

Renaissance Rail

Group

A Railroad Investment, Advisory and Management  
Company

2628 Oak Lawn Drive  
P.O. Box 532  
Northfield, Minnesota 55057  
507-321-1000  
[www.renaissancerail.com](http://www.renaissancerail.com)

---

# Advisory Proposal

for

# Santa Cruz County Regional Transportation Commission

---

---

# Table of Contents

## Section A:

Scope of Work – Pre-Purchase / Post - Purchase: \_\_\_\_\_ 3

## Section B:

Summary of Qualification: \_\_\_\_\_ 8

## Section C:

Additional Information: \_\_\_\_\_ 12

---

# Scope of Work

## Proposal Understandings

Renaissance Rail Group hereby submits an Advisory Proposal to Santa Cruz County Regional Transportation Commission (SCCRTC) to aid in the analysis, purchase and selection of an operator for rail line assets proposed to be purchased by SCCRTC from the Union Pacific Railroad.

This Proposal has been constructed with the following understandings of services and work streams required by SCCRTC related to the rail line purchase:

Pre-Purchase:

1. **Financial / Operational Analysis of potential shortline rail operations on acquired rail line assets.**
2. **Marketing / Business Development Analysis of current customer base and potential additional rail-served customers.**
3. **Creation of “Board-Level” reports for SCCRTC and other constituencies detailing the results of the Analysis.**
4. **Working in concert with SCCRTC staff in negotiating a purchase of rail line assets from Union Pacific.**

Post-Purchase:

1. **Work with SCCRTC Staff on development of final RFP for Shortline Operator.**
  2. **Review RFP responses on behalf of SCCRTC and provide preliminary recommendations.**
  3. **Work with SCCRTC Staff on interviewing RFP finalists.**
  4. **Aid SCCRTC Staff in drafting necessary lease and operating agreements between shortline operator and SCCRTC.**
  5. **Work as on-going resource and liaison between shortline operator and SCCRTC.**
-

## Proposal Work streams: Pre-Purchase

### Financial and Operational Analysis of Shortline Operations

---

Renaissance Rail Group shall prepare a detailed Financial and Operating model of a shortline railroad operating on rail line assets owned by SCCRTC. This model shall detail all Operational aspects, including:

- Customer, Carload and Required Revenue data
- Transportation Operating Expenses
- Maintenance of Way and Maintenance of Equipment Operating Expenses
- General and Administrative Operating Expenses

This model shall provide SCCRTC with an understanding of the long-term viability of a shortline railroad operating over rail line assets owned by SCCRTC.

### Marketing / Business Development Analysis of Current and Potential Customer Base

---

Renaissance Rail Group shall perform an analysis of current customer base and potential customer base to determine the viability of the current traffic base and potential for additional freight traffic growth on rail line assets proposed to be purchased by SCCRTC.

This analysis shall include:

- Current volumes and types of traffic
- Potential volumes and types of new traffic
- Risks to current freight traffic base
- Requirements for securing additional new freight traffic
- Barriers and constraints to attracting new rail-served traffic

This analysis shall be incorporated as part of the comprehensive Financial and Operating Model.

# Pre-Purchase: Deliverables; Time Requirements; Compensation

---

## Deliverables

Renaissance Rail Deliverables for Pre-Purchase Phase will include:

1. Complete Financial and Operating Model for shortline rail operations created from Analysis of traffic, opportunities and costs;
2. Viability / Feasibility Report and Recommendation for a shortline operation on rail line assets owned by SCCRTC
3. Action Plan detailing opportunities, constraints and barriers.

## Time Requirements

**100 hours** are estimated to be required for Pre-Purchase Work streams further divided as follows:

Financial and Operational Modeling:	25 hours
Analysis of Current and Potential Customer Base:	50 hours
Report Assembly and Completion	15 hours
Meetings / Conference Calls with SCCRTC and Others:	10 hours

It is anticipated that two trips to Santa Cruz will be required during this phase. One trip upon engagement and the beginning of activities and a second trip upon completion of activities and delivery and presentation of Pre-Purchase reports.

Estimated time to completion of Pre-Purchase work streams is 6 weeks from Engagement.

## Compensation

Compensation can be structured based upon an “Actual Hours Worked” basis or Retained Basis.

1. Hourly Rate is \$175 / hour; Daily Rate is \$1200 / day. Daily Rate will be charged each day that work requirements or commitments to the project meet or exceed 8 hours per day. Travel to / from Santa Cruz for purposes of work is not charged an hourly or daily rate. Engagement of Renaissance Rail on an Actual Hours basis will require an initial retainer of \$5000. Hours worked and expenses will be invoiced 2 times per month and paid within 15 days of submission.
2. Engaging Renaissance Rail Group on a flat fee basis of \$16,000, paid \$8,000 at initial engagement and \$8000 upon completion of Deliverables. All expenses related to the project will be invoiced at the end of the Pre-Purchase phase and paid within 15 days of submission along with final payment.

## Estimated Expense Budget

Airfare (Minneapolis to SFO or Santa Jose two trips):	\$1200
Rental Car (8 days):	\$ 750
Lodging (Ramada / Super 8, etc... in Santa Cruz – 8 days):	\$ 775
Gas, Meals, etc...	\$ 350

These Expenses are estimates based upon information currently available.

## Proposal Work streams: Post-Purchase

### RFP Development, RFP Response Reviews and Interviews

---

Renaissance Rail Group work with SCCRTC Staff on creation and implementation of final RFP for Shortline Operator. Tasks associated with this shall include:

- Creation of Final RFP and supporting materials
- Development of qualified candidate pool to submit RFP invitations.
- Development of criteria in selection of RFP finalists
- Review of RFP Responses
- Interview of RFP Finalists

### Lease and Operating Agreement Drafts

---

Renaissance Rail Group can draft necessary Lease and Operating Agreements on behalf of SCCRTC which govern the relationship with Shortline Operator.

### On-Going Liaison between SCCRTC and Shortline Operator

---

Renaissance Rail Group will act as the liaison between Shortline Operator and SCCRTC and other constituencies. It is recommended that Shortline Operator and SCCRTC have at least semi-annual meetings to address issues of operations, maintenance, business development and other issues central to the relationship between Shortline Operator and SCCRTC.

## Creation of Unit-of-Government Owned Railroad

---

As an alternative to selecting an outside Shortline Operator to manage and grow freight operations on SCCRTC-owned track, Renaissance Rail Group can assist in determining the feasibility of establishing a local unit-of-government owned railroad operating company.

Several examples of successful “unit-of-government-owned” railroads exist in the United States, including:

1. Tacoma Municipal Belt Railway: Owned by Tacoma Public Utilities
2. Columbia (Missouri) Terminal Railway: Owned by Columbia Public Utilities
3. Canton (Port of Baltimore) Railway: Owned by Maryland Transportation Authority

Establishing such a structure can offer many potential advantages to SCCRTC, including:

- Internal control of operations and capital projects
- Closer tie-in of railroad with local constituency and local constituencies needs
- Ability to utilize the railroad for “special” operations without securing permission of outside railroad operator

## Post-Purchase: Deliverables; Time Requirements; Compensation

---

### **Deliverables**

Will be determined by SCCRTC and the on-going role they desire for Renaissance Rail Group to have in post-purchase activities

### **Time Requirements**

Will be determined by Tasks and Deliverables required by SCCRTC.

### **Compensation**

Will be determined by Time Requirements. It is recommended that Compensation be structured on a monthly “Retained” basis to cover a certain number of hours with excess hours billed on an “Actual Hours Worked” basis.

Further work will be required to determine number of hours necessary during “Port-Acquisition” phase.

---

## Summary of Qualifications

### May 2006 – Present

#### **President / CEO, Renaissance Rail Group**

Northfield, Minnesota

Recent and on-going company responsibilities include:

- Retained Contract Consultant for New Zealand-based **Morrison & Co.** and **Infratil, Ltd.** Responsible for identifying North American railroad acquisition and investment opportunities in the shortline and regional railroad space; creating comprehensive financial models detailing valuation, acquisition and on-going operations of targeted acquisitions; and creating acquisition and long-term strategic development strategies for each targeted acquisition. Morrison and Co. manages assets in excess of \$2.0 billion US through **Infratil, Ltd** and the **New Zealand Superannuation Fund**.
- Multiple Project Consulting engagements with **HDR, Inc.** and **Egan Consulting Group** to create commercial and operating models of railroad operations for utility and unit-of-government owned operations.
- Retained and Success-Based Contract Consulting Engagement with **Northern Lines Railway, LLC** to provide Sales, Marketing and Business Development services
- Project Consulting Engagement with **Sappi, LTD**, a \$5 billion in revenues global manufacturing company and their internally-owned shortline railroad operations. Engagement involved analyzing traffic flows and generating recommendations for alternate traffic routings; developing railroad franchise expansion scenarios; creating Board-level reports and integrated financial models based upon this analysis.
- Advisory Engagement with **RailRunner, N.A.** to aid in the expansion of their regional rail intermodal technology and service offerings on shortline and regional railroads in selected geographic regions of North America.
- Advisory and Project Consulting Engagement with **North Star Rail Intermodal** to aid in the expansion of their regional intermodal service offerings utilizing the RailRunner technology platform.
- Financial Analysis and Modeling engagement for **Railroad Industries, Incorporated** to prepare detailed financial modeling of railroad acquisition projects for their constituent client base.

- Project-Based Consulting Engagement with **Fulton County, LLC** related to contract negotiations, financial modeling and shortline management and expansion issues related to the locating of a new 100 million gallon ethanol plant on Fulton County, LLC's railroad operations in Indiana.
- Advisory Engagement with **Cement Dynamics / UTEX Environmental Services** related to quantifying and analyzing various rail service options for the sourcing of up to 12 million tons of aggregate fill material and related transportation of this material to a company-operated landfill remediation site in the western United States.

## January 2005 – Present

### **Chief Manager / Member, Steelwheels, LLC**

Northfield, Minnesota

Responsible for all management facets of Steelwheels, LLC. Steelwheels, LLC is a small railroad equipment investment company that owns and leases rail cars under the reporting marks "STWX".

Specific responsibilities include:

- Managing all rail car leasing activities of the Company, including: drafting all contracts, and coordinating all purchase and sale of railroad equipment.
- Managing all banking and insurance relationships of the Company.
- Preparing all required Financial information and all Tax information for the Company.

## January 2002 – May 2006

### **Vice-President – Corporate Development, Progressive Rail, Incorporated**

Lakeville, Minnesota

Responsible for strategic growth initiatives and capital sourcing activities for Progressive Rail, Incorporated, designed to grow and diversify the revenue base of the Company.

Specific accomplishments included:

- Leading Progressive Rail's investment and role in the creation and start-up of *Marquette Rail, LLC*, a 137 mile regional railroad located in Michigan. *Marquette Rail, LLC* is a joint-venture partnership between Progressive Rail, Farmrail System, Lake State Railway and TranSolutions, LLC, handles over 16,000 carloads of freight each year and generates in excess of \$7 million in gross revenues.
- Expansion of Progressive Rail's operations in Wisconsin in November, 2004, through the creation of the *Wisconsin Northern Division*, in partnership with the Union Pacific and Canadian National, including negotiation of all contracts, rates and service issues.
- Managing the expansion of Company's Minnesota rail operations in partnership with Canadian Pacific and Union Pacific in the spring of 2004, including negotiation of contracts, rates and

service issues. These expanded operations added 4000 new carloads of business and over \$1.5 million in new incremental revenues.

- Sourcing, negotiating and securing over \$7.0 million in strategic financing, including: \$2.8 million in equipment acquisition / rehabilitation financing, \$1.4 million in State of Wisconsin FRIIP railroad rehabilitation financing, \$2.0 million in subordinated-debt growth financing, as well as other senior bank debt and working capital financing.
- Co-founder *Rail Retrievers Logistics, LLC*, (now known as *Progressive Rail Specialized Logistics*), in March 2002. *Progressive Rail Specialized Logistics*, is a full-service third party logistics provider, wholly-owned by Progressive Rail, Incorporated.
- Establishing the Progressive Rail Employee Stock Ownership Plan and Trust in 2003.

### September 2001 – January 2002

#### **Contract Consultant, Progressive Rail, Incorporated**

Lakeville, Minnesota

Responsible for identifying and developing strategic growth projects for Progressive Rail, Incorporated.

### January 1997 – September 2001

#### **President / CEO, Rail Properties, Incorporated,**

Geneseo, Illinois / St. Peter, Minnesota

Responsible for a variety of rail and other surface transportation advisory and development projects.

### September 1986 – January 1997

#### **Investment Representative / Manager, Edward D. Jones and Company (1986 - 1993),**

#### **Branch Manager / Money Manager, A. G. Edwards and Son's, Incorporated 1993 - 1997),**

Geneseo, Illinois

Responsible for direct and oversight management of over \$70 million in client investment assets, 900 customer accounts and supervision of office sales force and local investment banking activities.

### Education

#### **Mankato State University**

B.A. in Business Administration - 1986

## Addition Information

### Work with Agency and Unit-of-Government Organizations

1996 - 1997

**Agency:** *Chaffee County, Eagle County, Kiowa County (Colorado).*

**Nature of Work:** Development of proposals for the preservation of two rail corridors - "Tennessee Pass Line" and "Towner Line" which were slated for abandonment by the Union Pacific as a result of the Union Pacific / Southern Pacific merger.

2002 – 2005

**Agency:** *Wisconsin West Regional Transportation Authority (WWRTA)  
Chippewa County (Wisconsin) Economic Development Corporation  
Barron County (Wisconsin) Economic Development Corporation  
Wisconsin Department of Transportation (WisDOT)*

**Nature of Work:** Worked with WWRTA and constituent counties on the preservation of freight rail corridor in two counties in western Wisconsin. Corridor was composed of lines owned by Union Pacific and Canadian National. Worked involved building consensus and constituency base and negotiating terms of lease / purchase with each Class 1 railroad. Corridor was preserved for continued freight operations. Work then transitioned into the actual creation and operation of shortline railroad in the corridor ("Wisconsin Northern Division" of Progressive Rail, Incorporated).

Worked with WisDOT to secure rehabilitation funding for freight rail corridor in western Wisconsin.

2007

**Agency:** *Capital Metropolitan Transportation Authority - Austin, TX  
(Cap Metro)*

**Nature of Work:** Subcontractor to HDR, Inc. to provide complete financial and operational modeling, and optimal structure for freight railroad operations on Cap Metro-owned track.

**Agency:** *Tacoma Public Utilities – Tacoma Municipal Belt Railway (TMBR)*

**Nature of Work:** Subcontractor to HDR, Inc. to provide “forensic analysis” of current financials and complete financial and operational modeling of current and “what-if” freight railroad scenarios on TMBR’s Mountain Division operation.