

LAW OFFICES
JOHN D. HEFFNER, PLLC
1750 K STREET, N.W.
SUITE 200
WASHINGTON, D.C. 20006
PH: (202) 296-3333
FAX: (202) 296-3939

ORIGINAL

OCT 27 2010

October 27, 2010

Cynthia T. Brown
Chief, Section of Administration
Office of Proceedings
Surface Transportation Board
395 E Street, SW
Washington, DC 20423

ENTERED
Office of Proceedings

OCT 28 2010

Part of
Public Record

BY HAND FILING

Re: STB Finance Docket No. 35407 *228072*
GNP Rly, Inc.—Acquisition and Operation Exemption—
Redmond Spur and Woodinville Subdivision

STB Docket No. AB-6 (Sub. No. 463X) *228078*
BNSF Railway Company—Abandonment Exemption—
In King County, WA

STB Docket No. AB-6 (Sub. No. 465X) *228081*
BNSF Railway Company—Abandonment Exemption—
In King County, WA

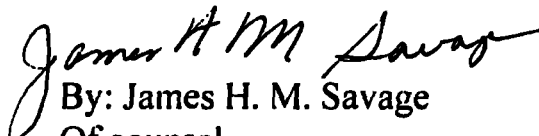
Dear Ms. Brown,

Attached for filing is an original and 10 copies of a Motion for Protective Order in the within proceeding.

Pursuant to the requirements of 49 CFR 1114.21(a), GNP Rly, Inc. ("GNP") is hand filing 10 copies of the RRIF Loan Application pertaining to this proceeding. These are **HIGHLY CONFIDENTIAL** documents which are submitted under seal pursuant to 49 CFR 1104.14(a) and are not to become part of the public record in this proceeding.

Please time and date stamp the extra copy of the Motion and return it to our messenger.

Very truly yours,
John D. Heffner, PLLC


By: James H. M. Savage
Of counsel

cc: All parties (See Service Certificate)

CERTIFICATE OF SERVICE

I hereby certify that I caused to be served a copy of the foregoing pleading, GNP RLY, INC's MOTION FOR PROTECTIVE ORDER upon the following persons on October 27, 2010:

By First Class Mail:

Pete Rarnels
Andrew Marcuse
Office of the Prosecuting Attorney
Civil Division
W400 King County Courthouse
516 Third Avenue
Attorneys for King County

Charles A. Spitulnik
W. Eric Pilsk
Allison Fultz
Kaplan Kirsch & Rockwell LLP
1001 Connecticut Avenue, NW, Suite 800
Washington DC 20036
Attorneys for King County

Craig Watson
General Counsel
Port of Seattle
Pier 69
PO Box 1209
Seattle, WA 98111

Isabel Safora
Port of Seattle
PO Box 1209
Seattle, WA 98111

David T. Rankin
Kristy D. Clark
BNSF Railway
P.O. Box 961039
Forth Worth, TX 76131-2828

Karl Morell
Ball Janik, LLP
1455 F Street NW, Suite 225
Washington, DC 20005

Kevin Sheys
K&L Gates LLP
1601 K Street NW
Washington, D.C. 20006

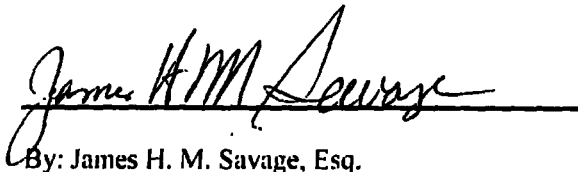
Jordan Wagner
Central Puget Sound Regional
Transit Authority
401 South Jackson Street
Seattle, WA 98104

Robert P. vom Eigen
Foley & Lardner
3000 K Street, NW, Suite 600
Washington DC 20007
*Attorneys for the Central Puget Sound
Regional Transit Authority*

By Federal Express:

John E. Gowney, Esq.
Steel Rives, LLP
600 University Street, Suite 3600
Seattle, WA 98101
Attorneys for the City of Redmond

John D. Heffner, PLLC


By: James H. M. Savage, Esq.
Of Counsel

Dated: October 27, 2010



GNP Rly Inc.

PUBLIC
VERSION



Rehabilitation and Improvement
Financing Program Loan Application

9 MARCH 2010

Revision 2

1. APPLICANT IDENTIFICATION

[260.23(a)]

Legal entity name: GNP Rly Inc.

Address 1 410 Garfield Street,

Address 2

City: Tacoma

State: Washington **Zip:** 98444

2. INCORPORATION STATUS

[260.23(b)]

Date of Incorporation: 29 November 2006.

Place of Incorporation: State of Washington.

Corporate documents as requested by STB for issuance of GNP's modified certificate of public convenience and necessity are attached.

NOTE:

To emphasize, advise is being sought regarding conversion of the corporate entity, but there would be no change in the beneficial owners. GNP Rly Inc. may convert from a "C-Corp" to a "LLC" prior to the completion of this application.

This change will neither impact the ownership nor result in structural changes, which affect any of GNP's contractual relationships. If such a change is considered advisable, all associated documents will be immediately forwarded to the FRA for review and consideration.

UNITED STATES OF AMERICA

The State of Washington

Secretary of State

I, SAM REED, Secretary of State of the State of Washington and custodian of its seal,
hereby issue this

CERTIFICATE OF INCORPORATION

to

ALTAC TERMINALS WASHINGTON, INC.

a/an WA Profit Corporation. Charter documents are effective on the date indicated below.

Date: 11/29/2006

UBI Number: 602-672-764

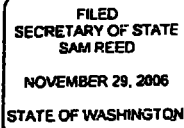
APPID: 718490



Given under my hand and the Seal of the State
of Washington at Olympia, the State Capital

Sam Reed, Secretary of State

602 672 764



ARTICLES OF INCORPORATION
OF
ALTAC TERMINALS WASHINGTON, INC.

11/29/2006 9:57:47
\$195.00 Check #6108
Tracking ID: 1205227
Doc No: 956747-001

The undersigned hereby executes the following Articles of Incorporation for the purpose of forming a corporation under the Washington Business Corporation Act (Revised Code of Washington, Title 23B).

ARTICLE I
NAME

The name of this corporation is Altac Terminals Washington, Inc.

ARTICLE II
AUTHORIZED CAPITAL STOCK

This corporation is authorized to issue, in the aggregate, twenty five thousand (25,000) shares of a single class of stock.

ARTICLE III
NO PREEMPTIVE RIGHTS

Shareholders of this corporation shall have no preemptive rights to acquire additional shares issued by the corporation.

ARTICLE IV
DIRECTOR LIABILITY

A director of the corporation shall not be personally liable to the corporation or its shareholders for monetary damages for conduct as a director, except for liability of the director for (i) acts or omissions that involve intentional misconduct or a knowing violation of law by the director, (ii) conduct which violates RCW 23B.08.310 of the Washington Business Corporation Act, pertaining to unpermitted distributions to shareholders or loans to directors, or (iii) any transaction from which the director will personally receive a benefit in money, property or services to which the director is not legally entitled. If the Washington Business Corporation Act is amended to authorize corporate action further eliminating or limiting the personal liability of directors, then the liability of a director of the corporation shall be eliminated or limited to the fullest extent permitted by the Washington Business Corporation Act, as so amended. Any repeal or modification of the foregoing paragraph by the shareholders of the corporation shall not adversely affect any right or protection of a director of the corporation existing at the time of such repeal or modification.

ARTICLES OF INCORPORATION
ALTAC TERMINALS WASHINGTON, INC.
PAGE 1

ORIGINAL

**ARTICLE V
INDEMNIFICATION**

The corporation shall indemnify its directors against all liability, damage, or expense resulting from the fact that such person is or was a director, to the maximum extent and under all circumstances permitted by law; except that the corporation shall not indemnify a director against liability, damage, or expense resulting from the director's gross negligence.

**ARTICLE VI
AMENDMENT**

This corporation reserves the right to amend or repeal any provisions contained in these Articles of Incorporation in any manner now or hereafter permitted by statute. All rights of shareholders of the corporation and all powers of directors of the corporation are granted subject to this reservation.

**ARTICLE VII
INITIAL DIRECTORS**

The initial Board of Directors of this corporation consists of three(3) directors. The name and address of the directors are as follows:

Thomas Payne
Suite 21 Garfield Center
403 Garfield Center
Tacoma, WA 98444

Darryl Banman
#214, 110-11th Avenue S.W.
Calgary, AB
Canada T2R 0B8

Paul Crane
#214, 110-11th Avenue S.W.
Calgary, AB
Canada T2R 0B8

The initial directors shall serve until the next annual meeting of shareholders or until the election and qualification of their successors. The number of directors constituting the Board of Directors of this corporation may be increased or decreased from time to time in the manner specified in the Bylaws of this corporation.

**ARTICLE VIII
REGISTERED OFFICE AND AGENT**

The street address of this corporation's initial registered office is c/o Montgomery Scarp, PLLC, 1218 Third Avenue, Suite 2700, Seattle, Washington, 98101

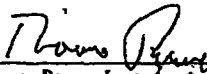
Tom Montgomery is the corporation's initial registered agent at such office.

**ARTICLE IX
INCORPORATOR**

The name and address of the incorporator is as follows:

Thomas Payne
430 - East 25th Street, Suite 202M
Tacoma, WA 98421

DATED this 22nd day of November, 2006.

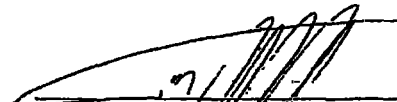


Thomas Payne, Incorporator

CONSENT TO APPOINTMENT AS REGISTERED AGENT

I, Tom Montgomery, hereby consent to serve as registered agent, in the State of Washington, for Altac Terminals Washington, Inc. I understand that as agent for the corporation, it will be my responsibility to accept service of process in the name of the corporation; to forward all mail and license renewals to the appropriate officer(s) of the corporation; and to immediately notify the Office of the Secretary of State of my resignation or of any changes in the address of the registered office of the corporation for which I am agent.

DATED this 25th day of November, 2006.



Tom Montgomery, Registered Agent
c/o Montgomery Scarp, PLLC
1218 Third Avenue, Suite 2700
Seattle, Washington, 98101



**STATE OF WASHINGTON
SECRETARY OF STATE**

**ARTICLES OF AMENDMENT
WASHINGTON
PROFIT CORPORATION**

(Per Chapter 23B.10 RCW)

FEE: \$30

- Please PRINT or TYPE in black ink
- Sign, date and return original AND ONE COPY to:

CORPORATIONS DIVISION
801 CAPITOL WAY SOUTH • PO BOX 40234
OLYMPIA, WA 98504-0234

- BE SURE TO INCLUDE FILING FEE. Checks should be made payable to "Secretary of State"

FILED
SECRETARY OF STATE
SEP 10 2007
STATE OF WASHINGTON

EXPEDITED (24 HOUR) SERVICE AVAILABLE - \$20 PER ENTITY
INCLUDES FEE AND WRITE "EXPEDITE" IN BOLD LETTERS
ON OUTSIDE OF ENVELOPE

DESIGNATED USE ONLY

FILE #

IMPORTANT! Person to contact about this filing

Daytime Phone Number (with area code)

AMENDMENT TO ARTICLES OF INCORPORATION

NAME OF CORPORATION (As currently recorded with the Office of the Secretary of State)		
Alter Terminals Washington Inc.		
UBI NUMBER	CORPORATION NUMBER (if known)	AMENDMENTS TO ARTICLES OF INCORPORATION WERE ADOPTED ON
102678764		Date: 9-10-07
EFFECTIVE DATE OF ARTICLES OF AMENDMENT (Specified effective date may be up to 30 days AFTER receipt of the document by the Secretary of State)		
☐ Specific Date: _____ ☒ Upon filing by the Secretary of State		
ARTICLES OF AMENDMENT WERE ADOPTED BY (Please check ONE of the following)		
☐ Incorporators. Shareholders action was not required ☒ Board of Directors. Shareholders action was not required ☐ Duty approved shareholder action in accordance with Chapter 23B.10 RCW		

AMENDMENTS TO THE ARTICLES OF INCORPORATION ARE AS FOLLOWS
If amendment provides for an exchange, reclassification, or cancellation of issued shares, provisions for implementing the amendment must be included. If necessary, attach additional amendments or information.

Changing Name to:
GNP RLY Inc

SIGNATURE OF OFFICER

This document is hereby executed under penalties of perjury, and is, to the best of my knowledge, true and correct.

Thomas Payne **THOMAS PAYNE** 10 Sept. 07
Signature of Officer Printed Name Date
President & Secretary

INFORMATION AND ASSISTANCE -- 360/753-7115 (TDD -- 360/753-1485)

3. CONTACT INFORMATION

[260.23(c)]

Name: Thomas Payne.

Title: Chairman, C.O. O.

Legal entity name: GNP Rly Inc.

Address 1 410 Garfield Street

Address 2

City: Tacoma

State: Washington **Zip:** 98444

Phone: 1. Office: 253-536-7444

2. Cell 253-459-9702

Fax: n/a

E-mail: tompayne@GNPRail.com

4. DESCRIPTION OF OTHER PARTICIPANTS

[260.23(d)]

NIL

5. EXECUTIVE SUMMARY



CONFIDENTIAL EXECUTIVE SUMMARY

Confidential Information:

All persons who receive this Executive Summary agree that they will hold the contents of this Memorandum and all enclosures and related documents in the strictest confidence, except as required by federal law. A request for proposal is anticipated in the near future from the RTA, Sound Transit, which GNP will respond, and application information enclosed herein will be used.

ALL INQUIRIES AND REQUESTS FOR FURTHER INFORMATION SHOULD BE DIRECTED TO ONE OF THE FOLLOWING:

GNP Rly Inc.
Thomas Payne
Chairman, COO
(253) 459-9702
T.Payne@GNPRail.com

GNP Rly Inc.
Douglas Engle
Treasurer, CFO
(425) 891-4223
D.Engle@GNPRail.com

The following application and support materials constitute the GNP Rly Inc. request for a [REDACTED] RRIF loan.

GNP Rly Inc. was founded in 2006 with the purpose of operating railways in the Pacific Northwest. For several years, King County and the Port of Seattle have pursued the acquisition of the century old Woodinville Subdivision, aka "Eastside Rail Corridor" (ERC) from BNSF for rail and trail use. The sale was finally consummated on 17 December 2009.

On the same date, GNP acquired the permanent freight easement from Woodinville to Snohomish from BNSF. GNP also entered into an operating agreement with the Port of Seattle, which allows excursion service from the City of Woodinville to the City of Snohomish (see map). The balance of the Woodinville subdivision is to be railbanked. The purpose of this initial RRIF application is to construct facilities, provide for basic track maintenance and rehabilitation that will allow the GNP railway to grow the freight business and initiate passenger services.

A fundamental aspect of GNP's business plan is to incrementally grow the rail business within the corridor. The immediate need is the investment to sustain rail operations. With core facilities in place, additional corridor services and extensions can be planned and reasonably be accommodated in the near future.

Although freight operations remain active from Woodinville north, BNSF discouraged and terminated rail freight service south of Woodinville to justify abandonment.

Passenger service, however, will provide the primary revenue source (see financial graphs). There are two components to GNP's planned passenger service – weekend and weekday. The weekend tourism-based passenger service can be initiated within the existing operating agreements. Weekday service is possible with access south of Woodinville to Redmond. GNP is in discussions with the City of Redmond to provide a station for passenger service at Redmond Town Center, which will hopefully result in an operating agreement

later this year. Provisional funding is included in this RRIF application to allow that to occur in 2010. GNP will only use the provisional funds in this RRIF application to add a Redmond station and upgrade the track for such service. It is probable that freight shippers will also be interested in GNP's services south of Woodinville to Redmond.

Microsoft and many other technology companies are located in and around Redmond. Snohomish County to the north, with whom GNP has an operating agreement, strongly supports a weekday service as a means of relieving serious congestion on the highways between King and Snohomish Counties. In November 2008, regional voters approved a \$17B transit initiative a portion of which will bring light rail transit from Seattle to Bellevue known as "East Link." This will be a major east-west transit corridor, completely complementary to the ERC, which runs north-south. The initiative also included \$50M to fund additional possible passenger service in the ERC. The regional transit authority, Sound Transit, will issue an RFP for this service sometime this summer. GNP is exceptionally well positioned to take advantage of this funding opportunity.

The corridor also extends south of Bellevue to Renton, where the area of fastest growing freeway congestion in the region exists.

A state mandated study conducted by the Puget Sound Regional Counsel and Sound Transit, concluded that the ERC is a viable transit corridor, and could attract approximately 6700 people a day.

Additionally, for future consideration, there is an existing rail right of way from Snohomish in the north to Everett in the northwest, which would connect to the existing rail transit station for Amtrak and the Sounder regional train services. The right of way owner, PSE, is in discussions with Snohomish County, a GNP advocate, to transfer this rail right of way to the county for future passenger service. This 8-mile extension would increase ridership by 20-25%.

As part of the agreement between BNSF and the Port of Seattle, the main portion of the corridor will be railbanked with King County as the trail operator (see map). GNP has always maintained that rails and trails are a synergistic public benefit

both economically and as an amenity. Further, GNP has taken a public position to support simultaneous trail development if and when the railroad is rehabilitated.

Over the past two years, GNP has worked with regional communities and businesses to build support for this plan. Although letters are included, the site visit by the FRA's independent financial analyst will provide the opportunity to confirm the wide support for this application and project.

In 1986, GNP's chairman and C.O.O, Tom Payne, founded Central Western Railway, which became the third largest railway in Canada with over 3900 miles of track and 450 employees. The excursion service he founded is still in operation today with over 35,000 passengers annually.

In 2009, GNP received its NEPA categorical exclusion and was determined by the FRA general council to be both qualified and eligible for the RRIF program. As of January 11th, 2010, GNP is providing freight service on the line. Because of the delay in completing the BNSF and Port of Seattle agreement, GNP is providing this supplemental application for [REDACTED] at this time

To enable the incremental growth of the rail business with the RRIF loan, GNP's financing plan includes a private [REDACTED] bridge loan and expects to provide approximately [REDACTED] in equity financing within a year. Net income and cash flow are expected to be positive within three years, which will facilitate future growth.

Although there is a possibility of receiving [REDACTED] from Sound Transit in 2011, this is not reflected in attached financial works.

In summary, the Eastside Rail Corridor is now in public hands after years of negotiations, and GNP is the selected third-party operator seeking this RRIF loan to establish facilities that will reduce operating costs and increase freight traffic. Additional passenger service will create jobs, preserve and enhance rail services to rural areas and small communities, and facilitate economic development in this vibrant, valuable and fast-growing corridor.

Executive Summary Appendices

1. Maps
2. Financial Graphs
3. Income Statement Summary
4. Fixed Asset Schedule
5. PSRC Executive Summary

• • • • •

6. a PROJECT DESCRIPTION

[230.23(e)(1)]

6a1 Detailed description of the amount and timing of the requested financial assistance.

Amount:

The amount of financial assistance requested in this application is

[REDACTED]

Date of Assistance:

The BNSF and Port of Seattle closed their purchase and sale agreement for the Woodinville subdivision on 17 December 2009, which is the prime mover for GNP's calendar.

GNP commenced freight service on the Woodinville subdivision on 11 January 2010.

GNP's passenger excursion services commence in June 2010.

GNP would request that the following matters that are outstanding in the following proposed schedule be expedited as quickly as possible.

Proposed Schedule:

Item	Date	Desired date of Action
1. Filing of FRA Categorical Exclusion Worksheet	17 February 2009	Completed
2. Filing of draft application for initial review.	25 February 2009	Completed
3. Review conference	6 March 2009	Completed
4.FRA Categorical Exclusion worksheet completed and Approved	19 March 2009	Completed, Approved

4. Revise application	9 March 2010	Completed
5. FRA to select IFA	March 2010	NEXT STEP
6. Complete IFA process	TBD	IFA start + 30 days.
7. Advance of funds	TBD	Est. May 2010

This assistance is required as soon as possible with recommendation and approval preferably before 30 April 2010,

6a2 Purpose or purposes of the requested financial assistance.

The purposes for which the loan is requested is the:

- Acquisition of the rights to the line of railway,
- The purchase of equipment,
- The purchase of new station, facilities and construction of shops and platforms, and
- The purchase of business assets and repayment of startup costs.

Funds in this application will be used to acquire the exclusive operating agreement with the Port of Seattle, purchase motive power and rolling stock, purchase new station facilities in Snohomish, construct shops and business facilities in Woodinville, and construct station platforms to support GNP's business plan.

Detailed financial analysis, planning and control sheets are attached as an appendix to this application (see rolled financial sheets and CD).

The following table outlines areas of expenditure

Project Elements	Total cost	Loan request
	\$	
Line or company acquisition	[REDACTED]	100%
Line rehabilitation or upgrade	[REDACTED]	100%
Bridge rehabilitation or upgrade	[REDACTED]	100%
Rail Equipment acquisition		
Locomotive	[REDACTED]	100%
Railcars	[REDACTED]	100%
Other- MOW-Hyrail	[REDACTED]	100%
Equipment rehabilitation	-	
Other facility acquisition or upgrade		
MOE shop	[REDACTED]	100%
Storage	-	
Office	[REDACTED]	100%
Other - Platform & stations	[REDACTED]	100%
Refinancing	[REDACTED]	100%
Other		
Business assets	[REDACTED]	100%
TOTAL	<u>[REDACTED]</u>	

6a3 itemized summaries by location of each work activity, material quantities for each, and the corresponding cost estimates for labor and material, (shown separately).

See attached schedules.

6a4 Unit costs and Assumptions used as a basis for the cost estimates. (Shown separately)

See Fixed Asset schedule in attached financial analysis, planning and control documents.

6.a.5 Commercial Estimates

Commercial estimates from US long-term railway industry suppliers have been received for equipment and station track component costs.

a. Freight & Excursion locomotives

Class: EMD GP9 Locomotives, alignment controlled.

Characteristics:

16-567C or 16-645 conversion engines

D12 or newer alternator, minimum 10Kw auxiliary power

26L brake system

Composition brake shoes (fire control in braking)

Updated cabs and seating

Complete paint and corrosion repairs

Gavlon paint system, epoxy paint with 10 year warranty

Requalified and refurbished traction motors, D77 model

3-year annual air brake and mechanical inspection certificate

"run quiet" upgraded muffler system

FRA "blue carded" and qualified for operation

b. Car equipment

(i) Passenger Coaches

Class: Bi-Level coaches

Characteristics:

Approximate seating 155 per car

Exterior rust repairs, bodies faired and painted with DuPont system, 10-year warranty

Interior flooring and paint

Doorsill and entrance repairs and step replacement

Seat covers and backs

Fully operational and FRA inspected for service

Full COT&S certificate

(ii) HEP

Class: 70 ton capacity baggage/power car or built in to bi-level.

Characteristics:

Rule 88 upgrade where necessary, with minimum service life of 10 years w/o rule 88 work

ABDX brake equipped

Complete corrosion and rust repairs, full paint with DTM paint, 10-year warranty

Rack equipment for bicycles and storage

Full HEP generation including:

- Cummins QSK 19-G (power generation platform
- EPA Tier 3 rail and non-rail certification
- California Air Resources Board certified at Tier 3 off road
- 500KW continuous power rating



1612 SR 509 S. Freeway Rd
Tacoma WA 98421
Tacoma (253) 922-5955
Seattle (206) 818-2441
Fax (253) 922-0910

June 10, 2008

Thomas Payne
Chairman and COO
GNPRLY Inc
403 Garfield St. Suite 20
Tacoma, WA 98444

Tom,

Thank you for your interest in purchasing locomotives from CEEEO. Though I know you are familiar with our company, I felt I would include a short description of our abilities.

Coast Engine and Equipment Inc. (CEEEO) is part of an association of companies collectively called the Washington Companies. The companies are privately held by Mr. Dennis Washington. The parent company, Washington Corporation is headquartered in Missoula, MT

Since 1947 CEEEO has held an industry reputation in the marine business as a reliable and value oriented engine rebuilder. In the past 12 years, CEEEO has carried that branding to the railroad market. CEEEO is the authorized west coast service warranty and repair shop for EMD; and also is designated as a major component supplier to EMD for remanufactured engines which EMD resells. CEEEO has a parts agreement with Electro-Motive Diesel (EMD) to purchase OEM parts for the remanufacture of railroad engines.

Union Pacific has received an average of three engines each month from CEEEO, all running without a service complaint or failure. We are building export engines each month destined for South Africa sold as an original EMD OEM engine.

CEEEO has a top reputation with both GE and EMD to provide cost effective and reliable work. We have combined with both GE and EMD on major projects in the recent past, and are partnered with both GE and EMD at present to provide warranty work and modifications. We currently supply GE with up to five repaired and returned engines per month.

We have extensive fabrication and repair services on rail cars. We have done work for Talgo, SoundTransit, the Alaska Railroad, Union Pacific, BNSF, KCS and other major clients in repair, reconditioning and rebuilding of passenger equipment.

We have demonstrated in every case our fundamental business driver, to actively support companies by providing mechanical solutions allowing them to focus on the business of providing transportation services.

Union Pacific, BNSF, Canadian Pacific, Talgo and Amtrak rely on CEEEO for cost effective, innovative and quality oriented solutions to mechanical problems. We are happy to provide an extensive list of customers and references on request.

I have used your estimations of fleet size and constructed a chart of costs. Prior to the chart, I would like to give a brief description of the equipment we have selected as suitable:

Locomotives:

EMD GP9 locomotive

- 16-567C or 16-745 conversion engines
- D12 or newer alternator, with minimum of 10Kw auxiliary generator
- Enhanced silencer for quiet operations
- 361L brake system
- Composition brake shoes (fire control in braking)
- Updated cabs and seating
- Complete paint and corrosion repairs
- Galfon paint system, epoxy paint with 10 yr. warranty
- Requalified and rebrushed traction motors, DTM model
- 3 year annual brake and mechanical inspection certificate
- FRA "blue carded" and qualified for operation

Bilevel Coaches:

- Approximate seating capacity of 120 per car
- Exterior rust repairs, bodies faired and painted with Dul'ont system, 10 yr. warranty
- Interior flooring and paint
- Door sill and entrance repairs and step replacement
- Fully operational and FRA inspected for service
- Full LOT&S certificate

Power Cars

- 70 ton capacity baggage/power car
- Rule 88 upgrade where necessary, with minimum service life of 10 years w/o Rule 88 work
- Complete corrosion and rust repairs, full paint with DTM paint, 10 year warranty
- Rack equipment for bicycles and storage
- Full head end power generation, including:
 - Cummins QSK19-G9 power generation platform
 - EPA Tier 3 rail and non-road certification
 - California Air Resources Board certified as Tier 3 off road
 - 506KW continuous power rating
- ABDX brake valve equipped

COST SUMMARY

GNPRLY Inc. Cost Sheet			
Description	each	cost	extended cost
GP9 Renewed Locomotive	6	████████	████████
Bilevel renewed coach cars	15	████████	████████
Power/baggage cars	6	████████	████████
total			████████

The equipment can be sourced for delivery to our facility. Upon arrival, we anticipate a six to nine month refurbishment process. On a notice to proceed, and after contractual arrangements are agreed upon, a delivery schedule will be prepared and delivered.

All pricing subject to formal quotation, for a limited time and based on availability and market conditions. Pricing will be held for a maximum of 90 days after a full quotation is delivered and agreement upon equipment and terms are in place.

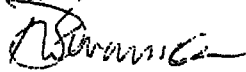
Prices listed are for budgetary purposes only. Coast Engine reserves the right to change pricing at any time prior to a full quotation being delivered, and at any time following the 90 day period after quotation delivery if agreements are not executed.

Summary:

We would be anxious and enthusiastic about an opportunity to serve as an equipment provider to GNPRLY Inc. Our association with you in the past has always been excellent, and you are known to us as a responsible and trustworthy client. We have always valued our association with you, and felt your professionalism and dedication were top notch.

Good Luck on your proposal, and we hope we can be of assistance.

Sincerely,

A handwritten signature in black ink, appearing to read "D Swanson", written over a horizontal line.

David Swanson
President, CEECO

c. Track Materials

LB Foster

CXT Concrete Ties

Date: June 2, 2008
Quotation No. 08-2287
Customer GNP Rly Inc
Contact Tom Payne
Phone 253-459-9702
e-mail
Project Location Snohomish, WA

CXT Sales Contact Chuck Parks
Telephone 509-521-8736
Fax 509-927-0299
Email cparks@cxtinc.com

Thank you for this opportunity to quote CXT concrete ties for your upcoming project. We offer the following quotation, subject to the General Conditions of Acceptance listed below. Please review our quotation and respond with any questions.

ITEM	QTY	PRODUCT TYPE	DESCRIPTION	UNIT PRICE
1	50,000	419-22	8'3" (18-wire) concrete ties designed for 136RE rail compliance with e-clip fastening system (clips, insulators and pads) FOB Shipping point, prepaid and allowed via truck to Snohomish, WA	Per pc

CONDITIONS OF ACCEPTANCE:

1. Credit Approval:

- 1.1. All purchase orders are subject to credit approval. A job information sheet will also be required for every project undertaken.

2. Payment Terms

- 2.1. CXT will submit invoices upon the shipment and whereupon payment to CXT by the purchaser shall be made **net 30** days after invoice date. Payments received later than 30 days after the invoice date will be assessed a fee of 1.5% per month.

3. Quotation Term

- 3.1. Prices are firm and fixed until **September 30, 2008** for orders received within 45 days.

4. Taxes

- 4.1. Price excludes all taxes. A sales tax exempt certificate will be required upon receipt of purchase order, or sales tax will be assessed.

Quotation

LBFoster

Rail Products

A Division of L.B. FOSTER Company

Mailing Address

L.B. Foster Company
 5335 SW Meadows Road
 Suite 355
 Lake Oswego, OR 97035
 Phone: (800) 824-2061
 Fax: (503) 684-8489

To: G N P Rly Inc.
 403 Garfield Street Suite#20
 Tacoma, WA 98444
 Attention: Tom Payne

Date: 06/03/2008
 Phone: (253) 459-9702
 Fax:
 Re: SNOHOMISH COMMUTER PROJECT
 BUDGET
 Quote #: BMGE-7F9MQG

We are pleased to quote as follows:

Line #	Qty	UOM	Description	Weight(+/-)	Sell Price / UOM	Ext. Price
1	6381	NT	NEW 136RE STANDARD PRIME RAIL IN 80' LENGTHS WITH 10% SHORTS WITH BLANK ENDS FOR WELDING PER CURRENT AREMA/RMSM SPECIFICATIONS	12762000		

TOM, IT WAS A PLEASURE TALKING WITH YOU THIS MORNING, IF I CAN BE OF FURTHER ASSISTANCE IN ANY WAY,
 PLEASE DON'T HESITATE TO CALL. THANK YOU, BILL

FOB: Shipping Point - Freight Allowed via 180,000# minimum railcars to nearest BN rail siding at Woodinville,
 WA.

TERMS: Net 30 days with credit approval

SHIPMENT: Quoted from a future mill rolling and subject to all mill conditions at time of order including price in effect
 at time of shipment

REMARKS: Prices quoted-valid for 14 days
 Prices quoted do not include sales tax
 Unloading is for the account of others
 Material quoted is subject to scrap and fuel surcharges in effect at time of shipment

This quotation is subject to the conditions on the attached sheet and the terms hereof shall
 constitute the exclusive agreement of the parties and all conflicting or additional terms in Buyer's
 purchase order or any other such documents of Buyer shall have no force or effect.

Accepted this _____ day of _____ 200__

By _____ (Customer Name)

_____ (Signed)

L. B. FOSTER COMPANY

By *Bill*

Bill McGuire

bmcguire@lbfosterco.com

d. Platform Timber



REQUEST FOR QUOTATION

DATE: 4 Feb. 2009
TO: Pacwest
Lumber

Please supply a quotation for the supply of the following described quantities of goods, materials, or services.

Send quotation by e-mail to the attention of:

Mr. Thomas Payne
Chief Operating Officer
tompayne@telus. Net

Contact # 253-459-9702

Description	Quantity Number of Pieces	Grade	Price per Piece	TOTAL
3in. x 10in. X 12 ft. No 1 material	306	#1	██████	██████████
8in. X 8in. x 12 ft.	72	#1	██████	██████████
Delivery to Bromart				included
Estimated date of supply 1 May 2009				

Notes:

1. Quotations, if accepted by GNP, shall be confirmed by Purchase Order.

Terms 50% CIA, balance net 10 days after arrival

6.b DRAWINGS PHOTOGRAPHS

[230.23(e)(1)]

6.b.1 Maps: Attached in separate exhibit.

(a) See NPR sheet #24 and #25 Woodinville Wa. for shop location.

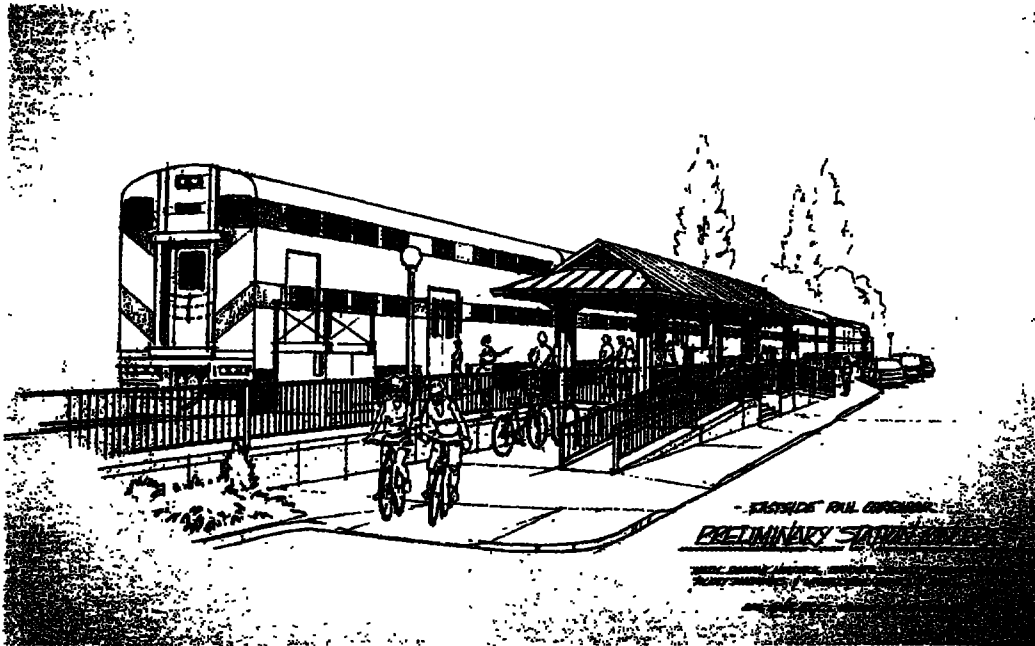
(b) Shop schematic plans

(c) See roll of maps for:

NPR historical drawings for line of railway from Woodinville to Snohomish, MP 23.8 to 39.3

Current date air photos and line profiles with lot lines
Woodinville to Snohomish, MP 23.8 to 39.3

6.b.2 GNP Platform



6.b.3 Passenger Excursion equipment

Passenger Excursion Locomotive

Paint Scheme

1. Carbody Black
Stanchions: Black
Trucks: Grey.

2. Striping

Diagonal Stripe at same slope of letters behind logo, 6" wider than blue letters – Ford Chrome Yellow

Red Safety Stripe 3" wide along deck from stairwell to stairwell - 3M diamond grade reflective mat'l.

3. All grab irons, step faces, treads, handrails – Ford Chrome Yellow

Passenger Excursion Car Equipment



Steam tour equipment

An historic business car will be operated upon special occasions.

6.b.4 Subdivision Pictures (Including Inspection report)

BNSF WOODINVILLE SUBDIVISION

Subdivisions are described directionally. The Woodinville subdivision runs South to North, and the subdivision mileage is calculated from mile 0.0 at Black River Jct. to mile 38.0 at Snohomish Jct.

Mileposts and locations marked on the subdivision reflect North to South mileage calculations as well as South to North calculations.

The inspection was conducted from south to north.

The following was observed:

- (a) The line is if fair to good condition.
- (b) Rail weights range from #100 to #132.
- (c) Rail manufacturing dates range from the 1940's to the 1980's.
- (d) Rail dates would ensure controlled cooling.
- (e) Much of the rail sections are of continuously welded rail; some field welded, some rolled.
- (f) The rail needs grinding in certain locations.
- (g) Rail wear is moderate to high.
- (h) Joints are good, a mix of 4&6 bolt, bolts need tightening.
- (i) Well anchored.
- (j) Ballast is 80% crushed stone and crushed gravel.
- (k) Ballast is of adequate depth for the level of service, and shoulders are generally adequate, some spot ballasting is required.

- (l) Ties are in fair to good condition; the defective tie count ranges between 7 and 13% depending upon location.
- (m) Brush conditions are fair.
- (n) Drainage is good to fair
- (o) Bridges are good to fair.

A photographic exhibit is attached, as follows:

Station	MP	Description	Photo #
Woodinville	23.8	Woodinville1, look North	030
		Woodinville1, look south	031
		Woodinville main	032
		Woodinville main track, look north	033
		Woodinville main tack, look south	034
Maltby	30.1	Maltby main, look south	035
		Maltby joint	036
		Maltby main, look north	037
		Maltby xing, look north	038
		Maltby siding, look south	039
Bromart	37.6	Bromart plate	040
		Bromart, look south	041
		Bromart, look north	042
Snohomish Jct.	38.0		

PICTURES DELETED FOR FILE SPACE

030

031

032

033

034

035

036

037

038

039

040

041

042

6.b.4. Snohomish Station

Proposed Snohomish station and office centre, looking north.

Proposed Snohomish station and office centre, look south.

6.b.5 Snohomish Bridge

23/11/07

9/1/09

6.b.6. Woodinville Shop location

Note: See maps, attached

Proposed site: look south from S. End of location towards wye

Proposed site: look north from S. End of location towards runaround

Proposed site: look south from north end of location towards wye

Proposed site: look north from north end of location towards runaround.

6.c REFINANCING

[230.23(e)(1)]

Upon satisfactory completion of the independent financial analysts work, GNP plans to execute a [REDACTED] bridge loan before the completion of the RRIF loan to prepare for the critical launch of excursion service in June 2010.

There is a window of opportunity to order rolling stock, build station platforms and complete the startup activities to meet this aggressive service timeline.

[REDACTED]
[REDACTED]

GNP expects to retire the bridge loan by [REDACTED].

7. PROJECT PURPOSE

[260.23(e)(1)]

7.1 Purpose

The ultimate purpose of GNP is to preserve the eastside rail corridor:

- (a) for present and future rail transportation uses, both freight and passenger service;
- (b) for transportation oriented development;
- (c) for recreational trail, and
- (d) for intermodal development.

REVIEW CRITERIA		
1.	Yes	Enhance public safety
2.	Yes	Promote economic development
3.	Possible	Enhance international competitiveness of US companies.
4.	Yes	Preserve or enhance rail service to small communities or rural areas
5.	Yes	Increased rail traffic
6.	Possible	Reduce operating costs
7.	Yes	Permit use of higher load railcars

7.1.1 Enhance Public Safety

Rehabilitated and well-maintained railway facilities enhance both public and crew safety. Adequate and accessible facilities promote the proper inspection and maintenance of:

- Motive power and rolling stock;
- Needed stores required for the safe storage of day-to-day operational maintenance items some or all of which are hazardous by nature, such as batteries and battery acids, railway flares and torpedoes, other fluids and lubricants and tools and equipment;
- Offices for proper administration and control of the railway and the preservation of records, and
- Locations for crew hygiene and rest.

Proper facilities also allow the railway to respond to public emergencies along the line of railway from level crossing accidents, maintenance of way failures, fires on the right of way, and other incidents relating to railway safety that affect both railway personnel and the public.

The funds provided in this application will provide GNP with the materials and equipment to meet those public obligations, and:

(a) Equipment servicing

No on-line facilities presently exist for the safe servicing or storage of rail equipment.

The construction of suitable shops for servicing of locomotive and car equipment will reduce risks of spills of oils fuels and fluids arising from servicing.

(b) Passenger boarding

No platforms exist to facilitate passenger boarding.

Platforms are scheduled to be constructed in Snohomish, two in Woodinville, one planned in Redmond and a final site in Maltby.

(c) Offices and other

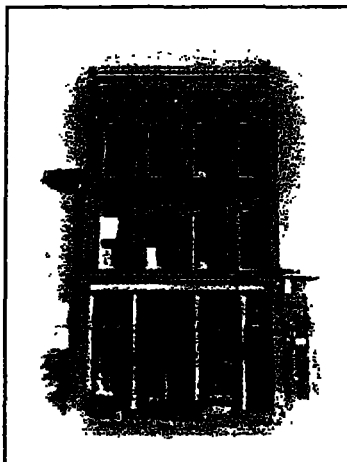
No on line location is available to support office and administration systems.

7.1.2 Promote Economic development

GNP's weekend passenger service will carry approximately [REDACTED] passengers per year between the historic district of Snohomish and the Woodinville wineries; both are ideal termini for a passenger excursion service.

The Port of Seattle boards over 435,000 tourists for cruise ships departing to Alaska each year. This provides GNP a substantial seasonal market beyond typical regional tourism, business visitors and local residents.

Snohomish's Historic District comprises the original downtown retail core that runs along the Snohomish River. The oldest buildings date from the 1880's and are generally 2-3 story with ground retail and upper story office with some residential apartments.



Many of the buildings in the district have been preserved and used for antique stores, specialty retail, fine art, restaurants, coffee shops, furniture, jewelry and a variety of other destination retail uses. These businesses draw customers and visitors from throughout the region and world. In recent years, the upper stories have been filled by office uses including design firms,

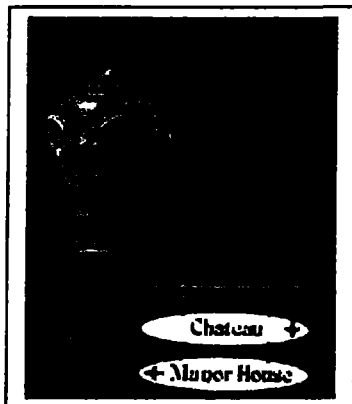
software companies, and Internet related activities employing local residents.

Snohomish has become much more than just "The Antique Capital of the Northwest". Snohomish is now recognized as one of Washington's premier daytrip destinations. Snohomish's Historic District serves as a backdrop for annual shows and festivals, including a tour of homes, a tour of gardens, a classic motorcycle show, a classic auto show, and other community festivals which attract up to 20,000 visitors a day, a ready market for GNP's passenger excursions.



The BNSF track recently abandoned in Snohomish is contiguous to GNP's lines of railway. Property to construct a station and offices in Snohomish within walking distance of the downtown historic core is available.

South of Snohomish and along the line is Woodinville. Woodinville has become the center for Washington state's fast growing wine industry. Directly adjacent to the railroad is Chateau Ste. Michelle, the oldest winery in Washington State with some of the most mature vineyards in the Columbia Valley.



Ste. Michelle Vintners planted its first vines at its Cold Creek Vineyard in Eastern Washington in 1972. Cold Creek Vineyard remains one of the oldest and most renowned vineyards in the state.

In 1976 Ste. Michelle Vintners built a French style Chateau in Woodinville,

outside of Seattle, Chateau Ste. Michelle.

The winery was built on the 1912 estate owned by Seattle lumber baron Frederick Stimson. The original Stimson family residence still stands on the winery grounds today and is on the National Register of Historical Places.

Surrounding Ste. Michelle there are now over 40 wineries in Woodinville's "Wine Country," which fully support the addition of a GNP excursion train. In addition, three regional breweries and several local distillers are also within walking distance of the railway.

7.1.3 Enhanced international competitiveness of US companies

Yes if environmentally advanced locomotive and car equipment are developed for the US market, such as new diesel multiple units (DMS's).

7.1.4 Preserve or enhance rail service to small communities or rural areas

GNP's operations will preserve the rail service in the rural communities of Snohomish, Bromart, Cathcart, Maltby and Woodinville.

GNP's passenger services are an enhancement of freight service. No weekday or weekend excursion services presently exist on the line although a successful dinner train operated on the line up to 2005 before a portion of the track was removed from service south of I-90.

7.1.5 Increased rail traffic

Boise Cascade, presently the largest shipper on the line advised GNP in private consultations with GNP that its on-line traffic could reasonably expect to double with reasonable service. Present service restrictions and unpredictability have limited carload

demand.

Current Boise Cascade car counts are [REDACTED] cars per year.

GNP has identified several additional lumberyards, building materials suppliers and other potential shippers along the corridor.

7.1.6 Reduce operating costs

Absent construction of shops, cars and equipment will have to be serviced by outside service providers or shipped "off line" for periodic inspections which produce increased cost and service delays. No shop facilities exist to support maintenance of way and signals, which can add additional costs for remote service locations.

The FRA's regional inspectors in Olympia, WA. have requested that GNP provide for an inspection location which will permit under car and under locomotive inspection. Overall, GNP's plan will provide for lower operating costs than the current situation.

7.1.7 Permit use of higher load rail cars

Not possible unless subdivision rehabilitated.

7.1.8 Description of affected facilities or equipment

GNP will be acquiring an existing rail operation and the proposed works specified do not impact upon and adjacent lands or other properties in any significant manner. No new non-railway lands are being acquired except existing buildings that may be used for administration or offices.

For reference, please see Attachment 20, GNP's categorical exclusion worksheet.

GNP's equipment for on-line service is anticipated to be modernized and rehabilitated existing stock.

7.2 GNP Policy

GNP believes that a competitive, economic and efficient rail transportation system that meets the highest practicable safety and security standards, contributes to a sustainable environment and makes the best use of the Woodinville Subdivision at the lowest total cost is essential to serve the needs of its users, advance the well-being of the communities enjoying the use of the railway and enable competitiveness and economic growth in both urban and rural areas.

Those objectives are most likely to be achieved when

- (a) Competition and market forces, both within and among the various modes of transportation, are the prime agents in providing viable and effective transportation services;
- (b) Regulation and strategic public intervention are used to achieve economic, safety, security, environmental or social outcomes that cannot be achieved satisfactorily by competition and market forces and do not unduly favor, or reduce the inherent advantages of, any particular mode of transportation;
- (c) Rates and conditions do not constitute an undue obstacle to the movement of traffic within the US or to the export of goods from the US;
- (d) The transportation system is accessible without undue obstacle to the mobility of persons, including persons with disabilities; and
- (e) Governments and the private sector work together for an integrated transportation system.

7.3 History of Acquisition

Because of the corridor's declining economic return, BNSF actively sought to abandon the subdivision since the early 2000's.

The Port of Seattle determined that the acquisition of the subdivision by a public agency was in the best public interest. GNP agrees with and supports that decision.

In May of 2008, BNSF agreed to sell the subdivision to the Port of Seattle.

The transaction closed on 17 December 2009.

7.4 Selection of Operator

In August 2008, a public competition was held by BNSF on behalf of the Port of Seattle to select a Third Party Operator for the subdivision.

GNP applied to the Surface Transportation Board who issued GNP's modified certificate of public convenience and necessity on 13 August 2008 and was selected as the successful Third Party Operator. GNP is to be responsible for railway operations and maintenance of the subdivision and will provide or host:

- Rail freight services
- Excursion train services
- Commuter passenger rail services
- Rail serviced industrial sites
- Intermodal transfer stations
- A hiking and biking trail
- Transit oriented development

STB filings respecting the acquisition were subsequently filed on 30 January 2009.

7.5 GNP Obligations

GNP is responsible for freight operation and maintenance on the line commencing 17 December 2009. Freight service commenced on 11 January 2010.

Passenger excursion services are anticipated to follow within 6 months (June 2010).

7.6 Need for new facilities

To provide for present and future use of the line, the subdivision requires some rehabilitation, construction of new works and proper equipping for anticipated service demand.

This RRIF Application provides for those needs in a carefully staged and controlled manner.

The Woodinville subdivision, when operated by BNSF was a branch line operated by pool crews from Everett, WA. There are no on-line shops, stations or locomotive power capable of supporting a basic railway operation.

GNP acquired BNSF's exclusive freight easement. Funds from this loan will purchase the maintenance and operating agreement from the Port of Seattle, motive power and rolling stock, and construct shops, station platforms, offices and other startup expenses to support GNP's business plan.

7.7 Station and Shop Design

GNP's standard station design is pragmatic and simple. The design enables quick throughput of embarking and disembarking passengers from easy to use transportation connections. The design is based upon the successful platform shelter designs used in commuter services by other regional service providers in the US and Canada.

PICTURE REMOVED FOR FILE SIZE CONSIDERATIONS

Snohomish Station and Offices

GNP's terminal location for offices and station facilities in Snohomish are illustrated below:

PICTURE REMOVED FOR FILE SIZE CONSIDERATIONS

Proposed Snohomish station and office centre, look south.

Shop Site:

(Shop drawings are attached in a separate appendix with maps.)

PICTURE REMOVED FOR FILE SIZE CONSIDERATIONS

Proposed site: look south from S. End of location towards wye

PICTURE REMOVED FOR FILE SIZE CONSIDERATIONS

Proposed site: look north from S. End of location towards
runaround

**8. DESCRIPTION OF AFFECTED
FACILITIES AND EQUIPMENT**

[230.23(e)(2)]

8.1 Description of Affected Parties and Facilities.

GNP's proposed works do not affect adjacent lands or facilities.

No new lands are to be acquired and no disturbances will be made to any surface geography.

All proposed works are within FRA Categorical exclusions for facilities and works.

All GNP facilities and structures are planned to rest on present undisturbed ballasted surface without significant foundation works.

Station designs are modular and are designed for ease of construction and ease of expansion.

Shop facilities are of modular construction.

No lands or properties other than that presently held by the railway is to be acquired or used other than possibly for business offices and administration work, where GNP may lease or acquire existing space.

**9. PROJECT COMPONENTS
AND SCHEDULE FOR COMPLETION**

[230.23(e)(3)]

The project is not subdivided into components.

The project will commence on:

1 April 2010.

and end on:

31 December 2010.

10. PROJECT TIMING

[260.23(e)(4)]

Project Planned Commencement date: 1 April 2010

Project Planned Completion date; 31 December 2010

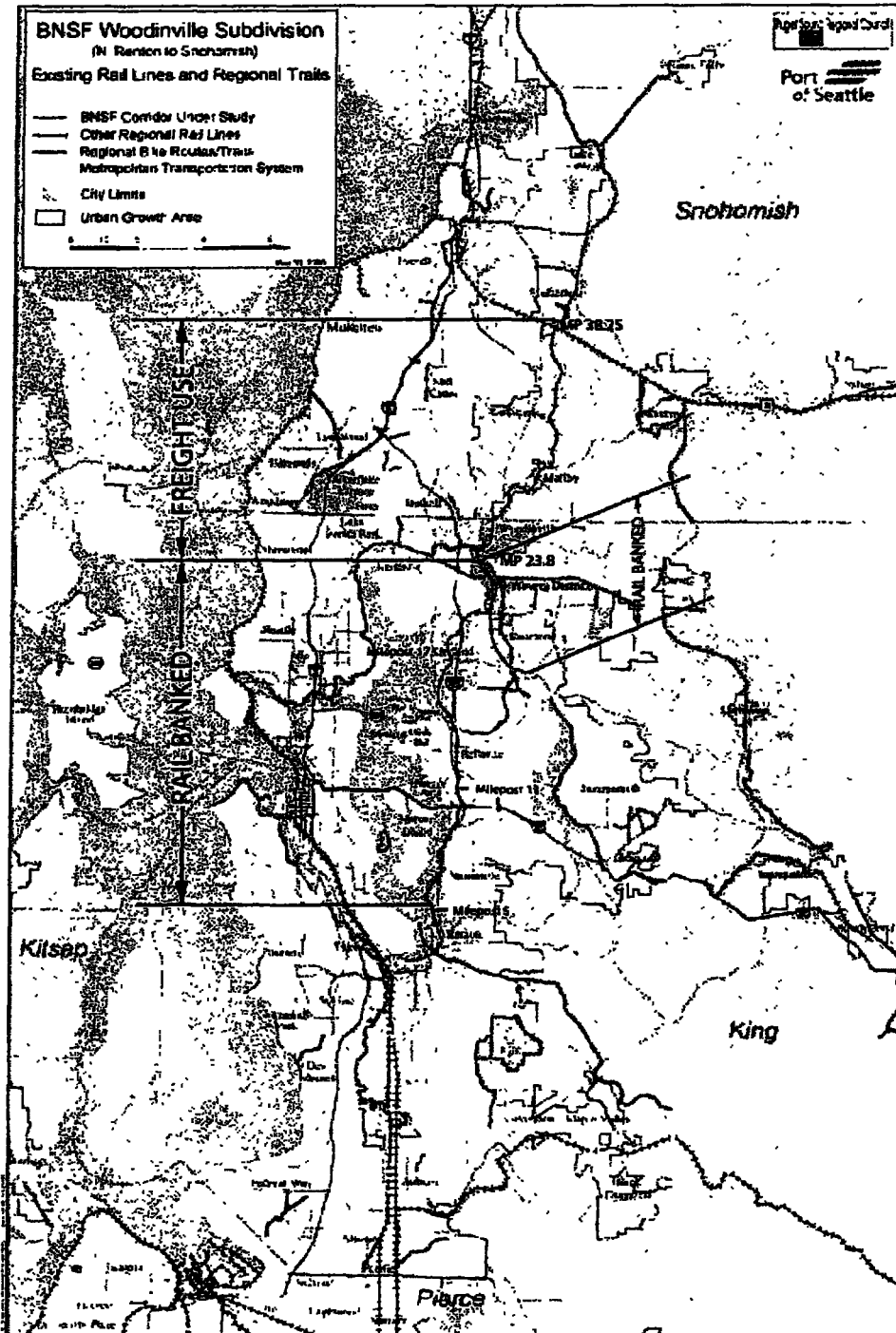
Expenditure schedule:

Project Component	Expenditure Amount	Begin/End dates
	\$	
Line or company acquisition	[REDACTED]	ALL COMMENCE 4/1/2010
Line rehabilitation or upgrade	[REDACTED]	
Bridge rehabilitation or upgrade	[REDACTED]	
Rail Equipment acquisition	[REDACTED]	
Locomotive	[REDACTED]	
Railcars	[REDACTED]	
Other- MOW-Hyrail	[REDACTED]	
Equipment rehabilitation	[REDACTED]	
Other facility acquisition or upgrade		
MOE shop	[REDACTED]	
Storage	[REDACTED]	
Office	[REDACTED]	
Other - Platform & stations	[REDACTED]	
Refinancing	[REDACTED]	ALL COMPLETE
Other	[REDACTED]	
Business assets	[REDACTED]	
		12/31/2010
TOTAL	[REDACTED]	

11. RAILROAD AND PROJECT MAP

[230.23(e)(5)]

The project would encompass all segments of the railway between Milepost 23.8 (Woodinville) and 38.25 (Snohomish) and the Redmond Spur.



12. COLLATERAL DESCRIPTION

[260.23(f)]

Note: It is contemplated that security for the funds will be a general debt instrument rather than specific security. The primary asset is the permanent freight franchise easement, which the Port of Seattle paid \$81M for the land and GNP controls. The requisite \$10M bridge loan will utilize fixed assets purchased with these funds as collateral and provide for a faster operational start. As such the bridge loan will be in first position, ahead of the FRA until reimbursed via the RRIF loan.

The going concern value of the business, post year two, is: \$ 0 (nil)

Collateral Description	Net Liquidation Value	Basis of Valuation
	\$	
Line or company acquisition		
Line rehabilitation or upgrade		
Bridge rehabilitation or upgrade		
Rail Equipment acquisition		
Locomotive		
Railcars		
Other- MOW-Hyrail		
Equipment rehabilitation		
Other facility acquisition or upgrade		
MOE shop		
Storage		
Office		
Other - Platform & stations		
Refinancing		
Other		
Business assets		
TOTAL		

- A. Independent appraisal
- B. Applicant's estimate
- C. Current replacement cost
- D. Other (Describe here)

**13. FINANCIAL CLAIMS INVOLVING
THE U.S. GOVERNMENT**

[260.23(g)(1)]

NII

**14. DEBITS AND CREDITS WITH THE
U.S. GOVERNMENT**

[260.23(g)(2)]

NIL

[260.23(h)(1)]

GNP's officers created the award winning passenger service design for the publicly acclaimed steam tour service, which operated in Tacoma Washington in 2006. GNP's service shall use the same standards of practice and general equipment as was so successfully used in Tacoma.



A passenger survey was professionally designed and conducted by Joseph V. Peterson. Patrons of the Tacoma based steam tours were interviewed with excellent overall results for both on board service and service design.

A condensed summary of the survey results follows; a full copy of the survey is available to upon request.

The following is based on 153 questionnaires filled out by ticketed passengers over a four-week (8 runs) period. Not all ticketed passengers filled out surveys and not all surveys were useable. This is more than adequate number for drawing some reliable data about the operation.

The following results are based on questions requiring a rating on a scale of one to ten, with ten being the highest rating and one the lowest. These are listed according to the most favorable to the least.

- | | | |
|-----|--|-----|
| 1. | Highest rating was for "onboard service and staff" | 9.5 |
| 2. | Run-by of 2100 at Fredrickson | 9.5 |
| 3. | Talk about 2100 by the engineer (Tom Payne) | 9.0 |
| 4. | Refreshments onboard (they were free) | 9.0 |
| 5. | BBQ lunch at Fredrickson (included in the ticket) | 8.8 |
| 6. | Place of Departure (Freight House Square) | 8.6 |
| 7. | Modern bi-level air conditioned passenger cars | 8.6 |
| 8. | Cost of the ticket | 8.4 |
| 9. | Trains arrival | 8.2 |
| 10. | Point of destination | 7.4 |
| 11. | Scenery on trip got the lowest rating at a | 7.2 |

Over all rating for the first season was 8.6

"As a professional researcher, I'd have to say that's great!" said Peterson. None of the categories got lower than a 7.2, which is still 'good'.

Please note that onboard staff got the highest rating!

Other questions were asked about prior train riding experience. The majority of ticketed passengers had little previous train riding experience and for some it was their first time ever. For the few rail riding 'pros', those who have ridden numerous 'tourist railroads', they still rated experience as very good or better.

By and large, it was a unique experience for the ticket holders! They were often surprised by how much they enjoyed it and were very pleased!

Pleasing the customers is what it's all about.

Of course, we asked the big question "would you do it again" and "would you encourage others to do it" and we got a resounding YES by better than 90% of the ridership.

Respectfully submitted,

Joe V. Peterson, M.A., Military College Programs, Ft. Lewis and
McChord AFB

Associate Director of Marketing and Research, GPRR.

Changes and Improvements to Excursion Service

Having a higher quality destination, incredible scenery and a nationally acclaimed group of wineries will materially improve passenger experience. GNP has already hired a marketing firm to 'partner' with the City of Snohomish, the Woodinville Wine Country Association, and the Redmond Chamber of Commerce to define and promote a single "experience." The point of origin, hopefully the City of Redmond, is about 12 miles from the Port of Seattle cruise ships, which vastly expands the potential market opportunity with over 800,000 passengers every year departing to Alaska.

15.2 The Ad Hoc BNSF Eastside Commuter Rail Feasibility Study summary results.

This recently concluded study reaches the following conclusions:

"Operating passenger /commuter rail on the corridor is feasible but significant capital improvements are needed to achieve higher speeds and improve the safety of the track, structures, and roadway crossings."

"The corridor has the potential for significant ridership connecting the regional growth centers of Renton, Bellevue, Kirkland, Totem Lake and Redmond, with as many as 6000 trips per day"

"The capital cost estimate for passenger rail is within the range for other lines in the US, However costs are at the high end of that range because of the condition of the corridor and its lack of safety and communication systems."

"The capital cost of passenger rail on the entire corridor is estimated at between \$1.0 and 1.3 billion."

"It is possible that passenger rail could be implemented in a different manner with a possible lower cost, but the costs in this report were estimated using methods developed by Sound Transit for its Sound Transit 2 Plan and approved by an independent review panel"

A copy of the reports summary findings and jurisdictional support letters are attached.

Of particular note are the jurisdictional letters received from the County of Snohomish and the municipalities on the segment of lines operated by GNP.

The County of Snohomish, which has an operating agreement with GNP respecting a portion of its railway rights of way in the County

strongly supports GNP. In company with other cities along the line, (See jurisdictional letters, attached) support the preservation and rehabilitation of the line for freight and passenger use.

The simple fact is that GNP is the railway company, which has purchased the BNSF's rights and is responsible for the operation and maintenance of the line.

The preservation of the line for future uses is academic if the line is not equipped and maintained in a safe condition for service for both the present and the future users of the line.

Our present RRIF application is directed to fulfilling this basic responsibility.

15.3 Public Agency Support.

See attached letter(s).

16a TRAFFIC

260.23(h)(2)

GNP is a skilled provider of rail services. GNP's expertise in designing, developing, implementing and operating rail services encompassing commuter, freight and tourist oriented services *on time and on budget*. The management of GNP has over three decades of railway creation, operation and management experience.

GNP's management has designed and implemented award winning, popularly received and well patronized tourist and excursion train services in both Canada and the United States and shall operate GNP's excursion services on the corridor.

Ballard Shortlines is an award winning, local, highly regarded and skilled shortline railway operator in the Seattle/Tacoma area. Ballard Shortlines has a proven record in safety and in attracting new business to its lines of railway in Seattle and the Puyallup valley and has detailed experience with respect to the marketing opportunities on the Eastside.

Historically, freight traffic has grown by [REDACTED] in the year following assumption of service on lines of railway conveyed by existing main track operators to regional railway service providers.

16.a.1 Freight Traffic

GNP, pursuant to its contracts with the Port of Seattle has appointed Ballard Shortlines as its agent to provide freight services on the line. Freight traffic on the line has been declining as a result of "demarketing" by BNSF. Boise Cascade, the principal shipper on the line advised that with reasonable service traffic on the line could [REDACTED].

Current freight carload traffic is low. Car counts are currently below [REDACTED] per annum.

Historically, freight traffic has grown by [REDACTED] in the year following assumption of service on lines of railway conveyed by existing main track operators to regional railway service providers.

16.a.2 Passenger Traffic

A highly successful passenger excursion dinner train operated on the south end of the Woodinville, from Renton to Woodinville until 2006. That service was forced to move when the Wilburton Tunnel was removed to widen I-405 south of Bellevue.

GNP has planned to recreate excursion train densities on the north end of the line with weekend excursion trains between Woodinville and Snohomish and day trip excursion service between the same cities. The City of Redmond to the south of Woodinville, has expressed interest in the excursion trains originating at Redmond Town Center the summer of 2010. It is contemplated that passenger excursion service will be extended to Bellevue within a year.

There is a great deal of public interest in the establishment of passenger rail service between Snohomish and Redmond, and the question of that type of service on the line has, in the last two years, been the focus of numerous studies and proposals. All communities along the line support the establishment of such a service, however, the question is when it should be done. The communities on the north end of the line favor earlier implementation, the communities on the southern end, later implementation.

The Woodinville Subdivision is the most strategically located interurban railway west of the Mississippi. The subdivision is located across from Seattle on the east shores of Lake Washington

stretching from the Black River Junction near Boeing (Renton) through Bellevue/Redmond (near Microsoft, Expedia, et. al.) to Snohomish.

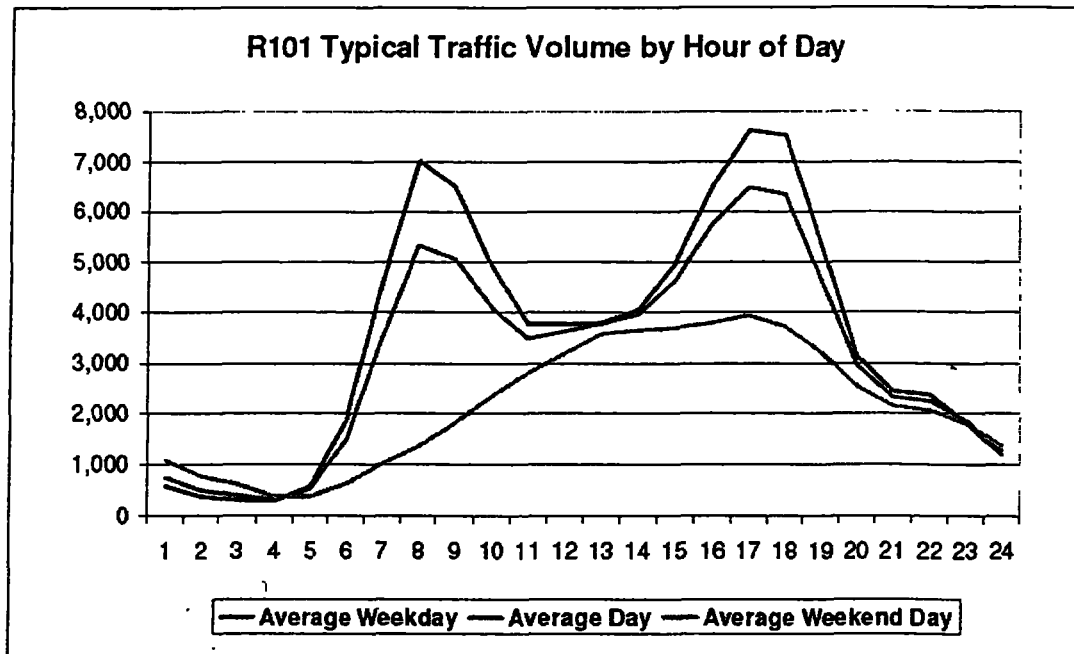
It connects the fastest growing economic areas of the western US and has high potential for rapid growth of freight, excursion services and interurban trains.

The subdivision connects the major high-density residential communities of Snohomish, Woodinville, Redmond, Kirkland, Bellevue and Renton all located on the eastside of Lake Washington. In 2008, over 18,000 new jobs were added in the Bellevue/Redmond corridor alone, creating a congestion crisis for auto commuters.

Attached for reference is a summary of the Burlington Northern Santa Fe (BNSF) Eastside Corridor Commuter Rail Feasibility Study released on 10 February 2009 by the Puget Sound regional council and Sound Transit. The Puget Sound Regional Council recently added this corridor in their long-range plans.

Traffic counts, which would support eventual commuter use of the subdivision, are indisputable. Commuter times from Snohomish to Bellevue in the morning and evening can exceed 2 hours at present. GNP is satisfied that an economic service may be established. Puget Sound Regional Council and Sound Transit recently completed a study that concluded that commuter use of the corridor was feasible. The PSRC Sound Transit study confirms GNP's ridership analysis.

The graph, below, illustrates the traffic volumes along the corridor between Snohomish and Woodinville operated by GNP.



16.a.3 Demand Pull Service for Freight

The August 2008 shipper/ bidder conference in Everett confirmed the necessity of:

- a minimum of 3 day per week service
- provided upon a consistent schedule, and
- freight service without conflict from other non-freight operations.

GNP undertakes to provide "Demand Pull" service with the above characteristics as a minimum level of service.

Freight service has been established. A seamless transition from BNSF to GNP service has been implemented.

16.a.4 Summary

GNP has satisfied itself that:

1. Freight traffic may be increased by ■■■ per annum for the next two years after inception of operations by better service to online shippers.
2. Freight volumes, through an intermodal yard and rail based industrial development in Maltby can make the line profitable for freight traffic. There simply is no more reasonably priced, rail served industrial land in the greater Seattle area.
3. A ready market exists for passenger excursion services, both weekend and day service.
4. Should some form of enhanced interurban passenger service be established between Snohomish and Redmond, GNP is satisfied that ridership could reach ■■■ riders per day by 2012 and ■■■ within 10 years throughout the corridor.

6.a.5 Traffic tables

Historic Traffic Table 2005-2008

Commodity	Year 2009	2008	2007	2006	2005
FREIGHT					
Originated					
Terminated		365	425	480	n/a
Overhead					
Local					
PASSENGER					
Originated					
Terminated					
Overhead					
Local					85,000*
weekday					
weekend					

* Spirit of Washington Dinner Train loadings.

16 b TRAFFIC IMPACT

16.b.1 Available Traffic

Current freight shippers on line have advised that traffic levels could double given demand service switching.

Freight Commodities terminated on line consist of building products, general hardware, and silica sand for glass.

GNP weekend excursions are expected to carry [REDACTED] riders per annum.

Should some form of enhanced passenger service be established between Snohomish and Bellevue, GNP is satisfied that ridership could reach [REDACTED] riders per day by 2012 and [REDACTED] within 10 years throughout the corridor.

16.b.2 Summary

GNP has satisfied itself that:

1. Freight traffic may be increased by [REDACTED] per annum for the next two years after inception of operations by better service to online shippers.
2. Freight volumes, through an intermodal yard and rail based industrial development in Maltby can make the line profitable for freight traffic. There simply is no more reasonably priced, rail served industrial land in the greater Seattle area.
3. A ready market exists for passenger excursion services, both weekend and day service.
4. Should some form of enhanced passenger service be established between Snohomish and Redmond, GNP is satisfied that ridership could reach [REDACTED] riders per day by 2012.

Projected Traffic Table 2009 to end 2012

Commodity	Year 2009	2010	2011	2012
FREIGHT				
Originated				
Terminated	■ ■	■	■	■
Overhead				
Local				
PASSENGER				
Originated				
Terminated				
Overhead				
Local				
weekday	/day	■	■	■
weekend	/year	■	■	■

* Initial partial year of GNP excursion operations

17. COST SAVINGS AND OTHER BENEFITS [260.23(h)(4)]

17.1 Cost Savings

The lack of on line shop and station facilities would certainly mean much higher operating and employee costs for the railway.

a. Motive power and rolling stock additional costs

Locomotives and cars left on line unattended or unprotected by a shop compound would be subject to additional costs related to:

- **Vandalism**

Locomotives and passenger cars left standing unattended both in yards and on line are subject to "tagging", glass breaking, cab instrument and control damage.

- **Theft**

Locomotives and passenger cars left standing unattended both in yards and on line have been stripped of copper wiring and components.

- **Servicing**

The FRA regional chief inspector, in preparation for an "in service" briefing for the operation has asked whether or not a servicing facility and pit would be available on line for periodic inspections of equipment.

Lack of an on line pit for the inspection of wheel, axle, bearing, truck and traction motor components for locomotives and passenger cars would prevent GNP from conducting operations and inspections in accordance with the act.

Locomotives and cars would then have to be sent off line for periodic inspections to Global Locomotive at Tenino; with

attendant interline switching costs and charges and loss of service.

- **Revenue and service loss**

"Off line" turnaround times for off line inspection would exceed three weeks per piece of equipment.

Effectively, service would end for three weeks.

- **Additional equipment costs**

To permit this "cycling" of equipment, three times the estimated amount of equipment would be needed to protect service; i.e. one on line, one spare set, and one "offline for service" with its attendant costs.

GNP would experience revenue loss and loss of confidence in its service levels by its customers and the communities it serves.

b. Reduced weather risks

The weather in the Northwest is characterized by long, rainy, windy winters with periodic episodes of below freezing temperatures and snow.

Cars and locomotive will need protection from these predictable annual risks.

Absent shop facilities this protection is extremely expensive.

c. Crew commuting costs

Daily one way commuting times in the Woodinville/ Snohomish area from greater Seattle can be in excess of 2 hours each way.

Absent local station facilities hours of service rules would dictate the hiring of additional crews to meet service requirements.

d. Administration

Remote administration offices would be of much higher cost and would be inefficient both for customer service, operating and engineering functions.

17.2 Other Benefits

a. Employment

The commencement of operations by GNP on the line will create ■ new, permanent railway careers with an initial local annual payroll of ■.

Suppliers, construction workers and local enterprises will all be positively impacted, securing existing jobs and adding others to meet the service demands generated by the railway.

b. Reduced automotive traffic.

Weekday services for day excursion passengers would significantly reduce traffic on Highway 9, I-405 and other local feeders.

c. Local expenditure by excursion patrons

Excursion trains promote substantial local expenditures.

The average per person expenditure for meals, and local purchases historically averages ■ per person an economic boost of ■ for the communities that host excursion visitors.

A reasonable economic multiplier for that expenditure is [REDACTED], yielding an economic benefit to the communities of [REDACTED].

(On a comparable tour train as GNP's, an ice cream vendor at the destination station sold, typically, 3000 gallons of ice cream per weekend, based on a passenger count of 700.)

d. Local railway supply purchases

GNP will be purchasing fuel, lubricants and materials from local suppliers. By 2011, those annual local goods and services expenditures are estimated to be [REDACTED] per annum.

18. SAFETY IMPROVEMENTS

[260.23(i)]

18.1 Safety of Employees.

GNP has a well-tested and developed set of Special Instructions, and established practices with a written set of training standards.

Operating employees shall be qualified to GCOR and other industrial codes and standards appropriate to the employee's scope of duties.

GNP's officers have an unparalleled safety record. From 1986 to 1996, under GNP's present management, Canada's third largest railway experienced only one lost time accident.

GNP shall develop with Washington State employee compensation officials a program to retrain persons previously injured on the job for reemployment on the railway. This was effectively implemented on CWR in Canada and returned substantial numbers of persons to the workforce.

18.2 Safety of Passengers

Tourist, scenic, historic, or excursion operations, whether on or off the general railroad system of transportation are excluded from the provisions 49 CFR Ch. II, Part 238 Passenger Equipment Safety Standards.

GNP's passenger excursion equipment will be safe, modern and clean.

It is to be noted that no platforms to support passenger operations exist on the line. Passenger platforms of adequate design will be provided for the accommodation of passengers.

18.3 Safety of Facilities

No on-line facilities presently exist to provide adequate or safe facilities to support: normal railway servicing functions or accommodate of passengers.

The current lack of adequate service facilities with heat, hygienic, sanitary and safe support facilities compromise safety. Prevailing Weather conditions in the northwest promote hypothermia.

Shop drawings are attached in separate file.

Motive Power and Rolling Stock:

On line motive power and rolling stock must have a maintenance facility capable of supporting the required daily and periodic maintenance of the equipment.

It is unconscionable and unsafe to expect that mechanical staff would conduct daily and periodic under locomotive and car servicing by lying under equipment between the rails. Above deck inspections and engine servicing outdoors in the rainy climate is unsafe.

GNP's proposed shop facility will provide a base for motive power and rolling stock staff to have safe storage of their personal work related goods together with requisite and necessary hygienic and sanitary facilities.

Maintenance of Way and Signals Maintenance:

Current maintenance of way staff operates from a 1910's, section shed with few improvements and no capability for storage of requisite or necessary equipment to service the line.

There are no provisions for signal maintenance staff.

BNSF has experienced theft of vehicles and maintenance supplies from this location, GNP's freight service agent installed temporary fencing to secure the freight locomotive.

GNP's proposed shop facility will provide a base for maintenance of way and signal staff to have safe storage of their personal work related goods together with requisite and necessary hygienic and sanitary facilities.

18.4 FRA Violations

Nil.

**19. DESCRIPTION OF APPLICANT'S
MAINTENANCE PROGRAM**

[230.23(j)]

19.1 Current Maintenance.

GNP maintains the line from a former BNSF section shed facility located in Woodinville. A temporary engine servicing area has been fenced off for the protection of rolling stock equipment. GNP has acquired hyrail equipment for FRA mandated inspections of the line. Current inspection data shows that the line is in Class 2 condition.

19.2 GNP's Maintenance Program.

All maintenance of way and motive power and rolling stock functions will ultimately be supported from a modern maintenance facility to be constructed in Woodinville.

A two-track building will be constructed over two existing tracks to provide for GNP to service and repair motive to meet periodic inspection standards and provide for requisite or necessary repair.

Maintenance of way crews will be equipped with hyrail trucks equipped with adequate or necessary tools and equipment.

The initial complement of full time staff working from the facility will be composed of:

19.3 Track Maintenance.

GNP track maintenance standards shall be governed by generally accepted railway standard practices, FRA regulation and AREMA engineering standards and practices.

- a. Track maintenance expenditures in 2010 are estimated to be [REDACTED] per mile.

A walking inspection of the line in both directions has been conducted to identify conditions to be remedied.

- c. Subsequent to that walking inspection (February 2010), a program will be developed commencing, which will focus on:

- Joint maintenance,
- High spikes
- Defective tie clusters.
- Other

- D Periodic inspection of the line will be conducted prior per FRA regulation.

19.4 Motive Power and Rolling Stock Maintenance

GNP has reserved AAR reporting marks for its equipment and shall be applying for shop marks to permit GNP to perform periodic repairs.

FRA periodic inspections and car repair are to be conducted at the Woodinville shop that will be AAR inspected and certified.

The shop will be equipped to handle light to medium repairs.

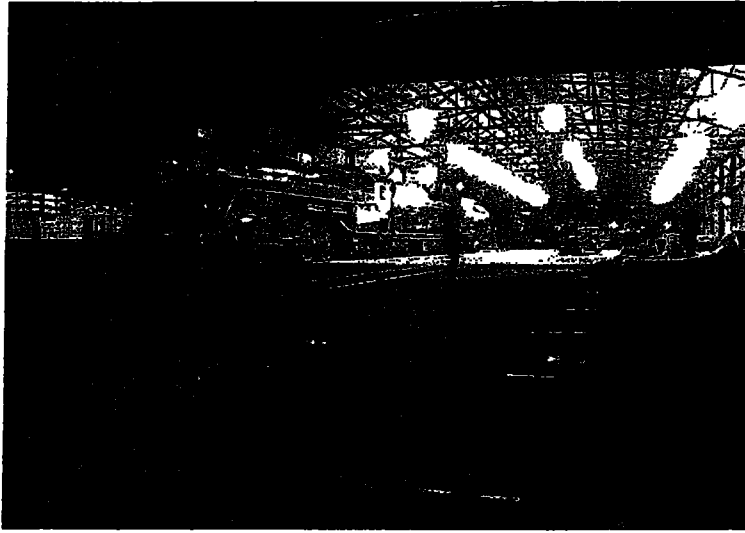
Initial locomotive and car equipment will be supplied by GNP will consist of the following equipment:

- a. **Diesel**

Class: EMD GP9 Locomotives, alignment controlled, or equal

- b. **Steam Locomotive**

Ex Reading 2100, Class T-1, 4-8-4, currently stored serviceable and may be added for special excursion service in the future.



2100 in BNSF shop, trip preparation, 2007.

c. Passenger Coaches

Class: Bi-Level coaches

Quantity: 6

Characteristics:

Seating 155 per car

Federal Railroad Administration (FRA) CATEGORICAL EXCLUSION WORKSHEET

Note: The purpose of this worksheet is to assist proposal sponsors in gathering and organizing materials for environmental analysis required under the National Environmental Policy Act (NEPA), particularly for proposals, which may qualify as Categorical Exclusions and to assist the FRA in evaluating requests from project sponsors for categorical exclusion determinations. Categorical Exclusions are categories of actions (i.e. types of projects) that the FRA has determined, based on its experience, typically do not individually or cumulatively have a significant effect on the human environment and which generally do not require the preparation of either an environmental impact statement or an environmental assessment.

Submission of the worksheet by itself does not meet NEPA requirements. FRA must concur in writing with the proposal sponsor's Categorical Exclusion recommendation for NEPA requirements to be met. Please complete this worksheet using compatible word processing software and submit and transmit the completed form in electronic format.

For Agency Use	Date Received:
Reviewed By: Date:	Recommendation for action: ☐ Accept ☐ Return for Revisions ☐ Not Eligible
Comments:	
Concurrence by Counsel: ☐ Accept Recommendation ☐ Return with Comments	Reviewed By: Date:
Comments:	
Concurrence by Approving Official:	Date:

I. PROPOSAL DESCRIPTION

Proposal Sponsor GNP Rly Inc.	Date Submitted	FRA Identification Number (if any)
Proposal Title Woodinville Subdivision and Redmond Spur Purchase, Equipping and Facilities Construction Project.		
Location (Include Street Address, City or Township, County, and State) Snohomish County, Washington		
Contact Person Thomas Payne	Phone 253-459-9702	E-mail Address tompayne@telus.net
Note: Fully describe the proposal including specifics that may be of environmental concern such as: widening an embankment to stabilize roadbed, repairing or replacing bridge piers foundations, including adding rip-rap in a waterway; earthwork and altering natural (existing) drainage patterns and creating new water discharge; contaminated water needing treatment; building a new or adding on to a shop building; fueling or collection of fuel or oil and contaminated water; building or extending a siding; and building or adding on to a yard.		

Description of Proposal

GNP Rly Inc. ("GNP") has completed negotiations for an agreement with BNSF Railway Company ("BNSF") for GNP to purchase and operate certain railroad rights currently owned and operated by BNSF Railway Company. GNP has negotiated two agreements with BNSF, one for the purchase of BNSF's retained exclusive freight rail operating easement and a second for interchange with BNSF.

GNP has negotiated with the Port of Seattle to be the third party operator for freight and passenger excursion rail services on the subdivision for a period of 20 years. Two agreements have been negotiated, one for the provision of operations and maintenance for the line north of Woodinville and one for operations and maintenance south of Woodinville.

GNP will purchase the exclusive and permanent rail freight operating easement retained by BNSF on a line commonly known as Woodinville Subdivision and extending between approximately milepost 23.8 in Woodinville and approximately milepost 38.25 in Snohomish, a distance of 14.45 miles in King and Snohomish Counties, WA ("the Line"). Both agreements with BNSF shall be signed upon the closing of the purchase of the railroad right-of-way by the Port of Seattle.

GNP plans to commence operations on or about April 1, 2009.

In the course of our period of due diligence for the project, GNP learned:

- (a) The line of railway has been operated by BNSF as a branch line for decades, and been considered a candidate for abandonment since the 1980's.
- (b) Scheduled maintenance has been reduced to "as necessary" levels only for over a decade.
- (c) Steel, in BNSF's opinion, while in partly worn, good to fair condition on the main track and principal sidings, may be reaching the end of its fatigue life.
- (d) There are no suitable facilities for on-line maintenance of motive power and rolling stock or maintenance of way and signals.
- (e) There are no platforms adequate for the safe accommodation of passenger excursion services.

Purpose and Need of Proposal

The subject line of railway was constructed circa 1880-1910, and is in need of:

1. Assistance for acquisition of the railway;
2. Construction of interchange tracks;
3. Construction of shop facilities to protect locomotives from freezing conditions and provide a centre for maintenance of way and signal maintenance requirements.
4. Construction/ purchase of stations and platforms for the accommodation of passengers.

II. NEPA CLASS OF ACTION

Answer the following questions to determine the proposal's potential class of action.

A. Will the proposal substantially impact the natural, social and / or human environment?

☐ YES (Contact FRA) ☒ NO (Continue)

Actions that will significantly impact the environment require preparation of an Environmental Impact Statement. These proposals typically include construction or extension of rail lines or rail facilities including passenger, high speed, or freight rail activities.

B. Is the significance of the proposal's social, economic or environmental impacts unknown?

☐ YES (Contact FRA)☒ NO (Continue)

- C. Does Section 4(f) of the Department of Transportation Act apply? (i.e. proposal requires the use of publicly owned land of a public park, recreation area, or wildlife and waterfowl refuge of national, State, or local significance, or land of an historic site of national, State, or local significance, as determined by the Federal, State, or local officials having jurisdiction over the park, area, refuge, or site)

☐ YES (Contact FRA)☒ NO (Continue)

- D. Is the proposal likely to require detailed evaluation of more than a few potential impacts?

☐ YES (Contact FRA)☒ NO (Continue)

- E. Is the proposal likely to generate intense public discussion or concern, even though it may be limited to a relatively small subset of the community?

☐ YES (Contact FRA)☒ NO (Continue)

- F. Is the proposal inconsistent with any Federal, State, or local law, regulation, ordinance, or Judicial or administrative determination relating to environmental protection?

☐ YES (Contact FRA)☒ NO (Continue)

- G. Is the proposal an integral part of a program of current Federally supported actions which, when considered separately, would not be classified as major actions, but when considered together may result in substantial impacts?

☐ YES (Contact FRA)☒ NO (Continue)

If the answer to any of the questions B through G is "YES", contact the FRA to determine whether the proposal requires preparation of an Environmental Assessment.

- H. Is the proposal consistent with one of the following potential Categorical Exclusions?

FRA Procedures for Considering Environmental Impacts, 64 FR 28545 (May 26, 1999)

☒ YES (Mark category and continue as indicated)☐ NO (Contact FRA)

- ☐ Financial assistance or procurements solely for planning or design activities that do not commit the FRA or its applicants to a particular course of action affecting the environment. (*stop and submit to FRA*)
- ☐ State rail assistance grants for acquisition. (*Continue to Part III*)
- ☐ Operating assistance to a railroad to continue existing service or to increase service to meet demand, where the assistance will not result in a change in the effect on the environment. (*stop and submit to FRA*)
- ☒ Acquisition of existing railroad equipment, track and bridge structures, electrification, communication, signaling or security facilities, stations, maintenance of way and maintenance of equipment bases, and other existing railroad facilities or the right to use such facilities, for the purpose of conducting operations of a nature and at a level of use similar to those presently or previously existing on the subject properties. (*Complete Part III, Sections H, I, U, & V and submit to FRA*)
- ☐ Research, development and/or demonstration of advances in signal, communication and/or train control systems on existing rail lines provided that such research, development and/or demonstrations do not require the acquisition of substantial amounts of right-of-way, and do not substantially alter the traffic density [or operational] characteristics of the existing rail line. (*Continue to Part III*)
- ☒ Temporary replacement of an essential rail facility if repairs are commenced immediately after the occurrence of a natural disaster or catastrophic failure. (*Continue to Part III*)
- ☐ Changes in plans for a proposal for which an environmental document has been prepared, where the changes would not alter the environmental impacts of the action. (*Continue to Part III describing the full consequences of the changes only*)
- ☒ Maintenance of: existing railroad equipment; track and bridge structures; electrification, communication, signaling, or security facilities; stations; maintenance-of-way and maintenance-of-equipment bases; and other existing railroad-related facilities. ("Maintenance" means work, normally provided on a periodic basis,

which does not change the existing character of the facility, and may include work characterized by other terms under specific FRA programs) *(Continue to Part III)*

- ☒ Financial assistance for the construction of minor loading and unloading facilities, provided that proposals are consistent with local zoning, do not involve the acquisition of a significant amount of land, and do not significantly alter the traffic density characteristics of existing rail or highway facilities. *(Continue to Part III)*
- ☒ Minor rail line additions including construction of side tracks, passing tracks, crossovers, short connections between existing rail lines, and new tracks within existing rail yards, provided that such additions are consistent with existing zoning, do not involve acquisition of a significant amount of right of way, and do not substantially alter the traffic density characteristics of the existing rail lines or rail facilities. *(Continue to Part III)*
- ☒ Improvements to existing facilities to service, inspect, or maintain rail passenger equipment, including expansion of existing buildings, the construction of new buildings and outdoor facilities, and the reconfiguration of yard tracks. *(Continue to Part III)*
- ☒ Environmental remediation through improvements to existing and former railroad track, infrastructure, stations and facilities, for the purpose of preventing or correcting environmental pollution of soil, air or water. *(Continue to Part III)*
- ☒ Replacement, reconstruction, or rehabilitation of an existing railroad bridge, including replacement with a culvert, that does not require the acquisition of a significant amount of right-of-way. *(Continue to Part III)*

III. **PROPOSAL INFORMATION FOR CATEGORICAL EXCLUSIONS**

Complete Part III unless indicated otherwise in Part II and submit to FRA.

For work to fixed facilities, maps displaying the following, as applicable, are required to be attached for FRA review:

- Proposal vicinity
- Proposal Site Plan indicating the USGS Quadrangle and Section
- Other Information as necessary to complete Part III

A. **Describe how the proposal satisfies the purpose and need identified in Part I:**

The lines of railway subject to this application were constructed between 1890 and 1910 in various segments by the predecessors of BNSF. The line is of standard construction with steel of varying weights from #85 to #136 with roll dates from the early 1900's to 1980's.

Numerous studies, both public and private have confirmed the requirement for rehabilitation and the desirability of the scope of work. The recently completed BNSF corridor Study conducted by Puget Sound Regional Council concludes that the project is feasible.

The proposed program meets:

1. Need for construction of service facilities and stations to serve present and future levels of freight, passenger and commuter rail traffic.
2. Need for shop facilities to provide for equipment and line maintenance servicing in compliance with FRA regulations.
3. Need for new equipment to meet service demand.
4. Need to provide for adequate and safe working conditions to meet regulatory requirements.
5. Assists with capital purchase of line, and assists in the protection of the line from leaving service.

- B. Location & Land Use:** *For fixed facilities, attach a map or diagram, at an appropriate scale, identifying the location of the proposal site and if applicable, the surrounding land uses and zoning of the site and surrounding properties. If the proposal would require many pages of maps or diagrams, include only a location map and contact FRA to determine if additional information is required. A map or diagram that identifies locations of critical resource areas, wetlands, potential historic sites, or sensitive noise receptors such as schools, hospitals, and residences should be included if there is the potential for impacts to these resources.*

Briefly describe the existing land use of the proposal site and surrounding properties and resources.

The existing land to be used is existing railway lands with present main tracks, spurs and service tracks. See map, attached.

Surrounding lands are zoned for industrial use.

- C. Historic Resources:** *If any cultural, historic, or archaeological resources are located in the immediate vicinity of the proposal, check and describe the resource(s) and then describe any potential effect of the proposal on the resource(s). Consultation with the SHPO is necessary when these resources are potentially affected.*

☐ Cultural:

☐ Historical:

☐ Archaeological.

Has consultation with the State Historic Preservation Officer occurred? If so, describe and attach relevant correspondence

☒ Consultation with SHPO: Consultation has been made by BNSF and the Port of Seattle as part of the purchase and sale process.

- D. Public Notification:** *Briefly describe any public outreach efforts undertaken on behalf of the proposal, if any. Indicate opportunities the public has had to comment on the proposal (e.g., Board meetings, open houses, special hearings).*

The operation and rehabilitation of the subdivision has been the subject of public hearings for over two years, having been studied by Puget Sound Regional Council, Sound Transit, the City of Snohomish Rails and Trails Committee, King and Snohomish Counties.

The sale of the line as between the BNSF and the Port of Seattle has resulted in the conclusion of public agreements which support the continuing operation of the line of railway.

Public meeting(s) and statutory filings have been made since the summer of 2007 to implement the project.

All statutory filings respecting the proposed transaction and the operation and maintenance of the line by GNP have been completed and favourable decisions have been rendered by the STB without exception.

Indicate prominent concerns expressed by agencies or the public regarding the proposal, if any.

Usual concerns respecting noise and impacts on traffic have been raised. These concerns were raised, and have have been reviewed, in the case of concerns raised at the time of the application of GNP for a modified certificate of public convenience and necessity by the STB. The STB dismissed the complaints, observing that such matters were dealt with in the normal course by existing FRA regulations.

- E. Transportation:** *Would the proposal have a detrimental effect on other railway operations or impact road traffic, or increase demand for parking?*
☒ No (continue) ☐ Yes, describe potential transportation, traffic, and parking impacts, and address capacity constraints and potential impacts to existing railroad and highway operations. Include maps or diagrams indicating any impacts and any proposed modifications to existing railways or roadways or parking facilities. Also, summarize any consultation that has occurred with other railroads or highway authorities whose operations this project will impact.

We are currently consulting with the WSDOT rail and marine office.

- F. Noise and Vibration:** *Are permanent noise or vibration impacts likely?*
☒ No (continue) ☐ Yes, describe how the proposal will involve noise impacts. If the proposal will result in a change in noise sources (number or speed of trains, stationary sources, etc.) and sensitive receptors (residences, hospitals, schools, parks, etc.) are present, apply screening distances for noise and vibration assessment found in FRA noise impact assessment guidance manual (and FTA's manual as needed) and compare proposal location with nearest receptor(s). If the screening distance is not achieved, attach a "General Noise and/or Vibration Assessment."

Noise ☐ Vibration ☐

As a result of the general assessment(s) are there noise or vibration impacts?

☐ No (continue) ☐ Yes (Describe and provide map identifying sensitive receptors):

- G. Air Quality:** *Does the proposal have the potential to increase concentrations of ambient criteria pollutants to levels that exceed the NAAQS, lead to the establishment of a new non-attainment area, or delay achievement of attainment?*
☒ No (continue) ☐ Yes, attach an emissions analysis for General Conformity regarding Carbon Monoxide (CO), Ozone (O₃), Particulate Matter (PM₁₀), Nitrous Oxides (NO_x), and Carbon Dioxide (CO₂), and include a hot spot analysis if indicated. Describe any substantial impacts from the proposal.

Is the proposal located in a Non-Attainment or Maintenance area?

☒ No (continue) ☐ Yes, for which of the following pollutants:

☐ Carbon Monoxide (CO) ☐ Ozone (O₃) ☐ Particulate Matter (PM₁₀)

- H. Hazardous Materials:** *Does the proposal involve the use or handling of hazardous materials?*
☒ No (continue) ☐ Yes, describe use and measures that will mitigate any potential for release and contamination.

- I. Hazardous Waste:** *If the proposal site is in a developed area or was previously developed or used for industrial or agricultural production, is it likely that hazardous materials will be encountered by undertaking the proposal? (Prior to acquiring land or a facility with FRA funds, FRA must be consulted regarding the potential presence of hazardous materials)*

☒ No, explain why not and describe the steps taken to determine that hazardous materials are not present on the proposal site and then continue to question I.

BNSF and the Port of Seattle, as part of their purchase and sale, have completed a Phase 1 site environmental examinations, and no contaminated sites or hazardous commodities or materials were found to be present on the line of railway. In the BNSF Agreements between the Port of Seattle and BNSF representations and warranties are given to that effect.

☐ Yes, complete a Phase I site assessment and attach.

If a Phase I survey was completed, is a Phase II site assessment recommended?

☒ No (continue) ☐ Yes, describe the mitigation and clean-up measures that will be taken to remediate any hazardous materials present and what steps will be taken to ensure that the local community is protected from contamination during construction and operation of the proposal.

J. Property Acquisition: *Is property acquisition needed for the proposal?*

☒ No (continue) ☐ Yes, indicate whether the acquisition will result in relocation of businesses or individuals. **Note:** *To ensure eligibility for Federal participation, grantees may not acquire property with either local matching or Federal funds prior to completing the NEPA process and receiving written FRA concurrence in both the NEPA recommendation and property appraisals*

K. Community Disruption and Environmental Justice: *Does the proposal present potentially disruptive impacts to adjacent communities?*

☒ No (continue) ☐ Yes, provide a socio-economic profile of the affected community. Indicate whether the proposal will have a disproportionately high and adverse effect on minority or low-income populations. Describe any potential adverse effects and any community resources likely to be impacted. Describe outreach efforts targeted specifically at minority or low-income populations.

L. Impacts On Wetlands: *Does the proposal temporarily or permanently impact wetlands or require alterations to streams or waterways?*

☒ No (continue) ☐ Yes, show wetlands and waters on the site map and classification. Describe the proposal's potential impact to on-site and adjacent wetlands and waters and attach any coordination with the State and US Army Corps of Engineers

M. Floodplain Impacts: *Is the proposal located within the 100-year floodplain or are regulated floodways affected?*

☒ No (continue) ☐ Yes, describe the potential for impacts due to changes in floodplain capacity or water flow, if any. If impacts are likely, attach scale maps describing potential impacts and describe any coordination with regulatory entities.

N. Water Quality: *Are protected waters of special quality or concern, essential fish habitats, or protected drinking water resources present at or directly adjacent to the proposal site?*

☒ No (continue) ☐ Yes, describe water resource and the potential for impact from the proposal, and any coordination with regulatory entities.

O. Navigable Waterways: *Does the proposal cross or have effect on a navigable waterway?*

☒ No (continue) ☐ Yes, describe potential for impact and any coordination with US Coast Guard.

P. Coastal Zones: *Is the proposal in a designated coastal zone?*

☒ No (continue) ☐ Yes, describe coordination with the State regarding consistency with the coastal zone management plan and attach the State finding if available.

Q. Prime and Unique Farmlands: *Does the proposal involve the use of any prime or unique farmlands?*

☒ No (continue) ☐ Yes, describe potential for impact and any coordination with the Soil Conservation Service of the US Department of Agriculture.

- R. Ecologically Sensitive Areas And Endangered Species:** *Are any ecologically sensitive natural areas, designated wildlife or waterfowl refuges, or designated critical habitat areas (woodlands, prairies, wetlands, rivers, lakes, streams, and geological formations determined to be essential for the survival of a threatened or endangered species) within or directly adjacent to the proposal site?*

☒ No (continue) ☐ Yes, describe them and the potential for impact. Describe any consultation with the State and the US Fish and Wildlife Service about the impacts to these natural areas and on threatened and endangered fauna and flora that may be affected. If required prepare a biological assessment and attach.

- S. Safety And Security:** *Are there safety or security concerns about the proposal?*

☒ No (continue) ☐ Yes, describe the safety or security concerns and the measures that would need to be taken to provide for the safe and secure operation of the proposal after its construction.

- T. Construction Impacts:** *Are major construction period impacts likely?*

☒ No (continue) ☐ Yes, describe the construction plan and identify impacts due to construction noise, utility disruption, debris and spoil disposal, and address air and water quality impacts, safety and security issues, and disruptions of traffic and access to property and attach scale maps as necessary.

- U. Cumulative Impacts:** *Are cumulative impacts likely?*

A "cumulative impact" is the impact on the environment that results from the incremental impact of the action when added to other past, present, and reasonably foreseeable future actions regardless of what agency (Federal or non-Federal) or person undertakes such other actions. Cumulative impacts may include ecological (such as the effects on natural resources and on the components, structures, and functioning of affected ecosystems), aesthetic, historic, cultural, economic, social, or health, whether direct, indirect, or resulting from smaller actions that individually have no significant impact. Determining the cumulative environmental consequences of an action requires delineating the cause-and-effect relationships between the multiple actions and the resources, ecosystems, and human communities of concern.

☒ No (continue) ☐ Yes, describe the reasonably foreseeable:

(a) Direct impacts, which are caused by the action and occur at the same time and place.

(b) Indirect impacts, which are caused by the action and are later in time or farther removed in distance, but are still reasonably foreseeable. Indirect impacts may include growth inducing effects and other effects related to induced changes in the pattern of land use, population density or growth rate, and related effects on air and water and other natural systems, including ecosystems.

- V. Related Federal, State, or Local Actions:** *Indicate whether the proposal requires any of the following actions (e.g., permits) by other Agencies and attach copies of relevant correspondence. It is not necessary to attach voluminous permit applications if a single cover Agency transmittal will indicate that a permit has been granted. Permitting issues can be described in the relevant resource discussion in sections B-S above.*

☐ Section 106 *Historic and Culturally Significant Properties*

☐ Section 401/404 *Wetlands and Water*

- ☐ **USCG 404 Navigable Waterways**
- ☐ **Executive Orders** *Wetlands, Floodplains, Environmental Justice*
- ☐ **Clean Air Act** *Air Quality*
- ☐ **Endangered Species Act** *Threatened and Endangered Biological Resources*
- ☐ **Magnuson-Stevens Fishery Conservation and Management Act** *Essential Fish Habitat*
- ☐ **Safe Drinking Water Act**
- ☐ **Other State or Local Requirements** (Describe)

X. Mitigation: Describe mitigation measures which address identified impacts and have been incorporated into the proposal, if any.

21. FINANCIAL STATEMENTS

[260.23(N)]

GNP is a new corporation and has no audited or reviewed statements.

22. FINANCIAL PROJECTIONS

[260.23(n)]

22.1. Financial Objectives

GNP seeks to achieve:

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

22.2. Financial Projections

[REDACTED]

[REDACTED]

Hundreds of scenarios have been modeled to derive the most reasonable set of assumptions and corresponding performance results.

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

Fuel prices and labor are the two most important variable cost elements. Ticket prices and general expenses will be adjusted with fuel prices, accordingly to maintain operating ratios and gross margin.

Labor will have service and performance base incentives. Management will be incented via bottom line performance necessary for actual revenue and operational imperatives.

Outside services for general infrastructure, sales and marketing will be used to partner with higher quality resources to drive superior and measurable results by function.

Early investments in technology will hold long-term fixed overhead costs down as passenger and freight volumes rise.

The Port of Seattle fee structure encourages cooperation between the Port and GNP to increase utilization of the rail corridor.

GNP and its partners along the excursion route believe that a commonly defined passenger "experience" that includes GNP, Redmond, the Woodinville Wine Country and Snohomish will evolve during the first season and materially benefit from joint marketing programs and rider feedback.

GNP expects to share the majority of "entertainment" expenses with its partners as part of the passenger fare. For example, the Snohomish Historic Society will provide colorful tales about the regions history. The Wine Country representatives will provide information and background of the Woodinville region and popular wineries and breweries. Redmond may talk about Microsoft's history and local campus with over 30,000 employees.

By having more lead-time for the 2011 excursion season, material service and equipment changes are possible combined with more focused marketing efforts will favorably impact passenger ridership.

Additional fixed assets will be minimized until longer-term arrangements are obtained.

The financial attachments include:

- Graphs
- Assumptions
- Traffic (freight and ridership)

- Income Statement
- Income statement by service
- Cash Flow
- Balance Sheet
- Notes Payable
- Fixed Assets
- Staffing
- Port Summary
- Maintenance of Way
- Employee Qualifications (in spreadsheet only)

22.3. Financial Assumptions

Key metrics have been developed using third-party data wherever possible. Capital and debt structure are the most critical aspects of this endeavor. [REDACTED]

[REDACTED]

There are a myriad of financial structures available, yet until GNP secures the initial RRIF loan – few are possible. Five “false” closings between the Port of Seattle and BNSF over the past two years have been detrimental to GNP’s normal debt and equity financing options.

Ridership estimates have not considered any cross-transit potential, which will be material over time. PSRC and Sound Transit ridership models and estimates do not consider rural areas with much accuracy, according to their staff. Microsoft has over 30,000 employees in Redmond, which may embrace Eastside passenger rail transit. Additionally, Microsoft has approximately 3,000,000 square feet of office space in Bellevue. It is not a challenging extrapolation to infer the possibility of additional ridership when service is provided to Bellevue.

There is funding to replace the SR-520 floating bridge and include more transit service lanes. The Eastside Rail Corridor passes along one of the busiest park and ride lots in the region – So. Kirkland Park and Ride. Passengers from NE King County and Snohomish County will have the option to take the train to So. Kirkland and transfer to direct buses into downtown Seattle.

GNP's estimates do not consider these opportunities, maintaining its conservative financial approach.

22.4. Financial Contingency

Sound financial assumptions are critical to the success.

GNP's estimates have third-party validation and others choose the most conservative path forward. Where uncertainty persists, a higher contingency factor is applied based on studies of rail projects worldwide.

GNP has evaluated hundreds of simulations in conjunction with its RRIF application and changing macro-business environment to determine the most conservative assumptions today to both ensure financial integrity for GNP and its investors and increase granularity of material detail assumptions in order to diversify associated risk.

Financial contingency is important to the financial planning of this endeavor, which has independent third-party validation. Typical rail projects worldwide are [REDACTED] over budget due to under-estimating costs and over estimating ridership. As such, until appropriate written estimates are provided to validate a line item, contingencies are not lowered from [REDACTED]. The lowest contingency used in GNP's financial modeling is [REDACTED]. Actual experience on the corridor will produce more accurate contingencies and estimates in the future.

22.5. RRIF Loan Assumptions

GNP assumes that the total loan request is the amount to be managed. Although GNP has done its best to provide accurate line item estimates, there may be shifts in actual amounts between individual RRIF line item classifications as actual expenditures are incurred, none of which will cumulatively exceed the total loan application amount. GNP expects to utilize the entire RRIF loan amount.

22.6. Performance Expectations

GNP **strongly** desires to outperform revenue and expense projections, thus conservative assumptions are paramount. There are multiple combinations and permutations that may happen in the months ahead for the public benefit, yet none will be likely and timely unless this RRIF application is approved.

GNP management will react to changes in performance to the business plan to maintain financial objectives.

23. CREDIT RATING

[260.23(n)]

23.1. Dun and Bradstreet report

GNP Rly Inc.

D-U-N-S number is: 791162253

23.2. GNP Trade references

Tri Pak Inc.

Cory Sonnen, President

2018 Portland Ave.

Tacoma. WA 98421

Ph: 253-627-8008

David S. Swanson, President

Global Locomotive

Tenino, WA.

Ph. 253-691-4033

24. BUSINESS PLAN

[260.25(a)]



BUSINESS PLAN

Confidential Information:

All persons who receive this Business Plan agree that they will hold the contents of this Memorandum and all enclosures and related documents in the strictest confidence. Recipients of this Business Plan agree that they will not copy, reproduce or distribute to others this Business Plan or enclosures or related documents in whole or in part, or utilize the contents hereof or thereof for any purpose other than to evaluate the transaction described herein, and will return this Business Plan and any enclosures and related documents promptly at the request of the undersigned.

ALL INQUIRIES AND REQUESTS FOR FURTHER INFORMATION SHOULD BE DIRECTED TO ONE OF THE FOLLOWING:

GNP Rly Inc.
Thomas Payne
Chairman, COO
(253) 459-9702
T.Payne@GNPRail.com

GNP Rly Inc.
Douglas Engle
Treasurer, CFO
(425) 891-4223
D.Engle@GNPRail.com

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Mission Statement

The mission of GNP Rly Inc. is to provide a competitive, economic and efficient railway service that meets the highest practicable safety, security and social standards; and which contributes to a sustainable environment and makes the best use of railway lands, works and undertakings at the lowest total cost.

This mandate is essential to serve the needs of its users, advance the well being of the communities served by the railway, as well enabling competitiveness and economic growth in both urban and rural areas adjacent to the railway.

1. Discussion

The very nature of the transaction and delays in the acquisition of the Eastside Rail Corridor (ERC) by the Port of Seattle from BNSF and global economic recession makes the FRA's RRIF program an invaluable tool to transition the corridor from an uneconomical Class I railroad subdivision to a profitable shortline operation. The business opportunity and public benefit is sound. There is significant long-term potential, and much public support exists to utilize the corridor for rail and trail.

GNP's "utility" model approach permits GNP to add additional service providers at the lowest incremental cost with no schedule conflicts. The plan contemplates the progressive addition of other service providers than GNP; GNP has selected Ballard Terminal Railroad Company, L.L.C. (Ballard) to provide freight services as an agent to GNP. GNP and Ballard would implement the services in this sequence:

- a. GNP freight service, provided by Ballard, GNP's agent,
- b. GNP excursion services,
- c. Weekday passenger services, and
- d. Snohomish County intermodal industrial development in Maltby.

The line is currently uneconomic and likely to remain so, without substantial increases in traffic, which passenger service will provide.

The track is currently in Class 2 condition, which permits passenger speeds of 30 MPH and freight speeds of 25 MPH.

2. Brief History

For several years, King County and the Port of Seattle were in negotiations to purchase the line of railway from BNSF and then railbank the ERC. The purchase of the line by the Port of Seattle was closed on 17 December 2009.

In 2008, GNP was selected as the third-party operator for rail services on the northern portion of the line where viable freight operations exist. Also in 2008, GNP entered into an agreement with Snohomish County to the north to provide passenger rail service.

In November 2008, regional voters approved a transit initiative that contained \$50M in funding for this corridor, which can be provided by Sound Transit, the Regional Transit Authority. This is important to GNP's second and future phase of ERC growth.

In Spring 2009, GNP met with the FRA in a pre-loan meeting after receiving a NEPA categorical exclusion for works inside the ERC and was later determined by the FRA's general counsel to be qualified and eligible for RRIF funding under the act.

Unfortunately, the global economic crisis and regional public decision-making created a situation where numerous closing dates were missed, which had unfortunate consequences for GNP. In April 2009, GNP was fully prepared to assume freight operations with the requisite FRA, AAR and financing preparations complete, when the "deal" was once again delayed. This substantially reduced the possibility private financing for GNP until the all ERC agreements were complete and GNP had assumed freight operations.

GNP is now ready to move forward in execution of its financing and business plan.

3. Incremental Growth Plan

A key element for GNP's success with the regional public is continued integrity in the execution of its business plans. The plan is to grow the company within its own cash flows and in a future phase develop a public private partnership to enhance and expand rail services.

Initiating freight service was a major milestone in the first phase of operations, although lowering operating costs and attracting addition freight business is imperative. The next highly visible deliverable is establishing weekend excursion passenger service in June 2010, which GNP is under agreement to do. This RRIF loan allows this to happen.

In this first phase, there are plans to extend passenger service to weekdays once access to the City of Redmond on the existing line is completed.

Microsoft, Nintendo, AT&T Wireless and other major technology companies provide 10's of thousands of local jobs for people, many of which live in rural areas along the ERC. Microsoft Connector buses could pickup employees at Redmond Town Center and take them to their large Redmond campus or facilities in Bellevue and Issaquah. It is conceivable that weekday passenger service could begin in September 2010 with stations and equipment provided with this RRIF loan.

A future phase that would utilize the voter approved \$50M to return rail service to the railbanked section of the ERC that splits in Woodinville and goes to Bellevue. Microsoft has approximately 3,000,000 square feet of office space in Bellevue. Other large employers such as Expedia.com, T-Mobile, Verizon, PACCAR, Safeway, Puget Sound Energy (PSE), Pokémon USA, Drugstore.com and dozens more significant employers would benefit from passenger rail service. Google in Kirkland provided its written support for GNP's RRIF application.

Further south on the line in Renton, Boeing has its 737-production plant and the city recently completed a major urban development project. The rail potential for this corridor is substantial.

4. Regulatory and Safety Matters

GNP has acquired and is operating operate the line of railway pursuant to the following authorities:

Certificate of Public Convenience and Necessity

On July 14, 2008, GNP filed an application for a modified certificate of public convenience and necessity under CFR 1150, Subpart C in anticipation of this request for proposals.

The Surface Transport Board issued GNP's modified certificate of public convenience and necessity on August 13, 2008.

Acquisition and Operation

On 13 February 2009, the Surface Transportation Board approved GNP's acquisition and operation of the line.

GNP Safety Standards

Railway freight and passenger operations are conducted under the provisions of the *Code of Federal Regulations, Part 49, Subtitle B, Ch.2*. That Act, and regulations issued pursuant to the Act, provide for the Department of Transportation to regulate railways.

The Department's Federal Railroad Administration regional offices are located in Vancouver, WA and field inspectors are based in Olympia, WA.

GNP's System Special instructions provide for general standard practices and specifically provide response plans for freight and passenger train emergencies and other incidents and accidents

and are complete with: disaster plans, emergency/terrorist response plans and hazardous material response.

All train operations on the corridor will be conducted in accordance with GNP's system instructions.

5. Service Design – Multiple Uses

GNP intends to provide “multiple use” in the corridor on a shared “cost-based” model. All indirect costs will be allocated to various rail service divisions based on gross revenue.

GNP is a skilled provider of rail services. GNP's expertise in designing, developing, implementing and operating rail services encompassing commuter, freight and tourist oriented services *on time and on budget* provides a unique partnering opportunity for the Port and BNSF. The management of GNP has over three decades of railway creation, operation and management experience.

GNP's management has designed and implemented award winning, popularly received and well patronized tourist and excursion train services in both Canada and the United States and shall operate GNP's excursion services on the corridor.

GNP has been designated TPO (third-party operator) pursuant to the Port of Seattle's Agreements and will manage the multiple railroad uses accordingly.

Freight Service

GNP and its agent, Ballard Terminal Railroad Company, LLC (Ballard) provide BNSF and the Port with an experienced and capable team for freight rail service.

Ballard is a local, highly regarded and skilled shortline railway operator of two railroads, the Ballard Terminal Railroad in Seattle and the Meeker Southern Railroad in Puyallup.

County of Snohomish Industrial Development

GNP proposes to develop at or near Maltby, in cooperation with the County of Snohomish, a rail served industrial park to suit present and future intermodal and industrial development needs in the region. Waste Management recently acquired a major site in this area for development.

Weekend Passenger Excursion Service

GNP plans to initially operate a minimum [REDACTED] trips per day on weekends and include Friday evenings and holidays. The service will expand with rider and corridor business demands. It is conceivable that up [REDACTED] trips will best serve the need and include special mid-week activities. Economic benefit along the corridor is anticipated by local businesses.

The City of Snohomish is actively preparing to improve itself as a tourist destination beyond the region. It has funded appropriate experts and marketing initiatives to make it a recognizable destination to visitors from outside the area. GNP has been working cooperatively with the city for over two years toward establishing excursion rail service into the historic portion of the city.

The City of Woodinville has become a state hub for wineries, breweries and distillers, which appreciate the opportunity for additional traffic from excursion rail. Many summer activities including outdoor concerts, outdoor movies, bicycle riding and more are available in the area. This will provide a mid-point tourism stop to and from Snohomish.

The inclusion of the City of Redmond is reasonably likely, yet nothing is guaranteed today. This situation may progress in the weeks ahead.

Weekday Passenger Rail Service

This first phase of weekday passenger rail service will primarily reach riders outside Sound Transit's district in more rural area. A car parking location is contemplated immediately to the south of the airport in Snohomish, which will provide Snohomish, Lake Stevens, and Cathcart, which will assist commuters avoiding heavily congested SR-9. A station in Maltby will intercept riders from Monroe and other rural areas. Further, Woodinville has significant traffic congestion issues and will provide the third station avoiding heavily congested I-405 and access to jobs in Redmond, Bellevue and via bus transfer at the South Kirkland Park and Ride across the SR-520 floating bridge into Seattle. Weekday passenger rail service will provide significant public benefit.

As previously stated, GNP intends to expand this service to Bellevue in its next phase of growth. Beyond Redmond and Bellevue, extensions are contemplated to Renton in the south and Everett to the north where it may join in the existing Sounder and Amtrak rail station.

Marketing Investment

GNP has employed the services of a local marketing strategy firm to develop corporate positioning, branding and messaging for excursion services with our excursion partners. Initial results have verified many key financial assumptions. Interestingly, the two project leads are the current president and incoming president of the Norwest Chapter of the American Marketing Association. Results will be made available to the IFA at their site visit.

6. Financial Summary

Financial Objectives

The general financial challenge is to find the appropriate mix of RRIF funding, short-term debt and equity to meet credit and collateral requirements. GNP expects to work with its funding partners to achieve this most fundamental objective.

1. Maintain industry standard operating ratios and continue driving them down with productivity and cost controls.
2. Generate positive cash flow [REDACTED].
3. Become net income positive [REDACTED].
4. Grow the company with demand for quality services provided at a reasonable price.
5. Acquire assets based on proven demand.

Key Financial Drivers

- The primary revenue driver [REDACTED].
- Maintaining a cost-based approach is critical.
- Minimizing asset acquisitions is especially important during the startup of incremental rail services. "Bells and whistles" can be added with increases in demand and public funding.
- Fuel and people represent the largest expenses.
- [REDACTED]
[REDACTED].
- [REDACTED]
[REDACTED].

Net Present Value

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

Term

GNP anticipates a long-term business relationship with the Port of Seattle, King and Snohomish counties and local municipalities. Our Operations and maintenance agreement and our license agreement are for an initial term of 10-years with 10-year renewal. [REDACTED]

[REDACTED]

[REDACTED]

Fixed Assets

Sound financial performance requires weighted average asset life not be extended much beyond the total term. As such, asset acquisitions must be closely managed.

Rehabilitated equipment and modular structures will be used as much as possible to lower acquisition costs, reduce payments and minimize potential write-offs at the end of 20-years.

The permanent freight easement on a viable railroad is a material value not properly measured on the balance sheet, as the Port of Seattle paid \$81M for the land, which GNP now operates under its federal authorities. This is the primary asset for the RRIF loan.

Other fixed assets will be secured by a bridge loan until reimbursed by the RRIF loan. As such, the FRA will be in a second lender position for these assets particular assets.

Technology Infrastructure

GNP plans to leverage a strong base of technology to keep long-term overhead costs down. Document management, secure networks, exceptional data for analysis, and sound business processes are presently in process of further development.

Financial Projections

Included are large format printouts for detailed inspection of financial plans and are included in the attachments and on the enclosed CD, which are:

- Graphs
- Assumptions
- Traffic
- Income statement
- Income statement by application
- Cash flow statement
- Balance sheet
- Notes payable
- Fixed Asset schedule
- Summary sheets

The financial projections produced by GNP represent the best estimates currently available of revenues and costs attributable for the line.

All significant costs have been determined by using costs from third parties, industry experts and external sources.

Indirect Expense Allocation

All indirect operating costs are attributed to each division by proportional revenue. Common expenses such as maintenance of way, structure maintenance, control and operations, general and administrative, and other income/expenses are also allocated by gross revenue.

Port of Seattle Payments

A variable payment model to the Port creates a relationship with the third-party operator where success comes from working together. The fee structure encourages cooperation between the Port and GNP to increase utilization of the rail corridor and a rational increase will provide the largest public benefit and enumeration to the Port of Seattle [REDACTED]

[REDACTED]

Bridge Loan

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

Equity

The most unfortunate financial impact from the several false closes by the Port and BNSF was to preclude GNP's ability to source additional funding for operations. [REDACTED]

[REDACTED]

Given the possibility that equity funds are not made available to retire the balance of the bridge loan, GNP will secure incremental debt financing based on rail operations and long-term transit oriented development opportunities.