

Kohs & Company

I N C O R P O R A T E D

February 17, 2011

This Union Pacific Challenger update is taking a slightly different form than usual to address primarily administrative issues, my updates will return to the hopefully more entertaining format with the next release. It is important for you as a reservation holder to know the facts rather than speculating about the status of the project. Model railroading, whether collecting or operating, is meant to be a source of enjoyment and not an additional source of stress or concern, so with that in mind, I offer the following.

Although I know that many of reservation holders are aware of what has been happening with all Kohs & Company projects in recent months, I have become aware that many are not. In light of the delays that have been experienced, you need to know from the horse's mouth in more detail what has been happening in order to maintain a level of comfort that you will not be disappointed with the finished product.

I believe that most modelers that have an interest in Kohs & Company models understand by now that the approach used in producing my models is totally different than that employed by other importers. My projects are driven by day in and day out oversight and involvement in the research, design, development and ultimately the production; this is what distinguishes the results of our collective efforts from all the rest. To be as brief as possible, for the better part of eighteen months I was totally immersed in dealing with the end-of-life and post-life issues of my beloved ninety-seven year old mother. During that time I tried my best to maintain communication with customers and continue development at a greatly reduced pace. With the understanding of both of my builders, my projects took a back seat with them rather than have the models compromised by my distracted attention. I owe a debt of gratitude to Mr. Lee and Mr. Sin for their understanding throughout my ordeal; it would have been easier for all concerned to push ahead regardless and hope for the best.

With that said, there have certainly been other issues contributing to the delay, some of which have been mentioned in previous updates. The economy and the deployment of new technologies have certainly weighed heavy on my projects and I know that other importers have felt the effects of the economy as well. While the Challenger project is fully reserved, there have been a number of reservation holders that have ignored the payments to which they committed, but that will be dealt with directly on an individual basis subsequent to this update.

Heading into last fall, 'things' began to return to normal, with Mr. Lee working my projects back into the mix of his other work. I had set him up with work from a couple of European importers which kept his operation busy and kept all of his valued technicians employed in my absence. Having just been in Korea, I can tell you that full attention has been refocused on the Challenger and the next two projects in line, the N&W class 'A' and the Southern Pacific 'AC' class.

While the delay has not been a desirable situation, it has not been without benefit. I have previously discussed the advances we are making with new wheel profiles and the related adjustments to provide an even greater scale appearance than we have already featured. I was only able to consider this change as a result of the delays already experienced, but it too has contributed to a longer build process; my sense based on feedback is that everyone has been fine with that decision.

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As additional new opportunities in technology and materials have come to fruition, I have taken the opportunity to also consider their inclusion in the Challenger project. Three areas of development that I just negotiated into the project that would not have been otherwise possible to include are a new hi-tech painting process, a new alloy for our side-rods and valve-gear that is being imported from Europe and laser-etched data markings on detail parts. The new paint technology provides a finish beyond anything that I have seen in over twenty years of importing, the finest Samhonsa models which have been known for their paint finish would pale in comparison. While I do not want to mention exactly what the alloy is for the side-rods and valve-gear, I can tell you that it is stronger and does not involve any plating processes in the finishing for use, the natural finish takes on an extremely prototypical patina as it oxidizes. The laser etching speaks for itself, it is another detail element that has not been used on any limited production models offered to date. These new features or build specifications do not come without added expense, the cost per model, not including the change in wheels, is \$250. This amount is not being passed on to you as a reservation holder.

We are continuing to do our best with scheduling to fit our Challenger work into the production agenda and it is getting easier. It is pretty certain at this point that the production will not be completed until the second half of this year. I will do my best to update frequently to give you a better idea regarding delivery as we push forward with our work. I would like to be sharing more of the project details on my web site, but concern remains with other importers picking data for their own projects and one of them going so far as trying to buy production time at S.J. Models for a Union Pacific Challenger project.

When all is said and done, you can be assured that the model that is delivered at the end of this extended process will be the finest possible with no shortcuts taken. Your continued support and patience are greatly appreciated by all involved!

Most sincerely,

A handwritten signature in black ink that reads "George Kohs". The signature is written in a cursive, slightly slanted style.

George W. Kohs, Jr.