



RAIL'S INDUSTRIAL DEVELOPMENT TOOLBOX

WEDA Fall Conference
September 28, 2018

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Director, Industrial Development

PROGRESSIVE RAIL INCORPORATED

- Founded in Lakeville, MN in September 1996; privately held
- Our key focus is providing the best service to our customers!
- Grown to 200 team members on 10 railroads across 8 states
- Recent expansions:
 - Portland (Clackamas Valley) – September 2018
 - Watsonville (St. Paul & Pacific) – August 201
 - Elk Grove Village (Chicago Junction) – June 2018
 - Charlotte (Piedmont & Northern) – July 2017
 - Centerville (Iowa Southern) – June 2016





PROGRESSIVE RAIL INC.

PGR's Minnesota Network

- Cannon Valley (Northfield-Cannon Falls)
- Dan Patch Line (Bloomington-Minneapolis)
- Eagandale (Rosemount-Eagan)
- Faribault
- Jesse James (Lakeville-Northfield)



THE PGR FAMILY OF RAILROADS



CJR
CHICAGO JUNCTION RAILWAY
Elk Grove Village, Illinois



CMR
CENTRAL MIDLAND RAILWAY
St. Louis, Missouri



CVR
CLACKAMAS VALLEY RAILWAY
Clackamas, Oregon



COER
CRAB ORCHARD & EGYPTIAN RAILROAD
Marion, Illinois



CVRC
CANNON VALLEY RAILROAD
Cannon Falls, Minnesota



IATR
IOWA TRACTION RAILWAY
Mason City, Iowa



ISRY
IOWA SOUTHERN RAILWAY
Centerville, Iowa



PGR
PROGRESSIVE RAIL INCORPORATED
Minnesota Locations



PNRW
PIEDMONT & NORTHERN RAILROAD
Gastonia, North Carolina



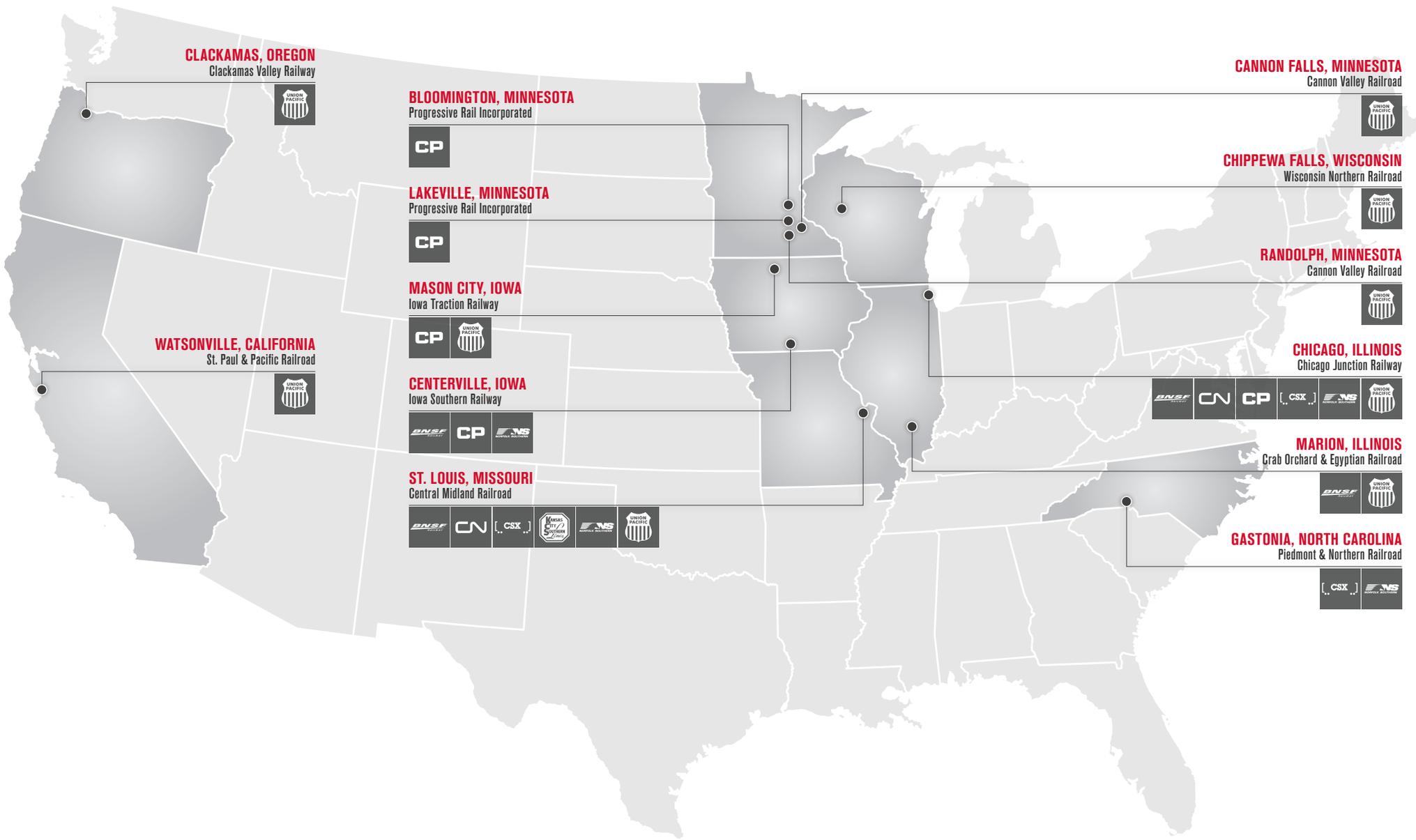
SPP
ST. PAUL & PACIFIC RAILROAD
Watsonville, California



WNR
WISCONSIN NORTHERN RAILROAD
Chippewa Falls, Wisconsin

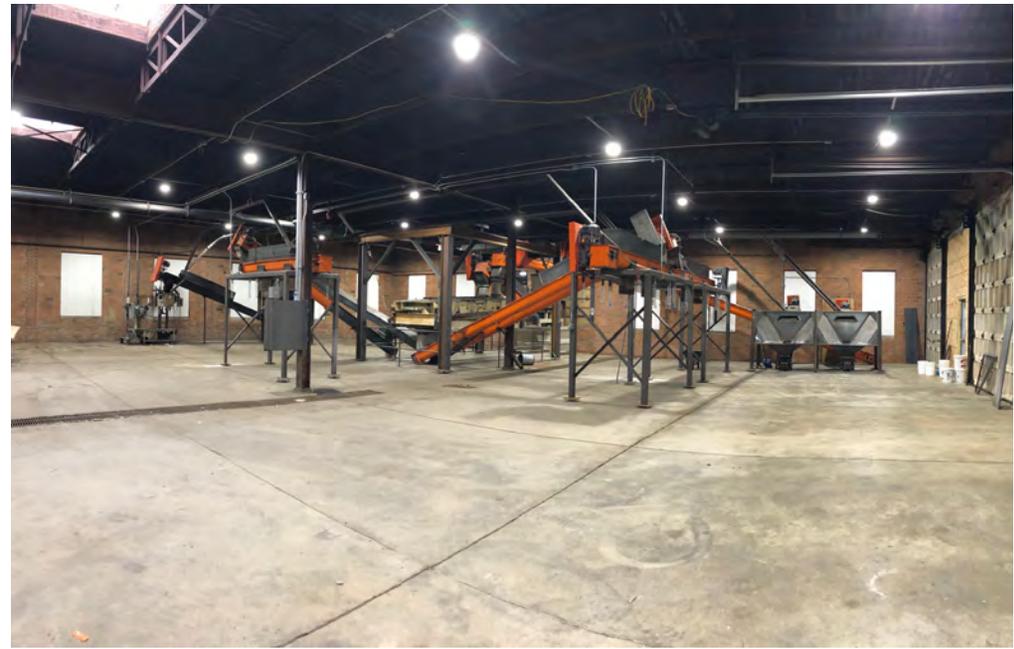
OUR FAMILY OF RAILROADS





PGR LOCATIONS





- Value-add services for animal feed and pet food
- Including: grinding, milling, blending, bagging, super-sacking, etc.
- Strong market demand
- Non-rail PGR business unit
- Based in Mason City, IA
- Vision to replicate capabilities in other PGR-served markets

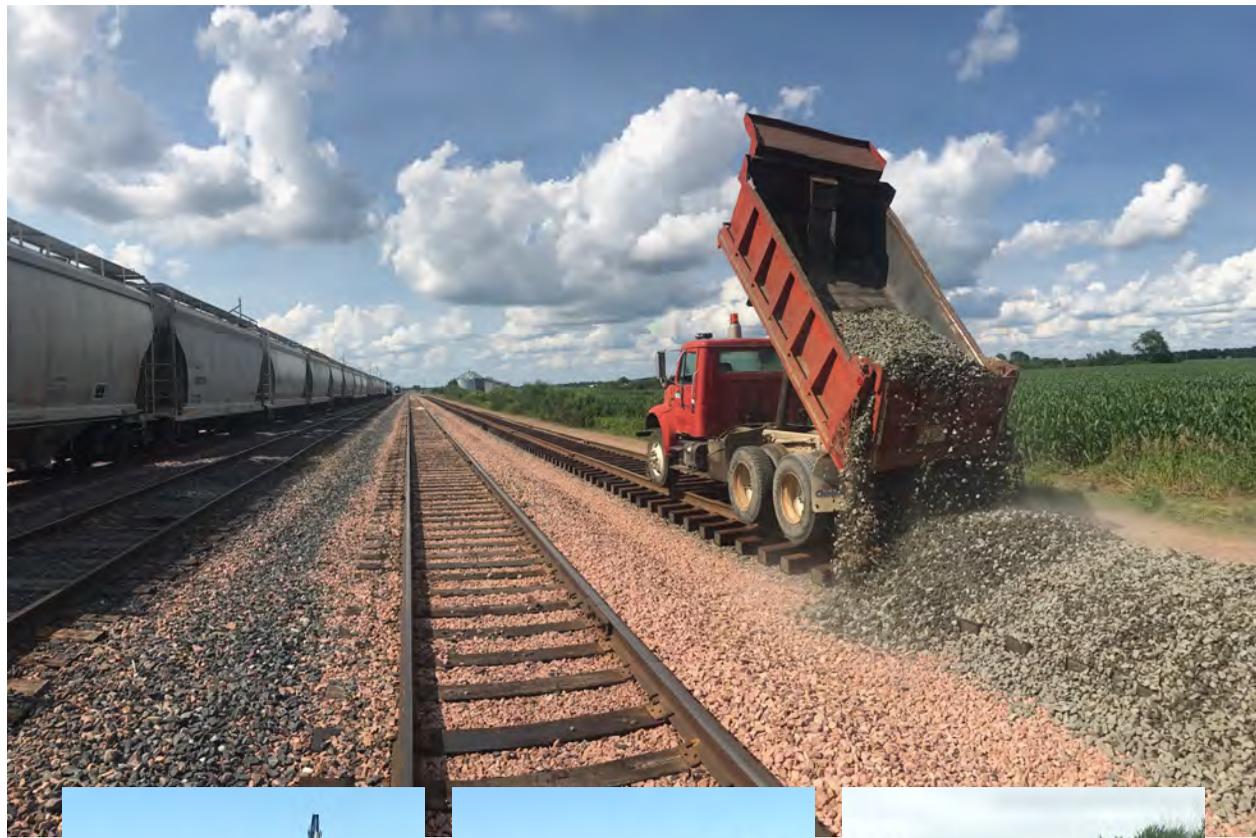


VALUE ADDED SERVICES - RED DIAMOND PROCESSING & PACKAGING



Strong Maintenance Program

- Spending \$6.7 million in 2018
- Major catch-up on deferred maintenance
- Replacing 7.5 miles of WNR jointed rail
- Installing 38,000 ties across the PGR network
- Significant bridge repair work remains along with continued track maintenance



1

PGR'S TEN STEP APPROACH TO INDUSTRIAL DEVELOPMENT

Industrial development means different things to different people however from Progressive Rail's eyes we design it from the ground up with ten structural components that are required to build and keep building true rail direct brick and mortar businesses.

The following pages will take you on a similar journey that a perspective client or site selection firm would experience from the minute they make contact with Progressive Rail Incorporated. Of course the block and tackle work of cataloging the ideal properties, incentives, contractor meetings, securing study rail rates and much more all quickly fill up the consideration set with high quality options.

However there is a deeper level of commitment that PGR invests within the industrial development process. The railroad industry has a unique advantage to perspective clients who are in the business of building their enterprises bigger and better in partnership with the world's most efficient mode of land based transportation. PGR's approach is different than any other in the business.



2

IDENTIFY LIKELY CLIENTS

LOCAL COMMERCIAL REAL ESTATE SERVICES

The rail industry is now seeing brand new industrial parks being developed and marketed without rail or the ability to introduce the necessary rail infrastructure at a later date. This is opportunity lost on a commercial level.

To properly combat this all-too-often occurrence in the commercial real estate market, PGR's Marketing & Sales team invests the time and energy to bring our "rail show" directly to the core of the problem, the commercial real estate community. The old guard of commercial real estate brokers are retiring leaving very young, non rail-savvy agents who are completely aloof to promoting rail to their client base.

For that reason, PGR's "rail show" highlights exactly why it is in the agents' best interest to promote being connected to the Nation's rail network as an amazing advantage for a wide range of industries.

We follow this presentation up with how PGR will do all of the heavy lifting for the agents by offering conceptual track plans, rail-themed incentives, study rail rates, along with our networking into new markets that are economically inaccessible via trucks. In summary, PGR will reposition rail as a formidable sales edge for the agents.

The other low hanging fruit to harvest is many rail-served buildings are listed on various national internet sites but yet make zero mention of having access to rail. In PGR's geographies we proudly serve, we watch the listings and help enlighten the agents that have missed the railroad track treasures that reside on the property of their listings.

This is an all-of-the-above strategy ranging from the rail shows to canvassing greenfield, brownfield, and existing listings to assure the rail option is well promoted.



3

ENGAGE LOCAL PARTNERSHIPS



STATE AND GOVERNMENT AGENCIES

PGR works directly with staff from the 8 state DOTs where we operate, often to direct public funding for railroad or customer needs. PGR is also working with the mayors, administrators, and city engineers of the counties and municipalities where we have a presence to guarantee that no rail customer opportunities pass unnoticed.

ECONOMIC DEVELOPMENT ORGANIZATIONS

PGR partners with state economic development organizations like Minnesota's DEED, Wisconsin's WEDC, and Illinois' DCEO, as well as regional economic groups like the North Iowa Corridor EDC and Greater MSP to pursue opportunities to source developable land and provide incentives that make the difference in landing or losing a project. The same is true of county and city development groups like the Barron and Chippewa County EDCs in Wisconsin and the Gaston County EDC in North Carolina.

ELECTRIC UTILITIES & COOPERATIVES

Public utilities and electric cooperatives are in a similar position of drawing customers to their service area and often have prospects searching for rail service. Maintaining a two-way street of communication with the appropriate utility contacts has generated projects for PGR which may easily have located elsewhere.

CHAMBERS OF COMMERCE

PGR's involvement in chambers of commerce at the state level in Minnesota and Wisconsin and at the community level in locations like Mason City, Iowa, and Lakeville, Minnesota, both advertise to the business community that we are available to serve and provide opportunities for conversations that may lead to additional carload business.



4

TARGETING THE MARKET

DIRECT MARKETING CAMPAIGNS

Every week PGR releases examples of freight moving by rail either by commodity or by car type – often relaying individual customer experiences.



TRADE SHOWS AND CONFERENCES

There are endless industry trade shows to exhibit at and for Progressive Rail we have found that the Fertilizer Institute, Transloading Association of America, NPE 2018, and NAWLA all nicely dovetail together to generate new carload growth opportunities and, of course, fresh industrial development leads to follow-up upon.



We wholeheartedly believe that our next best customer is the one we already have sold. All too often sales is strictly focused on hunting and gathering which PGR fully embraces as well. However so many of our customers are in a high growth mode and if we are not in their expansion plans either on the original site or perhaps a new satellite operation the opportunity to grow our hard fought for existing base will be forever lost. Building off this theme a bit further the decision makers that made the choice to join PGR have probably moved up in the company or perhaps retired. This reality of business is that PGR needs to keep the rail proposition front and center with our existing customers own growth aspirations.



5

INCENTIVE BASED OFFERINGS



As we all experience each and everyday our highway and river way competitors offer very low rates for their transportation services. Then, the other reality of a rail rate that is technically only valid for thirty days or subject to "selective increases" both conspire to disenfranchise CFO's and CEO's to invest hundreds of thousands of dollars of capital within the design, build, and, long term maintenance of rail infrastructure assets.

To counter this deterrent Progressive Rail routinely offers to design and install a brand new turnout and industrial track lead at our sole expense. The first win for the new industry is capital preservation however a far more long term win is PGR has skin in their game which creates the beginning of a true jointly weighted partnership. This strategy has served us well but not all of the investments in track infrastructure perks have paid out as modeled. Still, the totality of PGR's program is a huge enabler to further our industrial development campaign.

We offer our professional staff that includes civil engineers, permitting and zoning experts, rail design and installation contractors plus any legal guidance that may be necessary to involve within the more complex projects. All of the above is offered in complete confidence to the point PGR can run the entire permitting process to assure the client's identity is kept quiet for as long as possible.

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ACTIVITY BREEDS ACTIVITY

It's often times said that activity breeds activity, this is true in launching brand new rail-served industrial parks as the first sale is the most difficult but others will follow. To help enable the ideal rail preferred results, PGR often times takes ownership in key sections of land located along our network. By doing so, larger lots can be designed to easily accommodate rail access.

Our regional ponding approach along with assuring outside storage is permissible, set properties like the Great Western Industrial Park far apart from other choices.



ASPHALT

Andeavor - Cannon Falls, Minnesota



SODIUM HYDROXIDE

Step Saver - Randolph, Minnesota



PROPANE

Quality Propane - Norma, Wisconsin



GRAIN

Central Farm Services - Randolph, Minnesota



DEICING SALT

Step Saver - Randolph, Minnesota



LIQUID HAZARDOUS MATERIALS

WRR Environmental - Bloomer, Wisconsin



PROPANE

GROWMARK - Mason City, Iowa



FERTILIZER

Lakeland Cooperative - Chetek, Wisconsin



TREATED TRANSMISSION & TELEPHONE POLES

Stella Jones - Cameron, Wisconsin

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WORKING WITH THE BOARD OF DIRECTORS

We all hear “no” way too often when it comes time for an existing customer to justify the expense of expanding a plant. The local people know the need is genuine, however, on a corporate level one plant expansion project is competing with hundreds of other capital demands the Board of Directors needs to prioritize.

The problem with that story is the Board of Directors only know what they are being told. In essence capital flows to the best, most charismatic salesperson within the organization.

WHAT'S THE EDGE? Not more specifically... Progressive Rail.

WHERE IS IT FOUND? Lakeville, MN.

WHY DOES IT WORK? PGR is the best team in the industry.

For virtually every manufacturing concern, the art of sourcing and receiving supply chains is a fine art. Experts that realize this are the best laboratory of success stories. For corrugated box plants that require materials from even further afield, roll stock paper is heavily loaded up with supply source related significant challenges.

There is both a serious set of real time issues and, conversely, a great opportunity for Menasha Packaging Corporation to benefit from competitors' complacency. To that extent, here are the elements of your competitors' essential and heavy chain divergences, as well as the step by step solutions that give Menasha a competitive edge.




Corruption, with train dispatching priorities, and crew hours have all made missed switches and backing of box cars common place. This is frequently cured with extremely expensive "track around" emergency responses. As a result, more stock is added to the bottom line.

PGR'S SOLUTION #1

Menasha's daily production schedule is the framework of how and when PGR serves the plant. Constant communication between our two enterprises assure the effectiveness of changes we all are always capturing. Thus, the value proposition of rail continually enhances the profit margins of packaging products manufactured at Lakeville, MN.




Turnout and track maintenance are reliable events. Some and all removal from the tracks are reliable events. Even the required Federal Railroad Administration / Safety checks are costs that all hit the bottom line each and every year.

PGR'S SOLUTION #4

History is poised to repeat itself. With just in time, years ago PGR designed, built, and sold to the city, menasha is faced the turnout and turnout track led to effectively serve Menasha's Lakeville facility. PGR is positioned to do it yet again. While volume thresholds are required, it's an extraordinary one for a railroad to offer such a major capital investment. It an investment advantage that will have a positive impact on Menasha's profit margin.




Delays and damage are the tip of the iceberg as more warehouse space is required for protecting the roll box common to menasha which, again, adds more cost. Conversely, if a damaged box plant has to go all track, it's extremely expensive. It sets them up for another high cost environment from which to manufacture and sell.

PGR'S SOLUTION #3

Menasha has access to PGR's state of the art multimodal paper grade warehouse located just three blocks from your plant. Opportunity is good and if the market moves in the good direction to make a major buy of roll stock paper or you want to avoid a forthcoming price hike, solutions are in place now and have the past effect of securing even more impressive profit margins in Lakeville, MN.




Corrupted competition often have an advisory helping to secure the best possible rail rates. Additionally, they may have access to any innovative approaches to lower transportation costs for the long term.

PGR'S SOLUTION #5

Menasha has to take care of the one railroad that works day and night to develop innovative track haul programs on box cars made empty at the plant. We've a constant dialogue with the Class I carriers come all the railroad time, and are aggressively making that ability to avoid product loss. Used to have our money reduce costs for the Class I carrier. Plus, your rail activity is continually monitored over those extra track days a week at PGR's headquarters located just three blocks away from the plant. The person everyone on my team possesses is full for the furnace that ultimately increases profit margin.



As a final long range fact to interact within your due diligence exercise, consider the forecast being made by the United States Federal Government's Department of Transportation. It's simply this:

BY 2036 THE CURRENT VOLUME OF FREIGHT MOVING IN THE UNITED STATES WILL DOUBLE.

Menasha has always been about building for the future in a prudent way. As an already heavily trained transportation network continues to further modernize and for new, low cost rail that can actually become a tremendous advantage for the customer, employees, and management of the Menasha Packaging Corporation.

Your competitors struggle with one of their top two expense items. Efficiency supporters will only become more acute in the years ahead. Menasha, the Menasha plant in Lakeville will be decidedly moving from an edge today, that will only become more profound in the near future.

The future return on capital is best realized in Lakeville.

PGR is well poised to deliver that exact "edge" that assures a bright future for the Menasha Packaging Corporation.

Please contact the authors with questions, 612-791-3255 or info@pgr.com

Thank you for your business.

David Felton

*http://www.commodity.com/duffy/PAC_Art_030804_Cap_050607



Case in point; For years the Menasha Corporation's corrugated box plant in Lakeville, MN had made the plea for a massive plant expansion and a new high speed four color press that can handle the largest of boxes. For years the local management was denied; meanwhile the Board of Directors in Menasha, WI kept sending money to other plants in their system.

For a few years Progressive Rail watched this doom loop cycle that seemed to be perpetual so the offer was extended to let PGR make a presentation to the Board of Directors about how wise it is to invest in plants that have rock solid supply chains to efficiently and safely handle the new growth.

Compound Menasha's known challenges with poor rail service they were already experiencing at other locations with the common knowledge that the entire basket of freight will double by 2036 created a new awakening on a Board of Directors level.

The punch line being if you are already having missed switches, heavy demurrage events, and, a general lack of enthusiasm for their business why would you plow more money in those plants that are already working with fragile supply chains?

\$25,000,000.00 didn't walk, it flew to the Menasha plant in Lakeville Minnesota.



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COMMUNITY INVOLVEMENT

Nothing compares with meeting the local people as they all have a railroad story to tell, mostly good, some not so good.

Being silent in the times we live is a tactical mistake. Railroads have a great story to tell; from decongesting the highway and freeway congestion, helping to cool down the Earth by way of lessening the endless carbon that trucks emit every day, and most importantly trains are simply far cooler than trucks and people know it, so why not leverage that? Soft sells done right are an amazing source of goodwill and new business development opportunity.

SOFT SALES



Day Out with Thomas - Lakeville, MN

PGR encourages positive PR for the rail industry with fun events focused on bringing children together with trains.

NATIONAL HOLIDAYS



Santa Train - Rosemount, MN

PGR deploys cabooses at several properties and an interurban car at our IATR property for Christmas and other holiday events open to the public.

TOWN CELEBRATIONS



Randolph Railroad Days - Randolph, MN

PGR partners with local communities like Randolph, MN, and Chetek, WI, to host rail-centric events celebrating their rail heritage.



9

NATIONAL AWARENESS

CELEBRATE SUCCESSES



Ribbon Cutting Ceremonies

Working with our customer and chamber of commerce partners, PGR publicly acknowledges our customers' growth and success.

MEDIA COMMUNICATIONS



Various Business Publications

Relaying to the business press our success in growing rail freight's share of the market.

Inside railroad company's \$5M plans for processing facility near Charlotte

— SUBSCRIBER CONTENT — Jan 6, 2016, 11:04m EST

The Minnesota company that's leasing the Piedmont & Northern Railroad in Gaston County plans to add up to 30 jobs and spend almost \$5 million for a processing center and warehouse in Gastonia.

Progressive Rail calls the site a "carload connection campus," where rail customers' cargo could be blended, pulverized and repackaged alongside the P&N tracks.

"This is the perfect supply chain solution for many of our friends and customers," said William Barstow, director of operations for Progressive Rail in Gastonia.

The Rail Division of the N.C. Department of Transportation granted Progressive Rail \$920,000 to pay for spur rails to the building. The company is also applying for building reuse funds from the N.C. Department of Commerce. The amount of the proposed grant wasn't disclosed.

The campus contains a 190,000-square-foot building at 601 N. Modena St., where much of the transloading and warehousing would be located. Progressive Rail bought the building and its six acres of land and plans to add a gantry crane to the building later this year.

The site would also be used to transfer truckloads of materials and supplies into railcars for transport to distant locations. P&N connects to CSX rail lines on one end of its 14-mile system and to Norfolk Southern Railway on the other.

Those 30 additional jobs would open up work for warehouse workers, forklift drivers, machine operators and perhaps



The railroad company's \$5M plan to build a processing and warehousing facility near Charlotte.

Gaston Gazette

PGR seeks to highlight investments in local media outlets.



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PGR LIVES INDUSTRIAL DEVELOPMENT



ENVIROTECH SERVICES INCORPORATED

PGR's industrial development assistance can in fact become a game changing event for our customers. This is nicely highlighted with the securement of EnviroTech Services' new liquid deicing and dust control distribution campus anchored in the Great Western Industrial Park in Randolph, MN.

Early on in the vetting process, the entire project was on its way to being shelved due to the high cost of a traditional steel tank farm. PGR suggested double vinyl lined ponds with floating covers over the magnesium chloride/calcium chloride liquids. PGR invested in the environmental engineering study to highlight the safeguards being suggested were as safe if not safer than a tank farm. What was perceived as an eye sore could easily be fully eliminated which ultimately netted out a 4 to 1 vote in favor of the below ground double vinyl lined tank system. Interestingly, every city in the Twin Cities refused the allowance of any deviation from their adopted code which did not provide for ground based tank farms.

The late night Town Hall meetings combined with the accessorial efforts was well worth the time and energy as EnviroTech Services now ships approximately 250+ tank car loads per year originating from Blaire, UT for furtherance to PGR in Northfield, MN. From Northfield, MN PGR's local crews handle the 15 mile segment to Randolph, MN.

Their product line is on a huge trajectory of growth. The State of Minnesota has embarked on a campaign to control snow and ice via 90% liquid deicing and 10% rock salt. This is a significant paradigm shift from today's ratios of 90% rock salt and 10% liquid compounds.

1. Did a true sense of partnership become established from day one? **Yes.**
2. Did the entire site selection process allow for speed to market without tipping their hand to a competitor? **Yes.**
3. Did the extraordinary efforts invested in the pond permitting help? **Yes.**
4. Did the no charge installation of the switch and lead help in the decision for EnviroTech Services to locate in Randolph, MN? **Yes.**
5. Did Progressive Rail team present the most compelling business case for EnviroTech Services Company, Incorporated to not walk away from some initially discouraging news but actually invest millions of dollars of capital within the network? **Yes.**

Let's repeat all of the above. Then do it again and again in California, Minnesota, Missouri, Oregon, North Carolina, Illinois, Iowa, and, Wisconsin.

Thank you for your interest in working with Progressive Rail to further expand upon your rail direct customer base.



Thank you!

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