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September 21, 2017

Re: A RAIL AND MARINE TERMINAL FINANCIAL PLAN THAT IS  
LIKELY THE KEY TO REVITALIZING OUR REGIONAL  
ECONOMY AND AN INVITATION TO A MEETING OF  
POTENTIAL INVESTORS

Greetings:

Many longtime residents of Humboldt County are not happy with the state of the local economy and the adverse effect it has on our way of life. For that reason and for a number of years, a number of us have been exploring ways to revitalize our local economy. Without painting too rosy of a picture, many of us believe the most likely path of success to revitalizing our local economy is with a modern port connected by rail to the national rail network that can create business opportunities.

The ports of L.A. - Long Beach and Oakland, are facing intractable problems with congestion and pollution. With Humboldt Bay serving as neither a port of origination nor as a port of destination, but as part of a vibrant "land bridge" with a two-track freight rail line connecting Asia with America's Midwest and California's Central Valley, the regional economy can become healthy and dynamic. And we believe that circumstances that are favorable for making that happen are now before us because the necessary plan for financing is now available to make it happen.

The purpose of this letter is threefold:

1. To introduce the Pacific Charter Financial firm and its principals, Alan and Helen Painter, for what we believe to be a legitimate and feasible opportunity to raise the capital required for the Pacific Northwest Railroad (PNWRR), in the amount of an estimated \$10 Billion (\$4 Billion for a railroad and \$6 Billion for marine terminals and freight aggregation facility) for the building of a two-track Freight railroad from marine terminals to-be-built on Humboldt

Bay to the national rail network near Red Bluff.

2. To invite you to support the Railroad by your investment in Humboldt Eastern Railroad LLC ("HERR"), a Founding Stockholder in PNWRR. With your financial investment and others, we can help to bring about the reality of a modern green port and an environmentally benign, two-track railroad. You can become one of the local "Founding Investors" in a major, privately founded-and-owned infrastructure enhancement for upstate California.
3. To explain what we believe are the steps necessary to achieve our goal.

Regional leadership is being given an opportunity to transform our economy in a good way. The timing appears to be right for this to happen. Even the political stars appear to be in favorable alignment.

Fortunately, this opportunity corresponds with President Trump's emphasis on privately financed infrastructure. In fact, with the Trump Administration's attention and support, the overall time-frame for completion of this effort could be shortened significantly.

In reviewing the history of the development of "Infrastructure" in Humboldt County, the following are worth noting:

1. The Jetties for our Harbor Entrance were initially put in place in the 1890s.
2. Fernbridge was constructed in 1911.
3. Humboldt Normal (now Humboldt State University) was started in 1913.
4. The Northwestern Pacific Railroad connecting Humboldt County to the Bay Area was completed in 1914.
5. Highway 101 was completed in 1922.
6. McKinleyville Airport started receiving passenger service in the mid-1940s.
7. Ruth Dam and the Humboldt Bay Municipal Water District were conceived in the late 1950s providing 15mgd of domestic water for residents and 60mgd of industrial water for the pulp mills which started operating in the mid-1960s.
8. College of the Redwoods commenced operation in 1965 after approval by the voters of Humboldt County.
9. The Samoa Bridge and Woodley Island Marina were constructed and operational in 1971 and 1976, respectively.

In other words, for 41 years there have been no significant public



infrastructure improvements in Humboldt County. Without an industrial base in this county we are short of doctors and opportunities. Large numbers of our people are economically depressed and our children and grandchildren are hard-pressed to find decent and good paying jobs locally. We believe that it is now time for a major effort to have a privately funded infrastructure improvement in the form of an East West Railroad. If not now, when? If not now, probably never. If not us, who?

And it helps greatly that the lead governmental agency (the U.S. Department of Transportation's Surface Transportation Board) reviewing this East West Railroad (which we believe is the first railroad over 50 miles in length to be built in the United States since 1975) will be doing so under the federal National Environmental Policy Act ("NEPA") and not primarily under CEQA.

We at HERR LLC have agreed in writing to attempt to raise "seed money" in the amount of \$10 Million in order to demonstrate local support for the project both to key government agencies as well as the billion dollar investors and the general public. Once the \$10 Million is gathered, PNWRR will receive the "go ahead" from the Surface Transportation Board to seek permits and commence the design process. We will be seeking investors both locally and elsewhere.

We believe that a rail and port connection can help restore a healthy economy here in Humboldt County and throughout the North Coast, give hope to its residents, and create many investment and entrepreneurial opportunities that cannot even be imagined yet. We ask for your support—and your investment.

## **A Bit of Local History**

It is worth noting that, had it not been for Jess Lentell and Charles Barnum, we would likely not be undertaking this effort to construct an East-West Rail from Humboldt Bay. It so happens that in 1909, a very energetic land surveyor and engineer by the name of Jess Lentell, conducted a two month reconnoitering of a possible, some said a likely, route for a railroad connecting Humboldt Bay to Redding. Fortunately or unfortunately, the decision was made by the powers that be at the time to construct the North-South line through the Eel River Canyon connecting Humboldt County to Sausalito in order to service the demand for old growth redwood lumber in the San Francisco Bay Area. But fortunately for

us, Jess Lentell, in his later years, entrusted all of his surveys, visionary plans, and his East-West rail route reconnoitering notes to his good friend, Charles Barnum. And later, thanks to the wisdom of Charles Barnum's son, Robert Barnum, those files were entrusted to the Humboldt County Public Works Department where they remain in a file cabinet and from which file cabinet drawer Lentell's notes of his reconnoitering were recovered in 2009. Although the eventual route to Red Bluff may not conform exactly to Lentell's notes, they have proven very helpful in this effort.

### **An Important Cautionary That Risk Capital is Involved**

**Although we are very hopeful and optimistic that Pacific Northwest Railroad will become a reality, we must state loud and clear that this proposal is not a "sure thing" or a "slam dunk." Lots of challenging tasks must be performed successfully. Before investing, you will be asked to sign an "Accredited Investor Statement." Your involvement and investment is vitally important, but neither we at Humboldt Eastern Railroad, nor those at Pacific Charter and PWNRR are offering any type of guarantee other than our hard work and best efforts. Your money will be at risk, but if this project is successful, great good for Humboldt County will result.**



## **Now is the Time**

Please review carefully the Addendum entitled Pacific Charter's Financing Proposal forwarded with this letter. We believe that if we can raise the local capital to kick start this effort and show both the U.S. Surface Transportation Board and the "big time" investors of the local support for this proposal for constructing a "land bridge" with a modern port and a 220 mile two-track railroad connected to the national rail network then, with your help, we can make an East-West Rail a reality and, by doing so, revitalize our regional economy and give hope to our children and grandchildren.

We look forward to meeting with you and others in the next few weeks. Small group meetings will probably be held soon in Bill Bertain's large conference room at 1310 Sixth St. in Eureka. A larger meeting will be held shortly during the second or third week of October with Alan and Helen Painter, Larry Mallon, Jerry Bailey, and Ken Davlin in attendance—likely at either the Eureka Inn or the Ingomar Club.

Thank you.

Very truly yours,

BOB FIGAS

BILL HELWER-CARLSON

PETE Oringer

NICK ANGELOFF

BILL BERTAIN

## Addendum

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Humboldt Eastern Railroad LLC  
1310 Sixth Street  
Eureka, CA 95501

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September 21, 2017

### Pacific Charter's Financing Proposal

A good friend of local engineer Ken Davlin, namely Alan Painter of Pacific Charter Financial of Newport Beach, has developed an initial Financing Proposal for up to \$10 billion in funding that would provide at least \$4 billion for construction of the East-West Rail and \$4 billion for developing state of the art cargo handling facilities on Humboldt Bay.

Pacific Charter has provided financial and management services and developing structured financial approaches, since 1984. The Painters were introduced to us by Ken and conveyed the financing plan at a meeting held in Los Angeles on February 2, 2017. A requirement for Pacific Charter to move forward to build the railroad and docks system was a show of support from the community, which is also a requirement of the STB (U.S. Surface Transportation Board) previously mentioned. On June 5, 2017, HERR signed on to support PNWRR and agreed to raise from local investors up to \$10 Million, the amount likely required to receive approval from the Federal Government to proceed to apply for a permit. There is strong national and international interest for investing in a long-term, "in-the-ground" type of asset. Nevertheless, it all awaits a demonstration of local interest and commitment.

For your confidential review, we are enclosing two letter agreements to Humboldt Eastern Railroad LLC from Pacific Charter which were executed by HERR LLC on June 5<sup>th</sup> and August 3<sup>rd</sup> of this year along with a letter dated May 5, 2017 to Pacific Charter from their law firm summarizing Pacific Charter's current Financing Proposal for obtaining \$10 million of Founders' Equity risk capital that Pacific Charter will utilize to get the Pacific Northwest Railroad (PNWRR) project moving forward. PNWRR intends to build a new, environmentally benign, dual (parallel



track) rail line of 220 miles to the existing Union Pacific Railroad (UPRR) line at Gerber, California, from modern, "green", marine terminals on the Samoa Peninsula. The project will also include the proposed purchase and upgrades of at least two existing docks on Humboldt Bay, California's closest deep-water port to Asia.

## **The Pathway to STB Approval**

Upon receiving the initial seed capital investment of \$10 million, **PNWRR's** immediate goal is to utilize the initial investment capital to submit technical documentation to the Surface Transportation Board (STB) of the U.S. Department of Transportation and gain approval by the STB within 6 months (before proceeding with Phase Two to apply for the Permit to Build).

Upon such approval, Pacific Charter will issue an initial Private Offering in the estimated amount of \$500 Million. The proceedings will be used to purchase United States Government Bonds with **PNWRR** to receive approximately \$300 Million for preparation of studies, technical assessments, designs, and contracts in accordance with STB directions and further approvals to construct the Railroad. Thereafter, once the design and finalization to the approvals are received, the additional funding of more than \$3.5 Billion for the Railroad will be obtained.

As indicated within the enclosed materials, Pacific Charter has assembled a very capable and impressive internal and external consultants team to bring the project to fruition. The involvement of Larry Mallon is a real plus, and provides knowledge to help overcome obstacles we may encounter to obtain Permits and Licensing. Larry served as Maritime Counsel to the U.S. House of Representatives for eleven years. His resume is enclosed. Also, please review the resumes of **PNWRR** team members Ken Davlin, the President of Oscar Larson and Associates, and that of Jerry Bailey, the former President of Exxon Arabian Gulf.

We should mention that in September 2015, Governor Jerry Brown requested proposals to deal with the problems of congestion and air pollution within the primary current operating ports of California. He insisted that the proposed projects be, "**Innovative**, **Big**, and **Transformative**." On January 26<sup>th</sup> of 2016, before a large audience and a nine-member panel of top level state government officials, several of us locals told the 160 conference attendees and the assembled government

officials that a railroad from Humboldt Bay to Gerber is the one project, privately funded, that will be “**Innovative, Big, and Transformative.**” This private sector proposal was well received and officials from the Governor’s Office of Business and Economic Development as well as the Chief of CalTrans’ Transportation Planning Division have met with us since then and have personally expressed support.

## **Humboldt Eastern Railroad LLC**

The current purpose of Humboldt Eastern Railroad LLC (“HERR LLC”) is to serve as a vehicle for putting together the \$10 million initial risk capital investment by asking for minimal individual investment pledges in \$50,000 units or multiples thereof, but also including fractional units thereof, for Accredited Investors. This new California limited liability company (Humboldt Eastern Railroad LLC) was formed in November of 2016 to facilitate the development of the initial capital requested by Pacific Charter Financial Services Corporation for the envisioned Pacific Northwest Railroad Corporation.

Humboldt Eastern Railroad LLC will hold the Series “A” preferred stock of **PNWRR** and each member of HERR LLC will own a proportionate interest in HERR LLC based on the amount of their investment. Limited Liability Companies cannot issue stock or shares, but ownership can be expressed in two ways: by percentage or by membership units.

The LLC’s current managers are as follows: Aqua Dams CEO, Nicolas Angeloff; William Helwer-Carlson, retired rice farmer from Butte County; William G. Bertain, a local attorney; and Pete Oringer, former part-owner of Pacific Marine Engineering, Inc. A poster promoting Humboldt Eastern Railroad LLC is enclosed. Please do not post it publicly until we give you further word.

## **Founders’ Equity and a 4 to 1 Multiplier**

A significant benefit of providing initial capital for this project is that for those who participate in the initial \$10 million investment, a Founders’ Equity “enhanced” ownership will be conferred. Initial local investment capital amounting to \$10 million is to be used for obtaining from the STB



approval for the Right to Apply and obtain a two year exclusive window in which to apply for Permit approval.

As set forth in the two “letter agreements” entered into by Pacific Charter and Humboldt Eastern Railroad LLC., as well as the letter from Pacific Charter’s law firm dated May 10, 2017, those having purchased an interest in Series “A” Founders Equity shares through HERR LLC will earn 7% interest and enjoy a “4 to 1” multiplier of their interest once a \$100 million tranche on the initial \$500 million Private Placement is received by PNWRR. At that trigger point, those holding an interest in Series “A” Founders Equity will then be able to choose to either cash out after their proportionate interests have been quadrupled or stick with their investment, and watch it grow further in value. Note: the 7% interest then ceases and continuing Shareholders receive dividends as applicable.

After the first \$10 million has been invested, the trigger point occurs immediately after the first \$100 million has been obtained by PNWRR from the first Private Placement. The first \$100 million will get PNWRR started with the environmental permitting process and the surveying and construction design process.

And it is also worth noting that for the initial local investors, the trigger point for realizing the 4:1 multiplier will occur before agency decisions are made on permits and environmental considerations.

Per the July 28, 2017 Amended Letter Agreement, the new Series “B” shares (totaling a second \$10 million) in PNWRR Preferred stock will receive two times their investment from the first \$100 million of the \$500 million raised from the Series “C” investors plus an accrued dividend of 5%. All common stock is held by Pacific Charter Financial Services Corporation.

## **PNWRR’s Initial Contact With the Service Transportation Board and Other Federal Agencies**

Utilizing the initial \$63,000 provided to Pacific Charter Financial by Humboldt Eastern Railroad LLC, their two primary consultants, Larry Mallon and Ken Davlin, recently had a week-long series of introductory meetings, in the first week of August, with federal agencies and well-positioned individuals.

This visit was productive and resulted in significant progress including a Federal Docket Number issued by the Department of Transportation's Surface Transportation Board. A Confidential Copy of the Internal Report prepared by Pacific Charter Larry Mallon, and Ken Davlin, dated August 28<sup>th</sup>, 2017, is included as part of the packet made available to you for your confidential review. In sum, the proposal for **PNWRR's** East-West rail was well received by a number of regulatory agencies, including the Surface Transportation Board, but also by private sector representatives involved in shipping.

## **Why is Local Support So Important?**

In the last sentence of the first paragraph of this Addendum, we mentioned that Pacific Charter's financing proposal awaits a demonstration of local support and commitment. Why is that? The reasons are at least two fold: first, the large money investors believe that demonstrating local support is critical for convincing the public at large and the regulatory agencies of the likelihood of success in going forward. Local investment enhances that likelihood. And secondly, the public agencies reviewing the permit applications and environmental documents have already informed Larry Mallon and Ken Davlin of the significant impact that demonstrated local support can have on the process.

It has been observed that the overwhelming reaction of the public in our region to the notion of an East-West Rail is that is a great idea, and that it would be good if it could be done. But many believe it is unlikely to happen because the money cannot be found to build it. Pacific Charter's proposal is intended to prove otherwise.