has had the biggest effect, but in addition the federal government's Conservation Reserve Program (CRP) pays farmers to idle the land. Second, there is a 100-car loading facility at Moccasin, and that facility offers a better price. The 100-car facility has changed things "dramatically". It loads heavier cars and thus reduced the railroad's costs. Third, BNSF "wants out" of the

branch line business; “they’ve said that themselves”. The Commissioner offered the opinion that BNSF also is creating a situation which drives branch line customers away, through pricing, car supply and demurrage policies. Fergus County is negotiating with BNSF regarding donation of the rail line to the county. The segment to be donated would not include the Sipple-Moore portion of the line, which has been rebuilt to handle heavier railcars, and on which grain is loaded at Moore.

The rail line between Moore and Lewistown was embargoed in February 2003, and hasn’t been operated on since. A washout near the Lewistown cemetery has not been repaired.

The 100-car facility at Moccasin has hurt business at Moore’s Peavey Grain elevator, which is at risk.

An observer familiar with the grain business said that a person trucking grain from a farm near Lewistown says to himself, “The truck’s rolling, why not go another 20 miles or so to the shuttle facility at Moccasin, and get a better price?”

In a meeting with RLBA in Lewistown on May 3, 2004, the Fergus County Commissioners indicated that BNSF will abandon the rail line in Lewistown, from the Highway 200 overpass west of town to the end of the line. This will obviate the requirement to rebuild this overpass at an estimated cost of $2 million, and a planned industrial park will connect with the resulting end of rail line, west of town. The Commissioners further indicated that they are negotiating with BNSF regarding donation of the BNSF rail line, between Moore and Lewistown, to Fergus County. The rail line then will be available for future use by the County.

MRL Missoula-Darby

Current data received from Montana Rail Link in May 2004 indicates that the Missoula-Darby line remains FRA Class 2 track with track speed up to 25 mph. The line is out of service from MP 48 (Hamilton) to end of line (MP 64.7, Darby) because of a bridge, at MP 49.8, which is missing some pilings. Tie condition is poor; about 1,000 ties per mile are needed to bring the track to a state of good repair. Ballast conditions are also described as poor; surfacing is needed in most locations. The rail is mostly 85 and 90 pound. The track chart indicates that there is not more than about a mile of rail on the line heavier than 90 pound. The line is restricted to 263,000 pound railcars (gross weight), and some bridges have additional restrictions, requiring the placing of empty cars between loaded cars.

Asked about traffic fluctuations over the years, one County Commissioner stated that the traffic depends upon the timber market. There were fires in year 2000, and the following year there was a harvest of burned timber.

In a May 10 conference call, the Ravalli County Commissioners told RLBA that the rail line is important to the County, which at one time saw almost daily trains. Some time

ago, however, the lumber mills were shut down. It has been six or seven years since finished lumber has been processed and shipped by rail. If the demand for lumber rises, then 90 million board feet could be produced in the Bitterroot Valley, if federal law and regulation allow it. The Commissioners indicated that there is an active environmental group which challenges logging in Ravalli County. Ravalli County was described as the fastest-growing county in the state, and the number one "log cabin county".

BNSF Valier Branch

Asked why carloads are declining so precipitously, a Pondera County Commissioner stated that Harvest States "may be shutting down the elevator at the end of the line." He indicated that grain is being trucked to the 110-car loading facility at Collins (located about 40 miles from Valier, and owned by Mountain View Co-op) and also there is a large barley elevator at Conrad (near the point at which the Valier Branch connects with the BNSF main line). In answer to whether the declining carloads are a concern, the Commissioner stated that the people at Valier don't want the elevator to leave, but indicated his belief that not much can be done about it.

Asked the same question regarding declining carloads, a person knowledgeable of the grain handling industry replied that there are two reasons: the poor crops (drought in recent years) and the shuttle train facility at Shelby. The latter attracts export wheat, which is trucked from Valier to Shelby. Specialty wheat is shipped by rail from Valier in single or five-car lots. Barley is also sent out by rail, in 26- or single-car shipments. Rail also is used to bring fertilizer and corn (livestock feed) to Valier. Thus it appears that the CHS elevator at Valier is requesting less rail service at least in part because better prices are obtained at the CHS 110-car shuttle train facility at Shelby, approximately 25 highway miles distant.

CMR Moccasin-Geraldine

Central Montana Rail (CMR) was created in 1985 on a former Burlington Northern rail line. The land is now owned by the State of Montana. A non-profit organization of grain producers, the Central Montana Rail Company, owns the track, locomotives and other railroad-related, non-real-estate property.

CMR is attempting to arrange with BNSF the delivery of CMR wheat trains to the Moccasin shuttle train loading facility loop track for the purpose of unloading grain from Geraldine and Denton (which later would be loaded on BNSF shuttle trains). This would require access to 0.2 mile of BNSF main line track, which BNSF states it will not allow, or construction of new track on BNSF right of way to provide the desired access. CMR believes this arrangement would improve its future viability, and would also help BNSF efficiency, in that BNSF would not have to switch CMR carloads if they are delivered directly to the Moccasin shuttle train facility. This would support the apparent BNSF goal to collect wheat -- insofar as possible -- at mainline shuttle train facilities.

Even without the CMR-proposed access to Moccasin's loop track, CMR does not appear to be greatly at risk, notwithstanding a relatively low carloads per mile figure (seven in 2003) for several reasons:

(1) The right of way is state-owned, and the railroad on it is independently operated to provide a service for benefit of the owners.

(2) This is not a situation in which a Class I railroad[7] wishes to abandon a low-traffic branch line.

(3) Not being a Class I railroad, CMR enjoys lower costs compared with a Class I railroad.

(4) When the drought is over, more carloads are expected.

CMR would like to abandon the Lewistown–Spring Creek segment, which has been out of service a number of years.

CMR states that BNSF service -- delivery and pick-up of grain hoppers, mostly -- hasn't changed, that is, is no different from what it was in past years. This perhaps confirms the earlier statement that this isn't a BNSF low traffic branch line and therefore BNSF is satisfied with the arrangement in which a short line railroad accepts empties from BNSF and then delivers them, loaded, to BNSF.

On the other hand, were BNSF to impose adverse service, rate and demurrage actions on CMR, there isn't much CMR could do about it. CMR comments that BNSF won't pay CMR full per-car divisions, meaning that CMR feels "squeezed" regarding its share of revenues.

CMR also says that farmers that otherwise use the short line railroad sometimes are unwilling to wait for arrival of hopper cars, and truck their grain directly to various buyers, as far away as Butte. The high protein, high quality wheat produced in the CMR area is sold in both export and domestic markets, the latter including mills in Great Falls and Billings.

CMR states that its railroad is in "excellent shape" and this is confirmed by others. The weak point is CMR bridges; there are numerous 90-year-old wooden trestles. CMR has been replacing these with culverts, and intends to continue doing this until the line is 286,000-pound-railcar capable. Then CMR will be able to accept the larger railcars which are more and more becoming the Class I railroad standard. If CMR does not become 286,000-pound railcar capable, it is conceivable that at some point in the future it would not get empties from BNSF (because over time, the BNSF fleet includes more and more 286,000-pound railcars).

[7] As designated by the Surface Transportation Board, a Class I railroad is one with annual operating revenues of $272 million or more. There are currently seven Class I railroads in the United States and two in Montana (BNSF and UP).

BNSF should be satisfied with this arrangement, in which a short line railroad loads and delivers to BNSF 52-car grain trains, some 26-car trains, and some single cars (the latter to be delivered with their loads to domestic market flour companies, for example, in Great Falls, or California).

Asked whether it has been affected by completion (in 2001) of the United Harvest Moccasin shuttle train facility, CMR says that the United Harvest does offer higher grain prices, compared with the Central Montana Co-op loading facilities at Geraldine and Denton.

BNSF Havre–Big Sandy

It is reported that the Big Sandy elevator has not requested rail service since October 2003 "because it's cheaper for ADM-CHS (Archer Daniels Midland-Cenex Harvest States) to ship the grain by truck to Havre"[8] where there is a 110-car loading facility on the BNSF main line. The BNSF published rates for shipping grain from Havre's 110-car facility are 12 cents a bushel less than Big Sandy's 52-car train rates.[9]

At a meeting in Big Sandy on April 5, 2004, a BNSF official told a gathering of about 120 people that the railroad has not decided to close the line, and that profitability could make the difference. In the meeting, organized by Montana Senate Minority Leader Jon Tester to discuss ways to keep the rail line and elevator in use, area agricultural producers expressed concern that the elevator at Big Sandy has not requested a train since October 2003.[10] Pat Keim of BNSF said that the railroad is willing to negotiate if someone wants to buy the Big Sandy line and operate it.[11] ADM-CHS manager Randy Olstad said his firm trucks Big Sandy grain to Havre because BNSF offers better shipping rates at the 110-car Havre loading facility.[12]

BNSF spokesman Gus Melonas is reported to have said, in a telephone interview, that the future of the Big Sandy line will be driven by whether ADM-CHS requests service.[13]

There has been some concern with regard to the reasons articulated by ADM-CHS at the April 5, 2004, Big Sandy meeting, to explain why no railcars are being ordered by the ADM-CHS elevator at Big Sandy. One person stated that the ADM-CHS official who spoke at the April 5 meeting couldn't state the real reason why he hadn't ordered cars "because of the deal" between the grain company and the railroad.

RLBA's meeting with Chouteau County Commissioners at Fort Benton on May 4, 2004, included a Hill County Commissioner and three members of the Montana legislature.

[8] Tim Leeds, "Big Sandy farmers worry about rail service", *Havre Daily News*, January 7, 2004.
[9] *Ibid*.
[10] Tim Leeds, "Big Sandy residents ask BNSF not to abandon rail line", *Havre Daily News*, April 7, 2004.
[11] *Ibid*.
[12] *Ibid*.
[13] Jared Miller, "Grain growers, BNSF gather to discuss future of Big Sandy rail service", *Great Falls Tribune*, April 7, 2004.

Regarding the Big Sandy line, it was stated that BNSF has not performed any maintenance on this line. Concerning the cessation of orders for rail cars and the April 5, 2004, meeting at Big Sandy, it was stated that BNSF walked away happy and ADM-CHS "took all the heat", a reference to BNSF saying at the meeting that rail cars had not been ordered, and ADM-CHS providing an explanation which -- in the view of some -- was not convincing.

BNSF Eastham Junction-Choteau

The CHS facility at Choteau does not use the railroad, but trucks grain to Shelby (CHS 110-car loading facility, about 55 miles distant), to Lewiston, Idaho, (barge loading facility), or to Great Falls, Montana.

Columbia Grain operates a 52-car loading facility at Choteau and, if the drought ends, two or three outbound grain trains are predicted (per year).

Reasons for decline in rail traffic included statements that it is more economical to truck, that grain is trucked to 110-car loading facilities (the Collins facility is about 20 miles from Choteau), that feed grain is no longer brought in by rail, that rail pricing discourages use of rail, and that there is a reduced volume of grain because of drought and the CRP.

It was estimated that Teton County would lose about $35,000 a year if the Eastham Junction-Choteau rail line were abandoned. Other impacts which would result from loss of rail service were stated as increased highway damage, loss of jobs, loss of future growth potential, and the increased cost to grain producers occasioned by trucking their grain greater distances. Teton was described as a "slow growth" county, with the potential for new rail-using industry (oil, manufacturing).

DMVW Westby-Whitetail

The importance of the DMVW Westby-Whitetail line is its location, just a few miles north of the BNSF Bainville-Plentywood-Scobey line, where it offers a competitive grain transportation option (for example, export wheat, via DMVW to CP to UP at Eastport, Idaho, and thence to Pacific Northwest ports). There are a number of persons knowledgeable about the grain handling and transportation business who see the DMVW Westby-Whitetail line as important for Montana rail competition. Looking at grain carload originations at Whitetail only, there is an indication that volume is trending upward, despite car supply issues of the past year. Montana has channeled a portion of its remaining federal Local Rail Freight Assistance program funds, to which CP has added its funding, to rehabilitation projects in recent years. These have resulted in track improvement and the ability to move 52-car trains over the line.

It is in Montana's interest to keep this line alive as a competitive option.

BNSF Bainville-Plentywood

This line is well maintained, has a maximum speed of 25 mph, and will carry the heaviest railcar currently standard in interline service, the 286,000-pound gross weight car. Columbia Grain at Merc, about a mile south of Plentywood, is the only active shipper on the line. An official of the Columbia Grain office at Great Falls insists that this branch line will remain in business.

On the other hand, traffic (outbound wheat) has been declining steadily over the past five years. There were 2,374 carloads in 1999, 1,282 in 2003. If the 2003 carloads are divided by length of the rail line, 54.4 miles, the result is 23.5 carloads per mile. That measure of traffic density is considered financially marginal; that is, the revenue (represented by carloads) may be insufficient to cover the cost of maintaining the line (54.4 miles).

Another individual, not associated with either the railroad or a grain company, has suggested that the branch line is safe as long as there is competition from the DMVW.

RLBA believes that the line is at risk and that Montana should monitor it.

BNSF Great Falls-Fort Benton

Asked about the decline in carloads over the years, one County Commissioner said, “We’ve been in a drought.”

Another County Commissioner said, “We're facing depopulation, the schools are losing children, and the elevator is the lifeblood of the community.”

Asked about declining rail carloadings, a person knowledgeable of the grain handling business said that the drought and the Conservation Reserve Program have taken their toll. The United Harvest elevator at Kershaw (near Fort Benton) ships winter and spring wheat by rail, and also trucks grain, to Great Falls (flour mill), Lewiston Idaho (on the Snake River) and Kennewick Washington (on the Columbia River). The latter two destinations are barge-loading facilities. Perhaps 95 percent of the wheat goes out by rail, destined to mills in California, Washington or Oregon, for domestic use. United Harvest has shipped very little export wheat. Columbia Grain took over the General Mills elevator and rail loading facilities at Fort Benton in November 2003, and has reportedly doubled its input. About 80 to 90 percent of the wheat collected at this facility goes out by rail, to mills at Great Falls and in California.

At a May 4, 2004, meeting of RLBA with Chouteau County Commissioners, several stated that the rail infrastructure must be preserved because it would not make sense to truck the large quantities of wheat produced by Chouteau County, which will increase considerably when the drought is over. It was stated that current quantities could double in non-drought years.

The impact of no rail infrastructure was also raised in terms of potential future needs. As one example, a bio diesel plant at Fort Benton has been talked about.

There is no indication, in this area, of payment of incentives to bring grain to 110-car loading facilities on the BNSF main line, such as are believed to exist with respect to the 110-car shuttle train loading facility at Macon, near Wolf Point.

Ways of Preserving Rail Service and Conclusions

Options for preserving rail service described in the Phase I report are oriented on line abandonment. In the case of the 10 at-risk lines discussed in this Phase II report, the question is, what actions are appropriate to preserve service so that the lines are not abandoned? Three of these lines, BNSF Great Falls-Helena, BNSF Moore-Lewistown, and BNSF Havre-Big Sandy, currently have no traffic on them. The other seven have traffic, but all are considered light density traffic branch lines subject to abandonment, given that carload revenues may not cover maintenance costs in all cases.

What can Montana do to preserve rail service on these lines? Options include providing incentives to shippers to use rail lines, direct subsidies to keep lines in operation, or reduction/elimination of state property taxes. Options also include discussions or negotiations with the owning railroad, should the railroad mention the possibility of abandonment. The subsidy option could mean subsidy paid to the current railroad owner, or acquisition of the line and subsidy paid to a short line operator. There are a number of states which assist small railroads, since small railroads generally can ill afford infrastructure upgrades; a current issue which looms large for many short line railroads is their inability to handle 286,000-pound railrcars. Montana may wish to emulate other states which provide funding assistance where such assistance is of economic value to the state.

Any options should be considered in the context of the owning railroad's objectives. Where the railroad is not a Class I railroad (MRL, DMVW, CMR), the connecting Class I railroad's objectives must be carefully considered. Given that any railroad would prefer to operate shuttle trains from 110-car loading facilities on its main line rather that maintain light density branch lines, what is the likely future of the grain branch lines?

In the case of each at-risk rail line analyzed in this Phase II study, a financial, marketing and operational analysis has been prepared; these analyses are contained in the appendices to this report. These analyses provide context with regard to the commercial prospects and subsidy requirements, in the case of each line.

It is not known whether any at-risk rail lines in this report will be operated as short line railroads. Appendices A through J hypothesize short line railroad operation (using lower non-union labor rates) in order to indicate (1) the approximate degree each line may be at risk, by showing whether operating revenues cover the line's maintenance costs, and (2) whether a subsidy would be required to keep the line in operation, if the line were

abandoned by the current owner. Table 3 on page 31 is a summary of the financial, marketing and operational analysis contained in the appendices.

It is emphasized that any Montana actions to continue operation of a line destined by a Class I owning railroad (i.e., BNSF) for abandonment must be considered under the harsh light of that railroad's indicated strategies, including, in the case of grain-haul branch lines, the commercial arrangements which may have been made by the Class I railroad with neighboring 110-car grain loading facilities.

Any option regarding future operation of at-risk BNSF branch lines, or lines connected with BNSF, would have to include a definitive agreement with BNSF, obtaining, as a minimum, the cooperation of that railroad with regard to future car supply, allowing make-up of unit trains from more than one grain elevator (co-loading), and other measures appropriate to securing the future of the branch lines.

Following are comments assessing risk and outlining preservation measures specific to each of the ten at-risk lines.

BNSF Great Falls-Helena

This line has no customers. The risk of it being abandoned is unknown. Despite having no customers, BNSF utilized the line, before the bank stability problems shut it down, for bridge traffic between Great Falls and Helena. Its value to the state is strategic. Should BNSF choose to abandon this line, the state should assess its interests and, if the benefits of acquiring the line exceed the costs of doing so, the state should consider acquisition.

There is a pertinent consideration regarding this and all other railroad lines subject to abandonment in Montana: future ownership of the corridor. At time of abandonment, an offer of financial assistance (OFA) may be made as a component of the Surface Transportation Board abandonment process, and the line can be acquired on favorable terms at net liquidation value. If no one makes an OFA, the owning railroad can abandon rail service but continue to hold the real estate right of way, thus preventing its future use by another railroad. This point is raised because BNSF is said to have done this already in Montana, for example, the Scobey-Opheim rail line, now abandoned but the right of way is still – according to Daniels County – owned by BNSF. Similarly, there are a number of MRL lines in the state which have been out of operation for years, though the property is retained by the railroad.

BNSF Moore-Lewistown

Fergus County Commissioners are negotiating with BNSF with regard to the future of this rail line, which provides a transportation option in the county. The line is deemed at risk in that it is currently carrying no traffic.

MRL Missoula-Darby

Based upon comments of the County Commissioners, the future of this branch line does not appear encouraging. MRL has retained ownership of a number of out-of-service but not abandoned rail lines (Drummond-Phillipsburg, Twin Bridges-Alder, Whitehall-Spire Rock), and perhaps MRL will not be in a great hurry to abandon the Missoula-Darby line, despite its three carloads per mile in 2003. In any event, it is appropriate for the State of Montana to monitor the situation, and, if MRL applies to the STB for abandonment, make a decision whether the state should acquire the line.

BNSF Valier Branch

With year 2003 traffic of only six carloads per mile, this branch line's traffic does not cover its maintenance. It is at risk. The decline in traffic on this grain line has been precipitous. This and the presence of nearby 110-car loading facilities at Collins and Shelby suggest the potential end of export wheat rail transport from Valier. It is not clear that attempts to preserve the line would be economically justified.

CMR Moccasin Junction-Geraldine

Despite the large drop in grain carloadings in recent years, and its seven carloads per mile in 2003, the future of this short line railroad may improve. Conditions helping to assure its future would include an end to the drought, agreement with BNSF to deliver CMR trains directly to the Mocassin 110-car loading facility, and upgrade of CMR infrastructure to handle 286,000-pound railcars.

BNSF Havre-Big Sandy

It is evident that the Havre-Big Sandy line is at risk of abandonment within the coming two years. Most observers agree that the branch line is being "de-marketed" to facilitate abandonment in a pattern similar to that used at Plentywood-Scobey and Glendive-Circle.

BNSF Eastham Junction-Choteau

The prediction of two or three outbound grain trains (after the drought ends) would amount to about 20 carloads per mile, not a robust economic indicator. Despite this, if rail traffic declines further or if BNSF announces plans to abandon the line (with or without rail traffic on it) the value of the line vis-à-vis Teton County economic growth prospects may warrant another assessment.

DMVW Westby-Whitetail

This branch line is important to Montana as a competitive option, so it should be preserved. Given recent state-supported track improvements, it is expected that export wheat carloadings will improve.

BNSF Bainville-Plentywood

Declining traffic on this BNSF branch line, its relatively low 24 carloads per mile, presence of 110-car loading facilities at Macon, and the prospective abandonment of the Plentywood-Scobey segment, altogether suggest this line is at risk and should be watched closely. Further traffic decline or BNSF announcement of intent to abandon should be followed by an evaluation regarding whether or not Montana should preserve the line.

In late August 2004, BNSF notified the State of Montana of its intention to sell this rail line, including its extension to Scobey, for operation by a short line operator in a package deal including lease and operation of the BNSF line between Glendive and Snowden, and trackage rights on the BNSF line between Bainville and Williston.

BNSF Great Falls-Fort Benton

Traffic (originating wheat and barley) has been declining on this branch line, and the situation bears watching. Chouteau County appears intent on preserving this line based on the large quantities of wheat produced in the county, and on future industrial development possibilities.

Summary

What should be done in future abandonments cannot be forecasted exactly, as each case should be evaluated based upon the facts at the time. At-risk lines deemed of importance to the state (or to the counties and communities) should each be watched closely, and actions to keep traffic on or otherwise preserve the lines should be considered. Options which may be considered, individually, or perhaps jointly, to enhance use of a rail line include the following:

- Use of incentives to transport via rail as opposed to truck
- Direct subsidies to keep the line in operation
- Reduction of state property taxes paid by the railroad
- Solicitation of interest by short line railroads
- Coordination/negotiation with BNSF regarding its plans for the line

Options discussed on pages 35-42 of the Phase I report also may be pertinent, especially (see Phase I report “Conclusions”, pages 42-43), development and active maintenance and updating of a Montana strategy for addressing railroad issues.

Table 3

Summary of Financial, Marketing and Operational Analysis

		Projected Carloads, Year 5	Per-Mile Maintenance Estimated, Year 5	Annual Operation Expenses, Year 5	Net Income After Taxes, Year 5	Subsidy Requirement, Year 5
A	BNSF Great Falls-Helena	2,400	$4,445	$1,179,225	$12,447	NA*
B	BNSF Moore-Lewistown	20	$3,969	$216,747	($211,747)	$215,000
C	MRL Missoula-Darby	200	$3,160	$423,225	($343,225)	$345,000
D	BNSF Valier Branch	13	$2,743	$179,451	($176,201)	$180,000
E	Central Montana Rail	900	$4,039	$662,591	($257,591)	$260,000
F	BNSF Havre-Big Sandy	282	$3,794	$283,211	($212,711)	$215,000
G	BNSF Eastham Junction-Choteau	89	$5,733	$171,448	($149,198)	$150,000
H	DMVW Westby-Whitetail	1228	$5,869	$679,752	($188,552)	$190,000
I	BNSF Bainville-Plentywood	1282	$3,675	$489,780	$13,812	NA*
J	BNSF Great Falls- Fort Benton	2000	$4,584	$578,515	$72,891	NA*

* Not applicable. Subsidy not necessary.

Source: R.L. Banks & Associates, Inc., and Railroad Industries Incorporated

Appendix A

BNSF Great Falls-Helena

Financial, Marketing & Operating Analysis

Table of Contents

Executive Summary

Currently the Great Falls-Helena rail line is not operational, and it appears that BNSF is in no hurry to correct the riverbank stability problem which closed the line, which has no on-line customers. BNSF has been diverting north/south traffic, which formerly was "bridged" on this line, to its Great Falls-Laurel rail line.

A short line operator could operate this line if the riverbank stability problem were corrected and approximately 2,400 carloads were diverted to the branch.

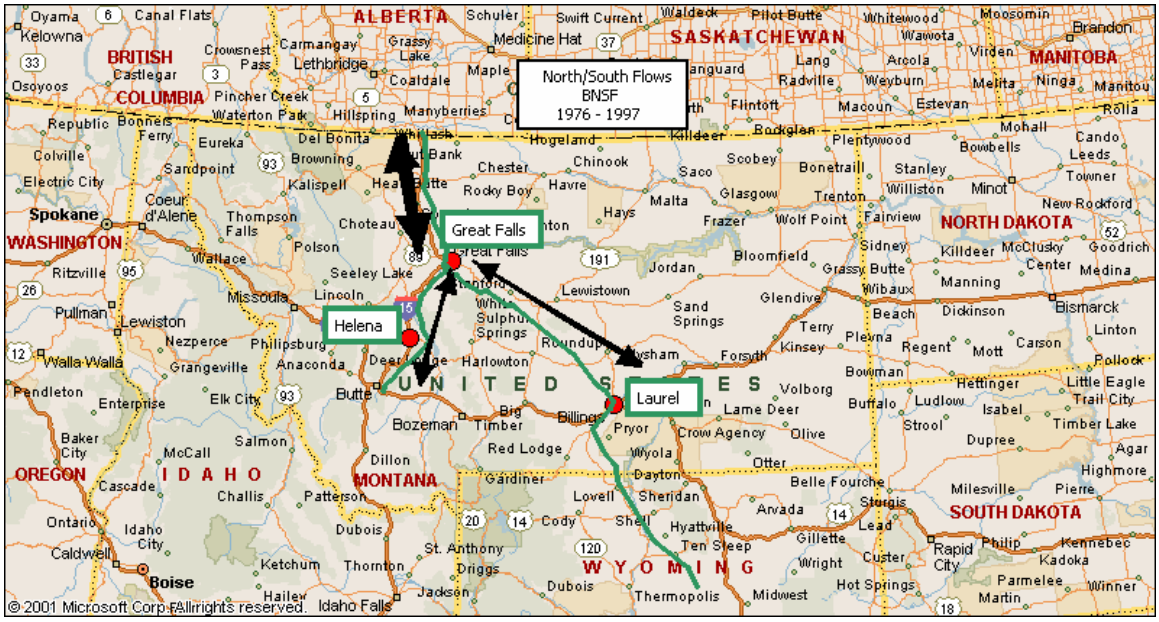
Although there appears to be no urgent reason to open the line, it certainly should not be abandoned without careful consideration of its potential strategic value to the state.

This financial, marketing and operating analysis provides a basis for determining the cost of operating the line. The cost of correcting the riverbank stability problem is unknown.

Introduction

This is a marketing, financial and operational analysis of the Great Falls-Helena rail line, currently owned by BNSF.

The analysis of the 95-mile rail line between Great Falls and Helena assumes that it is reopened and operated by a short line operator. As there is no traffic at this time, the analysis is based on determining the minimum traffic volumes required for a short line operator to cover expenses.

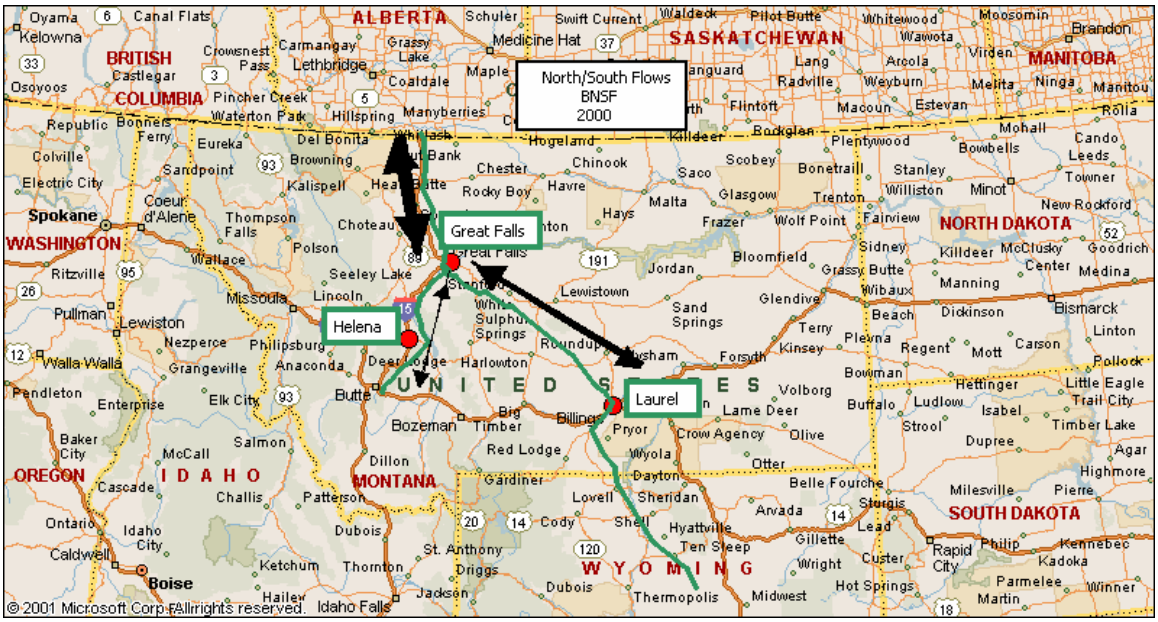


Historically, the branch was a conduit for north/south traffic. North-south railroad traffic in 1976 used the Great Falls-Helena route and the Great Falls-Laurel Route equally, moving between 1 and 5 million gross ton miles (GTM) or 3 to 5 trains per day. This pattern continued through 1997.

Gross Ton Miles
Great Falls-Helena

Year	Shelby to Great Falls GTM (millions)	Great Falls Helena GTM (millions)	Great Falls Laurel GTM (millions)
Yr. 1976	1-5	1-5	1-5
Yr. 1995	5-10	1-5	1-5
Yr. 1997	5-10	1-5	1-5
Yr. 2000	11-20	1-5	11-20
Yr. 2003	11-20	0	11-20

Between 1997 and 2000, the BNSF realized an increase in the north/south traffic in general and began routing almost twice as much traffic via Laurel instead of Helena. By 2003, no traffic moved by way of Helena.



After the line was closed, MRL began to get five-day a week service from Laurel, up from three days per week. If the line were opened, the MRL stated it would probably use the branch as a route through to Canada, but MRL is satisfied with current operations.

Revenue & Carload Break even Statistics

Freight Traffic

Volume

The Great Falls-Helena rail line did not handle any traffic during 2003. The line is out of service. In order for the branch to operate at a break-even level, at least 2,400 carloads would need to be bridged between Great Falls and Helena each year at a minimum rate of $500 per carload.

Operations

Assuming the branch is opened for operations, a rail operating plan has been developed to serve on line shippers. In general the objective of an operating analysis is to establish a train schedule, which will move both loads and empties between BNSF at Great Falls and MRL at Helena. A short line railroad operator is assumed. .

Great Falls-Helena Rail Line

Proposed Operations

The Great Falls-Helena rail line connects with the MRL mainline at Helena and with BNSF at Great Falls. Rail line operations will begin at 8:00 a.m. at Great Falls five days per week. The crew will operate between Great Falls and Helena. There will no switching service provided. The crew will return to Great Falls with loads and empty received at interchange with the MRL.

Assignment

- Operate through train between Great Falls and Helena
- On Duty: 10 hours

Schedule:

Three days per week

8:00 a.m.:	on duty at Great Falls switch cars, train inspection and air test
8:30 a.m.:	depart for Helena
12:30 p.m.:	arrive at Helena
12:30-1:30 p.m.	switch as needed with the MRL
1:30 p.m.:	return to Great Falls
5:30 p.m.:	arrive at Great Falls
4:30-5:30 p.m.	switch as needed with the BNSF
6:00 p.m.:	tie up locomotives

The General Manager will conduct track inspection one day a week.

Locomotives

Service, as planned, assumes the use of two locomotives for operations and one locomotive for backup. All locomotives will be leased.

Car Supply

Car Supply is not an issue, as all traffic will be through traffic. The analysis assumes 120 hours of free car hire time.

Connecting Carrier: MRL

The line connects directly with the MRL at Helena and BNSF at Great Falls. The railroad if operated by a short line operator will be required to negotiate with the MRL and the BNSF to establish rates for any future customers on line.

Maintenance of Way

The Great Falls-Helena rail line is FRA Class 2 track. The track has a maximum speed of 35 mph, but has many areas where speeds are restricted to 10 mph and 25 mph.

Maintenance of Track and Structures

There is no traffic on the branch at this time. The consultant has not inspected the track and structures to be able to provide an opinion on their condition. It is recommended that the branch be maintained at a Class 2 or Class 3 level in order to provide safe, efficient operations and be in full compliance with FRA standards. It is recommended that the short line operator hire a full time crew to perform maintenance on this line. For this analysis, it has been assumed that maintenance on the branch line will be approximately $4,445 per mile.

Maintenance of Equipment

The Great Falls-Helena rail line will require two locomotives for operations and one locomotive for backup. It is recommended that all of these locomotives be leased. The lease rate is estimated to range between $75 to $100 per day.

Maintenance of Equipment

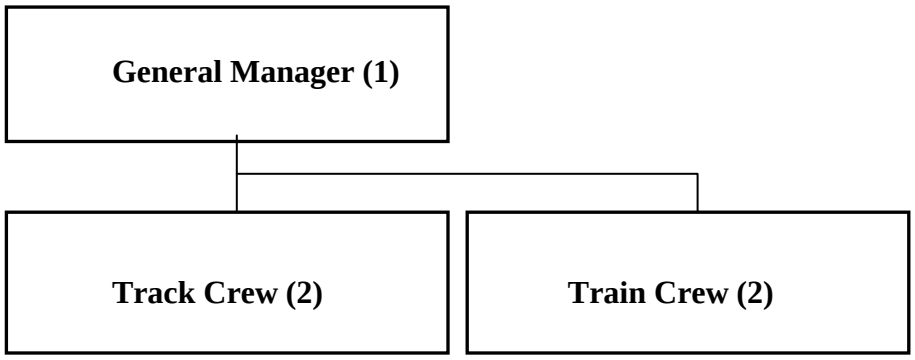
It is recommended that an outside contractor maintain the locomotives used on the Great Falls-Helena rail line. As the current rail schedule assumes two of the locomotives will be in use three days per weekday, the contractor will have ample time to do inspections and repairs on the locomotives when not in operation. Estimated expenses for parts and labor for this analysis is $17,000 per year per each locomotive.

General & Administration

All of the General & Administrative functions will be performed by the General Manager. The railroad will require two employees to operate the train and a crew of four to maintain the track. All positions will be non-union and full time with benefits.

Personnel Requirements

Helena-Great Falls Branch
Staff Chart



Administrative Expenses

The Railroad will incur approximately $135,000 in General & Administrative fees. This expense will cover the utilities, legal/accounting services, insurance, property tax, etc.

Break Even Analysis

In order for this bridge line to operate on a break-even basis, a minimum of 2,400 carloads will need to move over the branch at a minimum rate of $500 per carload.

Financial Statements

Great Falls-Helena
Branch

PROJECTED INCOME STATEMENT

		YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5	YEAR 6	YEAR 7	YEAR 8	YEAR 9	YEAR 10
AQUISITION PRICE:	$ -										
PROJECTED CARLOADS:		2,400	$ 2,400	$ 2,400	$ 2,400	$ 2,400	2,400	2,400	2,400	2,400	2,400
REVENUE PER CARLOAD:		$ 500									
OPERATING REVENUES:											
FREIGHT REVENUE:		$ 1,200,000	$ 1,200,000	$ 1,200,000	$ 1,200,000	$ 1,200,000	$ 1,200,000	$ 1,200,000	$ 1,200,000	$ 1,200,000	$ 1,200,000
MAINTENANCE FEES:		$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
AAR BILLINGS:		$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
DEMURRAGE:		$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
TOTAL		$ 1,200,000	$ 1,200,000	$ 1,200,000	$ 1,200,000	$ 1,200,000	$ 1,200,000	$ 1,200,000	$ 1,200,000	$ 1,200,000	$ 1,200,000
OPERATING EXPENSES											
MAINTENANCE OF WAY		$ 422,250	$ 422,250	$ 422,250	$ 422,250	$ 422,250	$ 422,250	$ 422,250	$ 422,250	$ 422,250	$ 422,250
MAINTENANCE OF EQUIPMENT		$ 63,375	$ 63,375	$ 63,375	$ 63,375	$ 63,375	$ 63,375	$ 63,375	$ 63,375	$ 63,375	$ 63,375
TRANSPORTATION		$ 571,330	$ 571,330	$ 571,330	$ 571,330	$ 571,330	$ 571,330	$ 571,330	$ 571,330	$ 571,330	$ 571,330
GENERAL AND ADMINISTRATIVE		$ 135,300	$ 135,300	$ 135,300	$ 135,300	$ 122,300	$ 122,300	$ 122,300	$ 122,300	$ 122,300	$ 122,300
TOTAL		$ 1,192,255	$ 1,192,255	$ 1,192,255	$ 1,192,255	$ 1,179,255	$ 1,179,255	$ 1,179,255	$ 1,179,255	$ 1,179,255	$ 1,179,255
INCOME FROM OPERATIONS		$ 7,745	$ 7,745	$ 7,745	$ 7,745	$ 20,745	$ 20,745	$ 20,745	$ 20,745	$ 20,745	$ 20,745
OTHER INCOME:		$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
ONE-TIME EXPENSES:		$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
INCOME AVAILABLE FOR FIXED CHARGES:		$ 7,745	$ 7,745	$ 7,745	$ 7,745	$ 20,745	$ 20,745	$ 20,745	$ 20,745	$ 20,745	$ 20,745
INTEREST ON DEBT/CAPITAL LEASES:		$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
AMORTIZATION OF ACQUISITION:		$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
PRE-TAX INCOME		$ 7,745	$ 7,745	$ 7,745	$ 7,745	$ 20,745	$ 20,745	$ 20,745	$ 20,745	$ 20,745	$ 20,745
INCOME TAXES		$ 3,098	$ 3,098	$ 3,098	$ 3,098	$ 8,298	$ 8,298	$ 8,298	$ 8,298	$ 8,298	$ 8,298
NET INCOME AFTER TAXES:		$ 4,647	$ 4,647	$ 4,647	$ 4,647	$ 12,447	$ 12,447	$ 12,447	$ 12,447	$ 12,447	$ 12,447
EBITDA		$ 20,745	$ 20,745	$ 20,745	$ 20,745	$ 20,745	$ 20,745	$ 20,745	$ 20,745	$ 20,745	$ 20,745

Great Falls-Helena
Branch

PROJECTED BALANCE SHEET

ASSETS	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5	YEAR 6	YEAR 7	YEAR 8	YEAR 9	YEAR 10
CASH	$ 17,002	$ 34,649	$ 52,296	$ 69,943	$ 81,306	$ 93,753	$ 106,200	$ 118,647	$ 131,094	$ 143,541
SHORT-TERM INVESTMENTS	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
ACCOUNTS RECEIVABLES	$ 100,000	$ 100,000	$ 100,000	$ 100,000	$ 100,000	$ 100,000	$ 100,000	$ 100,000	$ 100,000	$ 100,000
PROPERTY AND PLANT	$ 65,000	$ 65,000	$ 65,000	$ 65,000	$ 65,000	$ 65,000	$ 65,000	$ 65,000	$ 65,000	$ 65,000
ACCUMULATED DEPRECIATION	$ 13,000	$ 26,000	$ 39,000	$ 52,000	$ 52,000	$ 52,000	$ 52,000	$ 52,000	$ 52,000	$ 52,000
NET PROPERTY AND PLANT	$ 52,000	$ 39,000	$ 26,000	$ 13,000	$ 13,000	$ 13,000	$ 13,000	$ 13,000	$ 13,000	$ 13,000
OTHER ASSETS	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
TOTAL ASSETS	$ 169,002	$ 173,649	$ 178,296	$ 182,943	$ 194,306	$ 206,753	$ 219,200	$ 231,647	$ 244,094	$ 256,541
LIABILITIES AND EQUITY										
ACCOUNTS PAYABLE	$ 99,355	$ 99,355	$ 99,355	$ 99,355	$ 98,271	$ 98,271	$ 98,271	$ 98,271	$ 98,271	$ 98,271
SHORT TERM DEBT										
LONG-TERM DEBT:	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
OTHER LIABILITIES	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
TOTAL LIABILITIES:	$ 99,355	$ 99,355	$ 99,355	$ 99,355	$ 98,271	$ 98,271	$ 98,271	$ 98,271	$ 98,271	$ 98,271
STOCKHOLDERS EQUITY:	$ 65,000	$ 65,000	$ 65,000	$ 65,000	$ 65,000	$ 65,000	$ 65,000	$ 65,000	$ 65,000	$ 65,000
RETAINED EARNINGS	$ 4,647	$ 9,294	$ 13,941	$ 18,588	$ 31,035	$ 43,482	$ 55,929	$ 68,376	$ 80,823	$ 93,270
TOTAL LIABILITES AND EQUITY:	$ 169,002	$ 173,649	$ 178,296	$ 182,943	$ 194,306	$ 206,753	$ 219,200	$ 231,647	$ 244,094	$ 256,541
	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Debt to Equity Ratio:	143%	134%	126%	119%	102%	91%	81%	74%	67%	62%

Great Falls-Helena
Branch

PROJECTED CASH FLOW:

CASH PROVIDED FROM OPERATIONS		YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5	YEAR 6	YEAR 7	YEAR 8	YEAR 9	YEAR 10
NET INCOME		$ 4,647	$ 4,647	$ 4,647	$ 4,647	$ 12,447	$ 12,447	$ 12,447	$ 12,447	$ 12,447	$ 12,447
DEPRECIATION		$ 13,000	$ 13,000	$ 13,000	$ 13,000	$ -	$ -	$ -	$ -	$ -	$ -
OTHER		$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
SUB-TOTAL		$ 17,647	$ 17,647	$ 17,647	$ 17,647	$ 12,447	$ 12,447	$ 12,447	$ 12,447	$ 12,447	$ 12,447
DECREASE (INC.) IN WORKING CAPITAL											
RECEIVABLES		$ (100,000)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
PAYABLES		$ 99,355	$ -	$ -	$ -	$ (1,083)	$ -	$ -	$ -	$ -	$ -
OTHER CURRENT ASSETS/LIAB:		$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
SUB-TOTAL		$ (645)	$ -	$ -	$ -	$ (1,083)	$ -	$ -	$ -	$ -	$ -
CASH PROVIDED FROM OPERATIONS:		$ 17,002	$ 17,647	$ 17,647	$ 17,647	$ 11,364	$ 12,447	$ 12,447	$ 12,447	$ 12,447	$ 12,447
EXPENDITURE FOR PROPERTY:		$ (65,000)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
INCREASE IN STOCKHOLDER EQUITY:		$ 65,000	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
REDUCTION IN LONG-TERM DEBT:		$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
INCREASE IN LONG-TERM DEBT:		$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
INC/DEC IN CASH:	$ (65,000)	$ 17,002	$ 17,647	$ 17,647	$ 17,647	$ 11,364	$ 12,447	$ 12,447	$ 12,447	$ 12,447	$ 12,447
CASH- BEGINNING OF THE YEAR:		$ -	$ 17,002	$ 34,649	$ 52,296	$ 69,943	$ 81,306	$ 93,753	$ 106,200	$ 118,647	$ 131,094
CASH- END OF THE YEAR:		$ 17,002	$ 34,649	$ 52,296	$ 69,943	$ 81,306	$ 93,753	$ 106,200	$ 118,647	$ 131,094	$ 143,541

NPV OF OPERATIONS: 10 YEARS	$ 49,750	Cash from Operations
@ 12% Discount Rate:	44,420	Inc/Dec Cash
IRR after 10 years:	25%	

ACQUISTION PRICE:	$ -	
Projected Carloads	2,400	
Ave Revenue/Car:	$ 500	
Net Liquidation Value (yr 1):	$ -	
Value of Railroad Year 10:	$ 103,725	

Great Falls-Helena
Branch

MAINTENANCE OF WAY	# of empl.	Base Salary	$ OT	Benefits	Total $(yr1)	Total $(yr2)	Total $(yr3)	Total $(yr4)	Total $(yr5)
MANAGER- M OF W	0	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
ROADMASTER- M OF W	0	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
FOREMAN	0	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
CREW	2	$ 30,000	$ -	$ 13,200	$ 86,400	$ 86,400	$ 86,400	$ 86,400	$ 86,400
MACHINE OPERATORS	0	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
TRACK INSPECTORS	0	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
SIGNAL MAINTAINERS	0	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
TOTAL	2	$ 30,000	$ -	$ 13,200	$ 86,400	$ 86,400	$ 86,400	$ 86,400	$ 86,400
MATERIALS AND OTHER EXPENSES		Growth Rate:	0%						
LAYOVER AND SUBSISTENCE			based on crew layovers		$ -	$ -	$ -	$ -	$ -
MAINTENANCE VEHICLES			$4000 per M of W crew		$ 4,000	$ 4,000	$ 4,000	$ 4,000	$ 4,000
MAINTENANCE MACHINERY			as required		$ 2,500	$ 2,500	$ 2,500	$ 2,500	$ 2,500
TIES			see below		$ 166,250	$ 166,250	$ 166,250	$ 166,250	$ 166,250
RAIL					$ -	$ -	$ -	$ -	$ -
BALLAST					$ 45,600	$ 45,600	$ 45,600	$ 45,600	$ 45,600
BRIDGES					$ 3,000	$ 3,000	$ 3,000	$ 3,000	$ 3,000
CULVERTS					$ 22,500	$ 22,500	$ 22,500	$ 22,500	$ 22,500
OTHER MATERIAL			as needed		$ 5,000	$ 5,000	$ 5,000	$ 5,000	$ 5,000
CROSSINGS					$ 11,250	$ 11,250	$ 11,250	$ 11,250	$ 11,250
SIGNALS					$ 22,500	$ 22,500	$ 22,500	$ 22,500	$ 22,500
VEGETATION CONTROL			$350 per mile		$ 33,250	$ 33,250	$ 33,250	$ 33,250	$ 33,250
DEPRECIATION			based on capital exp. program		$ -	$ -	$ -	$ -	$ -
CONTRACT LABOR			as required		$ 20,000	$ 20,000	$ 20,000	$ 20,000	$ 20,000
TOTAL MATERIAL EXPENSES:					$ 335,850	$ 335,850	$ 335,850	$ 335,850	$ 335,850
TOTAL MAINTENANCE OF WAY EXPENSE:					$ 422,250	$ 422,250	$ 422,250	$ 422,250	$ 422,250
				Track Miles Maintained:	95	95	95	95	95
				M OF W / Mile:	$ 4,445	$ 4,445	$ 4,445	$ 4,445	$ 4,445

Detail of Maintenance of Way:	(Unit)	($/unit)	$	
Track (miles/wt)	0	$ 116,000	$ -	cost per mile
Ties (number)	5000	$ 33.25	$ 166,250	ave. 3000 ties/mile, tie: $25,spikes: $1.25/tie,equipment: $7/tie
Ballast (tons)	3000	$ 11	$ 33,000	ave. 250 tons per mile
(equipment hours)	168	$ 75	$ 12,600	equipment, tamper and regulator, at 40 hours/mile
Bridges (Feet)	200	$ 15	$ 3,000	costs to repair and replace material on bridges
Culverts (#/30 years)	5	$ 4,500	$ 22,500	estimate
Crossings (# pvt)	15	$ 250	$ 3,750	estimate
Crossing (# pub)	15	$ 500	$ 7,500	estimate
Signals (# of protected)	15	$ 1,500	$ 22,500	based on number of protected crossings
Vegetation Control:	95	350	$ 33,250	

Great Falls-Helena
Branch

MAINTENANCE OF EQUIPMENT **Growth Rate:** **0%**

	# of empl.	Base Salary	$ OT	Benefits	Year 1 Total $	Year 2 Total $	Year 3 Total $	Year 4 Total $	Year 5 Total $
MANAGER- M OF E	-	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
FOREMAN- LOCO	-	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
FOREMAN- CAR	-	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
CREW	-	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
	-	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
TOTAL	-	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
OTHER EXPENSES									
CONTRACT SERVICES		$5,625 per locomotive(225 hours @ $25/hr)			$ 16,875	$ 16,875	$ 16,875	$ 16,875	$ 16,875
LOCO PARTS AND REPAIRS		$12,000 per locomotive			$ 36,000	$ 36,000	$ 36,000	$ 36,000	$ 36,000
CAR PARTS AND REPAIRS					$ 3,000	$ 3,000	$ 3,000	$ 3,000	$ 3,000
VEHICLE,EQUIPMENT REPAIRS		based $250/month per vehicle			$ 6,000	$ 6,000	$ 6,000	$ 6,000	$ 6,000
TOOLS AND SUPPLIES		estimate			$ 1,500	$ 1,500	$ 1,500	$ 1,500	$ 1,500
OTHER					$ -	$ -	$ -	$ -	$ -
TOTAL OTHER EXPENSES					$ 63,375	$ 63,375	$ 63,375	$ 63,375	$ 63,375
TOTAL MAINTENANCE OF EQUIPMENT:					$ 63,375	$ 63,375	$ 63,375	$ 63,375	$ 63,375

Great Falls-Helena
Branch

TRANSPORTATION EXPENSE

	# of empl.	Base Salary	$ OT	Benefits	Year 1 Total $	Year 2 Total $	Year 3 Total $	Year 4 Total $	Year 5 Total $
SUPERINTENDENT	-	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
ASST. MANAGER-OPERATIONS	-	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
TRAINMEN	2	$ 30,000	$ -	$ 13,200	$ 86,400	$ 86,400	$ 86,400	$ 86,400	$ 86,400
TOTAL	2				$ 86,400	$ 86,400	$ 86,400	$ 86,400	$ 86,400
Growth Rate:	0%								
OTHER EXPENSES									
TRAVEL AND SUBSISTENCE				none	$ -	$ -	$ -	$ -	$ -
TRACKAGE FEES					$ -	$ -	$ -	$ -	$ -
LOCO/FRT CAR DEPRECIATION				based on capital exp. program	$ -	$ -	$ -	$ -	$ -
LOCO/FRT CAR RENT				based on $100 per day per loco	$ 109,500	$ 109,500	$ 109,500	$ 109,500	$ 109,500
FUEL, OIL AND LUBE				based on locomotive miles	$ 355,680	$ 355,680	$ 355,680	$ 355,680	$ 355,680
VEHICLES/RADIO M & R					$ 2,500	$ 2,500	$ 2,500	$ 2,500	$ 2,500
INSURANCE				5% of value of locomotives	$ 11,250	$ 11,250	$ 11,250	$ 11,250	$ 11,250
CAR HIRE					$ -	$ -	$ -	$ -	$ -
TARIFFS AND SUPPL					$ -	$ -	$ -	$ -	$ -
CASUALTY LOSSES				1/2% of freight revenue	$ 6,000	$ 6,000	$ 6,000	$ 6,000	$ 6,000
TOTAL OTHER EXPENSES:					$ 484,930	$ 484,930	$ 484,930	$ 484,930	$ 484,930
TOTAL TRANSPORTATION EXPENSES:					$ 571,330	$ 571,330	$ 571,330	$ 571,330	$ 571,330

Great Falls-Helena
Branch

GENERAL AND ADMINISTRATIVE EXPENSE

	# of empl.	Base Salary	$ OT	Benefits	Year 1 Total $	Year 2 Total $	Year 3 Total $	Year 4 Total $	Year 5 Total $
PRESIDENT	0	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
GENERAL MANAGER	1	$ 40,000	$ -	$ 17,600	$ 57,600	$ 57,600	$ 57,600	$ 57,600	$ 57,600
MARKETING & SALES	0	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
CONSULTANT	0	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
ACCOUNTANT	0	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
AGENT /ADMIN AIDE	0	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
CLERK	0	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
SECRETARY	0	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
ADMINISTRATIVE AIDE	0	$ -		$ -	$ -	$ -	$ -	$ -	$ -
TOTAL	1	$ 40,000	$ -	$ 17,600	$ 57,600	$ 57,600	$ 57,600	$ 57,600	$ 57,600
NON-LABOR EXPENSES	Growth Rate:	0%							
OFFICE RENT					$ 6,000	$ 6,000	$ 6,000	$ 6,000	$ 6,000
OFFICE SUPPLIES				flat fee + $1000/staff	$ 2,200	$ 2,200	$ 2,200	$ 2,200	$ 2,200
UTILITIES				flat fee + $1500/staff	$ 2,700	$ 2,700	$ 2,700	$ 2,700	$ 2,700
TELEPHONE				flat fee + $1200/staff	$ 2,400	$ 2,400	$ 2,400	$ 2,400	$ 2,400
TRAVEL AND ENTERTAINMENT				flat fee + $1200/staff	$ 2,400	$ 2,400	$ 2,400	$ 2,400	$ 2,400
DUES/SUBSCRIPTION					$ -	$ -	$ -	$ -	$ -
ADVERTISING					$ -	$ -	$ -	$ -	$ -
ACCOUNTING/TAX/AUDITING					$ 1,500	$ 1,500	$ 1,500	$ 1,500	$ 1,500
ASLRA FEES					$ -	$ -	$ -	$ -	$ -
LEGAL/STB FEES					$ 2,500	$ 2,500	$ 2,500	$ 2,500	$ 2,500
INSURANCE/PAYROLL				estimate	$ 25,000	$ 25,000	$ 25,000	$ 25,000	$ 25,000
PROPERTY TAXES				estimate	$ 20,000	$ 20,000	$ 20,000	$ 20,000	$ 20,000
DEPRECIATION				based on capital exp. program	$ 13,000	$ 13,000	$ 13,000	$ 13,000	$ -
TOTAL NON-LABOR EXPENSES:					$ 77,700	$ 77,700	$ 77,700	$ 77,700	$ 64,700
TOTAL GENERAL AND ADMINISTRATION:					$ 135,300	$ 135,300	$ 135,300	$ 135,300	$ 122,300

Great Falls-Helena
Branch

SUMMARY OF EMPLOYEES

		# of Employees	Base Salary	Year 1 Salary with Benefits
MAINTENANCE OF WAY				
MANAGER- M OF W		0	$ -	
ROADMASTER- M OF W		0	$ -	
FOREMAN		0	$ -	
CREW		2	$ 30,000	
MACHINE OPERATORS		0	$ -	
TRACK INSPECTORS		0	$ -	
SIGNAL MAINTAINERS		0	$ -	
	sub-total	2		$ 86,400
MAINTENANCE OF EQUIPMENT				
MANAGER- M OF E		-	$ -	
FOREMAN- LOCO		-	$ -	
FOREMAN- CAR		-	$ -	
CREW		-	$ -	
		-	$ -	
	sub-total	-		$ -
TRANSPORTATION				
SUPERINTENDENT		-	$ -	
ASST. MANAGER-OPERATIONS		-	$ -	
TRAINMEN		2	$ 30,000	
	sub-total	2		$ 86,400
GENERAL AND ADMINISTRATION				
PRESIDENT		-	$ -	
GENERAL MANAGER		1	$ 40,000	
MARKETING & SALES		-	$ -	
CONSULTANT		-	$ -	
ACCOUNTANT		-	$ -	
AGENT /ADMIN AIDE		-	$ -	
CLERK		-	$ -	
SECRETARY		-	$ -	
ADMINISTRATIVE AIDE		-	$ -	
	sub-total	1		$ 57,600
TOTAL		5		$ 230,400

NOTE: 1. OVERTIME IS ESTIMATED AT 8% OF REGULAR SALARY
2. BENEFITS ARE ESTIMATED AT 44% OF REGULAR SALARY

Great Falls-Helena
Branch

SUMMARY OF REVENUE

		breakeven									TOTAL
FREIGHT REVENUE											
CARLOADS		2,400	-	-	-	-	-	-	-	-	2,400
RATE/CARLOAD:		$ 500	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	
SUB-TOTAL:		$ 1,200,000	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 1,200,000
Freight Revenue Growth Rate:		0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
Projected Growth Rate (for Other Revenues)		0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
		YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5					
MAINTENANCE FEES:		$ -	$ -	$ -	$ -	$ -					
AAR BILLINGS:		$ -	$ -	$ -	$ -	$ -					
(# of Freight Cars)	-										
($/Freight Car)	$ 20										
OTHER INCOME:		$ -	$ -	$ -	$ -	$ -					
		$ -	$ -	$ -	$ -	$ -					
	sub-total	$ -	$ -	$ -	$ -	$ -					
DEMURRAGE:		$ -									
(# of Freight Cars)	2,400										
($/Day)	$ 20										
(# of Days)	-										
CAR HIRE EXPENSE:		$ -									
(# of Freight Cars)	2,400										
($/Day)	$ 12										
(# of Days)	-										

Great Falls-Helena
Branch

SCHEDULE OF CAPITAL EXPENDITURES:

		#	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5
30 yrs	TRACK AND STRUCTURE:		$ -	$ -	$ -	$ -	$ -
5 yrs	TRACK EQUIPMENT:		$ 25,000	$ -	$ -	$ -	$ -
5 yrs	M OF W VEHICLES:	1	$ 20,000	$ -	$ -	$ -	$ -
5 yrs	COMMUNICATION:		$ -	$ -	$ -	$ -	$ -
15 yrs	LOCOMOTIVES:						
	GP-9	3	$ -	$ -	$ -	$ -	$ -
		0	$ -	$ -	$ -	$ -	$ -
15 yrs	FREIGHT CARS:	0	$ -	$ -	$ -	$ -	$ -
5 yrs	AUTOMOBILES	1	$ 20,000	$ -	$ -	$ -	$ -
15 yrs	INSPECT & MOVE LOCO		$ -				
	TOTAL CAPITAL EXPENDITURES:		$ 65,000	$ -	$ -	$ -	$ -

Value of Locomotive:		
GP-9	$	-
xxx	$	125,000
inspect & move locos	$	-
Value of Freight Cars:	$	10,000
Value of Track Equipment:		
misc equipment	$	25,000
xxx	$	-
xxx	$	-
xxx	$	-
Value of Automobiles:	$	20,000
Value of M of W Autos:	$	20,000
Value of Communication Equipment:		
radios	$	-
office equipment	$	-
xxx		
Track Structure: rail	$	-
ties	$	-
other	$	-

One Time Expenditures:			Year 1	Year 2	Year 3	Year 4
Employee Training	$ -	based on 120 hours + expenses				
Employee HIring	$ -	based on 20 hours + expenses	Total One Time Exp	$ -	$ -	$ -	$ -
Initial Marketing	$ -	based on 15 hours + expenses				

Appendix B

BNSF Moore-Lewistown

Financial, Marketing & Operating Analysis

Table of Contents

Executive Summary

Assuming minimal rail operations, the BNSF Moore-Lewistown rail line cannot cover ongoing operating costs. Due to the close proximity of the Moccasin shuttle train loading facility, the BNSF rate structure at that location, the wash out of the branch line track at Lewistown, and the recent low traffic volumes on the line, resumption of BNSF operations is considered unlikely. There is no indication that traffic volume is likely to improve on the line. This branch would require at least $215,000 in annual subsidies to remain operational.

If an industrial park is developed as discussed in recent reports, the financial condition of the line will improve and be less reliant on agricultural products. A new industrial park would need to provide an additional 1,100 carloads at a rate of $250 per carload in order for the branch, under a short line operator, to provide two-day a week service and cover expenses.

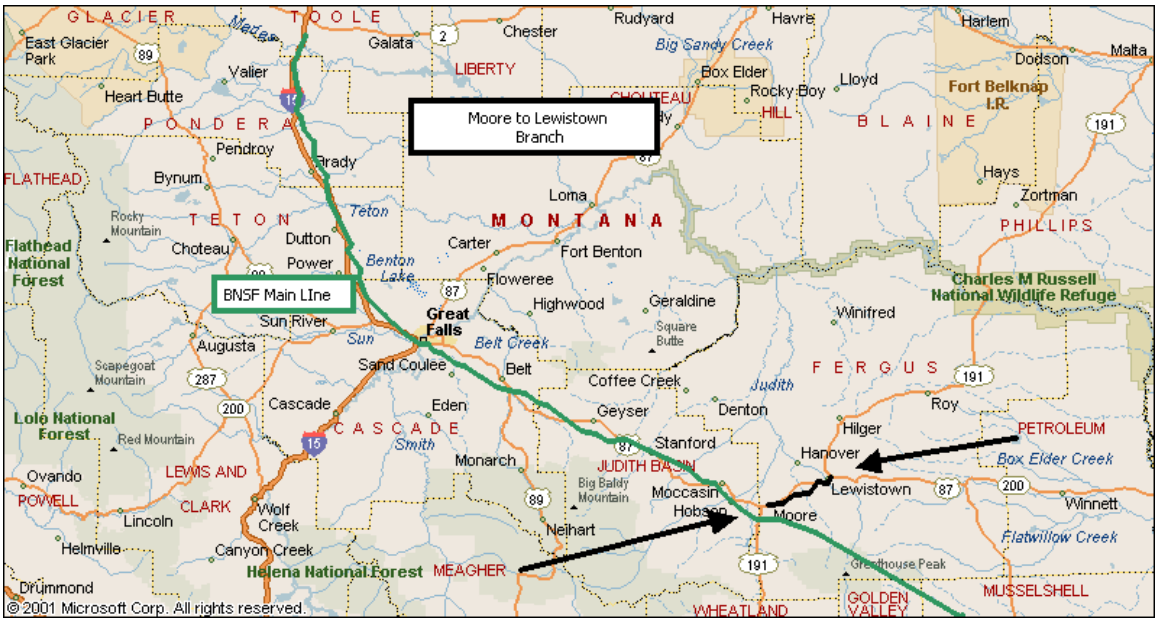
Introduction

This is a marketing, financial and operational analysis of the Moore-Lewistown rail line, currently owned by BNSF.

This analysis of the 18-mile rail line between Moore and Lewistown is based on the normal operations of a railroad of a similar size and type of operation. There has been declining traffic on this line over the past five years, and traffic volume in 2003 was down to 17 carloads. Based on the 2003 volume and the potential operations, there is currently no Going Concern Value for this branch. (Going Concern Value is the amount to be realized by sale of an entity as an operating business. The difference between going concern value and liquidating value is the value of the organization (including intangibles such as goodwill) as distinct from the value of its assets.)

For the Marketing Analysis, phone interviews were conducted with shippers on the rail line to determine future business potential of rail. For the Operating Analysis, an operating plan was developed that would represent the potential rail market for this branch. Based on the marketing and operating plans, the economics of the branch were developed.

The Moore-Lewistown rail line is located in central Montana.

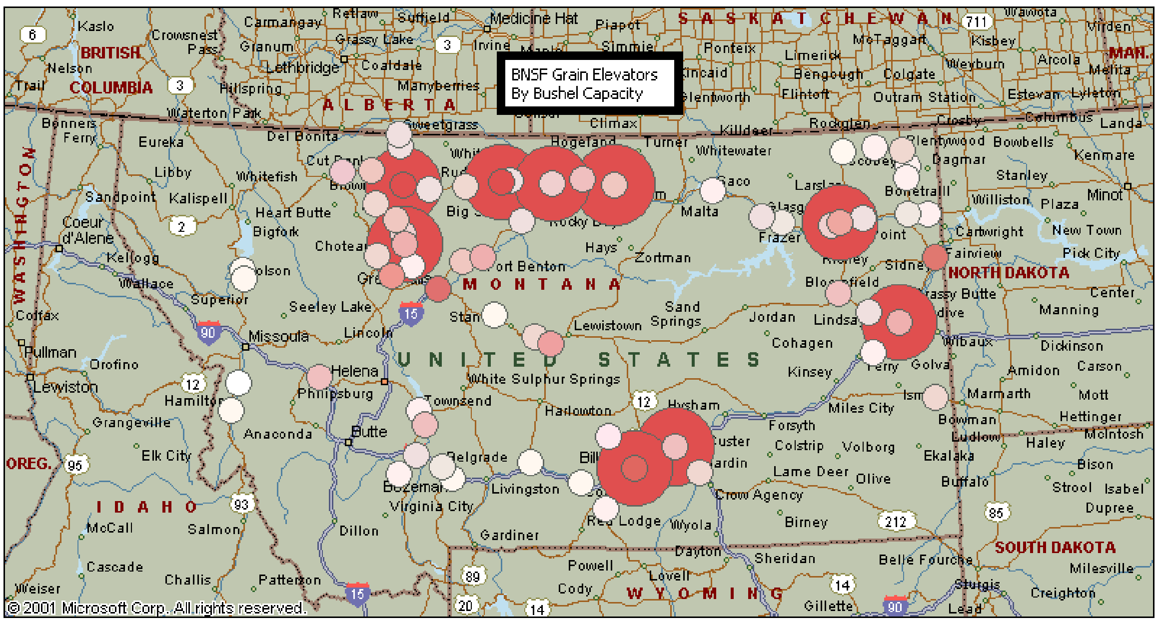


Marketing

<u>Overview</u>

The Moore-Lewistown rail is located near the large grain elevator and shuttle train loading facility at Moccasin, which has the capability to load 104-car shuttle trains and has 436,000 bushels of storage capacity. United Harvest owns the grain elevator at Moccasin.

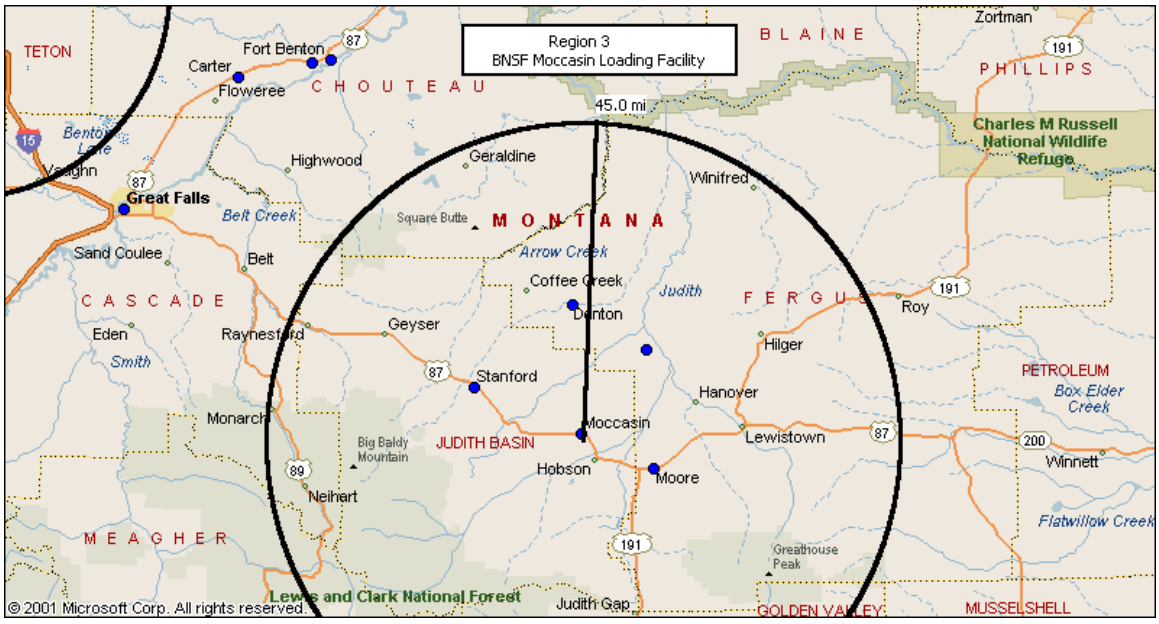
BNSF Served Elevators by Capacity
Montana



Due to the current BNSF rail rate structure, the larger facilities (shuttle train loading sites) are able to offer lower transportation rates to the Pacific Northwest and other destinations. Shippers can effectively ship grain products by truck to Moccasin for the BNSF shuttle service and realize the equivalent savings of $377 per railcar. The economics of the rail/truck costs indicate that grain will be trucked to Moccasin from the Lewistown area.

It is estimated that it costs BNSF approximately $188,000 to provide rail services to the shippers on line. The BNSF rate structure encourages reduction of traffic on this line.

The combination of the rail rate structure and cost to continue rail operations on the branch indicate that BNSF is interested in ceasing operations on this rail line.



Customer Interviews

A marketing analysis of the Moore-Lewistown rail line is based upon phone interviews with two shippers on the line:

Lewistown Propane : Manager: Bill Martin

Lewistown Propane has facilities at Moore and Lewistown, but only the Moore facility can handle rail. Current volumes are 10 to 20 cars per year. No plans for increase in rail traffic are forecast at this time.

Current Rail Traffic:	10-20
Potential Rail Traffic:	10-20

Central Montana Co-op: Manager: Jim Hicks

Central Montana Co-op is located in Lewistown and has storage capacity of 550,000 bushels. The line has been out of service for one and a half years due to a track wash out and therefore no rail traffic has moved. The company currently trucks the product directly to Great Falls and Billings. Central Montana would consider rail in the future if the line were operational, but believes that the facilities at Moccasin will attract a great deal of the business. No plans for rail traffic are forecast at this time.

Current Rail Traffic: none

Potential Rail Traffic: none

Summary of Future Traffic Levels

Based on the customer interviews, only 20 cars will move over the line in the future.

Moore-Lewistown Rail Line
Projected Annual Traffic

Shipper	********** Projected Volumes **********			
	Grain	Barley	Other	Total
Peavey Grain	-	-	-	-
Lewistown Propane	-	-	20	20
Montana Co-op	-	-	-	-
Total	-	-	20	20

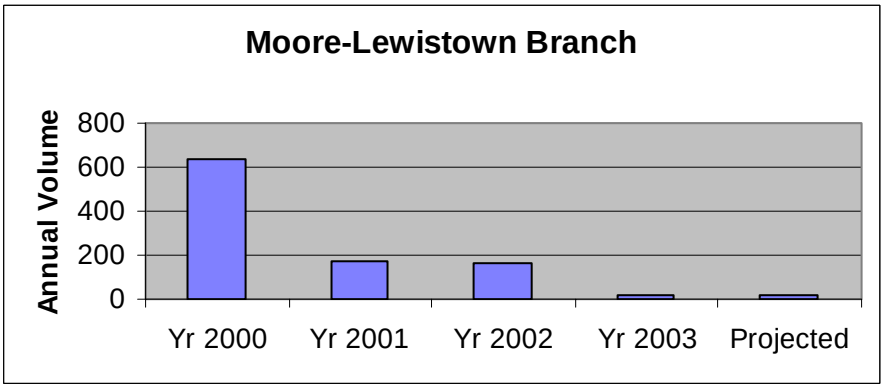
There have been discussions regarding the development of an industrial park on the branch. This is only in the development phase, but should the project come to fruition, there may be additional traffic on the rail line. The economics for this rail line are based on (1) grain traffic only, and (2) inclusion of an industrial park. The industrial park is speculative and is included in the break-even analysis only.

Revenue & Carload Statistics

Freight Traffic

Volume

The Moore-Lewistown rail line handled 17 carloads of wheat in 2003, down from a high of 2,025 carloads in 1991. There are two shippers on the line. Volume on the line is deemed not likely to increase in the future, absent new business development.



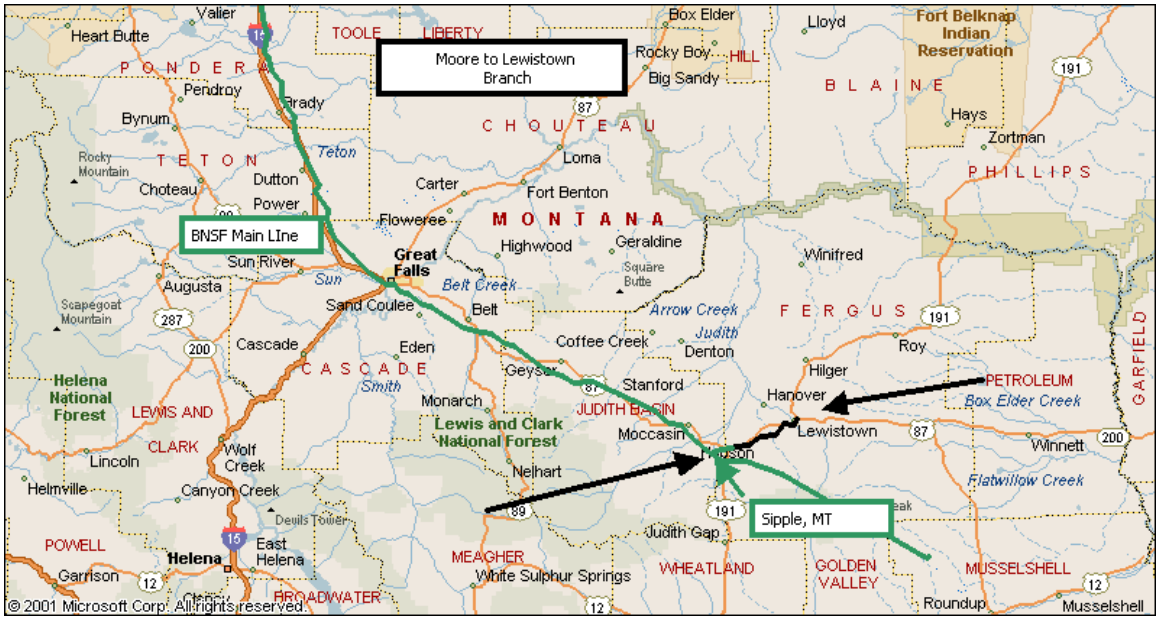
Freight Rate

In general the freight rate for grain for a short line of this size ranges between $250 and $350 per carload. The freight rate for the propane will range between $400 and $500 per carload. But for this particular analysis, the rail rate must be competitive with the large grain loading facilities at Moccasin in order for a grain shipper to ship direct by rail from its facility, versus truck to the large shuttle train facilities. Using incremental analysis, it has been determined that there is no freight rate for the Moore to Lewistown portion of the rail route that can compete with the truck-to-Moccasin option available to grain shippers.

Operations

Assuming the branch remains operating, a rail operating plan is developed to serve on-line shippers. In general the objective of an operating analysis is to establish a train schedule which will move both loads and empties to the customers in an efficient and cost effective manner. A short line railroad operation is assumed, and an operating plan is developed to serve the traffic.

Moore-Lewistown Rail Line



Proposed Operations

Lewistown Turn

The Moore-Lewistown rail line connects with BNSF at Moore. Rail line operations will begin at 8:00 a.m. at Moore, one day per week. The crew will operate between Moore and Lewistown delivering cars to BNSF at Moore and providing switching, as needed.

Assignment

- Handle all traffic on branch
- Switch the customers on line as needed
- On Duty: 8 hours

Schedule:

One day per week

8:00 a.m.:	on duty at Moore switch cars, train inspection and air test
8:30 a.m.:	depart for Lewistown
8:30 –11:30 a.m.:	pick up loads and switch industries as needed.
10:30 a.m.:	arrive at Lewistown
11:30 a.m.:	return to Moore
1:30 p.m.:	arrive at Moore
2:00 p.m.:	tie up locomotives

The General Manager will conduct track inspection one day a week.

Locomotives

Service, as planned, assumes the use of one locomotive, which will be leased.

Car Supply

Car Supply could possibly be an issue for the outbound traffic. The railroad will need to address the equipment supply issues. The analysis assumes 120 hours of free car hire time.

Connecting Carrier: BNSF

The line connects directly with BNSF at Moore. The railroad is required to negotiate with the BNSF to establish rates for the customers on line.

Maintenance of Way

The Moore-Lewistown rail line is FRA Class 1 track. The track has a maximum track speed of 10 mph and can carry up to 143-ton cars. There are 37 at-grade crossings and 6 railroad bridges on the branch. Six-axle locomotives are restricted from most of the line. Rail weights vary from 75 to 115 pound. Approximately 26 percent of the ties are defective.

Maintenance of Track and Structures

There is no traffic on the Moore-Lewistown rail line at this time. Due to the condition of the line, the washout must be repaired before traffic to Lewistown may resume. Excepting spot checks, the consultant has not inspected the track and structures to be able to provide an opinion on the condition. Where checks were made, between 14 and 22 percent defective ties are indicated. A complete inspection of the line is recommended before resumption of operations. Only sufficient work is recommended on the track to bring it to FRA-compliant operating condition. For this analysis, it has been assumed that maintenance on the branch line will be approximately $2,900 per year.

Maintenance of Equipment

The Moore-Lewistown rail line requires minimum equipment to operate the line. Leasing of one locomotive is recommended for this operation. The lease rate is estimated to range between $75 to $100 per day.

Maintenance of Equipment

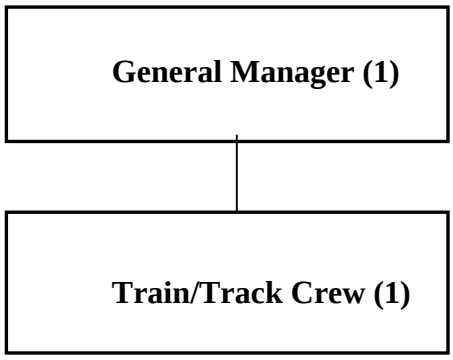
It is recommended that an outside contractor maintain the locomotive used on the Moore-Lewistown rail line. As the current rail schedule assumes the locomotive will be in use one day per weekday, the contractor will have ample time to do inspections and repairs on days of no service. Estimated expenses for parts and labor for this analysis is $17,000 per year.

General & Administration

All of the General & Administrative functions will be performed by the General Manager. The railroad will require two other employees to operate the train and maintain the track. Both positions will be non-union, part time with no benefits.

Personnel Requirements

Moore-Lewistown Branch
Staff Chart



Administrative Expenses

The Railroad will incur approximately $55,000 in General & Administrative fees. This expense will cover the utilities, legal/accounting services, insurance, property tax, etc.

Break Even Analysis

The current BNSF rate structure, which offers lower rates at large shuttle train loading facilities, makes it uneconomical for shippers on the Moore-Lewistown rail to ship grain by rail.

Based on an estimated annual volume of 20 rail cars, the additional subsidy required to support this line is $215,000 per year. Should traffic increase, the branch will require at least 900 carloads at a rate of $250 per carload to break even.

Financial Statements

Moore-Lewistown
Branch

PROJECTED INCOME STATEMENT

		YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5	YEAR 6	YEAR 7	YEAR 8	YEAR 9	YEAR 10
AQUISITION PRICE:	$ -										
PROJECTED CARLOADS:		20	$ 20	$ 20	$ 20	$ 20	20	20	20	20	20
REVENUE PER CARLOAD:		$ 250									
OPERATING REVENUES:											
FREIGHT REVENUE:		$ 5,000	$ 5,000	$ 5,000	$ 5,000	$ 5,000	$ 5,000	$ 5,000	$ 5,000	$ 5,000	$ 5,000
MAINTENANCE FEES:		$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
AAR BILLINGS:		$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
DEMURRAGE:		$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
TOTAL		$ 5,000	$ 5,000	$ 5,000	$ 5,000	$ 5,000	$ 5,000	$ 5,000	$ 5,000	$ 5,000	$ 5,000
OPERATING EXPENSES											
MAINTENANCE OF WAY		$ 71,435	$ 71,435	$ 71,435	$ 71,435	$ 71,435	$ 71,435	$ 71,435	$ 71,435	$ 71,435	$ 71,435
MAINTENANCE OF EQUIPMENT		$ 21,125	$ 21,125	$ 21,125	$ 21,125	$ 21,125	$ 21,125	$ 21,125	$ 21,125	$ 21,125	$ 21,125
TRANSPORTATION		$ 75,327	$ 75,327	$ 75,327	$ 75,327	$ 75,327	$ 75,327	$ 75,327	$ 75,327	$ 75,327	$ 75,327
GENERAL AND ADMINISTRATIVE		$ 54,660	$ 54,660	$ 54,660	$ 54,660	$ 48,860	$ 48,860	$ 48,860	$ 48,860	$ 48,860	$ 48,860
TOTAL		$ 222,547	$ 222,547	$ 222,547	$ 222,547	$ 216,747	$ 216,747	$ 216,747	$ 216,747	$ 216,747	$ 216,747
INCOME FROM OPERATIONS		$ (217,547)	$ (217,547)	$ (217,547)	$ (217,547)	$ (211,747)	$ (211,747)	$ (211,747)	$ (211,747)	$ (211,747)	$ (211,747)
OTHER INCOME:		$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
ONE-TIME EXPENSES:		$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
INCOME AVAILABLE FOR FIXED CHARGES:		$ (217,547)	$ (217,547)	$ (217,547)	$ (217,547)	$ (211,747)	$ (211,747)	$ (211,747)	$ (211,747)	$ (211,747)	$ (211,747)
INTEREST ON DEBT/CAPITAL LEASES:		$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
AMORTIZATION OF ACQUISITION:		$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
PRE-TAX INCOME		$ (217,547)	$ (217,547)	$ (217,547)	$ (217,547)	$ (211,747)	$ (211,747)	$ (211,747)	$ (211,747)	$ (211,747)	$ (211,747)
INCOME TAXES		$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
NET INCOME AFTER TAXES:		$ (217,547)	$ (217,547)	$ (217,547)	$ (217,547)	$ (211,747)	$ (211,747)	$ (211,747)	$ (211,747)	$ (211,747)	$ (211,747)
EBITDA		$ (211,747)	$ (211,747)	$ (211,747)	$ (211,747)	$ (211,747)	$ (211,747)	$ (211,747)	$ (211,747)	$ (211,747)	$ (211,747)

Moore-Lewistown
Branch

PROJECTED BALANCE SHEET

ASSETS	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5	YEAR 6	YEAR 7	YEAR 8	YEAR 9	YEAR 10
CASH	$ (193,618)	$ (405,365)	$ (617,112)	$ (828,859)	$ (1,041,089)	$ (1,252,836)	$ (1,464,583)	$ (1,676,330)	$ (1,888,077)	$ (2,099,824)
SHORT-TERM INVESTMENTS	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
ACCOUNTS RECEIVABLES	$ 417	$ 417	$ 417	$ 417	$ 417	$ 417	$ 417	$ 417	$ 417	$ 417
PROPERTY AND PLANT	$ 29,000	$ 29,000	$ 29,000	$ 29,000	$ 29,000	$ 29,000	$ 29,000	$ 29,000	$ 29,000	$ 29,000
ACCUMULATED DEPRECIATION	$ 5,800	$ 11,600	$ 17,400	$ 23,200	$ 23,200	$ 23,200	$ 23,200	$ 23,200	$ 23,200	$ 23,200
NET PROPERTY AND PLANT	$ 23,200	$ 17,400	$ 11,600	$ 5,800	$ 5,800	$ 5,800	$ 5,800	$ 5,800	$ 5,800	$ 5,800
OTHER ASSETS	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
TOTAL ASSETS	$ (170,001)	$ (387,548)	$ (605,095)	$ (822,642)	$ (1,034,873)	$ (1,246,620)	$ (1,458,367)	$ (1,670,114)	$ (1,881,861)	$ (2,093,608)
LIABILITIES AND EQUITY										
ACCOUNTS PAYABLE	$ 18,546	$ 18,546	$ 18,546	$ 18,546	$ 18,062	$ 18,062	$ 18,062	$ 18,062	$ 18,062	$ 18,062
SHORT TERM DEBT										
LONG-TERM DEBT:	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
OTHER LIABILITIES	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
TOTAL LIABILITIES:	$ 18,546	$ 18,546	$ 18,546	$ 18,546	$ 18,062	$ 18,062	$ 18,062	$ 18,062	$ 18,062	$ 18,062
STOCKHOLDERS EQUITY:	$ 29,000	$ 29,000	$ 29,000	$ 29,000	$ 29,000	$ 29,000	$ 29,000	$ 29,000	$ 29,000	$ 29,000
RETAINED EARNINGS	$ (217,547)	$ (435,094)	$ (652,641)	$ (870,188)	$ (1,081,935)	$ (1,293,682)	$ (1,505,429)	$ (1,717,176)	$ (1,928,923)	$ (2,140,670)
TOTAL LIABILITES AND EQUITY:	$ (170,001)	$ (387,548)	$ (605,095)	$ (822,642)	$ (1,034,873)	$ (1,246,620)	$ (1,458,367)	$ (1,670,114)	$ (1,881,861)	$ (2,093,608)
	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Debt to Equity Ratio:	-10%	-5%	-3%	-2%	-2%	-1%	-1%	-1%	-1%	-1%

Moore-Lewistown
Branch

PROJECTED CASH FLOW:

CASH PROVIDED FROM OPERATIONS		YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5	YEAR 6	YEAR 7	YEAR 8	YEAR 9	YEAR 10
NET INCOME		$ (217,547)	$ (217,547)	$ (217,547)	$ (217,547)	$ (211,747)	$ (211,747)	$ (211,747)	$ (211,747)	$ (211,747)	$ (211,747)
DEPRECIATION		$ 5,800	$ 5,800	$ 5,800	$ 5,800	$ -	$ -	$ -	$ -	$ -	$ -
OTHER		$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
SUB-TOTAL		$ (211,747)	$ (211,747)	$ (211,747)	$ (211,747)	$ (211,747)	$ (211,747)	$ (211,747)	$ (211,747)	$ (211,747)	$ (211,747)
DECREASE (INC.) IN WORKING CAPITAL											
RECEIVABLES		$ (417)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
PAYABLES		$ 18,546	$ -	$ -	$ -	$ (483)	$ -	$ -	$ -	$ -	$ -
OTHER CURRENT ASSETS/LIAB:		$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
SUB-TOTAL		$ 18,129	$ -	$ -	$ -	$ (483)	$ -	$ -	$ -	$ -	$ -
CASH PROVIDED FROM OPERATIONS:		$ (193,618)	$ (211,747)	$ (211,747)	$ (211,747)	$ (212,230)	$ (211,747)	$ (211,747)	$ (211,747)	$ (211,747)	$ (211,747)
EXPENDITURE FOR PROPERTY:		$ (29,000)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
INCREASE IN STOCKHOLDER EQUITY:		$ 29,000	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
REDUCTION IN LONG-TERM DEBT:		$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
INCREASE IN LONG-TERM DEBT:		$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
INC/DEC IN CASH:	$ (29,000)	$ (193,618)	$ (211,747)	$ (211,747)	$ (211,747)	$ (212,230)	$ (211,747)	$ (211,747)	$ (211,747)	$ (211,747)	$ (211,747)
CASH- BEGINNING OF THE YEAR:		$ -	$ (193,618)	$ (405,365)	$ (617,112)	$ (828,859)	$ (1,041,089)	$ (1,252,836)	$ (1,464,583)	$ (1,676,330)	$ (1,888,077)
CASH- END OF THE YEAR:		$ (193,618)	$ (405,365)	$ (617,112)	$ (828,859)	$ (1,041,089)	$ (1,252,836)	$ (1,464,583)	$ (1,676,330)	$ (1,888,077)	$ (2,099,824)

NPV OF OPERATIONS: 10 YEARS $ (1,209,505) Cash from Operations
@ 12% Discount Rate: (1,079,916) Inc/Dec Cash

ACQUISTION PRICE: $ -
Projected Carloads 20
Ave Revenue/Car: $ 250
Net Liquidation Value (yr 1): $ -

Moore-Lewistown
Branch

MAINTENANCE OF WAY	# of empl.	Base Salary	$ OT	Benefits	Total $(yr1)	Total $(yr2)	Total $(yr3)	Total $(yr4)	Total $(yr5)
MANAGER- M OF W	0	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
ROADMASTER- M OF W	0	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
FOREMAN	0	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
CREW	2	$ 8,320	$ -	$ -	$ 16,640	$ 16,640	$ 16,640	$ 16,640	$ 16,640
MACHINE OPERATORS	0	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
TRACK INSPECTORS	0	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
SIGNAL MAINTAINERS	0	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
TOTAL	2	$ 8,320	$ -	$ -	$ 16,640	$ 16,640	$ 16,640	$ 16,640	$ 16,640
MATERIALS AND OTHER EXPENSES		Growth Rate:	0%						
LAYOVER AND SUBSISTENCE			based on crew layovers		$ -	$ -	$ -	$ -	$ -
MAINTENANCE VEHICLES			$4000 per M of W crew		$ -	$ -	$ -	$ -	$ -
MAINTENANCE MACHINERY			as required		$ -	$ -	$ -	$ -	$ -
TIES			see below		$ 16,625	$ 16,625	$ 16,625	$ 16,625	$ 16,625
RAIL					$ -	$ -	$ -	$ -	$ -
BALLAST					$ 3,800	$ 3,800	$ 3,800	$ 3,800	$ 3,800
BRIDGES					$ 6,570	$ 6,570	$ 6,570	$ 6,570	$ 6,570
CULVERTS					$ 4,500	$ 4,500	$ 4,500	$ 4,500	$ 4,500
OTHER MATERIAL			as needed		$ -	$ -	$ -	$ -	$ -
CROSSINGS					$ 15,500	$ 15,500	$ 15,500	$ 15,500	$ 15,500
SIGNALS					$ 1,500	$ 1,500	$ 1,500	$ 1,500	$ 1,500
VEGETATION CONTROL			$350 per mile		$ 6,300	$ 6,300	$ 6,300	$ 6,300	$ 6,300
DEPRECIATION			based on capital exp. program		$ -	$ -	$ -	$ -	$ -
CONTRACT LABOR			as required		$ -	$ -	$ -	$ -	$ -
TOTAL MATERIAL EXPENSES:					$ 54,795	$ 54,795	$ 54,795	$ 54,795	$ 54,795
TOTAL MAINTENANCE OF WAY EXPENSE:					$ 71,435	$ 71,435	$ 71,435	$ 71,435	$ 71,435
				Track Miles Maintained:	18	18	18	18	18
				M OF W / Mile:	$ 3,969	$ 3,969	$ 3,969	$ 3,969	$ 3,969

Detail of Maintenance of Way:	(Unit)	($/unit)	$	
Track (miles/wt)	0	$ 116,000	$ -	cost per mile
Ties (number)	500	$ 33.25	$ 16,625	ave. 3000 ties/mile, tie: $25,spikes: $1.25/tie,equipment: $7/tie
Ballast (tons)	250	$ 11	$ 2,750	ave. 250 tons per mile
(equipment hours)	14	$ 75	$ 1,050	equipment, tamper and regulator, at 40 hours/mile
Bridges (Feet)	438	$ 15	$ 6,570	costs to repair and replace material on bridges
Culverts (#/30 years)	1	$ 4,500	$ 4,500	estimate
Crossings (# pvt)	8	$ 250	$ 2,000	estimate
Crossing (# pub)	27	$ 500	$ 13,500	estimate
Signals (# of protected)	1	$ 1,500	$ 1,500	based on number of protected crossings
Vegetation Control:	18	350	$ 6,300	

Moore-Lewistown
Branch

MAINTENANCE OF EQUIPMENT **Growth Rate:** **0%**

	# of empl.	Base Salary	$ OT	Benefits	Year 1 Total $	Year 2 Total $	Year 3 Total $	Year 4 Total $	Year 5 Total $
MANAGER- M OF E	-	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
FOREMAN- LOCO	-	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
FOREMAN- CAR	-	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
CREW	-	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
	-	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
TOTAL	-	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
OTHER EXPENSES									
CONTRACT SERVICES		$5,625 per locomotive(225 hours @ $25/hr)			$ 5,625	$ 5,625	$ 5,625	$ 5,625	$ 5,625
LOCO PARTS AND REPAIRS		$12,000 per locomotive			$ 12,000	$ 12,000	$ 12,000	$ 12,000	$ 12,000
CAR PARTS AND REPAIRS					$ 1,500	$ 1,500	$ 1,500	$ 1,500	$ 1,500
VEHICLE,EQUIPMENT REPAIRS		based $250/month per vehicle			$ -	$ -	$ -	$ -	$ -
TOOLS AND SUPPLIES		estimate			$ 1,000	$ 1,000	$ 1,000	$ 1,000	$ 1,000
OTHER					$ 1,000	$ 1,000	$ 1,000	$ 1,000	$ 1,000
TOTAL OTHER EXPENSES					$ 21,125	$ 21,125	$ 21,125	$ 21,125	$ 21,125
TOTAL MAINTENANCE OF EQUIPMENT:					$ 21,125	$ 21,125	$ 21,125	$ 21,125	$ 21,125

Moore-Lewistown
Branch

TRANSPORTATION EXPENSE

	# of empl.	Base Salary	$ OT	Benefits	Year 1 Total $	Year 2 Total $	Year 3 Total $	Year 4 Total $	Year 5 Total $
SUPERINTENDENT	-	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
ASST. MANAGER-OPERATIONS	-	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
TRAINMEN	2	$ 8,320	$ -	$ -	$ 16,640	$ 16,640	$ 16,640	$ 16,640	$ 16,640
TOTAL	2				$ 16,640	$ 16,640	$ 16,640	$ 16,640	$ 16,640
Growth Rate:	0%								
OTHER EXPENSES									
TRAVEL AND SUBSISTENCE				none	$ -	$ -	$ -	$ -	$ -
TRACKAGE FEES					$ -	$ -	$ -	$ -	$ -
LOCO/FRT CAR DEPRECIATION				based on capital exp. program	$ -	$ -	$ -	$ -	$ -
LOCO/FRT CAR RENT				based on $100 per day	$ 36,500	$ 36,500	$ 36,500	$ 36,500	$ 36,500
FUEL, OIL AND LUBE				based on locomotive miles	$ 15,912	$ 15,912	$ 15,912	$ 15,912	$ 15,912
VEHICLES/RADIO M & R					$ 1,500	$ 1,500	$ 1,500	$ 1,500	$ 1,500
INSURANCE				5% of value of locomotives	$ 3,750	$ 3,750	$ 3,750	$ 3,750	$ 3,750
CAR HIRE					$ -	$ -	$ -	$ -	$ -
TARIFFS AND SUPPL					$ 1,000	$ 1,000	$ 1,000	$ 1,000	$ 1,000
CASUALTY LOSSES				1/2% of freight revenue	$ 25	$ 25	$ 25	$ 25	$ 25
TOTAL OTHER EXPENSES:					$ 58,687	$ 58,687	$ 58,687	$ 58,687	$ 58,687
TOTAL TRANSPORTATION EXPENSES:					$ 75,327	$ 75,327	$ 75,327	$ 75,327	$ 75,327

Moore-Lewistown
Branch

GENERAL AND ADMINISTRATIVE EXPENSE

	# of empl.	Base Salary	$ OT	Benefits	Year 1 Total $	Year 2 Total $	Year 3 Total $	Year 4 Total $	Year 5 Total $
PRESIDENT	0	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
GENERAL MANAGER	1	$ 4,160	$ -	$ -	$ 4,160	$ 4,160	$ 4,160	$ 4,160	$ 4,160
MARKETING & SALES	0	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
CONSULTANT	0	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
ACCOUNTANT	0	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
AGENT /ADMIN AIDE	0	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
CLERK	0	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
SECRETARY	0	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
ADMINISTRATIVE AIDE	0	$ -		$ -	$ -	$ -	$ -	$ -	$ -
TOTAL	1	$ 4,160	$ -	$ -	$ 4,160	$ 4,160	$ 4,160	$ 4,160	$ 4,160
NON-LABOR EXPENSES	Growth Rate:	0%							
OFFICE RENT					$ 6,000	$ 6,000	$ 6,000	$ 6,000	$ 6,000
OFFICE SUPPLIES				flat fee + $1000/staff	$ 1,200	$ 1,200	$ 1,200	$ 1,200	$ 1,200
UTILITIES				flat fee + $1500/staff	$ 1,700	$ 1,700	$ 1,700	$ 1,700	$ 1,700
TELEPHONE				flat fee + $1200/staff	$ 1,400	$ 1,400	$ 1,400	$ 1,400	$ 1,400
TRAVEL AND ENTERTAINMENT				flat fee + $1200/staff	$ 1,400	$ 1,400	$ 1,400	$ 1,400	$ 1,400
DUES/SUBSCRIPTION					$ -	$ -	$ -	$ -	$ -
ADVERTISING					$ -	$ -	$ -	$ -	$ -
ACCOUNTING/TAX/AUDITING					$ 1,500	$ 1,500	$ 1,500	$ 1,500	$ 1,500
ASLRA FEES					$ -	$ -	$ -	$ -	$ -
LEGAL/STB FEES					$ 1,500	$ 1,500	$ 1,500	$ 1,500	$ 1,500
INSURANCE/PAYROLL				estimate	$ 20,000	$ 20,000	$ 20,000	$ 20,000	$ 20,000
PROPERTY TAXES				estimate	$ 10,000	$ 10,000	$ 10,000	$ 10,000	$ 10,000
DEPRECIATION				based on capital exp. program	$ 5,800	$ 5,800	$ 5,800	$ 5,800	$ -
TOTAL NON-LABOR EXPENSES:					$ 50,500	$ 50,500	$ 50,500	$ 50,500	$ 44,700
TOTAL GENERAL AND ADMINISTRATION:					$ 54,660	$ 54,660	$ 54,660	$ 54,660	$ 48,860

Moore-Lewistown
Branch

SUMMARY OF EMPLOYEES

		# of Employees	Base Salary	Year 1 Salary with Benefits
MAINTENANCE OF WAY				
MANAGER- M OF W		0	$ -	
ROADMASTER- M OF W		0	$ -	
FOREMAN		0	$ -	
CREW		2	$ 8,320	
MACHINE OPERATORS		0	$ -	
TRACK INSPECTORS		0	$ -	
SIGNAL MAINTAINERS		0	$ -	
	sub-total	2		$ 16,640
MAINTENANCE OF EQUIPMENT				
MANAGER- M OF E		-	$ -	
FOREMAN- LOCO		-	$ -	
FOREMAN- CAR		-	$ -	
CREW		-	$ -	
		-	$ -	
	sub-total	-		$ -
TRANSPORTATION				
SUPERINTENDENT		-	$ -	
ASST. MANAGER-OPERATIONS		-	$ -	
TRAINMEN		2	$ 8,320	
	sub-total	2		$ 16,640
GENERAL AND ADMINISTRATION				
PRESIDENT		-	$ -	
GENERAL MANAGER		1	$ 4,160	
MARKETING & SALES		-	$ -	
CONSULTANT		-	$ -	
ACCOUNTANT		-	$ -	
AGENT /ADMIN AIDE		-	$ -	
CLERK		-	$ -	
SECRETARY		-	$ -	
ADMINISTRATIVE AIDE		-	$ -	
	sub-total	1		$ 4,160
TOTAL				$ 37,440

NOTE: 1. OVERTIME IS ESTIMATED AT 8% OF REGULAR SALARY
2. BENEFITS ARE ESTIMATED AT 44% OF REGULAR SALARY

Moore-Lewistown
Branch

SUMMARY OF REVENUE

	2003 levels									TOTAL
FREIGHT REVENUE	$ 20									
CARLOADS	20	-	-	-	-	-	-	-	-	20
RATE/CARLOAD:	$ 250	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	
SUB-TOTAL:	$ 5,000	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 5,000
Freight Revenue Growth Rate:	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
Projected Growth Rate (for Other Revenues)	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%

		YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5
MAINTENANCE FEES:		$ -	$ -	$ -	$ -	$ -
AAR BILLINGS:		$ -	$ -	$ -	$ -	$ -
(# of Freight Cars)	-					
($/Freight Car)	$ 20					
OTHER INCOME:		$ -	$ -	$ -	$ -	$ -
		$ -	$ -	$ -	$ -	$ -
	sub-total	$ -	$ -	$ -	$ -	$ -
DEMURRAGE:		$ -				
(# of Freight Cars)	20					
($/Day)	$ 20					
(# of Days)	-					
CAR HIRE EXPENSE:		$ -				
(# of Freight Cars)	20					
($/Day)	$ 12					
(# of Days)	-					

Moore-Lewistown
Branch

SCHEDULE OF CAPITAL EXPENDITURES:

		#	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5
30 yrs	TRACK AND STRUCTURE:		$ -	$ -	$ -	$ -	$ -
5 yrs	TRACK EQUIPMENT:		$ 25,000	$ -	$ -	$ -	$ -
5 yrs	M OF W VEHICLES:	0	$ -	$ -	$ -	$ -	$ -
5 yrs	COMMUNICATION:		$ 4,000	$ -	$ -	$ -	$ -
15 yrs	LOCOMOTIVES:						
	GP-9	1	$ -	$ -	$ -	$ -	$ -
		0	$ -	$ -	$ -	$ -	$ -
15 yrs	FREIGHT CARS:	0	$ -	$ -	$ -	$ -	$ -
5 yrs	AUTOMOBILES	0	$ -	$ -	$ -	$ -	$ -
15 yrs	INSPECT & MOVE LOCO		$ -				
	TOTAL CAPITAL EXPENDITURES:		$ 29,000	$ -	$ -	$ -	$ -

Value of Locomotive:		
GP-9	$	-
xxx	$	125,000
inspect & move locos	$	-
Value of Freight Cars:	$	10,000
Value of Track Equipment:		
Hi rail truck	$	10,000
Backhoe	$	15,000
xxx	$	-
xxx	$	-
Value of Automobiles:	$	20,000
Value of M of W Autos:	$	20,000
Value of Communication Equipment:		
radios	$	1,500
office equipment	$	2,500
xxx		
Track Structure: rail	$	-
ties	$	-
other	$	-

One Time Expenditures:				Year 1	Year 2	Year 3	Year 4
Employee Training	$ -	based on 120 hours + expenses					
Employee HIring	$ -	based on 20 hours + expenses	Total One Time Exp	$ -	$ -	$ -	$ -
Initial Marketing	$ -	based on 15 hours + expenses					

Appendix C

MRL Missoula-Darby Branch

Financial, Marketing & Operating Analysis

Table of Contents

Executive Summary

Assuming minimal rail operations, the Montana Rail Link (MRL) Missoula-Darby branch line cannot cover ongoing operating costs. This rail line will require at least $423,000 in annual subsidies assuming no traffic, or $343,000 assuming 199 carloads operate over the line. The traffic levels on this branch are dependent upon the timber market.

Introduction

This is a marketing, financial and operational analysis of the Missoula-Darby Branch Line, currently owned by the Montana Rail Link (MRL).

This analysis of the 65.4-mile branch between Missoula and Darby is based on normal operations of a railroad of a similar size and type of operation. There has been very little traffic on this line over the past five years. Traffic volume in 2003 was 199 carloads. Based on this volume and proposed operations, there is currently no Going Concern Value for this branch.

For the Marketing Analysis, a phone interview was conducted with the MRL to determine future business potential of rail. For the Operating Analysis, an operating plan was developed that would represent the potential rail market for this branch. Based on the marketing and operating plans, the economics of the branch were developed.

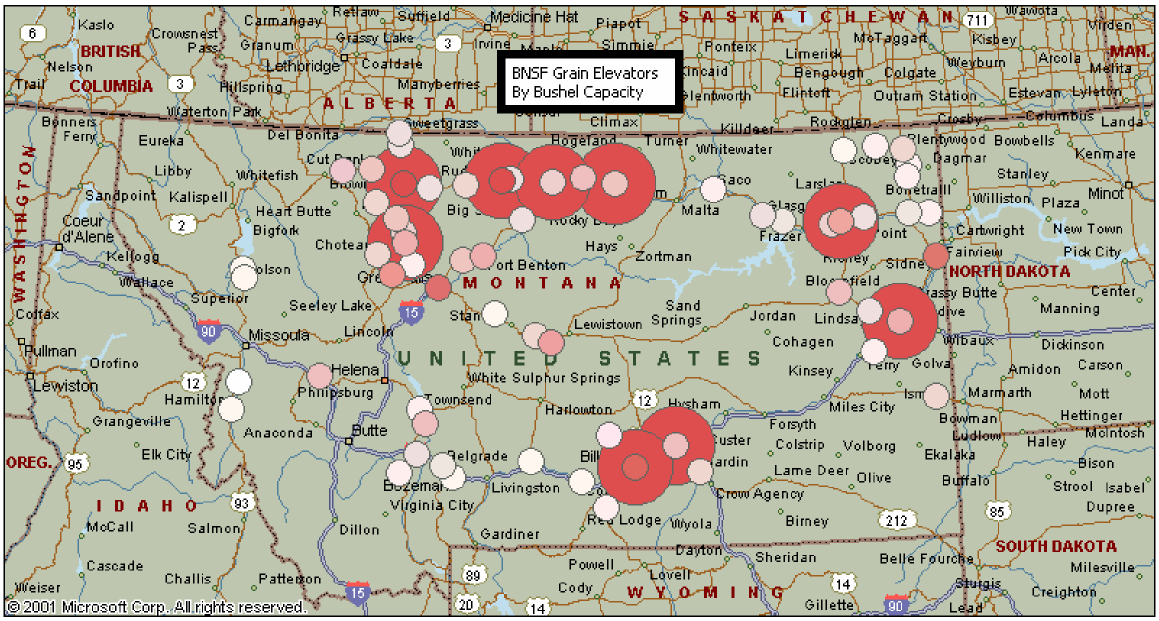
The Missoula-Darby Branch is located in southwest Montana.

Marketing

Overview

The Missoula-Darby Branch is not located in an area of large grain elevators. The branch line carries grain, propane and lumber.

BNSF Served Elevators by Capacity
Montana



Customer Interviews

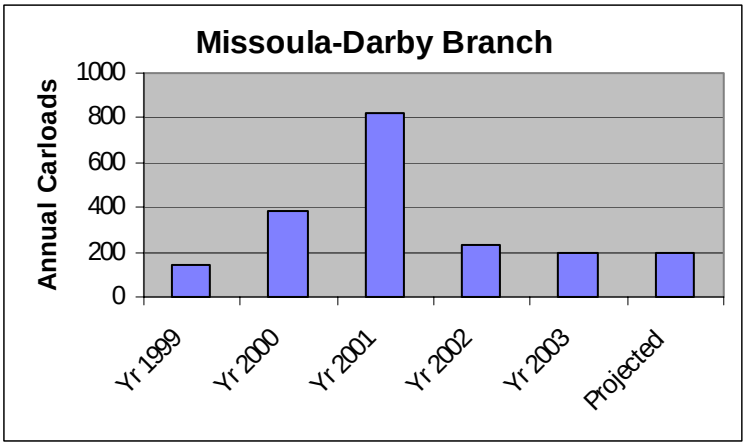
A marketing analysis of the Missoula-Darby Branch has been prepared based upon information provided by MRL, which provided a list of shippers, showing that 13 shippers currently are located on the rail line. MRL confirmed that volume estimates for 2004 will remain at 200 carloads.

Revenue & Carload Statistics

Freight Traffic

Volume

The Missoula-Darby Branch handled 199 carloads in 2003, down from a high of 818 carloads in 2000. Wheat, lumber and propane are the predominant commodities moved on the branch.



Freight Rate

In general the freight rate for grain for a short line of this size ranges between $400 and $550 per carload.

Operations

Assuming the branch remains operating, a rail operating plan has been developed to serve on-line shippers. In general the objective of an operating analysis is to establish a train schedule which will move both loads and empties to the customers in an efficient and cost effective manner. A short line is assumed to operate the branch rail line.

Missoula-Darby Rail Line

Proposed Operations

Missoula Turn

The Missoula-Darby Branch connects with the MRL mainline at Missoula. The branch line operations will begin at 8:00 am at Missoula one day per week. The crew will operate between Missoula and Darby delivering cars to the MRL at Missoula and providing switching, as needed. The crew will return to Missoula with the empty cars.

Assignment

- Handle all traffic on branch
- Switch the customers on line as needed
- On Duty: 10 hours

Schedule:

One day per week

8:00 a.m.:	on duty at Missoula switch cars, train inspection and air test
8:30 a.m.:	depart for Darby
8:30 –12:30 p.m.:	pick up loads and switch industries as needed.
12:30 p.m.:	arrive at Darby
1:30 p.m.:	return to Missoula
5:30 p.m.:	arrive at Missoula
5:30-6:30p.m.	switch industries as needed
6:00 p.m.:	tie up locomotives

The General Manager will conduct track inspection one day a week.

Locomotives

Service, as planned, assumes the use of one locomotive, which will be leased.

Car Supply

Car supply could possibly be an issue for the outbound traffic. The railroad will need to address the equipment supply issues. The analysis assumes 120 hours of free car hire time.

Connecting Carrier: MRL

The line connects directly with MRL at Missoula. The railroad is required to negotiate with the MRL to establish rates for the customers on line.

Maintenance of Way

The Missoula-Darby rail line is FRA Class 2 track. The track has a maximum track speed of 25 mph and can carry up to 134-ton cars. Most of the rail is 80 and 90 pound, with some segments of 112, 115 and 136 pound. The line is out of service from MP 48 (Hamilton) to the end of the line because of missing pilings on a bridge located at MP 49.8. The tie condition in general is poor, as is the ballast. Approximately 1,000 ties will be required to bring the track back into good shape. Lining and surfacing are required. The line is restricted to a weight capacity of 263,000 pounds. Some bridges have even tighter restrictions, requiring the placing of empty cars between loads.

Maintenance of Track & Structures

There is very little traffic on the branch at this time. Due to the condition of the line, it will not be necessary to invest in any capital expenditures at this time to handle the projected volume of traffic. The consultant has not inspected the track and structures to be able to provide an opinion on the condition. It is recommended that only minimal work be performed on the track in order to maintain a safe railroad that is in full compliance with FRA standards. For this analysis, it has been assumed that maintenance on the branch line will be approximately $3,160 per mile.

Maintenance of Equipment

The Missoula-Darby Branch requires minimum equipment to operate the line. Leasing of one locomotive for this operation is recommended. The lease rate is estimated to range between $75 to $100 per day.

Maintenance of Equipment

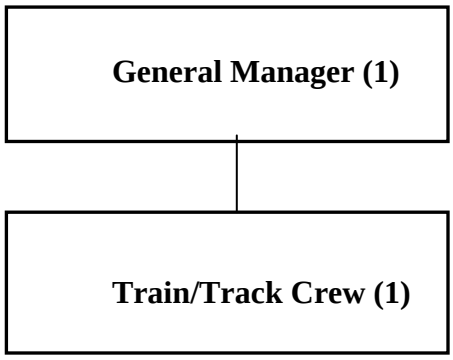
It is recommended that an outside contractor maintain the locomotive used by the Missoula-Darby Branch. As the current rail schedule assumes the locomotive will be in use one day per weekday, the contractor will have ample time to do inspections and repairs on days of no service. Estimated expenses for parts and labor for this analysis is $17,000 per year.

General & Administration

All of the General & Administrative functions will be performed by the General Manager. The railroad will require one other employee to operate the train. Both positions will be non-union and full time with benefits.

Personnel Requirements

Missoula-Darby Branch
Staff Chart



Administrative Expenses

The Railroad will incur approximately $105,000 in General & Administrative fees. This expense will cover the utilities, legal/accounting services, insurance, property tax, etc.

Break Even Analysis

Based on an estimated annual volume of 199 rail cars, the additional subsidy required to support this line is $343,000 per year.

Should volume increase on the branch, 1,100 carloads at a rate of $400 per car will be required for the branch operations to break even.

Financial Statements

Missoula-Darby
Branch

PROJECTED INCOME STATEMENT		YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5	YEAR 6	YEAR 7	YEAR 8	YEAR 9	YEAR 10
AQUISITION PRICE:	$ -										
PROJECTED CARLOADS:		200	$ 200	$ 200	$ 200	$ 200	200	200	200	200	200
REVENUE PER CARLOAD:		$ 400									
OPERATING REVENUES:											
FREIGHT REVENUE:		$ 80,000	$ 80,000	$ 80,000	$ 80,000	$ 80,000	$ 80,000	$ 80,000	$ 80,000	$ 80,000	$ 80,000
MAINTENANCE FEES:		$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
AAR BILLINGS:		$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
DEMURRAGE:		$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
TOTAL		$ 80,000	$ 80,000	$ 80,000	$ 80,000	$ 80,000	$ 80,000	$ 80,000	$ 80,000	$ 80,000	$ 80,000
OPERATING EXPENSES											
MAINTENANCE OF WAY		$ 206,650	$ 206,650	$ 206,650	$ 206,650	$ 206,650	$ 206,650	$ 206,650	$ 206,650	$ 206,650	$ 206,650
MAINTENANCE OF EQUIPMENT		$ 24,125	$ 24,125	$ 24,125	$ 24,125	$ 24,125	$ 24,125	$ 24,125	$ 24,125	$ 24,125	$ 24,125
TRANSPORTATION		$ 92,350	$ 92,350	$ 92,350	$ 92,350	$ 92,350	$ 92,350	$ 92,350	$ 92,350	$ 92,350	$ 92,350
GENERAL AND ADMINISTRATIVE		$ 105,900	$ 105,900	$ 105,900	$ 105,900	$ 100,100	$ 100,100	$ 100,100	$ 100,100	$ 100,100	$ 100,100
TOTAL		$ 429,025	$ 429,025	$ 429,025	$ 429,025	$ 423,225	$ 423,225	$ 423,225	$ 423,225	$ 423,225	$ 423,225
INCOME FROM OPERATIONS		$ (349,025)	$ (349,025)	$ (349,025)	$ (349,025)	$ (343,225)	$ (343,225)	$ (343,225)	$ (343,225)	$ (343,225)	$ (343,225)
OTHER INCOME:		$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
ONE-TIME EXPENSES:		$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
INCOME AVAILABLE FOR FIXED CHARGES:		$ (349,025)	$ (349,025)	$ (349,025)	$ (349,025)	$ (343,225)	$ (343,225)	$ (343,225)	$ (343,225)	$ (343,225)	$ (343,225)
INTEREST ON DEBT/CAPITAL LEASES:		$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
AMORTIZATION OF ACQUISITION:		$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
PRE-TAX INCOME		$ (349,025)	$ (349,025)	$ (349,025)	$ (349,025)	$ (343,225)	$ (343,225)	$ (343,225)	$ (343,225)	$ (343,225)	$ (343,225)
INCOME TAXES		$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
NET INCOME AFTER TAXES:		$ (349,025)	$ (349,025)	$ (349,025)	$ (349,025)	$ (343,225)	$ (343,225)	$ (343,225)	$ (343,225)	$ (343,225)	$ (343,225)
EBITDA		$ (343,225)	$ (343,225)	$ (343,225)	$ (343,225)	$ (343,225)	$ (343,225)	$ (343,225)	$ (343,225)	$ (343,225)	$ (343,225)

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PROJECTED BALANCE SHEET

ASSETS	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5	YEAR 6	YEAR 7	YEAR 8	YEAR 9	YEAR 10
CASH	$ (314,140)	$ (657,365)	$ (1,000,590)	$ (1,343,815)	$ (1,687,523)	$(2,030,748)	$(2,373,973)	$(2,717,198)	$(3,060,423)	$ (3,403,648)
SHORT-TERM INVESTMENTS	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
ACCOUNTS RECEIVABLES	$ 6,667	$ 6,667	$ 6,667	$ 6,667	$ 6,667	$ 6,667	$ 6,667	$ 6,667	$ 6,667	$ 6,667
PROPERTY AND PLANT	$ 29,000	$ 29,000	$ 29,000	$ 29,000	$ 29,000	$ 29,000	$ 29,000	$ 29,000	$ 29,000	$ 29,000
ACCUMULATED DEPRECIATION	$ 5,800	$ 11,600	$ 17,400	$ 23,200	$ 23,200	$ 23,200	$ 23,200	$ 23,200	$ 23,200	$ 23,200
NET PROPERTY AND PLANT	$ 23,200	$ 17,400	$ 11,600	$ 5,800	$ 5,800	$ 5,800	$ 5,800	$ 5,800	$ 5,800	$ 5,800
OTHER ASSETS	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
TOTAL ASSETS	$ (284,273)	$ (633,298)	$ (982,323)	$ (1,331,348)	$ (1,675,056)	$(2,018,281)	$(2,361,506)	$(2,704,731)	$(3,047,956)	$ (3,391,181)
LIABILITIES AND EQUITY										
ACCOUNTS PAYABLE	$ 35,752	$ 35,752	$ 35,752	$ 35,752	$ 35,269	$ 35,269	$ 35,269	$ 35,269	$ 35,269	$ 35,269
SHORT TERM DEBT										
LONG-TERM DEBT:	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
OTHER LIABILITIES	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
TOTAL LIABILITIES:	$ 35,752	$ 35,752	$ 35,752	$ 35,752	$ 35,269	$ 35,269	$ 35,269	$ 35,269	$ 35,269	$ 35,269
STOCKHOLDERS EQUITY:	$ 29,000	$ 29,000	$ 29,000	$ 29,000	$ 29,000	$ 29,000	$ 29,000	$ 29,000	$ 29,000	$ 29,000
RETAINED EARNINGS	$ (349,025)	$ (698,050)	$ (1,047,075)	$ (1,396,100)	$ (1,739,325)	$(2,082,550)	$(2,425,775)	$(2,769,000)	$(3,112,225)	$ (3,455,450)
TOTAL LIABILITES AND EQUITY:	$ (284,273)	$ (633,298)	$ (982,323)	$ (1,331,348)	$ (1,675,056)	$(2,018,281)	$(2,361,506)	$(2,704,731)	$(3,047,956)	$ (3,391,181)
	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Debt to Equity Ratio:	-11%	-5%	-4%	-3%	-2%	-2%	-1%	-1%	-1%	-1%

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PROJECTED CASH FLOW:

CASH PROVIDED FROM OPERATIONS		YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5	YEAR 6	YEAR 7	YEAR 8	YEAR 9	YEAR 10
NET INCOME		$ (349,025)	$ (349,025)	$ (349,025)	$ (349,025)	$ (343,225)	$ (343,225)	$ (343,225)	$ (343,225)	$ (343,225)	$ (343,225)
DEPRECIATION		$ 5,800	$ 5,800	$ 5,800	$ 5,800	$ -	$ -	$ -	$ -	$ -	$ -
OTHER		$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
SUB-TOTAL		$ (343,225)	$ (343,225)	$ (343,225)	$ (343,225)	$ (343,225)	$ (343,225)	$ (343,225)	$ (343,225)	$ (343,225)	$ (343,225)
DECREASE (INC.) IN WORKING CAPITAL											
RECEIVABLES		$ (6,667)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
PAYABLES		$ 35,752	$ -	$ -	$ -	$ (483)	$ -	$ -	$ -	$ -	$ -
OTHER CURRENT ASSETS/LIAB:		$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
SUB-TOTAL		$ 29,085	$ -	$ -	$ -	$ (483)	$ -	$ -	$ -	$ -	$ -
CASH PROVIDED FROM OPERATIONS:		$ (314,140)	$ (343,225)	$ (343,225)	$ (343,225)	$ (343,708)	$ (343,225)	$ (343,225)	$ (343,225)	$ (343,225)	$ (343,225)
EXPENDITURE FOR PROPERTY:		$ (29,000)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
INCREASE IN STOCKHOLDER EQUITY:		$ 29,000	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
REDUCTION IN LONG-TERM DEBT:		$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
INCREASE IN LONG-TERM DEBT:		$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
INC/DEC IN CASH:	$ (29,000)	$ (314,140)	$ (343,225)	$ (343,225)	$ (343,225)	$ (343,708)	$ (343,225)	$ (343,225)	$ (343,225)	$ (343,225)	$ (343,225)
CASH- BEGINNING OF THE YEAR:		$ -	$ (314,140)	$ (657,365)	$ (1,000,590)	$ (1,343,815)	$(1,687,523)	$(2,030,748)	$(2,373,973)	$(2,717,198)	$ (3,060,423)
CASH- END OF THE YEAR:		$ (314,140)	$ (657,365)	$ (1,000,590)	$ (1,343,815)	$ (1,687,523)	$(2,030,748)	$(2,373,973)	$(2,717,198)	$(3,060,423)	$ (3,403,648)

NPV OF OPERATIONS: 10 YEARS $ (1,942,603) Cash from Operations
@ 12% Discount Rate: (1,734,467) Inc/Dec Cash

ACQUISTION PRICE: $ -
Projected Carloads 200
Ave Revenue/Car: $ 400
Net Liquidation Value (yr 1): $ -

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MAINTENANCE OF WAY	# of empl.	Base Salary	$ OT	Benefits	Total $(yr1)	Total $(yr2)	Total $(yr3)	Total $(yr4)	Total $(yr5)
MANAGER- M OF W	0	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
ROADMASTER- M OF W	0	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
FOREMAN	0	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
CREW	1	$ 24,000	$ -	$ 10,560	$ 34,560	$ 34,560	$ 34,560	$ 34,560	$ 34,560
MACHINE OPERATORS	0	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
TRACK INSPECTORS	0	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
SIGNAL MAINTAINERS	0	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
TOTAL	1	$ 24,000	$ -	$ 10,560	$ 34,560	$ 34,560	$ 34,560	$ 34,560	$ 34,560
MATERIALS AND OTHER EXPENSES		Growth Rate:	0%						
LAYOVER AND SUBSISTENCE			based on crew layovers		$ -	$ -	$ -	$ -	$ -
MAINTENANCE VEHICLES			$4000 per M of W crew		$ 4,000	$ 4,000	$ 4,000	$ 4,000	$ 4,000
MAINTENANCE MACHINERY			as required		$ 2,500	$ 2,500	$ 2,500	$ 2,500	$ 2,500
TIES			see below		$ 66,500	$ 66,500	$ 66,500	$ 66,500	$ 66,500
RAIL					$ -	$ -	$ -	$ -	$ -
BALLAST					$ 15,200	$ 15,200	$ 15,200	$ 15,200	$ 15,200
BRIDGES					$ 2,250	$ 2,250	$ 2,250	$ 2,250	$ 2,250
CULVERTS					$ 22,500	$ 22,500	$ 22,500	$ 22,500	$ 22,500
OTHER MATERIAL			as needed		$ 5,000	$ 5,000	$ 5,000	$ 5,000	$ 5,000
CROSSINGS					$ 3,750	$ 3,750	$ 3,750	$ 3,750	$ 3,750
SIGNALS					$ 7,500	$ 7,500	$ 7,500	$ 7,500	$ 7,500
VEGETATION CONTROL			$350 per mile		$ 22,890	$ 22,890	$ 22,890	$ 22,890	$ 22,890
DEPRECIATION			based on capital exp. program		$ -	$ -	$ -	$ -	$ -
CONTRACT LABOR			as required		$ 20,000	$ 20,000	$ 20,000	$ 20,000	$ 20,000
TOTAL MATERIAL EXPENSES:					$ 172,090	$ 172,090	$ 172,090	$ 172,090	$ 172,090
TOTAL MAINTENANCE OF WAY EXPENSE:					$ 206,650	$ 206,650	$ 206,650	$ 206,650	$ 206,650
				Track Miles Maintained:	65	65	65	65	65
				M OF W / Mile:	$ 3,160	$ 3,160	$ 3,160	$ 3,160	$ 3,160

Detail of Maintenance of Way:	(Unit)	($/unit)	$	
Track (miles/wt)	0	$ 116,000	$ -	cost per mile
Ties (number)	2000	$ 33.25	$ 66,500	ave. 3000 ties/mile, tie: $25,spikes: $1.25/tie,equipment: $7/tie
Ballast (tons)	1000	$ 11	$ 11,000	ave. 250 tons per mile
(equipment hours)	56	$ 75	$ 4,200	equipment, tamper and regulator, at 40 hours/mile
Bridges (Feet)	150	$ 15	$ 2,250	costs to repair and replace material on bridges
Culverts (#/30 years)	5	$ 4,500	$ 22,500	estimate
Crossings (# pvt)	5	$ 250	$ 1,250	estimate
Crossing (# pub)	5	$ 500	$ 2,500	estimate
Signals (# of protected)	5	$ 1,500	$ 7,500	based on number of protected crossings
Vegetation Control:	65.4	350	$ 22,890	

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MAINTENANCE OF EQUIPMENT **Growth Rate:** **0%**

	# of empl.	Base Salary	$ OT	Benefits	Year 1 Total $	Year 2 Total $	Year 3 Total $	Year 4 Total $	Year 5 Total $
MANAGER- M OF E	-	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
FOREMAN- LOCO	-	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
FOREMAN- CAR	-	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
CREW	-	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
	-	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
TOTAL	-	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
OTHER EXPENSES									
CONTRACT SERVICES				$5,625 per locomotive(225 hours @ $25/hr)	$ 5,625	$ 5,625	$ 5,625	$ 5,625	$ 5,625
LOCO PARTS AND REPAIRS				$12,000 per locomotive	$ 12,000	$ 12,000	$ 12,000	$ 12,000	$ 12,000
CAR PARTS AND REPAIRS					$ 1,500	$ 1,500	$ 1,500	$ 1,500	$ 1,500
VEHICLE,EQUIPMENT REPAIRS				based $250/month per vehicle	$ -	$ -	$ -	$ -	$ -
TOOLS AND SUPPLIES				estimate	$ 2,500	$ 2,500	$ 2,500	$ 2,500	$ 2,500
OTHER					$ 2,500	$ 2,500	$ 2,500	$ 2,500	$ 2,500
TOTAL OTHER EXPENSES					$ 24,125	$ 24,125	$ 24,125	$ 24,125	$ 24,125
TOTAL MAINTENANCE OF EQUIPMENT:					$ 24,125	$ 24,125	$ 24,125	$ 24,125	$ 24,125

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TRANSPORTATION EXPENSE

	# of empl.	Base Salary	$ OT	Benefits	Year 1 Total $	Year 2 Total $	Year 3 Total $	Year 4 Total $	Year 5 Total $
SUPERINTENDENT	-	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
ASST. MANAGER-OPERATIONS	-	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
TRAINMEN	1	$ 6,000	$ -	$ 2,640	$ 8,640	$ 8,640	$ 8,640	$ 8,640	$ 8,640
TOTAL	1				$ 8,640	$ 8,640	$ 8,640	$ 8,640	$ 8,640
Growth Rate: 0%									
OTHER EXPENSES									
TRAVEL AND SUBSISTENCE				none	$ -	$ -	$ -	$ -	$ -
TRACKAGE FEES					$ -	$ -	$ -	$ -	$ -
LOCO/FRT CAR DEPRECIATION				based on capital exp. program	$ -	$ -	$ -	$ -	$ -
LOCO/FRT CAR RENT				based on $100 per day	$ 36,500	$ 36,500	$ 36,500	$ 36,500	$ 36,500
FUEL, OIL AND LUBE				based on locomotive miles	$ 40,560	$ 40,560	$ 40,560	$ 40,560	$ 40,560
VEHICLES/RADIO M & R					$ 1,500	$ 1,500	$ 1,500	$ 1,500	$ 1,500
INSURANCE				5% of value of locomotives	$ 3,750	$ 3,750	$ 3,750	$ 3,750	$ 3,750
CAR HIRE					$ -	$ -	$ -	$ -	$ -
TARIFFS AND SUPPL					$ 1,000	$ 1,000	$ 1,000	$ 1,000	$ 1,000
CASUALTY LOSSES				1/2% of freight revenue	$ 400	$ 400	$ 400	$ 400	$ 400
TOTAL OTHER EXPENSES:					$ 83,710	$ 83,710	$ 83,710	$ 83,710	$ 83,710
TOTAL TRANSPORTATION EXPENSES:					$ 92,350	$ 92,350	$ 92,350	$ 92,350	$ 92,350

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GENERAL AND ADMINISTRATIVE EXPENSE

	# of empl.	Base Salary	$ OT	Benefits	Year 1 Total $	Year 2 Total $	Year 3 Total $	Year 4 Total $	Year 5 Total $
PRESIDENT	0	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
GENERAL MANAGER	1	$ 35,000	$ -	$ 15,400	$ 50,400	$ 50,400	$ 50,400	$ 50,400	$ 50,400
MARKETING & SALES	0	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
CONSULTANT	0	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
ACCOUNTANT	0	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
AGENT /ADMIN AIDE	0	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
CLERK	0	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
SECRETARY	0	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
ADMINISTRATIVE AIDE	0	$ -		$ -	$ -	$ -	$ -	$ -	$ -
TOTAL	1	$ 35,000	$ -	$ 15,400	$ 50,400	$ 50,400	$ 50,400	$ 50,400	$ 50,400
NON-LABOR EXPENSES	Growth Rate:	0%							
OFFICE RENT					$ 6,000	$ 6,000	$ 6,000	$ 6,000	$ 6,000
OFFICE SUPPLIES				flat fee + $1000/staff	$ 1,200	$ 1,200	$ 1,200	$ 1,200	$ 1,200
UTILITIES				flat fee + $1500/staff	$ 1,700	$ 1,700	$ 1,700	$ 1,700	$ 1,700
TELEPHONE				flat fee + $1200/staff	$ 1,400	$ 1,400	$ 1,400	$ 1,400	$ 1,400
TRAVEL AND ENTERTAINMENT				flat fee + $1200/staff	$ 1,400	$ 1,400	$ 1,400	$ 1,400	$ 1,400
DUES/SUBSCRIPTION					$ -	$ -	$ -	$ -	$ -
ADVERTISING					$ -	$ -	$ -	$ -	$ -
ACCOUNTING/TAX/AUDITING					$ 1,500	$ 1,500	$ 1,500	$ 1,500	$ 1,500
ASLRA FEES					$ -	$ -	$ -	$ -	$ -
LEGAL/STB FEES					$ 1,500	$ 1,500	$ 1,500	$ 1,500	$ 1,500
INSURANCE/PAYROLL				estimate	$ 20,000	$ 20,000	$ 20,000	$ 20,000	$ 20,000
PROPERTY TAXES				estimate	$ 15,000	$ 15,000	$ 15,000	$ 15,000	$ 15,000
DEPRECIATION				based on capital exp. program	$ 5,800	$ 5,800	$ 5,800	$ 5,800	$ -
TOTAL NON-LABOR EXPENSES:					$ 55,500	$ 55,500	$ 55,500	$ 55,500	$ 49,700
TOTAL GENERAL AND ADMINISTRATION:					$ 105,900	$ 105,900	$ 105,900	$ 105,900	$ 100,100

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SUMMARY OF EMPLOYEES

		# of Employees	Base Salary	Year 1 Salary with Benefits
MAINTENANCE OF WAY				
MANAGER- M OF W		0	$ -	
ROADMASTER- M OF W		0	$ -	
FOREMAN		0	$ -	
CREW		1	$ 24,000	
MACHINE OPERATORS		0	$ -	
TRACK INSPECTORS		0	$ -	
SIGNAL MAINTAINERS		0	$ -	
	sub-total	1		$ 34,560
MAINTENANCE OF EQUIPMENT				
MANAGER- M OF E		-	$ -	
FOREMAN- LOCO		-	$ -	
FOREMAN- CAR		-	$ -	
CREW		-	$ -	
		-	$ -	
	sub-total	-		$ -
TRANSPORTATION				
SUPERINTENDENT		-	$ -	
ASST. MANAGER-OPERATIONS		-	$ -	
TRAINMEN		1	$ 6,000	
	sub-total	1		$ 8,640
GENERAL AND ADMINISTRATION				
PRESIDENT		-	$ -	
GENERAL MANAGER		1	$ 35,000	
MARKETING & SALES		-	$ -	
CONSULTANT		-	$ -	
ACCOUNTANT		-	$ -	
AGENT /ADMIN AIDE		-	$ -	
CLERK		-	$ -	
SECRETARY		-	$ -	
ADMINISTRATIVE AIDE		-	$ -	
	sub-total	1		$ 50,400
TOTAL				$ 93,600

NOTE: 1. OVERTIME IS ESTIMATED AT 8% OF REGULAR SALARY
2. BENEFITS ARE ESTIMATED AT 44% OF REGULAR SALARY

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SUMMARY OF REVENUE

		2003 levels									TOTAL
FREIGHT REVENUE											
CARLOADS		200	-	-	-	-	-	-	-	-	200
RATE/CARLOAD:		$ 400	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	
SUB-TOTAL:		$ 80,000	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 80,000
Freight Revenue Growth Rate:		0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
Projected Growth Rate (for Other Revenues)		0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
		YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5					
MAINTENANCE FEES:		$ -	$ -	$ -	$ -	$ -					
AAR BILLINGS:		$ -	$ -	$ -	$ -	$ -					
(# of Freight Cars)	-										
($/Freight Car)	$ 20										
OTHER INCOME:		$ -	$ -	$ -	$ -	$ -					
		$ -	$ -	$ -	$ -	$ -					
	sub-total	$ -	$ -	$ -	$ -	$ -					
DEMURRAGE:		$ -									
(# of Freight Cars)	200										
($/Day)	$ 20										
(# of Days)	-										
CAR HIRE EXPENSE:		$ -									
(# of Freight Cars)	200										
($/Day)	$ 12										
(# of Days)	-										

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SCHEDULE OF CAPITAL EXPENDITURES:

		#	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5
30 yrs	TRACK AND STRUCTURE:		$ -	$ -	$ -	$ -	$ -
5 yrs	TRACK EQUIPMENT:		$ 25,000	$ -	$ -	$ -	$ -
5 yrs	M OF W VEHICLES:	0	$ -	$ -	$ -	$ -	$ -
5 yrs	COMMUNICATION:		$ 4,000	$ -	$ -	$ -	$ -
15 yrs	LOCOMOTIVES:						
	GP-9	1	$ -	$ -	$ -	$ -	$ -
		0	$ -	$ -	$ -	$ -	$ -
15 yrs	FREIGHT CARS:	0	$ -	$ -	$ -	$ -	$ -
5 yrs	AUTOMOBILES	0	$ -	$ -	$ -	$ -	$ -
15 yrs	INSPECT & MOVE LOCO		$ -				
	TOTAL CAPITAL EXPENDITURES:		$ 29,000	$ -	$ -	$ -	$ -

Value of Locomotive:	
GP-9	$ -
xxx	$ 125,000
inspect & move locos	$ -
Value of Freight Cars:	$ 10,000
Value of Track Equipment:	
Hi rail truck	$ 10,000
backhoe	$ 15,000
xxx	$ -
xxx	$ -
Value of Automobiles:	$ 20,000
Value of M of W Autos:	$ 20,000
Value of Communication Equipment:	
radios	$ 1,500
office equipment	$ 2,500
xxx	
Track Structure: rail	$ -
ties	$ -
other	$ -

One Time Expenditures:				Year 1	Year 2	Year 3	Year 4
Employee Training	$ -	based on 120 hours + expenses					
Employee HIring	$ -	based on 20 hours + expenses	Total One Time Exp	$ -	$ -	$ -	$ -
Initial Marketing	$ -	based on 15 hours + expenses					

Appendix D

BNSF Valier Branch

Financial, Marketing & Operating Analysis

Table of Contents

Executive Summary

Assuming minimal rail operations, the BNSF Valier Branch cannot cover ongoing operating costs based on the current and future carload forecasts. This rail line will require at least an additional $180,000 in annual subsidies to support the traffic on this line. Due to the proximity of a large shuttle train grain-loading facilities at Shelby and Collins, there is no financial reason for shippers to use the Valier Branch.

Introduction

This is a marketing, financial and operational analysis of the Valier Branch located in Montana and currently owned by the BNSF.

The analysis of the 17.3-mile branch between Valier and Conrad is based on the normal operations of a railroad of a similar size and type of operation. There has been very little traffic on this line over the past five years. Traffic volume in 2003 was 107 carloads. Based on this volume and the potential operations, there is currently no Going Concern Value for this branch.

For the Marketing Analysis, a phone interview was conducted with the shipper currently on the branch to determine the future business potential of rail. For the Operating Analysis, an operating plan was developed that would represent the potential rail market for this branch. Based on the marketing and operating plans, the economics of the branch were developed.

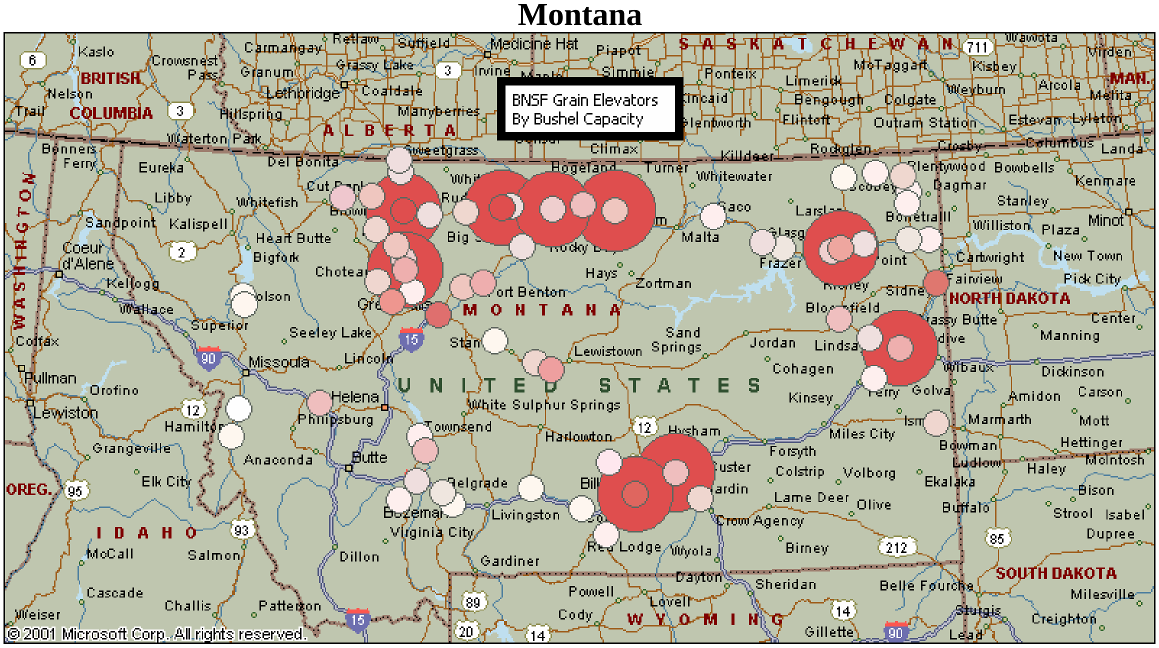
The Valier Branch is located in north central Montana. The line operates between Conrad and Valier in Pondera County.

Marketing

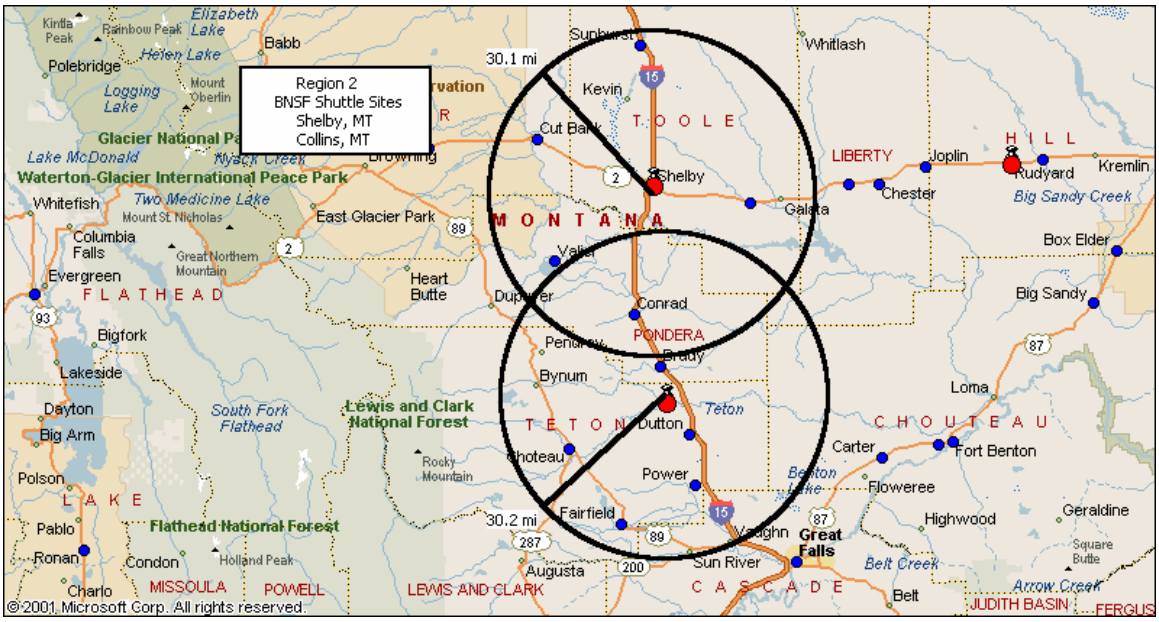
Overview

The Valier Branch is located in an area of large grain elevators served by the BNSF: Shelby, (110-car loading facility), Collins (873,000 bushels), Conrad (1,104,000 bushels), Fairfield (1,200,000 bushels) and Power (155,000 bushels). There is a grain elevator in Valier, owned by Mountain View Co-op, with a storage capacity of 440,000 bushels and a 54-car loading site. The map below illustrates the large BNSF served loading faculties in Montana. The size of the circle represents the storage capacity at each site.

BNSF Served Elevators by Capacity
Montana



Due to the current BNSF rail rate structure, the larger facilities (110- car loading sites) are able to offer lower transportation rates to the Pacific Northwest and other destinations. BNSF serves several large shuttle sites within Montana; two of which are located with 30 miles of Valier Branch.



An economic analysis of the BNSF rate structure within the Valier region indicates that there is no financial reason, given the rate structure, for the shipper to move grain direct from the Valier Branch. The shipper actually will realize cost savings by trucking to the shuttle site rather than using rail direct. The shipper can effectively ship grain products by truck to Collins for the BNSF shuttle service and realize a $380 per car savings.

Customer Interviews

A marketing analysis has been prepared for the Valier Branch based upon interviewing the one shipper on the line:

Cenex Harvest States: Manager: Terry Parson

The Cenex Harvest States elevator, located in Valier, has storage capabilities of 200,000 bushels. Cenex produces 300,000 bushels (90 carload equivalents) per year, all of which moves by truck to Shelby or Collins ($.10 to $.12 per bushel). The company sees very little moving by rail direct from Valier. The map below illustrates CHS's elevators.

Current Rail Traffic: 13

Potential Rail Traffic: 13

<u>Summary of Future Traffic Levels</u>

The shipper will move some traffic by rail as long as there is rail service.

Valier Branch
Projected Annual Volumes

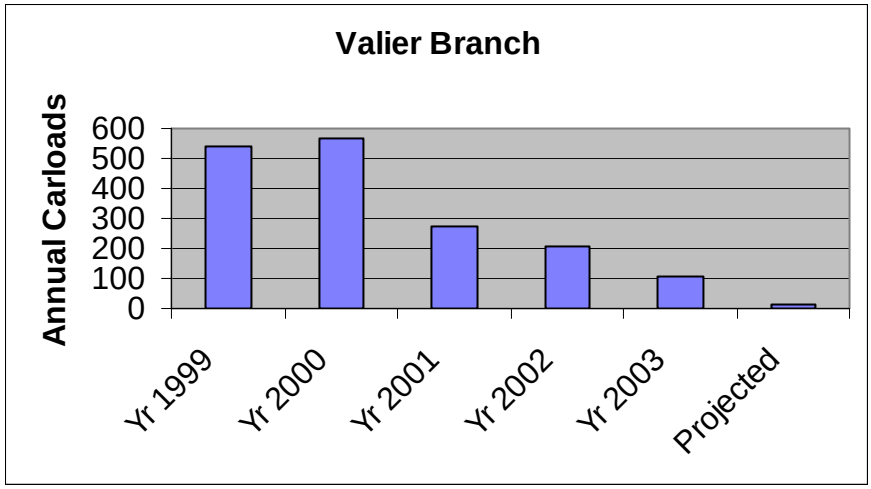
Shipper	*********** Projected Volumes ***********			
	Grain	Barley	Other	Total
Cenex Harvest States	-	10	3	13
Total	-	10	3	13

Revenue & Carload Statistics

Freight Traffic

Volume

The Valier Branch handled 107 carloads in 2003, down from a high of 862 carloads in 1991. There is one shipper located on the line.



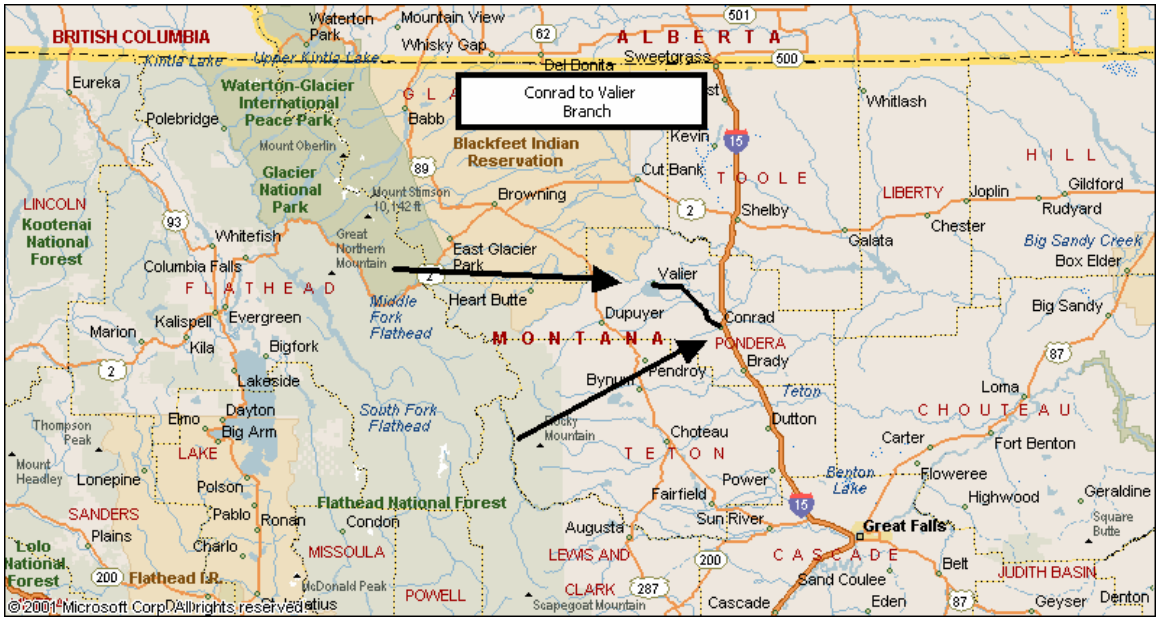
Freight Rate

In general the freight rate for grain for a short line of this size ranges between $250 and $350 per carload. But for this particular analysis, the rail rate must be competitive with the large grain loading facilities at Shelby and Collins in order for the grain shipper to ship direct by rail from its facility versus truck to the large shuttle train loading facilities. Using incremental analysis, it has been determined that there is no freight rate for the Valier Branch that can compete with the truck/rail option available to shippers.

Operations

Assuming the branch remains operating, a rail operating plan has been developed to serve its on-line shipper. In general the objective of an operating analysis is to establish a train schedule which will move both loads and empties to the customers in an efficient and cost-effective manner. A short line railroad is assumed to operate the branch.

Valier Branch



Proposed Operations

Valier Turn

The Valier Branch connects with BNSF at Conrad. Branch line operations will begin at 8:00 a.m. at Valier, one day per week. The crew will operate between Valier and Conrad delivering cars to BNSF at Conrad and providing switching, as needed. The crew will return to Valier with the empty cars.

Assignment

- Handle all traffic on branch
- Switch the customers on line as needed
- On Duty: 4 hours

Schedule:

One day per week

8:00 a.m.:	on duty at Valier switch cars, train inspection and air test
8:30 – 10:30 a.m.:	depart for Conrad, pick up loads and switch industries as needed.
10:30 a.m.:	arrive Conrad
11:30 a.m.:	depart for Valier
1:30 p.m.:	arrive Valier
2:00 a.m.:	tie up locomotives

The General Manager will conduct track inspection one day a week.

Locomotives

Service, as planned, assumes the use of one locomotive, which will be leased.

Car Supply

Car Supply could possibly be an issue for the outbound traffic. The railroad will need to address the equipment supply issues. The analysis assumes 120 hours of free car hire time.

Connecting Carrier: BNSF

The line connects directly with BNSF at Conrad. The short line railroad is required to negotiate with the BNSF to establish rates for the customers on line.

Maintenance of Way

The Valier Branch is FRA Class 2 track. The track has a maximum track speed of 25 mph and can carry up to 143-ton cars. The rail is mostly 110 pound. Based on spot checks, roughly 19 percent of the ties are defective.

Maintenance of Track and Structures

There is very little traffic on the branch at this time. Excepting spot checks, the consultant has not inspected the track and structures to be able to provide an opinion on the condition. A full inspection of the line is recommended. It is recommended that only minimal work be performed on the track in order to maintain a safe railroad that is in full compliance with FRA standards. For this analysis, it has been assumed that maintenance on the branch line will be approximately $2,743 per mile.

Maintenance of Equipment

Valier Branch requires minimum equipment to operate the line. It is recommended that one locomotive be leased for this operation. The lease rate is estimated to range between $75 to $100 per day.

Maintenance of Equipment

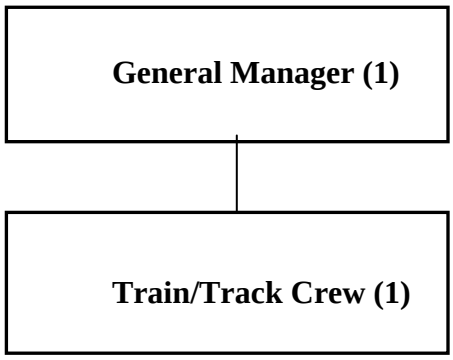
It is recommended that an outside contractor maintain the locomotive used on the Valier Branch. As the current rail schedule assumes the locomotive will be in use one day per weekday, the contractor will have ample time to do inspections and repairs on days of no service. Estimated expenses for parts and labor for this analysis is $17,000 per year.

General & Administration

All of the General & Administrative functions will be performed by the General Manager. The railroad will require one other employee to operate the train and perform minor track repairs. Both positions will be part time (three days per week) and non-union with no benefits.

Personnel Requirements

Valier Branch
Staff Chart



Administrative Expenses

The Railroad will incur approximately $59,000 in General & Administrative fees. This expense will cover the utilities, legal/accounting services, insurance, property tax, etc.

Break Even Analysis

The current BNSF rate structure, which offers lower rates at large loading facilities, makes it uneconomical for shippers on the Valier Branch to load grain on the branch. Should the branch remain operating, it will require a minimum of 750 carloads at a rate of $250 per car.

This line will require a subsidy of $153,000 per year in order to keep minimal operations.

Financial Statements

Valier
Branch

PROJECTED INCOME STATEMENT

	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5	YEAR 6	YEAR 7	YEAR 8	YEAR 9	YEAR 10
AQUISITION PRICE:	$ -									
PROJECTED CARLOADS:	13	$ 13	$ 13	$ 13	$ 13	13	13	13	13	13
REVENUE PER CARLOAD:	$ 250									
OPERATING REVENUES:										
FREIGHT REVENUE:	$ 3,250	$ 3,250	$ 3,250	$ 3,250	$ 3,250	$ 3,250	$ 3,250	$ 3,250	$ 3,250	$ 3,250
MAINTENANCE FEES:	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
AAR BILLINGS:	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
DEMURRAGE:	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
TOTAL	$ 3,250	$ 3,250	$ 3,250	$ 3,250	$ 3,250	$ 3,250	$ 3,250	$ 3,250	$ 3,250	$ 3,250
OPERATING EXPENSES										
MAINTENANCE OF WAY	$ 47,460	$ 47,460	$ 47,460	$ 47,460	$ 47,460	$ 47,460	$ 47,460	$ 47,460	$ 47,460	$ 47,460
MAINTENANCE OF EQUIPMENT	$ 21,125	$ 21,125	$ 21,125	$ 21,125	$ 21,125	$ 21,125	$ 21,125	$ 21,125	$ 21,125	$ 21,125
TRANSPORTATION	$ 57,846	$ 57,846	$ 57,846	$ 57,846	$ 57,846	$ 57,846	$ 57,846	$ 57,846	$ 57,846	$ 57,846
GENERAL AND ADMINISTRATIVE	$ 58,820	$ 58,820	$ 58,820	$ 58,820	$ 53,020	$ 53,020	$ 53,020	$ 53,020	$ 53,020	$ 53,020
TOTAL	$ 185,251	$ 185,251	$ 185,251	$ 185,251	$ 179,451	$ 179,451	$ 179,451	$ 179,451	$ 179,451	$ 179,451
INCOME FROM OPERATIONS	$ (182,001)	$ (182,001)	$ (182,001)	$ (182,001)	$ (176,201)	$ (176,201)	$ (176,201)	$ (176,201)	$ (176,201)	$ (176,201)
OTHER INCOME:	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
ONE-TIME EXPENSES:	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
INCOME AVAILABLE FOR FIXED CHARGES:	$ (182,001)	$ (182,001)	$ (182,001)	$ (182,001)	$ (176,201)	$ (176,201)	$ (176,201)	$ (176,201)	$ (176,201)	$ (176,201)
INTEREST ON DEBT/CAPITAL LEASES:	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
AMORTIZATION OF ACQUISITION:	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
PRE-TAX INCOME	$ (182,001)	$ (182,001)	$ (182,001)	$ (182,001)	$ (176,201)	$ (176,201)	$ (176,201)	$ (176,201)	$ (176,201)	$ (176,201)
INCOME TAXES	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
NET INCOME AFTER TAXES:	$ (182,001)	$ (182,001)	$ (182,001)	$ (182,001)	$ (176,201)	$ (176,201)	$ (176,201)	$ (176,201)	$ (176,201)	$ (176,201)
EBITDA	$ (176,201)	$ (176,201)	$ (176,201)	$ (176,201)	$ (176,201)	$ (176,201)	$ (176,201)	$ (176,201)	$ (176,201)	$ (176,201)

Valier
Branch

PROJECTED BALANCE SHEET

ASSETS	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5	YEAR 6	YEAR 7	YEAR 8	YEAR 9	YEAR 10
CASH	$ (161,034)	$ (337,236)	$ (513,437)	$ (689,638)	$ (866,323)	$ (1,042,524)	$ (1,218,725)	$ (1,394,927)	$ (1,571,128)	$ (1,747,329)
SHORT-TERM INVESTMENTS	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
ACCOUNTS RECEIVABLES	$ 271	$ 271	$ 271	$ 271	$ 271	$ 271	$ 271	$ 271	$ 271	$ 271
PROPERTY AND PLANT	$ 29,000	$ 29,000	$ 29,000	$ 29,000	$ 29,000	$ 29,000	$ 29,000	$ 29,000	$ 29,000	$ 29,000
ACCUMULATED DEPRECIATION	$ 5,800	$ 11,600	$ 17,400	$ 23,200	$ 23,200	$ 23,200	$ 23,200	$ 23,200	$ 23,200	$ 23,200
NET PROPERTY AND PLANT	$ 23,200	$ 17,400	$ 11,600	$ 5,800	$ 5,800	$ 5,800	$ 5,800	$ 5,800	$ 5,800	$ 5,800
OTHER ASSETS	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
TOTAL ASSETS	$ (137,564)	$ (319,565)	$ (501,566)	$ (683,567)	$ (860,252)	$ (1,036,453)	$ (1,212,654)	$ (1,388,856)	$ (1,565,057)	$ (1,741,258)
LIABILITIES AND EQUITY										
ACCOUNTS PAYABLE	$ 15,438	$ 15,438	$ 15,438	$ 15,438	$ 14,954	$ 14,954	$ 14,954	$ 14,954	$ 14,954	$ 14,954
SHORT TERM DEBT										
LONG-TERM DEBT:	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
OTHER LIABILITIES	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
TOTAL LIABILITIES:	$ 15,438	$ 15,438	$ 15,438	$ 15,438	$ 14,954	$ 14,954	$ 14,954	$ 14,954	$ 14,954	$ 14,954
STOCKHOLDERS EQUITY:	$ 29,000	$ 29,000	$ 29,000	$ 29,000	$ 29,000	$ 29,000	$ 29,000	$ 29,000	$ 29,000	$ 29,000
RETAINED EARNINGS	$ (182,001)	$ (364,003)	$ (546,004)	$ (728,005)	$ (904,206)	$ (1,080,408)	$ (1,256,609)	$ (1,432,810)	$ (1,609,011)	$ (1,785,213)
TOTAL LIABILITES AND EQUITY:	$ (137,564)	$ (319,565)	$ (501,566)	$ (683,567)	$ (860,252)	$ (1,036,453)	$ (1,212,654)	$ (1,388,856)	$ (1,565,057)	$ (1,741,258)
	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Debt to Equity Ratio:	-10%	-5%	-3%	-2%	-2%	-1%	-1%	-1%	-1%	-1%

Valier
Branch

PROJECTED CASH FLOW:

CASH PROVIDED FROM OPERATIONS		YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5	YEAR 6	YEAR 7	YEAR 8	YEAR 9	YEAR 10
NET INCOME		$ (182,001)	$ (182,001)	$ (182,001)	$ (182,001)	$ (176,201)	$ (176,201)	$ (176,201)	$ (176,201)	$ (176,201)	$ (176,201)
DEPRECIATION		$ 5,800	$ 5,800	$ 5,800	$ 5,800	$ -	$ -	$ -	$ -	$ -	$ -
OTHER		$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
SUB-TOTAL		$ (176,201)	$ (176,201)	$ (176,201)	$ (176,201)	$ (176,201)	$ (176,201)	$ (176,201)	$ (176,201)	$ (176,201)	$ (176,201)
DECREASE (INC.) IN WORKING CAPITAL											
RECEIVABLES		$ (271)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
PAYABLES		$ 15,438	$ -	$ -	$ -	$ (483)	$ -	$ -	$ -	$ -	$ -
OTHER CURRENT ASSETS/LIAB:		$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
SUB-TOTAL		$ 15,167	$ -	$ -	$ -	$ (483)	$ -	$ -	$ -	$ -	$ -
CASH PROVIDED FROM OPERATIONS:		$ (161,034)	$ (176,201)	$ (176,201)	$ (176,201)	$ (176,685)	$ (176,201)	$ (176,201)	$ (176,201)	$ (176,201)	$ (176,201)
EXPENDITURE FOR PROPERTY:		$ (29,000)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
INCREASE IN STOCKHOLDER EQUITY:		$ 29,000	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
REDUCTION IN LONG-TERM DEBT:		$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
INCREASE IN LONG-TERM DEBT:		$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
INC/DEC IN CASH:	$ (29,000)	$ (161,034)	$ (176,201)	$ (176,201)	$ (176,201)	$ (176,685)	$ (176,201)	$ (176,201)	$ (176,201)	$ (176,201)	$ (176,201)
CASH- BEGINNING OF THE YEAR:		$ -	$ (161,034)	$ (337,236)	$ (513,437)	$ (689,638)	$ (866,323)	$ (1,042,524)	$ (1,218,725)	$ (1,394,927)	$ (1,571,128)
CASH- END OF THE YEAR:		$ (161,034)	$ (337,236)	$ (513,437)	$ (689,638)	$ (866,323)	$ (1,042,524)	$ (1,218,725)	$ (1,394,927)	$ (1,571,128)	$ (1,747,329)

NPV OF OPERATIONS: 10 YEARS	$ (1,011,309)	Cash from Operations
@ 12% Discount Rate:	(902,954)	Inc/Dec Cash

ACQUISTION PRICE:	$ -
Projected Carloads	13
Ave Revenue/Car:	$ 250
Net Liquidation Value (yr 1):	$ -

Valier
Branch

MAINTENANCE OF WAY	# of empl.	Base Salary	$ OT	Benefits	Total $(yr1)	Total $(yr2)	Total $(yr3)	Total $(yr4)	Total $(yr5)
MANAGER- M OF W	0	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
ROADMASTER- M OF W	0	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
FOREMAN	0	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
CREW	2	$ 8,320	$ -	$ -	$ 16,640	$ 16,640	$ 16,640	$ 16,640	$ 16,640
MACHINE OPERATORS	0	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
TRACK INSPECTORS	0	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
SIGNAL MAINTAINERS	0	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
TOTAL	2	$ 8,320	$ -	$ -	$ 16,640	$ 16,640	$ 16,640	$ 16,640	$ 16,640

MATERIALS AND OTHER EXPENSES	Growth Rate: 0%							
LAYOVER AND SUBSISTENCE	based on crew layovers	$ -	$ -	$ -	$ -	$ -		
MAINTENANCE VEHICLES	$4000 per M of W crew	$ -	$ -	$ -	$ -	$ -		
MAINTENANCE MACHINERY	as required	$ -	$ -	$ -	$ -	$ -		
TIES	see below	$ 9,975	$ 9,975	$ 9,975	$ 9,975	$ 9,975		
RAIL		$ -	$ -	$ -	$ -	$ -		
BALLAST		$ 3,040	$ 3,040	$ 3,040	$ 3,040	$ 3,040		
BRIDGES		$ -	$ -	$ -	$ -	$ -		
CULVERTS		$ 4,500	$ 4,500	$ 4,500	$ 4,500	$ 4,500		
OTHER MATERIAL	as needed	$ -	$ -	$ -	$ -	$ -		
CROSSINGS		$ 750	$ 750	$ 750	$ 750	$ 750		
SIGNALS		$ 1,500	$ 1,500	$ 1,500	$ 1,500	$ 1,500		
VEGETATION CONTROL	$350 per mile	$ 6,055	$ 6,055	$ 6,055	$ 6,055	$ 6,055		
DEPRECIATION	based on capital exp. program	$ -	$ -	$ -	$ -	$ -		
CONTRACT LABOR	as required	$ 5,000	$ 5,000	$ 5,000	$ 5,000	$ 5,000		
TOTAL MATERIAL EXPENSES:		$ 30,820	$ 30,820	$ 30,820	$ 30,820	$ 30,820		
TOTAL MAINTENANCE OF WAY EXPENSE:		$ 47,460	$ 47,460	$ 47,460	$ 47,460	$ 47,460		
	Track Miles Maintained:	17	17	17	17	17		
Detail of Maintenance of Way:	M OF W / Mile:	$ 2,743	$ 2,743	$ 2,743	$ 2,743	$ 2,743		

	(Unit)	($/unit)	$	
Track (miles/wt)	0	$ 116,000	$ -	cost per mile
Ties (number)	300	$ 33.25	$ 9,975	ave. 3000 ties/mile, tie: $25,spikes: $1.25/tie,equipment: $7/tie
Ballast (tons)	200	$ 11	$ 2,200	ave. 250 tons per mile
(equipment hours)	11.2	$ 75	$ 840	equipment, tamper and regulator, at 40 hours/mile
Bridges (Feet)	0	$ 15	$ -	costs to repair and replace material on bridges
Culverts (#/30 years)	1	$ 4,500	$ 4,500	estimate
Crossings (# pvt)	1	$ 250	$ 250	estimate
Crossing (# pub)	1	$ 500	$ 500	estimate
Signals (# of protected)	1	$ 1,500	$ 1,500	based on number of protected crossings
Vegetation Control:	17.3	350	$ 6,055	

Valier
Branch

MAINTENANCE OF EQUIPMENT **Growth Rate:** **0%**

	# of empl.	Base Salary	$ OT	Benefits	Year 1 Total $	Year 2 Total $	Year 3 Total $	Year 4 Total $	Year 5 Total $
MANAGER- M OF E	-	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
FOREMAN- LOCO	-	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
FOREMAN- CAR	-	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
CREW	-	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
	-	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
TOTAL	-	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
OTHER EXPENSES									
CONTRACT SERVICES		$5,625 per locomotive(225 hours @ $25/hr)			$ 5,625	$ 5,625	$ 5,625	$ 5,625	$ 5,625
LOCO PARTS AND REPAIRS		$12,000 per locomotive			$ 12,000	$ 12,000	$ 12,000	$ 12,000	$ 12,000
CAR PARTS AND REPAIRS					$ 1,500	$ 1,500	$ 1,500	$ 1,500	$ 1,500
VEHICLE,EQUIPMENT REPAIRS		based $250/month per vehicle			$ -	$ -	$ -	$ -	$ -
TOOLS AND SUPPLIES		estimate			$ 1,000	$ 1,000	$ 1,000	$ 1,000	$ 1,000
OTHER					$ 1,000	$ 1,000	$ 1,000	$ 1,000	$ 1,000
TOTAL OTHER EXPENSES					$ 21,125	$ 21,125	$ 21,125	$ 21,125	$ 21,125
TOTAL MAINTENANCE OF EQUIPMENT:					$ 21,125	$ 21,125	$ 21,125	$ 21,125	$ 21,125

Valier
Branch

TRANSPORTATION EXPENSE

	# of empl.	Base Salary	$ OT	Benefits	Year 1 Total $	Year 2 Total $	Year 3 Total $	Year 4 Total $	Year 5 Total $
SUPERINTENDENT	-	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
ASST. MANAGER-OPERATIONS	-	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
TRAINMEN	1	$ 4,160	$ -	$ -	$ 4,160	$ 4,160	$ 4,160	$ 4,160	$ 4,160
TOTAL	1				$ 4,160	$ 4,160	$ 4,160	$ 4,160	$ 4,160
Growth Rate: 0%									
OTHER EXPENSES									
TRAVEL AND SUBSISTENCE				none	$ -	$ -	$ -	$ -	$ -
TRACKAGE FEES					$ -	$ -	$ -	$ -	$ -
LOCO/FRT CAR DEPRECIATION				based on capital exp. program	$ -	$ -	$ -	$ -	$ -
LOCO/FRT CAR RENT				based on $100/day	$ 36,500	$ 36,500	$ 36,500	$ 36,500	$ 36,500
FUEL, OIL AND LUBE				based on locomotive miles	$ 10,920	$ 10,920	$ 10,920	$ 10,920	$ 10,920
VEHICLES/RADIO M & R					$ 1,500	$ 1,500	$ 1,500	$ 1,500	$ 1,500
INSURANCE				5% of value of locomotives	$ 3,750	$ 3,750	$ 3,750	$ 3,750	$ 3,750
CAR HIRE					$ -	$ -	$ -	$ -	$ -
TARIFFS AND SUPPL					$ 1,000	$ 1,000	$ 1,000	$ 1,000	$ 1,000
CASUALTY LOSSES				1/2% of freight revenue	$ 16	$ 16	$ 16	$ 16	$ 16
TOTAL OTHER EXPENSES:					$ 53,686	$ 53,686	$ 53,686	$ 53,686	$ 53,686
TOTAL TRANSPORTATION EXPENSES:					$ 57,846	$ 57,846	$ 57,846	$ 57,846	$ 57,846

Valier
Branch

GENERAL AND ADMINISTRATIVE EXPENSE

	# of empl.	Base Salary	$ OT	Benefits	Year 1 Total $	Year 2 Total $	Year 3 Total $	Year 4 Total $	Year 5 Total $
PRESIDENT	0	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
GENERAL MANAGER	1	$ 8,320	$ -	$ -	$ 8,320	$ 8,320	$ 8,320	$ 8,320	$ 8,320
MARKETING & SALES	0	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
CONSULTANT	0	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
ACCOUNTANT	0	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
AGENT /ADMIN AIDE	0	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
CLERK	0	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
SECRETARY	0	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
ADMINISTRATIVE AIDE	0	$ -		$ -	$ -	$ -	$ -	$ -	$ -
TOTAL	1	$ 8,320	$ -	$ -	$ 8,320	$ 8,320	$ 8,320	$ 8,320	$ 8,320
NON-LABOR EXPENSES	Growth Rate:	0%							
OFFICE RENT					$ 6,000	$ 6,000	$ 6,000	$ 6,000	$ 6,000
OFFICE SUPPLIES				flat fee + $1000/staff	$ 1,200	$ 1,200	$ 1,200	$ 1,200	$ 1,200
UTILITIES				flat fee + $1500/staff	$ 1,700	$ 1,700	$ 1,700	$ 1,700	$ 1,700
TELEPHONE				flat fee + $1200/staff	$ 1,400	$ 1,400	$ 1,400	$ 1,400	$ 1,400
TRAVEL AND ENTERTAINMENT				flat fee + $1200/staff	$ 1,400	$ 1,400	$ 1,400	$ 1,400	$ 1,400
DUES/SUBSCRIPTION					$ -	$ -	$ -	$ -	$ -
ADVERTISING					$ -	$ -	$ -	$ -	$ -
ACCOUNTING/TAX/AUDITING					$ 1,500	$ 1,500	$ 1,500	$ 1,500	$ 1,500
ASLRA FEES					$ -	$ -	$ -	$ -	$ -
LEGAL/STB FEES					$ 1,500	$ 1,500	$ 1,500	$ 1,500	$ 1,500
INSURANCE/PAYROLL				estimate	$ 20,000	$ 20,000	$ 20,000	$ 20,000	$ 20,000
PROPERTY TAXES				estimate	$ 10,000	$ 10,000	$ 10,000	$ 10,000	$ 10,000
DEPRECIATION				based on capital exp. program	$ 5,800	$ 5,800	$ 5,800	$ 5,800	$ -
TOTAL NON-LABOR EXPENSES:					$ 50,500	$ 50,500	$ 50,500	$ 50,500	$ 44,700
TOTAL GENERAL AND ADMINISTRATION:					$ 58,820	$ 58,820	$ 58,820	$ 58,820	$ 53,020

Valier
Branch

SUMMARY OF EMPLOYEES

		# of Employees	Base Salary	Year 1 Salary with Benefits
MAINTENANCE OF WAY				
MANAGER- M OF W		0	$ -	
ROADMASTER- M OF W		0	$ -	
FOREMAN		0	$ -	
CREW		2	$ 8,320	
MACHINE OPERATORS		0	$ -	
TRACK INSPECTORS		0	$ -	
SIGNAL MAINTAINERS		0	$ -	
	sub-total	2		$ 16,640
MAINTENANCE OF EQUIPMENT				
MANAGER- M OF E		-	$ -	
FOREMAN- LOCO		-	$ -	
FOREMAN- CAR		-	$ -	
CREW		-	$ -	
		-	$ -	
	sub-total	-		$ -
TRANSPORTATION				
SUPERINTENDENT		-	$ -	
ASST. MANAGER-OPERATIONS		-	$ -	
TRAINMEN		1	$ 4,160	
	sub-total	1		$ 4,160
GENERAL AND ADMINISTRATION				
PRESIDENT		-	$ -	
GENERAL MANAGER		1	$ 8,320	
MARKETING & SALES		-	$ -	
CONSULTANT		-	$ -	
ACCOUNTANT		-	$ -	
AGENT /ADMIN AIDE		-	$ -	
CLERK		-	$ -	
SECRETARY		-	$ -	
ADMINISTRATIVE AIDE		-	$ -	
	sub-total	1		$ 8,320
TOTAL				$ 29,120

NOTE: 1. OVERTIME IS ESTIMATED AT 8% OF REGULAR SALARY
2. BENEFITS ARE ESTIMATED AT 44% OF REGULAR SALARY

Valier
Branch

SUMMARY OF REVENUE

	2003 levels									TOTAL
FREIGHT REVENUE	$ 13									
CARLOADS	13	-	-	-	-	-	-	-	-	13
RATE/CARLOAD:	$ 250	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	
SUB-TOTAL:	$ 3,250	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 3,250
Freight Revenue Growth Rate:	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
Projected Growth Rate (for Other Revenues)	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%

		YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5
MAINTENANCE FEES:		$ -	$ -	$ -	$ -	$ -
AAR BILLINGS:		$ -	$ -	$ -	$ -	$ -
(# of Freight Cars)	-					
($/Freight Car)	$ 20					
OTHER INCOME:		$ -	$ -	$ -	$ -	$ -
		$ -	$ -	$ -	$ -	$ -
	sub-total	$ -	$ -	$ -	$ -	$ -
DEMURRAGE:		$ -				
(# of Freight Cars)	13					
($/Day)	$ 20					
(# of Days)	-					
CAR HIRE EXPENSE:		$ -				
(# of Freight Cars)	13					
($/Day)	$ 12					
(# of Days)	-					

Valier
Branch

SCHEDULE OF CAPITAL EXPENDITURES:

		#	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5
30 yrs	TRACK AND STRUCTURE:		$ -	$ -	$ -	$ -	$ -
5 yrs	TRACK EQUIPMENT:		$ 25,000	$ -	$ -	$ -	$ -
5 yrs	M OF W VEHICLES:	0	$ -	$ -	$ -	$ -	$ -
5 yrs	COMMUNICATION:		$ 4,000	$ -	$ -	$ -	$ -
15 yrs	LOCOMOTIVES:						
	GP-9	1	$ -	$ -	$ -	$ -	$ -
		0	$ -	$ -	$ -	$ -	$ -
15 yrs	FREIGHT CARS:	0	$ -	$ -	$ -	$ -	$ -
5 yrs	AUTOMOBILES	0	$ -	$ -	$ -	$ -	$ -
15 yrs	INSPECT & MOVE LOCO		$ -				
	TOTAL CAPITAL EXPENDITURES:		$ 29,000	$ -	$ -	$ -	$ -

Value of Locomotive:		
GP-9	$	-
xxx	$	125,000
inspect & move locos	$	-
Value of Freight Cars:	$	10,000
Value of Track Equipment:		
Hi rail	$	10,000
Backhoe	$	15,000
xxx	$	-
xxx	$	-
Value of Automobiles:	$	20,000
Value of M of W Autos:	$	20,000
Value of Communication Equipment:		
radios	$	1,500
office equipment	$	2,500
xxx		
Track Structure: rail	$	-
ties	$	-
other	$	-

One Time Expenditures:				Year 1	Year 2	Year 3	Year 4
Employee Training	$ -	based on 120 hours + expenses					
Employee HIring	$ -	based on 20 hours + expenses	Total One Time Exp	$ -	$ -	$ -	$ -
Initial Marketing	$ -	based on 15 hours + expenses					

Appendix E

Central Montana Rail, Inc.

Financial, Marketing & Operating Analysis

Table of Contents

Executive Summary

Assuming minimal rail operations, the Central Montana Rail, Inc., (CMR) cannot cover ongoing operating costs at the current traffic levels. This rail line will require an additional annual subsidy of $402,000 to break even based on 2003 traffic levels. Future rate actions by the BNSF at the Moccasin facility will directly affect the profitability of the Central Montana Rail, Inc.

The above statements are based upon average operations of a railroad of similar size and operation. It is recognized that CMR is a non profit operation and that it may be able to control costs and not require subsidized operations. Nevertheless, the point here is that CMR is encumbered by marginal traffic levels, and is "under the gun" with regard to potential BNSF rate actions.

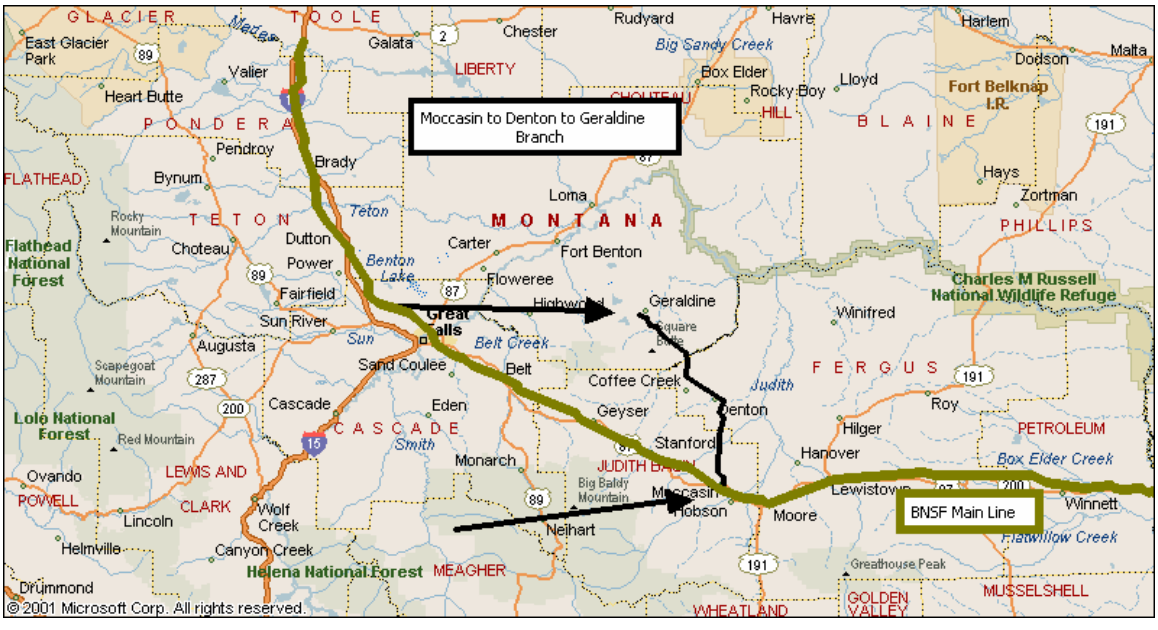
Introduction

This is a marketing, financial and operational analysis of the Central Montana Rail, Inc., (CMR) located in Montana. The State owns the underlying right of way, and a non-profit organization of grain producers owns the track and other assets. The group has a lease on the property, which began in 1985 and was renewed in 1992.

The analysis of the 84-mile branch between Moccasin and Geraldine is based on the normal operations of a railroad of a similar size and type of operation. There has been moderate traffic on this line over the past five years. Volumes in 2003 were 577 carloads, but traffic in 2004 is expected to increase by at least 300 carloads. Based on projected 2004 volumes and proposed operations, there is no Going Concern Value for this branch.

For the Marketing Analysis, phone interviews were conducted with the main shipper currently on the branch to determine the future business potential of rail and the management of CMR. For the Operating Analysis, an operating plan was developed that would represent the potential rail market for this branch. Based on the marketing and operating plans, the economics of the branch were developed.

The Central Montana Rail, Inc. is a non-profit corporation located in central Montana. The railroad operates tourist operations as well as freight trains.

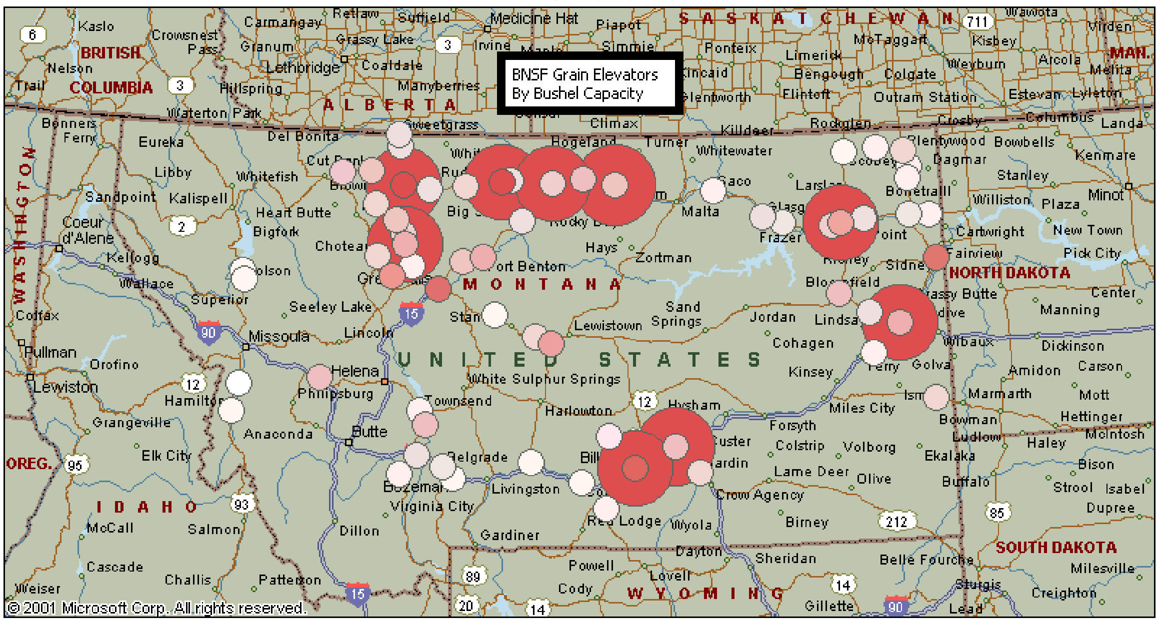


Marketing

Overview

The Central Montana Rail, Inc., (CMR) is located near a large grain elevator facility in Moccasin. BNSF has set the rates on the cars it receives from CMR the same as at the Moccasin shuttle site. This provides no incentive for shippers to truck direct to Moccasin. Currently the condition of the branch does not allow for rail cars weighing over 268,000 pounds. This restriction combined with the limited train blocks, less than 52 cars, could limit the CMR's ability to attract new business.

BNSF Served Elevators by Capacity
Montana



Customer Interviews

A marketing analysis of CMR is based upon a phone interview with the one shipper on the line:

Central Montana Co-op: Traffic Manager: Paul Clark

Central Montana Co-op has two facilities located on CMR: Geraldine with 400,000-bushel storage capacity, and Denton with 600,000-bushel storage capacity. Both facilities load a combined 52-car unit train. Annual production at both elevators is currently 2,000,000 bushels (600 equivalent carloads), but the management sees potential for up to 3,000,000 bushels or more of grain per year. Roughly 90 percent of all traffic moves by rail to the Pacific Northwest, California, Mexico and Washington. Due to a bad crop year and the rate structure at the Moccasin BNSF site, rail volumes have decreased. Rail service on the branch is acceptable, but equipment supply is problematic.

Current Rail Traffic:	577 carloads per year
Potential Rail Traffic:	900 carloads per year

Summary of Future Traffic Volumes

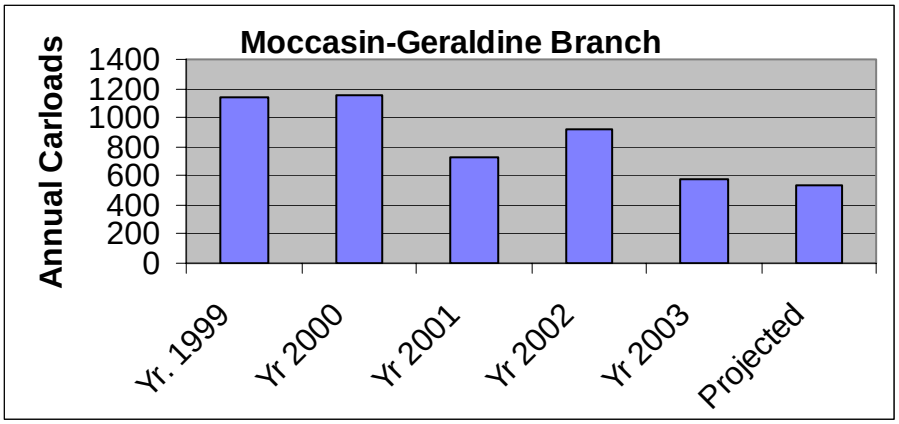
Total traffic volumes may decrease slightly, but overall the Central Montana Co-op expects volumes to increase.

Revenue & Carload Statistics

Freight Traffic

Volume

The CMR handled 577 carloads in 2003, down from a high of 2,027 carloads in 1995. Primarily wheat (92 percent of the traffic) and lumber move on the branch. There is one active shipper located on the line, which operates elevators at Denton and Geraldine.



Freight Rate

In general the freight rate for grain for a short line of this size ranges between $450 and $550 per carload. Based on the current BNSF rate structure, shippers can ship from the Central Montana Rail, Inc. at the same rate as shipping from the Moccasin elevator, so shippers should be inclined to continue to use CMR. At this freight rate level, there appear to be insufficient volumes to cover expenses.

Operations

Assuming the branch remains operating, a rail operating plan has been developed to serve on line shippers. In general the objective of an operating analysis is to establish a train schedule, which will move both loads and empties to the customers in an efficient and cost effective manner.

Central Montana Rail, Inc.

Proposed Operations

Moccasin Turn

The Central Montana Rail, Inc. connects with the BNSF mainline at Moccasin. The branch line operations will begin at 8:00 a.m. at Geraldine one day per week. The crew will operate between Geraldine and Moccasin delivering cars to BNSF at Moccasin and providing switching, as needed. The crew will return to Geraldine with empty cars.

Assignment

- Handle all traffic on branch
- Switch the customers on line as needed
- On Duty: 10 hours

Schedule:

One day per week

8:00 a.m.:	on duty at Geraldine switch cars, train inspection and air test
8:30 a.m.:	depart for Moccasin
8:30 –11:30 a.m.:	pick up loads and switch industries as needed.
12:30 a.m.:	arrive at Moccasin
1:30 p.m.:	return to Geraldine
3:30 p.m.:	arrive at Geraldine
5:30-6:00 p.m.:	tie up locomotives

The General Manager will conduct track inspection one day a week.

Locomotives

Service, as planned, assumes the use of two locomotives, which will be leased.

Car Supply

Car Supply could possibly be an issue for the outbound traffic. The railroad will need to address the equipment supply issues. The analysis assumes 120 hours of free car hire time.

Connecting Carrier: BNSF

The line connects directly with the BNSF at Moccasin. The railroad is required to negotiate with the BNSF to establish rates for the customers on line.

Maintenance of Way

CMR track is FRA Class 2, with maximum speed of 25 mph. Currently the condition of the branch does not allow for rail cars weighing over 268,000 pounds.

Maintenance of Track & Structures

There is very little traffic on the branch at this time. In order to maintain the track in the current condition, approximately $ 4,000 per mile will be required in maintenance expenses each year.

As emphasized earlier the analysis of CMR is based upon average operations of a railroad of similar size and operation. It is recognized that CMR may be able to control costs and not require subsidized operations. This analysis indicates that at current traffic levels, the CMR operation is financially uncertain.

Maintenance of Equipment

CMR requires minimum equipment to operate the line. CMR currently owns its own equipment.

Maintenance of Equipment

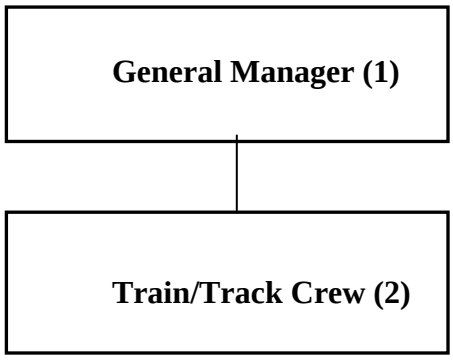
CMR currently maintains its own equipment. Based upon average and general rates, estimated expenses for parts and labor for this analysis is $17,000 per locomotive per year.

General & Administration

All of the General & Administrative functions will be performed by the General Manager. The railroad will require two other employees to operate the train and maintain the track. Both positions will be full time with benefits and non-union.

Personnel Requirements

Central Montana Rail, Inc.
Staff Chart



Administrative Expenses

The Railroad will incur approximately $119,000 in General & Administrative fees. This expense will cover the utilities, legal/accounting services, insurance, property tax, etc.

Break Even Analysis

Based upon this analysis, there are insufficient loads on CMR to determine a break-even point. Based on the planned rail operations and 2003 traffic levels, a rate of $1,200 per carload will allow the line to break even. If the rate is $450 per carload, then roughly 1,600 loads will be required for the line to break even. With existing traffic levels, the branch will require an annual subsidy of $419,000 to cover expenses.

Again, this analysis is based upon an average short line operation, and CMR may be able to control costs to the extent of reducing the subsidy stated above.

Financial Statements

Central Montana Rail, Inc.

PROJECTED INCOME STATEMENT

		YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5	YEAR 6	YEAR 7	YEAR 8	YEAR 9	YEAR 10
AQUISITION PRICE:	$ -										
PROJECTED CARLOADS:		900	$ 900	$ 900	$ 900	$ 900	900	900	900	900	900
REVENUE PER CARLOAD:		$ 450									
OPERATING REVENUES:											
FREIGHT REVENUE:		$ 405,000	$ 405,000	$ 405,000	$ 405,000	$ 405,000	$ 405,000	$ 405,000	$ 405,000	$ 405,000	$ 405,000
MAINTENANCE FEES:		$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
AAR BILLINGS:		$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
DEMURRAGE:		$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
TOTAL		$ 405,000	$ 405,000	$ 405,000	$ 405,000	$ 405,000	$ 405,000	$ 405,000	$ 405,000	$ 405,000	$ 405,000
OPERATING EXPENSES											
MAINTENANCE OF WAY		$ 339,240	$ 339,240	$ 339,240	$ 339,240	$ 339,240	$ 339,240	$ 339,240	$ 339,240	$ 339,240	$ 339,240
MAINTENANCE OF EQUIPMENT		$ 44,750	$ 44,750	$ 44,750	$ 44,750	$ 44,750	$ 44,750	$ 44,750	$ 44,750	$ 44,750	$ 44,750
TRANSPORTATION		$ 169,501	$ 169,501	$ 169,501	$ 169,501	$ 169,501	$ 169,501	$ 169,501	$ 169,501	$ 169,501	$ 169,501
GENERAL AND ADMINISTRATIVE		$ 118,900	$ 118,900	$ 118,900	$ 118,900	$ 109,100	$ 109,100	$ 109,100	$ 109,100	$ 109,100	$ 109,100
TOTAL		$ 672,391	$ 672,391	$ 672,391	$ 672,391	$ 662,591	$ 662,591	$ 662,591	$ 662,591	$ 662,591	$ 662,591
INCOME FROM OPERATIONS		$ (267,391)	$ (267,391)	$ (267,391)	$ (267,391)	$ (257,591)	$ (257,591)	$ (257,591)	$ (257,591)	$ (257,591)	$ (257,591)
OTHER INCOME:		$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
ONE-TIME EXPENSES:		$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
INCOME AVAILABLE FOR FIXED CHARGES:		$ (267,391)	$ (267,391)	$ (267,391)	$ (267,391)	$ (257,591)	$ (257,591)	$ (257,591)	$ (257,591)	$ (257,591)	$ (257,591)
INTEREST ON DEBT/CAPITAL LEASES:		$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
AMORTIZATION OF ACQUISITION:		$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
PRE-TAX INCOME		$ (267,391)	$ (267,391)	$ (267,391)	$ (267,391)	$ (257,591)	$ (257,591)	$ (257,591)	$ (257,591)	$ (257,591)	$ (257,591)
INCOME TAXES		$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
NET INCOME AFTER TAXES:		$ (267,391)	$ (267,391)	$ (267,391)	$ (267,391)	$ (257,591)	$ (257,591)	$ (257,591)	$ (257,591)	$ (257,591)	$ (257,591)
EBITDA		$ (257,591)	$ (257,591)	$ (257,591)	$ (257,591)	$ (257,591)	$ (257,591)	$ (257,591)	$ (257,591)	$ (257,591)	$ (257,591)

PROJECTED BALANCE SHEET

ASSETS	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5	YEAR 6	YEAR 7	YEAR 8	YEAR 9	YEAR 10
CASH	$ (235,308)	$ (492,899)	$ (750,490)	$ (1,008,081)	$ (1,266,489)	$(1,524,080)	$(1,781,671)	$(2,039,262)	$(2,296,853)	$(2,554,444)
SHORT-TERM INVESTMENTS	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
ACCOUNTS RECEIVABLES	$ 33,750	$ 33,750	$ 33,750	$ 33,750	$ 33,750	$ 33,750	$ 33,750	$ 33,750	$ 33,750	$ 33,750
PROPERTY AND PLANT	$ 49,000	$ 49,000	$ 49,000	$ 49,000	$ 49,000	$ 49,000	$ 49,000	$ 49,000	$ 49,000	$ 49,000
ACCUMULATED DEPRECIATION	$ 9,800	$ 19,600	$ 29,400	$ 39,200	$ 39,200	$ 39,200	$ 39,200	$ 39,200	$ 39,200	$ 39,200
NET PROPERTY AND PLANT	$ 39,200	$ 29,400	$ 19,600	$ 9,800	$ 9,800	$ 9,800	$ 9,800	$ 9,800	$ 9,800	$ 9,800
OTHER ASSETS	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
TOTAL ASSETS	$ (162,358)	$ (429,749)	$ (697,140)	$ (964,531)	$ (1,222,939)	$(1,480,530)	$(1,738,121)	$(1,995,712)	$(2,253,303)	$(2,510,894)
LIABILITIES AND EQUITY										
ACCOUNTS PAYABLE	$ 56,033	$ 56,033	$ 56,033	$ 56,033	$ 55,216	$ 55,216	$ 55,216	$ 55,216	$ 55,216	$ 55,216
SHORT TERM DEBT										
LONG-TERM DEBT:	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
OTHER LIABILITIES	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
TOTAL LIABILITIES:	$ 56,033	$ 56,033	$ 56,033	$ 56,033	$ 55,216	$ 55,216	$ 55,216	$ 55,216	$ 55,216	$ 55,216
STOCKHOLDERS EQUITY:	$ 49,000	$ 49,000	$ 49,000	$ 49,000	$ 49,000	$ 49,000	$ 49,000	$ 49,000	$ 49,000	$ 49,000
RETAINED EARNINGS	$ (267,391)	$ (534,782)	$ (802,173)	$ (1,069,564)	$ (1,327,155)	$(1,584,746)	$(1,842,337)	$(2,099,928)	$(2,357,519)	$(2,615,110)
TOTAL LIABILITES AND EQUITY:	$ (162,358)	$ (429,749)	$ (697,140)	$ (964,531)	$ (1,222,939)	$(1,480,530)	$(1,738,121)	$(1,995,712)	$(2,253,303)	$(2,510,894)
	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Debt to Equity Ratio:	-26%	-12%	-7%	-5%	-4%	-4%	-3%	-3%	-2%	-2%

PROJECTED CASH FLOW:

CASH PROVIDED FROM OPERATIONS		YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5	YEAR 6	YEAR 7	YEAR 8	YEAR 9	YEAR 10
NET INCOME		$ (267,391)	$ (267,391)	$ (267,391)	$ (267,391)	$ (257,591)	$ (257,591)	$ (257,591)	$ (257,591)	$ (257,591)	$ (257,591)
DEPRECIATION		$ 9,800	$ 9,800	$ 9,800	$ 9,800	$ -	$ -	$ -	$ -	$ -	$ -
OTHER		$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
SUB-TOTAL		$ (257,591)	$ (257,591)	$ (257,591)	$ (257,591)	$ (257,591)	$ (257,591)	$ (257,591)	$ (257,591)	$ (257,591)	$ (257,591)
DECREASE (INC.) IN WORKING CAPITAL											
RECEIVABLES		$ (33,750)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
PAYABLES		$ 56,033	$ -	$ -	$ -	$ (817)	$ -	$ -	$ -	$ -	$ -
OTHER CURRENT ASSETS/LIAB:		$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
SUB-TOTAL		$ 22,283	$ -	$ -	$ -	$ (817)	$ -	$ -	$ -	$ -	$ -
CASH PROVIDED FROM OPERATIONS:		$ (235,308)	$ (257,591)	$ (257,591)	$ (257,591)	$ (258,408)	$ (257,591)	$ (257,591)	$ (257,591)	$ (257,591)	$ (257,591)
EXPENDITURE FOR PROPERTY:		$ (49,000)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
INCREASE IN STOCKHOLDER EQUITY:		$ 49,000	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
REDUCTION IN LONG-TERM DEBT:		$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
INCREASE IN LONG-TERM DEBT:		$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
INC/DEC IN CASH:	$ (49,000)	$ (235,308)	$ (257,591)	$ (257,591)	$ (257,591)	$ (258,408)	$ (257,591)	$ (257,591)	$ (257,591)	$ (257,591)	$ (257,591)
CASH- BEGINNING OF THE YEAR:		$ -	$ (235,308)	$ (492,899)	$ (750,490)	$ (1,008,081)	$(1,266,489)	$(1,524,080)	$(1,781,671)	$(2,039,262)	$(2,296,853)
CASH- END OF THE YEAR:		$ (235,308)	$ (492,899)	$ (750,490)	$ (1,008,081)	$ (1,266,489)	$(1,524,080)	$(1,781,671)	$(2,039,262)	$(2,296,853)	$(2,554,444)

NPV OF OPERATIONS: 10 YEARS $ (1,485,015) Cash from Operations
@ 12% Discount Rate: (1,325,906) Inc/Dec Cash

ACQUISTION PRICE: $ -
Projected Carloads 900
Ave Revenue/Car: $ 450
Net Liquidation Value (yr 1): $ -

Central Montana Rail, Inc.

MAINTENANCE OF WAY	# of empl.	Base Salary	$ OT	Benefits	Total $(yr1)	Total $(yr2)	Total $(yr3)	Total $(yr4)	Total $(yr5)
MANAGER- M OF W	0	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
ROADMASTER- M OF W	0	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
FOREMAN	0	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
CREW	2	$ 18,000	$ -	$ 7,920	$ 51,840	$ 51,840	$ 51,840	$ 51,840	$ 51,840
MACHINE OPERATORS	0	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
TRACK INSPECTORS	0	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
SIGNAL MAINTAINERS	0	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
TOTAL	2	$ 18,000	$ -	$ 7,920	$ 51,840	$ 51,840	$ 51,840	$ 51,840	$ 51,840
MATERIALS AND OTHER EXPENSES		Growth Rate:	0%						
LAYOVER AND SUBSISTENCE			based on crew layovers		$ -	$ -	$ -	$ -	$ -
MAINTENANCE VEHICLES			$4000 per M of W crew		$ -	$ -	$ -	$ -	$ -
MAINTENANCE MACHINERY			as required		$ -	$ -	$ -	$ -	$ -
TIES			see below		$ 166,250	$ 166,250	$ 166,250	$ 166,250	$ 166,250
RAIL					$ -	$ -	$ -	$ -	$ -
BALLAST					$ 38,000	$ 38,000	$ 38,000	$ 38,000	$ 38,000
BRIDGES					$ -	$ -	$ -	$ -	$ -
CULVERTS					$ 22,500	$ 22,500	$ 22,500	$ 22,500	$ 22,500
OTHER MATERIAL			as needed		$ -	$ -	$ -	$ -	$ -
CROSSINGS					$ 3,750	$ 3,750	$ 3,750	$ 3,750	$ 3,750
SIGNALS					$ 7,500	$ 7,500	$ 7,500	$ 7,500	$ 7,500
VEGETATION CONTROL			$350 per mile		$ 29,400	$ 29,400	$ 29,400	$ 29,400	$ 29,400
DEPRECIATION			based on capital exp. program		$ -	$ -	$ -	$ -	$ -
CONTRACT LABOR			as required		$ 20,000	$ 20,000	$ 20,000	$ 20,000	$ 20,000
TOTAL MATERIAL EXPENSES:					$ 287,400	$ 287,400	$ 287,400	$ 287,400	$ 287,400
TOTAL MAINTENANCE OF WAY EXPENSE:					$ 339,240	$ 339,240	$ 339,240	$ 339,240	$ 339,240
			Track Miles Maintained:		84	84	84	84	84
			M OF W / Mile:		$ 4,039	$ 4,039	$ 4,039	$ 4,039	$ 4,039

Detail of Maintenance of Way:	(Unit)	($/unit)	$	
Track (miles/wt)	0	$ 116,000	$ -	cost per mile
Ties (number)	5000	$ 33.25	$ 166,250	ave. 3000 ties/mile, tie: $25,spikes: $1.25/tie,equipment: $7/tie
Ballast (tons)	2500	$ 11	$ 27,500	ave. 250 tons per mile
(equipment hours)	140	$ 75	$ 10,500	equipment, tamper and regulator, at 40 hours/mile
Bridges (Feet)	0	$ 15	$ -	costs to repair and replace material on bridges
Culverts (#/30 years)	5	$ 4,500	$ 22,500	estimate
Crossings (# pvt)	5	$ 250	$ 1,250	estimate
Crossing (# pub)	5	$ 500	$ 2,500	estimate
Signals (# of protected)	5	$ 1,500	$ 7,500	based on number of protected crossings
Vegetation Control:	84	350	$ 29,400	

Central Montana Rail, Inc.

MAINTENANCE OF EQUIPMENT **Growth Rate:** 0%

	# of empl.	Base Salary	$ OT	Benefits	Year 1 Total $	Year 2 Total $	Year 3 Total $	Year 4 Total $	Year 5 Total $
MANAGER- M OF E	-	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
FOREMAN- LOCO	-	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
FOREMAN- CAR	-	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
CREW	-	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
	-	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
TOTAL	-	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
OTHER EXPENSES									
CONTRACT SERVICES		$5,625 per locomotive(225 hours @ $25/hr)			$ 11,250	$ 11,250	$ 11,250	$ 11,250	$ 11,250
LOCO PARTS AND REPAIRS		$12,000 per locomotive			$ 24,000	$ 24,000	$ 24,000	$ 24,000	$ 24,000
CAR PARTS AND REPAIRS					$ 1,500	$ 1,500	$ 1,500	$ 1,500	$ 1,500
VEHICLE,EQUIPMENT REPAIRS		based $250/month per vehicle			$ 3,000	$ 3,000	$ 3,000	$ 3,000	$ 3,000
TOOLS AND SUPPLIES		estimate			$ 2,500	$ 2,500	$ 2,500	$ 2,500	$ 2,500
OTHER					$ 2,500	$ 2,500	$ 2,500	$ 2,500	$ 2,500
TOTAL OTHER EXPENSES					$ 44,750	$ 44,750	$ 44,750	$ 44,750	$ 44,750
TOTAL MAINTENANCE OF EQUIPMENT:					$ 44,750	$ 44,750	$ 44,750	$ 44,750	$ 44,750

TRANSPORTATION EXPENSE

	# of empl.	Base Salary	$ OT	Benefits	Year 1 Total $	Year 2 Total $	Year 3 Total $	Year 4 Total $	Year 5 Total $
SUPERINTENDENT	-	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
ASST. MANAGER-OPERATIONS	-	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
TRAINMEN	2	$ 12,000	$ -	$ 5,280	$ 34,560	$ 34,560	$ 34,560	$ 34,560	$ 34,560
TOTAL	2				$ 34,560	$ 34,560	$ 34,560	$ 34,560	$ 34,560
Growth Rate: 0%									
OTHER EXPENSES									
TRAVEL AND SUBSISTENCE				none	$ -	$ -	$ -	$ -	$ -
TRACKAGE FEES					$ -	$ -	$ -	$ -	$ -
LOCO/FRT CAR DEPRECIATION				based on capital exp. program	$ -	$ -	$ -	$ -	$ -
LOCO/FRT CAR RENT				based on $100 per day	$ 73,000	$ 73,000	$ 73,000	$ 73,000	$ 73,000
FUEL, OIL AND LUBE				based on locomotive miles	$ 52,416	$ 52,416	$ 52,416	$ 52,416	$ 52,416
VEHICLES/RADIO M & R					$ -	$ -	$ -	$ -	$ -
INSURANCE				5% of value of locomotives	$ 7,500	$ 7,500	$ 7,500	$ 7,500	$ 7,500
CAR HIRE					$ -	$ -	$ -	$ -	$ -
TARIFFS AND SUPPL					$ -	$ -	$ -	$ -	$ -
CASUALTY LOSSES				1/2% of freight revenue	$ 2,025	$ 2,025	$ 2,025	$ 2,025	$ 2,025
TOTAL OTHER EXPENSES:					$ 134,941	$ 134,941	$ 134,941	$ 134,941	$ 134,941
TOTAL TRANSPORTATION EXPENSES:					$ 169,501	$ 169,501	$ 169,501	$ 169,501	$ 169,501

Central Montana Rail, Inc.

GENERAL AND ADMINISTRATIVE EXPENSE

	# of empl.	Base Salary	$ OT	Benefits	Year 1 Total $	Year 2 Total $	Year 3 Total $	Year 4 Total $	Year 5 Total $
PRESIDENT	0	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
GENERAL MANAGER	1	$ 35,000	$ -	$ 15,400	$ 50,400	$ 50,400	$ 50,400	$ 50,400	$ 50,400
MARKETING & SALES	0	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
CONSULTANT	0	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
ACCOUNTANT	0	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
AGENT /ADMIN AIDE	0	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
CLERK	0	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
SECRETARY	0	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
ADMINISTRATIVE AIDE	0	$ -		$ -	$ -	$ -	$ -	$ -	$ -
TOTAL	1	$ 35,000	$ -	$ 15,400	$ 50,400	$ 50,400	$ 50,400	$ 50,400	$ 50,400
NON-LABOR EXPENSES	Growth Rate:	0%							
OFFICE RENT					$ 6,000	$ 6,000	$ 6,000	$ 6,000	$ 6,000
OFFICE SUPPLIES				flat fee + $1000/staff	$ 2,200	$ 2,200	$ 2,200	$ 2,200	$ 2,200
UTILITIES				flat fee + $1500/staff	$ 2,700	$ 2,700	$ 2,700	$ 2,700	$ 2,700
TELEPHONE				flat fee + $1200/staff	$ 2,400	$ 2,400	$ 2,400	$ 2,400	$ 2,400
TRAVEL AND ENTERTAINMENT				flat fee + $1200/staff	$ 2,400	$ 2,400	$ 2,400	$ 2,400	$ 2,400
DUES/SUBSCRIPTION					$ -	$ -	$ -	$ -	$ -
ADVERTISING					$ -	$ -	$ -	$ -	$ -
ACCOUNTING/TAX/AUDITING					$ 1,500	$ 1,500	$ 1,500	$ 1,500	$ 1,500
ASLRA FEES					$ -	$ -	$ -	$ -	$ -
LEGAL/STB FEES					$ 1,500	$ 1,500	$ 1,500	$ 1,500	$ 1,500
INSURANCE/PAYROLL				estimate	$ 25,000	$ 25,000	$ 25,000	$ 25,000	$ 25,000
PROPERTY TAXES				estimate	$ 15,000	$ 15,000	$ 15,000	$ 15,000	$ 15,000
DEPRECIATION				based on capital exp. program	$ 9,800	$ 9,800	$ 9,800	$ 9,800	$ -
TOTAL NON-LABOR EXPENSES:					$ 68,500	$ 68,500	$ 68,500	$ 68,500	$ 58,700
TOTAL GENERAL AND ADMINISTRATION:					$ 118,900	$ 118,900	$ 118,900	$ 118,900	$ 109,100

SUMMARY OF EMPLOYEES

		# of Employees	Base Salary	Year 1 Salary with Benefits
MAINTENANCE OF WAY				
MANAGER- M OF W		0	$ -	
ROADMASTER- M OF W		0	$ -	
FOREMAN		0	$ -	
CREW		2	$ 18,000	
MACHINE OPERATORS		0	$ -	
TRACK INSPECTORS		0	$ -	
SIGNAL MAINTAINERS		0	$ -	
	sub-total	2		$ 51,840
MAINTENANCE OF EQUIPMENT				
MANAGER- M OF E		-	$ -	
FOREMAN- LOCO		-	$ -	
FOREMAN- CAR		-	$ -	
CREW		-	$ -	
		-	$ -	
	sub-total	-		$ -
TRANSPORTATION				
SUPERINTENDENT		-	$ -	
ASST. MANAGER-OPERATIONS		-	$ -	
TRAINMEN		2	$ 12,000	
	sub-total	2		$ 34,560
GENERAL AND ADMINISTRATION				
PRESIDENT		-	$ -	
GENERAL MANAGER		1	$ 35,000	
MARKETING & SALES		-	$ -	
CONSULTANT		-	$ -	
ACCOUNTANT		-	$ -	
AGENT /ADMIN AIDE		-	$ -	
CLERK		-	$ -	
SECRETARY		-	$ -	
ADMINISTRATIVE AIDE		-	$ -	
	sub-total	1		$ 50,400
TOTAL				$ 136,800

NOTE: 1. OVERTIME IS ESTIMATED AT 8% OF REGULAR SALARY
2. BENEFITS ARE ESTIMATED AT 44% OF REGULAR SALARY

SUMMARY OF REVENUE

	2003 levels	additional								TOTAL
FREIGHT REVENUE	$ 577	$ 323								
CARLOADS	577	323	-	-	-	-	-	-	-	900
RATE/CARLOAD:	$ 450	$ 450	$ -	$ -	$ -	$ -	$ -	$ -	$ -	
SUB-TOTAL:	$ 259,650	$ 145,350	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 405,000
Freight Revenue Growth Rate:	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
Projected Growth Rate (for Other Revenues)	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%

	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5
MAINTENANCE FEES:	$ -	$ -	$ -	$ -	$ -
AAR BILLINGS:	$ -	$ -	$ -	$ -	$ -
(# of Freight Cars) -					
($/Freight Car) $ 20					
OTHER INCOME:	$ -	$ -	$ -	$ -	$ -
	$ -	$ -	$ -	$ -	$ -
sub-total	$ -	$ -	$ -	$ -	$ -
DEMURRAGE:	$ -				
(# of Freight Cars) 900					
($/Day) $ 20					
(# of Days) -					
CAR HIRE EXPENSE:	$ -				
(# of Freight Cars) 900					
($/Day) $ 12					
(# of Days) -					

Central Montana Rail, Inc.

SCHEDULE OF CAPITAL EXPENDITURES:

		#	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5
30 yrs	TRACK AND STRUCTURE:		$ -	$ -	$ -	$ -	$ -
5 yrs	TRACK EQUIPMENT:		$ 25,000	$ -	$ -	$ -	$ -
5 yrs	M OF W VEHICLES:	0	$ -	$ -	$ -	$ -	$ -
5 yrs	COMMUNICATION:		$ 4,000	$ -	$ -	$ -	$ -
15 yrs	LOCOMOTIVES:						
	GP-9	2	$ -	$ -	$ -	$ -	$ -
		0	$ -	$ -	$ -	$ -	$ -
15 yrs	FREIGHT CARS:	0	$ -	$ -	$ -	$ -	$ -
5 yrs	AUTOMOBILES	1	$ 20,000	$ -	$ -	$ -	$ -
15 yrs	INSPECT & MOVE LOCO		$ -				
	TOTAL CAPITAL EXPENDITURES:		$ 49,000	$ -	$ -	$ -	$ -

Value of Locomotive:		
GP-9	$	-
xxx	$	125,000
inspect & move locos	$	-
Value of Freight Cars:	$	10,000
Value of Track Equipment:		
Hi Rail Truck	$	10,000
Backhoe	$	15,000
xxx	$	-
xxx	$	-
Value of Automobiles:	$	20,000
Value of M of W Autos:	$	20,000
Value of Communication Equipment:		
radios	$	1,500
office equipment	$	2,500
xxx		
Track Structure: rail	$	-
ties	$	-
other	$	-

One Time Expenditures:				Year 1	Year 2	Year 3	Year 4
Employee Training	$ -	based on 120 hours + expenses					
Employee HIring	$ -	based on 20 hours + expenses	Total One Time Exp	$ -	$ -	$ -	$ -
Initial Marketing	$ -	based on 15 hours + expenses					

Appendix F

BNSF Havre-Big Sandy

Financial, Marketing & Operating Analysis

Table of Contents

Executive Summary

Assuming minimal rail operations, the BNSF Havre-Big Sandy branch line cannot cover ongoing operating costs. This branch will require annual subsidy of at least $283,000. Due to the close proximity of a large shuttle facility at Havre, there is no financial reason for shippers to use the Havre-Big Sandy rail line.

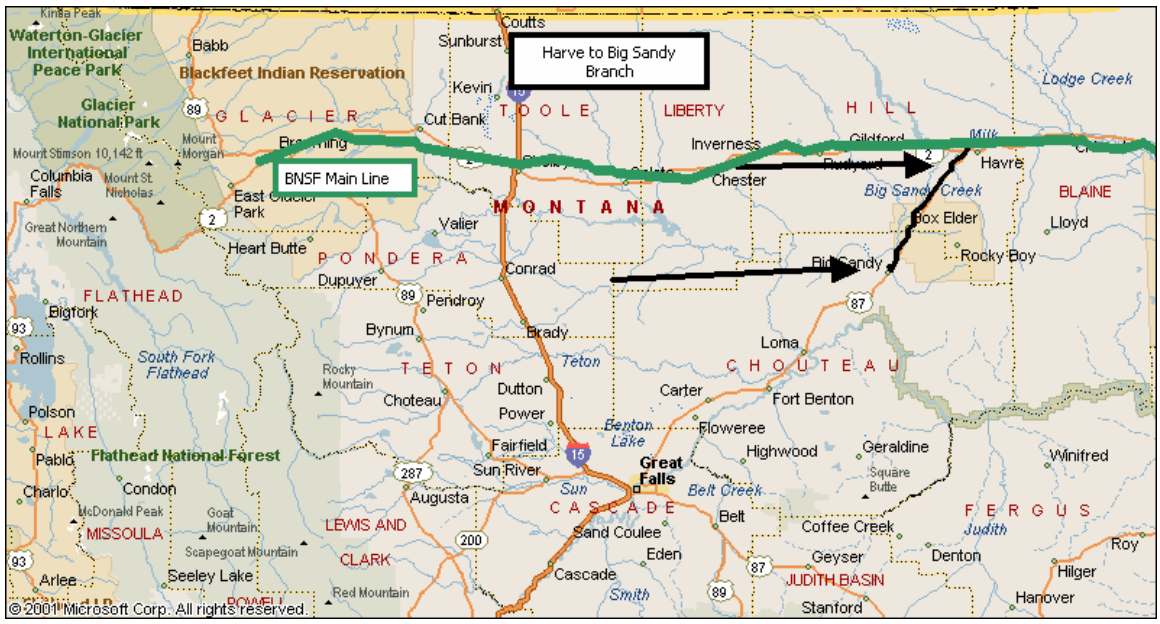
Introduction

This is a marketing, financial and operational analysis of the Havre-Big Sandy Branch currently owned by the BNSF.

The analysis of the 31.2-mile branch between Big Sandy and Havre is based on the normal operations of a railroad of a similar size and type of operation. There has been moderate traffic on this line over the past five years. In 2003, 282 carloads of wheat were shipped. Based on the 2003 volume and cessation of car orders in late 2003, there is currently no Going Concern Value for this branch.

For the Marketing Analysis, phone interviews were conducted with shippers currently on the branch to determine the future business potential of rail. For the Operating Analysis, an operating plan was developed that would represent the potential rail market for this branch. Based on the marketing and operating plans, the economics of the branch were developed.

The Havre-Big Sandy Branch is located in northern portion of Montana.

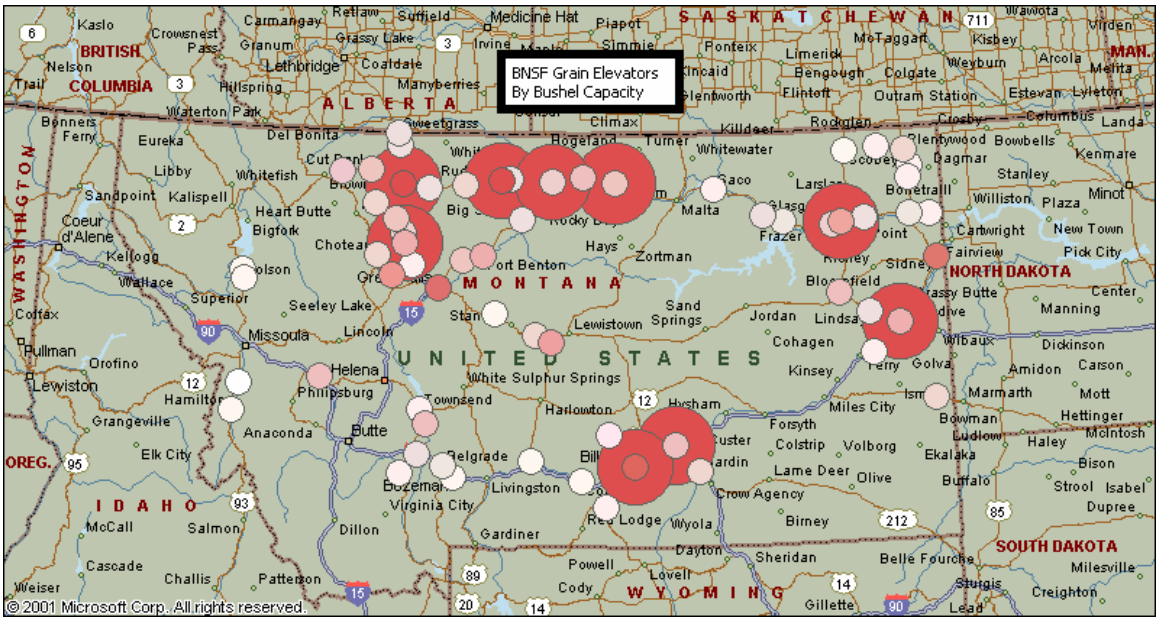


Marketing

Overview

The Havre-Big Sandy Branch is located in an area served by large grain elevator train loading facilities on the BNSF main line: Havre (1,009,000 bushels), Harlem (733,000 bushels), and Rudyard (2,380,000). They are all BNSF shuttle train sites. Other grain elevators handle smaller volume car blocks.

BNSF Served Elevators by Capacity
Montana



Due to the current BNSF rail rate structure, the larger facilities (110- car loading sites) are able to offer lower transportation rates to the Pacific Northwest and other locations. Shippers can effectively ship grain products by truck to Havre for the BNSF shuttle service and realize a savings equivalent to $377 per railcar.

Customer Interviews

A marketing analysis of the Havre-Big Sandy Branch is based upon phone interviews with three shippers on the line:

Archer Daniels Midland-Cenex Harvest States: Manager: Randy Olstad

The Archer Daniels Midland-Cenex Harvest States (ADM-CHS) facility at Big Sandy has a storage capacity of 280,000 bushels.

The company ships currently ships roughly 3,000,000 bushels, 900 carloads, by truck to Havre for loading in the unit trains at the ADM-CHS shuttle facility. Most of the product is destined for export through Pacific Northwest ports.

Current Rail Traffic:	0 carloads per year
Potential Rail Traffic:	0 carloads per year

Golden Harvest and Feed: Manager: Roger Jerry

Golden Harvest and Feed currently brings in six cars of wheat annually. The company expects this number to grow. Golden Harvest would like to use the rail to bring in other grain products such as wheat meal.

Current Rail Traffic:	6 carloads per year
Potential Rail Traffic:	6 carloads per year

Mountain View Co-op:

Mountain View Co-op handled one car of fertilizer last year.

Current Rail Traffic: 1 carload per year

Potential Rail Traffic: 1 carload per year

Summary of Future Traffic Projections

The interviews conducted by Railroad Industries indicate that little or no traffic will be moving on the branch.

Havre-Big Sandy Branch
Projected Annual Volume by Rail

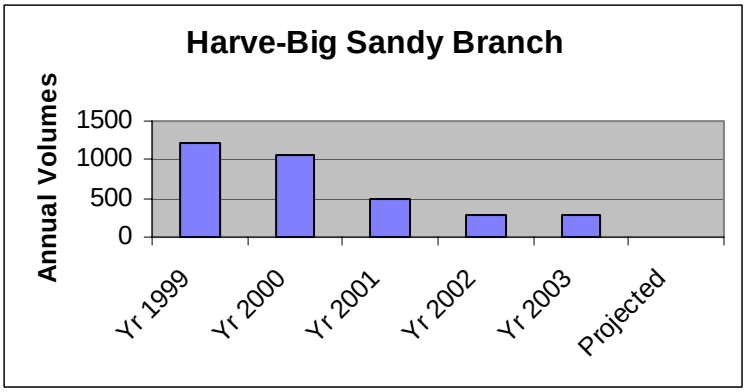
Shipper	********** Projected Volumes **********			
	Grain	Barley	Other	Total
Archer Daniels Midlands	-	-	-	-
Rays N Grain Farm	-	-	-	-
Golden Harvest	6	-	-	6
Mountain View Coop	-	-	1	1
Total	6	-	-	7

Revenue & Carload Statistics

Freight Traffic

Volume

The Havre-Big Sandy Branch handled 282 carloads in 2003, down from a high of 1,747 carloads in 1991. Wheat and barley are the predominant commodities moving on the branch. There are three rail shippers located on the line.



Only 7 cars are projected for the future. There is no economic incentive for the BNSF to continue to operate this line.

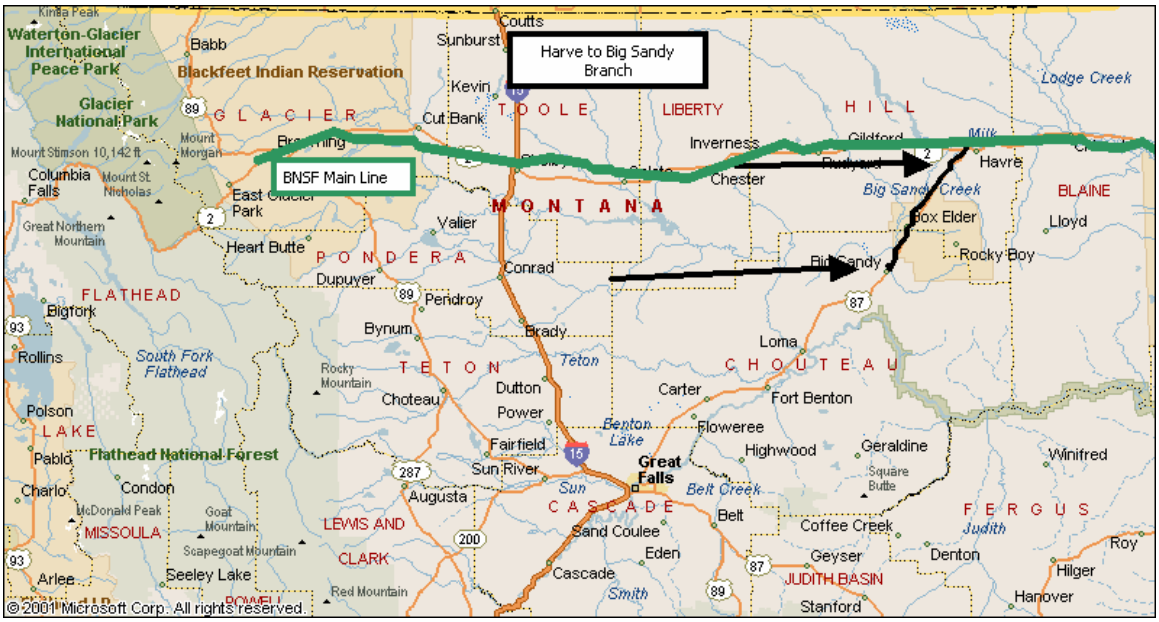
Freight Rate

In general the freight rate for grain for a short line of this size ranges between $250 and $350 per carload. But for this particular analysis, the rail rate must be competitive with the large BNSF grain loading facilities at Havre in order for the grain shipper to ship direct by rail from their facility versus truck to the large BNSF facilities. Using incremental analysis, it has been determined that there is no freight rate for the Havre to Big Sandy portion of the rail route that can compete with the truck/rail option available to shippers.

Operations

Assuming the branch remains operating, a rail operating plan was developed to serve the on line shippers. In general the objective of an operating plan is to establish a train schedule, which will move both loads and empties to the customers in an efficient and cost effective manner. Use of a short line operator is assumed.

Havre-Big Sandy Branch



Proposed Operations

Havre Turn

The Havre-Big Sandy Branch connects with the BNSF mainline at Havre. The branch line operations will begin at 8:00 am at Big Sandy one day per week. The crew will operate between Big Sandy and Havre delivering cars to BNSF at Havre and providing switching, as needed. The crew will return to Big Sandy with the empty cars.

Assignment

- Handle all traffic on branch
- Switch the customers on line as needed
- On Duty: 8 hours

Schedule:

One day per week

8:00 am:	on duty at Big Sandy switch cars, train inspection and air test
8:30 am:	depart for Havre
8:30 –11:30 am:	pick up loads and switch industries as needed.
11:30 am:	arrive at Havre, set out and pick up
12:30 pm:	return to Big Sandy
3:30 pm:	arrive at Big Sandy
4:00 pm:	tie up locomotives

The General Manager will conduct track inspection one day a week.

Locomotives

Service, as planned, assumes the use of one locomotive, which will be leased.

Car Supply

Car Supply could possibly be an issue for the outbound traffic. The railroad will need to address the equipment supply issues. The analysis assumes 120 hours of free car hire time.

Connecting Carrier: BNSF

The line connects directly with BNSF at Havre. The railroad is required to negotiate with BNSF to establish rates for the customers on line.

Maintenance of Way

The Havre-Big Sandy Branch is classified as Class 1 track. The track has a maximum track speed of 10 mph and can carry up to 143-ton cars. There are 14 bridges on the branch. Most of the rail is 110 pound.

Maintenance of Track & Structures

There is very little traffic on the branch at this time. Due to the condition of the line, it will not be necessary to invest in any capital expenditures at this time to handle the projected volume of traffic. A spot inspection at the south end of the branch found that between 24 and 40 percent of ties are defective. A full inspection of the line is recommended. It is recommended that only minimal work be performed on the track in order to maintain a safe railroad that is in full compliance with the FRA. For this analysis, it has been assumed that maintenance on the branch line will be approximately $3,800 per mile.

Maintenance of Equipment

The Havre-Big Sandy Branch requires minimum equipment to operate the line. Leasing one locomotive is recommended for this operation. The lease rate is estimated to range between $75 to $100 per day.

Maintenance of Equipment

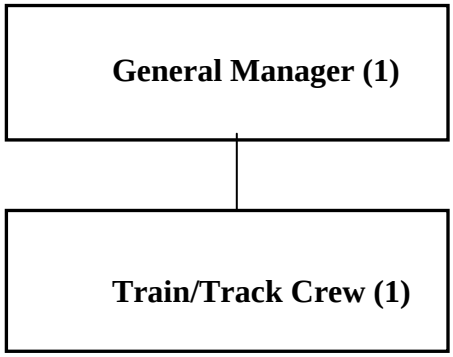
It is recommended that an outside contractor maintain the locomotive used by the Havre-Big Sandy Branch. As the current rail schedule assumes the locomotive will be in use one day per weekday, the contractor will have ample time to do inspections and repairs on days of no service. Estimated expenses for parts and labor for this analysis is $17,000 per year.

General & Administration

All of the General & Administrative functions will be performed by the General Manager. The railroad will require one other employee to operate the train. Both positions will be non-union, full time with benefits.

Personnel Requirements

Havre-Big Sandy Branch
Staff Chart



Administrative Expenses

The Railroad will incur approximately $63,000 in General & Administrative fees. This expense will cover the utilities, legal/accounting services, insurance, property tax, etc.

Break Even Analysis

The current BNSF rate structure, which offers lower rates at large loading facilities, makes it uneconomical for shippers on the Havre-Big Sandy Branch to use rail direct from the branch. If the branch remains operating, either 950 carloads at a rate of $250 or 282 carloads at a rate of $1,050 per carload will be required to break even.

Based on an estimated annual volume of 282 rail cars, the additional subsidy required to support this line is $213,000 per year.

Financial Statements

Harve-Big Sandy
Branch

PROJECTED INCOME STATEMENT

		YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5	YEAR 6	YEAR 7	YEAR 8	YEAR 9	YEAR 10
AQUISITION PRICE:	$ -										
PROJECTED CARLOADS:		282	$ 282	$ 282	$ 282	$ 282	282	282	282	282	282
REVENUE PER CARLOAD:		$ 250									
OPERATING REVENUES:											
FREIGHT REVENUE:		$ 70,500	$ 70,500	$ 70,500	$ 70,500	$ 70,500	$ 70,500	$ 70,500	$ 70,500	$ 70,500	$ 70,500
MAINTENANCE FEES:		$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
AAR BILLINGS:		$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
DEMURRAGE:		$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
TOTAL		$ 70,500	$ 70,500	$ 70,500	$ 70,500	$ 70,500	$ 70,500	$ 70,500	$ 70,500	$ 70,500	$ 70,500
OPERATING EXPENSES											
MAINTENANCE OF WAY		$ 118,373	$ 118,373	$ 118,373	$ 118,373	$ 118,373	$ 118,373	$ 118,373	$ 118,373	$ 118,373	$ 118,373
MAINTENANCE OF EQUIPMENT		$ 21,125	$ 21,125	$ 21,125	$ 21,125	$ 21,125	$ 21,125	$ 21,125	$ 21,125	$ 21,125	$ 21,125
TRANSPORTATION		$ 87,032	$ 87,032	$ 87,032	$ 87,032	$ 87,032	$ 87,032	$ 87,032	$ 87,032	$ 87,032	$ 87,032
GENERAL AND ADMINISTRATIVE		$ 62,481	$ 62,481	$ 62,481	$ 62,481	$ 56,681	$ 56,681	$ 56,681	$ 56,681	$ 56,681	$ 56,681
TOTAL		$ 289,011	$ 289,011	$ 289,011	$ 289,011	$ 283,211	$ 283,211	$ 283,211	$ 283,211	$ 283,211	$ 283,211
INCOME FROM OPERATIONS		$ (218,511)	$ (218,511)	$ (218,511)	$ (218,511)	$ (212,711)	$ (212,711)	$ (212,711)	$ (212,711)	$ (212,711)	$ (212,711)
OTHER INCOME:		$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
ONE-TIME EXPENSES:		$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
INCOME AVAILABLE FOR FIXED CHARGES:		$ (218,511)	$ (218,511)	$ (218,511)	$ (218,511)	$ (212,711)	$ (212,711)	$ (212,711)	$ (212,711)	$ (212,711)	$ (212,711)
INTEREST ON DEBT/CAPITAL LEASES:		$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
AMORTIZATION OF ACQUISITION:		$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
PRE-TAX INCOME		$ (218,511)	$ (218,511)	$ (218,511)	$ (218,511)	$ (212,711)	$ (212,711)	$ (212,711)	$ (212,711)	$ (212,711)	$ (212,711)
INCOME TAXES		$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
NET INCOME AFTER TAXES:		$ (218,511)	$ (218,511)	$ (218,511)	$ (218,511)	$ (212,711)	$ (212,711)	$ (212,711)	$ (212,711)	$ (212,711)	$ (212,711)
EBITDA		$ (212,711)	$ (212,711)	$ (212,711)	$ (212,711)	$ (212,711)	$ (212,711)	$ (212,711)	$ (212,711)	$ (212,711)	$ (212,711)

Harve-Big Sandy
Branch

PROJECTED BALANCE SHEET

ASSETS	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5	YEAR 6	YEAR 7	YEAR 8	YEAR 9	YEAR 10
CASH	$ (194,502)	$ (407,213)	$ (619,924)	$ (832,635)	$ (1,045,830)	$ (1,258,541)	$ (1,471,252)	$ (1,683,963)	$ (1,896,674)	$ (2,109,385)
SHORT-TERM INVESTMENTS	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
ACCOUNTS RECEIVABLES	$ 5,875	$ 5,875	$ 5,875	$ 5,875	$ 5,875	$ 5,875	$ 5,875	$ 5,875	$ 5,875	$ 5,875
PROPERTY AND PLANT	$ 29,000	$ 29,000	$ 29,000	$ 29,000	$ 29,000	$ 29,000	$ 29,000	$ 29,000	$ 29,000	$ 29,000
ACCUMULATED DEPRECIATION	$ 5,800	$ 11,600	$ 17,400	$ 23,200	$ 23,200	$ 23,200	$ 23,200	$ 23,200	$ 23,200	$ 23,200
NET PROPERTY AND PLANT	$ 23,200	$ 17,400	$ 11,600	$ 5,800	$ 5,800	$ 5,800	$ 5,800	$ 5,800	$ 5,800	$ 5,800
OTHER ASSETS	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
TOTAL ASSETS	$ (165,427)	$ (383,938)	$ (602,449)	$ (820,960)	$ (1,034,155)	$ (1,246,866)	$ (1,459,577)	$ (1,672,288)	$ (1,884,999)	$ (2,097,710)
LIABILITIES AND EQUITY										
ACCOUNTS PAYABLE	$ 24,084	$ 24,084	$ 24,084	$ 24,084	$ 23,601	$ 23,601	$ 23,601	$ 23,601	$ 23,601	$ 23,601
SHORT TERM DEBT										
LONG-TERM DEBT:	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
OTHER LIABILITIES	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
TOTAL LIABILITIES:	$ 24,084	$ 24,084	$ 24,084	$ 24,084	$ 23,601	$ 23,601	$ 23,601	$ 23,601	$ 23,601	$ 23,601
STOCKHOLDERS EQUITY:	$ 29,000	$ 29,000	$ 29,000	$ 29,000	$ 29,000	$ 29,000	$ 29,000	$ 29,000	$ 29,000	$ 29,000
RETAINED EARNINGS	$ (218,511)	$ (437,022)	$ (655,533)	$ (874,044)	$ (1,086,756)	$ (1,299,467)	$ (1,512,178)	$ (1,724,889)	$ (1,937,600)	$ (2,150,311)
TOTAL LIABILITES AND EQUITY:	$ (165,427)	$ (383,938)	$ (602,449)	$ (820,960)	$ (1,034,155)	$ (1,246,866)	$ (1,459,577)	$ (1,672,288)	$ (1,884,999)	$ (2,097,710)
	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Debt to Equity Ratio:	-13%	-6%	-4%	-3%	-2%	-2%	-2%	-1%	-1%	-1%

Harve-Big Sandy
Branch

PROJECTED CASH FLOW:

CASH PROVIDED FROM OPERATIONS		YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5	YEAR 6	YEAR 7	YEAR 8	YEAR 9	YEAR 10
NET INCOME		$ (218,511)	$ (218,511)	$ (218,511)	$ (218,511)	$ (212,711)	$ (212,711)	$ (212,711)	$ (212,711)	$ (212,711)	$ (212,711)
DEPRECIATION		$ 5,800	$ 5,800	$ 5,800	$ 5,800	$ -	$ -	$ -	$ -	$ -	$ -
OTHER		$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
SUB-TOTAL		$ (212,711)	$ (212,711)	$ (212,711)	$ (212,711)	$ (212,711)	$ (212,711)	$ (212,711)	$ (212,711)	$ (212,711)	$ (212,711)
DECREASE (INC.) IN WORKING CAPITAL											
RECEIVABLES		$ (5,875)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
PAYABLES		$ 24,084	$ -	$ -	$ -	$ (483)	$ -	$ -	$ -	$ -	$ -
OTHER CURRENT ASSETS/LIAB:		$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
SUB-TOTAL		$ 18,209	$ -	$ -	$ -	$ (483)	$ -	$ -	$ -	$ -	$ -
CASH PROVIDED FROM OPERATIONS:		$ (194,502)	$ (212,711)	$ (212,711)	$ (212,711)	$ (213,194)	$ (212,711)	$ (212,711)	$ (212,711)	$ (212,711)	$ (212,711)
EXPENDITURE FOR PROPERTY:		$ (29,000)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
INCREASE IN STOCKHOLDER EQUITY:		$ 29,000	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
REDUCTION IN LONG-TERM DEBT:		$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
INCREASE IN LONG-TERM DEBT:		$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
INC/DEC IN CASH:	$ (29,000)	$ (194,502)	$ (212,711)	$ (212,711)	$ (212,711)	$ (213,194)	$ (212,711)	$ (212,711)	$ (212,711)	$ (212,711)	$ (212,711)
CASH- BEGINNING OF THE YEAR:		$ -	$ (194,502)	$ (407,213)	$ (619,924)	$ (832,635)	$ (1,045,830)	$ (1,258,541)	$ (1,471,252)	$ (1,683,963)	$ (1,896,674)
CASH- END OF THE YEAR:		$ (194,502)	$ (407,213)	$ (619,924)	$ (832,635)	$ (1,045,830)	$ (1,258,541)	$ (1,471,252)	$ (1,683,963)	$ (1,896,674)	$ (2,109,385)

NPV OF OPERATIONS: 10 YEARS	$ (1,214,881)	Cash from Operations
@ 12% Discount Rate:	(1,084,715)	Inc/Dec Cash
IRR after 10 years:	#DIV/0!	

ACQUISTION PRICE:	$ -	
Projected Carloads	282	
Ave Revenue/Car:	$ 250	
Net Liquidation Value (yr 1):	$ -	
Value of Railroad Year 10:	$ -	

Harve-Big Sandy Branch

MAINTENANCE OF WAY	# of empl.	Base Salary	$ OT	Benefits	Total $(yr1)	Total $(yr2)	Total $(yr3)	Total $(yr4)	Total $(yr5)
MANAGER- M OF W	0	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
ROADMASTER- M OF W	0	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
FOREMAN	0	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
CREW	2	$ 16,640	$ -	$ 7,322	$ 47,923	$ 47,923	$ 47,923	$ 47,923	$ 47,923
MACHINE OPERATORS	0	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
TRACK INSPECTORS	0	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
SIGNAL MAINTAINERS	0	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
TOTAL	2	$ 16,640	$ -	$ 7,322	$ 47,923	$ 47,923	$ 47,923	$ 47,923	$ 47,923
MATERIALS AND OTHER EXPENSES		Growth Rate:	0%						
LAYOVER AND SUBSISTENCE			based on crew layovers		$ -	$ -	$ -	$ -	$ -
MAINTENANCE VEHICLES			$4000 per M of W crew		$ -	$ -	$ -	$ -	$ -
MAINTENANCE MACHINERY			as required		$ -	$ -	$ -	$ -	$ -
TIES			see below		$ 9,975	$ 9,975	$ 9,975	$ 9,975	$ 9,975
RAIL					$ -	$ -	$ -	$ -	$ -
BALLAST					$ 2,280	$ 2,280	$ 2,280	$ 2,280	$ 2,280
BRIDGES					$ 19,275	$ 19,275	$ 19,275	$ 19,275	$ 19,275
CULVERTS					$ 4,500	$ 4,500	$ 4,500	$ 4,500	$ 4,500
OTHER MATERIAL			as needed		$ -	$ -	$ -	$ -	$ -
CROSSINGS					$ 12,000	$ 12,000	$ 12,000	$ 12,000	$ 12,000
SIGNALS					$ 1,500	$ 1,500	$ 1,500	$ 1,500	$ 1,500
VEGETATION CONTROL			$350 per mile		$ 10,920	$ 10,920	$ 10,920	$ 10,920	$ 10,920
DEPRECIATION			based on capital exp. program		$ -	$ -	$ -	$ -	$ -
CONTRACT LABOR			as required		$ 10,000	$ 10,000	$ 10,000	$ 10,000	$ 10,000
TOTAL MATERIAL EXPENSES:					$ 70,450	$ 70,450	$ 70,450	$ 70,450	$ 70,450
TOTAL MAINTENANCE OF WAY EXPENSE:					$ 118,373	$ 118,373	$ 118,373	$ 118,373	$ 118,373
				Track Miles Maintained:	31	31	31	31	31
				M OF W / Mile:	$ 3,794	$ 3,794	$ 3,794	$ 3,794	$ 3,794

Detail of Maintenance of Way:

	(Unit)	($/unit)	$	
Track (miles/wt)	0	$ 116,000	$ -	cost per mile
Ties (number)	300	$ 33.25	$ 9,975	ave. 3000 ties/mile, tie: $25,spikes: $1.25/tie,equipment: $7/tie
Ballast (tons)	150	$ 11	$ 1,650	ave. 250 tons per mile
(equipment hours)	8.4	$ 75	$ 630	equipment, tamper and regulator, at 40 hours/mile
Bridges (Feet)	1285	$ 15	$ 19,275	costs to repair and replace material on bridges
Culverts (#/30 years)	1	$ 4,500	$ 4,500	estimate
Crossings (# pvt)	8	$ 250	$ 2,000	estimate
Crossing (# pub)	20	$ 500	$ 10,000	estimate
Signals (# of protected)	1	$ 1,500	$ 1,500	based on number of protected crossings
Vegetation Control:	31.2	350	$ 10,920	

Harve-Big Sandy
Branch

MAINTENANCE OF EQUIPMENT **Growth Rate:** **0%**

	# of empl.	Base Salary	$ OT	Benefits	Year 1 Total $	Year 2 Total $	Year 3 Total $	Year 4 Total $	Year 5 Total $
MANAGER- M OF E	-	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
FOREMAN- LOCO	-	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
FOREMAN- CAR	-	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
CREW	-	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
	-	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
TOTAL	-	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
OTHER EXPENSES									
CONTRACT SERVICES		$5,625 per locomotive(225 hours @ $25/hr)			$ 5,625	$ 5,625	$ 5,625	$ 5,625	$ 5,625
LOCO PARTS AND REPAIRS		$12,000 per locomotive			$ 12,000	$ 12,000	$ 12,000	$ 12,000	$ 12,000
CAR PARTS AND REPAIRS					$ 1,500	$ 1,500	$ 1,500	$ 1,500	$ 1,500
VEHICLE,EQUIPMENT REPAIRS		based $250/month per vehicle			$ -	$ -	$ -	$ -	$ -
TOOLS AND SUPPLIES		estimate			$ 1,000	$ 1,000	$ 1,000	$ 1,000	$ 1,000
OTHER					$ 1,000	$ 1,000	$ 1,000	$ 1,000	$ 1,000
TOTAL OTHER EXPENSES					$ 21,125	$ 21,125	$ 21,125	$ 21,125	$ 21,125
TOTAL MAINTENANCE OF EQUIPMENT:					$ 21,125	$ 21,125	$ 21,125	$ 21,125	$ 21,125

Harve-Big Sandy
Branch

TRANSPORTATION EXPENSE

	# of empl.	Base Salary	$ OT	Benefits	Year 1 Total $	Year 2 Total $	Year 3 Total $	Year 4 Total $	Year 5 Total $
SUPERINTENDENT	-	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
ASST. MANAGER-OPERATIONS	-	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
TRAINMEN	2	$ 8,320	$ -	$ 3,661	$ 23,962	$ 23,962	$ 23,962	$ 23,962	$ 23,962
TOTAL	2				$ 23,962	$ 23,962	$ 23,962	$ 23,962	$ 23,962
Growth Rate: 0%									
OTHER EXPENSES									
TRAVEL AND SUBSISTENCE				none	$ -	$ -	$ -	$ -	$ -
TRACKAGE FEES					$ -	$ -	$ -	$ -	$ -
LOCO/FRT CAR DEPRECIATION				based on capital exp. program	$ -	$ -	$ -	$ -	$ -
LOCO/FRT CAR RENT				based on $100/day	$ 36,500	$ 36,500	$ 36,500	$ 36,500	$ 36,500
FUEL, OIL AND LUBE				based on locomotive miles	$ 19,968	$ 19,968	$ 19,968	$ 19,968	$ 19,968
VEHICLES/RADIO M & R					$ 1,500	$ 1,500	$ 1,500	$ 1,500	$ 1,500
INSURANCE				5% of value of locomotives	$ 3,750	$ 3,750	$ 3,750	$ 3,750	$ 3,750
CAR HIRE					$ -	$ -	$ -	$ -	$ -
TARIFFS AND SUPPL					$ 1,000	$ 1,000	$ 1,000	$ 1,000	$ 1,000
CASUALTY LOSSES				1/2% of freight revenue	$ 353	$ 353	$ 353	$ 353	$ 353
TOTAL OTHER EXPENSES:					$ 63,071	$ 63,071	$ 63,071	$ 63,071	$ 63,071
TOTAL TRANSPORTATION EXPENSES:					$ 87,032	$ 87,032	$ 87,032	$ 87,032	$ 87,032

Harve-Big Sandy
Branch

GENERAL AND ADMINISTRATIVE EXPENSE

	# of empl.	Base Salary	$ OT	Benefits	Year 1 Total $	Year 2 Total $	Year 3 Total $	Year 4 Total $	Year 5 Total $
PRESIDENT	0	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
GENERAL MANAGER	1	$ 8,320	$ -	$ 3,661	$ 11,981	$ 11,981	$ 11,981	$ 11,981	$ 11,981
MARKETING & SALES	0	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
CONSULTANT	0	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
ACCOUNTANT	0	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
AGENT /ADMIN AIDE	0	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
CLERK	0	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
SECRETARY	0	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
ADMINISTRATIVE AIDE	0	$ -		$ -	$ -	$ -	$ -	$ -	$ -
TOTAL	1	$ 8,320	$ -	$ 3,661	$ 11,981	$ 11,981	$ 11,981	$ 11,981	$ 11,981
NON-LABOR EXPENSES	Growth Rate:	0%							
OFFICE RENT					$ 6,000	$ 6,000	$ 6,000	$ 6,000	$ 6,000
OFFICE SUPPLIES				flat fee + $1000/staff	$ 1,200	$ 1,200	$ 1,200	$ 1,200	$ 1,200
UTILITIES				flat fee + $1500/staff	$ 1,700	$ 1,700	$ 1,700	$ 1,700	$ 1,700
TELEPHONE				flat fee + $1200/staff	$ 1,400	$ 1,400	$ 1,400	$ 1,400	$ 1,400
TRAVEL AND ENTERTAINMENT				flat fee + $1200/staff	$ 1,400	$ 1,400	$ 1,400	$ 1,400	$ 1,400
DUES/SUBSCRIPTION					$ -	$ -	$ -	$ -	$ -
ADVERTISING					$ -	$ -	$ -	$ -	$ -
ACCOUNTING/TAX/AUDITING					$ 1,500	$ 1,500	$ 1,500	$ 1,500	$ 1,500
ASLRA FEES					$ -	$ -	$ -	$ -	$ -
LEGAL/STB FEES					$ 1,500	$ 1,500	$ 1,500	$ 1,500	$ 1,500
INSURANCE/PAYROLL				estimate	$ 20,000	$ 20,000	$ 20,000	$ 20,000	$ 20,000
PROPERTY TAXES				estimate	$ 10,000	$ 10,000	$ 10,000	$ 10,000	$ 10,000
DEPRECIATION				based on capital exp. program	$ 5,800	$ 5,800	$ 5,800	$ 5,800	$ -
TOTAL NON-LABOR EXPENSES:					$ 50,500	$ 50,500	$ 50,500	$ 50,500	$ 44,700
TOTAL GENERAL AND ADMINISTRATION:					$ 62,481	$ 62,481	$ 62,481	$ 62,481	$ 56,681

Harve-Big Sandy
Branch

SUMMARY OF EMPLOYEES

		# of Employees	Base Salary	Year 1 Salary with Benefits
MAINTENANCE OF WAY				
MANAGER- M OF W		0	$ -	
ROADMASTER- M OF W		0	$ -	
FOREMAN		0	$ -	
CREW		2	$ 16,640	
MACHINE OPERATORS		0	$ -	
TRACK INSPECTORS		0	$ -	
SIGNAL MAINTAINERS		0	$ -	
	sub-total	2		$ 47,923
MAINTENANCE OF EQUIPMENT				
MANAGER- M OF E		-	$ -	
FOREMAN- LOCO		-	$ -	
FOREMAN- CAR		-	$ -	
CREW		-	$ -	
		-	$ -	
	sub-total	-		$ -
TRANSPORTATION				
SUPERINTENDENT		-	$ -	
ASST. MANAGER-OPERATIONS		-	$ -	
TRAINMEN		2	$ 8,320	
	sub-total	2		$ 23,962
GENERAL AND ADMINISTRATION				
PRESIDENT		-	$ -	
GENERAL MANAGER		1	$ 8,320	
MARKETING & SALES		-	$ -	
CONSULTANT		-	$ -	
ACCOUNTANT		-	$ -	
AGENT /ADMIN AIDE		-	$ -	
CLERK		-	$ -	
SECRETARY		-	$ -	
ADMINISTRATIVE AIDE		-	$ -	
	sub-total	1		$ 11,981
TOTAL		-		$ 83,866

NOTE: 1. OVERTIME IS ESTIMATED AT 8% OF REGULAR SALARY
2. BENEFITS ARE ESTIMATED AT 44% OF REGULAR SALARY

Harve-Big Sandy
Branch

SUMMARY OF REVENUE

		2003 levels									TOTAL
FREIGHT REVENUE		$ 282									
CARLOADS		282	-	-	-	-	-	-	-	-	282
RATE/CARLOAD:		$ 250	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	
SUB-TOTAL:		$ 70,500	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 70,500
Freight Revenue Growth Rate:		0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
Projected Growth Rate (for Other Revenues)		0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
		YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5					
MAINTENANCE FEES:		$ -	$ -	$ -	$ -	$ -					
AAR BILLINGS:		$ -	$ -	$ -	$ -	$ -					
(# of Freight Cars)	-										
($/Freight Car)	$ 20										
OTHER INCOME:		$ -	$ -	$ -	$ -	$ -					
		$ -	$ -	$ -	$ -	$ -					
	sub-total	$ -	$ -	$ -	$ -	$ -					
DEMURRAGE:		$ -									
(# of Freight Cars)	282										
($/Day)	$ 20										
(# of Days)	-										
CAR HIRE EXPENSE:		$ -									
(# of Freight Cars)	282										
($/Day)	$ 12										
(# of Days)	-										

Harve-Big Sandy
Branch

SCHEDULE OF CAPITAL EXPENDITURES:

		#	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5
30 yrs	TRACK AND STRUCTURE:		$ -	$ -	$ -	$ -	$ -
5 yrs	TRACK EQUIPMENT:		$ 25,000	$ -	$ -	$ -	$ -
5 yrs	M OF W VEHICLES:	0	$ -	$ -	$ -	$ -	$ -
5 yrs	COMMUNICATION:		$ 4,000	$ -	$ -	$ -	$ -
15 yrs	LOCOMOTIVES:						
	GP-9	1	$ -	$ -	$ -	$ -	$ -
		0	$ -	$ -	$ -	$ -	$ -
15 yrs	FREIGHT CARS:	0	$ -	$ -	$ -	$ -	$ -
5 yrs	AUTOMOBILES	0	$ -	$ -	$ -	$ -	$ -
15 yrs	INSPECT & MOVE LOCO		$ -				
	TOTAL CAPITAL EXPENDITURES:		$ 29,000	$ -	$ -	$ -	$ -

Value of Locomotive:		
GP-9	$	-
xxx	$	125,000
inspect & move locos	$	-
Value of Freight Cars:	$	10,000
Value of Track Equipment:		
Hi-Rail	$	10,000
Backhoe	$	15,000
xxx	$	-
xxx	$	-
Value of Automobiles:	$	20,000
Value of M of W Autos:	$	20,000
Value of Communication Equipment:		
radios	$	1,500
office equipment	$	2,500
xxx		
Track Structure: rail	$	-
ties	$	-
other	$	-

One Time Expenditures:				Year 1	Year 2	Year 3	Year 4
Employee Training	$ -	based on 120 hours + expenses					
Employee HIring	$ -	based on 20 hours + expenses	Total One Time Exp	$ -	$ -	$ -	$ -
Initial Marketing	$ -	based on 15 hours + expenses					

Appendix G

BNSF Eastham Junction-Choteau

Financial, Marketing & Operating Analysis

Table of Contents

Executive Summary

Assuming minimal rail operations, the BNSF Eastham Junction-Choteau rail line cannot cover ongoing operating costs. This branch will require at least $150,000 in annual subsidies in addition to the current volumes. In order for the branch to operate independently, at least 700 carloads must move on the line. Due to the close proximity of a large Mountain View Cooperative shuttle facility on the BNSF main line at Collins, it is not probable that volumes will increase to the break-even level required of this branch.

Introduction

This is a marketing, financial and operational analysis of the Eastham Junction-Choteau rail line, currently owned by BNSF.

The analysis of the 7.9-mile rail line between Eastham Junction and Choteau is based on the normal operations of a railroad of a similar size and type of operation. There has been very little traffic on this line over the past five years. Volumes in 2003 were 89 carloads of wheat and barley. Based on this volume and the proposed operations, there is currently no Going Concern Value for this rail line.

For the Marketing Analysis, phone interviews were conducted with shippers currently on the rail line to determine the future business potential of rail. For the Operating Analysis, an operating plan was developed that would represent the potential rail market for this rail line. Based on the marketing and operating plans, the economics of the rail line were developed.

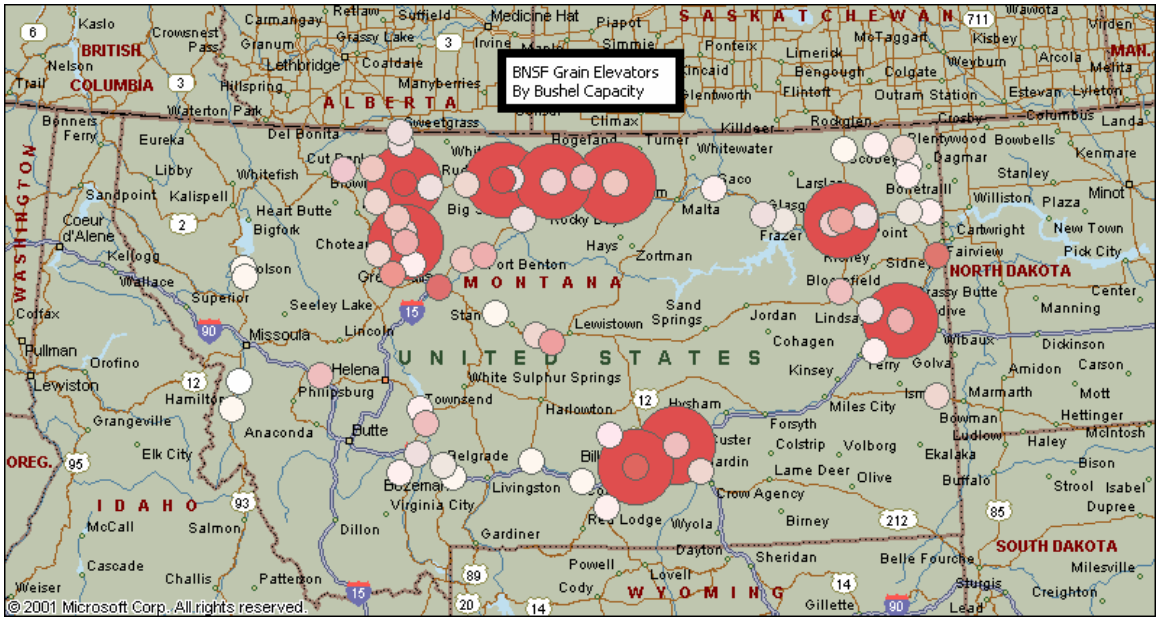
The line operates between Eastham Junction and Choteau in Teton County.

Marketing

Overview

The Eastham Junction-Choteau rail line is located in an area of large grain elevators served by BNSF: Collins (873,000 bushels), Conrad (1,104,000 bushels), Fairfield (1,200,000 bushels) and Power (155,000 bushels). The map below illustrates the large elevator faculties in Montana. The size of the circle represents the storage capacity at each site.

BNSF Served Elevators by Capacity
Montana



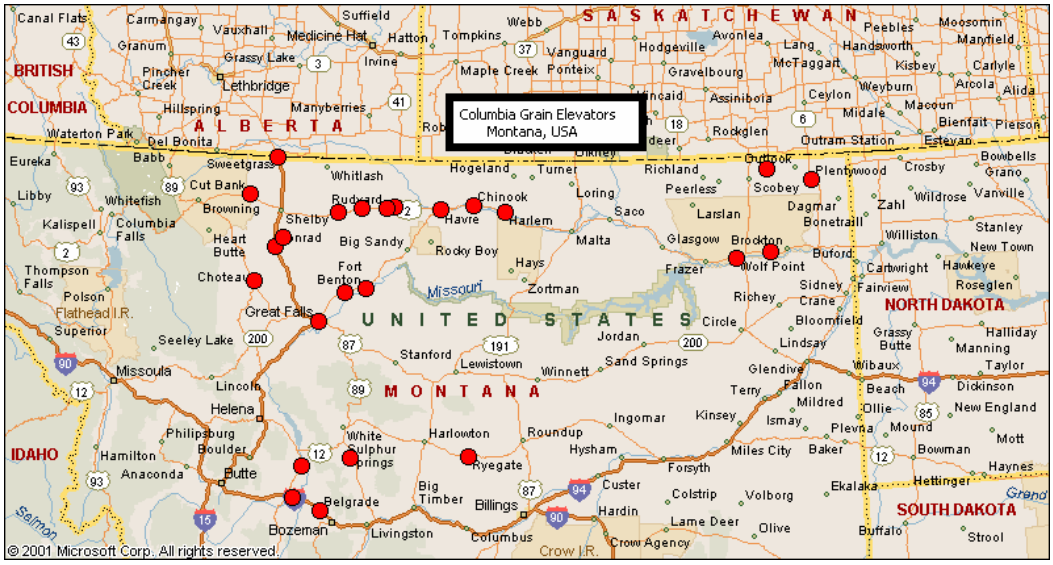
Due to the current BNSF rail rate structure, the larger loading facilities (110- car loading sites) are able to offer lower transportation rates, for example, to the Pacific Northwest. Shippers can effectively ship grain products by truck to Collins for the BNSF shuttle service and realize a savings equivalent to $380 per railcar. There is no reason for BNSF to lower the rail rates on this line. It is estimated that it is costing BNSF at least $119,000 or $1,322 per carload each year to provide rail service. By setting lower unit train rates at the nearby shuttle sites, BNSF is diverting branch line traffic to the main line shuttle site.

Customer Interviews

A marketing analysis of the Eastham Junction-Choteau Branch is based on phone interviews with two rail shippers on the line:

Columbia Grain: Traffic Manager: Vince Geocke

Columbia Grain has a facility in Choteau that can store 459,000 bushels.



The company ships in 52-car blocks mostly for export. If the drought ends, there may be two or three 52-car trains. Columbia Grain considers the Choteau facility an important part of their organization and they wish to have rail service continued.

Current Rail Traffic:	77 carloads per year
Potential Rail Traffic:	77 carloads per year

Harvest States Co-op: Manager: Tim Wilson

Harvest States has a facility located in Choteau. The company currently ships 1,000,000 bushels (300 carload equivalents) per year. All this traffic moves by truck to Idaho and Washington. Harvest States has not used rail since 1993 primarily because its shipments are in small volume blocks. The company currently receives one carload of corn per month.

Current Rail Traffic:	12 carloads
Potential Rail Traffic:	12 carloads

In order to attract this business to rail, it would be necessary to provide an adequate supply of cars at a competitive price. Rail rates should be competitive with truck.

Eastham Junction-Choteau Rail Line
Annual Carload Volumes

Shipper	Projected Volumes
Columbia Grain	**77**
Harvest States Co-op	**12**
Total	**89**

Revenue & Carload Statistics

Freight Traffic

Volume

The Eastham Junction-Choteau rail line has handled between 89 carloads in 2003, down from a high of 465 carloads in 1991. There are two shippers located on the line.

Recent year volumes:

Year	Carloads
1999	98
2000	35
2001	148
2002	38
2003	89

Freight Rate

In general the freight rate for grain for a short line of this size ranges between $250 and $350 per carload. But for this particular analysis, the rail rate must be competitive with the large BNSF grain loading facilities at Collins in order for the grain shippers to ship direct by rail from their facility versus truck to the large BNSF facilities. Using incremental analysis, Railroad Industries has determined that there is no freight rate for the Eastham Junction to Choteau portion of the rail route that can compete with the truck/rail option available to shippers. A subsidy would need to be offered to the shippers.

Operations

A rail operating plan has been developed to serve on line rail shippers assuming operation by a short line operator. In general the objective of an operating plan is to establish a train schedule, which will move both loads and empties to the customers in an efficient and cost effective manner.

Eastham Junction-Choteau Rail Line

Proposed Operations

Choteau Turn

The Eastham-Choteau rail line connects with the BNSF mainline at Power. The branch line operations will begin at 8:00 am at Choteau one day per week. The crew will operate between Choteau and Eastham Junction delivering cars to BNSF at Eastham Junction and providing switching, as needed. The crew will return to Choteau with the empty cars.

Assignment

- Handle all traffic on branch
- Switch the customers on line as needed
- On Duty: 4 hours

Schedule:

One day per week

8:00 am:	on duty at Choteau, switch cars, train inspection and air test
8:30 am:	depart for Eastham Junction, pick up loads and switch industries as needed.
9:30 am:	arrive Eastham Junction
10:30 am:	return to Choteau
11:00 am:	arrive at Choteau
11:30 am:	tie up locomotives

The General Manager will conduct track inspection one day a week.

Locomotives

Service, as planned, assumes the use of one locomotive, which will be leased.

Car Supply

Car Supply could possibly be an issue for the outbound traffic. The railroad will need to address the equipment supply issues. The analysis assumes 120 hours of free car hire time.

Connecting Carrier: BNSF

The line connects directly with the BNSF at Eastham Junction. The railroad is required to negotiate with BNSF to establish rates for the customers on line.

Maintenance of Way

The Eastham-Choteau Branch is classified as Class 2 track. The track has a maximum track speed of 25 mph and can carry up to 143-ton cars. Six-axle locomotives are not permitted on the branch. The majority of the rail 115 pound. There are three rail bridges on the branch.

Maintenance of Track & Structures

There is very little traffic on the branch at this time. Due to the condition of the line, it will not be necessary to invest in any capital expenditures to handle the projected volume of traffic. The consultant has not inspected the track and structures and cannot provide an opinion on the condition, but in a spot check identified approximately 40 percent bad ties in areas immediately north of Eastham Junction. A full inspection of the line is recommended. Only minimal work will be required on the track in order to maintain a safe railroad that is in full compliance with the FRA. For this analysis, it has been assumed that maintenance on the branch line will be approximately $5,700 per mile. The high expense per mile is a factor of the small track miles.

Maintenance of Equipment

The Eastham-Choteau rail line requires minimum equipment to operate the line. The leasing of one locomotive is recommended for this operation. The lease rate is estimated to range between $75 to $100 per day.

Maintenance of Equipment

It is recommended that an outside contractor maintain the locomotive used by the Eastham-Choteau rail line. As the current rail schedule assumes the locomotive will be in use one day per weekday, the contractor will have ample time to do inspections and repairs on days of no service. Estimated expenses for parts and labor for this analysis is $17,000 per year.

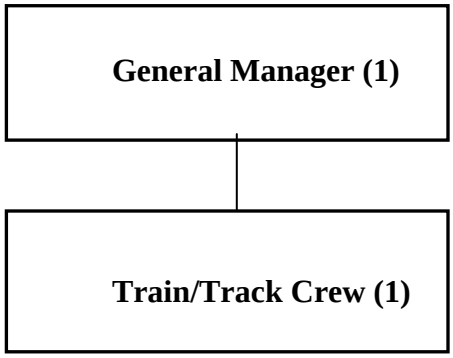
General & Administration

All of the General & Administrative functions will be performed by the General Manager. The railroad will require one other employee to operate the train. One position will be part time (two days per week) and the other position will be three days per week. The jobs will have no benefits and be non-union.

Personnel Requirements

The personnel operating the branch will be trained in all aspects of the railroad business. The manager will perform the weekly track inspection and will work with the train crew in operating the train and performing minor maintenance on the branch.

Eastham-Choteau Rail Line
Staff Chart



Administrative Expenses

The Railroad will incur approximately $55,000 in General & Administrative fees. This expense will cover the utilities, legal/accounting services, insurance, property tax, etc.

Break Even Analysis

There is no break-even analysis for the Eastham-Choteau rail line. The current BNSF rate structure, which offers lower rates at large loading facilities, makes it uneconomical for shippers on the Choteau Branch to load on the branch.

Based on an estimated annual volume of 89 rail cars, the additional subsidy required to support this line is $150,000 per year.

Financial Statements

Eastham Junction-Choteau
Branch

PROJECTED INCOME STATEMENT	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5	YEAR 6	YEAR 7	YEAR 8	YEAR 9	YEAR 10
AQUISITION PRICE: $ -										
PROJECTED CARLOADS:	89	$ 89	$ 89	$ 89	$ 89	89	89	89	89	89
REVENUE PER CARLOAD:	$ 250									
OPERATING REVENUES:										
FREIGHT REVENUE:	$ 22,250	$ 22,250	$ 22,250	$ 22,250	$ 22,250	$ 22,250	$ 22,250	$ 22,250	$ 22,250	$ 22,250
MAINTENANCE FEES:	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
AAR BILLINGS:	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
DEMURRAGE:	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
TOTAL	$ 22,250	$ 22,250	$ 22,250	$ 22,250	$ 22,250	$ 22,250	$ 22,250	$ 22,250	$ 22,250	$ 22,250
OPERATING EXPENSES										
MAINTENANCE OF WAY	$ 45,290	$ 45,290	$ 45,290	$ 45,290	$ 45,290	$ 45,290	$ 45,290	$ 45,290	$ 45,290	$ 45,290
MAINTENANCE OF EQUIPMENT	$ 21,125	$ 21,125	$ 21,125	$ 21,125	$ 21,125	$ 21,125	$ 21,125	$ 21,125	$ 21,125	$ 21,125
TRANSPORTATION	$ 56,173	$ 56,173	$ 56,173	$ 56,173	$ 56,173	$ 56,173	$ 56,173	$ 56,173	$ 56,173	$ 56,173
GENERAL AND ADMINISTRATIVE	$ 54,660	$ 54,660	$ 54,660	$ 54,660	$ 48,860	$ 48,860	$ 48,860	$ 48,860	$ 48,860	$ 48,860
TOTAL	$ 177,248	$ 177,248	$ 177,248	$ 177,248	$ 171,448	$ 171,448	$ 171,448	$ 171,448	$ 171,448	$ 171,448
INCOME FROM OPERATIONS	$ (154,998)	$ (154,998)	$ (154,998)	$ (154,998)	$ (149,198)	$ (149,198)	$ (149,198)	$ (149,198)	$ (149,198)	$ (149,198)
OTHER INCOME:	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
ONE-TIME EXPENSES:	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
INCOME AVAILABLE FOR FIXED CHARGES:	$ (154,998)	$ (154,998)	$ (154,998)	$ (154,998)	$ (149,198)	$ (149,198)	$ (149,198)	$ (149,198)	$ (149,198)	$ (149,198)
INTEREST ON DEBT/CAPITAL LEASES:	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
AMORTIZATION OF ACQUISITION:	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
PRE-TAX INCOME	$ (154,998)	$ (154,998)	$ (154,998)	$ (154,998)	$ (149,198)	$ (149,198)	$ (149,198)	$ (149,198)	$ (149,198)	$ (149,198)
INCOME TAXES	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
NET INCOME AFTER TAXES:	$ (154,998)	$ (154,998)	$ (154,998)	$ (154,998)	$ (149,198)	$ (149,198)	$ (149,198)	$ (149,198)	$ (149,198)	$ (149,198)
EBITDA	$ (149,198)	$ (149,198)	$ (149,198)	$ (149,198)	$ (149,198)	$ (149,198)	$ (149,198)	$ (149,198)	$ (149,198)	$ (149,198)

Eastham Junction-Choteau Branch

PROJECTED BALANCE SHEET

ASSETS	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5	YEAR 6	YEAR 7	YEAR 8	YEAR 9	YEAR 10
CASH	$ (136,282)	$ (285,480)	$ (434,678)	$ (583,876)	$ (733,558)	$ (882,756)	$ (1,031,955)	$ (1,181,153)	$ (1,330,351)	$ (1,479,549)
SHORT-TERM INVESTMENTS	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
ACCOUNTS RECEIVABLES	$ 1,854	$ 1,854	$ 1,854	$ 1,854	$ 1,854	$ 1,854	$ 1,854	$ 1,854	$ 1,854	$ 1,854
PROPERTY AND PLANT	$ 29,000	$ 29,000	$ 29,000	$ 29,000	$ 29,000	$ 29,000	$ 29,000	$ 29,000	$ 29,000	$ 29,000
ACCUMULATED DEPRECIATION	$ 5,800	$ 11,600	$ 17,400	$ 23,200	$ 23,200	$ 23,200	$ 23,200	$ 23,200	$ 23,200	$ 23,200
NET PROPERTY AND PLANT	$ 23,200	$ 17,400	$ 11,600	$ 5,800	$ 5,800	$ 5,800	$ 5,800	$ 5,800	$ 5,800	$ 5,800
OTHER ASSETS	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
TOTAL ASSETS	$ (111,228)	$ (266,226)	$ (421,224)	$ (576,222)	$ (725,904)	$ (875,102)	$ (1,024,300)	$ (1,173,499)	$ (1,322,697)	$ (1,471,895)
LIABILITIES AND EQUITY										
ACCOUNTS PAYABLE	$ 14,771	$ 14,771	$ 14,771	$ 14,771	$ 14,287	$ 14,287	$ 14,287	$ 14,287	$ 14,287	$ 14,287
SHORT TERM DEBT										
LONG-TERM DEBT:	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
OTHER LIABILITIES	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
TOTAL LIABILITIES:	$ 14,771	$ 14,771	$ 14,771	$ 14,771	$ 14,287	$ 14,287	$ 14,287	$ 14,287	$ 14,287	$ 14,287
STOCKHOLDERS EQUITY:	$ 29,000	$ 29,000	$ 29,000	$ 29,000	$ 29,000	$ 29,000	$ 29,000	$ 29,000	$ 29,000	$ 29,000
RETAINED EARNINGS	$ (154,998)	$ (309,997)	$ (464,995)	$ (619,993)	$ (769,191)	$ (918,390)	$ (1,067,588)	$ (1,216,786)	$ (1,365,984)	$ (1,515,183)
TOTAL LIABILITES AND EQUITY:	$ (111,228)	$ (266,226)	$ (421,224)	$ (576,222)	$ (725,904)	$ (875,102)	$ (1,024,300)	$ (1,173,499)	$ (1,322,697)	$ (1,471,895)
	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Debt to Equity Ratio:	-12%	-5%	-3%	-2%	-2%	-2%	-1%	-1%	-1%	-1%

Eastham Junction-Choteau
Branch

PROJECTED CASH FLOW:

CASH PROVIDED FROM OPERATIONS		YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5	YEAR 6	YEAR 7	YEAR 8	YEAR 9	YEAR 10
NET INCOME		$ (154,998)	$ (154,998)	$ (154,998)	$ (154,998)	$ (149,198)	$ (149,198)	$ (149,198)	$ (149,198)	$ (149,198)	$ (149,198)
DEPRECIATION		$ 5,800	$ 5,800	$ 5,800	$ 5,800	$ -	$ -	$ -	$ -	$ -	$ -
OTHER		$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
SUB-TOTAL		$ (149,198)	$ (149,198)	$ (149,198)	$ (149,198)	$ (149,198)	$ (149,198)	$ (149,198)	$ (149,198)	$ (149,198)	$ (149,198)
DECREASE (INC.) IN WORKING CAPITAL											
RECEIVABLES		$ (1,854)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
PAYABLES		$ 14,771	$ -	$ -	$ -	$ (483)	$ -	$ -	$ -	$ -	$ -
OTHER CURRENT ASSETS/LIAB:		$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
SUB-TOTAL		$ 12,917	$ -	$ -	$ -	$ (483)	$ -	$ -	$ -	$ -	$ -
CASH PROVIDED FROM OPERATIONS:		$ (136,282)	$ (149,198)	$ (149,198)	$ (149,198)	$ (149,682)	$ (149,198)	$ (149,198)	$ (149,198)	$ (149,198)	$ (149,198)
EXPENDITURE FOR PROPERTY:		$ (29,000)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
INCREASE IN STOCKHOLDER EQUITY:		$ 29,000	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
REDUCTION IN LONG-TERM DEBT:		$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
INCREASE IN LONG-TERM DEBT:		$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
INC/DEC IN CASH:	$ (29,000)	$ (136,282)	$ (149,198)	$ (149,198)	$ (149,198)	$ (149,682)	$ (149,198)	$ (149,198)	$ (149,198)	$ (149,198)	$ (149,198)
CASH- BEGINNING OF THE YEAR:		$ -	$ (136,282)	$ (285,480)	$ (434,678)	$ (583,876)	$ (733,558)	$ (882,756)	$ (1,031,955)	$ (1,181,153)	$ (1,330,351)
CASH- END OF THE YEAR:		$ (136,282)	$ (285,480)	$ (434,678)	$ (583,876)	$ (733,558)	$ (882,756)	$ (1,031,955)	$ (1,181,153)	$ (1,330,351)	$ (1,479,549)
Net Cash Cost per Mile		$ (17,251)	$ (18,886)	$ (18,886)	$ (18,886)	$ (18,947)	$ (18,886)	$ (18,886)	$ (18,886)	$ (18,886)	$ (18,886)

NPV OF OPERATIONS: 10 YEARS $ (860,745) Cash from Operations
@ 12% Discount Rate: (768,522) Inc/Dec Cash

ACQUISTION PRICE: $ -
Projected Carloads 89
Ave Revenue/Car: $ 250
Net Liquidation Value (yr 1): $ -

Eastham Junction-Choteau Branch

MAINTENANCE OF WAY	# of empl.	Base Salary	$ OT	Benefits	Total $(yr1)	Total $(yr2)	Total $(yr3)	Total $(yr4)	Total $(yr5)
MANAGER- M OF W	0	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
ROADMASTER- M OF W	0	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
FOREMAN	0	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
CREW	2	$ 8,320	$ -	$ -	$ 16,640	$ 16,640	$ 16,640	$ 16,640	$ 16,640
MACHINE OPERATORS	0	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
TRACK INSPECTORS	0	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
SIGNAL MAINTAINERS	0	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
TOTAL	2	$ 8,320	$ -	$ -	$ 16,640	$ 16,640	$ 16,640	$ 16,640	$ 16,640
MATERIALS AND OTHER EXPENSES		Growth Rate:	0%						
LAYOVER AND SUBSISTENCE			based on crew layovers		$ -	$ -	$ -	$ -	$ -
MAINTENANCE VEHICLES					$ -	$ -	$ -	$ -	$ -
MAINTENANCE MACHINERY			as required		$ 1,500	$ 1,500	$ 1,500	$ 1,500	$ 1,500
TIES			see below		$ 3,325	$ 3,325	$ 3,325	$ 3,325	$ 3,325
RAIL					$ -	$ -	$ -	$ -	$ -
BALLAST					$ 1,520	$ 1,520	$ 1,520	$ 1,520	$ 1,520
BRIDGES					$ 7,290	$ 7,290	$ 7,290	$ 7,290	$ 7,290
CULVERTS					$ 4,500	$ 4,500	$ 4,500	$ 4,500	$ 4,500
OTHER MATERIAL			as needed		$ 1,500	$ 1,500	$ 1,500	$ 1,500	$ 1,500
CROSSINGS					$ 4,750	$ 4,750	$ 4,750	$ 4,750	$ 4,750
SIGNALS					$ 1,500	$ 1,500	$ 1,500	$ 1,500	$ 1,500
VEGETATION CONTROL			$350 per mile		$ 2,765	$ 2,765	$ 2,765	$ 2,765	$ 2,765
DEPRECIATION			based on capital exp. program		$ -	$ -	$ -	$ -	$ -
CONTRACT LABOR			as required		$ -	$ -	$ -	$ -	$ -
TOTAL MATERIAL EXPENSES:					$ 28,650	$ 28,650	$ 28,650	$ 28,650	$ 28,650
TOTAL MAINTENANCE OF WAY EXPENSE:					$ 45,290	$ 45,290	$ 45,290	$ 45,290	$ 45,290
				Track Miles Maintained:	8	8	8	8	8
				M OF W / Mile:	$ 5,733	$ 5,733	$ 5,733	$ 5,733	$ 5,733

Detail of Maintenance of Way:	(Unit)	($/unit)	$	
Track (miles/wt)	0	$ 116,000	$ -	cost per mile
Ties (number)	100	$ 33.25	$ 3,325	ave. 3000 ties/mile, tie: $25,spikes: $1.25/tie,equipment: $7/tie
Ballast (tons)	100	$ 11	$ 1,100	ave. 250 tons per mile
(equipment hours)	5.6	$ 75	$ 420	equipment, tamper and regulator, at 40 hours/mile
Bridges (Feet)	486	$ 15	$ 7,290	costs to repair and replace material on bridges
Culverts (#/30 years)	1	$ 4,500	$ 4,500	estimate
Crossings (# pvt)	3	$ 250	$ 750	estimate
Crossing (# pub)	8	$ 500	$ 4,000	estimate
Signals (# of protected)	1	$ 1,500	$ 1,500	based on number of protected crossings
Vegetation Control:	7.9	350	$ 2,765	

Eastham Junction-Choteau
Branch

MAINTENANCE OF EQUIPMENT **Growth Rate:** **0%**

	# of empl.	Base Salary	$ OT	Benefits	Year 1 Total $	Year 2 Total $	Year 3 Total $	Year 4 Total $	Year 5 Total $
MANAGER- M OF E	-	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
FOREMAN- LOCO	-	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
FOREMAN- CAR	-	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
CREW	-	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
	-	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
TOTAL	-	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
OTHER EXPENSES									
CONTRACT SERVICES	$5,625 per locomotive(225 hours @ $25/hr)				$ 5,625	$ 5,625	$ 5,625	$ 5,625	$ 5,625
LOCO PARTS AND REPAIRS	$12,000 per locomotive				$ 12,000	$ 12,000	$ 12,000	$ 12,000	$ 12,000
CAR PARTS AND REPAIRS	estimate				$ 1,500	$ 1,500	$ 1,500	$ 1,500	$ 1,500
VEHICLE,EQUIPMENT REPAIRS	based $250/month per vehicle				$ -	$ -	$ -	$ -	$ -
TOOLS AND SUPPLIES	contract work on loco				$ 1,000	$ 1,000	$ 1,000	$ 1,000	$ 1,000
OTHER					$ 1,000	$ 1,000	$ 1,000	$ 1,000	$ 1,000
TOTAL OTHER EXPENSES					$ 21,125	$ 21,125	$ 21,125	$ 21,125	$ 21,125
TOTAL MAINTENANCE OF EQUIPMENT:					$ 21,125	$ 21,125	$ 21,125	$ 21,125	$ 21,125

Eastham Junction-Choteau
Branch

TRANSPORTATION EXPENSE

	# of empl.	Base Salary	$ OT	Benefits	Year 1 Total $	Year 2 Total $	Year 3 Total $	Year 4 Total $	Year 5 Total $
SUPERINTENDENT	-	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
ASST. MANAGER-OPERATIONS	-	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
TRAINMEN	2	$ 4,160	$ -	$ -	$ 8,320	$ 8,320	$ 8,320	$ 8,320	$ 8,320
TOTAL	2				$ 8,320	$ 8,320	$ 8,320	$ 8,320	$ 8,320
Growth Rate:	0%								
OTHER EXPENSES									
TRAVEL AND SUBSISTENCE				none	$ -	$ -	$ -	$ -	$ -
TRACKAGE FEES					$ -	$ -	$ -	$ -	$ -
LOCO/FRT CAR DEPRECIATION				based on capital exp. program	$ -	$ -	$ -	$ -	$ -
LOCO/FRT CAR RENT				based on $100/day	$ 36,500	$ 36,500	$ 36,500	$ 36,500	$ 36,500
FUEL, OIL AND LUBE				based on locomotive miles	$ 4,992	$ 4,992	$ 4,992	$ 4,992	$ 4,992
VEHICLES/RADIO M & R					$ 1,500	$ 1,500	$ 1,500	$ 1,500	$ 1,500
INSURANCE				5% of value of locomotives	$ 3,750	$ 3,750	$ 3,750	$ 3,750	$ 3,750
CAR HIRE					$ -	$ -	$ -	$ -	$ -
TARIFFS AND SUPPL					$ 1,000	$ 1,000	$ 1,000	$ 1,000	$ 1,000
CASUALTY LOSSES				1/2% of freight revenue	$ 111	$ 111	$ 111	$ 111	$ 111
TOTAL OTHER EXPENSES:					$ 47,853	$ 47,853	$ 47,853	$ 47,853	$ 47,853
TOTAL TRANSPORTATION EXPENSES:					$ 56,173	$ 56,173	$ 56,173	$ 56,173	$ 56,173

Eastham Junction-Choteau
Branch

GENERAL AND ADMINISTRATIVE EXPENSE

	# of empl.	Base Salary	$ OT	Benefits	Year 1 Total $	Year 2 Total $	Year 3 Total $	Year 4 Total $	Year 5 Total $
PRESIDENT	0	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
GENERAL MANAGER	1	$ 4,160	$ -	$ -	$ 4,160	$ 4,160	$ 4,160	$ 4,160	$ 4,160
MARKETING & SALES	0	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
CONSULTANT	0	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
ACCOUNTANT	0	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
AGENT /ADMIN AIDE	0	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
CLERK	0	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
SECRETARY	0	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
ADMINISTRATIVE AIDE	0	$ -		$ -	$ -	$ -	$ -	$ -	$ -
TOTAL	1	$ 4,160	$ -	$ -	$ 4,160	$ 4,160	$ 4,160	$ 4,160	$ 4,160
NON-LABOR EXPENSES	Growth Rate:	0%							
OFFICE RENT					$ 6,000	$ 6,000	$ 6,000	$ 6,000	$ 6,000
OFFICE SUPPLIES				flat fee + $1000/staff	$ 1,200	$ 1,200	$ 1,200	$ 1,200	$ 1,200
UTILITIES				flat fee + $1500/staff	$ 1,700	$ 1,700	$ 1,700	$ 1,700	$ 1,700
TELEPHONE				flat fee + $1200/staff	$ 1,400	$ 1,400	$ 1,400	$ 1,400	$ 1,400
TRAVEL AND ENTERTAINMENT				flat fee + $1200/staff	$ 1,400	$ 1,400	$ 1,400	$ 1,400	$ 1,400
DUES/SUBSCRIPTION					$ -	$ -	$ -	$ -	$ -
ADVERTISING					$ -	$ -	$ -	$ -	$ -
ACCOUNTING/TAX/AUDITING					$ 1,500	$ 1,500	$ 1,500	$ 1,500	$ 1,500
ASLRA FEES					$ -	$ -	$ -	$ -	$ -
LEGAL/STB FEES					$ 1,500	$ 1,500	$ 1,500	$ 1,500	$ 1,500
INSURANCE/PAYROLL				estimate	$ 20,000	$ 20,000	$ 20,000	$ 20,000	$ 20,000
PROPERTY TAXES				estimate	$ 10,000	$ 10,000	$ 10,000	$ 10,000	$ 10,000
DEPRECIATION				based on capital exp. program	$ 5,800	$ 5,800	$ 5,800	$ 5,800	$ -
TOTAL NON-LABOR EXPENSES:					$ 50,500	$ 50,500	$ 50,500	$ 50,500	$ 44,700
TOTAL GENERAL AND ADMINISTRATION:					$ 54,660	$ 54,660	$ 54,660	$ 54,660	$ 48,860

Eastham Junction-Choteau Branch

SUMMARY OF EMPLOYEES

		# of PT Employees	Base Salary	Year 1 Salary with Benefits
MAINTENANCE OF WAY				
MANAGER- M OF W		0	$ -	
ROADMASTER- M OF W		0	$ -	
FOREMAN		0	$ -	
CREW		2	$ 8,320	
MACHINE OPERATORS		0	$ -	
TRACK INSPECTORS		0	$ -	
SIGNAL MAINTAINERS		0	$ -	
	sub-total	2		$ 16,640
MAINTENANCE OF EQUIPMENT				
MANAGER- M OF E		-	$ -	
FOREMAN- LOCO		-	$ -	
FOREMAN- CAR		-	$ -	
CREW		-	$ -	
		-	$ -	
	sub-total	-		$ -
TRANSPORTATION				
SUPERINTENDENT		-	$ -	
ASST. MANAGER-OPERATIONS		-	$ -	
TRAINMEN		2	$ 4,160	
	sub-total	2		$ 8,320
GENERAL AND ADMINISTRATION				
PRESIDENT		-	$ -	
GENERAL MANAGER		1	$ 4,160	
MARKETING & SALES		-	$ -	
CONSULTANT		-	$ -	
ACCOUNTANT		-	$ -	
AGENT /ADMIN AIDE		-	$ -	
CLERK		-	$ -	
SECRETARY		-	$ -	
ADMINISTRATIVE AIDE		-	$ -	
	sub-total	1		$ 4,160
staff share jobs				
TOTAL				$ 29,120

NOTE: 1. OVERTIME IS ESTIMATED AT 8% OF REGULAR SALARY
2. BENEFITS ARE ESTIMATED AT 44% OF REGULAR SALARY

Eastham Junction-Choteau
Branch

SUMMARY OF REVENUE

	2003 level									TOTAL
FREIGHT REVENUE	$ 89									
CARLOADS	89	-	-	-	-	-	-	-	-	89
RATE/CARLOAD:	$ 250	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	
SUB-TOTAL:	$ 22,250	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 22,250
Freight Revenue Growth Rate:	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
Projected Growth Rate (for Other Revenues)	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%

		YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5
MAINTENANCE FEES:		$ -	$ -	$ -	$ -	$ -
AAR BILLINGS:		$ -	$ -	$ -	$ -	$ -
(# of Freight Cars)	-					
($/Freight Car)	$ 20					
OTHER INCOME:		$ -	$ -	$ -	$ -	$ -
		$ -	$ -	$ -	$ -	$ -
	sub-total	$ -	$ -	$ -	$ -	$ -
DEMURRAGE:		$ -				
(# of Freight Cars)	89					
($/Day)	$ 20					
(# of Days)	-					
CAR HIRE EXPENSE:		$ -				
(# of Freight Cars)	89					
($/Day)	$ 12					
(# of Days)	-					

Eastham Junction-Choteau Branch

SCHEDULE OF CAPITAL EXPENDITURES:

		#	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5
30 yrs	TRACK AND STRUCTURE:		$ -	$ -	$ -	$ -	$ -
5 yrs	TRACK EQUIPMENT:		$ 25,000	$ -	$ -	$ -	$ -
5 yrs	M OF W VEHICLES:	0	$ -	$ -	$ -	$ -	$ -
5 yrs	COMMUNICATION:		$ 4,000	$ -	$ -	$ -	$ -
15 yrs	LOCOMOTIVES:						
	GP-9	1	$ -	$ -	$ -	$ -	$ -
		0	$ -	$ -	$ -	$ -	$ -
15 yrs	FREIGHT CARS:	0	$ -	$ -	$ -	$ -	$ -
5 yrs	AUTOMOBILES	0	$ -	$ -	$ -	$ -	$ -
15 yrs	INSPECT & MOVE LOCO		$ -				
	TOTAL CAPITAL EXPENDITURES:		$ 29,000	$ -	$ -	$ -	$ -

Value of Locomotive:		
GP-9	$	-
xxx	$	125,000
inspect & move locos	$	-
Value of Freight Cars:	$	10,000
Value of Track Equipment:		
Hi-Rail Truck	$	10,000
Backhoe	$	15,000
xxx	$	-
xxx	$	-
Value of Automobiles:	$	20,000
Value of M of W Autos:	$	20,000
Value of Communication Equipment:		
radios	$	1,500
office equipment	$	2,500
xxx		
Track Structure: rail	$	-
ties	$	-
other	$	-

One Time Expenditures:				Year 1	Year 2	Year 3	Year 4
Employee Training	$ -	based on 120 hours + expenses					
Employee HIring	$ -	based on 20 hours + expenses	Total One Time Exp	$ -	$ -	$ -	$ -
Initial Marketing	$ -	based on 15 hours + expenses					

Appendix H

DMVW Westby-Whitetail

Financial, Marketing & Operating Analysis

Table of Contents

Executive Summary

Assuming 2003 traffic levels and minimal rail operations, the DMVW Westby-Whitetail rail line cannot cover ongoing operating costs. This line will require approximately 500 additional carloads to break even or an annual subsidy of $190,000. This line is vital to several grain elevators located on or near the branch. Should the line shut down, these grain elevators will in all likelihood ship to BNSF locations in Montana.

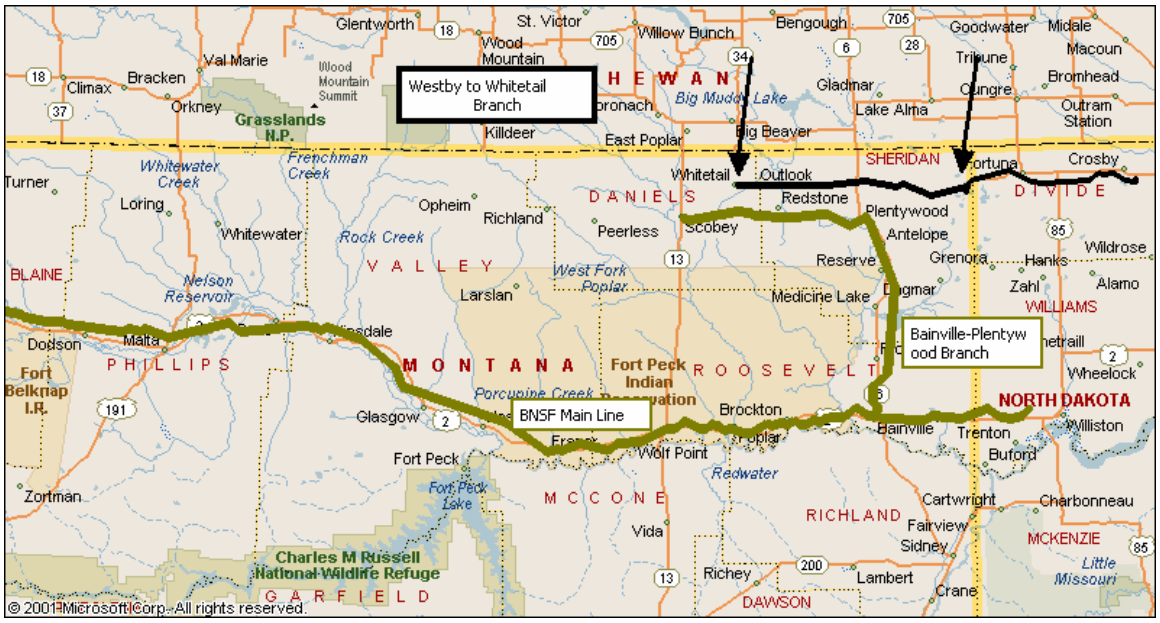
Introduction

This is a marketing, financial and operational analysis of the Westby-Whitetail rail line located in Montana and currently operated by Dakota Missouri Valley & Western Railroad (DMVW) and owned by Canadian Pacific (CP).

The analysis of the 57-mile rail line between Westby (at the border of Montana and North Dakota) and Whitetail is based on the normal operations of a railroad of a similar size and type of operation. Traffic on this line has been growing slightly over the past years. Expectations are that this traffic will continue to grow modestly over the next several years. In 2003, the line carried 3,149 carloads, 1,228 of which originated west of Westby. Based on the 2003 volumes and the proposed operations, there is currently no Going Concern Value for this rail line.

For the Marketing Analysis, phone interviews were conducted with shippers currently on the rail line to determine the future business potential of rail. For the Operating Analysis, an operating plan was developed that would represent the potential rail market for this rail line. Based on the marketing and operating plans, the economics of the rail line were developed.

The Westby-Whitetail rail line is located in northeast Montana.



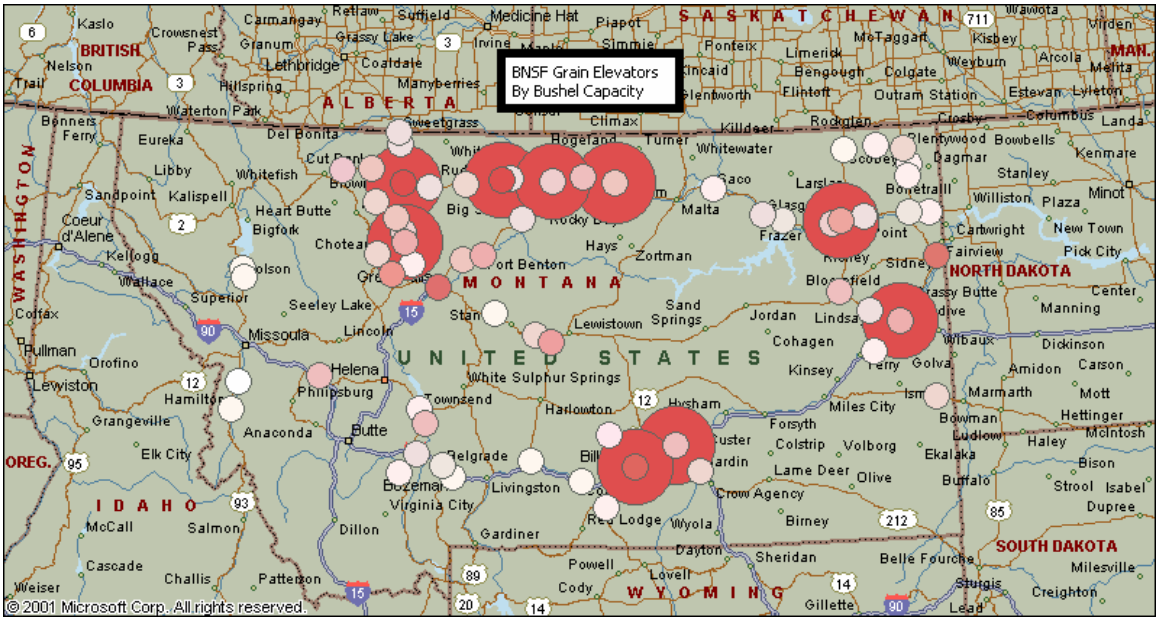
The Westby-Whitetail rail line is located just 7 miles north to the BNSF Plentywood-Scobey rail line. The future of the Plentywood-Scobey or Bainville-Plentywood BNSF rail line will directly effect the profitability and the disposition of the Whitetail-Westby Branch.

Marketing

Overview

The Westby-Whitetail rail line is not located in areas of large grain elevators. The line carries primarily grain outbound.

BNSF Served Elevators by Capacity
Montana

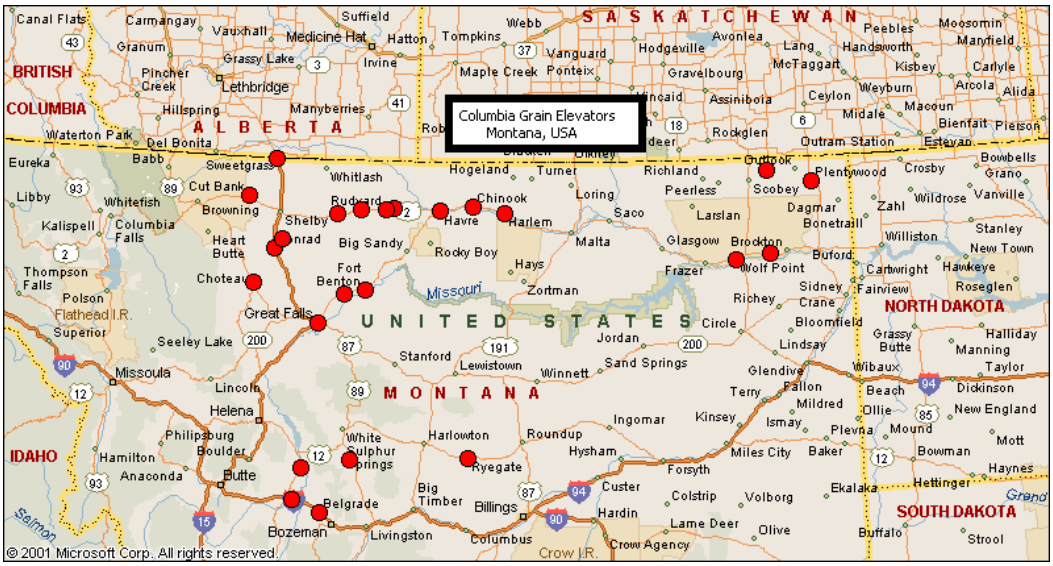


Customer Interviews

A phone interview was conducted with one shipper located on the line and another shipper located in Westby and not directly affected by the Westby-Whitetail rail line.

Columbia Grain: Traffic Manager: Vince Goecke

The Columbia Grain facility in Whitetail has a storage capacity of 250,000 to 300,000 bushels.



The company can load grain in 35-40 car blocks of wheat at one time. The service and track conditions are very poor, though money has been spent on the track recently. It recently took three months to obtain a unit train for grain shipments. A second switch is needed, but not supplied. Current plans are to ship 3,000,000 bushels (900 carloads) per year, but Columbia Grain has stated they could easily ship up to 4,000,000-5,000,000 bushels (1,200-1,500 carloads) per year.

Current Rail Traffic:	900 carloads per year
Potential Rail Traffic:	1,200-1,500 carloads per year

If the rail line were to shut down, Columbia Grain stated it would truck grain to Wolf Point and not to Plentywood, due to the favorable rates at Wolf Point; however, this analysis indicates that the rates from Plentywood are competitive with the large loading facilities at Macon and Wolf Point.

Farmers Elevator: Traffic Manager: Denny Moore

The Farmers Elevator located in Westby and is not technically part of the Westby-Whitetail rail line. The facility in Westby, which has direct rail access, has storage for up to 500,000 bushels and handles up to 5,000,000 bushels (1,500 carloads) per year. Two other Farmers Elevators, not directly on the affected branch, also handle 5,000,000 bushels per year. Car supply is problematic. The company could not survive without rail service.

Traffic Summary

Westby-Whitetail Rail Line
Projected Annual Volume

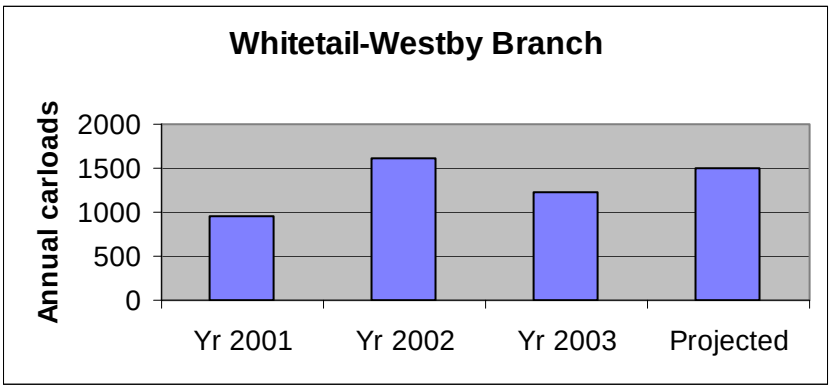
Shipper	********** Projected Volumes **********			
	Grain	Barley	Other	Total
Columbia Grain	1,500	-	-	1,500
Farmer's Elevator	n/a	n/a	n/a	n/a
Total	1,500	-	-	1,500

Revenue & Carload Statistics

Freight Traffic

Volume

The Westby-Whitetail rail line handled 1,228 carloads in 2003, down from 1,619 carloads in 2002. The decrease in volumes appears to be related to CP service issues. Volumes are expected to increase modestly over the next several years. There is one shipper located on the line. Traffic on the line is primarily wheat.



The rail line also originates an additional 1,921 carloads at Westby. It is assumed for this analysis that these carloads will continue to move on the DMVW even if the Whitetail to Westby portion of the line is closed. These carloads are not included in the economics of the short line operation.

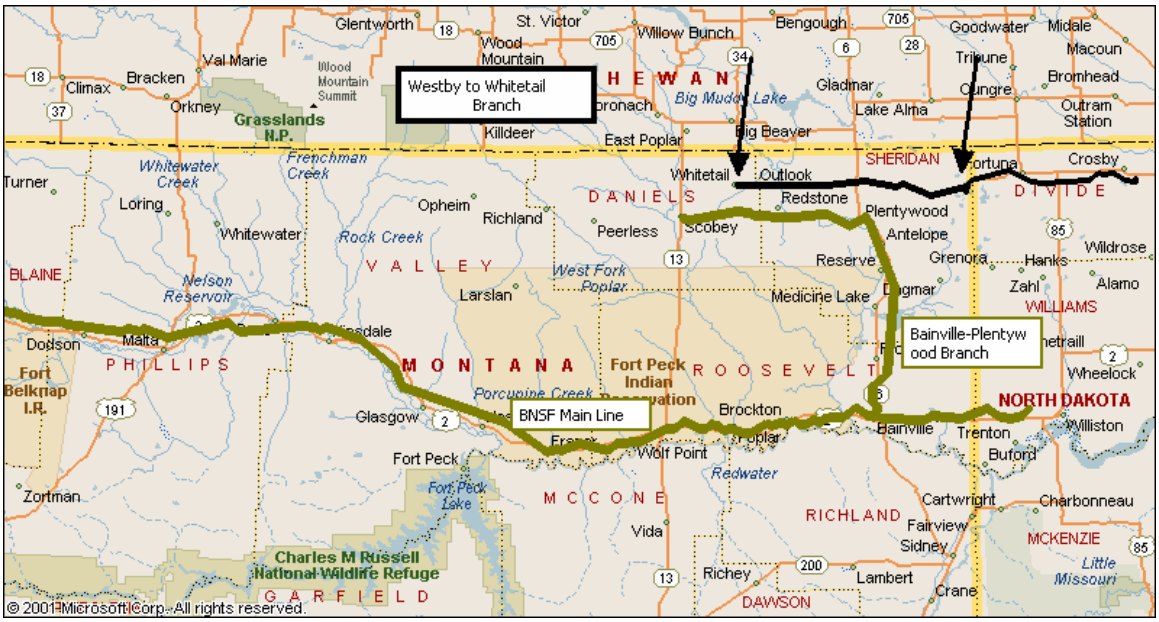
Freight Rate

In general the freight rate for grain for a short line of this size ranges between $350 and $450 per carload. For this analysis, a rate of $400 per carload is assumed for traffic originating or terminating on the line. The current rate structure set up by the CP provides a strong incentive for shippers located near the Whitetail-Westby Branch to use the DMVW. Should the branch shut down, shippers will more than likely truck to Plentywood elevators for shipment on the BNSF. Should the Bainville-Plentywood Branch close, shippers currently using the Plentywood elevators may move their grain to Whitetail or Westby elevators.

Operations

Assuming the rail line remains operating, a rail operating plan is developed to serve shippers and establish a train schedule, moving both loads and empties to customers in an efficient and cost effective manner, assuming a short line operator.

Westby-Whitetail Rail Line



Proposed Operations

Whitetail Turn

For this analysis it is assumed that the DMVW will continue to switch and serve the shippers located in Westby. Only traffic located between Westby and Whitetail will be the handled by the short line operator. The branch line operations will begin at 8:00 a.m. at Whitetail, two days per week. The crew will operate between Westby and Whitetail delivering cars to the DMVW at Westby and providing switching, as needed. The crew will return to Whitetail with the empty cars.

Assignment

- Handle all traffic on branch
- Switch the customers on line as needed
- On Duty: 10 hours

Schedule:

Two days per week

8:00 am:	on duty at Westby switch cars, train inspection and air test
8:30 am:	depart for Whitetail
8:30 –12:30 pm:	pick up loads and switch industries as needed.
12:30 pm:	arrive at Whitetail
1:30 pm:	return to Westby
5:30 pm:	arrive at Westby, switch as needed
6:00 pm:	tie up locomotives

The General Manager will conduct track inspection one day a week.

Locomotives

Service, as planned, assumes the use of two locomotives, which will be leased.

Car Supply

Car Supply could possibly be an issue for the outbound traffic. The railroad will need to address the equipment supply issues. The analysis assumes 120 hours of free car hire time.

Connecting Carrier: Dakota Missouri Valley & Western Railroad

The line connects directly with the DMVW at Westby. The railroad is required to negotiate with the DMVW to establish rates for the customers on line.

Maintenance of Way

Over the past two years approximately $2 to $3 million were spent to upgrade the rail line. The Westby-Whitetail rail line is classified as excepted track. The track has a maximum track speed of less than 10 mph and can carry up to 134-ton cars. No six-axle locomotives can operate on the line and the train lengths are limited. Most of the rail is 60 pound and 70 pound. In 2003, portions of the line were rehabilitated.

Maintenance of Track & Structures

The volume of traffic on this line will require regular maintenance. The line is currently classified as excepted, but it is believed that with very little work, the line can be brought up to Class 1 or Class 2 status. The consultant has not inspected the track and structures; therefore track condition and the level of expenditure required to bring the line to Class 1 status is based upon reports. A full inspection of the line is recommended. For this analysis, it is assumed that operations and maintenance will be for track with excepted status, and that maintenance on the branch line will be approximately $5,869 per mile per year.

Maintenance of Equipment

The Westby-Whitetail rail line requires minimum equipment to operate the line. It is recommended that two locomotives be leased for this operation. The lease rate is estimated to range between $75 to $100 per day.

Maintenance of Equipment

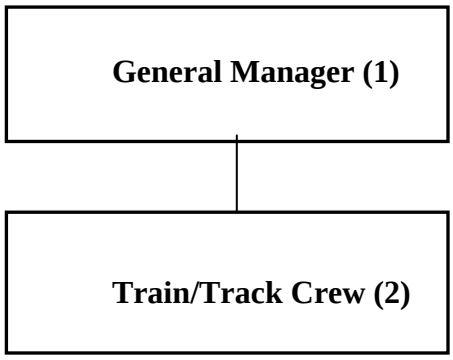
It is recommended that an outside contractor maintain the locomotives used on the Whitetail-Westby rail line. As the current rail schedule assumes the locomotives will be in use two days per weekday, the contractor will have ample time to do inspections and repairs on days of no service. Estimated expenses for parts and labor for this analysis is $17,000 per locomotive per year.

General & Administration

All of the General & Administrative functions will be performed by the General Manager. The railroad will require two other employees to operate the train. All positions will be full time with benefits and non-union.

Personnel Requirements

Westby-Whitetail Rail Line
Staff Chart



Administrative Expenses

The Railroad will incur approximately $121,000 in General & Administrative fees. This expense will cover the utilities, legal/accounting services, insurance, property tax, etc.

Break Even Analysis

Based on an estimated annual volume of 1,228 rail cars, the additional subsidy required to support this line is $189,000.

The Westby-Whitetail rail line will break even if the branch handles an additional 500 carloads, over the 2003 levels, at $400 per carload.

Financial Statements

Westby-Whitetail
Branch

PROJECTED INCOME STATEMENT

		YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5	YEAR 6	YEAR 7	YEAR 8	YEAR 9	YEAR 10
AQUISITION PRICE:	$ -										
PROJECTED CARLOADS:		1,228	$ 1,228	$ 1,228	$ 1,228	$ 1,228	1,228	1,228	1,228	1,228	1,228
REVENUE PER CARLOAD:		$ 400									
OPERATING REVENUES:											
FREIGHT REVENUE:		$ 491,200	$ 491,200	$ 491,200	$ 491,200	$ 491,200	$ 491,200	$ 491,200	$ 491,200	$ 491,200	$ 491,200
MAINTENANCE FEES:		$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
AAR BILLINGS:		$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
DEMURRAGE:		$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
TOTAL		$ 491,200	$ 491,200	$ 491,200	$ 491,200	$ 491,200	$ 491,200	$ 491,200	$ 491,200	$ 491,200	$ 491,200
OPERATING EXPENSES											
MAINTENANCE OF WAY		$ 334,550	$ 334,550	$ 334,550	$ 334,550	$ 334,550	$ 334,550	$ 334,550	$ 334,550	$ 334,550	$ 334,550
MAINTENANCE OF EQUIPMENT		$ 42,750	$ 42,750	$ 42,750	$ 42,750	$ 42,750	$ 42,750	$ 42,750	$ 42,750	$ 42,750	$ 42,750
TRANSPORTATION		$ 191,152	$ 191,152	$ 191,152	$ 191,152	$ 191,152	$ 191,152	$ 191,152	$ 191,152	$ 191,152	$ 191,152
GENERAL AND ADMINISTRATIVE		$ 121,100	$ 121,100	$ 121,100	$ 121,100	$ 111,300	$ 111,300	$ 111,300	$ 111,300	$ 111,300	$ 111,300
TOTAL		$ 689,552	$ 689,552	$ 689,552	$ 689,552	$ 679,752	$ 679,752	$ 679,752	$ 679,752	$ 679,752	$ 679,752
INCOME FROM OPERATIONS		$ (198,352)	$ (198,352)	$ (198,352)	$ (198,352)	$ (188,552)	$ (188,552)	$ (188,552)	$ (188,552)	$ (188,552)	$ (188,552)
OTHER INCOME:		$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
ONE-TIME EXPENSES:		$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
INCOME AVAILABLE FOR FIXED CHARGES:		$ (198,352)	$ (198,352)	$ (198,352)	$ (198,352)	$ (188,552)	$ (188,552)	$ (188,552)	$ (188,552)	$ (188,552)	$ (188,552)
INTEREST ON DEBT/CAPITAL LEASES:		$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
AMORTIZATION OF ACQUISITION:		$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
PRE-TAX INCOME		$ (198,352)	$ (198,352)	$ (198,352)	$ (198,352)	$ (188,552)	$ (188,552)	$ (188,552)	$ (188,552)	$ (188,552)	$ (188,552)
INCOME TAXES		$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
NET INCOME AFTER TAXES:		$ (198,352)	$ (198,352)	$ (198,352)	$ (198,352)	$ (188,552)	$ (188,552)	$ (188,552)	$ (188,552)	$ (188,552)	$ (188,552)
EBITDA		$ (188,552)	$ (188,552)	$ (188,552)	$ (188,552)	$ (188,552)	$ (188,552)	$ (188,552)	$ (188,552)	$ (188,552)	$ (188,552)

Westby-Whitetail
Branch

PROJECTED BALANCE SHEET

ASSETS	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5	YEAR 6	YEAR 7	YEAR 8	YEAR 9	YEAR 10
CASH	$ (172,023)	$ (360,575)	$ (549,127)	$ (737,679)	$ (927,047)	$(1,115,599)	$(1,304,151)	$(1,492,703)	$(1,681,255)	$ (1,869,807)
SHORT-TERM INVESTMENTS	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
ACCOUNTS RECEIVABLES	$ 40,933	$ 40,933	$ 40,933	$ 40,933	$ 40,933	$ 40,933	$ 40,933	$ 40,933	$ 40,933	$ 40,933
PROPERTY AND PLANT	$ 49,000	$ 49,000	$ 49,000	$ 49,000	$ 49,000	$ 49,000	$ 49,000	$ 49,000	$ 49,000	$ 49,000
ACCUMULATED DEPRECIATION	$ 9,800	$ 19,600	$ 29,400	$ 39,200	$ 39,200	$ 39,200	$ 39,200	$ 39,200	$ 39,200	$ 39,200
NET PROPERTY AND PLANT	$ 39,200	$ 29,400	$ 19,600	$ 9,800	$ 9,800	$ 9,800	$ 9,800	$ 9,800	$ 9,800	$ 9,800
OTHER ASSETS	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
TOTAL ASSETS	$ (91,889)	$ (290,241)	$ (488,593)	$ (686,945)	$ (876,314)	$(1,064,866)	$(1,253,418)	$(1,441,970)	$(1,630,522)	$ (1,819,074)
LIABILITIES AND EQUITY										
ACCOUNTS PAYABLE	$ 57,463	$ 57,463	$ 57,463	$ 57,463	$ 56,646	$ 56,646	$ 56,646	$ 56,646	$ 56,646	$ 56,646
SHORT TERM DEBT										
LONG-TERM DEBT:	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
OTHER LIABILITIES	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
TOTAL LIABILITIES:	$ 57,463	$ 57,463	$ 57,463	$ 57,463	$ 56,646	$ 56,646	$ 56,646	$ 56,646	$ 56,646	$ 56,646
STOCKHOLDERS EQUITY:	$ 49,000	$ 49,000	$ 49,000	$ 49,000	$ 49,000	$ 49,000	$ 49,000	$ 49,000	$ 49,000	$ 49,000
RETAINED EARNINGS	$ (198,352)	$ (396,704)	$ (595,056)	$ (793,408)	$ (981,960)	$(1,170,512)	$(1,359,064)	$(1,547,616)	$(1,736,168)	$ (1,924,720)
TOTAL LIABILITES AND EQUITY:	$ (91,889)	$ (290,241)	$ (488,593)	$ (686,945)	$ (876,314)	$(1,064,866)	$(1,253,418)	$(1,441,970)	$(1,630,522)	$ (1,819,074)
	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Debt to Equity Ratio:	-38%	-17%	-11%	-8%	-6%	-5%	-4%	-4%	-3%	-3%

Westby-Whitetail
Branch

PROJECTED CASH FLOW:

CASH PROVIDED FROM OPERATIONS		YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5	YEAR 6	YEAR 7	YEAR 8	YEAR 9	YEAR 10
NET INCOME		$ (198,352)	$ (198,352)	$ (198,352)	$ (198,352)	$ (188,552)	$ (188,552)	$ (188,552)	$ (188,552)	$ (188,552)	$ (188,552)
DEPRECIATION		$ 9,800	$ 9,800	$ 9,800	$ 9,800	$ -	$ -	$ -	$ -	$ -	$ -
OTHER		$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
SUB-TOTAL		$ (188,552)	$ (188,552)	$ (188,552)	$ (188,552)	$ (188,552)	$ (188,552)	$ (188,552)	$ (188,552)	$ (188,552)	$ (188,552)
DECREASE (INC.) IN WORKING CAPITAL											
RECEIVABLES		$ (40,933)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
PAYABLES		$ 57,463	$ -	$ -	$ -	$ (817)	$ -	$ -	$ -	$ -	$ -
OTHER CURRENT ASSETS/LIAB:		$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
SUB-TOTAL		$ 16,529	$ -	$ -	$ -	$ (817)	$ -	$ -	$ -	$ -	$ -
CASH PROVIDED FROM OPERATIONS:		$ (172,023)	$ (188,552)	$ (188,552)	$ (188,552)	$ (189,369)	$ (188,552)	$ (188,552)	$ (188,552)	$ (188,552)	$ (188,552)
EXPENDITURE FOR PROPERTY:		$ (49,000)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
INCREASE IN STOCKHOLDER EQUITY:		$ 49,000	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
REDUCTION IN LONG-TERM DEBT:		$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
INCREASE IN LONG-TERM DEBT:		$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
INC/DEC IN CASH:	$ (49,000)	$ (172,023)	$ (188,552)	$ (188,552)	$ (188,552)	$ (189,369)	$ (188,552)	$ (188,552)	$ (188,552)	$ (188,552)	$ (188,552)
CASH- BEGINNING OF THE YEAR:		$ -	$ (172,023)	$ (360,575)	$ (549,127)	$ (737,679)	$ (927,047)	$(1,115,599)	$(1,304,151)	$(1,492,703)	$ (1,681,255)
CASH- END OF THE YEAR:		$ (172,023)	$ (360,575)	$ (549,127)	$ (737,679)	$ (927,047)	$(1,115,599)	$(1,304,151)	$(1,492,703)	$(1,681,255)	$ (1,869,807)

NPV OF OPERATIONS: 10 YEARS	$ (1,100,066)	Cash from Operations
@ 12% Discount Rate:	(982,202)	Inc/Dec Cash

ACQUISTION PRICE:	$ -	
Projected Carloads	1,228	
Ave Revenue/Car:	$ 400	
Net Liquidation Value (yr 1):	$ -	

Westby-Whitetail
Branch

MAINTENANCE OF WAY	# of empl.	Base Salary	$ OT	Benefits	Total $(yr1)	Total $(yr2)	Total $(yr3)	Total $(yr4)	Total $(yr5)
MANAGER- M OF W	0	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
ROADMASTER- M OF W	0	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
FOREMAN	1	$ 35,000	$ -	$ 15,400	$ 50,400	$ 50,400	$ 50,400	$ 50,400	$ 50,400
CREW	2	$ 30,000	$ -	$ 13,200	$ 86,400	$ 86,400	$ 86,400	$ 86,400	$ 86,400
MACHINE OPERATORS	0	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
TRACK INSPECTORS	0	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
SIGNAL MAINTAINERS	0	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
TOTAL	3	$ 65,000	$ -	$ 28,600	$ 136,800	$ 136,800	$ 136,800	$ 136,800	$ 136,800
MATERIALS AND OTHER EXPENSES	Growth Rate:	0%							
LAYOVER AND SUBSISTENCE		based on crew layovers			$ -	$ -	$ -	$ -	$ -
MAINTENANCE VEHICLES		$4000 per M of W crew			$ 4,000	$ 4,000	$ 4,000	$ 4,000	$ 4,000
MAINTENANCE MACHINERY		as required			$ 2,500	$ 2,500	$ 2,500	$ 2,500	$ 2,500
TIES		see below			$ 99,750	$ 99,750	$ 99,750	$ 99,750	$ 99,750
RAIL					$ -	$ -	$ -	$ -	$ -
BALLAST					$ 22,800	$ 22,800	$ 22,800	$ 22,800	$ 22,800
BRIDGES					$ -	$ -	$ -	$ -	$ -
CULVERTS					$ 22,500	$ 22,500	$ 22,500	$ 22,500	$ 22,500
OTHER MATERIAL		as needed			$ 5,000	$ 5,000	$ 5,000	$ 5,000	$ 5,000
CROSSINGS					$ 3,750	$ 3,750	$ 3,750	$ 3,750	$ 3,750
SIGNALS					$ 7,500	$ 7,500	$ 7,500	$ 7,500	$ 7,500
VEGETATION CONTROL		$350 per mile			$ 19,950	$ 19,950	$ 19,950	$ 19,950	$ 19,950
DEPRECIATION		based on capital exp. program			$ -	$ -	$ -	$ -	$ -
CONTRACT LABOR		as required			$ 10,000	$ 10,000	$ 10,000	$ 10,000	$ 10,000
TOTAL MATERIAL EXPENSES:					$ 197,750	$ 197,750	$ 197,750	$ 197,750	$ 197,750
TOTAL MAINTENANCE OF WAY EXPENSE:					$ 334,550	$ 334,550	$ 334,550	$ 334,550	$ 334,550
				Track Miles Maintained:	57	57	57	57	57
				M OF W / Mile:	$ 5,869	$ 5,869	$ 5,869	$ 5,869	$ 5,869

Detail of Maintenance of Way:	(Unit)	($/unit)	$	
Track (miles/wt)	0	$ 116,000	$ -	cost per mile
Ties (number)	3000	$ 33.25	$ 99,750	ave. 3000 ties/mile, tie: $25,spikes: $1.25/tie,equipment: $7/tie
Ballast (tons)	1500	$ 11	$ 16,500	ave. 250 tons per mile
(equipment hours)	84	$ 75	$ 6,300	equipment, tamper and regulator, at 40 hours/mile
Bridges (Feet)	0	$ 15	$ -	costs to repair and replace material on bridges
Culverts (#/30 years)	5	$ 4,500	$ 22,500	estimate
Crossings (# pvt)	5	$ 250	$ 1,250	estimate
Crossing (# pub)	5	$ 500	$ 2,500	estimate
Signals (# of protected)	5	$ 1,500	$ 7,500	based on number of protected crossings
Vegetation Control:	57	350	$ 19,950	

Westby-Whitetail
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MAINTENANCE OF EQUIPMENT **Growth Rate:** **0%**

	# of empl.	Base Salary	$ OT	Benefits	Year 1 Total $	Year 2 Total $	Year 3 Total $	Year 4 Total $	Year 5 Total $
MANAGER- M OF E	-	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
FOREMAN- LOCO	-	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
FOREMAN- CAR	-	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
CREW	-	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
	-	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
TOTAL	-	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
OTHER EXPENSES									
CONTRACT SERVICES	$5,625 per locomotive(225 hours @ $25/hr)				$ 11,250	$ 11,250	$ 11,250	$ 11,250	$ 11,250
LOCO PARTS AND REPAIRS	$12,000 per locomotive				$ 24,000	$ 24,000	$ 24,000	$ 24,000	$ 24,000
CAR PARTS AND REPAIRS					$ 1,500	$ 1,500	$ 1,500	$ 1,500	$ 1,500
VEHICLE,EQUIPMENT REPAIRS	based $250/month per vehicle				$ 3,000	$ 3,000	$ 3,000	$ 3,000	$ 3,000
TOOLS AND SUPPLIES	estimate				$ 1,500	$ 1,500	$ 1,500	$ 1,500	$ 1,500
OTHER					$ 1,500	$ 1,500	$ 1,500	$ 1,500	$ 1,500
TOTAL OTHER EXPENSES					$ 42,750	$ 42,750	$ 42,750	$ 42,750	$ 42,750
TOTAL MAINTENANCE OF EQUIPMENT:					$ 42,750	$ 42,750	$ 42,750	$ 42,750	$ 42,750

Westby-Whitetail
Branch

TRANSPORTATION EXPENSE

	# of empl.	Base Salary	$ OT	Benefits	Year 1 Total $	Year 2 Total $	Year 3 Total $	Year 4 Total $	Year 5 Total $
SUPERINTENDENT	-	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
ASST. MANAGER-OPERATIONS	-	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
TRAINMEN	2	$ 12,000	$ -	$ 5,280	$ 34,560	$ 34,560	$ 34,560	$ 34,560	$ 34,560
TOTAL	2				$ 34,560	$ 34,560	$ 34,560	$ 34,560	$ 34,560
Growth Rate:	0%								
OTHER EXPENSES									
TRAVEL AND SUBSISTENCE				none	$ -	$ -	$ -	$ -	$ -
TRACKAGE FEES					$ -	$ -	$ -	$ -	$ -
LOCO/FRT CAR DEPRECIATION				based on capital exp. program	$ -	$ -	$ -	$ -	$ -
LOCO/FRT CAR RENT				based on $100 per day	$ 73,000	$ 73,000	$ 73,000	$ 73,000	$ 73,000
FUEL, OIL AND LUBE				based on locomotive miles	$ 71,136	$ 71,136	$ 71,136	$ 71,136	$ 71,136
VEHICLES/RADIO M & R					$ 1,500	$ 1,500	$ 1,500	$ 1,500	$ 1,500
INSURANCE				5% of value of locomotives	$ 7,500	$ 7,500	$ 7,500	$ 7,500	$ 7,500
CAR HIRE					$ -	$ -	$ -	$ -	$ -
TARIFFS AND SUPPL					$ 1,000	$ 1,000	$ 1,000	$ 1,000	$ 1,000
CASUALTY LOSSES				1/2% of freight revenue	$ 2,456	$ 2,456	$ 2,456	$ 2,456	$ 2,456
TOTAL OTHER EXPENSES:					$ 156,592	$ 156,592	$ 156,592	$ 156,592	$ 156,592
TOTAL TRANSPORTATION EXPENSES:					$ 191,152	$ 191,152	$ 191,152	$ 191,152	$ 191,152

Westby-Whitetail
Branch

GENERAL AND ADMINISTRATIVE EXPENSE

	# of empl.	Base Salary	$ OT	Benefits	Year 1 Total $	Year 2 Total $	Year 3 Total $	Year 4 Total $	Year 5 Total $
PRESIDENT	0	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
GENERAL MANAGER	1	$ 40,000	$ -	$ 17,600	$ 57,600	$ 57,600	$ 57,600	$ 57,600	$ 57,600
MARKETING & SALES	0	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
CONSULTANT	0	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
ACCOUNTANT	0	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
AGENT /ADMIN AIDE	0	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
CLERK	0	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
SECRETARY	0	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
ADMINISTRATIVE AIDE	0	$ -		$ -	$ -	$ -	$ -	$ -	$ -
TOTAL	1	$ 40,000	$ -	$ 17,600	$ 57,600	$ 57,600	$ 57,600	$ 57,600	$ 57,600
NON-LABOR EXPENSES	Growth Rate:	0%							
OFFICE RENT					$ 6,000	$ 6,000	$ 6,000	$ 6,000	$ 6,000
OFFICE SUPPLIES				flat fee + $1000/staff	$ 2,200	$ 2,200	$ 2,200	$ 2,200	$ 2,200
UTILITIES				flat fee + $1500/staff	$ 2,700	$ 2,700	$ 2,700	$ 2,700	$ 2,700
TELEPHONE				flat fee + $1200/staff	$ 2,400	$ 2,400	$ 2,400	$ 2,400	$ 2,400
TRAVEL AND ENTERTAINMENT				flat fee + $1200/staff	$ 2,400	$ 2,400	$ 2,400	$ 2,400	$ 2,400
DUES/SUBSCRIPTION					$ -	$ -	$ -	$ -	$ -
ADVERTISING					$ -	$ -	$ -	$ -	$ -
ACCOUNTING/TAX/AUDITING					$ 1,500	$ 1,500	$ 1,500	$ 1,500	$ 1,500
ASLRA FEES					$ -	$ -	$ -	$ -	$ -
LEGAL/STB FEES					$ 1,500	$ 1,500	$ 1,500	$ 1,500	$ 1,500
INSURANCE/PAYROLL				estimate	$ 20,000	$ 20,000	$ 20,000	$ 20,000	$ 20,000
PROPERTY TAXES				estimate	$ 15,000	$ 15,000	$ 15,000	$ 15,000	$ 15,000
DEPRECIATION				based on capital exp. program	$ 9,800	$ 9,800	$ 9,800	$ 9,800	$ -
TOTAL NON-LABOR EXPENSES:					$ 63,500	$ 63,500	$ 63,500	$ 63,500	$ 53,700
TOTAL GENERAL AND ADMINISTRATION:					$ 121,100	$ 121,100	$ 121,100	$ 121,100	$ 111,300

Westby-Whitetail
Branch

SUMMARY OF EMPLOYEES

		# of Employees	Base Salary	Year 1 Salary with Benefits
MAINTENANCE OF WAY				
MANAGER- M OF W		0	$ -	
ROADMASTER- M OF W		0	$ -	
FOREMAN		1	$ 35,000	
CREW		2	$ 30,000	
MACHINE OPERATORS		0	$ -	
TRACK INSPECTORS		0	$ -	
SIGNAL MAINTAINERS		0	$ -	
	sub-total	3		$ 136,800
MAINTENANCE OF EQUIPMENT				
MANAGER- M OF E		-	$ -	
FOREMAN- LOCO		-	$ -	
FOREMAN- CAR		-	$ -	
CREW		-	$ -	
		-	$ -	
	sub-total	-		$ -
TRANSPORTATION				
SUPERINTENDENT		-	$ -	
ASST. MANAGER-OPERATIONS		-	$ -	
TRAINMEN		2	$ 12,000	
	sub-total	2		$ 34,560
GENERAL AND ADMINISTRATION				
PRESIDENT		-	$ -	
GENERAL MANAGER		1	$ 40,000	
MARKETING & SALES		-	$ -	
CONSULTANT		-	$ -	
ACCOUNTANT		-	$ -	
AGENT /ADMIN AIDE		-	$ -	
CLERK		-	$ -	
SECRETARY		-	$ -	
ADMINISTRATIVE AIDE		-	$ -	
	sub-total	1		$ 57,600
TOTAL				$ 228,960

NOTE: 1. OVERTIME IS ESTIMATED AT 8% OF REGULAR SALARY
2. BENEFITS ARE ESTIMATED AT 44% OF REGULAR SALARY

Westby-Whitetail
Branch

SUMMARY OF REVENUE

	2003 levels	congestion								TOTAL
FREIGHT REVENUE		$ 272								
CARLOADS	1,228	-	-	-	-	-	-	-	-	1,228
RATE/CARLOAD:	$ 400	$ 400	$ -	$ -	$ -	$ -	$ -	$ -	$ -	
SUB-TOTAL:	$ 491,200	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 491,200
Freight Revenue Growth Rate:	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
Projected Growth Rate (for Other Revenues)	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%

		YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5
MAINTENANCE FEES:		$ -	$ -	$ -	$ -	$ -
AAR BILLINGS:		$ -	$ -	$ -	$ -	$ -
(# of Freight Cars)	-					
($/Freight Car)	$ 20					
OTHER INCOME:		$ -	$ -	$ -	$ -	$ -
		$ -	$ -	$ -	$ -	$ -
	sub-total	$ -	$ -	$ -	$ -	$ -
DEMURRAGE:		$ -				
(# of Freight Cars)	1,228					
($/Day)	$ 20					
(# of Days)	-					
CAR HIRE EXPENSE:		$ -				
(# of Freight Cars)	1,228					
($/Day)	$ 12					
(# of Days)	-					

Westby-Whitetail
Branch

SCHEDULE OF CAPITAL EXPENDITURES:

		#	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5
30 yrs	TRACK AND STRUCTURE:		$ -	$ -	$ -	$ -	$ -
5 yrs	TRACK EQUIPMENT:		$ 25,000	$ -	$ -	$ -	$ -
5 yrs	M OF W VEHICLES:	0	$ -	$ -	$ -	$ -	$ -
5 yrs	COMMUNICATION:		$ 4,000	$ -	$ -	$ -	$ -
15 yrs	LOCOMOTIVES:						
	GP-9	2	$ -	$ -	$ -	$ -	$ -
		0	$ -	$ -	$ -	$ -	$ -
15 yrs	FREIGHT CARS:	0	$ -	$ -	$ -	$ -	$ -
5 yrs	AUTOMOBILES	1	$ 20,000	$ -	$ -	$ -	$ -
15 yrs	INSPECT & MOVE LOCO		$ -				
	TOTAL CAPITAL EXPENDITURES:		$ 49,000	$ -	$ -	$ -	$ -

Value of Locomotive:	
GP-9	$ -
xxx	$ 125,000
inspect & move locos	$ -
Value of Freight Cars:	$ 10,000
Value of Track Equipment:	
Hi rail Truck	$ 10,000
Backhoe	$ 15,000
xxx	$ -
xxx	$ -
Value of Automobiles:	$ 20,000
Value of M of W Autos:	$ 20,000
Value of Communication Equipment:	
radios	$ 1,500
office equipment	$ 2,500
xxx	
Track Structure: rail	$ -
ties	$ -
other	$ -

				Year 1	Year 2	Year 3	Year 4
One Time Expenditures:							
Employee Training	$ -	based on 120 hours + expenses					
Employee HIring	$ -	based on 20 hours + expenses	Total One Time Exp	$ -	$ -	$ -	$ -
Initial Marketing	$ -	based on 15 hours + expenses					

Appendix I

BNSF Bainville-Plentywood

Financial, Marketing & Operating Analysis

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Executive Summary

At current traffic levels, revenues on the BNSF Bainville-Plentywood rail line can cover operating costs. Based upon rates set by BNSF on this branch line, there appears to be no economic incentive to truck grain to the shuttle site at Macon. In order for this branch to operate independently from BNSF, a minimum rate of $400 would be required for each carload based on the current traffic volumes.

If wheat and barley now shipped on the Westby-Whitetail rail line were to be trucked to Plentywood, for rail movement on the Bainville-Plentywood branch instead of the Whitetail-Westby Branch, then the break-even car rate would drop to $250 per car.

Should the Whitetail-Westby Branch close, the current rail rate structure will attract shippers at Whitetail to move by truck to Plentywood for rail service, rather than to either Macon or Westby.

Should the Bainville-Plentywood Branch shut down, the shippers using the Plentywood elevators will probably truck their products to Whitetail and Westby for rail service rather than to Macon, considering trucking distances.

Introduction

This is a marketing, financial and operational analysis of the Bainville-Plentywood Branch located in northeastern Montana and currently owned by BNSF.

The analysis of the 54.4-mile branch between Bainville and Plentywood is based on the normal operations of a railroad of a similar size and type of operation. There has been moderate traffic on this line over the past five years. Volumes in 2003 were 1,282 carloads, primarily wheat. Based on the 2003 volumes and the proposed operations, this branch could operate at a break even level.

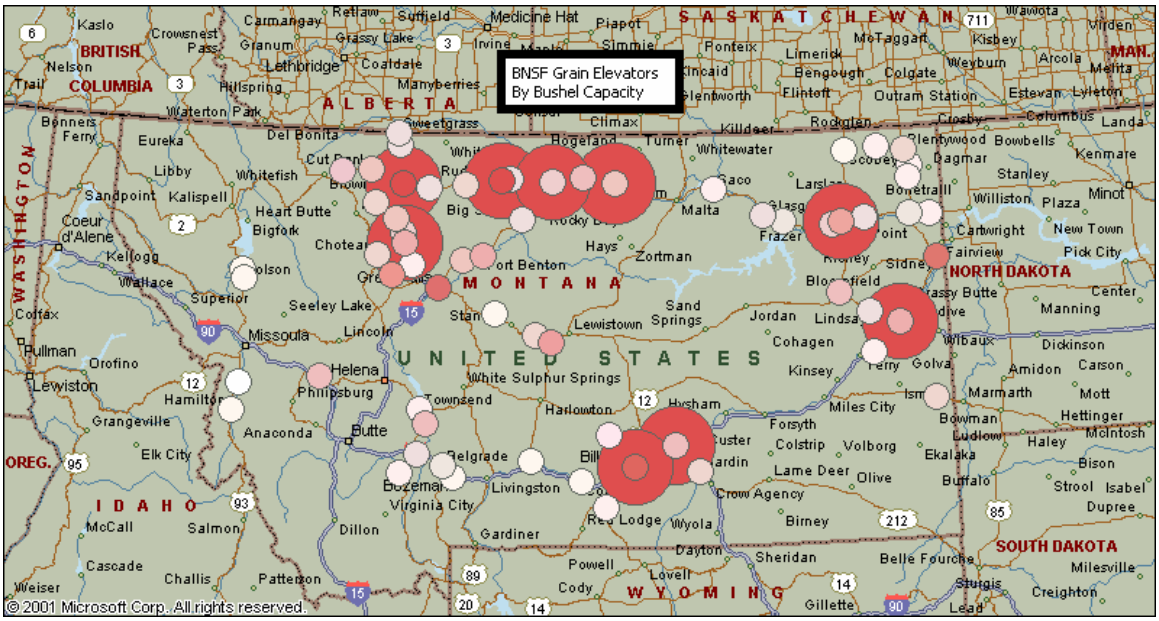
For the Marketing Analysis, phone interviews were conducted with shippers currently on the branch to determine the future business potential of rail. An operating plan was developed that would represent the potential rail market for this branch. Based on the marketing and operating plans, the economics of the branch were developed.

Marketing

Overview

The Bainville-Plentywood Branch is located in areas of large grain elevator facilities served by the BNSF: Macon (970,000 bushels), Plentywood (409,000 bushels), and Medicine Lake (115,000 bushels). Macon is a shuttle site located on the BNSF main line. The other grain elevators handle smaller volume car blocks.

BNSF Served Elevators by Capacity
Montana



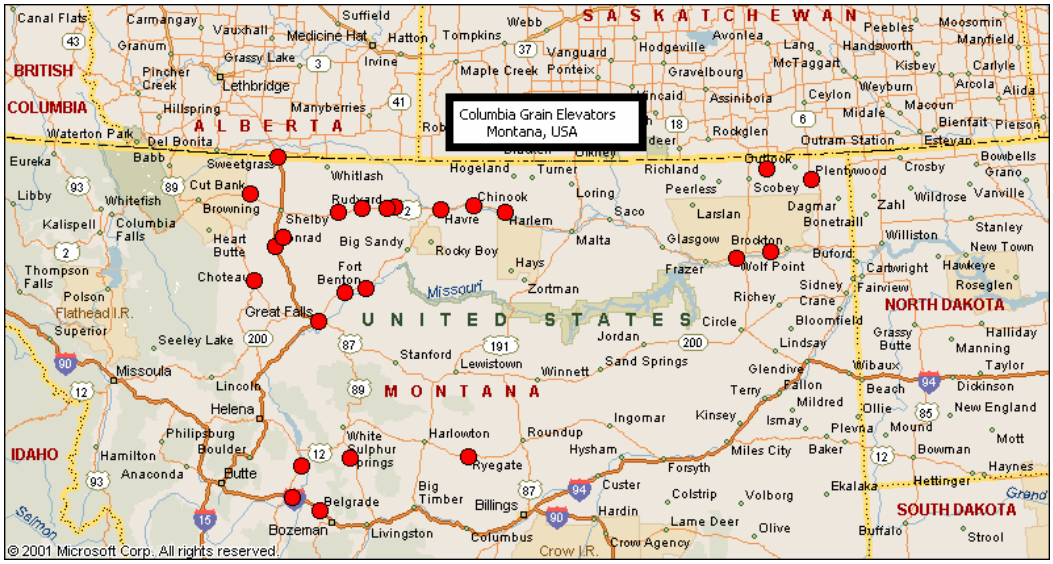
The BNSF rail rate structure on the Bainville-Plentywood Branch is such that Columbia Grain at Merc (near Plentywood) will probably continue to use the branch to move grain in 26 and 52 car blocks. Lower rail rates at the Macon shuttle facility do not offset the increased truck costs to Macon. Shippers moving single cars are financially better off trucking the grain to the Macon facility.

Customer Interviews

In preparing a marketing analysis of the Bainville-Plentywood Branch, the consultant interviewed one rail shipper on the line:

Columbia Grain: Traffic Manager: Vince Geocke

The Columbia Grain facility in Merc has a storage capacity of 1,000,000 bushels.



The company ships 52-car blocks of wheat, primarily to pasta producers. Barley and spring wheat are shipped to the Pacific Northwest. Annual production is currently 5,000,000 bushels (1,500 equivalent carloads), but the management sees potential for up to 7,000,000 bushels of grain per year. Approximately 300 carloads of barley are moved each year. The rail service to the facility is adequate and the car supply is good.

Current Rail Traffic: 1,500 carloads per year

Potential Rail Traffic: 2,100 carloads per year

Bainville-Plentywood Branch
Projected Annual Volume by Rail

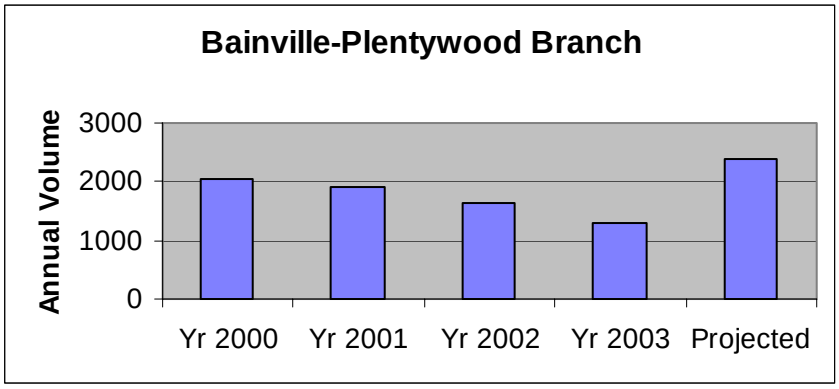
Shipper	********** Projected Volumes **********			
	Grain	Barley	Other	Total
Columbia Grain	2,100	300	-	2,400
Total	2,100	300	-	2,400

Revenue & Carload Statistics

Freight Traffic

Volume

The Bainville-Plentywood Branch handled 1,282 carloads in 2003, down from a high of 2,374 carloads in 1999. Wheat is the predominant commodity moved on the branch. There is only one shipper located on the line.



Freight Rate

In general the freight rate for grain for a short line of this size ranges between $350 and $450 per carload. For this analysis, it is assumed that a rate of $400 will be competitive. The costs for the BNSF to operate the branch range from $230 to $420 per car based on the number of days of service. If this line were shut down, it is probable that the shippers at Plentywood would truck their product to Whitetail or Westby for rail service rather than to Macon, due to the shorter truck distance. This assumes that CP and DMVR improve the rail service on the Whitetail-Westby Branch and establish a more reliable equipment supply program, both of which are lacking at this time.

Operations

Assuming the branch remains operating, a rail operating plan is developed. The objective of an operating plan is to establish a train schedule, which will move both loads and empties to the customers in an efficient and cost effective manner. The operating plan assumes a short line operator.

Bainville-Plentywood Branch

Proposed Operations

Bainville-Plentywood Turn

The Bainville-Plentywood Branch connects with the BNSF mainline at Bainville. Assumed branch line operations will begin at 8:00 a.m. at Plentywood two days per week. The crew will operate between Bainville and Plentywood delivering cars to BNSF at Bainville and providing switching, as needed. The crew will return to Plentywood with the empty cars.

Assignment

- Handle all traffic on branch
- Switch the customers on line as needed
- On Duty: 8 hours

Schedule:

Two days per week

8:00 am:	on duty at Plentywood switch cars, train inspection and air test
8:30 am:	depart for Bainville after pick up loads and switch industries as needed.
11:30 am:	arrive at Bainville, set out and pick up
12:30 pm:	return to Plentywood
3:30 pm:	arrive at Plentywood
4:00 pm:	tie up locomotives

The General Manager will conduct track inspection one day a week.

Locomotives

Service, as planned, assumes the use of two locomotives, both of which are leased.

Car Supply

Car Supply could possibly be an issue for the outbound traffic. The railroad will need to address the equipment supply issues. The analysis assumes 120 hours of free car hire time.

Connecting Carrier: BNSF

The line connects directly with the BNSF at Bainville. The new railroad will be required to negotiate with the BNSF to establish rates for the customers on line and ensure adequate equipment supply.

Maintenance of Way

The Bainville-Plentywood Branch is FRA Class 2 track, with a maximum track speed of 25 mph. The branch can carry 143-ton cars. There is a limit of 85 loaded cars per train, preventing large shuttle trains from operating. Rail weight is 90 pound.

Maintenance of Track & Structures

Traffic on this branch ranges from 1,200 to 2,300 carloads per year. The Class 2 status indicates that the branch is in good operating condition. The consultant has not inspected the track and structures; statements on track condition are based on information from BNSF. A full inspection of the line is recommended. Since service will be only one or two times per week, it is recommended that only minimal work be performed on the track in order to maintain a safe railroad in full compliance with FRA standards. For this analysis, it is assumed that maintenance on the branch line will be approximately $3,675 per mile.

Maintenance of Equipment

The Bainville-Plentywood Branch requires minimum equipment to operate the line. Leasing of two locomotives is recommended for this operation. The lease rate is estimated to range between $75 to $100 per day.

Maintenance of Equipment

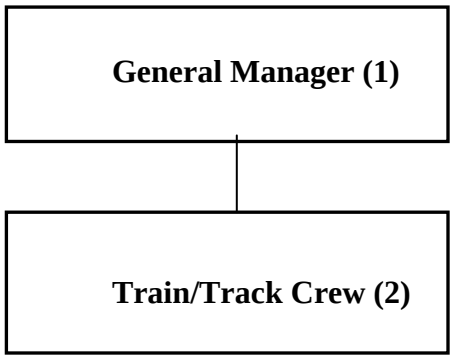
It is recommended that an outside contractor maintain the locomotives used on the Bainville-Plentywood Branch. As the current rail schedule assumes the locomotives will be in use one or two days per weekday, the contractor will have ample time to do inspections and repairs on days of no service. Estimated expenses for parts and labor for this analysis is $17,000 per locomotive per year.

General & Administration

All of the General & Administrative functions will be performed by the General Manager. The railroad will require two other employees to operate the train and maintain the track. All positions will be full time with benefits and non-union.

Personnel Requirements

Bainville-Plentywood Branch
Staff Chart



Administrative Expenses

The Railroad will incur approximately $104,000 in General & Administrative fees. This expense will cover the utilities, legal/accounting services, insurance, property tax, etc.

Break Even Analysis

Assuming 2003 traffic levels, the Bainville-Plentywood Branch requires a minimum rate of $400 per carload to break even.

Financial Statements

Bainville-Plentywood
Branch

PROJECTED INCOME STATEMENT

	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5	YEAR 6	YEAR 7	YEAR 8	YEAR 9	YEAR 10
AQUISITION PRICE: $ -										
PROJECTED CARLOADS:	1,282	1,282	1,282	1,282	1,282	1,282	1,282	1,282	1,282	1,282
REVENUE PER CARLOAD:	$ 400									
OPERATING REVENUES:										
FREIGHT REVENUE:	$ 512,800	$ 512,800	$ 512,800	$ 512,800	$ 512,800	$ 512,800	$ 512,800	$ 512,800	$ 512,800	$ 512,800
MAINTENANCE FEES:	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
AAR BILLINGS:	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
DEMURRAGE:	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
TOTAL	$ 512,800	$ 512,800	$ 512,800	$ 512,800	$ 512,800	$ 512,800	$ 512,800	$ 512,800	$ 512,800	$ 512,800
OPERATING EXPENSES										
MAINTENANCE OF WAY	$ 199,914	$ 199,914	$ 199,914	$ 199,914	$ 199,914	$ 199,914	$ 199,914	$ 199,914	$ 199,914	$ 199,914
MAINTENANCE OF EQUIPMENT	$ 44,750	$ 44,750	$ 44,750	$ 44,750	$ 44,750	$ 44,750	$ 44,750	$ 44,750	$ 44,750	$ 44,750
TRANSPORTATION	$ 151,016	$ 151,016	$ 151,016	$ 151,016	$ 151,016	$ 151,016	$ 151,016	$ 151,016	$ 151,016	$ 151,016
GENERAL AND ADMINISTRATIVE	$ 103,900	$ 103,900	$ 103,900	$ 103,900	$ 94,100	$ 94,100	$ 94,100	$ 94,100	$ 94,100	$ 94,100
TOTAL	$ 499,580	$ 499,580	$ 499,580	$ 499,580	$ 489,780	$ 489,780	$ 489,780	$ 489,780	$ 489,780	$ 489,780
INCOME FROM OPERATIONS	$ 13,220	$ 13,220	$ 13,220	$ 13,220	$ 23,020	$ 23,020	$ 23,020	$ 23,020	$ 23,020	$ 23,020
OTHER INCOME:	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
ONE-TIME EXPENSES:	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
INCOME AVAILABLE FOR FIXED CHARGES:	$ 13,220	$ 13,220	$ 13,220	$ 13,220	$ 23,020	$ 23,020	$ 23,020	$ 23,020	$ 23,020	$ 23,020
INTEREST ON DEBT/CAPITAL LEASES:	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
AMORTIZATION OF ACQUISITION:	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
PRE-TAX INCOME	$ 13,220	$ 13,220	$ 13,220	$ 13,220	$ 23,020	$ 23,020	$ 23,020	$ 23,020	$ 23,020	$ 23,020
INCOME TAXES	$ 5,288	$ 5,288	$ 5,288	$ 5,288	$ 9,208	$ 9,208	$ 9,208	$ 9,208	$ 9,208	$ 9,208
NET INCOME AFTER TAXES:	$ 7,932	$ 7,932	$ 7,932	$ 7,932	$ 13,812	$ 13,812	$ 13,812	$ 13,812	$ 13,812	$ 13,812
EBITDA	$ 23,020	$ 23,020	$ 23,020	$ 23,020	$ 23,020	$ 23,020	$ 23,020	$ 23,020	$ 23,020	$ 23,020

Bainville-Plentywood
Branch

PROJECTED BALANCE SHEET

ASSETS	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5	YEAR 6	YEAR 7	YEAR 8	YEAR 9	YEAR 10
CASH	$ 16,630	$ 34,362	$ 52,094	$ 69,826	$ 82,822	$ 96,634	$ 110,446	$ 124,258	$ 138,070	$ 151,882
SHORT-TERM INVESTMENTS	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
ACCOUNTS RECEIVABLES	$ 42,733	$ 42,733	$ 42,733	$ 42,733	$ 42,733	$ 42,733	$ 42,733	$ 42,733	$ 42,733	$ 42,733
PROPERTY AND PLANT	$ 49,000	$ 49,000	$ 49,000	$ 49,000	$ 49,000	$ 49,000	$ 49,000	$ 49,000	$ 49,000	$ 49,000
ACCUMULATED DEPRECIATION	$ 9,800	$ 19,600	$ 29,400	$ 39,200	$ 39,200	$ 39,200	$ 39,200	$ 39,200	$ 39,200	$ 39,200
NET PROPERTY AND PLANT	$ 39,200	$ 29,400	$ 19,600	$ 9,800	$ 9,800	$ 9,800	$ 9,800	$ 9,800	$ 9,800	$ 9,800
OTHER ASSETS	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
TOTAL ASSETS	$ 98,564	$ 106,496	$ 114,428	$ 122,360	$ 135,355	$ 149,167	$ 162,979	$ 176,791	$ 190,603	$ 204,415
LIABILITIES AND EQUITY										
ACCOUNTS PAYABLE	$ 41,632	$ 41,632	$ 41,632	$ 41,632	$ 40,815	$ 40,815	$ 40,815	$ 40,815	$ 40,815	$ 40,815
SHORT TERM DEBT										
LONG-TERM DEBT:	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
OTHER LIABILITIES	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
TOTAL LIABILITIES:	$ 41,632	$ 41,632	$ 41,632	$ 41,632	$ 40,815	$ 40,815	$ 40,815	$ 40,815	$ 40,815	$ 40,815
STOCKHOLDERS EQUITY:	$ 49,000	$ 49,000	$ 49,000	$ 49,000	$ 49,000	$ 49,000	$ 49,000	$ 49,000	$ 49,000	$ 49,000
RETAINED EARNINGS	$ 7,932	$ 15,864	$ 23,796	$ 31,728	$ 45,540	$ 59,352	$ 73,164	$ 86,976	$ 100,788	$ 114,600
TOTAL LIABILITES AND EQUITY:	$ 98,564	$ 106,496	$ 114,428	$ 122,360	$ 135,355	$ 149,167	$ 162,979	$ 176,791	$ 190,603	$ 204,415
	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Debt to Equity Ratio:	73%	64%	57%	52%	43%	38%	33%	30%	27%	25%

Bainville-Plentywood
Branch

PROJECTED CASH FLOW:

CASH PROVIDED FROM OPERATIONS		YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5	YEAR 6	YEAR 7	YEAR 8	YEAR 9	YEAR 10
NET INCOME		$ 7,932	$ 7,932	$ 7,932	$ 7,932	$ 13,812	$ 13,812	$ 13,812	$ 13,812	$ 13,812	$ 13,812
DEPRECIATION		$ 9,800	$ 9,800	$ 9,800	$ 9,800	$ -	$ -	$ -	$ -	$ -	$ -
OTHER		$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
SUB-TOTAL		$ 17,732	$ 17,732	$ 17,732	$ 17,732	$ 13,812	$ 13,812	$ 13,812	$ 13,812	$ 13,812	$ 13,812
DECREASE (INC.) IN WORKING CAPITAL											
RECEIVABLES		$ (42,733)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
PAYABLES		$ 41,632	$ -	$ -	$ -	$ (817)	$ -	$ -	$ -	$ -	$ -
OTHER CURRENT ASSETS/LIAB:		$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
SUB-TOTAL		$ (1,102)	$ -	$ -	$ -	$ (817)	$ -	$ -	$ -	$ -	$ -
CASH PROVIDED FROM OPERATIONS:		$ 16,630	$ 17,732	$ 17,732	$ 17,732	$ 12,995	$ 13,812	$ 13,812	$ 13,812	$ 13,812	$ 13,812
EXPENDITURE FOR PROPERTY:		$ (49,000)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
INCREASE IN STOCKHOLDER EQUITY:		$ 49,000	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
REDUCTION IN LONG-TERM DEBT:		$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
INCREASE IN LONG-TERM DEBT:		$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
INC/DEC IN CASH:	$ (49,000)	$ 16,630	$ 17,732	$ 17,732	$ 17,732	$ 12,995	$ 13,812	$ 13,812	$ 13,812	$ 13,812	$ 13,812
CASH- BEGINNING OF THE YEAR:		$ -	$ 16,630	$ 34,362	$ 52,094	$ 69,826	$ 82,822	$ 96,634	$ 110,446	$ 124,258	$ 138,070
CASH- END OF THE YEAR:		$ 16,630	$ 34,362	$ 52,094	$ 69,826	$ 82,822	$ 96,634	$ 110,446	$ 124,258	$ 138,070	$ 151,882

NPV OF OPERATIONS: 10 YEARS	$ 72,589	Cash from Operations
@ 12% Discount Rate:	64,811	Inc/Dec Cash
IRR after 10 years:	35%	

ACQUISTION PRICE:	$ -
Projected Carloads	1,282
Ave Revenue/Car:	$ 400
Net Liquidation Value (yr 1):	$ -
Value of Railroad Year 10:	$ 115,100

Bainville-Plentywood
Branch

MAINTENANCE OF WAY	# of empl.	Base Salary	$ OT	Benefits	Total $(yr1)	Total $(yr2)	Total $(yr3)	Total $(yr4)	Total $(yr5)
MANAGER- M OF W	0	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
ROADMASTER- M OF W	0	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
FOREMAN	0	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
CREW	2	$ 18,000	$ -	$ 7,920	$ 51,840	$ 51,840	$ 51,840	$ 51,840	$ 51,840
MACHINE OPERATORS	0	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
TRACK INSPECTORS	0	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
SIGNAL MAINTAINERS	0	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
TOTAL	2	$ 18,000	$ -	$ 7,920	$ 51,840	$ 51,840	$ 51,840	$ 51,840	$ 51,840
MATERIALS AND OTHER EXPENSES		Growth Rate:	0%						
LAYOVER AND SUBSISTENCE			based on crew layovers		$ -	$ -	$ -	$ -	$ -
MAINTENANCE VEHICLES			$4000 per M of W crew		$ 4,000	$ 4,000	$ 4,000	$ 4,000	$ 4,000
MAINTENANCE MACHINERY			as required		$ 2,500	$ 2,500	$ 2,500	$ 2,500	$ 2,500
TIES			see below		$ 49,875	$ 49,875	$ 49,875	$ 49,875	$ 49,875
RAIL					$ -	$ -	$ -	$ -	$ -
BALLAST					$ 15,200	$ 15,200	$ 15,200	$ 15,200	$ 15,200
BRIDGES					$ 1,959	$ 1,959	$ 1,959	$ 1,959	$ 1,959
CULVERTS					$ 4,500	$ 4,500	$ 4,500	$ 4,500	$ 4,500
OTHER MATERIAL			as needed		$ 5,000	$ 5,000	$ 5,000	$ 5,000	$ 5,000
CROSSINGS					$ 28,500	$ 28,500	$ 28,500	$ 28,500	$ 28,500
SIGNALS					$ 7,500	$ 7,500	$ 7,500	$ 7,500	$ 7,500
VEGETATION CONTROL			$350 per mile		$ 19,040	$ 19,040	$ 19,040	$ 19,040	$ 19,040
DEPRECIATION			based on capital exp. program		$ -	$ -	$ -	$ -	$ -
CONTRACT LABOR			as required		$ 10,000	$ 10,000	$ 10,000	$ 10,000	$ 10,000
TOTAL MATERIAL EXPENSES:					$ 148,074	$ 148,074	$ 148,074	$ 148,074	$ 148,074
TOTAL MAINTENANCE OF WAY EXPENSE:					$ 199,914	$ 199,914	$ 199,914	$ 199,914	$ 199,914

				Track Miles Maintained:	54	54	54	54	54
Detail of Maintenance of Way:				M OF W / Mile:	$ 3,675	$ 3,675	$ 3,675	$ 3,675	$ 3,675

	(Unit)	($/unit)	$	
Track (miles/wt)	0	$ 116,000	$ -	cost per mile
Ties (number)	1500	$ 33.25	$ 49,875	ave. 3000 ties/mile, tie: $25,spikes: $1.25/tie,equipment: $7/tie
Ballast (tons)	1000	$ 11	$ 11,000	ave. 250 tons per mile
(equipment hours)	56	$ 75	$ 4,200	equipment, tamper and regulator, at 40 hours/mile
Bridges (Feet)	131	$ 15	$ 1,959	costs to repair and replace material on bridges over 30 year
Culverts (#/30 years)	1	$ 4,500	$ 4,500	estimate
Crossings (# pvt)	50	$ 250	$ 12,500	estimate
Crossing (# pub)	32	$ 500	$ 16,000	estimate
Signals (# of protected)	5	$ 1,500	$ 7,500	based on number of protected crossings
Vegetation Control:	54.4	350	$ 19,040	

Bainville-Plentywood
Branch

MAINTENANCE OF EQUIPMENT **Growth Rate:** **0%**

	# of empl.	Base Salary	$ OT	Benefits	Year 1 Total $	Year 2 Total $	Year 3 Total $	Year 4 Total $	Year 5 Total $
MANAGER- M OF E	-	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
FOREMAN- LOCO	-	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
FOREMAN- CAR	-	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
CREW	-	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
	-	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
TOTAL	-	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
OTHER EXPENSES									
CONTRACT SERVICES		$5,625 per locomotive(225 hours @ $25/hr)			$ 11,250	$ 11,250	$ 11,250	$ 11,250	$ 11,250
LOCO PARTS AND REPAIRS		$12,000 per locomotive			$ 24,000	$ 24,000	$ 24,000	$ 24,000	$ 24,000
CAR PARTS AND REPAIRS					$ 1,500	$ 1,500	$ 1,500	$ 1,500	$ 1,500
VEHICLE,EQUIPMENT REPAIRS		based $250/month per vehicle			$ 3,000	$ 3,000	$ 3,000	$ 3,000	$ 3,000
TOOLS AND SUPPLIES		estimate			$ 2,500	$ 2,500	$ 2,500	$ 2,500	$ 2,500
OTHER					$ 2,500	$ 2,500	$ 2,500	$ 2,500	$ 2,500
TOTAL OTHER EXPENSES					$ 44,750	$ 44,750	$ 44,750	$ 44,750	$ 44,750
TOTAL MAINTENANCE OF EQUIPMENT:					$ 44,750	$ 44,750	$ 44,750	$ 44,750	$ 44,750

Bainville-Plentywood
Branch

TRANSPORTATION EXPENSE

	# of empl.	Base Salary	$ OT	Benefits	Year 1 Total $	Year 2 Total $	Year 3 Total $	Year 4 Total $	Year 5 Total $
SUPERINTENDENT	-	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
ASST. MANAGER-OPERATIONS	-	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
TRAINMEN	2	$ 12,000	$ -	$ 5,280	$ 34,560	$ 34,560	$ 34,560	$ 34,560	$ 34,560
TOTAL	2				$ 34,560	$ 34,560	$ 34,560	$ 34,560	$ 34,560
Growth Rate: 0%									
OTHER EXPENSES									
TRAVEL AND SUBSISTENCE				none	$ -	$ -	$ -	$ -	$ -
TRACKAGE FEES					$ -	$ -	$ -	$ -	$ -
LOCO/FRT CAR DEPRECIATION				based on capital exp. program	$ -	$ -	$ -	$ -	$ -
LOCO/FRT CAR RENT				based on $100 per day	$ 36,500	$ 36,500	$ 36,500	$ 36,500	$ 36,500
FUEL, OIL AND LUBE				based on locomotive miles	$ 67,392	$ 67,392	$ 67,392	$ 67,392	$ 67,392
VEHICLES/RADIO M & R					$ 1,500	$ 1,500	$ 1,500	$ 1,500	$ 1,500
INSURANCE				5% of value of locomotives	$ 7,500	$ 7,500	$ 7,500	$ 7,500	$ 7,500
CAR HIRE					$ -	$ -	$ -	$ -	$ -
TARIFFS AND SUPPL					$ 1,000	$ 1,000	$ 1,000	$ 1,000	$ 1,000
CASUALTY LOSSES				1/2% of freight revenue	$ 2,564	$ 2,564	$ 2,564	$ 2,564	$ 2,564
TOTAL OTHER EXPENSES:					$ 116,456	$ 116,456	$ 116,456	$ 116,456	$ 116,456
TOTAL TRANSPORTATION EXPENSES:					$ 151,016	$ 151,016	$ 151,016	$ 151,016	$ 151,016

Bainville-Plentywood
Branch

GENERAL AND ADMINISTRATIVE EXPENSE

	# of empl.	Base Salary	$ OT	Benefits	Year 1 Total $	Year 2 Total $	Year 3 Total $	Year 4 Total $	Year 5 Total $
PRESIDENT	0	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
GENERAL MANAGER	1	$ 35,000	$ -	$ 15,400	$ 50,400	$ 50,400	$ 50,400	$ 50,400	$ 50,400
MARKETING & SALES	0	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
CONSULTANT	0	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
ACCOUNTANT	0	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
AGENT /ADMIN AIDE	0	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
CLERK	0	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
SECRETARY	0	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
ADMINISTRATIVE AIDE	0	$ -		$ -	$ -	$ -	$ -	$ -	$ -
TOTAL	1	$ 35,000	$ -	$ 15,400	$ 50,400	$ 50,400	$ 50,400	$ 50,400	$ 50,400
NON-LABOR EXPENSES	Growth Rate:	0%							
OFFICE RENT					$ 6,000	$ 6,000	$ 6,000	$ 6,000	$ 6,000
OFFICE SUPPLIES				flat fee + $1000/staff	$ 2,200	$ 2,200	$ 2,200	$ 2,200	$ 2,200
UTILITIES				flat fee + $1500/staff	$ 2,700	$ 2,700	$ 2,700	$ 2,700	$ 2,700
TELEPHONE				flat fee + $1200/staff	$ 2,400	$ 2,400	$ 2,400	$ 2,400	$ 2,400
TRAVEL AND ENTERTAINMENT				flat fee + $1200/staff	$ 2,400	$ 2,400	$ 2,400	$ 2,400	$ 2,400
DUES/SUBSCRIPTION					$ -	$ -	$ -	$ -	$ -
ADVERTISING					$ -	$ -	$ -	$ -	$ -
ACCOUNTING/TAX/AUDITING					$ 1,500	$ 1,500	$ 1,500	$ 1,500	$ 1,500
ASLRA FEES					$ -	$ -	$ -	$ -	$ -
LEGAL/STB FEES					$ 1,500	$ 1,500	$ 1,500	$ 1,500	$ 1,500
INSURANCE/PAYROLL				estimate	$ 15,000	$ 15,000	$ 15,000	$ 15,000	$ 15,000
PROPERTY TAXES				estimate	$ 10,000	$ 10,000	$ 10,000	$ 10,000	$ 10,000
DEPRECIATION				based on capital exp. program	$ 9,800	$ 9,800	$ 9,800	$ 9,800	$ -
TOTAL NON-LABOR EXPENSES:					$ 53,500	$ 53,500	$ 53,500	$ 53,500	$ 43,700
TOTAL GENERAL AND ADMINISTRATION:					$ 103,900	$ 103,900	$ 103,900	$ 103,900	$ 94,100

Bainville-Plentywood
Branch

SUMMARY OF EMPLOYEES

		# of Employees	Base Salary	Year 1 Salary with Benefits
MAINTENANCE OF WAY				
MANAGER- M OF W		0	$ -	
ROADMASTER- M OF W		0	$ -	
FOREMAN		0	$ -	
CREW		2	$ 18,000	
MACHINE OPERATORS		0	$ -	
TRACK INSPECTORS		0	$ -	
SIGNAL MAINTAINERS		0	$ -	
	sub-total	2		$ 51,840
MAINTENANCE OF EQUIPMENT				
MANAGER- M OF E		-	$ -	
FOREMAN- LOCO		-	$ -	
FOREMAN- CAR		-	$ -	
CREW		-	$ -	
		-	$ -	
	sub-total	-		$ -
TRANSPORTATION				
SUPERINTENDENT		-	$ -	
ASST. MANAGER-OPERATIONS		-	$ -	
TRAINMEN		2	$ 12,000	
	sub-total	2		$ 34,560
GENERAL AND ADMINISTRATION				
PRESIDENT		-	$ -	
GENERAL MANAGER		1	$ 35,000	
MARKETING & SALES		-	$ -	
CONSULTANT		-	$ -	
ACCOUNTANT		-	$ -	
AGENT /ADMIN AIDE		-	$ -	
CLERK		-	$ -	
SECRETARY		-	$ -	
ADMINISTRATIVE AIDE		-	$ -	
	sub-total	1		$ 50,400
	employees split between responsibilities.			
TOTAL				$ 136,800

NOTE: 1. OVERTIME IS ESTIMATED AT 8% OF REGULAR SALARY
2. BENEFITS ARE ESTIMATED AT 44% OF REGULAR SALARY

Bainville-Plentywood
Branch

SUMMARY OF REVENUE

	2003 levels									TOTAL
FREIGHT REVENUE	$ 1,282									
CARLOADS	1,282	-	-	-	-	-	-	-	-	1,282
RATE/CARLOAD:	$ 400	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	
SUB-TOTAL:	$ 512,800	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 512,800
Freight Revenue Growth Rate:	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
Projected Growth Rate (for Other Revenues)	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%

		YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5
MAINTENANCE FEES:		$ -	$ -	$ -	$ -	$ -
AAR BILLINGS:		$ -	$ -	$ -	$ -	$ -
(# of Freight Cars)	-					
($/Freight Car)	$ 20					
OTHER INCOME:		$ -	$ -	$ -	$ -	$ -
		$ -	$ -	$ -	$ -	$ -
	sub-total	$ -	$ -	$ -	$ -	$ -
DEMURRAGE:		$ -				
(# of Freight Cars)	1,282					
($/Day)	$ 20					
(# of Days)	-					
CAR HIRE EXPENSE:		$ -				
(# of Freight Cars)	1,282					
($/Day)	$ 12					
(# of Days)	-					

Bainville-Plentywood
Branch

SCHEDULE OF CAPITAL EXPENDITURES:

		#	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5
30 yrs	TRACK AND STRUCTURE:		$ -	$ -	$ -	$ -	$ -
5 yrs	TRACK EQUIPMENT:		$ 25,000	$ -	$ -	$ -	$ -
5 yrs	M OF W VEHICLES:	0	$ -	$ -	$ -	$ -	$ -
5 yrs	COMMUNICATION:		$ 4,000	$ -	$ -	$ -	$ -
15 yrs	LOCOMOTIVES:						
	GP-9	2	$ -	$ -	$ -	$ -	$ -
		0	$ -	$ -	$ -	$ -	$ -
15 yrs	FREIGHT CARS:	0	$ -	$ -	$ -	$ -	$ -
5 yrs	AUTOMOBILES	1	$ 20,000	$ -	$ -	$ -	$ -
15 yrs	INSPECT & MOVE LOCO		$ -				
	TOTAL CAPITAL EXPENDITURES:		$ 49,000	$ -	$ -	$ -	$ -

Value of Locomotive:	
GP-9	$ -
xxx	$ 125,000
inspect & move locos	$ -
Value of Freight Cars:	$ 10,000
Value of Track Equipment:	
Hi rail Truck	$ 10,000
Backhoe	$ 15,000
xxx	$ -
xxx	$ -
Value of Automobiles:	$ 20,000
Value of M of W Autos:	$ 20,000
Value of Communication Equipment:	
radios	$ 1,500
office equipment	$ 2,500
xxx	
Track Structure: rail	$ -
ties	$ -
other	$ -

One Time Expenditures:				Year 1	Year 2	Year 3	Year 4
Employee Training	$ -	based on 120 hours + expenses					
Employee HIring	$ -	based on 20 hours + expenses	Total One Time Exp	$ -	$ -	$ -	$ -
Initial Marketing	$ -	based on 15 hours + expenses					

Appendix J

BNSF Great Falls-Fort Benton

Financial, Marketing & Operating Analysis

Table of Contents

Executive Summary

Assuming minimal rail operations, the BNSF Great Falls-Fort Benton rail line will cover ongoing operating costs based on the new carload forecasts. The nearest 110-car shuttle train loading facility is over 50 miles from grain elevators located at Fort Benton and Kershaw, making it relatively unlikely that traffic will move by truck to the large loading facility.

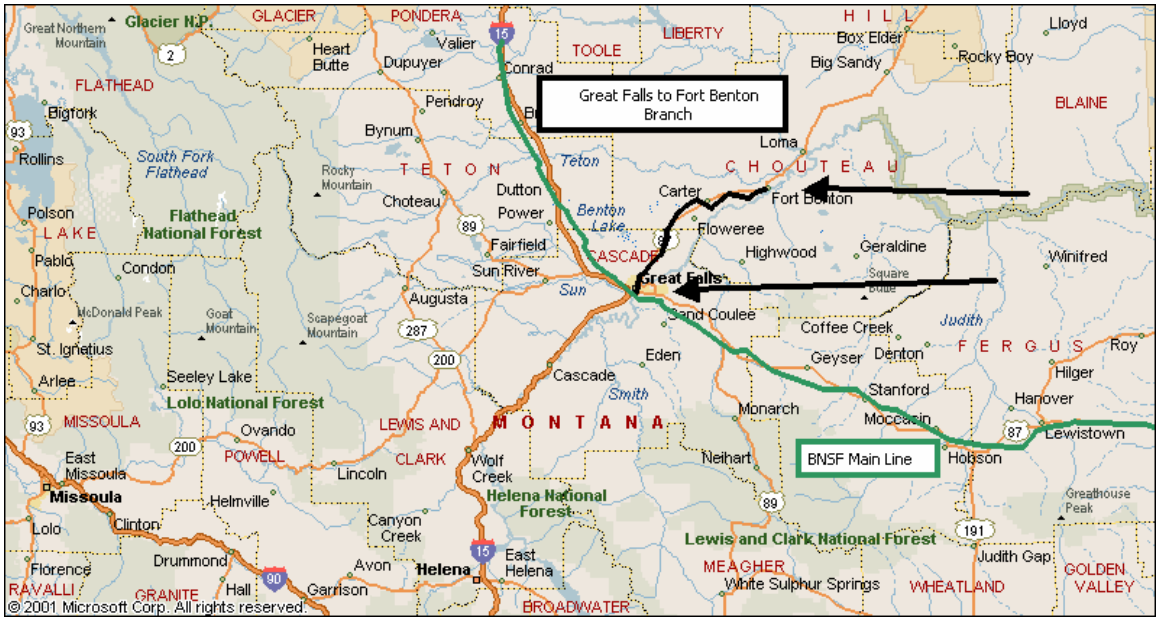
Introduction

This is a marketing, financial and operational analysis of the Great Falls-Fort Benton rail line (BNSF Fort Benton Subdivision).

This analysis of the 44.6-mile branch between Great Falls and Fort Benton is based on normal operations of a railroad of a similar size and type of operation. There has been moderate traffic on this line over the past five years. Traffic volume in 2003 was 1,381 carloads. Based on the volumes forecast by the elevators during the interviews, and the proposed operations, the Going Concern Value for this branch is between $700,000 and $800,000.

For the Marketing Analysis, phone interviews were conducted with shippers currently on the branch to determine the future business potential of rail. For the Operating Analysis, an operating plan was developed that would represent the potential rail market for this branch line. Based on the marketing and operating plans, the economics of the branch were developed.

The Fort Benton Branch is located in central Montana. The line operates between Great Falls and Fort Benton.

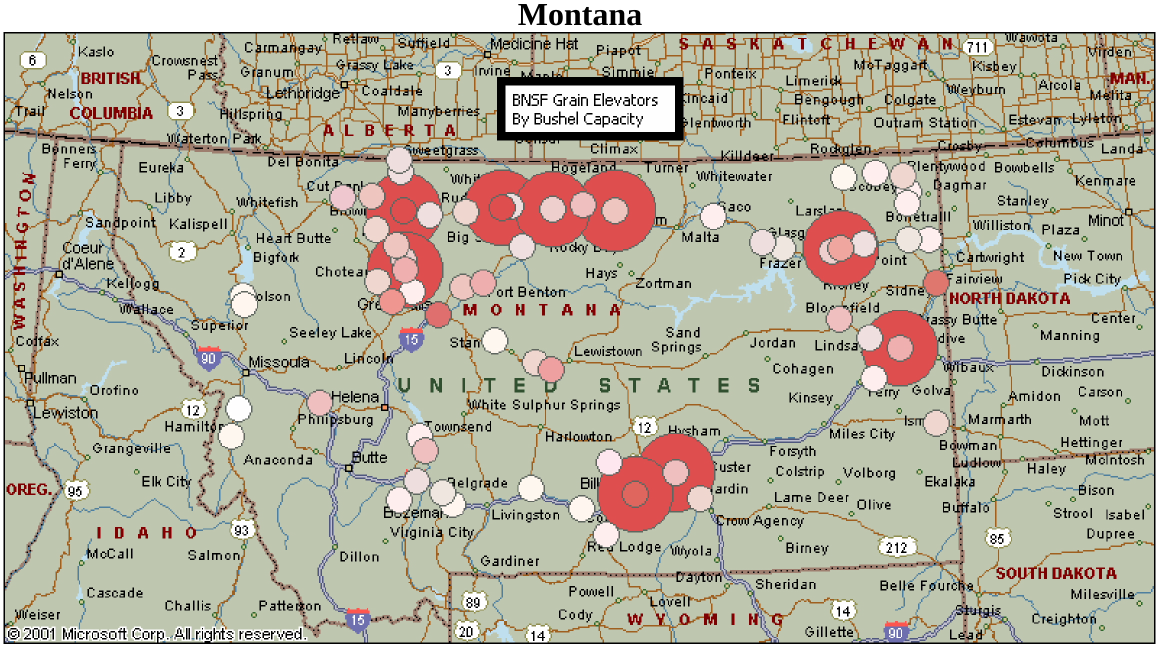


Marketing

Overview

The Fort Benton Branch is relatively distant from large grain elevator loading facilities. The nearest 110-car shuttle facility is located at Collins, 70 miles from Fort Benton. The grain elevator in Fort Benton is owned by Columbia Grain, has a storage capacity of 868,000 bushels, and can load 52-car trains. The United Harvest elevator at nearby Kershaw can store 521,000 bushels and also can load 52-car trains.

BNSF Served Elevators by Capacity
Montana



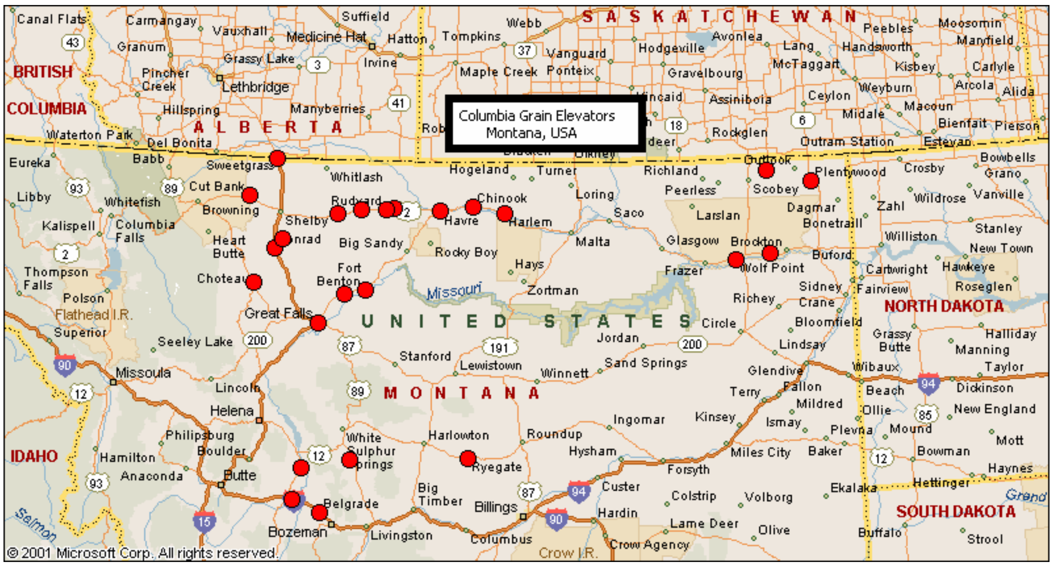
Due to the current BNSF rail rate structure, the 110-car loading sites are able to offer lower transportation rates to the Pacific Northwest and other destinations. The Fort Benton grain producers are some distance from these large facilities and therefore are likely to sell grain to the local elevators. The economics indicate that for car blocks larger than 25 cars, grain elevators in the Fort Benton area will do better to transport their grain by rail (realizing $389 per carload for moving up to 52-car blocks and $156 for shifting up car blocks between 26 and 51 cars).

<u>Customer Interviews</u>

Following is a marketing analysis of the Fort Benton rail line, based upon phone interviews with two shippers on the line:

<u>Columbia Grain: Traffic Manager: Vince Geocke</u>

Columbia Grain has facilities at Fort Benton and Carter.



The company ships in 52-car blocks, mostly for export through Pacific Northwest ports. Since the nearest shuttle site is over 50 miles from Fort Benton, Columbia Grain believes its elevator operations will be viable. Rail service is acceptable and equipment supply is adequate. Annual production is currently 3,200,000 bushels (960 equivalent carloads), but the elevator hopes to handle more traffic in the future.

Current Rail Traffic:	960 carloads per year
Potential Rail Traffic:	960 carloads per year

United Harvest: Traffic Manager: Rick Teeters

United Harvest has an elevator located in Kershaw with storage capacity for 521,000 bushels. The company currently ships in 52-car unit trains for shipments to Oregon, California, and Washington flourmills. Current volumes are 3-4,000,000 bushels (900 to 1,200 carloads). Rail service is once per week, and equipment supply is problematic at times.

Current Rail Traffic: 900-1,200 carloads per year

Potential Rail Traffic: 900-1,200 carloads per year

Summary of Future Traffic Volumes

Fort Benton Branch

Shipper	********** Projected Volumes **********			
	Grain	Barley	Other	Total
Columbia Grain	960	-	-	960
United Harvest	900-1200	-	-	900-1200
Total	1,860-2,160	-	-	1,860-2,160

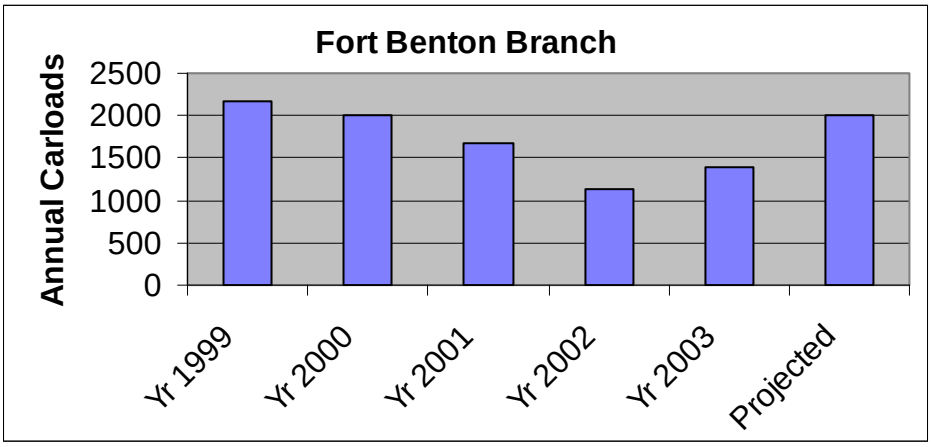
The elevators located on the Fort Benton Branch are forecasting an increase in traffic volumes over the next year.

Revenue & Carload Statistics

Freight Traffic

Volume

The Fort Benton Branch handled 1,381 carloads in 2003, down from a high of 3,600 carloads in 1991. Over 2,000 carloads are projected to move in the future. Primarily wheat (87% of the traffic) and barley move on the branch.



Freight Rate

In general the freight rate for grain for a short line of this size ranges between $250 and $350 per carload. Using incremental analysis, it has been determined that shippers on the line can pay up to $350 per carload and still realize a savings over trucking to the large facility at Collins. This rate is sufficient to support the railroad.

Operations

Assuming the branch remains operating, a rail operating plan has been developed to serve on line shippers. In general the objective of an operating plan is to establish a train schedule, which will move both loads and empties to the customers in an efficient and cost effective manner. It is assumed a short line railroad will operate the branch line.

Great Falls-Fort Benton Rail Line

Proposed Operations

Fort Benton Turn

The Fort Benton Branch connects with the BNSF mainline at Great Falls. The branch line operations will begin at 8:00 am at Fort Benton two days per week. The crew will operate between Fort Benton and Great Falls delivering cars to BNSF at Great Falls and providing switching, as needed. The crew will return to Fort Benton with the empty cars.

Assignment

- Handle all traffic on branch
- Switch the customers on line as needed
- On Duty: 8 hours

Schedule:

Two days per week

8:00 a.m.:	on duty at Fort Benton switch cars, train inspection and air test
8:30 a.m.:	depart for Great Falls
8:30 –11:30 a.m.:	pick up loads and switch industries as needed.
11:30 a.m.:	arrive at Great Falls, set out and pick up
12:30 p.m.:	return to Fort Benton
3:30 p.m.:	arrive at Fort Benton
4:00 p.m.:	tie up locomotives

The General Manager will conduct track inspection one day a week.

Locomotives

Service, as planned, assumes the use of two locomotives, which will be leased.

Car Supply

Car Supply could possibly be an issue for the outbound traffic. The railroad will need to address the equipment supply issues. The analysis assumes 120 hours of free car hire time.

Connecting Carrier: BNSF

The line connects with BNSF at Great Falls. The railroad is required to negotiate with the BNSF to establish rates for the customers on line.

Maintenance of Way

The Fort Benton Branch is FRA Class 2 track. The track has a maximum track speed of 25 mph and can carry up to 143-ton cars. There are 8 bridges on the branch. Rail weights is 90 pound.

Maintenance of Track & Structures

There is very little traffic on the branch at this time. Due to the condition of the line, it will not be necessary to invest in any capital expenditures at this time to handle the projected volume of traffic. The consultant has not inspected the track and structures to be able to provide an opinion on the condition. A full inspection of the line is recommended. It is recommended that only minimal work is performed on the track in order to maintain a safe railroad that is in full compliance with FRA standards. For this analysis, it has been assumed that maintenance on the branch line will be approximately $4,600 per mile.

Maintenance of Equipment

The Great Falls-Fort Benton rail line requires minimum equipment to operate the line. Leasing one locomotive is recommended for this operation. The lease rate is estimated to range between $75 to $100 per day.

Maintenance of Equipment

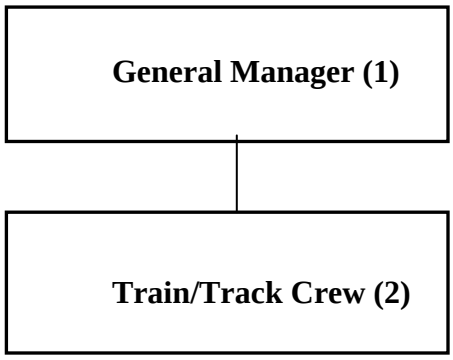
It is recommended that an outside contractor maintain the locomotives used by the Fort Benton Branch. As the current rail schedule assumes the locomotives will be in use two days per weekday, the contractor will have ample time to do inspections and repairs on days of no service. Estimated expenses for parts and labor for this analysis is $17,000 per locomotive per year.

General & Administration

All of the General & Administrative functions will be performed by the General Manager. The railroad will require two other employees to operate the train and maintain the track. Both positions will be full time with benefits and non-union.

Personnel Requirements

Fort Benton Branch
Staff Chart



Administrative Expenses

The Railroad will incur approximately $106,000 in General & Administrative fees. This expense will cover the utilities, legal/accounting services, insurance, property tax, etc.

Break Even Analysis

There are sufficient loads on the Fort Benton Branch to determine a break-even point. Based on the planned rail operations, a rate of $275 per carload will allow the line to break even. If the rate is $350 per carload, then the branch will earn roughly $75,000 per year after tax.

Financial Statements

Fort Benton
Branch

PROJECTED INCOME STATEMENT

	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5	YEAR 6	YEAR 7	YEAR 8	YEAR 9	YEAR 10
AQUISITION PRICE: $ -										
PROJECTED CARLOADS:	2,000	$ 2,000	$ 2,000	$ 2,000	$ 2,000	2,000	2,000	2,000	2,000	2,000
REVENUE PER CARLOAD:	$ 350									
OPERATING REVENUES:										
FREIGHT REVENUE:	$ 700,000	$ 700,000	$ 700,000	$ 700,000	$ 700,000	$ 700,000	$ 700,000	$ 700,000	$ 700,000	$ 700,000
MAINTENANCE FEES:	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
AAR BILLINGS:	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
DEMURRAGE:	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
TOTAL	$ 700,000	$ 700,000	$ 700,000	$ 700,000	$ 700,000	$ 700,000	$ 700,000	$ 700,000	$ 700,000	$ 700,000
OPERATING EXPENSES										
MAINTENANCE OF WAY	$ 206,285	$ 206,285	$ 206,285	$ 206,285	$ 206,285	$ 206,285	$ 206,285	$ 206,285	$ 206,285	$ 206,285
MAINTENANCE OF EQUIPMENT	$ 38,750	$ 38,750	$ 38,750	$ 38,750	$ 38,750	$ 38,750	$ 38,750	$ 38,750	$ 38,750	$ 38,750
TRANSPORTATION	$ 233,380	$ 233,380	$ 233,380	$ 233,380	$ 233,380	$ 233,380	$ 233,380	$ 233,380	$ 233,380	$ 233,380
GENERAL AND ADMINISTRATIVE	$ 105,900	$ 105,900	$ 105,900	$ 105,900	$ 100,100	$ 100,100	$ 100,100	$ 100,100	$ 100,100	$ 100,100
TOTAL	$ 584,315	$ 584,315	$ 584,315	$ 584,315	$ 578,515	$ 578,515	$ 578,515	$ 578,515	$ 578,515	$ 578,515
INCOME FROM OPERATIONS	$ 115,685	$ 115,685	$ 115,685	$ 115,685	$ 121,485	$ 121,485	$ 121,485	$ 121,485	$ 121,485	$ 121,485
OTHER INCOME:	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
ONE-TIME EXPENSES:	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
INCOME AVAILABLE FOR FIXED CHARGES:	$ 115,685	$ 115,685	$ 115,685	$ 115,685	$ 121,485	$ 121,485	$ 121,485	$ 121,485	$ 121,485	$ 121,485
INTEREST ON DEBT/CAPITAL LEASES:	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
AMORTIZATION OF ACQUISITION:	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
PRE-TAX INCOME	$ 115,685	$ 115,685	$ 115,685	$ 115,685	$ 121,485	$ 121,485	$ 121,485	$ 121,485	$ 121,485	$ 121,485
INCOME TAXES	$ 46,274	$ 46,274	$ 46,274	$ 46,274	$ 48,594	$ 48,594	$ 48,594	$ 48,594	$ 48,594	$ 48,594
NET INCOME AFTER TAXES:	$ 69,411	$ 69,411	$ 69,411	$ 69,411	$ 72,891	$ 72,891	$ 72,891	$ 72,891	$ 72,891	$ 72,891
EBITDA	$ 121,485	$ 121,485	$ 121,485	$ 121,485	$ 121,485	$ 121,485	$ 121,485	$ 121,485	$ 121,485	$ 121,485

Fort Benton
Branch

PROJECTED BALANCE SHEET

ASSETS	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5	YEAR 6	YEAR 7	YEAR 8	YEAR 9	YEAR 10
CASH	$ 65,571	$ 140,782	$ 215,993	$ 291,204	$ 363,611	$ 436,502	$ 509,393	$ 582,284	$ 655,175	$ 728,066
SHORT-TERM INVESTMENTS	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
ACCOUNTS RECEIVABLES	$ 58,333	$ 58,333	$ 58,333	$ 58,333	$ 58,333	$ 58,333	$ 58,333	$ 58,333	$ 58,333	$ 58,333
PROPERTY AND PLANT	$ 29,000	$ 29,000	$ 29,000	$ 29,000	$ 29,000	$ 29,000	$ 29,000	$ 29,000	$ 29,000	$ 29,000
ACCUMULATED DEPRECIATION	$ 5,800	$ 11,600	$ 17,400	$ 23,200	$ 23,200	$ 23,200	$ 23,200	$ 23,200	$ 23,200	$ 23,200
NET PROPERTY AND PLANT	$ 23,200	$ 17,400	$ 11,600	$ 5,800	$ 5,800	$ 5,800	$ 5,800	$ 5,800	$ 5,800	$ 5,800
OTHER ASSETS	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
TOTAL ASSETS	$ 147,104	$ 216,515	$ 285,926	$ 355,337	$ 427,745	$ 500,636	$ 573,527	$ 646,418	$ 719,309	$ 792,200
LIABILITIES AND EQUITY										
ACCOUNTS PAYABLE	$ 48,693	$ 48,693	$ 48,693	$ 48,693	$ 48,210	$ 48,210	$ 48,210	$ 48,210	$ 48,210	$ 48,210
SHORT TERM DEBT										
LONG-TERM DEBT:	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
OTHER LIABILITIES	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
TOTAL LIABILITIES:	$ 48,693	$ 48,693	$ 48,693	$ 48,693	$ 48,210	$ 48,210	$ 48,210	$ 48,210	$ 48,210	$ 48,210
STOCKHOLDERS EQUITY:	$ 29,000	$ 29,000	$ 29,000	$ 29,000	$ 29,000	$ 29,000	$ 29,000	$ 29,000	$ 29,000	$ 29,000
RETAINED EARNINGS	$ 69,411	$ 138,822	$ 208,233	$ 277,644	$ 350,535	$ 423,426	$ 496,317	$ 569,208	$ 642,099	$ 714,990
TOTAL LIABILITES AND EQUITY:	$ 147,104	$ 216,515	$ 285,926	$ 355,337	$ 427,745	$ 500,636	$ 573,527	$ 646,418	$ 719,309	$ 792,200
	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Debt to Equity Ratio:	49%	29%	21%	16%	13%	11%	9%	8%	7%	6%

Fort Benton
Branch

PROJECTED CASH FLOW:

CASH PROVIDED FROM OPERATIONS	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5	YEAR 6	YEAR 7	YEAR 8	YEAR 9	YEAR 10
NET INCOME	$ 69,411	$ 69,411	$ 69,411	$ 69,411	$ 72,891	$ 72,891	$ 72,891	$ 72,891	$ 72,891	$ 72,891
DEPRECIATION	$ 5,800	$ 5,800	$ 5,800	$ 5,800	$ -	$ -	$ -	$ -	$ -	$ -
OTHER	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
SUB-TOTAL	$ 75,211	$ 75,211	$ 75,211	$ 75,211	$ 72,891	$ 72,891	$ 72,891	$ 72,891	$ 72,891	$ 72,891
DECREASE (INC.) IN WORKING CAPITAL										
RECEIVABLES	$ (58,333)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
PAYABLES	$ 48,693	$ -	$ -	$ -	$ (483)	$ -	$ -	$ -	$ -	$ -
OTHER CURRENT ASSETS/LIAB:	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
SUB-TOTAL	$ (9,640)	$ -	$ -	$ -	$ (483)	$ -	$ -	$ -	$ -	$ -
CASH PROVIDED FROM OPERATIONS:	$ 65,571	$ 75,211	$ 75,211	$ 75,211	$ 72,408	$ 72,891	$ 72,891	$ 72,891	$ 72,891	$ 72,891
EXPENDITURE FOR PROPERTY:	$ (29,000)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
INCREASE IN STOCKHOLDER EQUITY:	$ 29,000	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
REDUCTION IN LONG-TERM DEBT:	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
INCREASE IN LONG-TERM DEBT:	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
INC/DEC IN CASH: $ (29,000)	$ 65,571	$ 75,211	$ 75,211	$ 75,211	$ 72,408	$ 72,891	$ 72,891	$ 72,891	$ 72,891	$ 72,891
CASH- BEGINNING OF THE YEAR:	$ -	$ 65,571	$ 140,782	$ 215,993	$ 291,204	$ 363,611	$ 436,502	$ 509,393	$ 582,284	$ 655,175
CASH- END OF THE YEAR:	$ 65,571	$ 140,782	$ 215,993	$ 291,204	$ 363,611	$ 436,502	$ 509,393	$ 582,284	$ 655,175	$ 728,066

NPV OF OPERATIONS: 10 YEARS	$ 555,635	Cash from Operations
@ 12% Discount Rate:	496,103	Inc/Dec Cash

ACQUISTION PRICE:	$ -	
Projected Carloads	2,000	
Ave Revenue/Car:	$ 350	
Net Liquidation Value (yr 1):	$ -	

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MAINTENANCE OF WAY	# of empl.	Base Salary	$ OT	Benefits	Total $(yr1)	Total $(yr2)	Total $(yr3)	Total $(yr4)	Total $(yr5)
MANAGER- M OF W	0	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
ROADMASTER- M OF W	0	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
FOREMAN	0	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
CREW	2	$ 18,000	$ -	$ 7,920	$ 51,840	$ 51,840	$ 51,840	$ 51,840	$ 51,840
MACHINE OPERATORS	0	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
TRACK INSPECTORS	0	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
SIGNAL MAINTAINERS	0	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
TOTAL	2	$ 18,000	$ -	$ 7,920	$ 51,840	$ 51,840	$ 51,840	$ 51,840	$ 51,840
MATERIALS AND OTHER EXPENSES		Growth Rate:	0%						
LAYOVER AND SUBSISTENCE			based on crew layovers		$ -	$ -	$ -	$ -	$ -
MAINTENANCE VEHICLES			$4000 per M of W crew		$ -	$ -	$ -	$ -	$ -
MAINTENANCE MACHINERY			as required		$ -	$ -	$ -	$ -	$ -
TIES			see below		$ 49,875	$ 49,875	$ 49,875	$ 49,875	$ 49,875
RAIL					$ -	$ -	$ -	$ -	$ -
BALLAST					$ 12,160	$ 12,160	$ 12,160	$ 12,160	$ 12,160
BRIDGES					$ 39,660	$ 39,660	$ 39,660	$ 39,660	$ 39,660
CULVERTS					$ 4,500	$ 4,500	$ 4,500	$ 4,500	$ 4,500
OTHER MATERIAL			as needed		$ -	$ -	$ -	$ -	$ -
CROSSINGS					$ 21,000	$ 21,000	$ 21,000	$ 21,000	$ 21,000
SIGNALS					$ 1,500	$ 1,500	$ 1,500	$ 1,500	$ 1,500
VEGETATION CONTROL			$350 per mile		$ 15,750	$ 15,750	$ 15,750	$ 15,750	$ 15,750
DEPRECIATION			based on capital exp. program		$ -	$ -	$ -	$ -	$ -
CONTRACT LABOR			as required		$ 10,000	$ 10,000	$ 10,000	$ 10,000	$ 10,000
TOTAL MATERIAL EXPENSES:					$ 154,445	$ 154,445	$ 154,445	$ 154,445	$ 154,445
TOTAL MAINTENANCE OF WAY EXPENSE:					$ 206,285	$ 206,285	$ 206,285	$ 206,285	$ 206,285
				Track Miles Maintained:	45	45	45	45	45
				M OF W / Mile:	$ 4,584	$ 4,584	$ 4,584	$ 4,584	$ 4,584

Detail of Maintenance of Way:	(Unit)	($/unit)	$	
Track (miles/wt)	0	$ 116,000	$ -	cost per mile
Ties (number)	1500	$ 33.25	$ 49,875	ave. 3000 ties/mile, tie: $25,spikes: $1.25/tie,equipment: $7/tie
Ballast (tons)	800	$ 11	$ 8,800	ave. 250 tons per mile
(equipment hours)	44.8	$ 75	$ 3,360	equipment, tamper and regulator, at 40 hours/mile
Bridges (Feet)	2644	$ 15	$ 39,660	costs to repair and replace material on bridges
Culverts (#/30 years)	1	$ 4,500	$ 4,500	estimate
Crossings (# pvt)	16	$ 250	$ 4,000	estimate
Crossing (# pub)	34	$ 500	$ 17,000	estimate
Signals (# of protected)	1	$ 1,500	$ 1,500	based on number of protected crossings
Vegetation Control:	45	350	$ 15,750	

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MAINTENANCE OF EQUIPMENT **Growth Rate:** **0%**

	# of empl.	Base Salary	$ OT	Benefits	Year 1 Total $	Year 2 Total $	Year 3 Total $	Year 4 Total $	Year 5 Total $
MANAGER- M OF E	-	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
FOREMAN- LOCO	-	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
FOREMAN- CAR	-	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
CREW	-	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
	-	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
TOTAL	-	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
OTHER EXPENSES									
CONTRACT SERVICES	$5,625 per locomotive(225 hours @ $25/hr)				$ 11,250	$ 11,250	$ 11,250	$ 11,250	$ 11,250
LOCO PARTS AND REPAIRS	$12,000 per locomotive				$ 24,000	$ 24,000	$ 24,000	$ 24,000	$ 24,000
CAR PARTS AND REPAIRS					$ 1,500	$ 1,500	$ 1,500	$ 1,500	$ 1,500
VEHICLE,EQUIPMENT REPAIRS					$ -	$ -	$ -	$ -	$ -
TOOLS AND SUPPLIES	estimate				$ 1,000	$ 1,000	$ 1,000	$ 1,000	$ 1,000
OTHER					$ 1,000	$ 1,000	$ 1,000	$ 1,000	$ 1,000
TOTAL OTHER EXPENSES					$ 38,750	$ 38,750	$ 38,750	$ 38,750	$ 38,750
TOTAL MAINTENANCE OF EQUIPMENT:					$ 38,750	$ 38,750	$ 38,750	$ 38,750	$ 38,750

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TRANSPORTATION EXPENSE

	# of empl.	Base Salary	$ OT	Benefits	Year 1 Total $	Year 2 Total $	Year 3 Total $	Year 4 Total $	Year 5 Total $
SUPERINTENDENT	-	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
ASST. MANAGER-OPERATIONS	-	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
TRAINMEN	2	$ 12,000	$ -	$ 5,280	$ 34,560	$ 34,560	$ 34,560	$ 34,560	$ 34,560
TOTAL	2				$ 34,560	$ 34,560	$ 34,560	$ 34,560	$ 34,560
Growth Rate:	0%								
OTHER EXPENSES									
TRAVEL AND SUBSISTENCE				none	$ -	$ -	$ -	$ -	$ -
TRACKAGE FEES					$ -	$ -	$ -	$ -	$ -
LOCO/FRT CAR DEPRECIATION				based on capital exp. program	$ -	$ -	$ -	$ -	$ -
LOCO/FRT CAR RENT				based on $100 per day	$ 73,000	$ 73,000	$ 73,000	$ 73,000	$ 73,000
FUEL, OIL AND LUBE				based on locomotive miles	$ 112,320	$ 112,320	$ 112,320	$ 112,320	$ 112,320
VEHICLES/RADIO M & R					$ 1,500	$ 1,500	$ 1,500	$ 1,500	$ 1,500
INSURANCE				5% of value of locomotives	$ 7,500	$ 7,500	$ 7,500	$ 7,500	$ 7,500
CAR HIRE					$ -	$ -	$ -	$ -	$ -
TARIFFS AND SUPPL					$ 1,000	$ 1,000	$ 1,000	$ 1,000	$ 1,000
CASUALTY LOSSES				1/2% of freight revenue	$ 3,500	$ 3,500	$ 3,500	$ 3,500	$ 3,500
TOTAL OTHER EXPENSES:					$ 198,820	$ 198,820	$ 198,820	$ 198,820	$ 198,820
TOTAL TRANSPORTATION EXPENSES:					$ 233,380	$ 233,380	$ 233,380	$ 233,380	$ 233,380

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GENERAL AND ADMINISTRATIVE EXPENSE

	# of empl.	Base Salary	$ OT	Benefits	Year 1 Total $	Year 2 Total $	Year 3 Total $	Year 4 Total $	Year 5 Total $
PRESIDENT	0	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
GENERAL MANAGER	1	$ 35,000	$ -	$ 15,400	$ 50,400	$ 50,400	$ 50,400	$ 50,400	$ 50,400
MARKETING & SALES	0	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
CONSULTANT	0	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
ACCOUNTANT	0	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
AGENT /ADMIN AIDE	0	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
CLERK	0	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
SECRETARY	0	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
ADMINISTRATIVE AIDE	0	$ -		$ -	$ -	$ -	$ -	$ -	$ -
TOTAL	1	$ 35,000	$ -	$ 15,400	$ 50,400	$ 50,400	$ 50,400	$ 50,400	$ 50,400
NON-LABOR EXPENSES	Growth Rate:	0%							
OFFICE RENT					$ 6,000	$ 6,000	$ 6,000	$ 6,000	$ 6,000
OFFICE SUPPLIES				flat fee + $1000/staff	$ 1,200	$ 1,200	$ 1,200	$ 1,200	$ 1,200
UTILITIES				flat fee + $1500/staff	$ 1,700	$ 1,700	$ 1,700	$ 1,700	$ 1,700
TELEPHONE				flat fee + $1200/staff	$ 1,400	$ 1,400	$ 1,400	$ 1,400	$ 1,400
TRAVEL AND ENTERTAINMENT				flat fee + $1200/staff	$ 1,400	$ 1,400	$ 1,400	$ 1,400	$ 1,400
DUES/SUBSCRIPTION					$ -	$ -	$ -	$ -	$ -
ADVERTISING					$ -	$ -	$ -	$ -	$ -
ACCOUNTING/TAX/AUDITING					$ 1,500	$ 1,500	$ 1,500	$ 1,500	$ 1,500
ASLRA FEES					$ -	$ -	$ -	$ -	$ -
LEGAL/STB FEES					$ 1,500	$ 1,500	$ 1,500	$ 1,500	$ 1,500
INSURANCE/PAYROLL				estimate	$ 20,000	$ 20,000	$ 20,000	$ 20,000	$ 20,000
PROPERTY TAXES				estimate	$ 15,000	$ 15,000	$ 15,000	$ 15,000	$ 15,000
DEPRECIATION				based on capital exp. program	$ 5,800	$ 5,800	$ 5,800	$ 5,800	$ -
TOTAL NON-LABOR EXPENSES:					$ 55,500	$ 55,500	$ 55,500	$ 55,500	$ 49,700
TOTAL GENERAL AND ADMINISTRATION:					$ 105,900	$ 105,900	$ 105,900	$ 105,900	$ 100,100

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SUMMARY OF EMPLOYEES

		# of Employees	Base Salary	Year 1 Salary with Benefits
MAINTENANCE OF WAY				
MANAGER- M OF W		0	$ -	
ROADMASTER- M OF W		0	$ -	
FOREMAN		0	$ -	
CREW		2	$ 18,000	
MACHINE OPERATORS		0	$ -	
TRACK INSPECTORS		0	$ -	
SIGNAL MAINTAINERS		0	$ -	
	sub-total	2		$ 51,840
MAINTENANCE OF EQUIPMENT				
MANAGER- M OF E		-	$ -	
FOREMAN- LOCO		-	$ -	
FOREMAN- CAR		-	$ -	
CREW		-	$ -	
		-	$ -	
	sub-total	-		$ -
TRANSPORTATION				
SUPERINTENDENT		-	$ -	
ASST. MANAGER-OPERATIONS		-	$ -	
TRAINMEN		2	$ 12,000	
	sub-total	2		$ 34,560
GENERAL AND ADMINISTRATION				
PRESIDENT		-	$ -	
GENERAL MANAGER		1	$ 35,000	
MARKETING & SALES		-	$ -	
CONSULTANT		-	$ -	
ACCOUNTANT		-	$ -	
AGENT /ADMIN AIDE		-	$ -	
CLERK		-	$ -	
SECRETARY		-	$ -	
ADMINISTRATIVE AIDE		-	$ -	
	sub-total	1		$ 50,400
TOTAL				$ 136,800

NOTE: 1. OVERTIME IS ESTIMATED AT 8% OF REGULAR SALARY
2. BENEFITS ARE ESTIMATED AT 44% OF REGULAR SALARY

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SUMMARY OF REVENUE

	2003 levels	additional								TOTAL
FREIGHT REVENUE										
CARLOADS	1,381	619	-	-	-	-	-	-	-	2,000
RATE/CARLOAD:	$ 350	$ 350	$ -	$ -	$ -	$ -	$ -	$ -	$ -	
SUB-TOTAL:	$ 483,350	$ 216,650	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 700,000
Freight Revenue Growth Rate:	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
Projected Growth Rate (for Other Revenues)	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%

		YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5
MAINTENANCE FEES:		$ -	$ -	$ -	$ -	$ -
AAR BILLINGS:		$ -	$ -	$ -	$ -	$ -
(# of Freight Cars)	-					
($/Freight Car)	$ 20					
OTHER INCOME:		$ -	$ -	$ -	$ -	$ -
		$ -	$ -	$ -	$ -	$ -
	sub-total	$ -	$ -	$ -	$ -	$ -
DEMURRAGE:		$ -				
(# of Freight Cars)	2,000					
($/Day)	$ 20					
(# of Days)	-					
CAR HIRE EXPENSE:		$ -				
(# of Freight Cars)	2,000					
($/Day)	$ 12					
(# of Days)	-					

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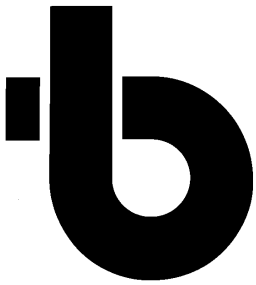
SCHEDULE OF CAPITAL EXPENDITURES:

		#	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5
30 yrs	TRACK AND STRUCTURE:		$ -	$ -	$ -	$ -	$ -
5 yrs	TRACK EQUIPMENT:		$ 25,000	$ -	$ -	$ -	$ -
5 yrs	M OF W VEHICLES:	0	$ -	$ -	$ -	$ -	$ -
5 yrs	COMMUNICATION:		$ 4,000	$ -	$ -	$ -	$ -
15 yrs	LOCOMOTIVES:						
	GP-9	2	$ -	$ -	$ -	$ -	$ -
		0	$ -	$ -	$ -	$ -	$ -
15 yrs	FREIGHT CARS:	0	$ -	$ -	$ -	$ -	$ -
5 yrs	AUTOMOBILES	0	$ -	$ -	$ -	$ -	$ -
15 yrs	INSPECT & MOVE LOCO		$ -				
	TOTAL CAPITAL EXPENDITURES:		$ 29,000	$ -	$ -	$ -	$ -

Value of Locomotive:		
GP-9	$	-
xxx	$	125,000
inspect & move locos	$	-
Value of Freight Cars:	$	10,000
Value of Track Equipment:		
Hi rail truck	$	10,000
Backhoe	$	15,000
xxx	$	-
xxx	$	-
Value of Automobiles:	$	20,000
Value of M of W Autos:	$	20,000
Value of Communication Equipment:		
radios	$	1,500
office equipment	$	2,500
xxx		
Track Structure: rail	$	-
ties	$	-
other	$	-

One Time Expenditures:				Year 1	Year 2	Year 3	Year 4
Employee Training	$ -	based on 120 hours + expenses					
Employee HIring	$ -	based on 20 hours + expenses	Total One Time Exp	$ -	$ -	$ -	$ -
Initial Marketing	$ -	based on 15 hours + expenses					



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