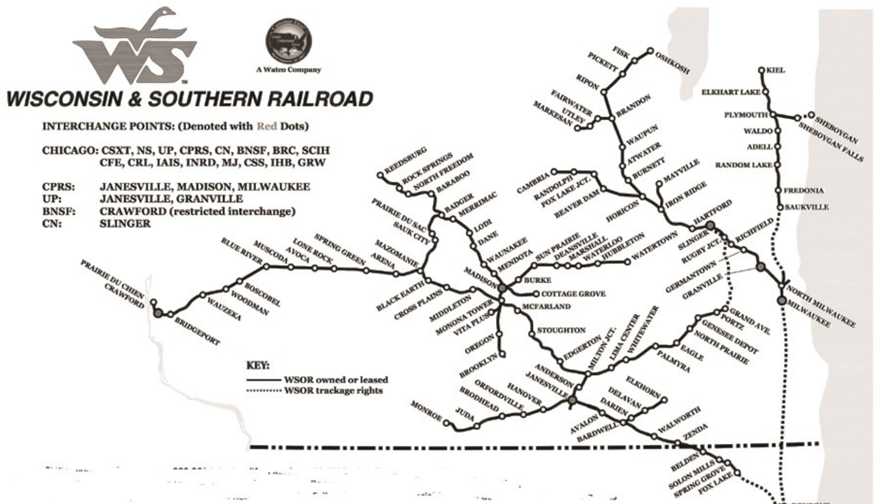


Why did GLBT extend it's proposed railroad to Wisconsin & Southern?

When managing partner Frank Patton talked to *Crain's Chicago Business* in May of 2013, his *Great Lakes Basin, LLC.,* was reportedly planning a six-track, freight-only rail line between Coal City Illinois and Wellsboro Indiana on a portion of the right-of-way that transit officials hope to acquire for the proposed Illiana Expressway.

At the time, GLBT's plan was reported to cost $3 billion dollars. Later, Patton stated the line could be extended farther west. Patton said he formed the company to raise private funds for the project and that he was working with *Occam Consulting Group's* Jim Giblin, a transit consultant, for the technical details of the rail line.

By March 2014, Patton was telling the media that the rail line for his *Great Lakes Basin Belt Railroad* would consist of at least 2 initial tracks and run from Mazon Illinois to Kingsbury Indiana — a route of about 150 miles, but now it was no longer a privately-funded enterprise. Jim Pehta, marketing adviser for GLBT, estimated that nearly 90 percent of the project's now $3.5 billion price tag would be financed through federal railroad loans.

Later that year in November 2014, the project was reported as extending through northern Illinois near Rockford, up through Winnebago County, and ending in Orfordville, Wisconsin. The plan had now expanded to a five track wide right-of-way that would run 285 miles at a cost of $6 billion dollars.

The most recent published route, shown on Page 1, now curiously minimally reaches into Winnebago County, splitting as a "T" just south of Rockford. It heads west to an interchange with *Canadian National's Freeport Division*. But CN purchased Chicago's historical "outer belt"; the *Elgin, Joliet and Eastern Railway* between Waukegan, Illinois and Gary Indiana in 2009. CN has no need to divert traffic around Chicago via GLB as it earns much more money keeping freight on its own Chicago bypass.

Heading east and then north along the eastern edge of Boone County, the line snakes up to Clinton Wisconsin to connect with *Union Pacific Railroad*. UP directly stated in 2014 that it does not support GLB's plan and would not use its rail line. In March of 2016, UP reaffirmed its opposition to GLB in an article published in the *Chicago Tribune*. Heading north from Clinton, GLB hooks up with WATCO's *Wisconsin and Southern Railroad* twice — south east of Janesville and then just east of Milton.

Since UP will not use GLB for interchange and WSOR had a direct line from Chicago on trackage rights, why would WSOR want to share freight revenue with a 3rd carrier along a more circuitous route to the nation's railroad hub?

Not only would the bypass add costs and many miles to freight heading to and from Chicago rail connections, but WSOR commonly operates at speeds of less than 25 miles-per-hour and often runs under 10 mph restrictions. There is no economic benefit should they use GLB and they cannot speed up their transportation service to any significant degree.

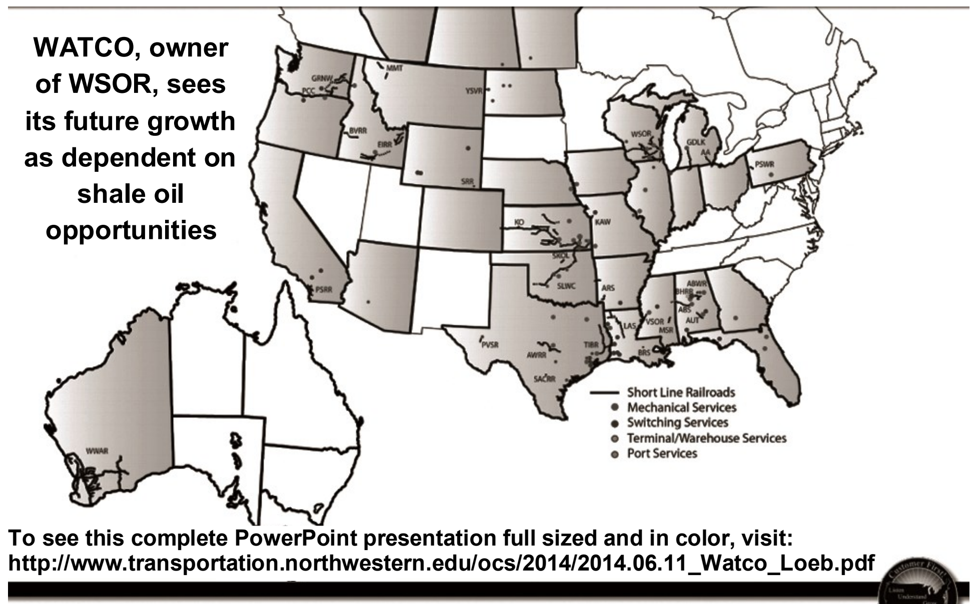
Despite this, Frank Patton wants to build a fork in his railroad, one dead ending at *Union Pacific*, the other extending the line more than 55 miles north to another UP connection which that railroad states will not be used and then a curious connection to WSOR. The route miles on the new proposed line away from Orfordville, WI, is now reported to be 278 miles and the costs have escalated to more than $8 billion dollars. While Patton now states that the line up to Wisconsin will be single tracked, it appears that this single track adds at least $1 billion dollars to the project. Frank Patton has told STB that this segment of the line might only see 4 or 5 trains a day. No wonder GLBT now states they have no investors lined up! There is no way a railroad can absorb the cost of the capital needed to build that line and pay the out-of-pocket costs of operating the railroad.

It is not hard to see that an economic train wreck is inevitable unless the railroad is actually being built for a purpose other than diverting freight traffic to and from Chicago. When one looks at WSOR's recent history, there are many reasons to believe that Patton is not being honest about his business plan.

Wisconsin citizens that are paying attention know that Wisconsin Southern Railroad (WSOR) was criminally used by former owner Bill Gardner to launder money to promote the political career of Gov. Scott Walker. The serious felonies Gardner committed resulted in him receiving a slap-on-the-wrist and then he parlayed his criminality into millions and millions of dollars by selling controlling interests to WATCO, the largest transportation holding company in the world.

What most people do not know is that WSOR, even under WATCO's ownership, is only a paper railroad and owns virtually none of its tracks. The rails are owned by Wisconsin taxpayers and are leased to WSOR far below market value. Not only is each and every carload shipped on WSOR heavily subsidized by State of Wisconsin taxpayers, but the Badger State actually pays WSOR handsomely to maintain the roadbeds! WATCO, a privately held corporation, could not profitably operate WSOR without the massive public dollars it receives. But WATCO owns much more than railroads around the world, it owns oil and gas transloading facilities. WATCO has another heavily subsidized business. WSOR gives them direct access to the best frack sand mines in the world, again courtesy of Wisconsin taxpayers Right now, because oil prices are relatively low, fracking and frack sand mining is not in the news, but it did not go away. When oil prices rebound, fracking will explode exponentially, demanding more Wisconsin Frack Sand.

This is why GLBT begins in Wisconsin at connections with WATCO's WSOR. Not only does WATCO have huge financial interests in Bakken Tar Sands development, they control the proppant most-widely used to make fracking possible: Wisconsin Silica Sand. While WSOR does not currently ship crude oil, this does not mean that WATCO will not be able to route crude over these lines should they acquire an advantageous position in GLBT. Below is a map of WATCO's transportation and port business. They will benefit from anything that increases rail shipments from the Bakken Shale and Alberta Tar Sands region to sea ports for export. WATCO owns short line railroads that serve ports, provides mechanical services along the way, performs switching services, terminal & warehouse services, and even port operations. The graphic below is from a 2014 company PowerPoint presentation that boasts of WATCO's position to exploit increased shale oil shipping, storing, and refining. Is this what GLBT is all about?



To see this complete PowerPoint presentation full sized and in color, visit: http://www.transportation.northwestern.edu/ocs/2014/2014.06.11_Watco_Loeb.pdf

(Continued on Page 13)

A project of national and regional significance, CREATE will invest billions in critically needed capital improvements to increase the efficiency of the region's rail infrastructure. CREATE will reduce train and auto delays throughout the Chicago area by focusing rail traffic on four rail corridors that will be improved to handle passenger and freight traffic more efficiently. The work includes 70 projects:

- 25 new roadway overpasses or underpasses at locations where traffic (auto, pedestrian, bicycle, bus) currently crosses railroad tracks at grade level
- 6 new rail overpasses or underpasses to separate passenger and freight train tracks
- 36 freight rail projects including extensive upgrades of tracks, switches and signal systems
- Viaduct improvement projects – improvements to existing viaducts in Chicago
- Grade crossing safety enhancements – improvements to existing railroad grade crossings throughout the region
- Common Operational Picture (COP) – integration of information from dispatch systems of all major railroads in the region into a single display

For area residents, CREATE means reduced traffic delays, shorter commute times, better air quality and increased public safety. For workers and businesses, it means more jobs and economic opportunity.

CREATE will keep the GO in Chicago – now and for years to come. Chicago today remains the busiest rail hub in the United States. Each day, nearly 1,300 trains pass through the region (500 freight and 760 passenger). Chicago handles one-fourth of the nation's freight rail traffic, each day handling 37,500 railcars.

For almost 150 years, Chicago has been the nation's rail hub due to its critical location at the nexus of the North American railroad network. Six of the seven largest rail carriers access the region: the eastern railroads, Norfolk Southern (NS) and CSX; the western railroads, BNSF Railway (BNSF) and Union Pacific (UP); and the two Canadian railroads, Canadian Pacific (CPR) and Canadian National (CN).

Recognizing the growing urgency of the region's rail capacity needs, Mayor Richard M. Daley called on the federal Surface Transportation Board to convene a task force to tackle the problem. The resulting task force – made up of representatives from the railroad industry, State of Illinois and City of Chicago – announced the CREATE Program on June 16, 2003.

The total cost of the CREATE Program is estimated at $4.4 billion in 2015 dollars. $1.3 billion has been received so far. $3.1 billion in additional funding is needed. The benefits of the full CREATE Program are estimated at $28.3 billion over 30 years after full project completion.