



MOVING YOU FORWARD

January 4, 2018

Proposal for Operator of Rail Service

Mr. Luis Pavel Mendez
Deputy Director
Santa Cruz County Regional Transportation Commission
1523 Pacific Avenue
Santa Cruz, CA 95060-3911

Dear Mr. Mendez,

Progressive Rail Incorporated ("PGR") is pleased to submit a Proposal for Operator of Rail Service in accordance with the Santa Cruz County Regional Transportation Commission ("SCCRTC") Request For Proposals ("RFP") dated December 8, 2017. Please accept this letter as our Transmittal Letter and the enclosed booklet ("Booklet") as a detailed supplement of information that summarizes our vision and service plan for the Santa Cruz Branch Line. In preparation for this submittal, we have performed the following activities:

- An onsite inspection of the entire 32 miles of rail;
- An onsite inspection of all the bridges on the Branch Line with the assistance of A.R.E., an Irvine-based railroad bridge engineering firm;
- An onsite inspection of all the railroad crossings with a goal to work with the municipalities to evaluate Locomotive Horn Signal Quiet Zones from Grove Lane Crossing in Capitola to Swift Avenue in Santa Cruz;
- A meeting with the Santa Cruz Beach Boardwalk management to explore partnerships for passenger excursions;
- A meeting with Ms. Christina Watson of the Transit Authority for Monterrey County to understand their plans and progress in developing a fast rail corridor to Salinas and how the Santa Cruz Branch Line might benefit from their experiences and ongoing efforts;
- Meetings with potential freight customers in Watsonville;
- Engaging PGR's existing customers within its six-state network that would consider locating on the Santa Cruz Branch Line;
- Given that PGR is already a major handling carrier for Union Pacific, meeting with representatives to advise them of our aspirations to become the Operator of the Branch Line; and
- Retaining two rail advisors, one of whom is very familiar with the Branch Line operations, to meet with train manufacturers to explore environmentally friendly and California-compliant locomotives and train sets.

Our objective as Operator is to exceed all expectations of the SCCRTC, and to become a meaningful and well-respected company in California. We are passionate about the environment and continuously translate our values into demonstrable actions. For the Branch Line specifically, we appreciate how that railroad can provide meaningful relief to congested highways. Our plan is to aggressively build upon the freight service already in place and to reinstate passenger services to the entire Branch Line. We propose to do all this in a manner that is respectful to and accepted by the citizens of the municipalities where we operate.

It may be helpful for SCCRTC to know that the experiences with regard to operatorship of the Santa Cruz Branch Line are similar to those of the Piedmont & Northern Railway in Gastonia, North Carolina, owned by the North Carolina Department of Transportation ("NCDOT"). In that case, PGR was selected amongst a number of bidders in a competitive RFP and has subsequently become operator of the railroad. We invite SCCRTC to contact the NCDOT directly to discuss the matter. Contact information is provided on page 56 of the Booklet.

In accordance with your RFP, the following information is provided:

1. I, Craig McKenzie, Chairman and Chief Executive Officer of PGR, am authorized to obligate the company for the purposes of this proposal. My signature follows this letter. Our principal office location is 21778 Highview Avenue, Lakeville, Minnesota 55044.
2. As Operator, PGR will open an office in Santa Cruz County. In that office we will have a dedicated, full-time T&E team, reporting to a General Manager on location, and a Marketing Team. The size of the staff in Santa Cruz will expand commensurate with scope and scale of the activities and growth of the Branch Line.
3. PGR plans to operate as the Santa Cruz Scenic Railway ("SCSR").
4. PGR has support functions for the SCSR that are centrally located in its Lakeville headquarters. These functions will include Maintenance of Way, Mechanical, Signals & Crossings, FRA Compliance, HS&E, Legal, Finance, Administration, and T&E.
5. From time to time, contractors will be brought in to perform specific works under the direction of our functional team leaders. These contractors will include:
 - a. **MOW:** Railworks, 12740 Lakeland Road Unit B, Santa Fe Springs, CA 90670; et al.
 - b. **Bridge Engineering:** American Rail Engineers, 18 Technology Drive, Suite 205, Irvine, CA 92618
 - c. **Bridge Repairs:** Koppers, 6405 Metcalf, Suite 106, Mission, KS 66202; Ames Construction, 8333 E. Hartford Drive, Scottsdale, AZ 85255; et al.
 - d. **Signals & Crossings:** Midsouth Rail Services, 601 Old Sterlington Road, Sterlington, LA 71280.
6. All correspondence can be sent to me, Craig McKenzie, with my email address as cmckenzie@progressiverail.com
7. The structure of PGR and the relationship of a new, wholly-owned subsidiary, Santa Cruz Scenic Railway LLC, is presented on page 54 of the Booklet. The organization of the team and reporting relationships between key personnel on the ground in Santa Cruz and support staff is presented on page 55 of the Booklet. We anticipate the number of staff permanently located in Santa Cruz to expand significantly as progress is made in growing freight and passenger service. Our executive management who will oversee all the activities of SCSR are provided on page 8 of the Booklet.

8. PGR is fully compliant with all federal and state regulations. Our safety record is provided on page 18 of the Booklet. Our FRA and CPUC Compliance is provided on page 26 of the Booklet, and our forward-looking Safety & Compliance Plan is provided on page 35 of the Booklet.
9. Our Mobilization Plan is provided on page 57 of the Booklet.
10. Our Service Plan is provided on pages 27 through 47 of the Booklet and comprises a Master Operating Plan, a Freight Plan, a Resource Plan, a Maintenance Plan, a Safety & Compliance Plan, a Quiet Zone Plan, a Marketing Plan, and an Excursion Plan. Within these plans are details to the specific requests listed in the RFP on pages 5 and 6.
11. With regard to compliance with the provisions of the trackage rights agreement with the Santa Cruz, Big Trees & Pacific Railway Co, this confirmation is provided on page 53 of the Booklet.
12. A detailed Maintenance Plan is provided on pages 29 through 34 of the Booklet.
13. A projected 5-year financial plan for the SCSR is provided on pages 49 through 52 of the Booklet. A high-level summary of PGR's financial statements can be found on pages 14 through 17 of the Booklet. PGR's historical financial statements can be provided upon further request. For information, PGR carries \$50 million of liability insurance.
14. Concerning revenue sharing between PGR and SCCRTC, our recommendation is provided on page 53 of the Booklet. In essence, we are receptive to the terms of the previous agreement with IPH, but are open to further discussions with the SCCRTC and have a few provisos stated in our recommendation.
15. PGR can provide any number of references of parties willing to endorse our company. In response to a request for at least three references, PGR is pleased to submit four references provided on page 56 of the Booklet.
16. PGR acknowledges that all contents of this Transmittal Letter and supplemental Booklet can be made public.

In closing, PGR is very pleased to be considered as a candidate to become the Operator of Rail Service for the Santa Cruz Branch Line. Please do not hesitate to contact us if there are any questions.

Respectfully,



Chairman & Chief Executive Officer

Copy to Dave Fellon, Owner of Progressive Rail Inc.



PROPOSAL FOR OPERATOR OF RAIL SERVICE

January 4, 2018



TO THE MEMBERS OF THE SANTA CRUZ COUNTY REGIONAL TRANSPORTATION COMMISSION

Dear Members of the SCCRTC,

The difference between Progressive Rail Incorporated ("PGR") and other short line holding companies is our commitment to wholly focus on taking the long range view by way of investing, reinventing and creating quantifiable value back to our customers, communities and Class One railroads. PGR works day and night to allow stakeholders to benefit from the relationship and we believe this allows us to stand out amongst the competition. At PGR, we grow railroads -- through development and supporting customers of our service.

Progressive Rail is a proven turnaround artist that is wildly passionate about reconnecting the local citizens, businesses both big and small, and, our environment with a passionate partner that is well prepared to make history in a good way with the Santa Cruz County Regional Transportation Commission ("SCCRTC").

It's those exact tracks that PGR is at the ready to create a new legacy. For sure executing the successful resurrection of a underutilized railroad is precisely where PGR excels, having taken over several lines from the brink of abandonment which are now thriving conduits of commerce. In just one of more than a dozen examples is PGR's Wisconsin Northern Railroad where we acquired 37 miles of two rusty coat hangers in the mud and rotted ties that today generates over 70,000 rail cars a year rolling over some of the most heavy duty track in the State of Wisconsin.

Creating a compelling freight proposition goes well beyond rail service. Oftentimes we have found that the effort needs to be catalyzed, which is why PGR invests in the needs of shippers that includes real estate, securing warehouses for storage and transloading, and constructing equipment to facilitate work flow. Then, with its in-house expertise, PGR can help customers navigate the Class One railroads to efficiently and cost-effectively connect to the rest of North America.

Looking westward to California, PGR has always been highly interested in this geography and is why we are most interested to work with the SCCRTC to make a compelling and environmentally beneficial business case of how both freight and a renewed passenger service commitment can occur with a true level of professionalism and safety.

Not that long ago in railroad history the Suntan Special was a prime example of how carriers like the Southern Pacific Transportation Company were by far the absolute best conduits to commerce and the goodwill ambassadors for the communities served. History can and will repeat itself in a good way; let's work together to bring the good back along with the people too.

Sincerely,

A handwritten signature in black ink, appearing to read "Dave Fellon", with a stylized, flowing script.

DAVE FELLON
OWNER



Dear Members of the SCCRTC:

Five years ago the SCCRTC made a forward-looking and wise decision to purchase the Santa Cruz Branch Line. Today that rationale is even more compelling.

The Branch Line is perfectly situated to be further developed for freight and passengers. Highways in Santa Cruz county are congested at peak times and PGR can directly help relieve that stress by leveraging the rail infrastructure to take a number of trucks, commuters, and tourists off the highways. But it doesn't stop here.

PGR has an unblemished record spanning over two decades of providing comprehensively customer-focused freight rail service and fostering industrial development through direct investments in rail, real estate, buildings and equipment. Beginning in Watsonville, PGR is ready to enable the Branch Line to reach its full potential in freight.

PGR has successfully produced passenger excursions including Polar Express, Thomas the Tank, and other family oriented events. PGR also has an exclusive, close-knit alliance with American Heritage Railways the licensor for Polar Express. PGR's mission is to produce thematic shuttles and excursions that transport tourists to the Boardwalk beach area, including a revival of the spectacular Suntan Special, as well as launch westward to Davenport to showcase the natural beauty that includes sunsets on the cliffs above or picnics down on San Vicente Beach, Secret Beach, Bonny Doon, and Shark Fin Cove.

How we conduct business sets us apart. We live by our high standards on health, safety and the protecting the environment. We invest heavily in rail integrity and FRA compliance. For Santa Cruz urban areas we will pay particular attention to horn signal noise and the carbon footprint of our locomotives. For excursions we will orchestrate remarkable rail journeys and destinations that, in the case of Davenport, includes participation or oversight in cliff and beach safety, security, and waste management. Last, we welcome participating or even championing the Rail Trail project.

In closing, PGR aims to create a new positive legacy for the Branch Line and Santa Cruz county. All inquiries related to this proposal may be directed to me at 218.324.2001 or cmckenzie@progressiverail.com.

Sincerely,



CRAIG MCKENZIE
CHAIRMAN & CEO



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OVERVIEW OF PGR



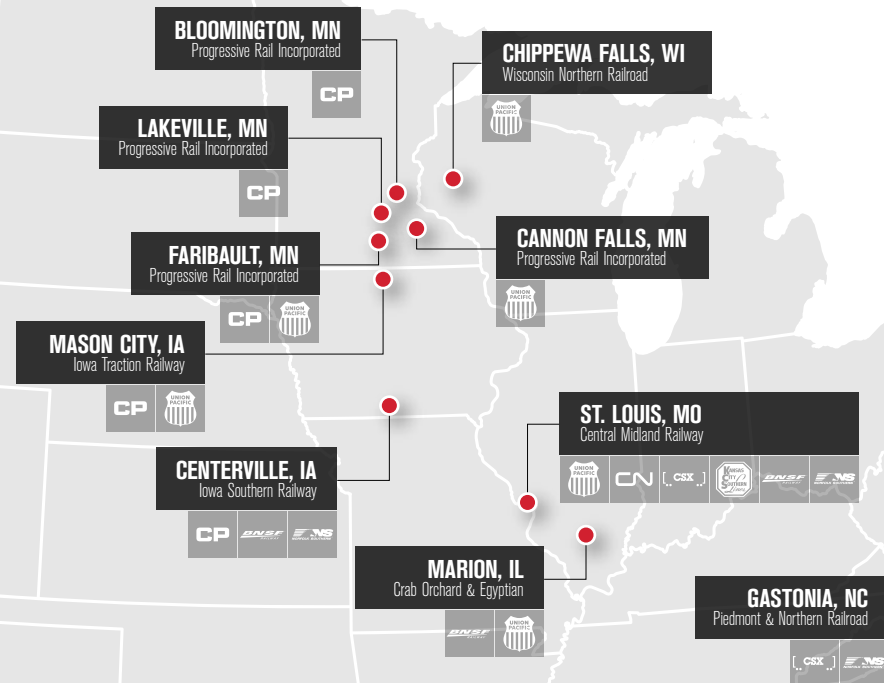
OUR HISTORY

- Progressive Rail Incorporated (PGR) is a shortline railroad operating several separate shortlines in Minnesota, Missouri, Illinois, Iowa, North Carolina, and Wisconsin.
- Headquartered in Lakeville, Minnesota, PGR was established in 1996 and expanded its operations in 2001 to include a second Minnesota line.
- In 2004, PGR leased 37 miles of nearly abandoned track running north from Chippewa Falls, WI and transformed it into the Wisconsin Northern Railroad, PGR's flagship asset.
- In 2007, PGR acquired the Central Midland Railway operating 60 miles of track from St. Louis to Union, MO.
- In 2010, PGR acquired the Iowa Traction Railway Company in Mason City, Iowa which is the last freight railroad in the United States that draws its power source from overhead electric lines.
- In 2012, the Crab Orchard and Egyptian Railroad in Marion, IL was added to the PGR family and in 2016 PGR expanded operations in southern Iowa with the acquisition of the Iowa Southern Railway operating out of Centerville, IA.
- In the summer of 2017 PGR made a move down south and is now operating the Piedmont and Northern Railroad in Gastonia, NC.
- Across PGR's network, we have seven rail and truck served warehouse storage facilities totaling over 800,000 square feet to facilitate our transloading businesses.
- This year PGR launched its newly branded business "Red Diamond Processing and Packaging" that focuses on handling and modifying food byproducts primarily for use as animal feed.
- Our philosophy has always been to provide a comprehensive rail service to our valued customers on our entire rail network. PGR many times takes the lead by focusing on economic development opportunities, including identifying Greenfield multi-modal transloading and storage facility projects for our existing and new customers, working with local municipalities and state governments to restore or build new infrastructure, and identifying ways to go beyond rail and help enterprises with their logistics needs.



PGR AT A GLANCE

- 300 miles of track owned and leased
- Primarily a handling carrier for Union Pacific and Canadian Pacific, but also interchange with BNSF, CSX, KCS, CN, and NS
- 75,000 carloads of freight per year
- Seven warehouses totaling 800,000 square feet
- 170 team members
- 2017 EBITDA (cash flow from operations) is \$14 million
- Deployed \$8 million in 2017 of capital into maintenance, upgrades, and new projects
- Current run rate EBITDA based on Q4 2017 is \$18 million per year
- Long-term debt is \$18 million
- \$50 million in liability insurance with XLCatlin, Indian Harbor Ins Co.



PGR AT A GLANCE



CRAIG MCKENZIE

CHAIRMAN & CEO

218-324-2001

cmckenzie@progressiverail.com



DUSTIN HEICHEL

MANAGING DIRECTOR, OPERATIONS

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dheichel@progressiverail.com



JEREMY URLACHER

MANAGING DIRECTOR, OPERATION SERVICES

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jurlacher@progressiverail.com



JIM THORNTON

MANAGING DIRECTOR, LEGAL

404-539-5421

jthornton@progressiverail.com



NICK DILLON

MANAGING DIRECTOR, FINANCE

612-385-1423

ndillon@progressiverail.com



DAVE FELLON

PRESIDENT & OWNER

612-791-3255

dfellon@progressiverail.com



INDUSTRIAL DEVELOPMENT LED BY PGR



DIRECT SERVICE



CUSTOMER SERVICE 24/7/365



JEANETTE LENTZ

SENIOR MANAGER, OPERATIONS

612-791-5400

jlentz@progressiverail.com

Who doesn't like good service? I know I do and I also appreciate the experience no matter what I am buying rather it be just a tank of gas or a brand new car.

I am in charge of Progressive Rail's Customer Solutions team and we take customer service very seriously. It all starts by knowing what our customers need before they need it and then be there with a backup plan if a supply chain interruption occurs well away from PGR Lines. The bottom line is PGR is truly our shippers life line for both raw materials in and finished goods out to markets throughout North America. That's a big responsibility and frankly we love the challenge.

Finally, and I find this unique to PGR, my department answers to and is incentivized by PGR's Sales & Marketing team which only further underscores how intertwined customer service is with sales. In effect we walk the talk when you hear the phrase "service after the sale".

24
HOURS

7
DAYS A WEEK

365
DAYS A YEAR



PASSENGER EXCURSION AND EVENTS

MUTUAL COOPERATION AGREEMENT

THIS MUTUAL COOPERATION AGREEMENT (this "Agreement") is made as of January 5, 2017, by and among Progressive Rail Incorporated ("PGR") and American Heritage Railways, Inc. ("American Heritage"). PGR and American Heritage are referred to herein individually as a "Party" and collectively as the "Parties."

RECITALS

WHEREAS, PGR owns or operates six shortline railroads in five states;

WHEREAS, PGR's business is primarily focused on the transportation, transloading and temporary storage of freight and goods ("Freight Operations");

WHEREAS, American Heritage owns or operates three shortline railroads in three states;

WHEREAS, American Heritage is a tourist rail operator and expert in rail-related special event management ("Excursion Operations"); and

WHEREAS, the Parties intend to engage in cooperation on matters of mutual interest and concern, including helping the other Party with its Freight Operations or Excursion Operations, as applicable.

AGREEMENTS

NOW, THEREFORE, the Parties agree as follows:

1. PGR agrees that American Heritage will have the exclusive right to conduct Excursion Operations on PGR Railroads, as hereinafter defined. The Parties will negotiate in good faith a mutually satisfactory revenue sharing agreement for any Excursion Operations that occur on PGR Railroads before beginning operations. Notwithstanding the foregoing, nothing herein should be construed to require PGR to conduct Excursion Operations on PGR Railroads. For purposes of this Agreement, "PGR Railroads" means all railroads currently owned or operated by PGR or its affiliates as well as any railroads subsequently acquired. If American Heritage declines to conduct Excursion Operations on a PGR Railroad, however, PGR may conduct its own Excursion Operations or contract with a third party to conduct Excursion Operations on such PGR Railroad only.

2. American Heritage agrees that PGR will have exclusive rights to conduct Freight Operations on American Heritage Railroads, as hereinafter defined. The Parties will negotiate in good faith a mutually satisfactory revenue sharing agreement for any Freight Operations that occur on American Heritage Railroads before beginning operations. Notwithstanding the foregoing, nothing herein should be construed to require American Heritage to conduct Freight Operations on American Heritage Railroads. For purposes of this Agreement, "American Heritage Railroads" means all railroads currently owned or operated by American Heritage or its affiliates as well as any railroads subsequently acquired. If PGR declines to conduct Freight

Partnership Agreement executed with
American Heritage Railways in January 2017.



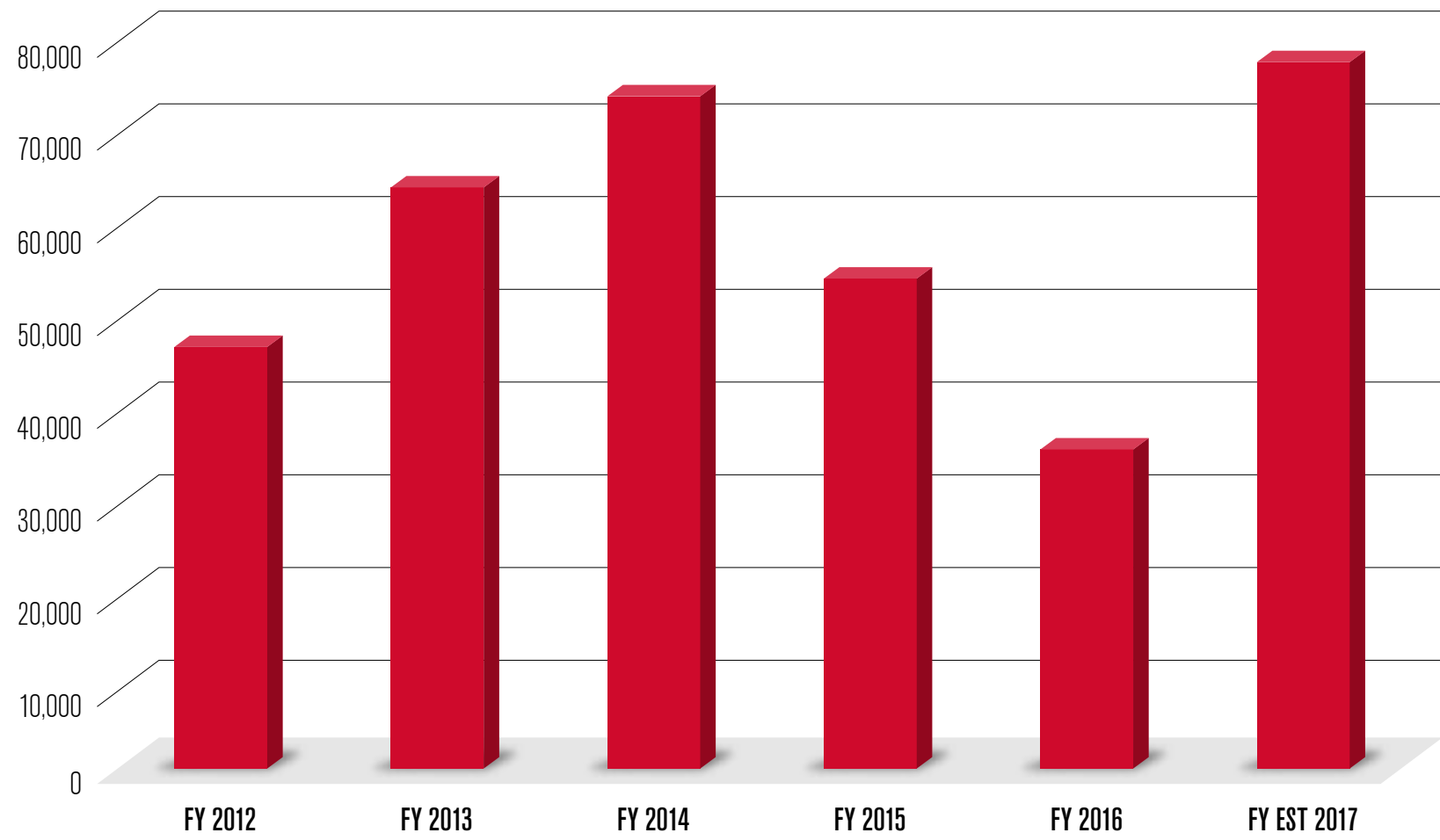
With AHR and Rail Events as our strategic partner, PGR is poised to extend and build on the success of Polar Express.



RAIL EVENT EXPERIENCES ORGANIZED BY PGR



CARLOAD VOLUMES



BALANCE SHEET

Progressive Rail, Inc. and Affiliate
Combined Balance Sheets
As of October 31, 2017 and December 31, 2016

ASSETS

	December 31, 2017 (Unaudited)	December 31, 2016 (Audited)
Current Assets	\$ 10,569,471	\$ 9,581,002
Property and Equipment	59,690,494	54,177,704
Less - Accumulated Depreciation	22,661,427	21,410,502
Property and Equipment, Net	37,029,067	32,767,202
Other Assets	5,094,983	4,969,678
Total Assets	\$ 52,693,521	\$ 47,317,882

LIABILITIES AND STOCKHOLDERS

Current Liabilities	\$ 8,860,012	\$ 5,339,364
Long-Term Liabilities	14,609,321	14,818,753
Total Liabilities	23,469,333	20,158,117
Total Equity - Progressive Rail, Inc.	28,857,445	26,758,506
Non-Controlling Interest in Subsidiaries	366,743	401,259
Total Stockholder Equity	29,224,188	27,159,765
Total Liabilities and Stockholder Equity	\$ 52,693,521	\$ 47,317,882



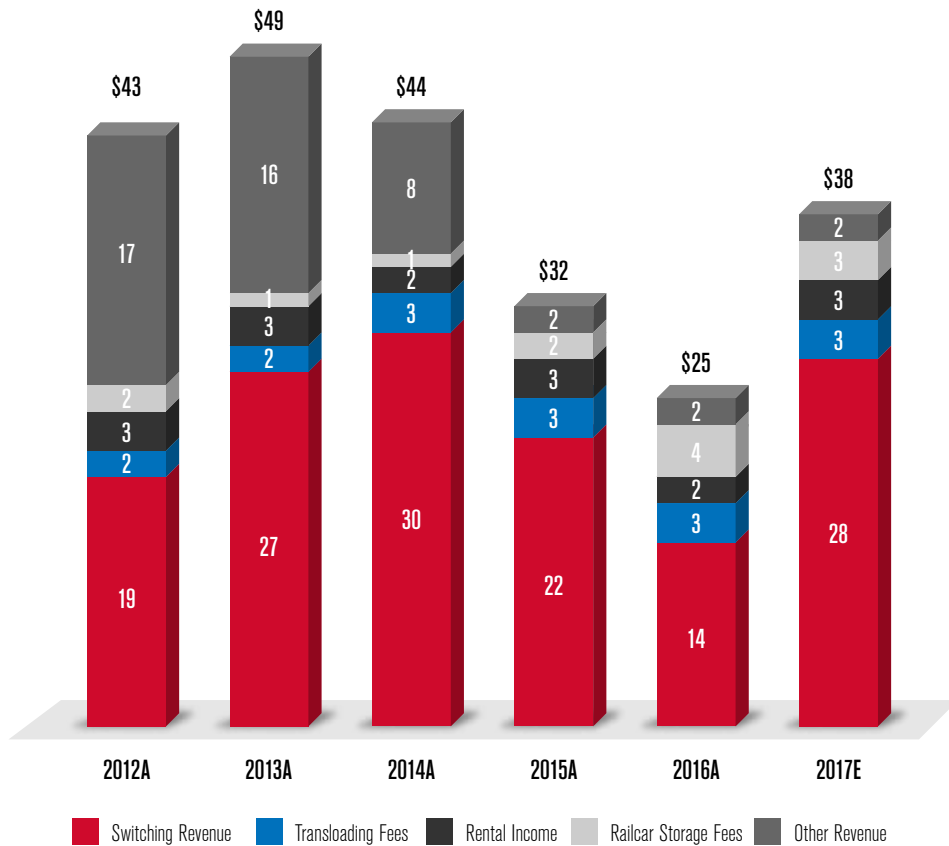
CASH FLOW FROM OPERATIONS

Progressive Rail, Inc. and Affiliate
Unaudited Combined Statements of Operations
For the Ten Months Ended October 31, 2017

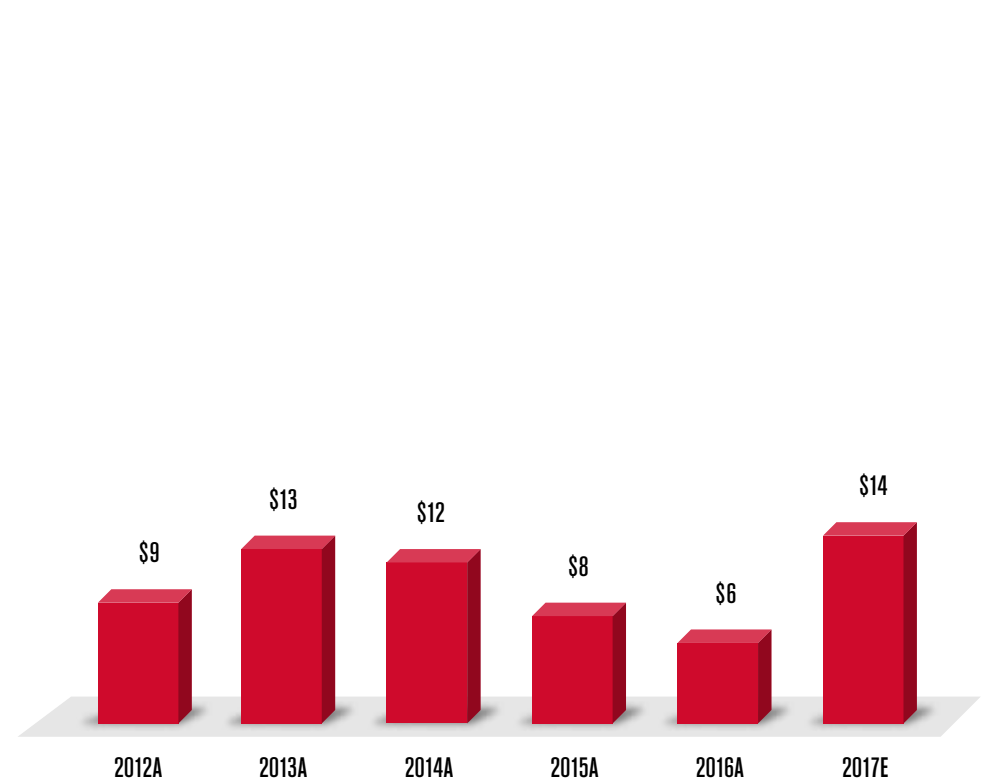
	YTD October 31, 2017
Revenues	\$ 30,747,556
Cost of Sales	631,800
Gross Profit	30,115,756
Operating Expenses	25,820,441
Income from Operations	4,295,315
Other Expense	(1,211,182)
Income Before Income Taxes	3,084,133
Provision for Income Taxes	122,611
Net Income	\$ 2,961,522
Net Loss Attributable to Non-Controlling Interests	(15,484)
Net Income Attributable to Progressive Rail, Inc.	\$ 2,946,038
EBITDA	\$ 6,971,851
New Business Start-Up Expenses	683,178
Staff Short Term Incentive Payments	2,241,642
Non-Recurring Site Maintenance	1,346,670
Professional Services/Consulting	100,246
Employment Termination Related Expenses	246,415
Other Non-Recurring Expenses	139,150
Adjusted EBITDA - 10.31.17	11,729,154
Nov-Dec EBITDA Forecast	2,110,039
2017E Adjusted EBITDA	13,839,139



RECENT FINANCIAL HISTORY



REVENUE (\$ in millions)



EBITDA (\$ in millions)

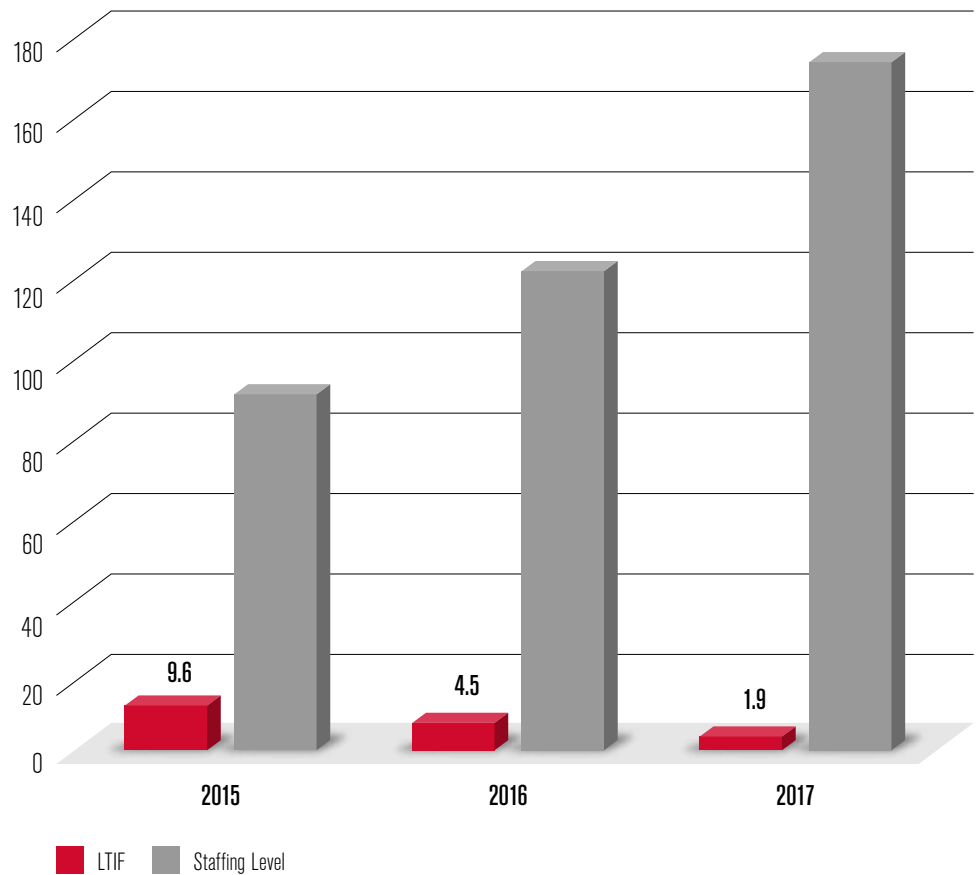


SAFETY RECORD

- Our goal is zero incidents
- We have an embedded safety culture with pay at risk for safety performance
- LTIF, defined as recordable incidents per 100,000 work-hours, continues to improve despite rapid growth
- Industry standards are 1.5 – 4.0; ours is 1.9
- Developed in-house smart phone APP called STOP (Safety Training Observation Program) to report, track, and close-out safety issues



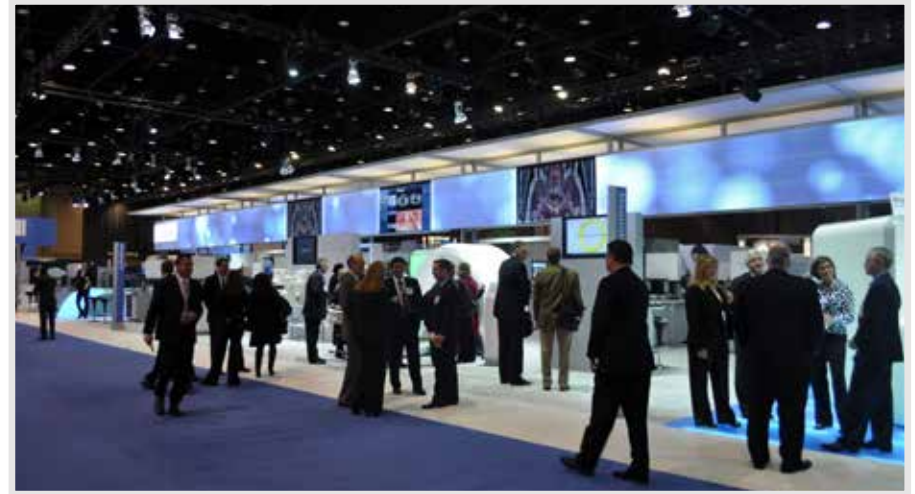
HEADCOUNT & LOST TIME INCIDENT FREQUENCY



SALES & MARKETING - *Tradeshows*



NAWLA Trader's Market
Tradeshow Booth Exhibitor
Las Vegas, NV



Transload Distribution Association of North America
Tradeshow Booth Exhibitor
Carefree, AZ



National Hardwood Lumber Association
Tradeshow Booth Exhibitor
Washington, D.C.



American Frozen Foods Institute Convention
Tradeshow Booth Exhibitor
San Diego, CA



SALES & MARKETING - Customer and Industry Newsletter Promotions



ON THE RIGHT TRACK

MooS FLASH!

Fresh, Local, consistently superior service.

Cottswood® It plays a huge role in increasing production volume and butterfat components. It is highly digestible and increases body condition.

But not all cottswood is equal, especially when it comes to Lansing Trade's cottswood. Why?

- Priority rail shipments are dispatched from the deep South to LaPorte, WI in order to keep the warehouse full and, by extension, lower carrying costs.
- Once the rail cars are unloaded the cottswood is properly stored and continuously aerated to ensure maximum freshness.
- The exceptionally clean and fully dedicated cottswood warehouse assures zero chance for any cross contamination issues.
- The volume buying power positions the Lansing Trade Group with the first choice in securing the highest quality cottswood from the growers.
- Freshness and product integrity care during both in transit and in storage makes for a noticeable difference.

What's the next step?

Contact Amy May West:

- Any size gravel box, straight truck or tractor trailer is loaded in LaPorte, WI.
- Customer pick-ups or deliveries to your farm are coordinated and scheduled.
- A local service. Locally available. Locally invested.

LANSING TRADE GROUP, LLC

Amy May West
913-827-8225
amwest@lansingtrade.com

PGR builds it. You lease it.

Full flat storage space, concrete slab, steel roof frame and continuous daylight give a full range of products from Progressive Rail, or processing your own materials. From built to last duration and loaded back in our valued equipment. PGR gives you the ability to produce and deliver your products with business to last period opportunities that are hard to find.

Rate of Leasing:
Steve Fisher
613-791-3255
steve@progressive-rail.com

Owner/Lease Office & Industrial Development
Michael J. Jurek
613-791-3255
mjjurek@progressive-rail.com

The President of Toronto
Jordan Smith
613-910-8273
jordan@progressive-rail.com



WISHBONE

Progressive Rail Transportation | March 11, 2014

We wish we could have it all - the lowest prices, variety in selections and exceptional, on-demand service.

For anyone in the landscape supply business, your wish is a reality with Lisa Bonas, VP of Bonas Transportation. Since 1984, Lisa and her team have offered a stunning array of geological gems sourced throughout North America and crated to the perfect size without the messy fines for landscape settings. Beyond decorative aggregate, Bonas Transportation also offers well-sorted baseball field rock, clearing rock and natural western red cedar ground cover.

During the operational backbone of Bonas Transportation runs continuously smooth and steady and that's the reason they have over 30 years experience in exceeding customers' highest expectations, understanding modern tractor trailer rigs to any landscape supply house or job site at the exact time and date requested.

Being special requires an on-time reality is what Lisa and her team are all about thanks to their genuine dedication to providing everything from bare bones rock solutions to exotic, geological masterpieces for industrial within your landscape center's product mix.

For more information about the decorative aggregate, crushed field rock, clearing rock and western red cedar mulch for sale to you:

Lisa Bonas
800-235-6381 ext. 105
lisa@bonastrans.com

With absolutely no deprioritization backbone is by far the most efficient, allowing Bonas Transportation to offer their valued customers bare bones pricing at a level of service you will never lose a factor of competition with.

PGR's Chris Richard & Jordan Richard is also making your product's delivery of volume, and to the Bonas Transportation rail yard located in LaPorte, Illinois.



POWERTRAIN

Progressive Rail Transportation | December 11, 2013

In your motor vehicle the born powertrain describes the main components that generate power and deliver it to the road.

When the born powertrain comes up in railroad, think of Reico's locomotives, incorporated - they assure the main components in your locomotives are performing perfectly to deliver power to the rails.

Reico is a long-established company that specializes in the leasing, rebuilding and repairing of locomotives. In fact, Reico has been providing total locomotive solutions to Class 1, regional and short line railroads as their members.

and as private industries, transit agencies and government institutions for over 60 years.

What separates Reico from its competitors?

The core foundation of Reico is a commitment to others of the highest standards. Our products are designed to last, first time and delivered on time, every time. Quality matters. Reico maintains a genuine culture of innovation, collaboration and a results-focused commitment amongst its team members.

Does Reico also work on railcars?

Yes, Reico also works on railcars. They are experts in rebuilding covered hopper car railcars with specialty repairs.

Who do I contact at Reico?

Ken Stalder
643-622-3030
ken@reico.com

Reico Locomotive Inc.
3074 Main St.
Albion, IA 52007

There are other powertrains playing the rails in Wisconsin, Minnesota, Illinois, Iowa and Missouri. Progressive Rail is your powertrain that will help you generate more business further away, via rail. Call us today.

Ken Stalder
Steve Fisher
613-791-3255
steve@progressive-rail.com

Owner/Lease Office & Industrial Development
Michael J. Jurek
613-791-3255
mjjurek@progressive-rail.com

VP President of Toronto
Jordan Smith
613-910-8273
jordan@progressive-rail.com

SALES & MARKETING - *Customer and Industry Newsletter Promotions*



BRIDGE BUILDERS





LeJeune Steel is the industry leader in steel fabrication. Since 1944, we have grown to become one of the largest structural steel fabricators in the Midwest, with more than 40,000 tons of steel fabricated annually by our shops in Minneapolis and Wisconsin.

Throughout our history, LeJeune has built strong relationships through our commitment to timeless tradition and

timely technology. This pattern of excellence continues today, and is the blueprint for achievement tomorrow.

LeJeune Steel has a robust ability to perform a wide variety of vehicular, railroad, and petrochemical bridge repair and replacement. We are AISC Advanced Bridge Certified, in-house 3-D modeling capable, and offer high level project management support.

LEJEUNE
STEEL COMPANY

Stake Sites
LeJeune Steel Company
118 W. 42th Street
Minneapolis, MN 55419
612.861.3229
info@lejeunesteel.com

LeJeune Steel is the industry leader in steel fabrication. Since 1944, we have grown to become one of the largest structural steel fabricators in the Midwest, with more than 40,000 tons of steel fabricated annually by our shops in Minneapolis and Wisconsin.

Throughout our history, LeJeune has built strong relationships through our commitment to timeless tradition and

timely technology. This pattern of excellence continues today, and is the blueprint for achievement tomorrow.

LeJeune Steel has a robust ability to perform a wide variety of vehicular, railroad, and petrochemical bridge repair and replacement. We are AISC Advanced Bridge Certified, in-house 3-D modeling capable, and offer high level project management support.

LeJeune specializes in rail, vehicular, and petrochemical steel bridge repair and maintenance as well as commercial and industrial fabrication and project management.



Petrochemical Steel Bridge
1998 - 2000 - WI



Black Bridge, Minnesota Shiping
Minneapolis, MN



Wheat Storage Tower
Minneapolis, MN

Scott A. Berghing
Dave Feilon
612.791.3255
info@lejeunesteel.com

Government Affairs & Industrial Development
Michael Johns
612.529.0061
mjohns@lejeunesteel.com

West Director of Operations
Jordan Buck
612-910-8273
jbuck@lejeunesteel.com

Proud Members of the IGB Railway Family








PGR's Monday morning newsletter is sent to 3,500+ active recipients who read our messages at an average 51% open rate.

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The newsletters range in topics from highlighting customers and partners, industry history, holiday greetings, as well as announcing new PGR services, locations, and facilities.



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SERVICE PLAN



OBJECTIVES AS OPERATOR

OVERALL OBJECTIVES:

Exceed all SCCRTC expectations of PGR as Operator of Branch Line
Expand tax base by catalyzing sustainable development connected to Branch Line
Be a most-admired company in California
Directly improve the environment where we operate

BY:

- Providing freight service in Watsonville immediately and growing it through concentrated marketing efforts
- Providing passenger and freight rail service over the entire line within three years
- Championing solutions to key issues such as noise abatement, crossing safety, coastal rail trail, & water drainage
- Designing passenger service as modern, but nostalgic experience that becomes a tourist attraction in itself
- Providing exemplary rail service, that is safe, efficient, & respectful of all stakeholders
- Going beyond rail service to drive local industrial development
- Making direct local investments in rail, real estate, buildings, & equipment
- Bringing existing PGR customers to SCC and link SCC to PGR's network



FRA & CPUC COMPLIANCE

Progressive Rail Inc.:

- Is the parent company for seven railroads in six states, which are all in full compliance with federal and state laws.
- Complies with Title 49 CFR 172.700 hazardous materials communications, emergency response information, training requirements, and security plans.
- Complies with Title 49 CFR 174.1 – 174.750 Carriage by Rail.
- Complies with applicable parts of Title 49 CFR 200-299 Federal railroad administration. Plans and submissions are on file with the FRA.
- Complies with (EPCRA) Emergency Planning and Community right to know act reporting in all states.
- Works directly with state pollution control agencies with outside engineering firms to monitor air quality and storm water runoff at our trans loading locations.
- Is compliant with local counties in regards to hazardous waste generation with license on file.
- Works with state inspectors to ensure its responsible compliance with local communities.
- Has no operations presently in California, but is in contact with CPUC to establish that relationship and we are confident that the above will ensure our full compliance.



MASTER OPERATING PLAN

- PGR will name its railroad the Santa Cruz Scenic Railway.
- PGR will first focus on Watsonville with its Freight Plan.
- PGR has a locomotive refurbishment program underway; a SW 1200 or SW 1500 will be located at Watsonville to continue freight service to existing customers.
- Two dual-qualified engineers will be based in Watsonville; one will be the General Manager who will report to the COO in Lakeville, MN. Functional support will be provided as per the Resource Plan.
- Our centralized MOW team has already inspected the entire 31 miles of track, as well as inspected all the major bridges with A.R.E., a railroad engineering firm based in Los Angeles. MOW professionals will be deployed to work with the SCCRTC and oversee works per the Maintenance Plan.
- Our centralized Health, Safety & Environment team, along with our FRA Compliance team, will proactively set standards and engage authorities regarding our Safety & Compliance Plan.
- Our centralized Signals & Crossings team is set to inspect all the crossings. An integrated team will be formed to spearhead the Quiet Zone Plan with the respective municipalities.
- Our centralized Marketing team will recruit an on-the-ground representative who will be based locally to deploy the Marketing Plan.
- An integrated business development team will be formed to pursue all tourist experiences per our Passenger Excursion Plan.



WATSONVILLE FREIGHT PLAN

- Freight service already exists in Watsonville on the Branch line, but has much more potential than current car load levels.
- PGR's proven formula is to secure a transloading warehouse as a means to market the railroad to target customers; a warehouse at 880 W Beach Road, Watsonville, is a property we have identified.
- The agriculture industry has opted for trucking of outbound fruits and vegetables. Our goal is to develop a fast corridor with UP for shipping refrigerated freight outbound to the Midwest, with proteins on the return trip.
- Agriculture demand for plastic mulch, liquid and dry fertilizers, insecticides is perfect for rail, and we are ready to make a compelling proposition to farmers.
- Dimensional lumber and construction materials, specialty rock and other landscape supplies are perfect commodities for long hauls.
- Lansing Trading, one of the preeminent energy traders in the US, is poised to partner with PGR to construct a propane distribution terminal.
- We have no plans for rail car storage.



800 W Beach Road

MAINTENANCE OF WAY PLAN



LEON HOYT

GENERAL MANAGER, MAINTENANCE OF WAY

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- Our MOW team is equipped to handle any and all defects there may be, from insufficient ballast or cross level issues to switches and turn outs. We are also equipped with a on-track brush cutter and have licensed herbicide applicators on staff.
- American Rail Engineers Corporation (ARE) performed an assessment of the Santa Cruz Branch Line for Progressive Rail on December 17, 2017. The assessment was completed by David Anderson P.E., a practiced railroad bridge engineer licensed by the State of California as a Professional Engineer.
- PGR plans to use its planned transloading warehouse in Watsonville as a laydown yard for rail and ties, as well as storage facility for rolling stock.
- Our working assumption is that the SCCRTC will restore the track conditions on the line to appropriate standards and that PGR will be responsible for proper maintenance.
- PGR is prepared to oversee any of the SCCRTC works.



BRIDGE INSPECTIONS

MP	Section	Bridge Type	Length	# of Spans	Span Type	Year Built	Super Condition	Sub Condition	Deck Type	Ballast Deck Condition	Bridge Tie Condition	Deferred Maintenance	Capital Cost next 10 years	Annual Maintenance (10-yr avg)	Notes
0.86	1 of 1	ODPT	218	14	Timber	1940	Fair	Good	Open		Good	\$ 7,500.00	\$ 25,000.00	\$ 5,000.00	Stringer thru bolts missing. Need to add stringer through bolts.
1.06a	1 of 3	ODPT	180	13	Timber	1950	Fair	Fair to Good	Open		Fair to Poor	\$ 5,000.00		\$ 4,500.00	Spot bridge tie replacement required. Some fire damage.
1.06b	2 of 3	TPGOD	301	5	Steel	1906	Fair to Good	Fair	Open		Fair to Poor	\$ 4,000.00	\$ 50,000.00	\$ 5,000.00	Up to 50% of top flange of floor beams; stringers in good condition.
1.06c	3 of 3	ODPT	91	6	Timber	1950	Fair	Fair to Good	Open		Fair to Poor	\$ 7,000.00		\$ 4,000.00	Spot bridge tie replacement required and walkway & railing repair needed. Some fire damage.
2.73		OHH	n/a	n/a	CIP PS Concrete	1967	Good	Good	n/a				\$ -	\$ -	Overhead highway.
4.45	1 of 1	ODPT	60	4		1932	Good	Good	Open		Good	\$ 10,000.00	\$ -	\$ 500.00	Ties replaced in 2002.
4.87	1 of 1	BDPT	195	13	Timber	1909	Fair	Fair	Ballasted	Fair		\$ 25,000.00		\$ 5,000.00	Ballast retainers needing maintenance. Substructure & superstructure in a wet environment.
5.52	1 of 1	BDPT	15	1	Timber	1904	Fair	Fair	Ballasted	Fair		\$ 15,000.00		\$ 7,500.00	Ballast holes, moderate to heavy decay of deck. Some severely decayed piles needing posting.
5.54	1 of 1	BDPT	135	9	Timber	1923	Good	Good	Ballasted	Fair		\$ 15,000.00		\$ 2,500.00	Ballast retainer deterioration.
6.01	1 of 1	BDPT	90	6	Timber	1926	Good	Good	Ballasted	Fair				\$ 2,500.00	
6.14	1 of 1	BDPT	30	2	Timber	1927	Good	Fair	Ballasted	Fair				\$ 1,500.00	Back wall deterioration.
6.25	1 of 1	BDPT	120	8	Timber	1909	Fair	Fair	Ballasted	Fair			\$ 30,000.00	\$ 4,500.00	Ballast retainer low. Ends of cross ties exposed on deck. Ballast retainers need to be raised.
8.32	1 of 1	BDPT	15	1	Timber	1916	Good	Fair	Ballasted	Fair				\$ 1,500.00	
8.64a	1 of 2	PS Concrete Tub	48	1	Concrete	1975	Good	Fair	Ballasted	Good		\$ 10,000.00			Strut bearing plate corroded and pier 2 concrete spalling around bearing plates. Plates need replacement with larger plate and concrete repaired.
8.64b	2 of 2	ODPT	112	8	Timber	1932	Good	Fair	Open		Fair	\$ 15,000.00		\$ 4,500.00	Bent bracing moderate to severe decay.
9.09	1 of 1	Deck Plate Girders	330	8	Steel Trestle	2014?	Good	Good	Open		Good			\$ -	Superstructure and steel towers recently replaced.
10.45	1 of 1	BDPT	240	16	Timber	1928	Fair	Poor	Ballasted	Fair		\$ 80,000.00		\$ 10,000.00	Bent bracing poor. Piling good to fair. Overall bent condition poor due to bracing condition.
11.16	1 of 1	BDPT	240	16	Timber	1928	Fair	Fair	Ballasted	Fair				\$ 10,000.00	Bent bracing condition moderate decay.
12.03	1 of 1	OHH	n/a	n/a	Steel w/ Concrete Deck	1953	Fair	Fair	n/a	n/a			\$ -	\$ -	Highway overhead. Assuming maintenance by others. DOT says structurally obsolete.
12.30	1 of 1	Deck Steel Plate	89	2	Steel w/ Concrete Deck	1948	Fair	Fair	Ballasted	Fair					Seismic retrofit in 1996. Caltrans responsible for substructure maintenance. Railroad responsible for superstructure maintenance.
12.34	1 of 1	Steel Plate Girder	218	4	Steel	1969	Fair	Fair	Open		Good			\$ 2,500.00	Wood plank walkways.
12.39	1 of 1	Steel Plate Girder	60	1	Steel	1925	Fair	Fair	Open		Good			\$ 1,500.00	Wood plank walkways. Bridge ties replaced in 1994.
12.71a	1 of 2	Steel Plate Girder	160	2	Steel	1969	Fair	Good	Open		Good				Steel grated walkways. Bridge ties replaced in 1994.
12.71b	2 of 2	Through Plate Girder	71	1	Steel	1929	Fair	Fair	Open		Good			\$ 1,500.00	Wood plank walkways. Bridge ties replaced in 1994.
12.83	1 of 1	Through Plate Girder	137	2	Steel	1948	Fair	Fair	Ballasted		Fair				Seismic retrofit in 1996. Caltrans responsible for substructure maintenance. Railroad responsible for superstructure maintenance.



BRIDGE INSPECTIONS (CONT'D)

MP	Section	Bridge Type	Length	# of Spans	Span Type	Year Built	Super Condition	Sub Condition	Deck Type	Ballast Deck Condition	Bridge Tie Condition	Deferred Maintenance	Capital Cost next 10 years	Annual Maintenance (10-yr avg)	Notes
14.85	1 of 1	PS Concrete	52	2	Concrete	1971	Good	Good	Ballasted		Fair				Low vehicular clearance of 14' 1". Cable seismic retrofit.
15.89a	1 of 5	Precast Concrete Box	120	3	Concrete	1970	Good	Good	Ballasted		Fair			\$ 2,500.00	Crib wall with moderate decay. Cable seismic retrofit.
15.89b	2 of 5	ODPT	215	15	Timber	1904	Fair	Fair to Poor	Open		Fair	\$ 65,000.00		\$ 10,000.00	Bent longitudinal bracing, several with severe deterioration. Bridge ties replaced in 1997.
15.89c	3 of 5	Pin connected deck truss	148	1	Steel	1903	Fair	Fair	Open		Fair		\$ 175,000.00	\$ 2,500.00	Stringers rate very poorly. Up to 29% section loss observed in top stringer flange. Vertical member U1-L1 has holes in flanges. Recommend that stringers and floor beams be replaced or strengthened for sustained loading using light 4 axle locomotives.
15.89d	4 of 5	ODPT	40	3	Timber	1904		Fair to Poor	Open		Fair	\$ 15,000.00		\$ 2,500.00	Bent bracing has moderate to severe deterioration. Timber walkway and railing in Fair to poor condition.
15.89e	5 of 5	Prestressed Concrete	60	1	Concrete	1971	Good	Good	Ballasted		Fair				Some damage from underpass vehicular traffic.
17.30	1 of 1	Precast Concrete Box	240	8	Concrete	1977	Good	Good	Ballasted		Fair				
18.84	1 of 1	Precast Concrete Box	420	7	Concrete	1970	Good	Good	Ballasted		Fair				
19.43a	1 of 2	Through Truss	240	2	Steel	1904	Fair	Fair	Open		Fair	\$ 100,000.00		\$ 2,500.00	Floor beams have section loss up to 100% at top and bottom of stringer connection. Bottom lateral bracing members have severe section loss, stringers have bottom flange section loss. Bridge ties replaced in 1996.
19.43b	2 of 2	Steel Deck Girder	60	1	Steel	1904	Fair	Fair	Open		Fair	\$ 15,000.00		\$ 2,500.00	Moderate corrosion throughout. Bridge ties replaced in 1996, severe decay of isolated ties. Girder bracing moderate to severe section loss.
20.18	1 of 1	ODPT OHR	n/a	n/a	Timber	1999	n/a	n/a	Solid Timber		n/a	\$ -	\$ -	\$ -	Overhead roadway.
22.29	1 of 1	ODPT	330	22	Timber	1928	Fair	Fair	Open		Fair	\$ 30,000.00		\$ 10,000.00	Bridge ties replaced in 1996. Moderate decay of stringers. Moderate to severe decay of isolated timber bracing.
23.47	1 of 1	ODPT	15	1	Timber	1935	Fair	Fair	Open		Fair			\$ 1,500.00	Bridge ties replaced in 1997.
23.54	1 of 1	ODPT	16	1	Timber	1913	Fair to Poor	Fair to Poor	Open		Fair	\$ 20,000.00		\$ 1,500.00	Bridge ties replaced in 1997. Longitudinal struts failing. Back walls leaning in with decayed timbers. Stringer replacements needed of sustained regular traffic.
26.09	1 of 1	ODPT	11	1	Timber	1937	Fair	Fair	Open		Fair			\$ 1,000.00	Bridge ties replaced in 1997.
26.55	1 of 1	ODPT	11	1	Timber	1937	Fair	Fair	Open		Fair	\$ 2,500.00		\$ 1,500.00	Back wall planks have decay.
4.45		Retaining Wall													Wall is a Steel H pile soldier wall in good condition.
Selva Beach Area		Retaining Wall										\$ 15,000.00		\$ 500.00	Tree sections, sections wall failing with washouts.
Leonard Gulch		Retaining Wall													Timber crib wall in Good condition.
TOTAL												\$ 456,000.00	\$ 280,000.00	\$ 112,500.00	

MOW - WATSONVILLE

MP 1 to 4.6

- Bridges are in fair condition. Evidence of encampments under bridge and fire damage on ties.
- Ties and rail are in good shape, and every 5th tie needs to be replaced. Rail is 119# and qualifies as #1 relay. Surfacing looks good in profile and alignment. Dry weather aids in this and lack of train traffic. Vegetation is clear in this area.
- Requires \$300,000 in immediate repairs; \$800,000 in maintenance over next three years.
- Crossings ok, but need maintenance/upgrades; est \$45,000 in asphalt removal in flanges
- Unable to inspect this area due to trespassers.

MP 5.2 to 6.5

- Between MP 6 and 5.8, there are several mudslides that cover 500 track feet. Estimate \$280,000 to build retaining wall and remove mud.
- MP 5.5 washout. Estimate \$100,000 for small repair.
- MP 5.2 washout. Large in damage and surface area. Possible bridge construction to span the separation caused by the damage or 2 large culverts. Property owners upstream will need to also address their erosion. Estimate \$975,000-\$1,200,000 for repair.
- Ties are in good shape; every 5th tie to be replaced in tangent and every 3rd in curves. Rail is 119# and qualifies as #1 relay, with 90-112# rail sprinkled between. Surfacing needed for profile and for water shed through ties. This section has lots of vegetation and large trees overgrowing track. \$315,00 in immediate repairs and \$875,000 in maintenance over next three years.

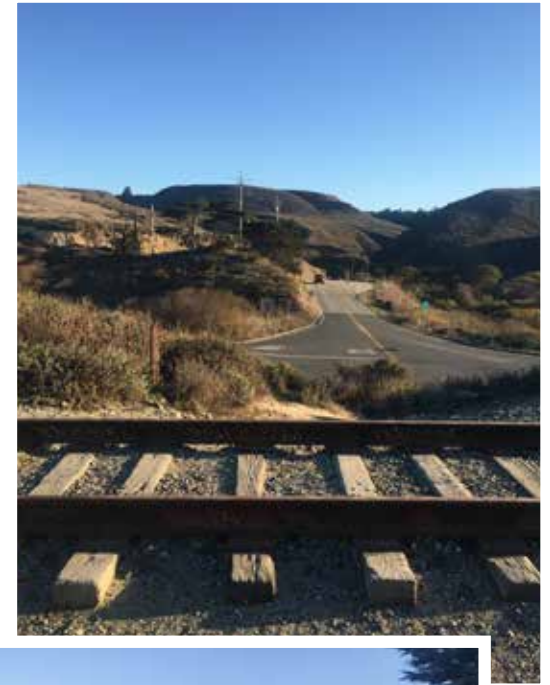
MOW – CAPITOLA TO SANTA CRUZ

- Capitola bridge will need rivets replaced due to extreme rust. Bridge structure will need to be sanded and coated with a non-rusting enamel. Wooden stringers and floor beams need to be replaced or strengthened. Security should be upgraded. A detailed cost estimate would need to be undertaken.
- Rail and ties are 119# with every 5th tie to be replaced in tangent and every 3rd in curves.
- Surfacing will be needed to adjust movement of ties on the grade. Ballast needs to be added.
- There are locations where stairs have been placed to allow for pedestrians to walk to public beaches. Pedestrian crossings needed with proper signage and lights.
- Estimate \$200,000 immediate repairs with \$875,000 in maintenance over next three years.
- Bridge at 19.43 has reported earthquake damage.
- Boardwalk clearance signs and cross bucks are needed to provide pedestrians with protection. Estimate \$85,000.
- Santa Cruz beach road running rail has cross bucks that need to be updated.



MOW – SANTA CRUZ TO DAVENPORT

- Ties are in fair shape. Every 5th tie will need to be replaced.
- Track surfacing will be needed to address water drainage.
- There is an old siding by Panther beach that could be rebuilt. Requires two switches and track restoration for an estimated cost of \$270,000.
- \$350,000 in immediate repair costs and \$815,000 in a 3 yr maintenance program.
- Davenport has several industry & siding switches, that need to be rehabbed. Switches in the siding rehab total estimated costing-\$25,000
- Removal of industry switch and straight railing area-\$50,000
- There are several crossings that have been paved over or have had the flange ways filled in. The number of these crossings that need to be addressed are unknown.



SAFETY & COMPLIANCE PLAN



JASON WELSH

GENERAL MANAGER, HSE

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SAFETY COMES FIRST

The most important part of work is providing for family. I want every team member at PGR to go home in the same condition they arrived. In fact, if I can help them learn a better way to perform in any environment, maybe they will take some of that knowledge home and be healthier in their personal life as well.

- Review historical FRA recordkeeping and overall compliance; identify any gaps and fill them.
- Audit Code of Federal Regulations CFR 49 Parts 200-299
- Immediately contact and invite FRA local representative to meet on the operating segment to establish a new baseline.
- Submit advice letter to CPUC for notification of CPCN transfer. Immediately contact CPUC and invite representative on location to establish baseline.
- Create Signals & Crossings Plan.
- Roll out STOP program.

QUIET ZONE PLAN



- Our goal is to eliminate the use of locomotive horn signals in urban areas that include Santa Cruz, Live Oak, and Capitola
- Three independent Quiet Zones would extend from:
 1. Grove Lane crossing (MP 15.13) in the City of Capitola to the border of the unincorporated community of Live Oak
 2. Live Oak community (defers to Santa Cruz county) crossings
 3. From the border of Live Oak to Swift Ave. crossing (MP 21.59) in the City of Santa Cruz
- Both cities and Santa Cruz County would legally establish the Quiet Zones independently
- PGR would champion the effort by working with the three jurisdictions, undertake the required technical design and engineering work, and liaise with the FRA.

QUIET ZONE PLAN



THE STREET CROSSINGS THAT WOULD BE AFFECTED ARE AS FOLLOWS:

SANTA CRUZ

- MP 19.05 – Sea Bright Ave.
- MP 19.22 – Mott Ave.
- MP 19.71 – Cliff St./Beach Av
- MP 19.77 – Westbrook St.
- MP 19.83 – Main St.
- MP 19.97 – Pacific Ave.
- MP 20.75 – California St.
- MP 20.79 – Bay St.
- MP 20.87 – Lennox St.
- MP 21.02 – Dufour St.
- MP 21.08 – Bellevue St.
- MP 21.14 – Younglove Ave.
- MP 21.18 – Seaside St.
- MP 21.20 – Rankin St.
- MP 21.40 – Almar Ave.
- MP 21.45 – Fair Ave.
- MP 21.59 – Swift Ave.

LIVE OAK (SANTA CRUZ COUNTY)

- MP 16.88 – 38th Ave.
- MP 17.21 – 30th Ave.
- MP 17.87 – 17th Ave.
- MP 18.42 – 7th Ave.

CAPITOLA

- MP 15.52 – Monterey Ave.
- MP 16.38 – 47th Ave.
- MP 16.75 – 41st Ave.

QUIET ZONE PLAN

- Minimum safety improvements to make at each at-grade crossing may include (and also not be limited to):
 - Automatic warning devices (lights and gates)
 - four-quadrant lanes & signage
 - LED flashing lights
- Level of protection determined by diagnostic team review
 - Required to assess collision risks at each crossing
 - Comprised of local government, railroad, and Caltrans
 - Team issues determination of additional measures needed
- Certification of the Quiet Zones
 - Local government certifies to FRA that risk reduction achieved
 - QZ takes effect after all safety improvements are made

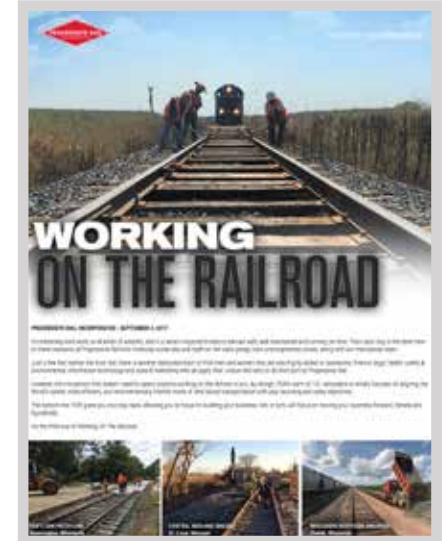


MARKETING PLAN

We will earn Santa Cruz customers by truly partnering with them. Our prosperity is a direct function of their prosperity, and we perpetually engage with them at all levels to drive improvements in the efficiency of their supply chains. We become involved in our customers' businesses so we can use our own networks of buyers, sellers and transportation providers to find advantages that our customers can use to prosper in their marketplaces.

PGR engages customers with frequent face-to-face meetings, phone and email contact, weekly newsletters, monthly magazine mailings and hand-written notes. We not only like to keep asking the question, “what else are we missing?” but we like to share with them examples of programs and ideas we’ve developed with other customers to improve their supply chain efficiencies.

- Action steps are to:
 - Secure a transloading warehouse and recruit a marketing professional
 - Identify target customers and research their logistics options, hold in-person meetings, and follow-up with tailored marketing materials
 - Work seamlessly with UP to set up advantageous rates to win back freight from trucks
 - Connect Santa Cruz Scenic with PGR's network of customers across the US.



PASSENGER EXCURSION PLAN

- PGR will work eagerly with authorities as part of the California State Rail Plan to relieve congested roadways and provide rail solutions for freight and passenger transportation. How tourist and commuter services differ or overlap will be an important aspect.
- Anticipating some public resistance in the Capitola to Santa Cruz corridor as train service is reinstated, our goal is to create an endearing proposition that is safe, green, quiet, and efficient. We favor nostalgic train designs, which we believe would respect the rich heritage of the area and the Boardwalk.
- Reinstating the Suntan Special will be a transformational project and will take several years to develop. PGR has already started these efforts and we believe we have a workable solution whereby we provide service between Watsonville Junction and Santa Cruz and the San Jose leg is provided by TAMC. PGR aims to work closely with the Boardwalk to provide package incentives to tourists.
- Recognizing it will take time to plan, educate the public, secure quiet zones, and execute the excursions we envisage, we plan to focus at the outset on the coastal rail west and north of Santa Cruz. We will call this route the Sunset Special, but will provide several offerings.



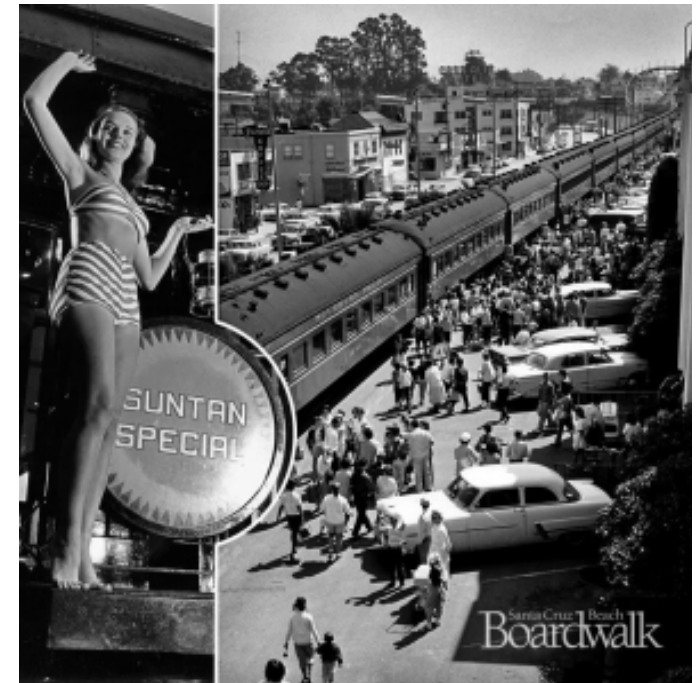
SUNTAN SPECIAL

- Travel seamlessly across an urban landscape that opens to a scenic coastline
- Enjoy the journey on modern, safe, clean, and comfortable trains
- Glide past traffic congestion on reliable
- Transfer quickly and easily between high-speed train and a PGR local train with coordinated arrivals and departures with significantly reduced wait times
- Plan entire door-to-door trips, and purchase a single ticket using a portal that coordinates with the Boardwalk ticket sales
- Coordinated planning and investments among railroads and the Boardwalk will ensure that rail operators will benefit from the strategies in this plan.
- Provides a new tourist attraction that is a throwback to a past era
 - Improves safety and reduces the demand on emergency responders
 - Lowers greenhouse gas emissions
 - Enhance livability for everyone.



SUNTAN SPECIAL

- Our goal is to reestablish the historic Suntan Special by providing weekend passenger service from San Jose Diridon station to the Santa Cruz Boardwalk via Watsonville Junction.
- Approach is to partner with Transit Authority for Monterey County (TAMC) and the Santa Cruz Boardwalk. Discussions with both parties have commenced.
- TAMC would provide service for the San Jose to Watsonville Junction leg. Passengers would cross platform to the awaiting PGR train, which would provide service to and from the Santa Cruz Boardwalk.
- Total travel time is expected to be 1:06 hrs for the 51 mile San Jose leg via TAMC and 1:15 hrs for the 20 mile Santa Cruz leg on PGR's train. Total travel time is 2 hrs 36 minutes assuming a 15 minute transfer at Watsonville Junction. The historic Suntan Special travel time was 2 hours for this route.
- Scheduled service initially would be one morning train to Santa Cruz and a return train late afternoon.
- Service would be expanded in response to demand.



Preliminary Timetable

	To Santa Cruz	
San Jose Diridon	07.30	
Watsonville Junction	08.36	08.51
Santa Cruz Boardwalk	10.06	
	To San Jose	
Santa Cruz Boardwalk	17.00	
Watsonville Junction	18.15	18.30
San Jose Diridon	19.36	

SUNTAN SPECIAL – TAMC LEG



- We believe Santa Cruz can benefit from TAMC's efforts on the Salinas Rail Extension project
- In discussions with Christina Watson, Principal Transportation Planner, at TAMC
- Alternative approaches that include PGR gaining trackage rights on the UP line or initiating negotiations with Caltrain to provide service are viewed as less optimal

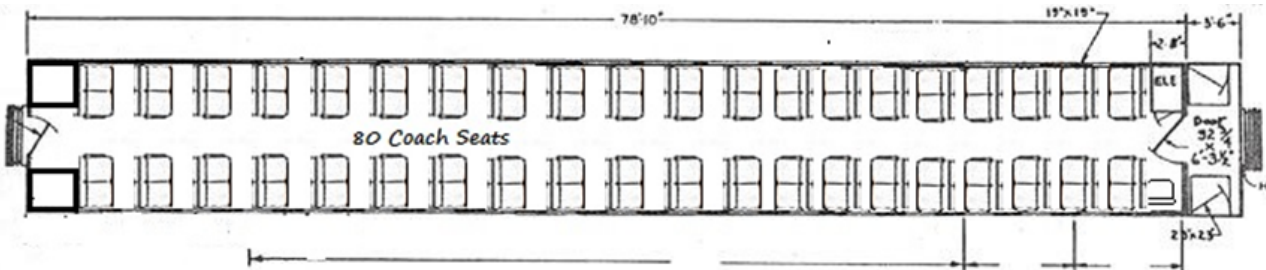
CONCEPTUAL LOCOMOTIVE

- In discussions with National Railway Equipment (NRE) to purchase fully refurbished quiet, N-ViroMotive hybrid diesel/electric gensets that can be configured with nostalgic covered wagon cowling.
- Approach is to set out a locomotive at each end of the train for ease of changing direction and for providing redundancy in the event of a power issue.
- The units are U.S. Environmental Protection Agency (EPA) Tier II certified using Tier III Off-Road certified industrial diesel engines.
- The N-ViroMotive product line is also recognized by the California Air Resources Board as Ultra-Low Emitting Locomotives.



CONCEPTUAL PASSENGER CARS

- Passenger car trainset design will comprise:
 - six coach fare cars,
 - two lounge class cars with observation domes,
 - a bar car in-between.
- Passenger cars have been identified in Florida, Connecticut, and Illinois.
- In discussions with Relco Locomotive in Albia, Iowa, to refurbish and modernize cars to provide wheelchair access.
- Train capacity would be circa 500 to 1,000 passengers depending on demand.



SUNSET SPECIAL

- Our goal is to launch a new excursion service to Davenport from Santa Cruz, using Wilder Ranch as a launch point until Quiet Zones east of Swift Street are established.
- Trainsets would be interchangeable with Suntan Special.
- Thematic excursions include:
 - Polar Express
 - Easter Egg Hunt
 - Pumpkin Patch
 - Picnic on the Beach
 - Sunset
 - Vino Veritas
 - Train Out Bike Back

Sharktooth



San Vicente

Bonny Doon



Bonny Doon

SUNSET SPECIAL

- We propose having an informal caretaker role in four beaches – San Vicente, Secret, Sharktooth, and Bonny Doon.
- We do not want to interfere with the role of government, but stand at the ready to improve the safety and experience of visitors in the Davenport area.
- Right now there are unsafe and unkept trails that are eroding. We think we can do better.
- With rail service to provide easy access, we anticipate higher levels of visitors. As such, we aim to preserve the natural beauty by providing safe passage down the cliffs, informative signage, and waste management.

From the current condition...



There is room for improvement.



San Clemente, CA examples of possible approaches.



BID PROPOSAL



5-YEAR FINANCIAL PLAN

Total Santa Cruz Scenic Railway Pro Forma Cash Flow

Variances are favorable/(unfavorable)
\$ in thousands

Forecast
2018

Forecast
2019

Forecast
2020

Forecast
2021

Forecast
2022

FINANCIALS

Revenues

Switching	\$1,040	\$1,700	\$5,025	\$7,450	\$10,050
Transloading	\$18	\$46	\$68	\$91	\$137
Storage & Rental	\$105	\$174	\$508	\$752	\$1,016
Other	\$200	\$319	\$974	\$1,448	\$1,947

Total Revenues

\$1,363 \$2,238 \$6,575 \$9,741 \$13,149

Operating Expenses

Transportation	\$232	\$380	\$1,118	\$1,656	\$2,235
Maintenance of Way	\$136	\$224	\$1,008	\$1,559	\$2,134
Maintenance of Equipment	\$27	\$45	\$412	\$663	\$918
Carload Connection	\$76	\$131	\$358	\$526	\$715
Administrative	\$204	\$336	\$986	\$1,461	\$1,972

Total Operating Expenses

\$676 \$1,116 \$3,882 \$5,865 \$7,975

EBITDA

\$688 \$1,122 \$2,692 \$3,876 \$5,174

EBITDA Margin 50% 50% 41% 40% 39%

Capital Requirement (\$2,595) (\$3,767) (\$4,767) (\$1,017) (\$767)

Cash Flow (1,907) (2,645) (2,074) 2,860 4,407

Cumulative Cash Flow (1,907) (4,552) (6,627) (3,767) 640



5-YEAR FINANCIAL PLAN

Watsonville Freight Pro Forma Cash Flow

Variances are favorable/(unfavorable)
\$ in thousands

	Forecast 2018	Forecast 2019	Forecast 2020	Forecast 2021	Forecast 2022
FINANCIALS					
Revenues					
Switching	\$140	\$350	\$525	\$700	\$1,050
Transloading	18	46	68	91	137
Storage & Rental	15	39	58	77	116
Other	20	49	74	98	147
Total Revenues	\$193	\$483	\$725	\$966	\$1,449
Operating Expenses					
Transportation	\$33	\$82	\$123	\$164	\$246
Maintenance of Way	19	48	72	97	145
Maintenance of Equipment	4	10	14	19	29
Carload Connection	17	43	65	87	130
Administrative	29	72	109	145	217
Total Operating Expenses	\$102	\$256	\$384	\$512	\$768
EBITDA	\$91	\$227	\$341	\$454	\$681
EBITDA Margin	47%	47%	47%	47%	47%
Capital Requirement	(595)	(267)	(267)	(267)	(267)
Cash Flow	(504)	(40)	74	187	414
Cumulative Cash Flow	(504)	(544)	(470)	(283)	132
CARLOADS					
Forecast	400	400	1,500	2,000	3,000
+/- vs Prior Year	na	na	500	500	1,000
% Change	na	na	50%	33%	50%



5-YEAR FINANCIAL PLAN

Excursion Trains toward Davenport Pro Forma Cash Flow

Variances are favorable/(unfavorable)
\$ in thousands

	Forecast 2018	Forecast 2019	Forecast 2020	Forecast 2021	Forecast 2022
FINANCIALS					
Revenues					
Switching	\$900	\$1,350	\$1,800	\$2,250	\$2,700
Transloading	-	-	-	-	-
Storage & Rental	90	135	180	225	270
Other	180	270	360	450	540
Total Revenues	\$1,170	\$1,755	\$2,340	\$2,925	\$3,510
Operating Expenses					
Transportation	\$199	\$298	\$398	\$497	\$597
Maintenance of Way	117	176	234	293	351
Maintenance of Equipment	23	35	47	59	70
Carload Connection	59	88	117	146	176
Administrative	176	263	351	439	527
Total Operating Expenses	\$573	\$860	\$1,147	\$1,433	\$1,720
EBITDA	\$597	\$895	\$1,193	\$1,492	\$1,790
EBITDA Margin	51%	51%	51%	51%	51%
Capital Requirement	(1,500)	(1,000)	(1,000)	(250)	(250)
Cash Flow	(903)	(105)	193	1,242	1,540
Cumulative Cash Flow	(903)	(1,008)	(815)	427	1,967
CARLOADS					
Forecast	20,000	30,000	40,000	50,000	60,000
+/- vs Prior Year	na	10,000	10,000	10,000	10,000
% Change	na	50%	33%	25%	20%



5-YEAR FINANCIAL PLAN

Suntan Special Pro Forma Cash Flow

Variances are favorable/(unfavorable)
\$ in thousands

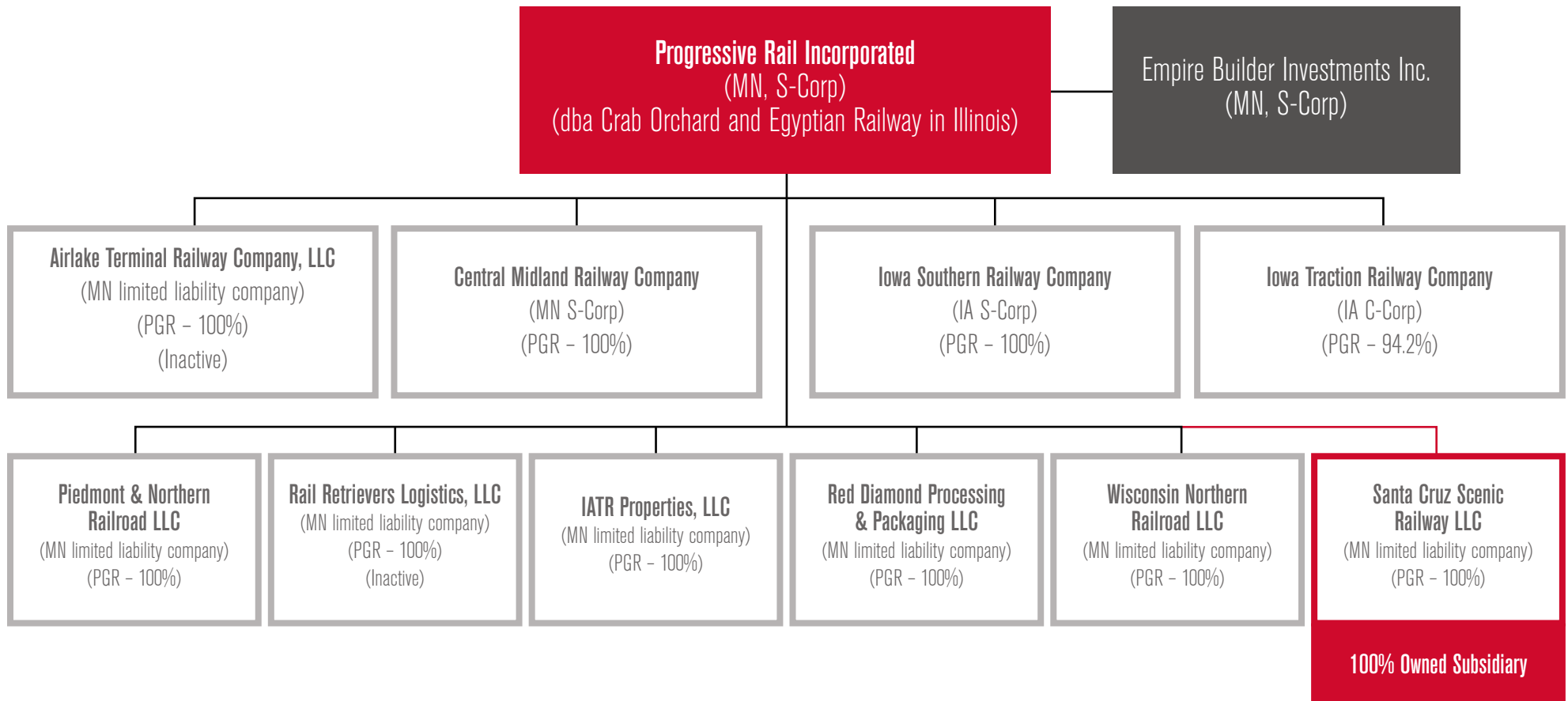
	Forecast 2018	Forecast 2019	Forecast 2020	Forecast 2021	Forecast 2022
FINANCIALS					
Revenues					
Switching	-	-	\$2,700	\$4,500	\$6,300
Transloading	-	-	-	-	-
Storage & Rental	-	-	270	450	630
Other	-	-	540	900	1,260
Total Revenues	-	-	\$3,510	\$5,850	\$8,190
Operating Expenses					
Transportation	-	-	\$597	\$995	\$1,392
Maintenance of Way	-	-	702	1,170	1,638
Maintenance of Equipment	-	-	351	585	819
Carload Connection	-	-	176	293	410
Administrative	-	-	527	878	1,229
Total Operating Expenses	-	-	\$2,352	\$3,920	\$5,487
EBITDA	-	-	\$1,158	\$1,931	\$2,703
EBITDA Margin	-	-	33%	33%	33%
Capital Requirement	(500)	(2,500)	(3,500)	(500)	(250)
Cash Flow	(500)	(2,500)	(2,342)	1,431	2,453
Cumulative Cash Flow	(500)	(3,000)	(5,342)	(3,911)	(1,459)
CARLOADS					
Forecast	-	-	60,000	100,000	140,000
+/- vs Prior Year	na	-	60,000	40,000	40,000
% Change	na	-	-	67%	40%



OPERATING CONTRACT

- Reviewed agreement with IPH dated September 27, 2012 and submit the following for consideration:
 - PGR is generally agreeable to the contract and its intent save the provisos discussed below.
 - Given the SCCRTC has experience with the contract, PGR is open to any proposed revisions that improve the contractual obligations, terms, and alignment between SCCRTC and PGR.
 - Regarding economics, we recommend increasing the operating term to 20 years or, conversely, a 10 year term with a 10 year renewal feature that is contingent upon PGR's being in full compliance and good standing.
 - We envisage making sizable investments to enable sustainable passenger rail service and anticipate the stakeholder alignment process taking two to three years. Peak investment levels will likely occur several years into the operating term and will require external financing. As such, investors will likely require at least a ten-year investment horizon from the time the investment is made.
 - Given the expected high-level of commitment and resources that PGR will put forth to reinstate a sustainable passenger service on the entire line, PGR will seek to protect that investment and is sensitive to any encroachment of other passenger operators that may enter onto the line.
- Reviewed agreement with Santa Cruz, Big Trees & Pacific Railway Company and understand their rights and have no concern about continued compliance.

LEGAL ENTITY AS OPERATOR



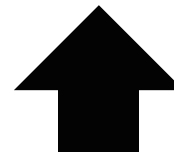
RESOURCE PLAN

	T&E	MOW	Signals & Crossings	Mechanical	Marketing	HSE & FRA Compliance	Business Development	Finance	Legal
Support Teams located in Lakeville, MN	Dustin Heichel	Leon Hoyt	Nik Shepard	Mike Sanders	Dave Fellon	Jason Welsh	TBA	Nick Dillon	Jim Thornton
Santa Cruz Scenic permanently posted locally	TBA-1 TBA-2				TBA-3				



Appointed GM is the single point of accountability

Convener for incident response



Team of Marketing professionals will support representative on the ground

On the ground team will be increased over 2018 in preparation for excursion trains. Vacation relief will be provided by the functional teams.

REFERENCES



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Allan Paul

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Charlie Walker

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Chippewa Falls, WI 54729



MOBILIZATION & START-UP PLAN

- From the contract award date, PGR will meet with SCCRTC immediately to make introductions and to agree a process to finalize and execute definitive agreements.
- A request for approval to become Operator will be submitted to the STB once the operating agreement is executed. STB approval (or non-rejection) is expected to occur in 30 days (the Closing Period).
- During the Closing Period:
 - PGR will invite SCCRTC officials to its headquarters in Lakeville, Minnesota, to showcase its operations and discuss how to best align PGR capabilities with SCCRTC priorities.
 - As permitted by SCCRTC, PGR will have introductory discussions with Santa Cruz Branch Line employees and IPH. PGR's objective is to retain Santa Cruz Branch Line employees with a working assumption that two dual-qualified engineers will be needed as the T&E team.
 - PGR will assign a "business unit leader" who will be singly accountable for conducting safe operations on the line and providing customer interface
 - PGR's marketing team will begin contacting existing and targeted new customers, and recruit a representative on the ground.
 - A transition plan will be prepared and implemented to ensure new employees to PGR are provided with a company orientation, Human Resource documents that include compensation and grade level assignments, benefits, employment contracts, and any training that is required.
 - We will mobilize a switcher locomotive and store it on a siding in Watsonville until a facility can be secured.