



ROARING CAMP

& BIG TREES NARROW-GAUGE RAILROAD

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Linda Wilshusen, Director
Santa Cruz County Regional Transportation Commission
1523 Pacific Avenue,
Santa Cruz, CA 95060

Jan. 22, 2004

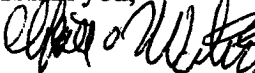
How Roaring Camp can guarantee to provide recreational rail on the branch line, without fare box subsidies, to meet the requirements of Proposition 116

Roaring Camp would willingly enter into a contract with the Santa Cruz County Regional Transportation Commission to "Guarantee to provide recreational rail, without fare box subsidies, for up to 50 years (or what ever time is needed) that will comply with the funding requirements of State Proposition 116".

- In exchange for a "Guarantee to provide recreational rail without fare box subsidies" we will need to be able to set and adjust the schedule, route, train sets and fares as needed, and without an Environmental Impact Report for every modification.
- We would work directly with the State Transportation Commission to make sure we are in compliance with their requirements of the bond funding.
- These requirements of ours would only apply to the unsubsidized recreational rail that we would provide.
- We would work in a market-based approach, not mandated; this may reduce the number of trips per day to about three (we currently have only one round trip out of the Boardwalk).
- This program would take the Transportation Commission out of the complex process of running a Tourist Railway.
- The Transportation Commission could "fire" Roaring Camp and put the contract back out to bid, if they believe the railway is not being responsive to the needs of the community.

We believe our experience in Santa Cruz, with our proven record of performance and sensitivity to our unique community, allows us to speak authoritatively on the best way to successfully develop a viable Tourist Railway. It is often necessary for us to respond quickly to circumstances when they arise. We have made over 25 adjustments to our operation since we started serving Santa Cruz. We would need to have that flexibility in order to be successful. We are willing to guarantee compliance to the requirements of State Proposition 116 if the Transportation Commission will follow our requirements.

Thank you,


Cliff Walters, SCBG

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SIERRA RAILROAD COMPANY

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Linda Wilshusen, Director
Santa Cruz County Regional Transportation Commission
1523 Pacific Avenue
Santa Cruz, CA 95060

January 27, 2004

Dear Linda,

Please accept this letter as a statement of intent by Sierra Railroad Company to operate the proposed passenger train between Aptos and Capitola. Subject to a more formal agreement which would cover operating issues and other details, we would guarantee to provide service, without fare-box subsidies, to comply with the funding requirements of Proposition 116 funds contemplated for use in acquiring the Santa Cruz branch from the Union Pacific Railroad.

As you know, I have been involved in the acquisition discussions for this corridor since 1993 and feel that I have a very good grasp of the opportunities being presented to the county. I feel that the acquisition of this corridor is critical to Santa Cruz County and the key to its transportation future. The possibility of being able to develop the most spectacular rail-trail in the United States at the same time as creating an excursion railroad operation is exciting. You may recall that I worked with Supervisor Beautz to develop a 6-mile trail near my home some years ago. In addition, we are developing a 49-mile rail trail and a new 11-mile one on our other lines.

Sierra Railroad (founded in 1897) is capable of operating any or all aspects of this railroad. We are a common-carrier freight railroad handling over 6,000 carloads of freight each year; we operate several passenger excursions and have a fleet of passenger coaches available to this service; we have the largest private maintenance of way fleet in California capable of maintaining the tracks. We presently operate in Tuolumne, Stanislaus, Yolo, Sacramento and now Mendocino counties. See our website for other details www.SierraRailroad.com

We have a pair of working Rail Diesel Cars (RDC) which are probably the most appropriate equipment for the initial service. We would be willing to bring one down for some demonstration operations. We also have a working partnership with Colorado Railcar Company and feel that by working with Tom Rader we can come up with a very good design for a new RDC that would be appropriate for this service.

In 2002, Sierra Railroad received the "Environmental Firm of the Year" award from the US EPA for our pioneering work with Biodiesel as a fuel for locomotives. I would include operating on Biodiesel in any plans for operating an excursion service in this environmentally sensitive area. In addition, we are working with the maker of "Armourtek" ties which use a new approach that avoids the use of creosote in making railroad ties. We would encourage their use in this corridor.

Sincerely,

Michael G. Hart
President, CEO
Sierra Railroad Company

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