

Executive Summary

The NRHS has operated for nearly 80 years as a social club and a way for a large group of individuals to purchase things and operate rail excursions that they couldn't do as a smaller group. A variety of factors have caused that model to break down. At the same time the rail heritage field has spent many years fragmenting into smaller groups focused on niche aspects of rail heritage from individual railroad (Conrail Historical Society) to specific types of equipment (the railway station society). Other organizations have taken up the missions related to the academic aspects (RL&HS), the modeling aspects (TCA and NMRA) and the industry trade groups (ATRRM). This business model will use the term rail heritage to reference this broad grouping of organizations that comprise the rail preservation industry.

Throughout the past 100 years, there has not been a general interest organization that functioned as a leader in bringing rail preservation to the public in the form of education, advocacy and funding. The NRHS has dabbled in these areas but for most of its existence has been focused more inwardly than helping to align those in the rail heritage field. The field is desperately seeking an organization to take the lead on educating and raising awareness of the importance of our rail heritage, advocating for the preservation of endangered artifacts, create funding sources for preservation and provide an entry point for those interested in participating in the rail preservation community.

The mission and objectives of the NRHS will not substantially change with this new business model. However, the activities that the NRHS engages in will be substantially different. More importantly, a shift in the way the NRHS interacts with others in rail heritage will be the most visible outward change. The shift will be one in which the NRHS is educating about the history of railroading, advocating for preservation activities, developing funding sources and other resources for preservation projects, popularizing rail preservation through outreach to local communities, owning the agenda for the rail heritage movement, and investing in the development of individuals and organizations to further the industry. The NRHS will seek to transition from being a primarily inwardly focused organization to orienting itself to the outward mission of enhancing the larger field of rail heritage and enabling other groups to more easily carry out their preservation mission.

Organizational History

The NRHS was founded in 1935 as a 501c(3) non-profit corporation in the State of Maryland. It was founded on the premise that a larger group of people and/or organizations could do certain activities that smaller groups could not. A collection of Chapters – comprised of individual members – could run a convention, publish a magazine, etc. that would be larger in scope and higher in quality than if they tried to do those activities as smaller entities. The NRHS was also founded at a time when socializing with others of a similar interest, required face-to-face meetings.

The NRHS was also founded at a time when family dynamics were very different. In the past, households frequently had only one working adult and there were few children's activities to manage. That has slowly changed in the past 30 years and there is now less time for people to attend evening and weekend social activities in person. At the same time, technology has made it increasingly possible to socialize with others of a similar interest from any location around the world. Now, 13 years into the 21st Century, we are realizing that technology allows us to do a whole lot more. Sharing pictures and other historical content no longer requires you to attend a meeting or get receive a print publication. Socializing can be done on

Trainorders.com, railpictures.net, Facebook, Instagram, Flickr and a wide variety of other tools. The traditional assumption about the social behavior of railfans is not much of a value proposition any longer for NRHS customers. Also, the economies of scale that the NRHS's business model was founded on, are less of a value proposition today. We are seeing this as print publications become replaced by Internet publications, billing moves to electronic transactions and meetings can be held online.

The railroad industry went through massive change in the 1980s and 1990s that also changed the dynamics of the NRHS. During this time the railroad industry abandoned any engagement with the public as they became well run, Wall Street driven corporations. Looking back, the NS steam program – the last corporate program that engaged the public in any meaningful way - probably masked the initial signs of decline in the NRHS. But by the late 1990s it was also gone and it was apparent that technology and broad social and economic trends were significantly altering the landscape that the NRHS operated within. The NRHS responded with cost cutting measures, back-office efficiencies, limited adoption of technology and moving away from exclusively volunteer staffing especially for more technically focused tasks. As the next two decades progressed it became increasingly evident that this wasn't going to be enough and that the fundamental business model the NRHS was operating under was broken and needed to be overhauled.

The Business Model

Clearly, a new business model is needed for the NRHS. This document outlines that new business model and operating paradigm for the NRHS. In this new model, the NRHS will cease being a transaction based, membership organization. Instead, it will move to becoming a donor driven organization that focuses on philanthropy and certain aspects of advocacy within the rail heritage industry. The NRHS will still market membership, however, the definition of membership will be substantially different than it is in the NRHS today. There will be a few transactional type activities but these will not be the primary function of the organization and most importantly, the revenue stream for the NRHS will not be as heavily dependent on revenue coming from transactional-based business as it is now. Currently, well over 80% of NRHS revenue comes from membership dues which is based on a transactional model – members pays \$50 and gets \$50 worth of direct value in products and services (magazine, newsletter, membership card, discounts, etc.). Membership will still be offered in the Society, however, it will be a donation based relationship where the member does not receive benefits in direct proportion to the amount paid. The new NRHS will have a member model similar to organizations like the National Trust for Historic Preservation, the American Civil Liberties Union or the National Rifle Association.

The new NRHS will operate according to a multi-sided business model. This means that the NRHS will bring together two interdependent groups of customers. Some groups of customers will only see value if other groups of customers are also present. For example, the Heritage Grants program – aimed at the active preservationist seeking funding for project(s) – is dependent on the armchair preservationists and other donor groups giving money to the program so it can be distributed to the organizations that are seeking funding. Very broadly, one side of the model is donors and the second side of the model are organizations seeking funding for rail preservation related projects or educational initiatives.

Vision, Mission and Values

The core business of the NRHS can be described by the following statement:

“Be the unifying organization that brings together the railway heritage industry.”

The NRHS mission statement is:

“NRHS will illuminate, educate and enable preservation of railway history.”

The vision statement brings the vision and mission together into a more tactical statement about how the organization is going to realize these broad objectives. The vision for the new NRHS is:

- NRHS will illuminate preservation of railway history

Through the use of appropriate media and technology, NRHS acquires, coordinates and disseminates information drawn from individuals and organizations who share an interest in railway history and preservation. The overall objective is to eliminate duplication of effort, and make as large a segment of the greater railway community as possible aware of shared resources and concerns.

Examples of activities and tactics under this goal:

- Most-at-risk list
- A preservation emergency database
- Centralized databases of existing railroad resources and preserved resources
- Technical publications

- NRHS will educate regarding preservation and rail history

Through a variety of venues and techniques, NRHS will provide scholarly and experiential learning opportunities for the entire range of railway history participants from the professional to the casual visitor.

Examples of activities and tactics under this goal:

- NRHS *NEWS* or its equivalent
- NRHS *Bulletin* or its equivalent
- Conventions
- RailCamp
- Advocacy for community restoration, revitalization, or adaptive reuse of railway infrastructure
- Establish internship relationships and docent relationships with existing formal education systems from elementary to postgraduate.
- Preservation awards

- NRHS will enable preservation of rail history

NRHS directly provides resources designed to enhance the financial positioning of organizations whose mission furthers the cause of railway history preservation, education and outreach

Examples of activities and tactics under this goal:

- Railway Heritage Grants
- Collective preservation priorities selected by a panel of experts representing organizations with a railway preservation mission
- Collective determination of preservation grant activities coordination with other granting agencies
- Organizational capacity building services– templates, professional services, and/or in-kind help regarding activities for donor acquisition, cultivation, fundraising, strategic partnerships, and management advisement for affiliated organizations.

How the Business Model Works

The NRHS will be built around a multi-sided business model. A multi-sided model means that the value proposition with one or more of the NRHS's target audiences is leveraged to get resources that can be used to satisfy the value proposition of another group within target audiences. In this case various audiences of donors will give money to the NRHS because they have an interest in supporting rail preservation at some level. The NRHS will use that money and resources to help active preservationists fund their projects and to raise awareness of important rail artifacts that are endangered in some manner.

One side of the model will be donors. Donations from several target customer segments will be the primary revenue stream for the society. The specific customer segments are covered in the next section of the document. The other side of the model will be programs that target the non-donor segments of the market. These programs are identified in other areas of this business model document and discussed in detail.

Market Segments

As identified earlier, the NRHS is currently has several key challenges that have made the business model impossible to sustain. This plan identifies completely new target audiences for the NRHS that are underserved by others in the industry at this time. In many cases the target markets are devoid of any competition.

The NRHS has identified 9 market segments that it will be targeting products and services to:

- Current NRHS donors – These are members of the NRHS who have demonstrated a pattern of donation behavior that indicates they believe in the core mission of the NRHS and are willing and able to support it financially. These people will be the foundation of a new NRHS in the market. Their support will be especially critical in the first few years. This comprises about 1,200 individuals.
- Current NRHS members – We believe that there are current members of the NRHS that do not donate but would if they understood the core mission of the society and the society showed material progress toward achieving stability and relevancy in the preservation space. This comprises about 8,000 people.

- Advocates of specific artifacts – These are individuals in train world who are advocating for the preservation of an important artifact in railway history.
- Armchair preservationists – These are individuals who have a casual interest in rail preservation. They understand the importance of rail preservation and are willing and able to participate by writing a check to let a team of NRHS preservation experts determine what are the best and most worthy projects to fund.
- Active preservationists seeking project funding – These are individuals that are actively engaged in a preservation project and are in the process of securing funding. They could be seeking funding on a small project that the NRHS could fund entirely or they could be looking for the NRHS to fund a small portion of the work in partnership with other granting entities.
- Teenagers interested in preservation and railroading – These individuals are high school aged individuals with a strong interest in railroading and/or rail preservation. They are interested in learning about a career in the industry and are individuals that might attend RailCamp.
- Other preservation and grant giving organizations – The NRHS may choose to partner with other grant giving entities – NARP, Dailey Foundation and others – as appropriate to support projects at a higher level or to coordinate decision making so that the same organization isn't getting grants for the same projects.
- University students seeking funding – This audience is very small but because they will eventually be working professionally in some aspect of train world – museum professionals, transportation historians and academics, and similar professions – it would be in the best interest of the NRHS to have relationships with this group as some of them will be influential in the field in the future.
- Educational institutions – These would be organizations that NRHS could partner with to deliver products such as image archives, collections management, etc.

Market Analysis Summary

The NRHS operates within the highly fragmented rail heritage market. This ecosystem of organizations encompasses a wide variety of entities including historical preservation groups, museums, historical societies, trade groups, tourist railroads, educational institutions, research libraries, commercial magazines and modeling groups. However, rail heritage lacks cohesion. What is missing is an organization that can function as a clearinghouse for rail heritage and help make the industry approachable by individuals who want to participate but don't know where to start.

Lets now look at each broad grouping of organizations that comprise rail heritage in order to establish a rough estimate of the size of rail heritage as well as an understanding of the types of activities that organizations are engaged in. The result will also show that the new business model will result in a unique offering in the rail heritage space.

Publications are one of the most visible and readily identifiable aspects of rail heritage. They are also an area where numbers can be derived very accurately from readers of commercial magazines. While the magazines are good at presenting current railroad operations and featuring historic topics, they don't focus on advocacy of rail preservation (although they do cover preservation projects in their news sections). These companies are all engaged in the traditional activities of the publishing business. The only exception is Trains Magazine offers a once-a-year grant to a rail project. Based on our research, readership numbers are:

Trains Magazine – 93,000
 Classic Trains 57,000
 Railfan & Railroad 20,000
 Railpace Newsmagazine 6,500
 Various magazines with less than 5,000 readers: Passenger Train Journal, Railroads Illustrated, Railroad History, The Railroad Press, Railroad explorer and others.

The modeling magazines have roughly twice the readership of the prototype magazines:

Model Railroader - 132,000
 Classic Toy Trains – 38,000
 Railroad Model Craftsman - 40,000

Most of the rest of the modeling readership is contained in historical societies (below). The model railroad umbrella group, the National Model Railroaders Association, has 18,000 members, although it has seen its membership decline with the rise of Special Interest Groups (SIGs). The Train Collectors Association has about 30,000 members. While interested in the prototype rail world, the modeling groups don't focus on preservation other than prototypical modeling.

Historical societies comprise another important portion of the rail heritage community and they generally focus on specific railroads or aspects of railroads. For the most part membership in these societies probably has little overlap between them; generally people don't see beyond their favorite railroad. An exhaustive list has not been constructed but here are some of the more popular organizations and their membership totals:

Milwaukee Road Historical Society 2,600
 Chicago & North Western Historical Society 2,400
 Pennsylvania Railroad Historical & Technical Society 2,000
 Santa Fe Historical Society 1,800
 New York Central Historical Society 1,400
 Anthracite Railroads Historical Society 1,400
 Erie Lackawanna Historical Society 1,300
 Northern Pacific Historical Society 1,200
 Southern Railway Historical Association 1,100
 Nickel Plate Historical & Technical Society 1,000
 Norfolk & Western Historical Society 1,000
 Atlantic Coast Line/Seaboard Air Line Historical Society 950
 Louisville & Nashville Historical Society 900

Many other smaller societies exist. The historical societies tend to be quite provincial. While some societies actively work on preservation projects (Anthracite Railroads Historical Society), most relate only stories of the past with some modeling information.

Libraries include those dedicated to railroading (usually associated with museums) and others with significant railroad collections. Among the non-museum libraries are:

DeGolyer Library (Richard Steinheimer photography)
 St. Louis Mercantile Library (the extensive John W. Barriger III National Railroad Library)
 These organizations don't operate outside of the collections and library model.

Railroad museums range from small depots run as a mom-and-pop tourist attraction to large collections with hundreds of pieces of rolling stock. The larger museums often focus on one aspect of railroading (a particular state or line) while others serve as a catch-all for whatever they can acquire. Significant state-funded museums usually have a tight focus and include:

Railroad Museum of Pennsylvania
California State Railroad Museum
North Carolina Transportation Museum
Nevada State Railroad Museum

Once again there is a natural provincialism in the museums. Most do a good job at telling their defined stories. However, many suffer from lack of funding despite being state museums.

Significant museums not receiving significant public money include (note that the mention of a state name in a museum's title does not indicate state support):

Illinois Railway Museum (mostly Midwest, but wide ranging collection)
Virginia Museum of Transportation (mostly within state)
Museum of Transportation - St. Louis (wide ranging collection)
National Railroad Museum - Green Bay (mostly Wisconsin; despite the name, it receives no federal money)

Feather River Rail Society - Portola, CA (Western Pacific)
B&O Railroad Museum - Baltimore (B&O, C&O, Western Maryland and successors)

These museums can be successful at fundraising for specific projects, but it requires some tight targeting. Most funding comes from numerous individual donations. Very few receive large grants (with the notable exception of the B&O Museum which receives funding from CSX Transportation; recently the Virginia Museum of Transportation has been a favorite of Norfolk Southern)

Tourist railroads can bring in anywhere from a few thousand to over 100,000 riders annually, with a handful of the most successful ones bringing in over 250,000 riders. The highest ridership railroads in the U.S. include:

Strasburg Rail Road (Pennsylvania)
White Pass & Yukon (Alaska)
Great Smoky Mountains Railway (North Carolina)
Durango & Silverton Narrow Gauge (Colorado)
Grand Canyon Railway (Arizona)

Note that all of the above are located in significant tourist areas where people who may not normally seek out trains are present in high numbers. Tourist railroads can be a prime source of generating interest in rail preservation, although most don't look at the rail community as a whole.

Some tourist railroads and museums have significant "Friends" groups as volunteer support organizations. These include:

Friends of the Cumbres & Toltec Scenic (New Mexico)
Friends of Steamtown National Historic Site (Pennsylvania)
Friends of the East Broad Top (Pennsylvania)

These groups would benefit from wider funding sources; some operate on a shoe-string budget with numerous small donations from members. All would benefit from a national advocacy program for railroad preservation. None of these organizations operate on a national scale currently.

In summary, rail heritage is large with many different facets. But it remains largely fragmented, with few organizations looking beyond their own special field of interest. None advocate for rail preservation on a national level, but many of these groups could benefit from such an advocate. It is out estimate that the rail heritage community is probably about 500,000 people. It probably expands to 1.5 million if the modelers are included. If you throw in the armchair rail historian it might grow to a few million people.

Challenges in the Market

There are several risks or potential problems that the NRHS will need to over-come.

- Individuals in rail heritage tend to be provincial. If it isn't in their backyard or an artifact of their favorite railroad they don't care about it. The field of rail preservation has struggled to get active rail preservationists to look at the broader context of the artifacts they seek to preserve. This could be a challenge in seeking donors and part of the efforts of the NRHS needs to be unification of the community.
- How stable the organization will be in the short-term is going to be heavily influenced by how many current NRHS members are willing to convert to the new model. It is probably unrealistic to expect all of them to convert. The inability of the NRHS to deliver on its current obligations to members in 2014 may sour some supporters.
- The industry is saying unequivocally saying that an organization such as this is needed. If individual or organizational behavior doesn't follow, the model could be in trouble.
- The NRHS brand has a reputation for being stogy and not forward thinking. In the past the NRHS has signaled that it is not going to change and the industry has taken notice. The officers of the new NRHS organization will need to do a lot of work with industry leaders to put the NRHS in a positive position and to show others in rail heritage that it is serious about change this time.

Value Propositions

The rail preservation industry is a complex industry and as the unifying organization within a fragmented industry, the NRHS targets a wide variety of audiences with a dozen or so products and services. As a result, the NRHS business model has about a dozen different value propositions for the various product and service offerings. The value propositions are detailed here organized by program:

The first side of the model represents the resource acquisition side of the model. Resources, especially in the short-term are primarily defined as donations. The relevant value propositions for the first 18 months of operation are:

Member/Donor – This is an individual who is giving money to the NRHS to be used for preservation projects or education programs such as RailCamp.

“The NRHS provides an opportunity for me to donate to the preservation of railroad artifacts that are important to me or support important educational activities.”

Corporate Donors – These are corporations, perhaps in the railroad industry, who desire to nod to their heritage and provide money to support rail preservation efforts.

“The NRHS provides an opportunity for my company to recognize our rail heritage roots and provide funding for preservation projects.”

Major Donor – These are individuals with significant assets to donate who will do so to see a dream they have come true.

“The NRHS provides an opportunity for me to support a key project or initiative that will allow me to see a project that I have passion for come to into reality.

The second side of the model is where individuals or organizations will utilize the resources that the NRHS collects for hands on rail preservation. The relevant value propositions for the first 18 months of operation are:

RailCamp - Appeals to high school aged youth interested in railroading as a career. It helps them learn more about professional railroading and railroad preservation.

“I can learn about professional railroading and preservation during the summer.”

Railway Heritage Grants – This is a signature program of the NRHS and allows for organizations engaged in the preservation of important railroad artifacts to seek money for their projects.

“I can seek funding for the preservation or restoration of an important railroad artifact that I am working to preserve.”

NRHS News – This publication allows donors to understand where their money is being used in rail preservation and to learn about important preservation efforts the NRHS is supporting. I can also be used as a recruitment tool to demonstrate to new donors how their money will be used.

“I can read about where my money is being used in railroad preservation and to learn about what important preservation effort the NRHS is involved in.”

NRHS Bulletin - Gives donors the ability to learn about topics in railroad history. Will be used as a vehicle to make people aware of the society and capture new donors.

“I can read about important topics in railroad history. The in-depth general interest content I can not find in the competing magazines.”

At-Risk List – This annual list allows preservation advocates to have the importance of artifacts validated by a panel of experts for the NRHS to bring greater visibility to their cause. It also raises awareness of the importance of preserving our rail heritage.

“The NRHS can bring national attention to the significant artifact that I’m trying to get preserved. The importance of the artifact will be validated by a panel of industry experts.”

Marketing Plan

Since the NRHS is an existing business with an 80-year history the marketing plan for the organization is broken into several stages. These phases will align with how the NRHS transitions completely to the new organization. The NRHS will not be able to execute on everything simultaneously, thus the marketing plan will focus on the roll-out of the new business model.

Phase 1: The initial phase of marketing will start on September 21st when the Board votes to adopt the new business model. The first initiatives will focus on explaining the new organization to existing NRHS members as well as the rest of rail heritage. This will comprise several initiatives:

- A new NRHS.com. We will redesign nrhs.com and create new content to ensure that the web site accurately reflects the products/services offered, the value proposition to the key audiences and clearly communicates what the new NRHS is about to individuals and organizations in train world.
- A fundraising drive with members in our existing database to jump start funding for 2015.
- Communication of the key milestone for the new organization so that existing members and those outside the NRHS know what to expect.
- Reaching out to key members of rail heritage to start the process of establishing and building key relationships and partnerships.

Phase 2: Board approval of this proposal would trigger a membership meeting in late October or early November. This phase would begin after approval of the new business model at the membership meeting – exact date to be determined after September 20th. Initially, the focus would be on utilizing the November meeting in Johnson City, Tenn. to accomplish the following with existing NRHS Chapters:

- Help current Chapter leadership understand the new affiliate organization structure with the aim of converting as many Chapters to the affiliate model as are interested. Note: We need to recognize that it is not realistic to expect all Chapters to convert to the new model.
- Explain the value proposition, mission and focus of the new NRHS so that Chapters can make an informed decision on future affiliation and carry the correct information back to their members.
- Reinforce that the Chapters can continue their current operations and focus. Bylaws changes might be required since the membership model and relationship between the organizations is changing, however, the types of activities the Chapters are engaged in doesn't have to change merely because they are an affiliate of the NRHS instead of a Chapter.

Phase 3: Marketing to new audiences (2015 and beyond)

- Use a redesigned NRHS.com to communicate the new affiliate model, its value proposition and encourage groups not currently part of the NRHS to affiliate.
- Use social media to extend the reach of NRHS.com to new potential affiliate organizations
- Use data captured in the NRHS CRM to solicit affiliations from those who represent organizations where affiliation would be valuable.
- Once a CRM is in place, leverage the targeted email capability to identify and match interested persons to programs that the NRHS has to offer.

On going: It is important that the new organization quickly communicate that some of its key programs will continue. This will help keep the NRHS relevant, provide areas for donors to identify with and demonstrate that the new organization is fulfilling the key mission and objective of the NRHS. These programs include:

- Heritage Grants Program – The Heritage Grants program will continue into 2015 and beyond. The 2015 Grant application will be released this fall and should be heavily promoted.
- RailCamp – The RailCamp program will also continue in 2015 and beyond. Dates should be announced and application materials released this fall and should be promoted.
- 2015 Convention – The 2015 Convention program in Vermont scheduled for the summer of 2015 will be held as planned. Ticket sales will open in mid-September and should be promoted.
- NRHS News – The NRHS News will be a digital publication starting in 2015. This publication needs to be widely distributed and published in all our communication channels to encourage donations to the NRHS and its programs.

- At-Risk List – The 2015 NRHS Most At-Risk List should be announced and promotion of nominations should be a focus. Likewise, when the list is announced in mid-2015, it should be heavily promoted in all channels.

The NRHS will rely heavily on digital marketing and automated back-end business process as much as possible due to their efficient cost structure, ease of use for donors and their ability to keep data consistent and accurate. Key channels that the NRHS will have a presence in will be:

- Facebook – The current NRHS Facebook page is heavily focused on activities within the rail preservation community – both involving the NRHS and not. The new organization will build on this success and seek to increase the reach of the Facebook page.
- NRHS.com – The current site will be taken down and replaced with a new site. Initially, that will be a small site focused on explaining the changes that are being made and soliciting donations from those that support the mission of the organization. In early 2015, a fully redesigned site with content relevant to the new organization will be launched.
- Twitter – The NRHS will continue to use Twitter to publish critical messaging and drive potential donors and other key audiences to NRHS.com.
- Magazine ads – The NRHS will develop and deploy an ad campaign in Kalmbach and Carsten's publications (Trains, Classic Trains and Railfan & Railroad) in 2015 as an awareness campaign that: the NRHS is still in business but it is a substantially different organization. Ads should push individuals to NRHS.com for more detailed information.
- NRHS News – The NRHS News is one critical outward facing communication tool. In electronic form, it should be heavily leveraged to communicate the good works of the NRHS and encourage donations and participation for those interested in contributing to the national rail preservation effort.
- Preservation site (railwaypreservation.org) – The web site dedicated to the NRHS preservation program will be developed in 2015.

Fundraising Plan

An organization leads an individual along the path from curious bystander to a major giver by choosing a consistent message about the work it does. Using every communications channel at its disposal, the organization must communicate how the work represents the organizations mission. It is critical that certain key points are communicated to the member to help them rationalize giving money. Some of these things are:

- the work the organization does is unique and does not duplicate the efforts of another organization;
- the money will be spent prudently; there is a successful track record of this activity already in place;
- what the future benefits of the organizations efforts are;
- the role that the member/donor plays in its outcome.

If an organization does this consistently over the course of several years, it will be successful in building the case for members and donors to support the organization long-term.

Once this happens, the organization has a “donor culture” or a “culture of philanthropy” and each

subsequent contact with the donor requires less of a “sell.” In a mature program a return envelope is enclosed with every member communication, since 8% of the members will automatically return a check in it, even when it is not accompanied by an ask. That is a donor culture.

In any of the activities described below, the one common theme running throughout is the necessity for the organization to continually communicate its value to its constituents. This must be a consistent message across all of the organization’s communications vehicles including the fund-raising solicitations themselves and should be integrated with the organization’s branding. This is typically communicated to the member by demonstrating past activities where the organization has provided a unique and useful service congruent with its mission that affects the member in either a tangible, psychological, or emotional way. Then, in order to secure a gift, the organization presents some opportunity for future benefit for both parties contingent on the donor’s behavior.

As we have discussed, and as cited in more detail in the organization section, the new organization abandons the membership model as far as it applies to the governance of the legal entity. As we shall see below, it will be useful in our messaging to continue to use the concept of member for a while since it is so familiar to those already writing checks to the organization. The challenge will be changing the philosophy of those who are signing the checks: members are writing you a check in order to pay an invoice and derive a benefit for themselves; donors are writing you checks to see a benefit to the work you do with no expectation of tangible return. This part of the change is not semantic. Whether we are talking about the individual members, or the chapters, the membership model engenders no small amount of perceived entitlement.

Let’s begin by reviewing the template used by many nonprofit organizations deriving their revenue from a donor-based perspective. This is represented below by the lifecycle of a donor. Then we can look at where NRHS currently fits into this lifecycle, and where we believe the new organization will go. The template looks like this:

- 1) Acquisition: Typically, the first financial engagement of an interested party with the nonprofit organization is through a perceived transaction. Whether it is a fixed fee “annual membership” or some similar device, a purchase of unique or logo branded items from the organization, or a spontaneous one-time gift directed to a certain purpose, this is the way most donors begin their relationship. Many organizations are willing to offer a discount membership, or some sort of tangible premium (coffee cup, tote bag) for first time donors, since this is the first step in bonding the individual to the organization. The approach can be accomplished via a direct mail letter (expensive), an invitation advertisement in one of the organization’s publications or other publications reaching a like-minded audience, and/or through a website, Facebook, or some other digital means. In the organization being proposed constituent member organizations (affiliates) can facilitate initial transactions as well.
- 2) Regular supporter: Once an individual has a track record as a “member”, the organization then tries to interest the member in providing an additional gift (or multiples, if possible) within the member year. This is typically done through an additional gift letter, although many organizations are turning to e-mail for this purpose because of the lower production cost and ability to track detailed information about the interaction even if the individual doesn’t give at that particular time. NRHS has recently begun this program with success, using traditional paper and direct mail due to the composition of its membership file. To support mail, arguments articulated in the letter should be recapitulated within

publications and other digital communication channels along with an appropriate response vehicle. Typically there should be at least two, and preferably four, targeted, individually addressed, and customized additional gift letters throughout any member year, one of them being the tax year end/stock option. These should also offer an opportunity to target or encumber the gift to a certain program, as tracking this information is important for the next step.

- 3) Major donor: when an individual consistently gives above and beyond the baseline membership amount, it is wise to begin personally cultivating that individual for a large gift. Up to this point in the lifecycle, fund raising is a statistically-based approach predicated on mass numbers in a mailing, and measured against a benchmark response rate. The analogy would be firing a shotgun into a flock of birds hoping to bring a few down. Major donor work is where giving transitions from a statistically-based “shotgun” approach involving direct mail, to an individualized, personal contact “rifle”, which will bring down big game with a carefully targeted shot. At this level, two old development adages come into play: “people don’t give to organizations, people give to people” and “people don’t give you money to make your dreams come true, they give you money to make their dreams come true”. Therefore true major donor work (which is where the real money resides) requires participation of carefully trained board members or current major donors who can develop individual rapport with the targeted individual, determine the individual's interest in the various programs provided by the organization, and then create an ask which will engage the donor and make them willing to write a gift at the level that the donor has to stop and think about. There are at least 10 candidates who are ready for this kind of activity on the NRHS file.
- 4) Legacy Donor: Once a donor is in the major category, it is appropriate to discuss a planned gift with that individual. But it is not solely large gifts that indicate that this conversation should take place. There are indicators within a giving file that can indicate when a person is ready, but there are many stories within the development community of surprise bequest gifts with remarkably high numbers from those who never gave much during their lifetime. It is not unusual for individuals to fear outliving their money, and then to make a large gift to a beloved organization “when I no longer need it”. Therefore it is appropriate to have information regarding planned giving available across all communications vehicles at least 3 times a year, if not in every available opportunity. Planned gifts can take the form of bequests in a will, an insurance policy, a charitable remainder trust, or several other vehicles which financial advisors can set up for the donor. Legacy gifts can also take the form of collections that the donor owns that he wants to see taken care of by the organization, but extreme caution needs to be exercised before accepting such a gift.

NRHS Future Revenue Program/ Annual Cycle

NRHS fundraising initiatives thus far have focused heavily on direct mail and these activities has proved that our members will provide significant support for rail preservation. In the new model, the NRHS will continue to use direct mail but will also expand the program to include the solicitations via electronic means as well through email campaigns.

Either via direct mail or email, this will involve a personalized ask on some topic germane to the mission of the organization and its related component activities; i.e. Heritage Grants, RailCamp, Most-At-Risk-List, Roundhouse, etc. This will be a total of four asks annually. The society is at that level now, but also has “dues” as component of one of the asks (September). While the specific language regarding donors versus members is a tactic that will change, there will still be the concept of an annual cycle for the member.

However, in order to help regularize cash flow, that year will now be determined from the point that they give their initial gift. That way if we find it is useful to use the concept of renewal, not everyone will not renew at once as they do now. This will help even out the administrative work as well as the cash flow as time passes.

The migratory language used in communications in the first two years will lead the current membership to be comfortable with self identifying as a donor. At first all of our vehicles – the NRHS News, fundraising letters, email campaigns, press releases etc. uses both the words member and supporter, and eventually at the end of two years uses only the word supporter or donor. So the word member need not be verboten in the immediate timeframe. But what will be eliminated is the sense of expectations of specific services in exchange for dues in the manner that currently defines the entire fee for service relationship between national, the chapters, and the members.

Even though the new organization will be substantially changed from the current NRHS, the programs that are carrying forward have acquired additional gifts support already, and have those necessary elements – unique, necessary, well-run – to be able to pick up voluntary gift activity where the old organization left off.

First-year Donor Revenue Projections

- As of 7/1/14 we had 9,228 dues paying households – 2,199 At-large and 7,029 chapter members.
- The assumption is all current At-large members will migrate to the new organization.
At-large “dues” 2,199 @ \$50 = \$109,950
- 1/3 of chapter primaries will migrate with the At-large
2,343 @ \$50 = \$117,113
- plus repeat of ad gift revenue \$99,000
- plus 1/3 of migrating chapter Members will also produce an ad gift
(average ad gift (\$90) – dues (\$50)= \$40) 733 @ \$40 = \$22,000
- $\$109,950 + \$117,113 + \$99,000 + \$22,000 = \underline{\$348,063}$

The NRHS began a Sustaining Donor Program two years ago. We offer individuals the ability to donate a regular sum of money on a monthly basis. Currently we have about 6 people in this program bringing in about \$7,000 annually. This is an option that the NRHS has not pushed in its communications and solicitations but will begin doing so when the new CRM system is in place and the mechanics of managing the program is more efficient. There are two main benefits to this program. It draws a larger gift than a single outright donation, and it helps improve the organizations cash flow position by providing income across the fiscal year rather than in a lump sum at only one point in the year.

Ideally, in order to reduce the administrative load as much as possible, donation activities will be done through automated systems such as nrhs.com as much as possible thus minimizing manual data entry.

The cost of all of the above programs decreases dramatically in terms of operating expenditure when production, printing and mailing are eliminated from the revenue solicitation cycle. Hence we will rely on electronic and automated services as much as possible.

Revenue Sources Near-Term

There are several revenue sources that fall outside the broad categories mentioned above. These are the Roundhouse program, major giving and planned giving programs.

A major donor program will produce the highest net yield of any of the funding programs, but it requires a large upfront investment from the NRHS, and the lag time between starting the program and receiving the gift is much longer than with other fundraising mechanisms such as the additional gift solicitations. This will be particularly true for the NRHS as it moves past the current period of uncertainty and is better able to articulate and demonstrate reasons to give.

All of these programs are predicated upon establishing a genuine personal face-to-face relationship, and require a commitment on the part of the governing board to set an example through making a substantial gift to the organization, and additionally to commit the time necessary to do this. This will be particularly important for those folks who are currently Roundhouse members, and the major donor candidates as identified. Because the NRHS has drifted so close to financial catastrophe, those folks with the resources we need to survive will also be the most skittish about making a commitment. Therefore we have to remember the two ultimate truths of high-level fundraising:

- People don't give to organizations, people give to people
- People don't give you money to make your dreams come true, they give you money to make their dreams come true".

This will, however, require support for the board members, and capturing and being able to access a broad range of information about the donor is a minimum. This is why the NRHS will be moving from a membership centric database solution (iMIS) to customer relationship management software (SalesForce.com). Additionally, the NRHS will need to find a database management company who is experienced in using SalesForce.com as a fundraising tool rather than as a direct mail management tool.

Future Revenue Sources

There are a few tactics that the NRHS can leverage in the future to engage members and donors in other ways.

Every two or three years, depending on the size of the mailing lists generated, members who failed to renew should be re-approached. Keeping members is much easier than acquiring them, and often the member is not aware that they have lapsed until they get a notification. Sometimes this is coupled with a discount ask, or a thank you gift. This activity will be particularly important for the NRHS immediately after the new business model is adopted because of all the controversy that has surrounded the society in the past few years. A fundraising drive targeting "lost members" will be done to explain the focus of the new organization and how they can be part of it if they desire.

The reality is that the NRHS will probably never have enough money. Unless you are fully funding every mission related activity that the society could be legitimately pursuing, we can probably always use more money to help rail preservation. A letter from the President in every issue of each publication discussing opportunities that NRHS could pursue with sufficient funding is useful in building the donor culture. It is one more channel to communicate the work the NRHS is doing and to communicate the need for additional funding to NRHS members on a regular basis. The NRHS's publications, web sites, social media and outward public relations efforts will get that message in front of people who don't open direct-mail, but will open the newsletter or the magazine. So while the focus of the NRHS News will be preservation activities from affiliate organizations and others, and the NRHS Bulletin will be the more scholarly of the two publications, both publication will contain some element of donor messaging and fundraising, particularly for the NRHS Bulletin subscribers who are not necessarily donors to the society. It is a low cost opportunity to get a message of support in front of someone who might not currently support the NRHS.

Another source of donation revenue will be the acquisition of names from an affiliate organization mailing list. The NRHS best opportunity for new members are those who are already train friendly, as current members and friends of affiliate organizations will undoubtedly be. One option for the affiliate program will be a mailing list exchange. This should be a very efficient way to acquire new donors for those affiliates who have a mailing list and are able to share based on their privacy statement.

In subsequent years, the NRHS may look at other tactics to gain financial support. Some of those initiatives might include: Grant acquisition for specific projects or needs, Convention and Conference revenue, corporate underwriting and other programs.

Services and Products

The NRHS will offer a variety of services of products aimed at various target audience in the marketplace. Some of these are things that the NRHS is engaged in now and the programs will change very little such as our RailCamp, At-Risk List and Heritage Grants program. Other programs will continue but with a new focus or with some alterations in the product. Programs or products that fall into this category are: NRHS Bulletin, NRHS News, and Conventions and Conferences. There are other areas where the NRHS will start new initiatives that are focused on the core mission of the society. These are detailed below in the Preservation program section. Some initiatives such as Rails for Trails, Operation Lifesaver that will be delivered through partnerships with other organizations in the industry. Finally, some programs such as emblem sales and library collections will be terminated.

RailCamp

RailCamp will continue to be a core educational program of the NRHS. Targeted at high school age teens interested in learning more about a career in railroading or rail preservation, it is a week-long overnight camp program aimed at encouraging the youth to pursue careers in the railroad and the rail heritage industry. This program would not alter the current RailCamp program substantially. It is important to note that although a few other organizations have started similar type programs aimed at kids and adults, none of them have the following or the depth that the NRHS RailCamp program has. The NRHS RailCamp program is considered a unique program in the rail heritage community.

Heritage Grants

This will be another core program of the NRHS. The program would continue to solicit grant requests from organizations – including NRHS affiliates – on an annual basis. A preservation board would be formed consisting of leading members of the rail preservation community to evaluate grant requests and select those that have the most merit for funding. The selections would be based on pre-determined criteria that the preservation board would establish.

This program will be funded by donations raised by the NRHS or through joint grants with other grant giving organizations. The NRHS Board of directors would determine the annual Heritage Grants budget but the Preservation committee would determine how to best allocate that money based on applications received.

While this program is not unique in the market there is more than enough room for multiple granting bodies in the rail preservation space. Even with multiple granting organizations, there are many more worthy projects seeking funding than there is money to support them.

Preservation Program

The preservation program is a series of tightly related programs targeted at filling the gap in the rail heritage community where there are industry needs but no one is stepping forward to serve them. These programs address some of the issues related to the fragmented nature of the rail heritage field. Currently, the industry is faced with some realities that prevent it from making effective decisions and has challenges with coordinating activities of organizations across the industry. Some of the challenges the rail heritage community faces:

- A comprehensive list of preserved artifacts does not exist making it difficult to assess the uniqueness of any given artifact and thus what priority it should have for resources.
- There are no formal mechanism for raising awareness for an important artifact that is endangered either suddenly or over a period of time.
- There is no place for an individual who wants to interact with the rail heritage community to go to figure out how they can most effectively participate.

The NRHS preservation program is comprised of a variety of tactics, some of which will be initiated in the first few years of a re-organized NRHS while others will be initiated in future years as staffing and funding allow.

- **Preservation Emergency Database:** This is a listing of at-risk resources. Listings can be submitted by anyone, owner, non-owner. Describes the nature of the threat; if the resource is available for purchase, whether it must be moved, if it can be moved by rail on its own or on a flat car. If there is a qualified interest group built around the resource, a link to donate to them directly from our site could be provided. Information about the nature of the threat, opportunities to help; and whether the resources could be used for parts if not saved.
- **A Most-Endangered List:** Based on that of the National Trust for Historic Preservation. Could require a nomination or could be selected entirely in-house. If there is a qualified interest group built around the resource, a link to donate to them directly from our site could be provided. Information about the nature of the threat, opportunities to help; and whether the resources could be used for parts if not saved.
- **Database of Preserved Resources:** Scattered databases exist for a variety of equipment types, so there will need to be coordination. A step in the right direction would be to have those with the largest or most-high-profile collections sign on and the others will follow. So far, information

sources that have been identified are Richard Wiesen, steamlocomotive.info, steamlocomotive.com, etc. A condition report and photos must be part of the data collected.

- Steam Locomotives
- Diesel and Gasoline Locomotives
- Electric Locomotives
- Passenger Cars
- Freight Cars
- MOW
- Rail Lines
- Stations (Freight and Passenger)
- Roundhouses and other rail facility structures
- Preservation Award: Awards program aimed at recognizing achievements in the field.
- Historic Marker program – This would be a continuance of the current NRHS Historic Plaque program. We would looking to be charging for markers so that there is a profit margin for the NRHS, a database of all markers would be maintained and made accessible on the web and the program would be more heavily promoted than it currently is today.
- Preservation Resources:
- Organizational Capacity Building Services:
 - Information on starting a non-profit to adopt endangered railroad resources;
 - Information on available grants
 - Information about how to apply for grants;
 - Information on how to seek National Register eligibility, National Landmark status, local and state designations.
 - Information on the benefits and pitfalls of designation. Contact info for SHPOs
 - Information on how to obtain federal and state tax credits;
 - Competent guidance in dealing with regulatory compliance issues for common museum and preservation-related activities.
 - Information and advice on arranging publicity for events and a coordinated effort to "get the word out" so the general public will know your organizations exist.
- Technical Publications (similar to National Park Service Preservation Briefs): These are desperately needed in the industry but might be best delivered in partnership with an organization such as ATRRM.
 - How to stabilize and mothball equipment,
 - Cosmetic restoration,
 - Equipment moving guidelines. Assistance in arranging and finding insurance for shipment of equipment, by rail or on the highway. Guidance in making equipment to be shipped compliant with carriers requirements for acceptance. Guidance in dealing with municipalities permitting moves.
 - Guidelines for towns with Park Engines
 - Adaptive re-use ideas
- Parts and Services: These are services that ATRRM already provides to its members, however, there is a need for a
 - Listings for available parts (cross linked with endangered resource listings that have said they will consider salvaging parts if the resource is scrapped)
 - Listings for preservation service providers (with maybe a sale of ad space for them)

- Listings for those with equipment moving capability,
- Available storage space
- Coordinate the pooling of resources to purchase items/services for common use (e.g., cranes, low boy trucks, jacks for moving that are available for use at-cost; commonly-owned “safe space” for storage and preservation work, etc.).
- It is possible a partnership could be formed that would take advantage of tax-increment financing to locate a restoration services shop in an at-risk industrial area, perhaps employing underserved populations and taking advantage of financial incentives available for that purpose. A for-profit partner would be necessary.

NRHS News

The NRHS News publication will focus entirely on preservation activities of the society. The objective will be to showcase the work that the NRHS, its affiliates and partners are doing in preservation. This publication will have some space in each issues dedicated to affiliate projects as well as to fundraising efforts. The NRHS will be distributed electronically – not in print – to all donors of the NRHS. It will also be released to the public via the website and social media to let those who are not donors know about the activities of the society and encourage them to become members or donate. The NRHS News will be the primary communications vehicle to the rail heritage community about the work the society does. The publication will see a visual redesign and in 2015 to format it better for electronic devices.

NRHS Bulletin

The NRHS will resume publication of the *NRHS Bulletin* in 2015 and the magazine will continue to focus on articles that cover popular topics in railway history. As in the past, it will contain articles on in depth topics that would not be published in the commercial magazines – *Trains*, *Railfan & Railroad*, etc. – due to their length and focus on a single topic. This approach makes the *NRHS Bulletin* unique in the marketplace and will help it maintain and grow its readership.

There will be some changes in the distribution of the *NRHS Bulletin*. The NRHS will continue to produce a printed product distributed by mail. The specifics are:

- The magazine will be published 4 times a year as a 40-page publication.
- All individuals that donate more than \$135 to the society annually will receive a printed copy of the *NRHS Bulletin* at no charge.
- Anyone will be able to subscribe to the *NRHS Bulletin* without making a donation. These subscriptions will be offered for \$29 annually.
- Affiliates of the NRHS will receive 6 printed copies of each NRHS Bulletin.
- Back issues of the NRHS Bulletin can be purchased based on availability.

In addition to the printed version of the *NRHS Bulletin*, the NRHS will also begin to offer a digital version of the magazine. The digital version will be accessible through tablet computers where the distribution of the content can be tightly controlled. It will be made available through iPad and Android tablet applications similar to how *Trains* and *Railfan & Railroad* are distributed digitally. The pricing for the digital version will be the same price as the print version \$29. Single issues will be available for \$8 each.

Conventions & Conferences

The 2015 Convention program will continue as planned with no alterations. The Convention program will remain a part of the NRHS product offering, although we expect that the program will shift focus over time to more preservation and educational activities rather than an excursion centric program as it is now.

Regardless of its focus, the program will fulfill several key objectives:

- It will operate each year at a profit contributing positively to the net revenue of the NRHS
- It will be operated with minimal involvement from NRHS staff and officers. Most functions will be outsourced (registration operations, train operations, planning and hotel contracting, etc.)
- It will provide positive PR and keep the NRHS brand in the news
- It will provide a mechanism for people to meet face-to-face and for potential donors to interact with the NRHS

The current NRHS Conference program that is focused around the meetings of the Board of Directors and Advisory Council will see significant change. The NRHS will look for partnership opportunities to bring preservation focused events to its affiliate organizations and supporters simply because there may be other organizations that are better positioned to deliver those types of events and content than the NRHS.

Future Activities

There are a number of future activities that the NRHS could offer in the future. Specific future activities will be evaluated and prioritized by the Board based on how the proposed program maps to the mission and what organizational resources are available to support development of the program. Some areas that might be considered:

- Educational programs to expose youth to aspects of railroad history, preservation and related fields. These could be less intense programs than RailCamp and could be offered in partnership with other organizations such as the Boy Scouts.
- Educational assistance program could be developed allowing the NRHS to fund scholarships and for students studying at the graduate level. This program could also be used to fund internships and other work-study relationships for students to engage in real world preservation work with organization in rail heritage fields.
- Organizational capacity building services for other rail heritage organization to help organizations understand how to develop themselves. There are plenty of organizations that are already engaged in these types of activities and the NRHS could partner with them to bring this capability into the rail heritage community.
- Leadership development. One of the areas that the rail heritage field doesn't do an effective job at is the development of the next generation of leaders in rail heritage. The NRHS should develop a program to help develop leadership skills in promising individuals or to help other organizations develop their leaders.

These are just a few examples of areas that the NRHS can expand into in the future; there are many more that we don't have space to cover here.

Affiliate Organizations

The legacy Chapter relationships that the NRHS has had for the past 80 years will be dissolved. Instead, the NRHS will establish an affiliate organization model that will allow some of our existing

Chapters as well as other organizations to affiliate with the NRHS. A set of services will be offered as part of the affiliation program and each affiliate will be required abide by a set of rules and restrictions. Our expectation is that the affiliate model will start out small and simply and will develop over time into a larger program with a more significant offering.

The affiliate organization relationship will not be defined by the number of members an organization has as Chapter relationships currently are. Instead the affiliate program is aimed at providing value for organizations that are involved in aspects of railroad preservation. Affiliates could certainly have members but the relationship would be between the organization and the NRHS, not the members and the NRHS. For a fee, the organization and the NRHS would enter into a franchise type agreement. The agreement will be for either 1 or 3 years. This allows both organizations - the NRHS and the affiliate the opportunity to evaluate the relationship periodically. The affiliation fee would be paid on an annual basis. Different pricing is provided depending on whether the affiliate is a non-profit or commercial company, how long the agreement is for and what the existing relationship is with the NRHS.

The NRHS affiliate program aims to provide local rail heritage organizations a way of affiliating with an entity with larger scope to help build credibility with their work on a local level and to obtain resources to further their cause that they would not be able to obtain solely as a local rail heritage group.

An affiliate organization would get the following benefits from the relationship with the NRHS:

- The right to use the NRHS name within parameters specified by the NRHS. The affiliate organization would have the ability to say something like – St. Louis Chapter, an affiliate of the NRHS.
- The right to use NRHS branding elements (logo, etc.) within brand guidelines. Detailed brand guidelines and marketing assets (logos, etc.) would be provided to affiliates.
- Purchase discounted insurance – as Chapters do now.
- 6 copies of the NRHS Bulletin for library usage or whatever the affiliate desires to use them for.
- Mutual email list access. Right to use the NRHS mailing list for preservation or event related communication. This would be limited to 4 communications per year and the messages must be sent by the NRHS through its CRM system.
- An affiliate does not need to be a non-profit entity. For profit entities could also affiliate with NRHS.
- Promotion of affiliate projects in NRHS publications – electronic and print – such as the NRHS News, NRHS Bulletin and certain locations on NRHS web sites and social media (Facebook, etc.) for appropriate preservation or event related content. This will help local organizations reach a wider audience. Exact placement is at the discretion of the NRHS.
- Listing on affiliate section of website.

Currently, NRHS Chapters do not agree to anything in return for being a Chapter – aside from having a certain number of members in good standing. In the affiliate organization model the affiliate will need to agree to abide by several terms:

- The affiliate organization can only use the NRHS brand in the manner specified in brand guidelines that the NRHS will provide.
- They must allow NRHS access to the affiliate organizations mailing list. This would also be limited to 2 mailings or e-blasts per year.
- There would be an affiliation fee annually. It would be a flat fee and not based on the number of members the affiliate has.
- Affiliation would be for 5 years and either party could choose not to renew. There would also be an out clause that could be triggered by the affiliate violating the agreement or by the affiliate choosing to cease the affiliation with NRHS.
- If an affiliate organization ends their agreement with the NRHS for any reason, they must cease using the NRHS Brand within 30 days.
- Affiliate organizations acknowledge that they are partners with NRHS with shared goals. To promote these shared goals, affiliates agree to not engage in activity adversarial to NRHS, its vendors or individuals associated with NRHS in print materials, affiliate organization newsletters, social media and other public forums.
- Listing on affiliate section of web site.

Affiliation will be open to non-profits and commercial organizations. Fees would be based on the following chart:

Non-profits	Existing Chapter	3 years	\$250 /year
	Existing Chapter	1 year	\$350
	New Organization	3 years	\$300 /year
	New Organization	1 year	\$400 /year
Commercial	Annual revenue < \$1 Million	3 year	\$250 /year
	Annual revenue < \$1 Million	1 year	\$300 /year
	Annual revenue > \$1 Million	3 year	\$900 /year
	Annual revenue > \$1 Million	1 year	\$1,000 /year

Governing Model

The NRHS will continue to operate under the existing legal entity – National Railway Historical Society, Inc. incorporated in the State of Maryland. It will continue to operate as a 501c(3) entity.

Given the structure changes that will be implemented in the business model of the NRHS, it will be necessary to make substantial changes to the bylaws of the organization. This will include major revisions to the governing body of the NRHS. The most obvious changes will be the result of the shift from a member-based organization to a donor-based organization. Directors will no longer be elected but rather appointed by the Board. Officers will be elected from the slate of directors that comprise the Board. A minimum set of officers will be required per the bylaws – President, Vice-President, Secretary and Treasurer. Other positions can be established by the Board on an as needed basis.

The NRHS will be governed by a Board of Directors consisting of 11-15 individuals starting January 1, 2016. The range of directors allows for the Board to expand and contract by several seats as required by

the business. There will be times when suitable replacement directors are not willing to volunteer while other times the Board will desire to add a director when a seat is not otherwise available. The Board will be self-perpetuating with terms of 3 years each. Terms will be staggered such that roughly 1/3 of the individuals terms will be up each year. Directors will not be paid but may be compensated for time and expenses related to approved NRHS business.

It is expected that the Board of Directors will do most of its business by conference call, web ex and other online collaborative tools. The Board will be required to meet 4 times per year but will likely need to meet monthly especially in the first few years. Two of the meeting must be in person. The in person meetings could be in conjunction with other NRHS events such as a Convention or they could be simply meetings of the Board.

A transition Board will be appointed to run the organization from September 21st until December 31, 2015. The transition Board will have two primary tasks:

- To operate the business and transition the NRHS's activities from current operations to the new model over the next 15 months. This includes: evaluating and hiring new supplier to service the NRHS business, transitioning the membership data to a new platform, ensuring that existing programs operate continuously – Convention, RailCamp, Grants, ensure that new program get started up, and ensure the proper administration of the society's business.
- To establish the new permanent Board to take office in January 2016. This will include the recruitment of new members to join the Board with an appropriate balance of those who can provide continuity with the legacy NRHS with the need for outside viewpoints to guide the NRHS as it develops its new focus.

The transition Board will be comprised of the four members of the new business committee plus three additional individuals. The four committee members will ensure that the vision and work of the committee carries forward. The three additional individuals will be appointed by the current Board and should include at least one individual from outside the current NRHS Board.

There will be several standing committees – finance, audit and nominating that will perform the usual functions within the organization. Additionally, the bylaws will specify the creation of a Preservation Committee. This Preservation Committee will be comprised of 5-7 people with professional credentials in the preservation industry. They will provide guidance to the Board and administrative personnel with regard to the operation of our key preservation programs (e.g. Heritage Grants, At-Risk List). They will select the organizations that receive Heritage Grants and determine what artifacts will be placed on the At-Risk List each year. Having individuals with professional credentials advising the Board and making important preservation decisions will lend credibility to the NRHS' preservation efforts. The Preservation Committee needs to be established in early 2015.

The NRHS Board will be charged with guiding the strategic direction of the society, establishing budgets, providing oversight of the operations manager and participating in fundraising for the society. The Board will hire an operations manager who will be responsible for the day-to-day operations of the society. They will supervise vendors and ensure that the programs of the society and administered and executed properly.

The NRHS Fund will continue to function as the NRHS's CSO. As such, the NRHS Fund will be the recipient of almost all donation revenue outlined in this business model.

Management Summary

The governing body of the NRHS is covered elsewhere in this document. That body will be responsible for defining the strategic direction of the NRHS. The NRHS will have one paid staffer – an operations manager. The operations manager will be hired by the Board and will be responsible for the day-to-day operations of the society and its programs. A job description for the operations manager is provided separately with this document. It is anticipated that the operations manager will start as a part-time contractor and grow into a full-time role as funding and organizational needs dictate.

The NRHS will purchase services in a number of areas as it has in the past, however, the vendor(s) used to deliver those services may change. Currently we are using an association management company for most of these services. Given the changes in the NRHS and the strengths of association management companies, the NRHS might get better value by moving services to several different vendors. An RFP or bidding process will determine this over the next few months.

It is anticipated that the NRHS will outsource the following administrative functions:

- Database platform – Salesforce.com will be the platform that we manage membership and donation information. This will replace the iMIS software that we currently use. The platform is a cloud-based solution that has much of the functionality we need built into it. It is purchased on an annual contract based on a monthly per user fee. Salesforce.com differs from iMIS in that it is designed to manage data related to all aspects of a client relationship and not just track membership data.
- Finances – A financial service firm will be retained to handle bookkeeping and associated financial tasks. They will be overseen by the Treasurer of the NRHS. The Treasurer and NRH Board will set policy and the firm will be responsible for carrying it out. This service will be put out for bid.
- Financial Audit – There is an existing contract for audit service with PGA.
- Day-to-day operations and Fundraising – These will be handled by the operations manager, the NRHS's only paid employee.
- Public Relations – The NRHS will continue to contract these services to Elrond Lawrence.
- Legal Services – These will be handled by our current legal firm – Capehart & Scatchard at a reduced hourly rate with a monthly cap on billable hours.
- NRHS Bulletin production – We anticipate that White River Productions will continue to provide pre-press and layout services for the production of the Bulletin. Printing will continue to be done by Grit Printing.
- Marketing Service – This category of work includes print advertising, branding, web site support and digital design work. These services will likely be donated by a member of the Board.
- IT support – This includes support of systems such as e-mail, web servers, information security, credit card transaction processing and other similar services. NRHS officers will continue to provide strategic support for these things while contractors with specialized skills will be utilized for the actual technical work on an as needed basis.
- Conventions – Support for conventions will come entirely from outside vendors and individual contractors. Meeting planning services will be used for hotels, meetings and logistical operations. Events will be run by contracting with individuals or companies who can run the railroad events that comprise an NRHS Convention.

High Level Implementation Plan

The NRHS will see significant change transitioning from the current organization to the new organization outlined in this document. The new business committee has identified key transition activities that need to occur once the Board approved this plan.

The first phase of transition activities will be establishing the Transition Board. This Board will govern the NRHS from the time the Board approves this plan through December 31, 2015. It will be comprised of the four members of the new business committee plus three other individuals to be appointed by the current Board.

The first activity of the new Board once it has organized itself will be to develop a detailed execution plan to operationalize the vision and model that is outlined in this document. Components of that plan will include:

- Selecting vendors to perform work the NRHS will not do internally
- Execute fundraising initiatives
- Setting up financial systems to support the new business model
- Communicating with existing NRHS Chapters and members
- Developing and communicating with other rail heritage organizations
- Migrating to a new CRM solution for records management
- Keeping existing NRHS programs going
- Starting up new NRHS programs