

From: MacLean, Alex
Sent: Monday, July 16, 2012 8:00 AM
To: Trombley, Shana
CC: Lofy, Bill
Subject: FW: Renaud Bros. Gravel
Attachments: Shumlin Letter 1.docx

Brian Searles is having his rail person look into this but after first reading we both agree this should probably be a meeting iwht the Guv. PLUS it is from the wait wait don't tell me dude! :)

Alexandra MacLean
Secretary of Civil and Military Affairs
1-802-272-0443

From: Alex MacLean [allymac9@gmail.com]
Sent: Friday, July 13, 2012 2:02 PM
To: MacLean, Alex
Subject: Fwd: Renaud Bros. Gravel

Alexandra MacLean
1-802-272-0443

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----- Forwarded message -----

From: Tom Bodett <tombo@bodett.com<mailto:tombo@bodett.com>>
Date: Fri, Jul 13, 2012 at 11:16 AM
Subject: Renaud Bros. Gravel
To: Alexandra MacLean <allymac9@gmail.com<mailto:allymac9@gmail.com>>
Cc: Tom Bodett <tombo@bodett.com<mailto:tombo@bodett.com>>, Larry Cassidy <cass@sover.net<mailto:cass@sover.net>>

Dear Alex,

I left a message on your cell about this and have also tried to reach Larry Cassidy for guidance. Mike Renaud's company has been a good friend to the Town of Dummerston and partners in our new local gravel operation. Everything Mike touches thrives and he's proven himself a very capable businessman and strategic planner. The attached letter concerns a gravel project he and his partners are developing in the Northeast Kingdom which involves using the rail system for transport. This is a very exciting project in many ways and fits nicely with the Governor's plans for improvements to the Vermont rail system.

Mike asked me to forward this letter to the appropriate people in the Governor's office and the Governor himself, if possible, to be sure it gets the consideration we all feel it deserves. I believe the Governor will be very excited about the prospects. Please pass this along to the Governor, or let me know where I might send it directly.

I hope you're doing well. Thanks so much for your help.

My best,

Tom

Tom Bodett
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Alexandra MacLean

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Renaud Brothers, Inc.
283 Fort Bridgman Road # 2
Vernon, VT 05354-9661

July 10, 2012

Governor Peter Shumlin
Office of the Governor
109 State Street, Pavilion
Montpelier, VT 05609

Re: NEK Gravel Extraction Joint Venture & Rail Transport

Dear Governor Shumlin:

It's my pleasure to inform you of an exciting joint venture we are launching in the Northeast Kingdom. I am teaming up with Dan Systo of Walker and Company Roofing in Brattleboro, Vermont; Nathan and Jacqueline Dagesse of CMGN Properties in Winooski, Vermont; and Kingdom Come Corp., the investors of a 100+ acre property in Newport, Vermont. We are forming a sand and gravel extraction company, Northern Aggregates, to support the phasing of a smart growth development on Kingdom Come's Newport property.

Introduction and Project History

As you may be aware, sand and gravel supplies are slowly depleting in Vermont and nearby New England states. Opening new sources is very difficult due to access of readily available material, economies of scale, and permitting restrictions. As business owners working within the construction and real estate industry, we understand the growing demand that exists for high grade sand and gravel. Kingdom Come initially envisioned selling the sand and gravel quickly on their 100+ acre parcel to begin developing a smart growth community on the property. This development is planned to have a terraced hillside with residential homes, commercial storefronts, green spaces and a small resort which would border the existing Newport Country Club and overlook Lake Memphermagog and the Jay Peak Mountain Range. In order to make this development happen, the extraction of over 5 million cubic yards of sand and gravel material will need to be completed. This phase began in 2006 and over the past 5 years, sales per year have only averaged 50,000 to 80,000 cubic yards. Due to the declining economic climate, selling the material as initially planned is no longer an option. After meeting with the investors, evaluating the Newport site and analyzing numerous samples of materials, I know my team can offer this product in the current market successfully. Like you, we are also determined to get tough things done.

Nathan Dagesse, who works in the Real Estate, Construction and Engineering field and is the son of one of the Kingdom Come investors, approached me about this project in early 2012. I also added Dan Systo to the team to leverage his experience in the construction and aggregate fields. The first phase of our market research revealed demand in Vermont, Connecticut, New Hampshire and Massachusetts. After determining the reach we would need to transport the material, we actively began evaluating different modes of transportation. The most environmentally responsible approach is freight rail transport which would eliminate the need to truck the material as proposed in Kingdom Come's original plan. The Newport Rail Yard is located within an attractive distance to the gravel source and would be the initial operator for us to use in transporting the material.

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Rail Transportation Challenges

Through the process of evaluating alternative transportation routes, we have found unusually high pricing in certain locations and seemingly erroneous costs added to an estimate. There have also been some inconsistencies in pricing when an operator is contacted more than once. As an example, we have our first client and pilot project in Rutland, Vermont. In order to ship to their location we will have to use 3 separate operators (Montreal Maine and Atlantic, Vermont Rail and the NECR). As you may know, there are additional charges every time the operator of the rail line switches, which consistently increases overall transportation costs even at a short distance. Working with Vermont Rail has been a positive experience, but in order to have this project come to fruition, *we will need to have more cooperation from other rail companies, specifically the Montreal Maine and Atlantic, who currently owns the Newport Rail Yard.* We understand that freight transport is environmentally friendly, but we also need it to make economic sense and be reliable.

Anticipated Projects and Results

Once we have reached a more cooperative level with the Montreal Maine and Atlantic operator, we will begin transporting a trial-run of 400 tons of material to Carrara Concrete in Rutland, Vermont. If this goes well, we will be transporting much more material shortly thereafter. We are also very close to signing a contract with a large buyer in Connecticut, which would have our work begin in the Spring of 2013.

I believe that this is a very exciting opportunity for both Vermont and the Rail industry. We estimate nearly \$30 Million dollars in revenue to the Vermont Rail System over the next 10 years for sand and gravel transport. We estimate creating 5 new jobs in Newport, Vermont and another 5 to 10 new indirect jobs through support services. We will be running at least one train per day the full length of Vermont over the course of this project and hope to support the increasing awareness of Rail transport. Once the gravel has been fully extracted, Kingdom Come will move forward with their plans of building a smart growth community on the hillside between downtown Newport and the Newport City golf course.

Summary

As a focused group of avid entrepreneurs and business owners, we feel that we can support the development of a smart growth community in Newport, VT through a gravel extraction joint venture, Northern Aggregates. We look forward to supporting Vermont's economic development through job creation and increased investment in Rail transportation.

We feel that this development is another spark from the economic catalyst of the Jay Peak Resort investment which currently employs hundreds of Vermonters. Other investments in this area which are making Newport more attractable include investments by the Secretary of Transportation in roads and bridges, as well as the Vermont Economic Development's Community Development Block Grant for the Northeast Kingdom's Taste Center (to be located in downtown Newport).

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We appreciate your entrepreneurial spirit and your ability to get things done. We would like to discuss this project with you further. Specifically, we would like to discuss the following;

- Utilizing the Vermont Rail Advisory Council as needed to examine what steps state government can take to enhance rail freight service, as it relates to economic development and using information from our project;
- Working with us as a liaison to the Montreal Maine and Atlantic operator to ensure fair rates are being provided;
- Helping us navigate competitive grant opportunities for projects like this.

We understand that the combined State of Vermont and Federal Funds for 2013 total \$55 million for rail improvement projects and the Agency of Transportation is continuing to pursue a federal grant to upgrade the western rail corridor. It is our hope that these investments in infrastructure are used to the optimal capacity and remains cost effective and consistent for clients, such as Northern Aggregates.

We appreciate your time and we look forward to talking with you further regarding this exciting statewide project.

Sincerely,

Mike Renaud

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Dan Systo

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