

GENERAL STATUS REPORT FOR MEETING WITH McCLOUD RAILWAY

Date: February 15, 1996

Location: McCloud

Attendees: Wayne Monger
D. B. Morgan
Chris Skow
Jeff Forbes- President of McCloud Railway
Larry ???? McCloud Railway

A scheduled meeting was held in the McCloud Railway conference room at the McCloud Railway shops, McCloud, California for the purpose of exploring the feasibility of creating a joint venture between the McCloud Railway and the Feather River Rail Society to operate a series of theme oriented charter excursion trains on the McCloud Railway commencing in the summer of 1996.

The concept discussed was a joint venture based upon a split of profit after direct expenses. McCloud Railway would offer the track, locomotives, (steam and diesel) three excursion cars, train crews, (engineers, fireman, conductor) and fuel as their core contribution. FRRS would bring the bulk of the train to the table, 100% of the marketing, ticketing, train attendants, etc.

There was no detailed discussion as to how the split would work. This will have to be put down in a proposal after further consideration. We made it very clear that this was a money making project and that we weren't interested in making that rather large investment in train improvements such as retrofitting of mechanical systems, paint and transportation if we couldn't put together a deal that would allow FRRS to see a reasonable return on investment over a reasonable time frame. We told MCR that we project needing two to three years of charter excursion trains at 4 to 6 weekends per year to realize our goal.

The agenda included:

1. Definitions of type of train service to be operated.
This was discussed to establish the various types of services available including "Dinner Trains, scheduled trains, tour trains (such as Chris Skow runs) and charter or day theme excursion trains (which I think FRRS is qualified to do).
2. Agreement on definitions of what direct cost for operations may be.
This wasn't touched upon much but will be discussed after the main proposal is made.

3. **Terms of contract under which joint venture including automatic renewal options will kick in based upon evaluation by FRRS as to desires to continue with the project.**
This was discussed but I don't think Jeff Forbes understood what we wanted.
It will be made very clear in the main proposal.
4. **Insurance- General Liability and Property damage**
I explored what insurance MCR had present time. 5 Million for freight and I think 3 million for passenger with an annual fee for the passenger policy of \$2800.
5. **No competition clause.**
We discussed this and I think MCR understood that we felt that it would be a great advantage to MCR and FRRS for FRRS to handle all charter excursion service for all organizations including other rail buff organizations. This filtering process, we suggested, would put the process under one organized house flag.
6. **Rental agreements for equipment to other parties.**
MCR, and particularly Mr Forbes, wanted to discuss this. Obviously he was interested in using FRRS passenger train equipment for other train service. This would benefit Chris Skow and MCR dinner train service. Rates were discussed but only in the broadest of senses and will have to considered further.
7. **Maintenance agreement- service track area.**
McCloud said they would work with FRRS to set up maintenance agreements suitable for both parties.
8. **Additional locomotives from FRRS for helper or alternate service passenger service needs.**
Mr. Forbes was fascinated with the idea of using the ALCO FA-4 B unit for helper service behind the steam locomotive # 25 with the MU controls in the cab of the #25. We suggested the "B" unit could be painted the same color as the passenger cars thus causing it to blend in with train. We left it that we would considered this idea further and included it in future discussions.
9. **Crewing of train.**
We proposed that FRRS would provide the car attendants for all joint venture charter trains. These attendants would report to the train manager who would report to the conductor. I got the impression that this wasn't a problem for MCR.
10. **Engineering and cross or cooperative mechanical planning between FRRS and MCR equipment.**
I'm not sure if Mr. Forbes understood what I was saying but I tied to indicated that it be to everyone's advantage to coordinated conversion and mechanical retrofit and that FRRS was eager to cooperate in this effort.
11. **Canopies for excursion cars.**
This got somehow past over but must be discussed.

12. **Sanitation systems for cars and dumping stations.**
FRRS will have to convert all cars to RV/ Microphor style toilets with holding tanks. MCR will be doing the same with their two passenger cars. MCR has the dumping stations.

13. **Concession car or concession areas in cars.**
We proposed to offer the UP baggage car as a standing room and concession car for the trains which FRRS would run. The car would also be available for other trains but we suggested our desire to operate the concessions on those trains as well or at least to be among the concessions being offered.

This first meeting was billed as exploratory. It was that. We left the meeting with an agreement that FRRS would build a proposal to carry this project further.

As a personal note. This is an opportunity to create a new revenue stream sorely needed by FRRS. The market for this type of train is fairly large but must be harvested with care as to not dilute it. Experiences such as McCloud can be easily made stale by over exposure. It will take careful planning to guide this project to a continuous and consistent profit flow.

Due to the sensitivity of this project, that is to say FRRS isn't the only organization around with railroad passenger equipment, expertise, and no place to use them (it), it is imperative to pursue this opportunity quickly. FRRS cannot let grass grow under its feet.

Submitted by: D. B. Morgan