



Friends of Train Mountain 2009 Annual Report

2009 Construction Progress

On October 26th, 2007, Friends of Train Mountain leased about 1227 acres of Train Mountain and began building long runs of track through the woods. A lot has happened in 2 years. In 2008 Friends replaced 4,660 feet of track south of South Chiloquin Road and laid 5840 feet of new track creating Farmersville Circle and Witcombe. In 2009 Friends laid 11,510 feet (2.2 miles) of new track including 1,290' for the 2% solution and 10,220' from Witcombe to Hope Circle via Crane Water Siding including Cooper Junction to the road crossing near Panzik, Track is up to Hope Circle. The SW half of Hope Circle is finished. There is a wye to turn around and Flitton yard inside Hope Circle is completed.

Train Mountain now has 15.75 miles of mainline track (up 20% in 2 years from 13.25 miles) and 28.5 total miles of track (up 12% in 2 years from 25.25 miles). And 8.5% of the old mainline track has been replaced with new steel rail on plastic ties.

Many people helped make this happen. Thank you all. We should all be proud.

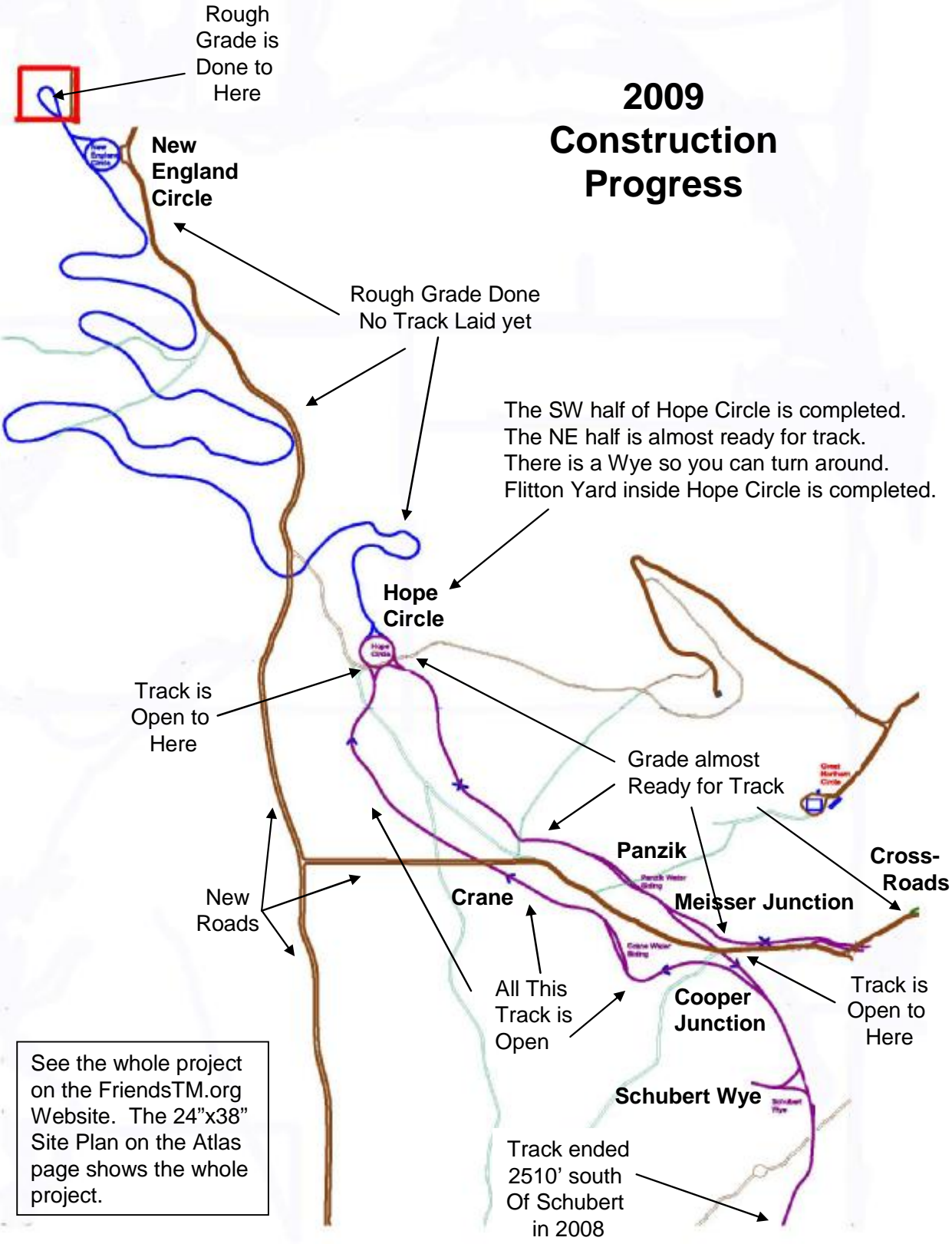
This year's 2.2 miles of new track exceeds the 1.9 miles that got laid in 2008. We got more work done in less time and it was harder work. The weather shortened the construction season. We are getting better at building this community built railroad.

During the Triennial we put a sign on the switch at M&M corner that said "Quentin's Dream Continues" with an arrow pointing north. We now have 16,060 feet (3 miles) of track north of that switch.

Much progress has been made on the grade. The grade from Hope south through Panzik Water Siding and Meisser Junction down to the end of track at the road crossing is basically ready for track. We have the rough grade done from Hope to New England.

Flitton Yard in Hope Circle is important to future progress because it gives us a place to stage 26 car loads of track or about a quarter mile of track. More importantly, the tracks are sized so that if you fill the longest track with carloads of straights, the next longest with 165' radius track and so forth.... 150s, 120s/135s, and 105s/90s... then you will have about the ratio of track radii needed to build track out from Hope.

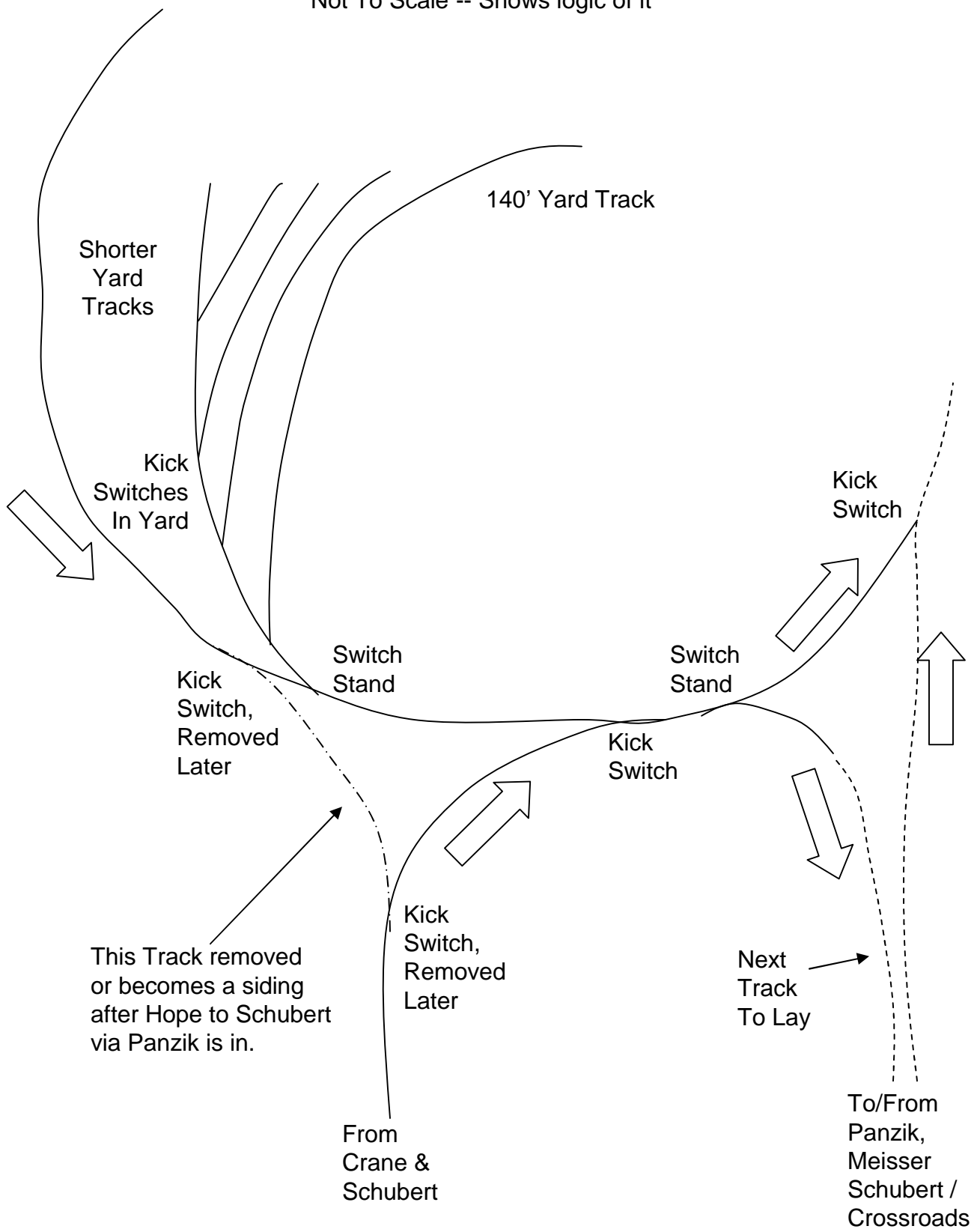
2009 Construction Progress



See the whole project on the FriendsTM.org Website. The 24"x38" Site Plan on the Atlas page shows the whole project.

Hope Circle & Flitton Yard

Not To Scale -- Shows logic of it



Klamath County Approves Comprehensive Plan Amendment

On November 24th, the Klamath County Planning Commission and the Board of Commissioners both unanimously approved an amendment to the Klamath County Comprehensive Plan that allows all of Train Mountain and 14 adjoining properties to be declared a Private Park. This is a big win. It frees us up to get permits to lay track anyplace on the project. Friends is now preparing an amendment to the Train Mountain Master Conditional Use Permit to get more track approved.

Friend's Big Issue

Our major challenge is the estate of Train Mountain's founder, Quentin Breen. The IRS thinks Train Mountain is part of Quentin's estate. On August 27th the IRS filed tax liens in Klamath County totaling over \$13.8 million on all the Train Mountain real estate except the Farmer 20 acres. We do not know how these will be resolved, but we are worried. We have altered our direction due to the tax liens and their implications.

Our concern is that the IRS will foreclose on Train Mountain and that the IRS will sell Train Mountain. We fear that we may not like the new owner(s).

Our lawyer and the IRS seem to say that any new owner would take the property subject to Friend's 40 year lease, the Conservation Easement, and the Track Rights Easement.

Friends has decided that until the future of Train Mountain is clarified, it does not make any sense to keep putting serious money into the project. In mid September, Friends gave notice to all their employees that we would complete this construction season, but then everyone would be laid off except Dustin Barnes. We have a substantial investment in equipment, track, and other assets that need to be taken care of. Dustin has the mechanical skills that are needed. Ross's last day working for Friends was October 30th. Our other employees are working to finish the grade from Hope to Schubert & Crossroads and to prepare for Friends to lay 2 more miles of track.

We urge you to renew your memberships in Train Mountain and stand ready to help Train Mountain and Sharon. Friends urges everyone to support Train Mountain in this critical time.

Crane Water Siding in the snow. Water tower installed by a group from the Kitsap Live Steamers. Picture shows siding. Mainline is to the right. Photo looks south.



Friends will proceed by following 3 policies.

1. Asset Protection -- Friends has moved all its personal property to Carl Vanderspek's property or to the areas of the Motor Pool that Friends exclusively leases. We will continue to have a defensive posture aimed at avoiding any issues with the IRS over ownership of personal property.

2. Preparation for the Future -- Our hope is that Train Mountain will find a way through Quentin's IRS issues and we will resume operations. It may take a while. When the situation clarifies, we want to be ready to make big progress. Also we want to be ready to easily complete the 5 miles of new track on our leased area that the lease requires us to complete by Dec 31st, 2013. Friends needs to lay 2 more miles of track in the leased area by Dec 31st, 2013. We may try to do that next summer..

3. Continued Sharing of Equipment with Train Mountain -- TM will continue to be able to use the equipment. We request cooperation on two things. First, ask Dustin or Richard before you use the equipment. This is to coordinate use so that someone knows what is being used. Second the equipment must be returned to an area safe from the IRS each night. This means the Motor Pool or Carl's. Dustin & Richard have the authority to waive this rule if there is a very good reason, but we do not expect to waive it frequently. Dustin can be reached at 541-891-6174 or on his blackberry at Dustin@FriendsTM.org.

Friends is not organizing to buy Train Mountain. Friends plans to enjoy and expand the track on the 1227 acres that Friends has leased for 40 years.

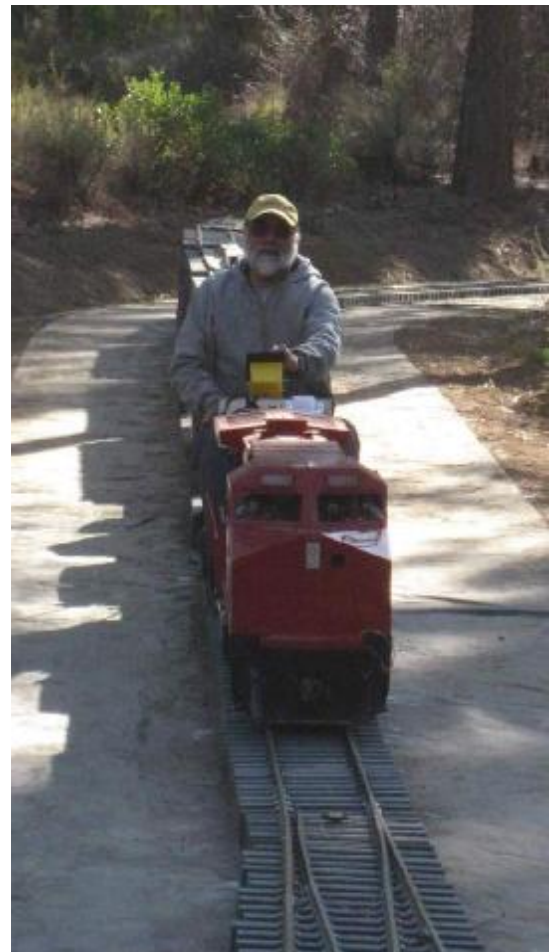


Chris Curtis waits for another load of Ballast for Flitton Yard at Hope Circle

More Track -- More Fun

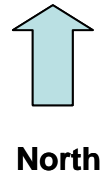
Plans for the next Construction Season

On the FriendTM yahoo group, we asked "Where do you want to go next?". The results were mixed. About 40% wanted to continue to New England. About 30% wanted to connect the Schubert Wye to the Witcombe Wye and about 20% wanted to go to Caboose Ridge. Friends has asked the County for permits to do all three, but our expectation is that first we will complete the track from Hope to Schubert via Panzik. Then we will extend the tail of the Schubert Wye to connect to the tail of the Witcombe Wye. After that -- no decisions, but it is likely that we will expand track first on land that we lease.

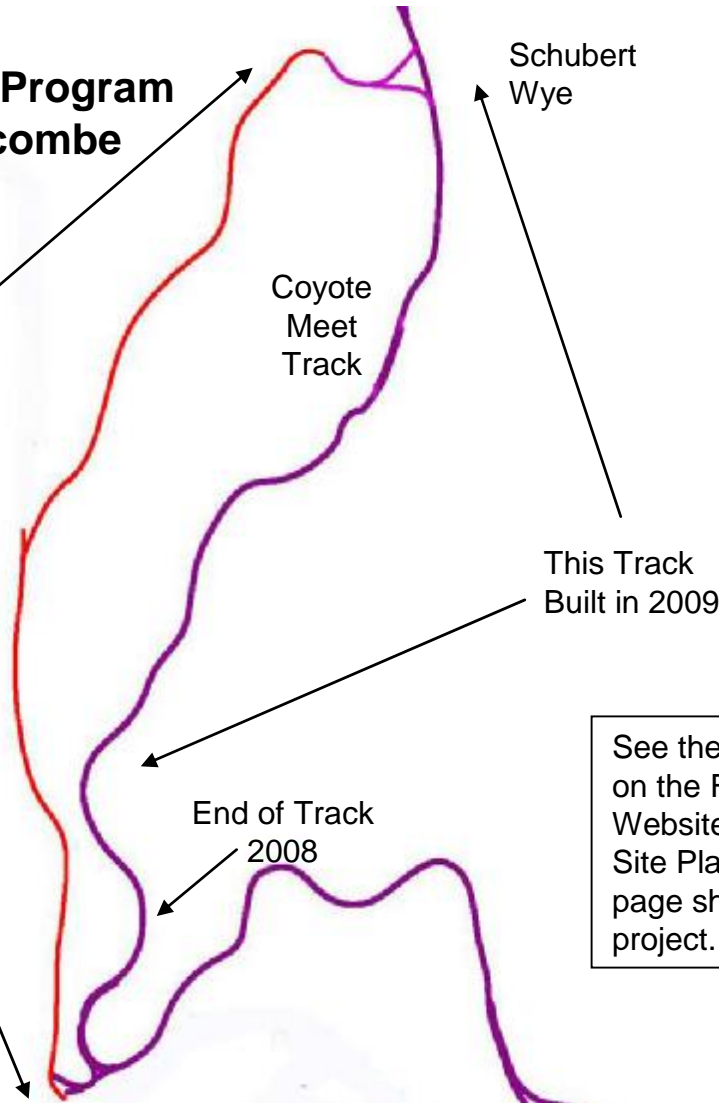


Right - Gil Domingez delivers track panels to Hope Circle
Left - Dustin Barnes and Paul Aragon connect the last track panel south of the Panzik Road Crossing. Chris Curtis walks down the track to start cleaning up the tools.

Next Construction Program Schubert to Witcombe



This route Schubert to Witcombe is well understood and we are ready to begin grading it after a little surveying



This Track Built in 2009

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Witcombe Wye

End of Track 2008

Farmersville Circle

Aspen Grove Loop

To Caboose Ridge
↓

Elizabeth River Loop

2009



Top Left - Building Flitton Yard

Top Right - Carl Vanderspek plows snow in January

Right- 100 switch stands delivered by John Black

Bottom Left - Dustin Barnes and Chris Curtis ballast with 1 ton Gator.



Signals and Bi-Directional Track

In October 2007 Friends embarked on a grand vision to build Bi-Directional Signaled track. Us old guys want to see the track go everywhere before we die. Signaled Bi-Directional track meant we could go twice as far, twice as fast, at half the cost.... and the ride was twice as good since the ride back was completely different than the ride out.

In 2009 Friends deployed the new signal system. It is impressive, but we are still working out the bugs that you always get when you deploy complex new technology. We are going to keep working on the signals and make them work. We still like the vision.

Between Schubert and Witcombe the sight lines are short, the view is blocked by dirt so the sight lines cannot be lengthened, and the grades are steep.. We will move toward one way track in areas like this. This means one way return track from Schubert Wye to Witcombe Wye and make the existing track from Witcombe to Schubert one way northbound. It also means building the one way return track from Hope to Schubert through Panzik. We had to build most of this to get track to Crossroads. When these two tracks are done, there will be Signaled Bi-Directional track from Farmersville to Witcombe where the sight lines are fairly long and can be made longer by trimming brush. The rest of the run from Witcombe to Hope and back will be all one way track.

We asked a permit to also extend the return track from Witcombe to Aspen Grove Loop. There is an issue here. Friend's lease requires Friends to build 5 miles of track on its leased land by December 31, 2013 and another 5 miles by December 31st, 2018. The return from Witcombe to Aspen is not on Friend's leased land so it does not count toward the lease commitment. If Quentin's IRS issue were not there, we could get a modification of the lease to fix this. With Quentin's IRS issue no lease or change to a lease after the lien date of Aug 27, 2009, can be trusted until the whole thing sorts out. Maybe this track can be built later.

This gives the signal team more time to get the bugs out. We intend to use Signaled Bi-Directional track in the future. We like the vision.

Thank you

Many people have helped expand Train Mountain the last 2 years. This community built railroad depends on everyone pitching in and helping. There really are not words to express how much all this effort is appreciated.

Thank You

We also want to recognize the hard work of our employees, Dustin Barnes, Paul Aragon, Chris Curtis and Richard Cox who are performing miracle after miracle. They are wonderful.

Now more than ever we need to pull together and save Quentin's dream.