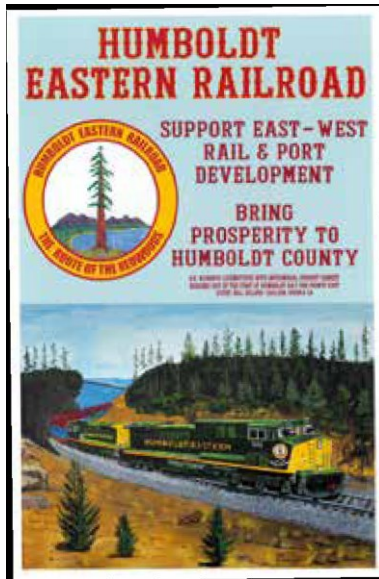


## Humboldt Eastern Railroad LLC and Pacific Northwestern Railroad announce port and rail project

Submitted by: Bill Bertain, President, HERR

Humboldt Eastern Railroad, LLC. (HERR) is raising \$10 million locally in seed money from local investors to kick start the efforts of Pacific Charter Financial Services Co. (PCFS) for the \$10-plus billion privately financed rail and port project of Pacific Northwest Railroad (PNR). PNR intends to construct a 220 mile, dual track, green railroad from the deep water port of Humboldt to the national rail network near Red Bluff in the Central Valley. Doing so will establish a vibrant “land bridge” connecting Asia and the Pacific Rim countries with America’s Midwest, East Coast, and Central Valley.



With the Ports of LA, Long Beach, and Oakland suffering from large and continuing problems with congestion and pollution, PNR’s proposal for a state of the art rail and port facility on Humboldt Bay is timely and can demonstrate “efficiencies and greenness” not available to the larger ports.

The port and rail project will provide significant economic benefits to our region, including a vast industrial base with private sector jobs providing medical benefits that can help recruit and retain sufficient medical doctors. With the expected increase in business activity and economic transactions, both direct and residual, improved air travel services are also likely. Those interested in a better future for our children and grandchildren here in Humboldt County and seeking more information can email [humboldeasternrr@gmail.com](mailto:humboldeasternrr@gmail.com) or call 443-5078 and materials will be provided.

The route capacity is projected for four 100 car double-stacked trains daily each way. The trains will be pulled by locomotives powered by liquid hydrogen and emit nothing except water and limited amounts of heat.

The Project specifies that three modern, green, highly automated marine terminals and docks. With a minimum total of 3,000 ft. of wharfage on the Samoa Peninsula’s five miles of bay frontage. Dock equipment will be powered by electricity or hydrogen fuel. With over 800 under-utilized acres of land zoned Coastal Dependent Industrial in the Samoa Peninsula, including a Foreign Trade Zone, the marine terminals will employ approximately 700 Longshoremen and warehouse workers. The facility will be intermodal and handle primarily containers.

HERR’s purpose is to demonstrate local financial support for PCFS’ and PNR’s project to: the key regulator agency, the US DOT’s Surface Transportation Board (STB); to the bond and equity markets; and to the general public regionally for the project.

## Humboldt County Civil Grand Jury – step up and be counted

Submitted by: John Heckel, Vice President, Humboldt County Chapter of the California Grand Juror’s Association

There are two critical times of the year--times when we need the residents of Humboldt County to step up and be counted. The first one, elections, we are all familiar with. The second, the impaneling of the new Humboldt County Civil Grand Jury, we are not. Elections are some months away; time to volunteer for the next Civil Grand Jury is now.

Applications are available on the Humboldt County website or at the offices of the Humboldt County Civil Grand Jury at the courthouse in Eureka. Deadline is the end of May.

I have served on our grand jury twice; once as the foreperson. That service was one of the most rewarding, stimulating and creative experiences of my life.

Please consider serving and making a difference in how our local government functions.

— ADVERTISEMENT —

# Eureka Chamber May Mixer

Thursday, May 17, 5:30-7:00 pm

PETRUSHA LAW

Estate Planning & Administration

2826 E Street in friendly Henderson center

<http://https://www.petrushalaw.com/>

Bring your business card to enter the drawings!

**Humboldt Eastern Railroad LLC**  
**1310 6<sup>th</sup> Street**  
**Eureka, CA 95501**  
**(707) 443-5078 • humboldteasternrr@gmail.com**  
**August 2018**

## **HUMBOLDT EASTERN RAILROAD LLC OVERVIEW OF PROPOSED TRANSACTION**

**THE FOLLOWING IS FOR INFORMATIONAL PURPOSES ONLY AND IS SUBJECT TO REVISION AND CORRECTION WITHOUT NOTICE. PLEASE CONSULT THE HERR LLC PRIVATE PLACE-MENT MEMORANDUM, WHICH IS CONTROLLING AND WHICH IS AVAILABLE UPON REQUEST.**

Pacific Charter Financial Services Corporation, with the assistance of Humboldt Eastern Railroad LLC, is seeking to create an “American Gateway” with the construction of the Pacific Northwest Railroad rail lines, docks, and hub terminals.

For a number of years there has been an economic decrease in Humboldt County and the adjacent areas of Northern California due to the decline in the Timber and Fishing Industries. In addition, due to a lack of rail and highways to Humboldt County, very few industrial and manufacturing shippers and their investors have been drawn to the area.

The port of Humboldt Bay currently has little shipping activity. It is a deep water port (35-38 feet) located between San Francisco, California (258 miles south) and Coos Bay, Oregon (180 miles north). Among the docks on the West Coast, Humboldt Bay is the shortest direct route to Asia by two and one-half (2 1/2) days or five (5) days round trip. For this reason, this port has great potential. There has not been rail service to the Port for over 20 years due to destruction of the previous railway line, which followed a North-South route to Napa. There are no plans to rebuild that route.

It is anticipated that the completion of the Pacific Northwest Railroad connection to the national rail network in the Central Valley near the towns of Red Bluff and Gerber will have some effect on population increase in Upstate California, thereby increasing the economic activity in the area. The number of residents currently living in the immediate communities and geographical areas to be served or affected by the Port, Rail and Hub Terminals is estimated at 9 to 11 million. These areas extend from the Gerber switching yards near Red Bluff and include Sacramento north to Medford, Oregon, and the Sierras west to the Pacific Coast.

**Note: Total temporary, part time, and construction employment during the 4-7 year construction period for rail, port, and hubs is estimated at 40,300 jobs. Total permanent employment in the Northern California Region estimated at 6,500 jobs. Steel required solely for rail: 211,507 tons.**

1. **HERR Financial Goal:** HERR, LLC, located in Eureka, California is raising \$10 million in seed money from investors, thereby demonstrating local support and generating seed money to kick-start the efforts of the developer, Pacific Charter Financial Services Corporation (PCFS) for the \$10-plus billion privately-financed Pacific Northwest Railroad (PNR) rail, port and terminal project more fully described herein. PCFS is the developer of PNR.
2. **Purpose:** To demonstrate local support for the Developer to the key regulatory agency, the United States Department of Transportation's (USDOT'S) Surface Transportation Board (STB), to the bond and equity markets, and to the general public regionally for:
  - A. Constructing a 220-mile, dual track railroad from the deep-water Port of Humboldt east to the national rail network near Red Bluff and Gerber in the Central Valley of California, establishing a vibrant "land-bridge" connecting Asia and the Pacific Rim countries with America's Midwest, East Coast and Central Valley. The route capacity is projected for four (4) 100-car double-stack trains daily each way. Trains are planned to have locomotive engines powered by liquid hydrogen similar to that which is currently in use in Europe. The engines are not dependent on diesel or petroleum fuels, and operate at a low noise level. These engines produce no 'emissions' except water and limited amounts of heat. Efforts will be made to obtain 'carbon credit' payments to PNR for the diesel offsets.
  - B. The Project specifies three (3) modern, green, highly automated marine-terminals and docks, with a minimum total of 3,000 feet of wharfage on the Samoa Peninsula's five miles of bay frontage. Equipment will be powered by electricity or by hydrogen fuel. There are over 800 under-utilized acres of land zoned Coastal Dependent Industrial on the Samoa Peninsula, including a Foreign Trade Zone. Coastal Dependent Industrial land use designations support the industrial lands for uses such as the projected docks, warehousing, and goods movement activities. Utilities are available on the Samoa Peninsula, along with plentiful water (over 50 million gallons per day). Planning is currently underway for a sewage treatment facility to support waste management. PG&E transmission lines of 60 KV provide the load capacity necessary to support the planned improvements. Also located nearby is a 17 Megawatt biomass Power Plant. Solid waste management facilities already exist. The Redwood Coast Energy Authority works with PG&E to develop alternative energy sources such as off-shore wind, biomass, solar, and other attractive energy sources to support the industrial area.
  - C. **Intermodal design concept:** PCFS' business model conceives PNR designed with state of the art systems for the flow of shippers' merchandise as well as elimination of current transportation problems found elsewhere (i.e. shipping time and delays as well as congestion and pollution). Goods in containers are transported by truck from shippers to PNR Hub Terminals for transfer to train, and from train to docks where it is loaded onto ships by cranes, powered by electricity, thereby vastly decreasing carbon emissions on the docks. This process is reversed with cargo containers delivered to Humboldt Docks and loaded on trains. Hub

terminals located in the Central Valley are established as profit centers for container storage, and include hotel, restaurants, truck repair, fuel sales, and other related services. Truck/Terminal Hubs to start with approximately seven (7) Terminals, and increase number based on geographic and volumetric needs.

### **3. Environmental and Land Use:**

A. Railroads are regulated by the Department of Transportation and administered by the STB, the lead agency, under the National Environmental Policy Act (NEPA) and not under CEQA (California Environmental Quality Act).

i. The development of Freight railroads, i.e. goods movement railroads, is administered by the Surface Transportation Board (STB), under the U.S. Department of Transportation (DOT). Applications to STB will result in its management of the NEPA process, the consideration and approval of the project application, and the establishment of conditions of operations and reporting. The NEPA documents will contain information and data useful for the use of the Department of Transportation (CalTrans) of the State of California, in its consideration of regional and local impacts which may be characterized by the STB's consideration of a CEQA environmental review process under State guidelines. NEPA authority preempts, and is primary to, CEQA authority in the rail project approval process. Another agency, the Federal Rail Administration (FRA), is responsible for approving design issues of the rail project, after the STB grants the permit to construct the railroad. It is estimated that more than 50% of the land over which the railroad's right of way will cross is owned by or under the authority of the federal government. Private lands will be obtained in the name of the PNR, by the power of eminent domain, which will be granted to PNR by virtue of STB's approval of the Permit to Construct. The K & L Gates law firm, representing PNR, will direct the contracts and legal issues associated with the lands and environmental management of the development process.

B. The modern highly automated, "non-diesel" equipped, green marine terminals and docks will be regulated, where NEPA does not govern, by CEQA and Humboldt County Ordinances. However, the California Coastal Act, Public Resources Code § 30701(a)+(b), specifically mentions Humboldt Bay as an "essential element of the national maritime industry" and "shall be encouraged to modernize and construct necessary facilities within" its boundaries. Furthermore, the State Legislation authorizing the Humboldt Bay Harbor District in 1970 (and approved by Humboldt County voters in 1973) states that the local Harbor District was established for the "promotion of national and international commerce."

i. The design concept of the docks and waterfront goods handling equipment and facilities is for the use of current 'state of the art' equipment which reduces emissions, provides high level economic efficiencies, and will offer the lowest unit cost per container operations on the West Coast. This goal and the fact that

Humboldt Bay is at least one day closer to Asia than the docks on San Francisco Bay, result in the lowest cost per container movement to the Class 1 Union Pacific rail line in Gerber.

4. **The Need:** The ports of LA/Long Beach and Oakland have large and continuing problems with congestion and pollution. The Port of Portland has decreased activity and currently serves only bulk goods shipping, and autos. It has ceased container shipping, having gone from about 165,000 container shipments (both import and export) through the port in 2014, to zero containers in 2017. Other ports of Oakland and Stockton are combating the costs and inefficiencies resulting from their congestion constraints, the ages of their facilities, and their locations. Humboldt was, in the past, a major volume and revenue producing port. It is now at the point where it needs to re-establish a state of the art rail and port facility while the other cost inefficient ports seek to manage their costly problems. Humboldt Bay is prime for appropriate industrial redevelopment and can “do it right” from the beginning.
5. **Series A Shares of PNR** enjoy a “liquidity event” that provides a 4 to 1 multiplier for HERR LLC investors which will occur upon PNR receiving its first \$100 million in proceeds from the sale of its first bonds. See Page 13 of HERR’s PPM (attached). HERR investors can cash out at that time or leave money in. Note that the liquidity event is not dependent upon any approval of permits from the STB but solely upon PNR accessing the first \$100 million of an estimated \$500 million Private Placement Offering to fulfill the requirements necessary to obtain the Permit to Construct the railroad and underwriting. HERR LLC investors will also receive 7% interest through the completion of the liquidity event.
6. **The officers of PCFS are also principals of PNR**, holding 100% of its common stock: Alan Painter, CEO, and Helen Gibbel Painter, President, and Dale Baker as COO. The Development Team for PNR include but is not limited to: Oscar Larson & Associates, Civil Engineers as Project Manager, Kenneth Davlin, President; Lawrence Mallon & Associates, Permit Approval Process; Dr. Lawrence G. Mallon, President; Dr. R. G. (Jerry) Bailey, PNR Advisor. The legal advisor for PNR is K & L GATES LLC, representing PNR, Leib Orlanski, Senior Partner.
7. **The Rail Right of Way** has potential as a Profit Center by: co-locating fiber optic line(s) within the right of way; power transmission lines or buried conduit for transmission of power generated from off-shore wind energy, along with carbon off-set and carbon market available to wind energy projects.
8. **Additional manufacturing projects** on the Samoa Peninsula, and in our region of Humboldt County, including the City of Eureka, will be made possible by the port and rail project.
9. **This port and rail project can be appealing to environmental communities** especially if deemed essential to offshore wind energy projects, as will be the hydrogen fuel powered locomotives. The U.S. Forest Service might condition their support on having trails in locations along the route and locating compatible fire-fighting facilities. This railroad will be available to assist the US Forest Service to support its forest lands management responsibilities and its mission.

**10. Initial dealings with STB:** PNR's permitting team spent a week in August 2017 meeting with regulatory agencies in Washington D.C and enjoyed a favorable reception. First step forward with the funds raised by HERR will be to enable PNR to provide a "Letter of Intent to Apply" (LOI) to the STB. PNR will then have 6 months from submission of the LOI to provide STB its requested and required information and data regarding the rail development project, the environmental data and analyses to meet STB standards for its management of the NEPA process, and a comprehensive business plan which addresses markets, PNR management, leadership and operations plans, along with its financing plans, and a capital plan to perform the rail development work through start up and operations. Following that 6 month period, PNR can proceed with the Application for Approval to Construct that begins the permit approval process by the STB.

**11. The current political and economic climates are favorable to this effort - but the time for action is NOW.**

**We would appreciate hearing from you after your review of the above. Your comments are welcomed. And your interest in participating in our Private Placement for this very worthwhile project to increase the economy and productivity in Northern California is much appreciated.**

**This Overview may contain forward-looking statements, including expectations of future project projections, the amounts of investor funds to be raised, regulatory requirements, etc. Readers are cautioned that assumptions used in the preparation of such information may prove to be incorrect. Events or changes in circumstances may cause actual results to differ materially from those predicted, a result of numerous known and unknown risks, uncertainties, and other factors, many of which are beyond the control of the company.**

## WHAT WE BELIEVE CAN BE SOME OF THE EXPECTED BENEFITS TO OUR LOCAL REGION.

*We believe that the following benefits of a port and rail “land bridge” as proposed by PNR can be expected:*

- 1) A significant private industrial base for our area.*
- 2) Good, decent paying jobs which provide a living wage, enabling families to be formed, and generating future local employment for our children and grandchildren. Better schools and other improved educational opportunities will likely result.*
- 3) With a healthy industrial base, private sector jobs with medical benefits are expected to increase with the result that sufficient medical doctors can be recruited and retained.*
- 4) Local government entities can be expected to experience justifiable growth in revenue from greater economic activity, which should lead to enhanced government services, repaired County roads, and healthy infrastructure improvements such as trails along with better-financed public transportation.*
- 5) The improved economic situation will encourage investment by entrepreneurs with the resulting increase in employment at living wage jobs and a reduction in empty store fronts. The number of high-paying jobs generated with the construction of the railroad and the marine terminals is expected to be large.*
- 6) Expected benefits for timber owners and mill operators should be significant. The value of timber produced in Humboldt County is estimated to increase by at least 8% because rail transport to major markets is expected to make locally produced lumber more competitive.*
- 7) The cost of transporting goods into and out of Humboldt County is expected to decrease, likely resulting in better profit margins and sustainability for local businesses.*
- 8) With the expected increase in business activity and economic transactions, both direct and residual, improved air travel service is also likely.*
- 9) A healthier economy can provide the material assistance needed to reduce and cope with societal ills such as homelessness, substance and child abuse, school dropout rates, and despair.*
- 10) Restoration of hope, optimism, and determination among the people of Humboldt County can be anticipated.*

## **Time-Line of Humboldt Eastern Railroad LLC**

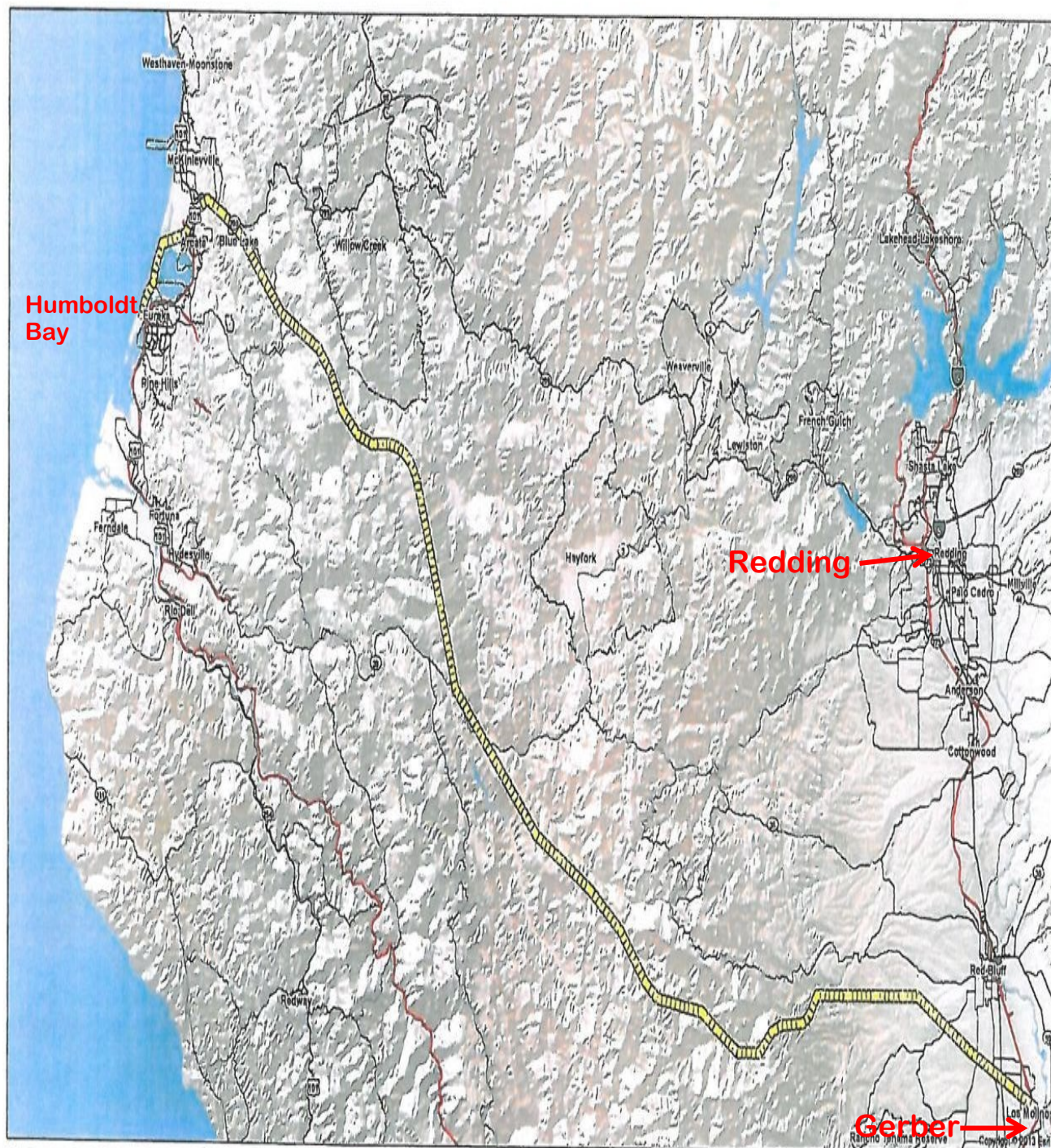
- 11/23/16** Humboldt Eastern Railroad LLC – formed by filing with Secretary of State.
- 2/3/17** Ken Wahlund rents Mercer-Fraser jet to fly 7 of us, including Bob Figas, Engineer Ken Davlin, and Realtor and Harbor Commissioner Larry Doss to a 5-hour meeting with Alan Painter and his team at the office of K & L Gates in Century City.
- 6/5/17** After negotiations, HERR LLC and Pacific Charter Financial Services (PCFS) enter into written agreement by which HERR LLC will attempt to kick start Pacific Northwest Railroad (PNR's) \$10 billion port and rail project and thereby demonstrate local support to the big bond buyers, the Surface Transportation Board (STB), and the local region. Within two days HERR LLC raised \$70,000 and sent \$63,000 to PCFS.
- 8/17** Alan Painter sends Ken Davlin and Port and Rail Consultant, Larry Mallon, to Washington, DC, to meet with regulatory agencies including the STB, and some legislators. They spend a week doing so and are very well received.
- 10/26/17** Bertain tells Rob Arkley of status of efforts. Arkley informs Bertain that "Alan Painter is the real thing."
- 11/27/17** Alan and Helen Painter, present project at two meetings at Eureka's  
to  
**27/30/17** Red Lion Inn to potential investors. They tour the Humboldt Bay Area and are especially impressed with the spacious Samoa Peninsula and its 800 acres of mostly vacant land zoned Coastal Dependent Industrial.
- 12/17** Private Placement Memorandum (PPM) for HERR LLC is prepared by securities lawyer Ben Fackler of San Francisco law firm of Allen-Matkins.
- 4/19/18** PCFS and PNR's Team are in Humboldt County.  
to  
**4/23/18**



**Preferred Stock:**

terms:

- *Price per Share.* \$1.00 ("**Invested Amount**").
- *Dividend.* Cumulative 7% per annum on Invested Amount. Payable in the case of Redeemed Shares upon a Series A Liquidity Event or in the case of Rolled Shares as and when dividends are declared by the Board of Directors of the Development Company.
- *Preference Amount.* Equal to the Invested Amount, increasing to 4x the Invested Amount in the event of the Series A Liquidity Event.
- *Priority.* The Series A Preferred Stock will be senior in payment rights to the common stock, and is expected to be *pari passu* with the Series B Preferred Stock and Series C Preferred Stock, in a liquidation or sale of the Development Company.
- *Series A Liquidity Event.* Promptly after the Development Company receives the first \$100 million of gross proceeds from the Series C Private Placement (the "**Series A Liquidity Event**"), the Company will have the right, at its election, to require the Development Company to either:
  - redeem all or a portion of the shares of Series A Preferred Stock (such shares, the "**Redeemed Shares**") in exchange for a cash payment per Redeemed Share equal to (1) \$4 and (2) accrued and unpaid dividends on such share through the date of redemption, or
  - to maintain the remaining shares of Series A Preferred Stock, if any, as shares of Series A Preferred Stock (such shares, "**Rolled Shares**"), with the following adjustments to the terms thereof:
    - preference amount and deemed invested amount for purposes of the dividend increased to \$4 per share (the "**Adjusted Preference Amount**"),
    - dividends payable if and when approved by the Board of Directors of the Development Company; and
    - the participation rights described in "*Post-Series A Liquidity Event Participation Rights*" below.



PROPOSED RAILROAD ROUTE

1 in = 8 miles

0 4 8



Humboldt Eastern Railroad

Figure 1