

# STRATEGIC RAIL FINANCE

G R O W I N G   N O R T H   A M E R I C A N   I N F R A S T R U C T U R E

March 1, 2019

Jason Anderson, Executive Director  
Greater Rochelle Economic Development  
420 North 6<sup>th</sup> St.  
Rochelle, IL 61068

Re: Phase I Capital Access Strategy - Engagement Letter

Dear Mr. Anderson,

I am pleased to set forth the terms of the agreement (“Agreement”) for the retention of Strategic Finance & Marketing Consultants, Inc. dba Strategic Rail Finance (“SRF”) by Greater Rochelle Economic Development (“ROCHELLE”) to provide advisory services and prepare a capital access strategy to build rail facilities (the “Project”). This Agreement will become effective on the date signed by ROCHELLE.

- 1) While other consulting and compensation arrangements may be executed by SRF and ROCHELLE, this Agreement is structured to cover a 4-month period wherein SRF will advise ROCHELLE on matters relating to preparing a funding strategy for an estimated \$7 to \$10 million capital program to develop rail facilities and a rail-served industrial park (described below).
- 2) In carrying out this work (“Engagement”), SRF will provide the following, as requested by ROCHELLE:
  - a. Collaborate and communicate throughout the Engagement to continually enhance our collective thinking and efforts
  - b. Perform the following tasks:
    - i) Review background documents, including without limitation: site plans, maps, engineering studies, cost estimates, track leases, interchange agreements, real estate agreements, organization documents, financial records, transportation plans, past grant applications, loan documents, market studies, and economic/environmental impact statements. Prepare discussion notes and questions for the ROCHELLE project team, local officials, and business leaders
    - ii) Visit the site, observe existing rail operations, meet with stakeholders that we will identify together (e.g. operating partners, anchor customers, local officials, railroad representatives)
    - iii) Build a financial model to support alternative analysis, incorporating railroad operating revenues and expenses with staged capital expenditures. The model will forecast income statements, balance sheets, and cash flow statements for the proposed project; and it will calculate margins, break-even points, debt cover ratios, return on investment, and other financial performance measures for alternative capital structures
    - iv) Prepare a Capital Access Strategy report describing development scenarios and alternative capital structures, project the amount, type, and timing of capital required to complete the project, matching potential public and private funding sources to project needs. The report will also address lease and revenue structures for the existing rail assets as it relates to proposed project finance.

**Restructuring & Capitalization | Project & Equipment Finance | Divestitures & Acquisitions | Public Sector Consulting**

1700 SANSOM ST, SUITE 500, PHILA PA 19103 | P/ 215.564.3122 | F/ 215.564.3288 | [MSUSSMAN@STRATEGICRAIL.COM](mailto:MSUSSMAN@STRATEGICRAIL.COM) | [STRATEGICRAIL.COM](http://STRATEGICRAIL.COM)

- v) Present the Capital Access Strategy in person to ROCHELLE’s executive committee or commission, operating partners, and other project partners and then discuss next steps together
  - c. Submit to ROCHELLE the following deliverables:
    - i) Working copy of the Excel financial model
    - ii) Capital Access Strategy Report, which presents financial model results, recommended capital structure, a matrix summarizing the sources and uses of funds, next steps in project development and a timeline for presenting the investment opportunity to prospective funders
    - iii) Memo recommending next steps, with the scope, schedule, and budget to raise the required capital
- 3) ROCHELLE will retain SRF to render the above described services for the following consideration:
- a. For the Engagement project fees are payable as follows:
    - i) The Budget for Tasks 2a through 2c is \$34,500 payable as follows:
      - a) \$11,500 due upon signing
      - b) \$11,500 due upon completion of tasks 2.b.i, 2.b.ii, and 2.b.iii above and delivery of the working financial model (paragraph 2.c.i.)
      - c) \$11,500 due upon completion of tasks 2.b.iv and 2.b.v. and delivery and presentation of the Capital Access Strategy Report and the Memo recommending the scope for next steps (paragraphs 2.c.ii and 2.c.iii.)
    - ii) Other Expenses
      - a) SRF’s travel and incidental direct expenses (e.g. third-party printing and shipping) will be reimbursed at cost plus 10 percent for administrative costs.
      - b) Travel cost will not exceed \$4,500 unless preapproved by ROCHELLE.
      - c) SRF will not retain subcontractors without written consent of ROCHELLE
  - iii) Additional tasks or deliverables to those described above and requested in writing by ROCHELLE will be billed monthly based on hours worked using the following fee schedule:



Position	Rochelle Project Team	Base Rate	Public Discount	Hourly Rate
Principal	J Elliott, F Onimus, M Sussman	\$ 350	10%	\$ 315
Senior Analyst	S Spencer, C Belke	\$ 230	10%	\$ 207
Project Manager	T Rich	\$ 170	10%	\$ 153
Project Assistant	tbd	\$ 80	10%	\$ 72

- a) Time will be billed in quarter-hour increments
  - b) Travel time is billed at half of the rates above
- iv) For future implementation of the Capital Access Strategy SRF’s Phase 2 budget would be \$50,000 to \$120,000 in progress fees credited against a success fees of 3 to 5 percent of capital raised in addition to other direct project costs (e.g. travel, legal services, loan application fees, surveys, title work, etc.)

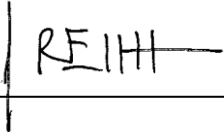
- 4) Subject to the provisions of Sections 1 through 11, which will survive any termination of this Agreement, this Agreement will be effective from April 1, 2019 to July 31, 2019 or such later time as necessary for ROCHELLE to accept the deliverables.
  - a. The term may be extended or shortened by mutual written consent.
  - b. If any payment required by this Engagement to be made by ROCHELLE to SRF is late by more than **ten** days, SRF will have the right to cease work under this agreement. If such payment is made within ten days of the receipt of such demand, the rights and obligations of the parties hereunder are reinstated.
- 5) ROCHELLE acknowledges and agrees that SRF has been retained pursuant to this Agreement to act as an advisor to ROCHELLE solely with respect to the matters set forth herein. In such capacity, SRF will act as an independent contractor.
- 6) SRF conducts business according to a set of “Business Success” principles and practices that are set forth here. We find that doing business in this manner is productive for both us and our clients. The parties agree to a successful collaboration exemplifying good faith, fair dealing, and excellent organization. We ask the management of ROCHELLE to commit to the following principles and practices that support this type of collaboration:
  - a. We will only commit to actions that we believe we can accomplish.
  - b. Promises will be made in a manner that is specific and include an exact timeline to the day and sometimes hour.
  - c. Phone appointment times will be treated with the same attention as in-person appointments.
  - d. Requests received from each other will be handled with 100% thoroughness and timely attention.
  - e. If a request cannot be handled quickly, it will be acknowledged as having been received and an indication of when it can be addressed will be offered.
  - f. Reports of completed actions will be communicated and expected delays will be related promptly, and a new completion time within the dates set out herein will be established.
  - g. In spite of all good intentions, misunderstandings may still occur. We agree to full and complete communication, especially in the face of friction or thwarted expectation. This is a vital component of any successful relationship, particularly one of this much business import.
- 7) The parties agree to treat confidential information in accordance with Annex A.
- 8) The benefits of this agreement will be binding on and inure to the benefit of the respective successors, legal representatives and permitted assigns of the parties hereto and the obligations and liabilities assumed in this agreement by the parties hereto will be binding upon their respective successors, legal representatives and permitted assigns.
- 9) No provision of this Agreement may be amended, modified or waived, except in writing signed by authorized representatives of the parties hereto.
- 10) This Agreement will be governed by and construed in accordance with the laws of the State of Illinois applicable to contracts executed and to be wholly performed therein without giving effects to its conflicts of laws, principles, or rules. Both parties agree that exclusive jurisdiction and venue reside in the State of Illinois.
- 11) Any notice or communication permitted or required hereunder shall be in writing and be deemed sufficiently given if hand-delivered or emailed or sent postage prepaid by registered mail, return receipt requested, or to such other address as either party may notify the other of in writing:

- i) if to ROCHELLE: Jason Anderson, 420 N. 6<sup>th</sup> St., Rochelle, IL, 61068; Email: [janderson@rochelle.us](mailto:janderson@rochelle.us)
- ii) if to SRF: John Elliott, 1700 Sansom Street, Suite 500, Philadelphia, PA 19103; Email: [jelliott@strategicrail.com](mailto:jelliott@strategicrail.com)

This proposal letter is valid for forty days from the date of this letter. Please confirm that the foregoing correctly sets forth our agreement by signing below and returning, whereupon constituting a binding agreement.

We are delighted to accept this engagement and look forward to working with you.

**STRATEGIC FINANCE & MARKETING CONSULTANTS, INC.**

By:   
\_\_\_\_\_  
John R. Elliott, Senior Vice President

ACCEPTED AND AGREED:

**Greater Rochelle Economic Development**

By: \_\_\_\_\_ Date: \_\_\_\_\_  
Jason Anderson, Executive Director

Attachment: Annex A – Confidentiality and Nondisclosure

## **ANNEX A – Confidentiality and Nondisclosure**

Confidential Information. For purposes of this Agreement, “Confidential Information” shall mean information, in whatever form, pertaining to ROCHELLE’s business, finances, or marketing strategy that is identified or would reasonably be understood by the SRF as being proprietary or confidential. Confidential information shall not include information that SRF can demonstrate: (a) was in its possession without confidentiality restriction prior to disclosure hereunder, (b) is or has become generally available to the public through no act or omission of SRF, (c) has been rightfully received by SRF from a third party without restriction on use or disclosure or (d) is independently developed by SRF without use of the other party’s Confidential Information. The terms and conditions of this Agreement and all transactions hereunder shall be Confidential Information to the extent permitted by Illinois public records laws.

All financial, statistical, personal, technical and other data and information relating to the ROCHELLE’s operations made available to SRF in order to carry out this Agreement or which become available to SRF in carrying out this Agreement shall be protected by SRF from unauthorized use and disclosure. SRF shall not use any of the information which it collects, gathers or creates in the performance of its obligations and the provision of requisite services under this Agreement for any other purpose without in every case the prior written approval of ROCHELLE.

Nondisclosure. Each party agrees not to use Confidential Information of the other party except to the extent necessary to implement the purposes of this Agreement. SRF shall limit disclosure of Confidential Information received for ROCHELLE to those employees or agents of SRF whose use of or access to the Confidential information is necessary to carry out SRFs obligations under this Agreement, and shall not disclose or divulge such Confidential Information to any third party unless legally compelled, in which case the disclosure shall be made only to the extent legally required. SRF shall exercise all commercially reasonable security precautions to protect the integrity and confidentiality of ROCHELLE’s Confidential Information.