A Primer for the Entrepreneurial Commercial/Residential Property Value Investor

Strategic Start-Up
2019-2020

moose
www.letsgomoose.ca

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Transformative

MOOSE Consortium Inc.

- A property network design company, and
- A passenger railway project management company,
- Synthesizing expertise of multiple small/medium/large world-class firms.

Launching in 2019-2020

- A new method to optimize property income/asset value.
- The first dozen independent station licenses in 2019.
- Selling to perceptive value investors in property (B2B, not B2C or B2G).[1]
- "Linked Localities" across Canada's Greater National Capital Region.
- Bootstrap commercial passenger rail service in 2020.
- 100% internally-financed through intelligent business design.

Highlights

- Commercial, residential, industrial, agricultural and recreational scope.
- Urban, suburban, semi-rural and rural inclusivity.
- Intrinsic, proactive and responsive health and safety management.
- Inspired by the best railway passenger experiences in the world.
- Project management competence addressing complexity, risk and growth.
- Major sub-projects (e.g. bridge & track improvement; maintenance yards).
- Contracting of experienced competent railway operations suppliers.
- Collaborative relationships (land, labour, jurisdictional prerogatives)
- Creative information technology talent and systems.
- Smart, responsible financial and administrative management.

Licensees Provide Stations, Creating Linked Localities

- Obtain municipal permits and local interest in a train station.
- Pay a one-time license fee.
- Plan, administer, build and maintain their own station.
- Pay an on-going service fee, based on actual property income/asset value increases due to train services.
- All apportionment ratios are annually negotiated to ensure viability.
- Amongst within-range properties, licensee and MOOSE.

[1] B2B = Business-to-Business; B2C = Business-to-Consumer; B2G = Business-to-Government

e Convergence

When 1.5 Million People Get Together

Canada's Greater National Capital Region is now populated by 1.6 million people. Globally and historically, metropolitan regions surpassing around 1.5 million people organize an integrated regional passenger rail service, one way or another. This is observed for London in the 1830s, Paris in the 1860s, as well as NYC and Chicago in the 1890s. In Canada, the 1.5 million regional population point tipped the balance for regional rail during the 1950s in Montreal, 1960s in Toronto and 1990s in Vancouver.

Regional Transit May be Thwarted by Institutional Divergence

No public sector entity in Canada's Capital holds a mandate to operate a regional transit integration service. The central business district and surrounding urban residential neighbourhoods are split ¾ in Ottawa, Ontario and ¼ in Gatineau, Québec, with a kilometre-wide 'moat' between them: the Ottawa River. A total of 16 separate municipalities manage development across this large area stretching 120 km north-to-south and 150 km east-to-west. Provincial laws and municipal bylaws on each side are derived from different legal traditions: British in Ontario; French in Québec. The National Capital Act describes a broad but incomplete mandate, and its geographic reach extends to most of the region, but not all. Meanwhile, as the courts confirm, First Nations hold legitimate prerogative over this entire landscape.

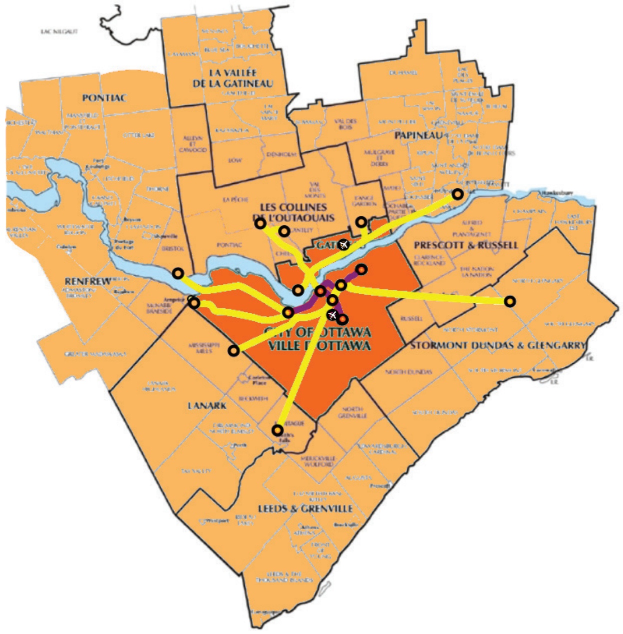
Some Parts May Appear Greater than the Whole

Transit integration in this region requires a transformative pivot from institutional divergence to convergence.

1. Segmentation of a metropolitan region into multiple jurisdictions without a coordinating institution motivates authorities to prioritize their own narrow mandates and constituencies.
2. Conventional public financing of metropolitan transit through government debt and taxes typically puts each jurisdiction's mandate and constituency ahead of whole-system coherence or success.

So MOOSE completely reframed the problem.

Canada's Greater National Capital Region



Imagine developing and financing a metropolitan passenger rail service that will not own any trains, stations or tracks, and will not depend on subsidies, investors or passenger fares.

Bootstrapping MOOSE in 2019-2020

Building on MOOSE Consortium's preparatory work of recent years, the project will proceed to convene market demand for mobility-enhanced commercial and residential property by selling at least 12 ***Linked Locality Train Station Licenses*** *in 2019. The framework agreements to sell train services to each site are benchmarked to nearby property income and asset values attributable to the train service, to be collected according to the franchisee's independently adapted business models. MOOSE is committed to promptly satisfying that demand by* ***bootstrapping*** *initial train operations before the end of 2020.*

100% Market-Driven Metropolitan Mobility

An Entrepreneurial Solution for Canada's Greater National Capital Region

MOOSE Consortium Inc. is pursuing a 100 km^2 property income and asset value optimization project in Canada's Greater National Capital Region. Provision of high quality train service is the method to create that value. Public and ecological benefits arise as a result of the property value-generation function.

MOOSE Consortium Inc. is a demand-oriented property network management firm based upon auditable intellectual capital value[2]. The company will license rather than own stations; will contract with high-performance train operators rather than procure or run its own trains; and will lease running rights on other companies' railway corridors. Unlike other projects in this industry, MOOSE will self-generate all start-up and operations financing through station franchise licenses. This business design has no dependence upon government subsidies, public debt, or taxes. It does not require capital market investors that may be detached from the interests of passengers and property owners. Passenger revenue is also fully reformulated to serve as an additional demand catalyst for property-based revenue.

It is common knowledge that metropolitan-scale passenger railway services generate significant new financial value amongst the commercial and residential properties within 'an easy walk' of stations. MOOSE is the first to develop a market-based commercial passenger rail undertaking entirely upon this phenomenon.

The key to our system design innovation involves separating the business of running stations from the business of running trains. "***Rail-Powered Property ⇆ Property-Powered Rail***" (**RPP ⇆ PPR**) introduces a synergistic competitive open market for property owners and developers to transform disparate localities into a network of "Linked Localities". Retaining autonomy to plan, finance and construct their own stations in conformance with municipal/provincial codes and approvals, the network provides property owners a way to significantly augment both income and asset values due to well-understood demand for mobility-enhanced commercial and residential property. MOOSE has designed a way to structure the apportionment of the proceeds of that value effect, when actual transactions occur, in order to bootstrap and sustain the train operations needed to satisfy the demand.

A Three-Step Start-Up

1. In 2019 establish a minimum of 12 station licenses based upon market demand for mobility-enhanced commercial and residential property;
2. Cultivate the nearby property income and asset values within 0.8 km of each station, in anticipation of the coming train operations;
3. Satisfy the demand for mobility by bootstrapping start-up passenger rail operations before the end of 2020.

[2] https://www.businesswire.com/news/home/20181011005150/en/Licensing-Executives-Society-U.S.A-Canada-Proposes-New

Step 1: The First Dozen Linked Localities to be Signed in 2019

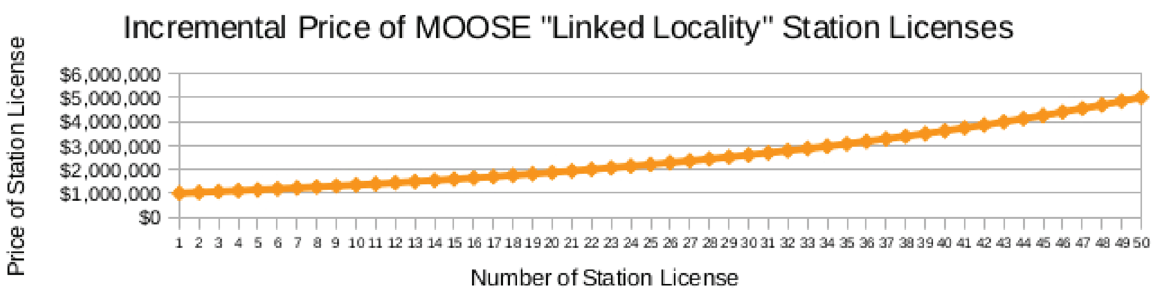
The Linked Locality Train Station License is designed to encourage network growth without diluting the value of the licenses.

The entry price of the first Linked Locality Train Station Licenses is $1,000,000 before tax; the second license is $1,033,391; the third is $1,067,897; and so on. This pre-established sliding scale reflects declining risk associated with incremental market confidence. It also establishes a significant incentive for prompt opportunity analysis and franchisee engagement. The price per franchise steps up incrementally to the maximum of $5,000,000 for the 50th franchise. MOOSE Consortium Inc. reserves the right to increase this license price schedule after the first three, in response to market demand. To incentivize multi-site collaboration, if two or more licenses sign with MOOSE on the same day, each will pay the lower current amount.

Any Linked Locality License can be resold on the open market at any price without intervention by MOOSE Consortium Inc, conditional upon ratification by a simple majority of other licensees (respecting their mutual network-level interests) and upon payment of a 5% transfer fee to MOOSE Consortium Inc. When any license is put up for sale, MOOSE Consortium Inc. retains the right of first refusal to re-acquire it at the most recent incremental price of a station if supported by a simple majority of the other licensees.

Using the currently published pricing schedule, the first 12 license fees, if signed separately, will sum to $14,468,553, less tax. This initial fund is adequate for MOOSE Consortium to complete all the necessary technical and business planning, estimates, legal, audit, insurance and regulatory prerequisites; to produce a high quality marketing package; and to staff a core project management office. These funds will also be used to clear all promissory note liabilities (about $3M) related to three years of start-up work actually performed from in 2016 through 2018 by MOOSE Consortium member companies, as per written statements of work that they committed to perform. Some member companies may instead elect to convert to equity all or part of their respective earnings.

Various terms and conditions of the Linked Locality Train Station License are designed to encourage network growth without diluting the value of the licenses. For example the maximum number of MOOSE stations is limited to 1/8th of the number of kilometres of railway served (i.e. an average of one station for each 8 km of track). Furthermore, each licensee obtains a veto over the placement of any other new station license within 6 km of their registered location, other than under explicit exception criteria expressed in the license. The exceptions accommodate additional network-optimizing locations for passenger transfers, terminus facilities and key public interest sites. Selection of license applications will optimize for value at the network level, not only with regard to the individual merits of each station.



Additionally, the service must cross an interprovincial border to invoke the strategic advantages of unified federal-level regulation for the train undertaking.

Under the foregoing constraints, the practical start-up minimum of 12 licenses will require about 100 km of operating track, including the Prince of Wales Bridge. This could be achieved if, for example, license sales were to support start-up between Smiths Falls ON and the Tremblay Road VIA station (60 km), and between Thurso QC and Ottawa's Bayview Station (40 km), even if these two undertakings do not connect immediately. Actual license sales would determine if different or additional lines can be financed during start-up, such Kanata and Arnprior, Vars and Alexandria, and Thurso to Montebello.

Step 2: Rail-Powered Property (RPP) in 2019-2020

Each license includes a long-term "framework agreement" between Moose Consortium Inc. (a seller of licenses, and of access to a regional train service) and an independent station corporation (a buyer of a license, and of train service at the licensee's station). Each month the station licensee would issue a purchase order for MOOSE train service to be provided at its station 61-90 days in the future. Each purchase order constitutes a contract at the current monthly fee.

The monthly license fee is the negotiated proportion of property market value augmentation that is statistically attributable to the train service to the owner's station, in terms of actual transactions during the period 61-90 days in the past. This rolling term shifts forward each month. The amount is based on both income (tenant lease) and asset (owner sale) values of all properties within an easy walk (defined as 0.8 km) from each station, regardless of their relationship to the licensee.

The actual data on property value increases due to train services will be assembled and assessed by a standardized audited formula from a mutually agreed independent regulated property valuation company. The proportion by which that actual increase is split between property owners, licensee and MOOSE will be negotiated annually. Property owners and licensees will want to retain as much of the increase as possible. But they have no interest in under-funding the railway network that enables the increase.

Licensees may not charge passenger fares, since public access to trains remains entirely the prerogative of MOOSE Consortium. Other than that, however, it is the autonomous prerogative of each licensee to structure their approach to raising funds for the train service according to their own entrepreneurial design preferences. Diverse business models will likely emerge, for example:

- A licensee signs ***'affirmative covenants'*** with all property owners within 0.8 km of the station;
- Multiple companies in a joint venture put in place their own confidential financial arrangement;
- A group of commercial firms sets up a common elements freehold condominium corporation;
- A participating municipality assembles funds for the license fee through its general tax base.

For the purpose of start-up planning, MOOSE makes a modest working assumption that the realized property income and asset value would increase an average of +12% on half of the land area within the 0.8 km radius of each station. One may presume for the moment that the other half consists of roads and other undevelopable area. One may also tentatively assume that the realized property value increase retained by the owners of within-range property around each station could commence on the basis of a 50:50 split. With these assumptions, approximately $500,000,000 would come under management by MOOSE Consortium Inc. by April 2020 to bootstrap the railway project.

Suppose that the actual property income and asset value increase realized in transactions amongst within-range developable properties of the first 12 Linked Localities turns out to be an average of only +7%. Then for MOOSE to assemble the same $500,000,000 worth of start-up capital by April 2020 would require a 10:90 apportionment retained by the owners of within-range property around each station. The reason licensees would agree to pay the 90% lions share of the increase to MOOSE is because their own 10% retained increase in value is wholly dependent upon the successful start-up of train operations. This would seem to be the practical lower limit. It suggests that the sale of a commercial property within the Linked Locality which was previously worth, say $1M, and leased out at $5000 per month, would observe an increase of $60,000 in asset value and $3600 in annual lease value. Under at 10:90 split of the 7% increment, the owner would retain just $6360, which is not very much relative to the trouble of participating.

Empirical studies involving diverse metropolitan passenger rail projects in many countries indicate that that once a system of this scale is well established, the realized property income and asset value increases tend to be in the 10% or 15% range. Since MOOSE's business design is strongly oriented to the financially most lucrative locations, the target average increase should be a more optimistic 25% for the within-range developable properties. If that scenario were to succeed, the $500,000,000 of start-up capital could be assembled on a highly attractive 75:25 split favouring property owners. The illustrative $1M commercial property example at $5000 per month lease revenue would, in that case, experience an increase of $250,000 in asset value and $15,000 in annual lease value, from which the owner would retain $198,750.

Step 3: Property-Powered Rail (PPR) in 2020

Capital raised through the monthly license fees will finance priority railway infrastructure improvements and maintenance; modular, temporary start-up station development; hiring of turn-key train operator services; and will cover all legal, regulatory and insurance requirements.

Two significant infrastructure projects will be financed initially. About $50M is required to refurbish the Prince of Wales Bridge in the 2020 construction season. And $100M is required to develop a combined grade separation and connector track at the Ellwood Diamond (where VIA and the O-Train currently cross at-grade). MOOSE is proposing a major transfer facility at that site so that passengers can connect with Ottawa's high-frequency LRT to downtown. Passenger transfer facilities will also be required at Bayview Station (Ottawa's LRT) and Tremblay Road (Ottawa's LRT and VIA's inter-city service). Terminus facilities and a primary train maintenance yard will be developed to schedule.

MOOSE Consortium optimizes for whole-network value, and prioritizes station applications in localities that can be expected to show a prompt and sustained lease and sale value increases. If provision of train service does not show up in lease and sale values, then evidently the market is saying it's not interested to get train service at that locality. Normally a licensee will test the market with a small start-up station. Even though a station that is not performing well, in a financial sense, will lose its train service, the risk is fairly low, and the license can be re-sold.

This network business will succeed if revenues from the negotiated proportion of property market value increase through time are sufficient to cover all railway capital and operations commitments through time, with an attractive ROI to property owners, station licensees and MOOSE as the network management firm.

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