

March 2003 Update

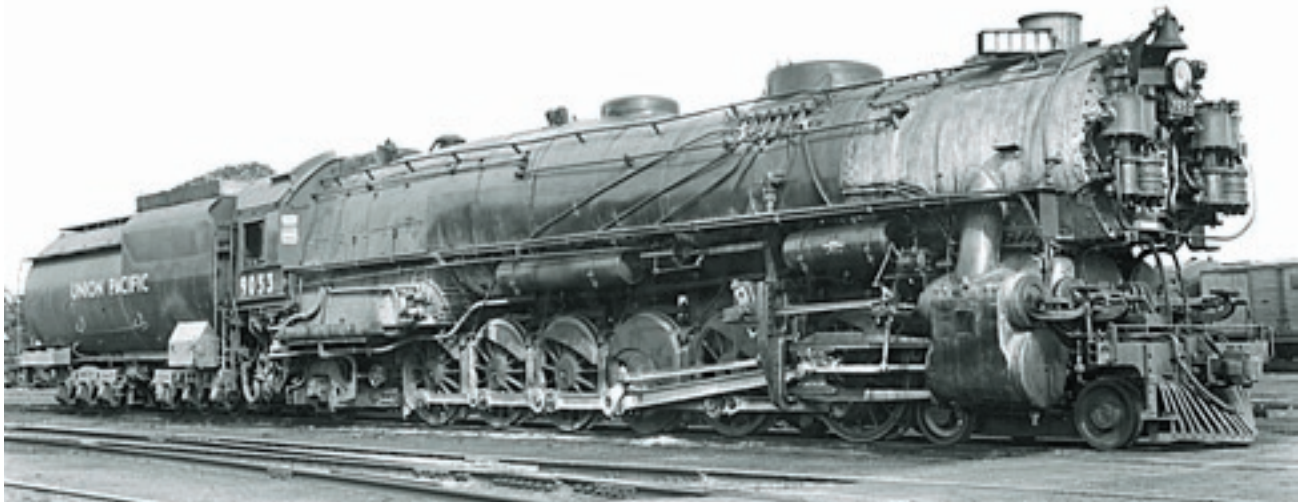
It's not news that we're late with our update, but there have been a number of significant developments since our November writings so we'll have to squeeze as much information as possible into the space available. We have information on the development of existing projects, new builders and new projects, but if you are left with questions after this update, give us a call or send us an E-mail so we can address your specific concerns.

For quite some time we have been trying to resolve the issues of increased production capacity and a more timely delivery schedule, we believe that we now have appropriate solutions for these persistent problems. After interviewing more than twenty model builders in the last year and a half, European, Korean and Chinese builders included, we have finalized two new working arrangements. First, we provided the support necessary to establish a new builder for rolling-stock who's owner brings almost thirty years of experience to the situation. We also have a new exclusive arrangement to produce O scale locomotive models with a well established builder that has been producing some of the finest models available in the European market for more than ten year.

The first project for our new locomotive builder is the Southern Pacific GS-1 and the first project for our new rolling-stock builder will be the Pennsylvania G-22 gondola with containers, more information on both of these projects will follow later in this update. All of our previously announced projects will remain in the more than capable hands of our original builder, Sun Jin Models Company, who remains as the heart of our production effort. The new builders will provide us with the ability to better address projects of special opportunity and to develop projects other than standard gauge steam locomotives. Working with three builders, we will have a delicate schedule balancing act to maintain so that we do not overload our loyal clients. In the past we have tried to make our models as widely available as possible and have produced quantities that we felt we would ultimately sell. In the future we will produce what we feel we will be able to deliver in a timely fashion based both on our capabilities and the fiscal considerations of our clients, in other words, typically smaller quantities.

Before we discuss our new projects we should update you on our current effort, the Union Pacific 4-12-2. At the outset of this project we felt that we had a pretty good idea of what versions or variations we should undertake and we had the support data to back it up, that has changed or should I say the versions have evolved. The images below and on the next page show where the second and third versions of this project are headed and we're very excited about the new detail these changes will bring to the finished models. The decision making process regarding our model designs should encompass three major considerations; model versions should offer significant differences, the chosen versions should be desirable aesthetically and they should represent historically important periods of the prototypes history. We have previously leaned towards offering 'as built' versions, because it is typically easier to make certain that the detailing on a given version is accurate spanning a broad range of road numbers. With this particular prototype, the variations that followed the original construction are not only more interesting, they are historically more significant.

With this update we will start in reverse order describing first the third version since it represents the largest quantity in our production. We had originally envisioned tailoring the 'post-war' version after the sole remaining



example of this prototype which is located at the fairgrounds in Pomona, California, it also happens to be the first built in the class. Number 9000 the only UP-1, like all of the UP-2's, was not front-end throttle equipped and this arrangement never changed, this can be easily verified in any photo that shows the engineer's side of the boiler by the lack of throttle linkage running the length of the boiler. All UP-3, UP-4 and UP-5 locomotives (road numbers after 9014) were built with front-end throttles. As we have become more educated on this prototype, much of that owing to the efforts of John Bush, we have come to understand that our plan did not represent the final or ultimate evolution of the class prior to the 'Nines' leaving service. The image on the front page illustrates the final 'post-war' configuration that was phased into service beginning in the mid 40's and ran until the end of service. While not all locomotives received the 'full' treatment, the majority of those that remained in service into the 50's eventually took on a very similar appearance. The only thing missing in the referenced photo is the 'ATC' (automatic train control) equipment which we plan to include on our version.

The most significant features we will model in our 'post-war' version are: 'ATC' style pilot, one-piece cylinders and front frame section, reinforced disc main driver, exposed sanding equipment to all drivers, blow-down muffler system, E-2 radial buffer assembly, widened and relocated cab assembly with the late style extended side cab windows, clear-view front cab windows, flip-open style cab ventilators, 'BK' stoker with the stoker engine relocated to the tender, coal collar extension boards on the tender, engineer's grip box on the right front corner of the tender, plus all of the appliance changes required to make the model correct for the period. The 'post-war' version is only correct with the 'late' style modern graphics and lettering. It is interesting to note that many of the changes implemented were due to safety and comfort considerations, some brought to the forefront by road managers and others by the unions that represented the engineers and other trainmen that operated the locomotives in service.

As we worked through the decision making process, it became very clear to us that if we were going to produce the ultimate post-war version, we should look backward in time and chronicle the changes that lead up to that version. The 'Nines' did great work helping to support the U.S. economy after the war, but perhaps more importantly, they provided great service in keeping fast freight moving leading up to World War II. It became clear that our second version should be better placed in time to compliment what our post-war version would represent. The as-built prototypes have been tagged with some very unflattering, but loving nicknames by some of our supporters, because of their rather plain overall appearance owing to their typical American Locomotive Company design that concealed much of the often seen equipment on other locomotives. That began to change a bit and the appearance of the 9000's became more interesting from a modeling standpoint starting in the mid 30's (as pictured above and below) as more over the road experience was gained with the class. As we often see with prototypes, as the economy of service became a more important factor in the day to day operation, many pieces of equipment that were not easily visible when the prototype was conceived became more easily accessible for service which had a significant impact on the evolving appearance of the locomotive. This was



also the point in time when crew comfort and safety began to be taken into serious consideration, this too led to visible modifications.



Our second version picks up the history of the class where things started to change, sanding equipment was becoming visible and was being augmented, appliances were changing and modifications and visible 'fixes' were becoming routine on most areas of the locomotives. The pre-war years were a period of transition when even the graphics and lettering style used by the Union Pacific were changing, as a result, it will be appropriate to use either the 'early' or 'late' style graphics and lettering with this version, the adjacent photos represent both styles, although it is difficult to see them.



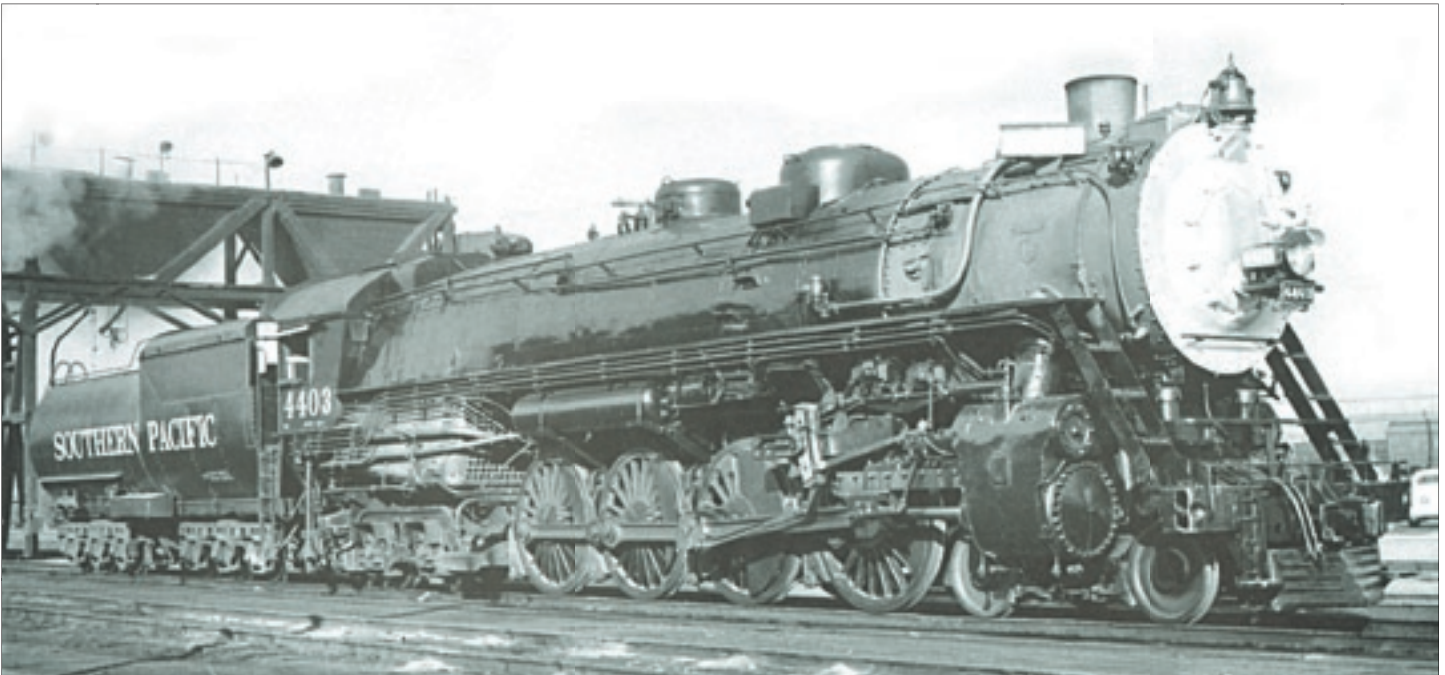
If you do not have access to the Internet you may not be aware that we are producing a special limited run of the Norfolk & Western Y6a (pictured above). Based on our very successful Y6b project and really as a result of it, we are producing fifty (50) units with four (4) variations. Based on the requests that initiated this project, we are modeling a period in the mid fifties which would be considered late service for this class as they were originally built in the late thirties. Although there are many similarities between the Y6a and Y6b, they utilized totally different tenders that shared only their underbodies, the Y6a used primarily 22-C tenders while the Y6b used 22-I tenders. Reservation information will go out shortly to existing customers and then to anyone that has expressed an interest in this project. The models are currently in production and we anticipate the completion of the production run by the Fall of this year. If you are interested, be sure to let us know so we can provide the reservation information for you at the appropriate time.

Our Pennsylvania K-4 project is progressing very nicely at this point thanks to the efforts of Nick Seman, our very capable research consultant for all things 'Pennsy'. We are currently planning to bring our Korean designer to the states so we can visit K-4 #1361 which is undergoing restoration at Steamtown, this will be the first opportunity for him to actually see the prototype that he is designing in miniature. We hope to do this with future projects whenever an appropriate prototype remains in existence. We are preparing a special update that will be mailed to everyone that has expressed an interest in the K-4 project, this should happen in the next 30 days or sooner. The point of this update will be to share our thoughts on the versions and variations under consideration and to allow for some final feedback on this subject before we lock in exactly what we will produce. We tentatively plan on producing three basic versions of the locomotive and two tenders, in addition, we continue to look at two special versions that would be more expensive than the standard models and would be very limited in quantity, further details will be presented in the forthcoming update. The total production, including all versions, will be one hundred (100) units with the completion of production scheduled for early in 2004.

Pictured below is the Pennsylvania G-22 gondola with a load of containers, this is one version of our next rolling-stock project. The gondola will be offered in several paint and lettering schemes appropriate for different time periods, in addition, we will offer two different container loads, the DB-4 (drop-bottom) style shown below and the HB-1 style which is a hopper-bottom container. The two container versions chosen represent the majority of the containers used in this service and as modeled, they will be no less detailed than the car itself. The concept of our rolling-stock program remains, to produce unique

collector quality models that will contribute to a prototypical consist that will compliment the finest of locomotive models. We have no illusion that we can compete with the plastic and Chinese models in sheer numbers of sales, but that is not the goal. Just as we seek to produce the finest locomotive models available, we want to offer rolling-stock on a par with them. In that regard, the plastic and Chinese models can not compete with us.





As mentioned earlier in this update, we have undertaken the development and production of our first Southern Pacific project, the locomotives of the GS-1 class. The GS-1's were classic Baldwin built light 'Northern' locomotives that have never been modeled in O scale. This is the first project for our new builder and we are thrilled at the prospect of completing this project by year end. The class consisted of fourteen locomotives assigned to both the Pacific and T&NO Lines. We will produce a minimum of three (3) versions using two tender styles, the 160-C-2 cylindrical and the 220-R-1 rectangular. Under consideration is at least one T&NO version in later service when 'doghouse' equipped tenders were utilized, this version may use either of the tender styles or both if the demand exists. Be assured that our standards for quality and detail will be only higher for our new builder and they are comfortable with that expectation. If this is a project of interest to you, please get in touch and share your thoughts about potential versions, we'll do our best to keep you updated about the development as it proceeds if we're aware of your individual interest.

Future Projects

The prototypes listed below are projects to which we are firmly committed and are actively developing. The order of listing is our current thinking on production timing, but it is subject to change. Fair pricing is essential to our future success and to help control costs it is very important for us to have a calculated approach to the development and production of our models. With our list presented so we can plan for the future, likewise, those interested in particular projects can plan for future acquisitions.

Pennsylvania Railroad K-4 'Pacific'
Chesapeake & Ohio H-8 'Allegheny' (three versions) / **Virginian 'AG'**
New York Central 'Niagara' S1a, S1b & S2a
Union Pacific Class 4884-1&2 'Big Boy' (both production variations)
Erie S class 'Berkshire'
Chesapeake & Ohio K3/ K3a 'Mikado' (two tender versions, RA & V-16)

Show Schedule

TCA Spring Meet / April 25-26, 2003
York, Pennsylvania

O Scale Nationals / June 8-11, 2003
Irving, Texas

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