



March 1, 2010

Rocky Marcoux
Commissioner
Department of City Development
City of Milwaukee
809 North Broadway
Milwaukee, WI 53202-3617
USA

Letter of Intent for Lease of Improved Manufacturing Facilities

WHEREAS, Talgo, Inc ("Talgo") designs, manufactures and maintains high-speed passenger rail cars and trainsets;

WHEREAS, the State of Wisconsin through its Department of Transportation ("WisDOT") executed on July 15, 2009 a Purchase Agreement with Talgo for the acquisition of two high speed trainsets (the "Trainsets");

WHEREAS, Talgo is working with other states and entities to sell additional trainsets;

WHEREAS, Talgo needs a facility with rail access suitable to the assembly of Talgo trainsets within the deadline set forth in the Purchase Agreement with WisDOT;

WHEREAS, Talgo has conducted an extensive technical and economic analysis to identify the most adequate location and facility for the assembly of Talgo trainsets in Wisconsin;

WHEREAS, the Redevelopment Authority of the City of Milwaukee ("RACM") has available a building that can be suitable for Talgo's manufacturing activities after certain improvements are performed and further wishes to lease this building to Talgo;

WHEREAS, RACM, the City of Milwaukee, and Talgo want Talgo to locate to RACM's property;

WHEREAS, RACM represents that it will present and promote, using its best efforts, the terms of this Letter of Intent and any resulting lease agreement as soon as possible before the RACM Board and City of Milwaukee Common Council;

THEREFORE, Talgo and RACM hereby enter this Letter of Intent, agreeing to enter into a lease agreement including the following terms:

Property

Building 36 at 3533 N. 27th St., Milwaukee, 53216.

Leased Premises

- Approximately 131,610 sqft in Building 36, plus about 2,000 sqft in area 10 on **Exhibit 1** (the "Leased Premises") (actual sqft to be determined by measurement)
- Talgo shall also have the right to expand to any additional area of Building 36 at the same rent per sqft as the Leased Premises. In the event of such expansion, RACM shall at its expense upgrade the additional leased space with improvements similar to those required for the initial Leased Premises.
- Talgo shall also have a right of first refusal, during the term of the lease, for any other space in Building 36.
- Talgo shall have space for exterior vehicular parking at 3424 N. 27th Street for at least 40 vehicles, with the right to expand the parking to up to 80 vehicles either at 3424 N. 27th or part of 3533 N. 27th (or some combination thereof, or as otherwise agreed by RACM and Talgo, all at no additional cost to Talgo).
- A floor plan included in **Exhibit 1** indicates the initial Leased Premises.
- During the initial lease term, additional area within Building 36 (the "Flex Space") (primarily for storage and warehousing, not for work stations or maintenance services), will be made available to Talgo at no additional rent to Talgo. Any improvements to the Flex Space (and who makes them at whose cost) shall be agreed upon by RACM and Talgo. Talgo shall also have the right to store rail cars and trainsets outside on a portion of 3533 N. 27th as agreed by Talgo and RACM, where RACM shall not unreasonably withhold its agreement.
- Area within either the Leased Premises or other Building 36 space into which the Leased Premises may be expanded may be used for Talgo's provision of maintenance services of finished trains for its maintenance customers (including WisDOT). In that event, Talgo shall be allowed to improve such area for such use, including adding rail access to this area.
- Provision shall be made in the lease for ingress/egress to the facility via serviceable rail access, including a representation that RACM shall ensure that such access remains available during the lease term.

Rent

- \$2.59/year per sqft, payable monthly, where this rent per square foot includes a component for a payment in lieu of property taxes at \$0.26/year per sqft. During the lease, Talgo also to pay all costs of utilities needed or attributable to Talgo (including, but not limited to, heat, electricity, water and garbage collection) and for actual insurance expenses attributable to the prorated area of the Leased Premises and other Building 36 space used by Talgo (whether Flex Space or space for maintenance services) to the total insured property (see below).
- The rent of \$2.59/year per sqft will remain unchanged for the initial lease term and, after that, the rent will be adjusted each year by any increase in CPI during the prior year (but in no event will the rent be decreased by such adjustment).
- For any part of the lease term that is less than one year, the annual rent will be prorated.

Term / Options to Extend

The initial lease term shall be for 4 years (which initial term shall be reduced to 2 years in the event Talgo has not, on or before September 30, 2011, executed binding Purchase Agreements with customers (other than WisDOT) for at least 18 trainsets to be assembled in Milwaukee). This initial lease term shall commence on the date RACM substantially completes the improvements listed on **Exhibit 2** (the "RACM Improvements") (which substantial completion must be reasonably acceptable to Talgo and must be accomplished no later than July 1, 2010, except it is August 1, 2010 for exterior track improvements) in accordance with **(a) Exhibit 2**, **(b) the schedule in Exhibit 3**, and **(c) plans and specifications that have been approved by Talgo** (Talgo's approval not to be unreasonably withheld, conditioned or delayed, Talgo

understanding that RACM will be under a deadline to complete RACM Improvements) ("Talgo-Approved Plans"). Talgo shall notify RACM of the lease commencement date (but in no event shall this date be earlier than July 1, 2010 and no later than September 1, 2010, provided that RACM has completed the RACM Improvements to Talgo's reasonable satisfaction). Notwithstanding the foregoing, prior to the commencement date, Talgo shall be entitled to enter the Leased Premises to ready same for Talgo's use and occupancy, so long as Talgo does not interfere with, delay, or hinder the RACM Improvements or RACM work associated with the RACM Improvements, in which case, Talgo shall pay its own utilities and prorated insurance.

Talgo shall have 2 options of 5 years each to extend the initial lease term, where the rent for each such year in any such extension shall be the rent as adjusted above.

Improvements

The Leased Premises are not presently adequate for the manufacture or assembly of trains. RACM shall, at no cost to Talgo, make the RACM Improvements to Building 36 listed on and in accordance with Talgo's specifications set forth in Exhibit 2 and the Talgo-Approved Plans. RACM shall complete the RACM Improvements in accordance with the Talgo-Approved Plans and the timing schedule included in Exhibit 3 (subject to delays beyond RACM's control such as typical force majeure, acts of God, weather delay, strike, war, terrorist attack, etc).

RACM has available to it adequate funds to make and complete the RACM Improvements.

Lessor Information

Redevelopment Authority of the City of Milwaukee

809 N. Broadway, Milwaukee, WI 53202

Contact Persons: Rocky Marcoux / David Misky

Telephone Numbers: 414-286-5800 / 414-286-8682

e-mail addresses: rocky.marcoux@milwaukee.gov / david.misky@milwaukee.gov

Lease Agreement

Not later than one month after the execution of this letter, RACM and Talgo will execute a lease agreement (requiring approval by the Talgo Board, the RACM Board, and the City Common Council) that will incorporate and expand the points of this letter.

Termination

Talgo may terminate the lease agreement if:

- The RACM Improvements are not made according to the Talgo-Approved Plans, the time schedule in Exhibit 3 and the specifications in Exhibit 2 despite RACM good faith efforts, and as a result, if Talgo will not be able to fully use and occupy the premises in a manner to operate as needed to meet Talgo's duties under its agreement with WisDOT.
- At any time after the expiration of the initial lease term, Talgo may, during any extension of the initial lease term, terminate the Lease by providing RACM with at least 4 months prior written notice.
- For any other material breach of the terms of this Letter of Intent or the lease agreement by RACM, after 30 days notice to RACM where RACM has failed to cure (or diligently pursue cure if cure is not reasonably curable in 30 days) (with RACM having reciprocal termination rights in event of Talgo material breach).

Hazardous Materials and Environmental Liability; Environmental Data

RACM has provided Talgo with copies of environmental test results and data it has regarding 3533 N. 27th Street (including Building 36 thereat) and 3424 N. 27th Street and shall continue to promptly provide any such environmental information as may become known to RACM after the date of this Letter of Intent.

RACM will hold harmless, defend and indemnify Talgo for any claims, losses or damages regarding State, City or Federal enforcement of environmental laws or regulations concerning any pre-existing hazardous material, or pre-existing environmental contamination at or affecting any part of the leased premises. RACM is responsible for environmental remediation of pre-existing conditions as the State of Wisconsin Dept of Natural Resources ("DNR") or US EPA may require. Notwithstanding anything in this Letter of Intent to the contrary, because Talgo's due diligence with regard to these environmental issues is ongoing, Talgo may condition its execution of a lease agreement upon the inclusion of additional protective provisions, acceptable to Talgo and RACM, arising from environmental issues such as continuous access, duty to mitigate, duty to remedy, indemnification and damages.

Assurance of RACM Completion of RACM Improvements.

If RACM is, despite its good faith efforts, unable to substantially complete the RACM Improvements to Talgo's reasonable satisfaction and according to the schedule in **Exhibit 3**, then notwithstanding anything to the contrary contained herein, (i) RACM shall diligently complete the RACM Improvements as soon as possible (so long as Talgo will lease from RACM and has provided notice to that effect to RACM), and (ii) RACM shall pay to Talgo all of Talgo's damages arising from the failure to deliver the Leased Premises to Talgo on time, including incidental and consequential damages, which obligation could be satisfied with a performance bond in the amount of \$2 million.

Right to Inspect and Oversight of the Improvement Project

RACM will allow Talgo to inspect and have meaningful oversight of the progress of the RACM Improvements so that the RACM Improvements shall be performed **(a)** per specifications in **Exhibit 2**, **(b)** within the time periods in **Exhibit 3**, and **(c)** per the Talgo-Approved Plans. RACM shall regularly inform Talgo of the progress of the RACM Improvements, including any measures taken toward the timely execution of them. To that effect, a Project Committee will be formed comprised of up to 2 Talgo representatives, 1 WisDOT representative, 1 Wisconsin Dept. of Administration representative, up to 2 RACM representatives and 1 City representative, and will meet at least weekly whereby Talgo's participation may sometimes take place by teleconference.

State of Wisconsin's Interest

RACM recognizes the State of Wisconsin contract with Talgo. RACM, Talgo and the WisDOT are aware that the site will be where the first Trainsets will be manufactured for delivery to WisDOT.

Insurance

RACM will obtain insurance covering hazards and casualty to Building 36 and the premises and liability thereat and payment of the premium (on a prorated share based upon square footage of Building 36 occupied by Talgo) shall be paid by Talgo. RACM and Talgo shall be named insureds as their interests may appear.

Talgo will also obtain, at its expense, renter's insurance, covering its own property and liability at the Building 36 space used by Talgo (naming RACM as an additional insured on liability coverage). Talgo shall also have this insurance in place for any pre-commencement-date use or occupancy in Building 36.

Option to Purchase

Talgo shall have the option to purchase Building 36 and so much of 3533 N. 27th and 3424 N. 27th as Talgo uses for its operations under the Lease at any time during the term of the Lease, or any extensions thereto, at the then-fair market value, as determined by independent appraisal. Appraiser to be selected jointly by RACM and Talgo (with each party splitting the appraisal cost 50-50).

Maintenance and Repair

The Lease shall contain customary provision for repair and maintenance, generally allocated as follows. RACM to be responsible for all structural repairs to Building 36 (including its roof, structure, windows, doors, plumbing, electrical, HVAC, grounds surrounding Building 36 and the adjacent property, and sewer and stormwater structural elements), so long as the need for the repair is not attributable to Talgo's willful or negligent acts or omissions. Talgo shall be responsible for other maintenance and repair and maintenance and repair of its own improvements, equipment, fixtures and consumable interior items such as light bulbs.

Talgo and RACM, by the signature below of their authorized representatives, acknowledge that this Letter of Intent accurately reflects the commitment of the Parties.

TALGO, INC.

Antonio Pérez, its President and CEO

3-2-2010

Date

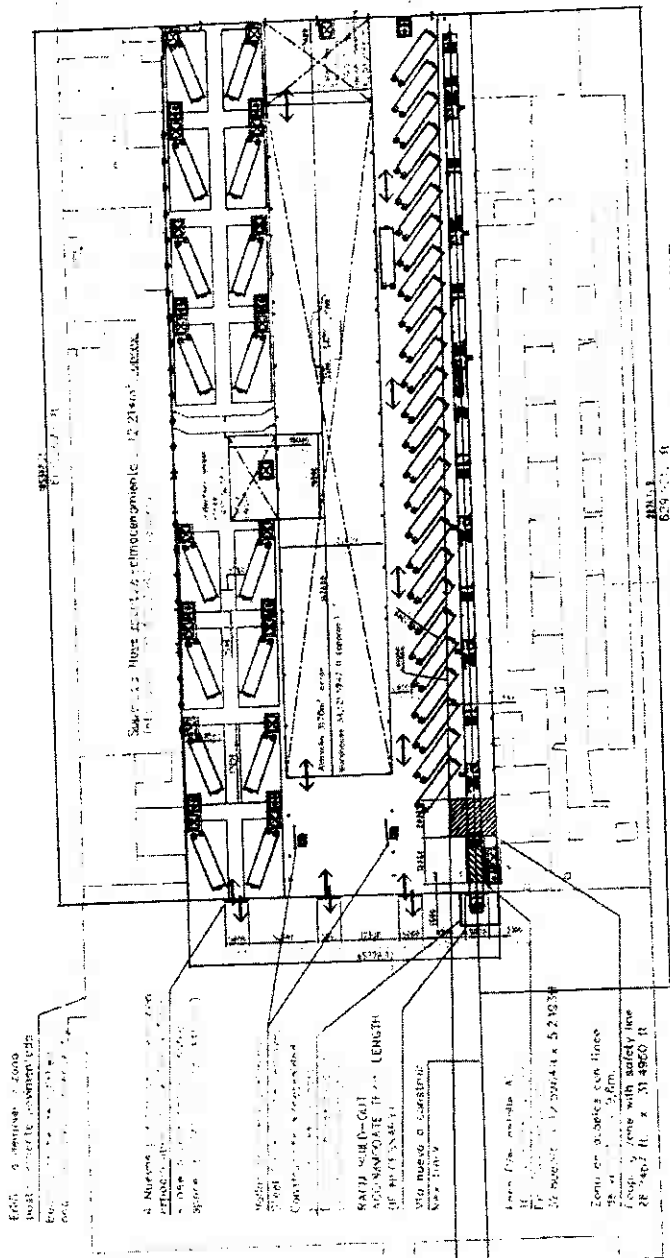
REDEVELOPMENT AUTHORITY OF THE
CITY OF MILWAUKEE

Rocky Marcoux, its Exec. Dr./Sec.

3/2/10

Date

Exhibit 1 - Page 1 of 3



EGG 9 demolicion zona
West - Street Townsend
Rev. 25.02.2010

Sección 11 - Muro de cierre climatización 12.21m x 2.10m

RAIL SIDE-GOIT
CONCRETE 11' x 11' LENGTH
OF RECESSES

VIA PASADIZO DE CARRILES
New 11' x 7'

Form 11m ancho A.

Form 11m ancho B.

Form 11m ancho C.

Form 11m ancho D.

Form 11m ancho E.

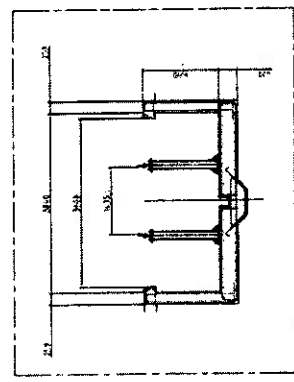
West Townsend Street

LONGITUD REQUERIDA DE VIA EN EF. INTERIOR DE LA NAVY
NECESO LONGITUD DE P. REAL

NOTA IMPORTANTE:
LOS IMPEDIMENTOS DE LA OBRA DEBE SER CONSIDERADO EN EL DISEÑO DE LA OBRA.
CONSEJO DE INGENIEROS Y ARQUITECTOS DE CHILE

LEYENDAS

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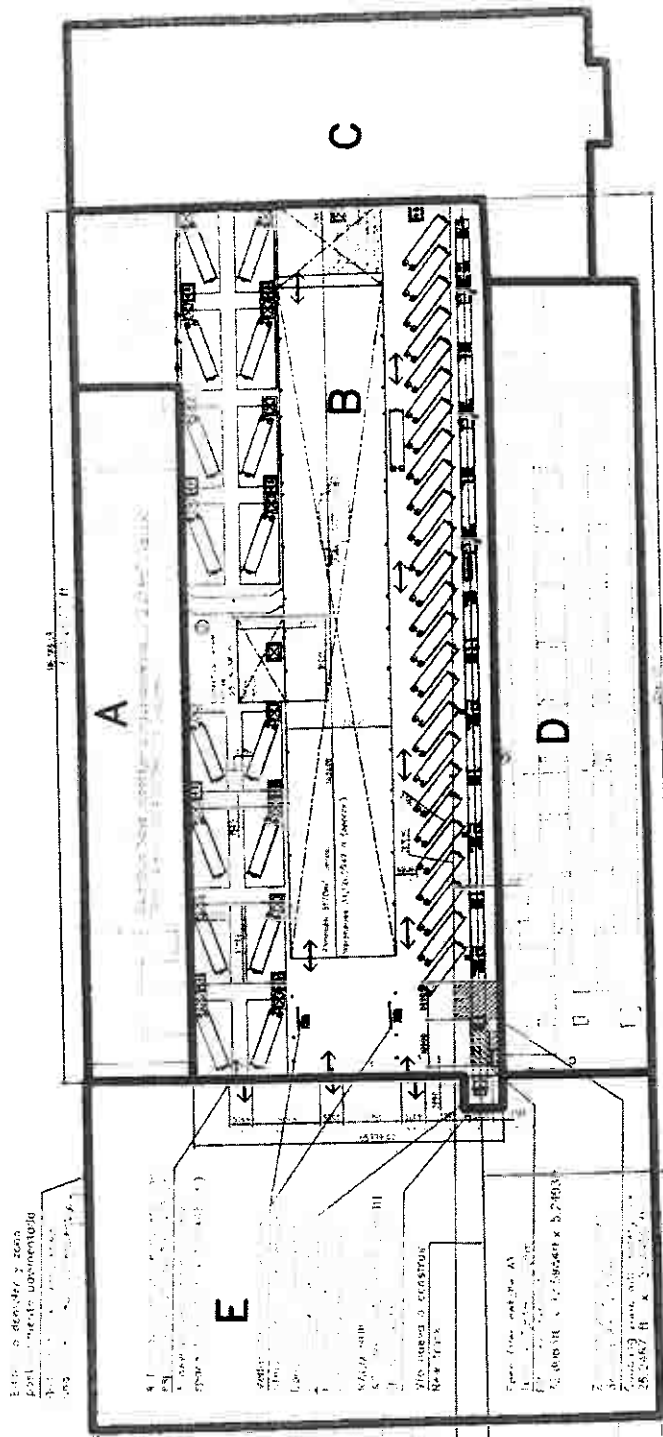
- NOTES:**
1. DEMOLITION OF THE BUILDING AND PAVED/CONCRETE AREA
 2. ACCESS DOORS
 3. INTERIOR TRACK AND SMALL PIT (APPROX. 35'LONGx15'WIDEx5'DEEP)
 4. REPAIR FLOOR, PATCH, AND CLEAN
 5. UTILITIES
 6. POWER LINES, COMPRESSED AIR LINES, AND LIGHTING
 7. PARTITIONS
 8. HEATERS AND HVAC UNITS (≈ 60-65') LOCATED THROUGHOUT FACILITY
 9. OFFICE SPACE, RESTROOMS, AND WELFARE AREA
 10. EXISTING 2-STORY OFFICE (APPROX 550 SF EACH LEVEL)
 11. EXTERIOR TRACK

UTILITIES:
≈ 20A POWER (480VDC1 AND 110VDC-3)
COMPRESSED AIR

TOWNSEND
Ref. 25022010
Rev. A
DIN A3 e 1/1000
Fecha 25.02.2010

MARCH 1ST, 2010 4:00 P.M.

Exhibit 1 - Page 2 of 3



- A = NORTH FLEX SPACE
- B = LEASED PREMISES
- C = EAST FLEX SPACE
- D = SOUTH FLEX SPACE
- E = AREA TO BE DEMOLISHED

West Townsend Street

ADA

MARCH 1ST, 2010 4:00 P.M.

Exhibit 1 - Page 3 of 3

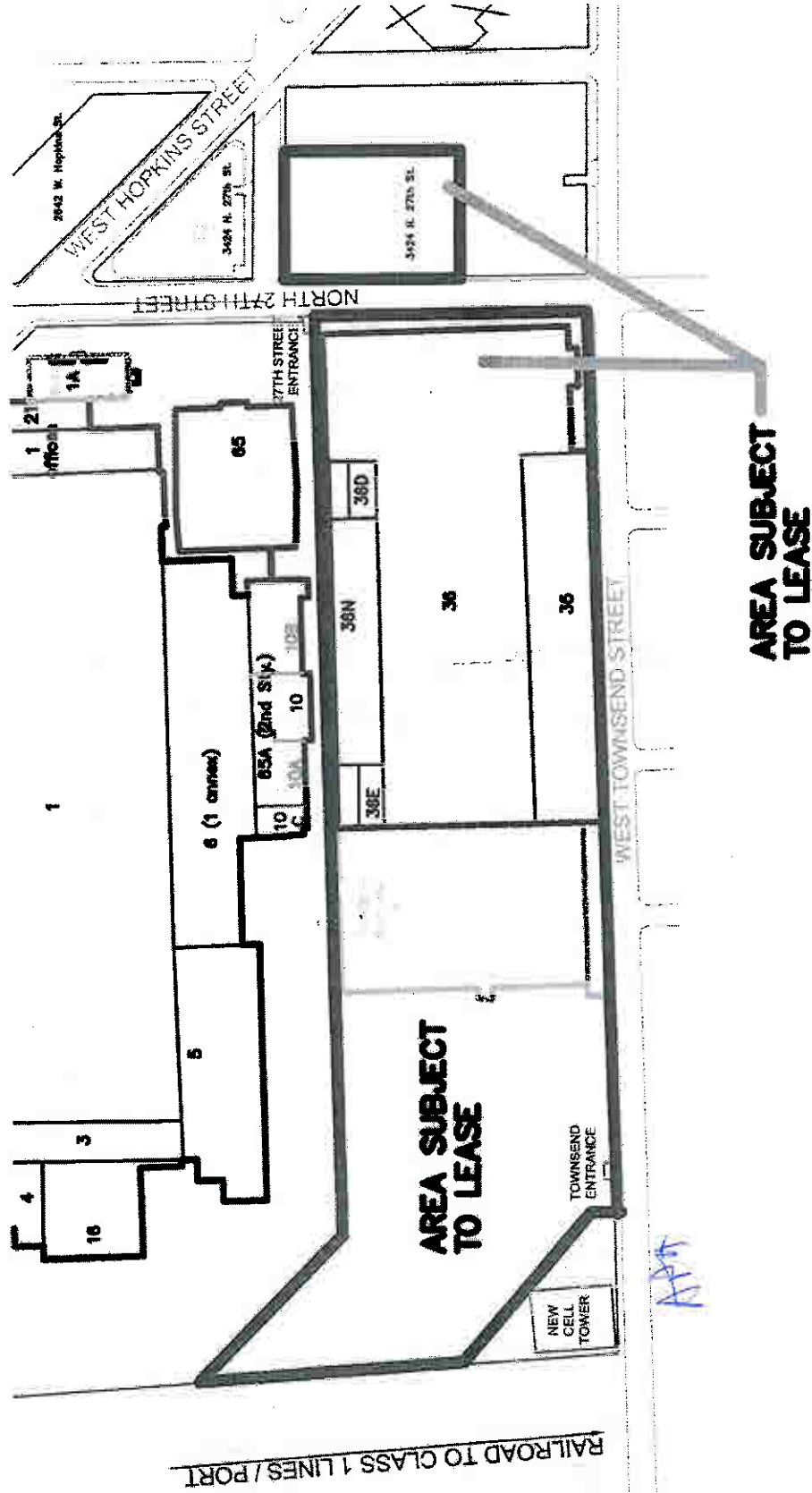


Exhibit 2

2/26/2010 4:30pm

Page 1

Facility Build Out - Itemized List

All electrical work will comply with the National Electric Code (NEC)
All fire suppression work will comply with the National Fire Protection (NFPA) codes and standards
All plumbing work will comply with national plumbing codes and standards
All specs are consistent with Talgo's Dimensions, Height, Infrastructure, Rail Tracks, Parking, and Utility requirements identified on the Talgo facility layout and notes from January 28, 2010

Electrical

Main Switchboard 2400A. 480/277V. with meter bay
(7) 400 Amp breakers in switchboard

Utility service charges

Transformer Concrete Pad
Grounding electrode system and bonding

Lighting panel boards 100A. 480Y/277V. Lighting panel x 2 w/o breakers

Feeders:

- 1) 400A.
- 2) 200A.

Branch circuit breakers (24) 30A. Breakers

Conduit and conductor to lighting units

Lighting units

Lighting control/contactors (located in new offices, with walk-thru switches)

Exterior lighting building mounted modifications and circuit extensions

Exit signage w/ battery backup, 277 volt conduit runs

Yard lighting for north and west areas

HVAC/ Requested panel boards 400A. 480Y/277V.

Feeders:

HVAC connection of loads

Exhibit 2

2/26/2010 4:30pm

Page 2

HVAC equipment - feeders

Branch circuits
(20) circuit breakers - 20A. 1 pole

Monitoring of Sprinkler system - Flow switches and tamper switches station & auto call to local fire

Work station power boxes (1) 60A. - 480V. With (3) 120 volt outlets @ 16 locations
Feeders - (480V.):
480V.

16 c/b (60A. 3 pole) x 605
16 point of use boxes

Feeders - (120V.):

Branch circuits 120V. - 20A. (#10 conductors)
(16) circuit breakers - 20A. 1 pole

Transformers 15KVA 480 - 208Y/120V x 2 locations

Panel boards 208y/120 3 phase 100A w/ main x 2 locations
(2) line circuit breakers x 2 locations

Bathroom - lighting & power

Common outlets (GFI & required) 20 x 150 ea.
Conduit and conductor to lighting units (#10 wiring) 1200 ft.
Lighting units - 42 (lamp and installation)
Conduit and conductor to new outlets 800 ft.

Office - lighting & power

Common outlets (GFI & required) x 20
Conduit and conductor to lighting units (#10 wiring)
Lighting units - 42 (includes lamp and installation)
Conduit and conductor to new outlets 800 ft.
Data / phone jacks 25 x 100 each (wired by others)

APR

Exhibit 2

2/26/2010 4:30pm

Page 3

Emergency - lighting

Emergency lighting units to provide 1 FC on path of egress 90 units
Conduit and conductor to lighting units (#10 wiring)

Telephone - (1) T1 line (by local provider) 1" conduit by EC contractor

Service enters building in N.E. corner and will extend to new offices in center
T1 - costs to the site from local AT&T service

HVAC

New gas fed wall mounted heating system (6 zones)

Air handling units/exchangers

Ventilation for truck and train exhaust in SWC near service doors

Fire Suppression System

Wet system - new sprinkler

Plumbing

Plumbing to bathrooms (including new fixtures)

Drains in pit

Eye wash stations near work area in north bay

Appropriate slope will be created for floor drainage (where necessary)

Interior Environmental

Asbestos containing materials (ACM) and lead paint will be removed from work area, walls, trusses, and beams
Subsurface environmental conditions will be managed according to State law to create a safe work environment

Rail

Install indoor track for service in south bay

Construct rail service pit (approx. 33' x 13' x 5') in SWC that includes a water connection

Install exterior rail spur and connection to mainline

Construct small structure on west wall to accommodate various train lengths (if necessary)

Personal safety line system over the interior track

AT&T

Security

Cameras

Fence to secure area subject to lease

2/26/2010 4:30pm

Page 4

Miscellaneous

Install four access doors (approx. 16' x 18') on west wall for truck and train access

New pedestrian service doors

Designate hazardous materials area in warehouse

Lockers in locker room to accommodate 60 employees

Floor will be leveled in work area

Install loading dock curtain to conserve heat

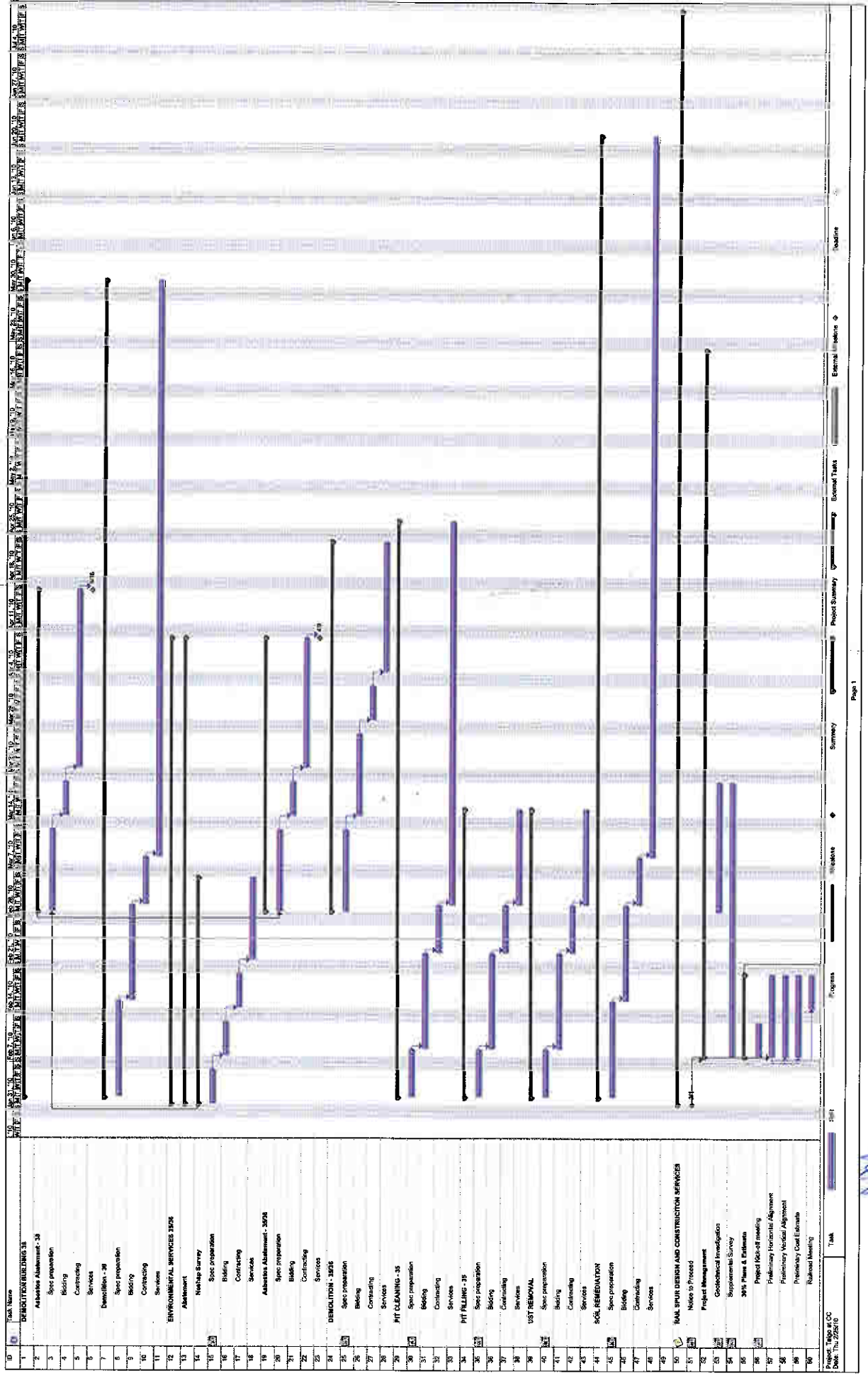
Construct temporary walls on east, south, and north walls (energy conservation purposes)

Air compressor system for work stations of 102 psi for all 16 work stations functioning at the same time

Bird deterrent system on exterior roof

ATM

EXHIBIT 3 APPA Q

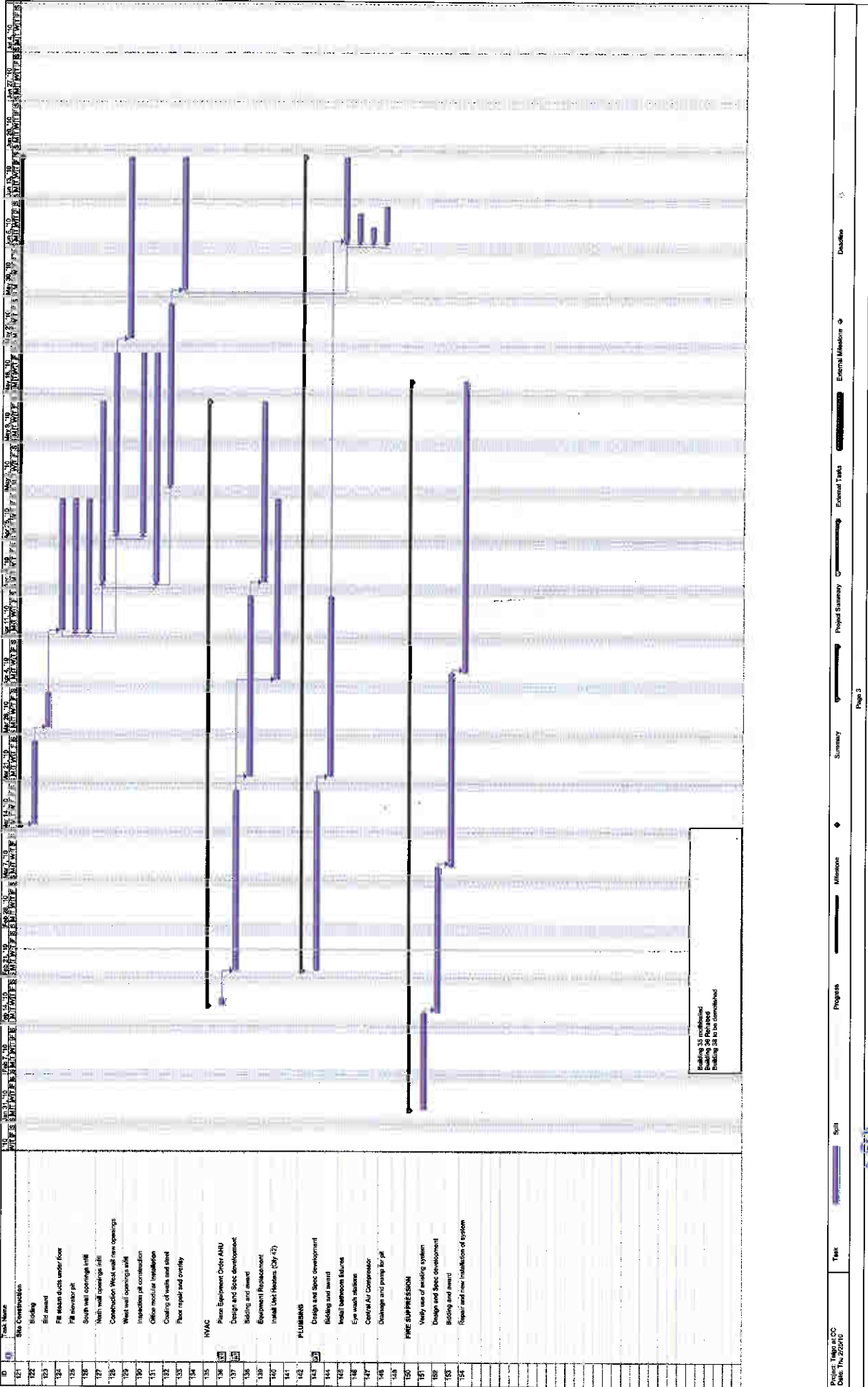


APP

ID	Task Name	Start	End	Progress	Incidents	Sum By	Project Summary	External Tasks	External Milestones	Issues
01	RAMC Review Meeting	10/15/10	10/15/10	100%						
02	40% Plans, Specifications & Estimate	10/15/10	10/15/10	100%						
03	Final Horizontal Alignment	10/15/10	10/15/10	100%						
04	Final Vertical Alignment	10/15/10	10/15/10	100%						
05	Preliminary Cross Sections	10/15/10	10/15/10	100%						
06	Cost Estimate	10/15/10	10/15/10	100%						
07	Preliminary Specifications	10/15/10	10/15/10	100%						
08	Preliminary Bid Documents	10/15/10	10/15/10	100%						
09	RAMC Review Meeting	10/15/10	10/15/10	100%						
10	Quality Assurance/Quality Council	10/15/10	10/15/10	100%						
11	100% Plans, Specifications & Estimate	10/15/10	10/15/10	100%						
12	Final Plans	10/15/10	10/15/10	100%						
13	Final Specifications	10/15/10	10/15/10	100%						
14	Final Drawings	10/15/10	10/15/10	100%						
15	Final Bid Documents	10/15/10	10/15/10	100%						
16	RAMC Review Meeting	10/15/10	10/15/10	100%						
17	Rebid Meeting	10/15/10	10/15/10	100%						
18	Quality Control/Quality Assurance	10/15/10	10/15/10	100%						
19	Advertisement/Contractor Negotiations	10/15/10	10/15/10	100%						
20	Construction	10/15/10	10/15/10	100%						
21	Project Management	10/15/10	10/15/10	100%						
22	Construction Survey	10/15/10	10/15/10	100%						
23	Extended Shop Truck	10/15/10	10/15/10	100%						
24	Inspection Pit	10/15/10	10/15/10	100%						
25	Grading Truck Roundoff	10/15/10	10/15/10	100%						
26	Track Construction	10/15/10	10/15/10	100%						
27	Call to Service	10/15/10	10/15/10	100%						
28	ELECTRICAL SERVICE	10/15/10	10/15/10	100%						
29	Spec Preparation and Design	10/15/10	10/15/10	100%						
30	Final Owner Purchased Material (OPM) Bid Docs	10/15/10	10/15/10	100%						
31	Making for Construction	10/15/10	10/15/10	100%						
32	Award Owner OPM contracts	10/15/10	10/15/10	100%						
33	Reaward/Contractor Bid solicitation	10/15/10	10/15/10	100%						
34	Notice to proceed	10/15/10	10/15/10	100%						
35	Electrical Installation	10/15/10	10/15/10	100%						
36	Installation of utility approved railroad box	10/15/10	10/15/10	100%						
37	Procure Power (to be brought to site (No Storage)	10/15/10	10/15/10	100%						
38	Functions and Permit Issued	10/15/10	10/15/10	100%						
39	Manufacturing, Office, Editor and bathroom lighting in	10/15/10	10/15/10	100%						
40	Site Inspection Ready	10/15/10	10/15/10	100%						
41	INSPECTIONS	10/15/10	10/15/10	100%						
42	Electrical	10/15/10	10/15/10	100%						
43	Fire Marshal	10/15/10	10/15/10	100%						
44	CLOSE OUT	10/15/10	10/15/10	100%						
45	Furnish List review and clean up	10/15/10	10/15/10	100%						
46	O&M Manual	10/15/10	10/15/10	100%						
47	Warranty Information	10/15/10	10/15/10	100%						
48	A/E Service	10/15/10	10/15/10	100%						
49	Design Inspection pt	10/15/10	10/15/10	100%						
50	Design Work well new openings	10/15/10	10/15/10	100%						
51	Drawings for interior office addition	10/15/10	10/15/10	100%						
52	Drawings for wall and door coating	10/15/10	10/15/10	100%						
53	Drawings for track III	10/15/10	10/15/10	100%						
54	Drawings for wall fill	10/15/10	10/15/10	100%						
55	Drawings for floor finish and overlay	10/15/10	10/15/10	100%						
56	Specifications	10/15/10	10/15/10	100%						

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STPH