

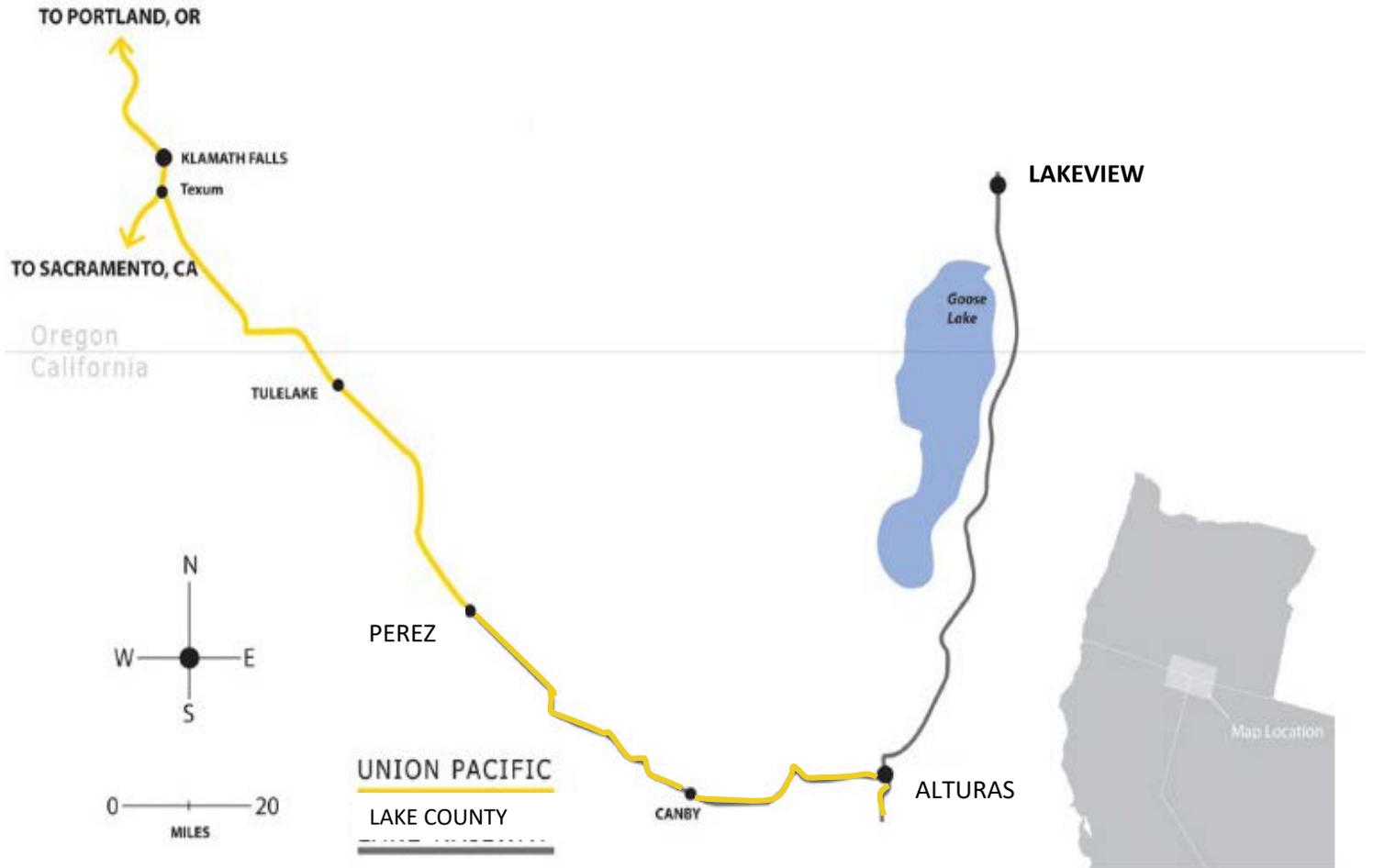
Proposal to The Oregon State Legislature
For \$3.5 Million in Bond Financing for Urgent
Infrastructural Upgrades to the Lake County Railroad

Presenters:

Representative E. Werner Reschke	House District 56, State of OR
Bradley J. Winters	Commissioner, Lake County, OR
Jeff Manternach	Chief Financial Officer, Red Rock Biofuels
Toby J. Van Altvorst	Managing Member, Goose Lake Railway

Lake County Railroad - History

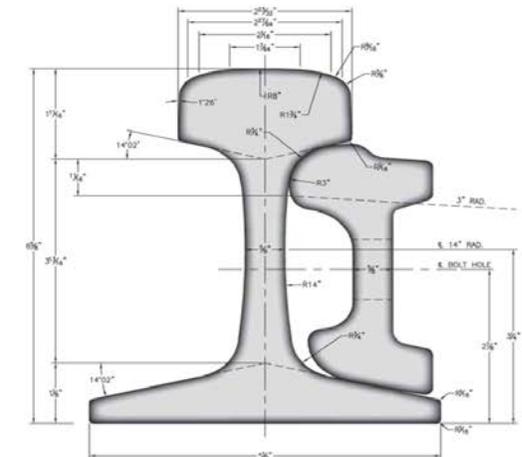
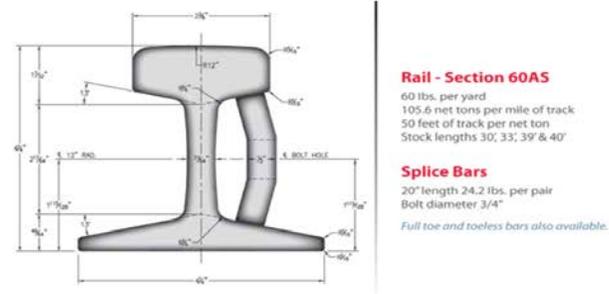
- Line was built in 1908.
- Southern Pacific RR filed to abandon the line in 1985.
- Lake County purchased the 55-mile rail line in 1986 to preserve service.
- Key Lakeview employers depend on Rail service as their critical Transportation Link for getting products to market.



Lake County Rail Infrastructure

- Lake County owned infrastructure is poor
 - 41 miles at 10 mph
 - 13 miles at 5 mph
 - Loaded cars 8 mph
- Restricted weight capacity
- As of 2017 study, 75% of the ties were substandard

Current Rail	Rail Size (Pounds per yard)	Track Miles	Percent of total
Substandard	75	17.24	31.6%
Substandard	90	34.70	63.7%
Standard	112 or Larger	2.51	4.6%



Lake County Railroad- Economic Impact

- Lakeview is very geographically isolated.
- 3.5 hours from the Interstate Highway System (I-5).
- Trucking is expensive, due to lack of “back-haul” products.
- Key Lakeview employers depend on the railroad as their critical Transportation Link for getting local products to market.



Current Rail Customers and Economic Impact

- **Cornerstone Minerals- Perlite Mine / Plant**
- **Collins Pine- Lumber Products**
- **Goose Lake Railway- the dependable critical Transportation Link for getting local products to market.**

Employer	Jobs 2019	2019 Avg. Cars / Week	2020 Projected Cars/Week
Collins Pine	100	7	7
Cornerstone Industrial Minerals	30	10	14
Goose Lake Railway	7	-	-
Red Rock Biofuels	4	-	10
Total	141	17	31



Red Rock Biofuels

- **Project Status:**
 - Nearing completion of \$ 250+ million Biorefinery in Lakeview, OR
 - Annually, will convert 166,000 tons of forest waste woody biomass into 15+ million gallons of renewable Jet and Diesel fuels.
 - Southwest Airlines and FedEx are committed customers
 - Biofuels will begin shipping by rail, starting in 2020
- The plant is dependent on Lake County Railroad to deliver product.
- Present track conditions don't meet Federal Railroad Administration legal requirements for handling of Hazardous Materials.

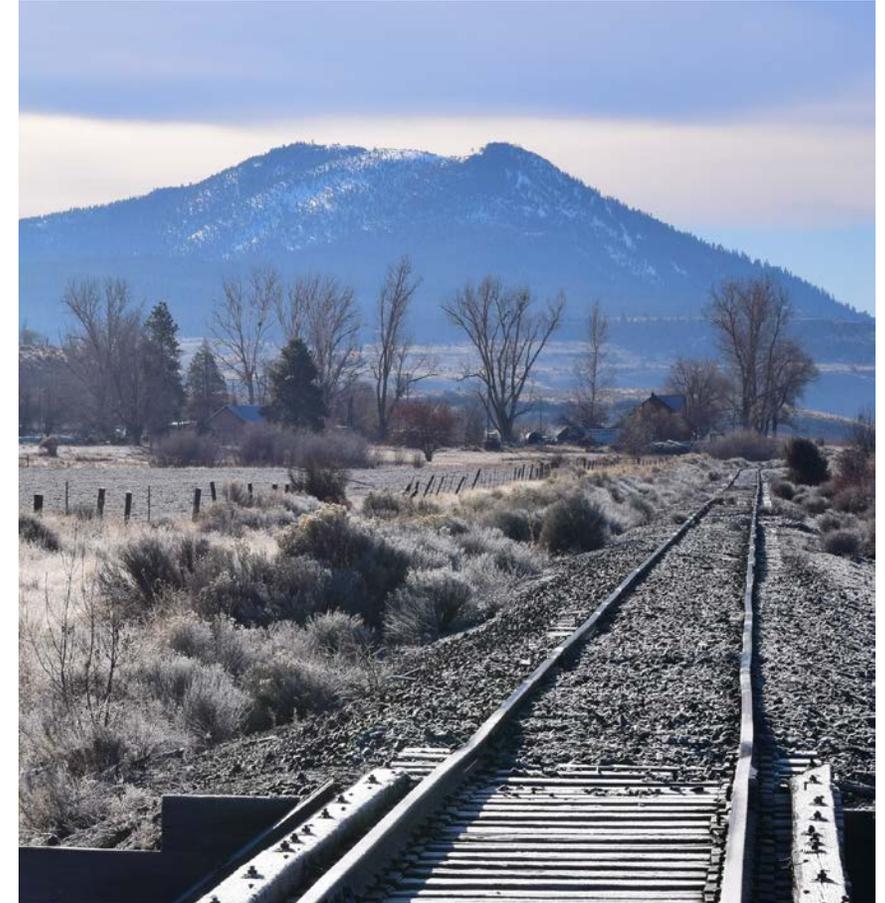


Red Rock Biofuels- Ecological Benefits

- **Catastrophic wildfire risk in Oregon reduced by processing forest waste.**
- **Production of renewable Jet and Diesel fuels, helping to tackle climate change.**
- **OR supporting a first-in-the-world conversion of waste woody biomass into Renewable, Low-Carbon fuels.**

Bond Financing Purpose, Urgency and Impact

- **1. Funds Provided will permit the Lake County Railroad To Meet Federal Railroad Administration (FRA) – mandated legal requirements to achieve “Excepted Hazmat” rail line status.**
- **Bond financing will pay for the following:**
 - Reconstruction of Milepost 486.3 Curve: \$ 600,000
 - Rehabilitate bridge decks & approaches: 1,500,000
 - Bridge work for upgrading capacity: 600,000
 - Crossing rehabilitation work: 200,000
 - Broken rail, joint bar & bolt replacement 350,000
 - Project Admin/Engineering/Contingency 250,000
 - Total \$ 3,500,000
- **Thus, Allowing new customer product to reach the market.**



Bond Financing Purpose, Urgency and Impact

- **2. To Impact Lake County Job Growth:**

- Each Lake County private-sector job = 224 Multnomah County private-sector jobs in relative economic impact.
- We have/are adding 183 new private-sector jobs to Lake County, which is equal to 40,992 jobs in Multnomah County.



Employer	Lake County Jobs 2019	Lake County Jobs 2020	Estimated Job Impact in Lake County
Collins Pine	100	100	
Cornerstone Industrial Minerals	30	30	
Red Rock Biofuels	6	44	
Goose Lake Railway	7	9	
Total	137	183 (46 additional)	46 x 224 = equivalent of 10,992 additional new Jobs in Multnomah Co.

\$3.5 Million Bond Financing accomplishes:

1. Immediate fixes to Lake County-owned rail line, to meet FRA protocols to handle Hazmat carloads.
2. Thus, Allowing movement of the Renewable Jet and Diesel fuels to market.
3. And, Leveraging the \$3.5 million functionally into \$10.61 million *, with the Bond Funding serving as match for Lake County's Federal CRISI ** grant.

Funding *	Amount	Note
Bond Funding Request	\$ 3.500 million	To upgrade to Rail Line to "Excepted Hazmat" standards and to leverage federal CRISI grant
CRISI ** (Consolidated Rail Infrastructure and Safety Improvements) Grant	\$ 5.600 million	FRA-Awarded, but currently lacking sufficient matching funds to become active.
Red Rock Biofuels Spur match	\$ 1.427 million	
Lake County match	\$ 0.083 million	
TOTAL	\$ 10.61 million	

Operational and Maintenance Sustainability



- After Appropriation, Goose Lake Railway will be well able to maintain the Status Quo of the upgraded infrastructure.

GOOSE LAKE RAILWAY Pro Forma Income Statement (\$000)

Year	Historic		Estimated	1	2	3	4	5
	2017	2018	2019	2020	2021	2022	2023	2024
Operating Revenues:								
Gross Revenues	\$82	\$1,701	\$1,485	\$1,472	\$1,888	\$1,953	\$2,020	\$2,090
Subtotal Other Revenues	-	281	326	146	167	170	174	178
Total operating revenues	\$82	\$1,982	\$1,811	\$1,618	\$2,055	\$2,123	\$2,194	\$2,267
Operating Expenses:								
Track Maintenance	\$41	634	473	475	665	679	692	706
All Other Operating Expenses	330	1,293	1,297	900	852	869	887	904
Operating expenses	\$370	\$1,927	\$1,770	\$1,375	\$1,517	\$1,548	\$1,579	\$1,610
Operating income	(\$288)	\$55	\$41	\$243	\$537	\$575	\$615	\$657



Questions and Comments