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RESOLUTION
of the
BOARD OF DIRECTORS
of
NORTH COAST RAILROAD AUTHORITY

IN THE MATTER OF:
A Resolution Approving Proposition 116
Audit Exceptions.

Resolution No. 2004-06

WHEREAS, the California Transportation Commission ("CTC") asserted in 2001 that \$100,000,000 in Proposition 116 Rail Bond Funds granted to NORTH COAST RAILROAD AUTHORITY ("NCRA") were questioned and disallowed by the CTC;

WHEREAS, NCRA did not contest the assessment of the Audit disallowance, thereby incurring a repayment obligation (the "Repayment Obligation");

NOW THEREFORE BE IT RESOLVED BY THE BOARD OF DIRECTORS OF THE

1. NCRA shall make payment to the CTC on the Repayment Obligation as follows:
 - a. \$12,000 in FY 04-05;
 - b. \$12,000 in FY 05-06;
 - c. \$12,000 in FY 06-07;
 - d. \$42,962 in FY 07-08;
 - e. \$42,962 in FY 08-09;
 - f. \$42,962 in FY 09-10;
 - g. NCRA will make payments in the fourth quarter of each Fiscal Year until sufficient cash-flow is available to make first quarter payments in each Fiscal Year as requested by the CTC.
2. In the event that HR3550 passes in its present form and NCRA's Q-Fund loan obligation is forgiven, NCRA shall cause \$90,000 of its unrestricted funds from the

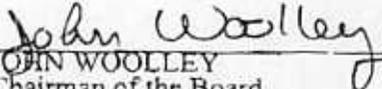
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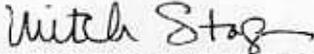
Cloverdale Bypass Project on deposit in the Q-Fund Account to be applied to the Repayment Obligation, whereupon the Repayment Plan would be reduced as follows:

- a. \$12,000 in FY 04-05;
- b. \$12,000 in FY 05-06;
- c. \$12,000 in FY 06-07;
- d. \$12,962 in FY 07-08
- e. \$12,962 in FY 08-09
- f. \$12,962 in FY 09-10;
- g. NCRA will make payments in the fourth quarter of each Fiscal Year until sufficient cash-flow is available to make first quarter payments in each Fiscal Year as requested by the CTC.

Introduced and adopted this 18th day of August, 2004 at a regular meeting of the Board of Directors of North Coast Railroad Authority at Fortuna, California by the following vote:

AYES: Ripple, Hemphill, Ellinger, Simonson
NOES: None
ABSENT: None


JOHN WOOLLEY
Chairman of the Board

ATTEST:

MITCH STOGNER, Secretary