

Ladies and Gentlemen of the Board of Directors.

Winter Weather: The Portola area was hit by a very bad snowstorm after the first of the year. Snow levels were five to six foot at the museum. Most of this has now melted down to one to two feet of very solid ice. Due to the efforts of Doug Morgan, Hank Stiles, Dave Anderson, Rod McClure, Frank Brehm, Steve Habeck, the City of Portola road crews and myself, a single lane road was cut through around the north side of the building and up to the sidewalk in the parking lot. The sidewalk is shoveled out on the east side of the building. Access to the museum still must be made via the UP yard road but this may change soon if the sun keeps melting the snow. Surprisingly, there is not much damage to note as of yet. We have lost about seven windows and there are small leaks in the meeting room and the office along the north wall.

A check of the main gas supply tank on the north side of the museum found the tank near empty. After talking with Doug, we made the decision to drain the museums interior restrooms, as we could not see getting a service truck into the museum for several weeks. The gas heater in the women's room was turned off and replaced by an electric heater, water heater drained, water shut off and RV antifreeze put into the drains. The heater in the office car has also been shut down and an electric heater installed in there. The gas tank, which supplies the shower car, still registers 30%. Everything inside the car is fine and the temperature remains at 50 degrees.

In consultation with Rod McClure, we have decided not to try and refill the tanks in the hopes that we can save a considerable amount of money in heating costs which all of you know are very high considering the limited use of the facility at this time of year.

Santa Trains: My compliments on an outstanding job last year. I thought everything went very well. Still I was disappointed that I have not seen a single mention of it in the local Portola newspapers. I will try and establish some kind of public relations with the local media as our previous contact, who always treated us very well, Mary Ohren, has moved out of the area.

Security: The property lines for the hospital have been marked by surveyors who charged us \$1,200. I learned yesterday that the hospital has been tagged and broken into again and there is suspected drug dealing going on up there. I have spoken to the Sheriff's office before and they have been up there to look around. We cleared nearly an acre of brush and trimmed trees up there to eliminate hiding places. I have made arrangements with local folks to help keep an eye on the building and report trespassers and vandalism. We have asked the City of Portola to request a prison gang from Susanville to install a fence around the property (has to be a city or county request, as they won't do it for us as we are a private firm). Jim Murphy said he would make the request. I will follow up. Short of getting a fence around the property and some guard dogs, I see no way of keeping kids out of the building. Hopefully, we can get something done soon before the building catches fire or someone gets seriously hurt up there.

Income: Sales for January are up from last year but is still a trickle. The custom painted WP models are selling fast and should be gone by March. I will be at a model train show in Roseville on the 12th and 13th. We will have a table at Winterail and I will be looking at other venues for this spring.

Surprised to see that the website team has made no progress on the gift shop section of the website. I delivered an inventory back in November. If there is a problem, no one has made any effort to contact me in order to get it resolved.

Winter Vacation: I blitzed my way through the LA basin last week dropping off brochures at Travel Town, OERM, Laws Railroad Museum, the Pasadena Model Railroad Club, The Western American Railroad Museum and Route 66 museum in Barstow and a brass collectors show in Ontario. I talked with some So Cal members at The Original Whistle Stop in Pasadena and met a former member from England at Tehachapi (I think they will rejoin too).

Observations: The museum at Laws is kind of a community museum with lots of space set aside for artifacts from the area, not necessarily railroad related. It is kind of an old ghost town museum in some aspects. But I can see why it would be of interests to people of all ages and people who are not just interested in trains. Laws is a pretty remote place. But they have lots of signs advertising and leading travelers to the museum, these vary from small billboards to simple cross bucks. We need to try and find some private property owners along Highway 70 and 89 and see if we can't put up some signs to the museum. I like Rod's idea and efforts to get us a big billboard along 395 near Reno.

Travel Town in Griffith Park has built a large glass train shed, improved their grounds, established a "Discovery Museum" for kids and caters to children's birthday parties. They also have a neat display entitled "Scratch an American and you'll find a Railroader". They have a nice display of people working on the railroad and let visitors fill out a small slip of paper telling about the relatives in their family who worked for the railroad. The WP steam engine and wood caboose are still there and in good condition. The Stockton Terminal steam engine is painted up in grotesque colors but is still in good condition. Wish we could find something to trade them for this equipment.

Orange Empire was a bit of a disappointment. I last visited there some 14 years ago and thought they would have more of their equipment painted and restored by now. Some cars were sitting on the ground and are still in the same location as I found them 14 years ago. Still, there are some good pieces there and a lot of their better stuff is inside barns. They are also

constructing a new 600 foot long barn. They have three heavy-duty flatcars that were COTS in 1984 and have 394,000 lbs capacity. Might be nice to have one of these. They also have a modern tamper.

OERM has done a lot of improvements to their facilities, landscaping (including a small orange grove as a view block to one of their neighbors), picnic areas and new displays. They host Thomas the Tank Engine and make pretty good money on this. Their gift shop is rather small but has always been very successful. They have an onsite caretaker and volunteers stay over at the museum.

The real surprise is the Western American Railroad Museum (W.A.R.M.) in Barstow. This is located in the old Harvey House which belongs to the city now and as been lovingly restored to it's former beauty. It is really nice! W.A.R.M. occupies one wing of the building (Route 66 museum in the other wing). They have a Santa Fe FP45, former MP SD40, AT&SF baggage car, three cabooses, an 80-ton GE and two mobile Santa Fe maintenance of way service vehicles (one a 120 ton crane).

Where these folks really excel is inside their museum. They have a fantastic display of old tools, speeders, models, pictures, maps, advertising brochures, etc. Every thing is nicely framed or displayed. The cornerstone of the collection is a date nail collection that includes 30,000 plus date nails all nicely displayed. These guys are only four years old and are already kicking our butt when it comes to displays, library, gift shop and overall appearance! Nice people too!

Plans for 2005

Communications: Whenever there is a change in management, it is necessary to spend some time on "Command and Control" issues such as notifying vendors, suppliers, advertisers, etc. This has been done. I think we have a good process going for distributing mail, forwarding phone calls and notifying the proper authority of news and questions, which concern their department. We've also made improvements on keeping the membership apprised of daily happenings at the museum. We can always do better and your suggestions are welcome.

Security: We've done pretty well in is area with the exception of the Hospital building. I would like to see getting the fence up around the hospital and closing the gap in the fence along the south side done this year. I'd also like to set up enough security cameras (and dummies) to establish a good umbrella of surveillance. The big web cam on the west end of the building will help a lot.

Landscaping: Once the weather improves, I want to get back up to the hospital and finish clearing brush and trimming trees. I would also like to landscape the south side of the building and install some displays. If we can secure a donation of rock, this project should not cost much. I would also like to replace the rope line along the entry road with some small bushes that would eventually grow into a hedge. This would provide a safety barrier between the parking lot and the tracks and would look much better.

Sales: We did \$79K last year and \$49K in RAL's. My personnel goal this year is \$100K in sales and with your help \$60K in rentals. The gift shop is well stocked at the moment and I will not spend much money until we get sales going again this spring. I would like to invest \$500 to \$1,000 in fixtures this year. This would include raising up the existing display cases by installing custom built drawers underneath that will raise the height another 14-16 inches. Possible purchase of an upright display case or another bookcase. I would also like to spend \$1K on a new credit card processing system. The new system has a lower percentage rate, accepts debit cards, issues gift cards and has the capability of letting customers use it as an ATM. The system is portable and the company whose service we would subscribe to has offered us temporary loans of additional terminals for special events or out of town events. The company is located in Auburn and will provide quicker service than what we are currently getting from BofA. The bank account would remain BofA. Unfortunately, the new processing unit is just over \$1K or a \$42.00 a month lease. This new system should save us money on each tranaction we process and would eventually pay for itself in a bout two years.

Displays: We need to do a lot of work in this area. I feel we are way behind in this area. We spent a lot of time cleaning up the museum last year. Now we need to spend some time and money on displays. I have several ideas that I'm working on and will submit plans soon.

Restoration: I'm still responsible for the WP614 caboose and will try and get it finished this year with welding help from Howard Hanson. I would also like to overhaul some of our carts, speeders and other small things like handcarts, baggage carts, speeders, signals, switch stands, etc. There is still a lot of touch up painting to do on walls, floors, doors and other parts of the building.

Organization: I want to continue with the boxcar cleaning and reorganization project this year. We have lots of storage space that is not being utilized and we can't find what we need because of all the junk stuffed into these cars. We have used nearly 40% of the metal shelving that Hank procured two years ago and have just received some heavy duty pallet racks. Continued work on tool room, supply rooms and shop areas in conjunction with the Mechanical Department.

I know that there are a lot of plans for special events this year. We got a lot of compliments for cleaning up the museum last year. I want the museum to look even better this year. A little landscaping, fresh paint and some new displays will make a positive impression on our visitors and members.

John Walker