



118 SOUTH CLINTON ST. ♦ SUITE 400 ♦ CHICAGO, IL 60661

June 12, 2017

Ms. Rhonda Klopfenstein
Executive Director
Hoosier Heritage Port Authority
33 N. 9th St. Suite 215
Noblesville, IN 46060

Dear Ms. Klopfenstein:

Iowa Pacific Holdings is an operator of shortline and tourist railroads across the U.S. Enclosed is our proposal for operating the line owned by the Hoosier Heritage Port Authority.

We propose to operate the line using a wholly-owned subsidiary, Hoosier State Train, LLC, an Illinois company. The address is:

Hoosier State Train, LLC
118 S. Clinton, Suite 400
Chicago, IL 60661
Ellise@iowapacific.com
312-348-6080

Attention: Edwin Ellis, President

Sincerely,

Edwin Ellis
President
Iowa Pacific Holdings, LLC

IOWA PACIFIC



Hoosier Heritage Port Authority Response to RFP



Iowa Pacific Holdings, LLC

Hoosier State Train, LLC

Proposal for Operation of Hoosier Heritage Port Authority trackage

Executive Summary

Iowa Pacific Holdings, LLC (IPH) through its subsidiary Hoosier State Train, LLC (HST) proposes to lease and operate the trackage of the Hoosier Heritage Port Authority (HHPA) for passenger, freight and railcar storage, and to work with the relative agencies to develop rail-with-trail as desired at points along the line.



IPH has operated shortline and tourist railroads for over 15 years, and each member of its management team is a lifelong railroader. HST is locally managed in Indiana, and is well-known for the turnaround of INDOT's Chicago-Indianapolis train the *Hoosier State* from the worst state-supported train in America to the best. IPH has similarly improved operations and service at other railroads across the US, and expects to transform the HHPA line, called here the "Hamilton Corridor," into a vital part of the life of Hamilton County, and in particular Noblesville and Fishers.

HHPA Line

HST expects to operate the entire HHPA from Tipton to the current end of track about 2.1 miles south of 38th Street in Indianapolis, including re-establishment of an interchange with Norfolk Southern (NS) in Tipton. An interchange with NS is very important, as the HST business plan is dependent on being able to develop freight and car storage business in partnership with NS and the owners of HHPA.

IPH and HST recognize that there is strong interest in using parts of the rail corridor for a trail. IPH has substantial experience working with communities to develop rail corridor trails alongside, rather than in place of, the rail line. Our evaluation of the corridor indicates that it would be feasible to develop a rail trail alongside the track, and IPH is prepared to work with the communities if a decision is made to fund a rail trail development, to ensure that the track stays in place and all transportation options are preserved.

IPH and HST seek a long-term agreement, minimum ten years (as long as HST is in full compliance) renewable for at least two additional ten year terms. We look at development of freight and passenger

service as a long-term project, not something that can be completed within a short-term contract, and we expect to make investments in support facilities along the line dedicated to those developments.

We propose to make a lease payment equal to 6% of our annual revenues, as outlined below, but that the lease payment can be applied to the Maintenance Allocation. It is our expectation that revenue will grow over time to the point that excess lease payment will be available to the owners.

IPH and HST expect HHPA to use its best efforts to obtain grant funding to 1) restore the NS connection at Tipton and 2) upgrade track, bridges and signals to a state of good repair. IPH and HST will participate as needed to provide match funding, either cash or in-kind. Also, IPH and HST will commit to maintaining track, signals and bridges in the condition to which they are upgraded.

Rolling Stock to be provided by IPH and HST

IPH has a fleet of nearly 200 passenger cars and locomotives, and expects to provide rolling stock that matches the needs of the services being provided, as follows:

Excursion train

IPH can provide coaches, dome cars, food service and club cars from its fleet. The cars are FRA compliant, interchangeable, and serviceable.

Dinner train

IPH can provide dining and lounge cars from its fleet. The cars are FRA compliant, interchangeable, and serviceable.

Holiday trains

IPH can provide high-capacity coaches, and premium cars for holiday trains from its fleet. The cars are FRA compliant, interchangeable, and serviceable.

Locomotives

IPH can provide service E-units and F-units from its fleet. The locomotives are FRA compliant, interchangeable, and serviceable.

If HHPA chooses to move forward with IPH and HST, IPH will designate specific rolling stock to be assigned to the Hamilton Corridor, which can be inspected and approved by HHPA.



Operating Plan

Reestablishing the NS interchange is a prerequisite for opening the line. A physical interchange is necessary to bring in rolling stock, and to conduct freight and storage operations as described below. HHPA's consultant determined a cost of \$732,000 to \$841,000 for reconnection, not including rehabilitation of the "South Track" between the connection and the active track. HHPA and IPH must negotiate an agreement with NS for the connection, and reinstall the connection before service can commence. The INDOT Industrial Rail Service Fund could be used to support reconnection. It is likely that the funding process would result in funds being available in April 2018, provided an agreement can be reached with NS in a timely manner. IPH is willing to participate financially in reconnection, under either scenario identified by HHPA's consultant.

Passenger Service

HST plans to implement passenger service once the connection is reestablished, including Excursion, Dinner Train, and Holiday Trains. IPH is the premier operator of Holiday Trains in the US and UK, and carried over 400,000 passengers in 2016. The Indianapolis and Hamilton County markets were assessed by the IPH marketing team, and appear to offer excellent prospects. Additionally, Dinner Train and Excursion services under the IPH model will be implemented, and will start out slow but build over time.

Storage

IPH is the premier operator of railcar storage facilities in the US with over 50 customers and over 7,000 cars in storage. The southern five miles of the line is ideal for storage and can hold close to 500 cars with modest upgrades to be undertaken by IPH. On average IPH receives \$4 per day for storage at this time, and expects storage volumes to continue for several years.

Freight

IPH is focused on developing a quality transload facility for the HHPA line, to partner with NS. It is possible that the NS property near Southerland could be developed, and there is other industrial property nearby. While there could be a conflict with car storage, IPH expects to be able to work both at the same time.

Operating results

A five-year pro forma is attached, and it is **proprietary and confidential**. It demonstrates that a combination of freight, passenger and storage results in a profitable business that is able to reinvest nearly \$2 million in the property over a five year period, and still have sufficient earnings to reinvest in the rolling stock as well.

Insurance

IPH can provide \$25 million in coverage. IPH's policy is renegotiated each August, so if there are specific requirements, IPH will be able to meet them.

Capital Improvements to the Hamilton Corridor

IPH has reviewed the report prepared by Jannotti and is in agreement with proposed work and costs. As stated earlier, reconnection to the NS is a prerequisite for the start of operations. HHPA and IPH will

need to determine whether and how much INDOT can contribute to that project, and work out arrangements for the remainder.

IPH would like to see its \$380,000 per year proposed contribution to capital used as match for a larger amount. While the rail line can be operated at FRA class I, the cost of the upgrades to Class II should be undertaken by HHPA and IPH in a collaborative process.

IPH will bring in rolling stock worth \$5 to \$8 million, and will annually invest nearly \$1 million in that rolling stock to maintain a state of good repair, so grant funding of track upgrades is important to the entire project

The Vision

Other communities such as Nashville, TN, have undertaken low-cost commuter rail through connecting a shortline freight/tourist railroad to the downtown core. IPH believes in the value of commuter rail to Hamilton County, and is qualified to work with HHPA to connect and operate the line for commuters. IPH owns and operates commuter rolling stock, and became qualified under 49CFR238 for the INDOT *Hoosier State*. Long term, Hamilton County residents should be able to commute by train to downtown Indianapolis, safely, and without stress.



Iowa Pacific Holdings, LLC

Hoosier State Train, LLC

Overview of Proposed Project Team

Senior Management Team

Edwin (Ed) Ellis

President & Chief Executive Officer

Ed Ellis, 63, founded IPH with a wide variety of experience with both short line and Class I railroads. Previously, Ellis was vice president – mail & express for Amtrak. In this role, he developed and executed the strategies that saw Amtrak’s mail & express revenue more than double (to \$122 million) in four years. Ellis also held several positions, including director – fleet management, general manager – information systems, and general manager – Dallas, Garland & Northeastern Railroad, with RailTex, a short line holding company. As executive vice president of Chicago West Pullman Transportation Company, he had an integral role in the acquisition and start-up of four short line railroads, as well as the evaluation of numerous potential acquisitions. While on temporary assignment as director of operations for the Iowa Interstate Railroad, Ellis implemented cost reductions which brought the company from a \$500,000 monthly loss to break-even performance. Ellis negotiated the lease and managed the startup of the Wisconsin and Calumet Railroad as general manager of that company. Finally, Ellis also held several marketing and transportation positions at the Chicago & North Western and Illinois Central railroads. He started his railroad career as a switchman with Illinois Central Gulf Railroad in Paducah, Kentucky in 1973.

Ellis holds a Bachelor of Science degree in business administration with a major in Transportation from the University of Tennessee at Knoxville.

Stephen C. Gregory

Executive Vice President – Marketing

Steve Gregory, 66, has been with Iowa Pacific since its inception in 2001. He is responsible for freight and passenger marketing, business development and pricing policy, Class I relations, customer service and commercial aspects of acquisition projects. He came to Iowa Pacific from OmniTRAX, a short line holding company based in Denver. With OmniTRAX and predecessor companies since 1989, Mr. Gregory’s most recent position was vice president – marketing and acquisitions, in which he had responsibility for marketing activities, including information systems development, business planning and forecasting. Prior to OmniTRAX, Mr. Gregory was with the Chicago & North Western Transportation Company for fifteen years in a variety of roles, the last of which was general manager, traffic information services. During his career he has participated in 25 short line railroad transactions and startups, plus 18 international projects. He serves on the BNSF Railway Short Line Caucus, and on the board of directors of the American Short Line and Regional Railroad Association. He was previously a regional vice president of the association, and secretary of Union Pacific’s Short Line Advisory Group. Gregory has an MBA in transportation and marketing from the Kellogg Graduate School of Northwestern

University, and a Bachelor of Arts degree in economics and business administration from Rhodes College.

Michael McConville

Executive Vice President - Operations

Mike McConville, 56, came to Iowa Pacific with extensive railroad experience in both mechanical and operating disciplines. Prior to joining the company, he was superintendent – transportation for the Wisconsin & Southern Railroad when the company won *Railway Age* magazine's prestigious Regional Railroad of the Year award. Earlier, he held positions as manager – motive power and equipment and terminal manager with the Wisconsin & Calumet Railroad. He also, as an independent contractor, won the contract to bring the Circus World Museum's "Great Circus Train" into FRA and Class I compliance after the train had been retired for some years. McConville also held a number of mechanical positions with the Chicago & North Western railroad.

Mike is rules qualified in transportation, and is also a qualified track inspector.

Kevin W. Busath

Vice President – Strategic Planning & International

Kevin Busath, 63, has extensive experience in finance and planning in the rail industry. Prior to joining Iowa Pacific in 2008, he was chief financial officer of the Relco Companies, a privately held locomotive leasing, maintenance and rebuilding firm. Prior positions include director-strategic planning for Amtrak Intercity; manager in KPMG's national transportation consulting practice; fifteen years with Chicago & North Western and its parent, CNW Corporation, in strategic planning, investor relations, acquisitions, corporate communications, and financial analysis roles; and positions with Grand Trunk Western and Chicago, Rock Island and Pacific railroads.

Busath has an MBA in finance and transportation from Northwestern University's Kellogg School, and a BA in economics and history from the University of California at Davis.

Howard Clark III

Vice President – Finance and Administration

Howard Clark, 60, joined Iowa Pacific in 2009 and has 35 years of rail industry experience, with both financial and operations roles. Before he joined Iowa Pacific, Clark was president of the Relco Companies, a privately held locomotive leasing, maintenance and rebuilding firm. He oversaw substantial growth in Relco's revenue, services, and facilities while at the company. Prior to Relco, Clark held a variety of positions related to locomotive maintenance at the Chicago & North Western railroad. He has also served as president of the Chicago Railroad Mechanical Association.

Clark has a bachelor's degree in business administration from the University of Northern Iowa.

Indiana Management

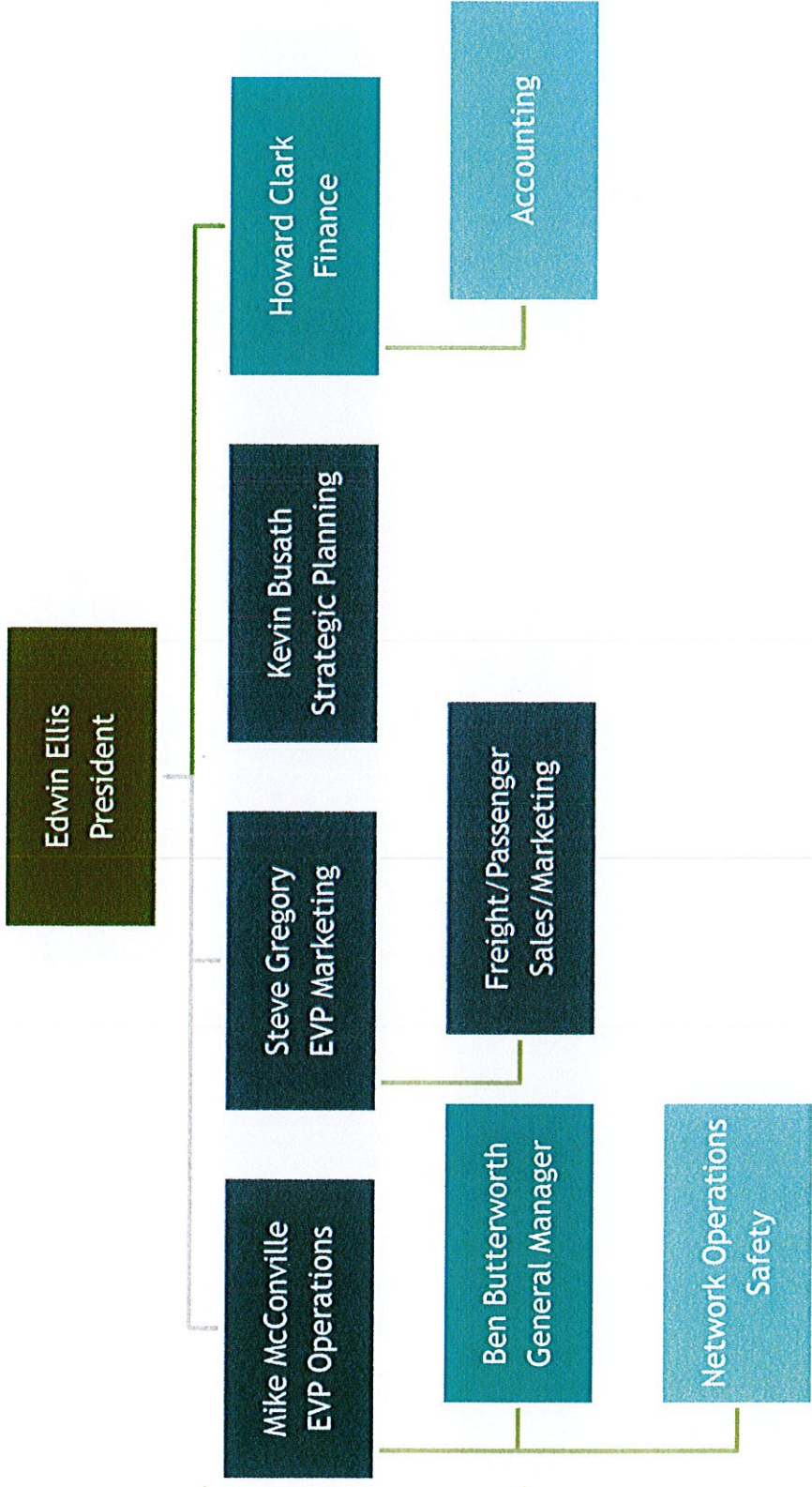
Ben Butterworth – General Manager

Ben Butterworth, 45, joined Iowa Pacific in 2011 and has 25 years of rail industry experience, primarily in mechanical and operational roles. Prior to joining Iowa Pacific, Ben managed rail passenger car repairs and upgrades for Gateway, and for Mid-America. At Iowa Pacific, Ben has managed passenger car fleet maintenance, and was General Manager for Iowa Pacific's operation of the INDOT Hoosier State, which was highly acclaimed for its service and reliability.

Ben is a graduate of Western Illinois University.

Ben Butterworth will be responsible for hiring and training field staff, supported by Iowa Pacific's Network Operations Center and Safety Team in Janesville, Wisconsin.

Hoosier State Train



"5 YEAR PRO-FORMA" (1 PAGE)

AND

"IOWA PACIFIC HOLDINGS, LLC
AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS"
(~ 40+/- PAGES)

MARKED

"PROPRIETARY & CONFIDENTIAL"
BY PROPOSER