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SECRETARY OF THE
05 JUL -6 AM**LOBBYING REPORT**

Lobbying Disclosure Act of 1995 (Section 5) - All Filers Are Required To Complete This Page

1. Registrant Name <u>STRATEGIC RAIL FINANCE</u>	
2. Address <input type="checkbox"/> Check if different than previously reported <u>709 S. 17th STREET PHILADELPHIA, PA 19146</u>	
3. Principal Place of Business (if different from line 2) City: _____ State/Zip (or Country) _____	
4. Contact Name <u>MICHAEL SUSSMAN</u>	Telephone <u>215 545-0157</u>
E-mail (optional)	5. Senate ID # <u>47917</u>
7. Client Name <input checked="" type="checkbox"/> Self	6. House ID #

TYPE OF REPORT 8. Year 2004 Midyear (January 1-June 30) OR Year End (July 1-Dec
9. Check if this filing amends a previously filed version of this report 10. Check if this is a Termination Report ⇒ Termination Date _____

11. No Lobbyin

INCOME OR EXPENSES - Complete Either Line 12 OR Line 13

<p align="center">12. Lobbying Firms</p> <p>INCOME relating to lobbying activities for this reporting period was:</p> <p>Less than \$10,000 <input type="checkbox"/></p> <p>\$10,000 or more <input type="checkbox"/> ⇒ \$ _____ Income (nearest \$20,000)</p> <p>Provide a good faith estimate, rounded to the nearest \$20,000, of all lobbying related income from the client (including all payments to the registrant by any other entity for lobbying activities on behalf of the client).</p>	<p align="center">13. Organizations</p> <p>EXPENSES relating to lobbying activities for this reporting period were:</p> <p>Less than \$10,000 <input type="checkbox"/></p> <p>\$10,000 or more <input type="checkbox"/> ⇒ \$ _____ Expenses (nearest \$20,000)</p> <p>14. REPORTING METHOD. Check box to indicate accounting method. See instructions for description of</p> <p><input type="checkbox"/> Method A. Reporting amounts using LDA definition</p> <p><input type="checkbox"/> Method B. Reporting amounts under section 60 Internal Revenue Code</p> <p><input type="checkbox"/> Method C. Reporting amounts under section 14 Internal Revenue Code</p>
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Signature

Michael Sussman

Printed Name and Title

MICHAEL SUSSMAN, PRESIDENT

national growth and increased demand for freight transportation, those owners that could be providing expanded service are unfortunately focused on restricting their capital investments.

***KPMG/Strategic Rail Finance, Inc. FINANCIAL TOOLS PROJECT FOR
DEVELOPING FINANCING PROGRAMS FOR CLASS II AND CLASS III
RAILROADS***

The intention of this study is to distinguish the Class II and Class III railroad industry as a lending marketplace. In order to create a useful body of financial and credit-analysis tools, this study will evaluate the financial performance characteristics for this industry group over the last ten years. We will also confirm the current shortfall in capital resources to support future growth. Neither current Federal programs nor private finance institutions have successfully spoken to the needs of this industry. In this context, the study will provide the analytical context for any Federal financing program(s) or private financial institution initiative. This study will provide the necessary industry knowledge to craft responsive Federal policy and, in addition, identify new approaches for financial lending evaluation and analysis.

BACKGROUND

Prior to the passage of the Staggers Act in 1980, there were 190 Class II (regional) and Class III (shortline) railroads. As of 1998, that number has expanded to 575. Over the same period, financial institutions have been merging, consolidating, and standardizing. Banks have grown larger and hence less able to understand the operational and financial facets of individual local and regional railroads. The usual analytical tools that lenders rely on for industry analysis (Standard and Poor's, Moody's, Robert Morris Associates, etc.) assess only the seven Class I (Norfolk Southern, Burlington Northern, etc.) railroads and several public railroad holding companies. Without financial performance history and guidelines, lenders as well as public policy decision-makers are not able to satisfy the investment capital needs of Class II and Class III railroads.

The Federal Railroad Administration (FRA) of the United States Department of Transportation (DOT) conducted an extensive study published in January, 1993, titled, *Small Railroad Investment Goals and Financial Options, A Report to Congress*. The study's introduction includes these comments:

There is little public information available to bankers considering a loan to a small railroad. This makes any financial analysis of this industry and its individual members difficult. Moreover, there is little information concerning the performance of earlier loans. There is also a lack of familiarity with the market for second-hand track materials.

Its conclusion states:

