

IOWA PACIFIC

DISPATCH



FOURTH QUARTER 2007

a vital PARTNERSHIP

A 40 million gallon, \$60 million dry mill ethanol plant under construction near Levelland, Texas, is creating more business for the West Texas and Lubbock Railway.

"It's a tremendous source of new revenue for our railroad," said Project Manager Jeff Barker. "It will be the largest source of revenue for that part of our track."

Located about 25 miles west of Lubbock, the Levelland/Hockley County Ethanol plant is expected to be completed in February 2008.

According to Wade Walker of Rio Technical Services in Fort Worth, project manager for construction, the railway will play a crucial role in the success of the plant.

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Construction of the 2.5 mile loop track to serve Levelland/Hockley County Ethanol began in September.

Building on Success, A message from Ed Ellis

Welcome to the Iowa Pacific Dispatch, our new quarterly newsletter designed to let you know what is going on with our companies.

As 2007 nears its end, Iowa Pacific Holdings is poised to continue to seek new opportunities to grow rail business.

Since the formation of IPH in 2001, we have shown shippers and receivers our strong capabilities for devising creative solutions to transportation problems. We focus on providing the right service, in the right equipment at the right price.

While IPH railroads provide top quality local service, they also work closely with the connecting Class I railroads to ensure good performance on

the long haul portion of the move.

And, as more companies embrace our society's concern about pollution, the "carbon footprint" and energy independence, use of rail is becoming increasingly attractive, and not just because rail costs less than truck. According to the U.S. Department of Energy, railroads run three times more efficiently than trucks with corresponding reductions in carbon dioxide and other emissions.

Our unique excursion services provided by the Rio Grande Scenic Railroad and High Iron Travel have also been well-received by thousands of passengers. We enjoyed working with Michael Martin Murphey to put on his concert in September, and are set to of-

fer additional trips and events in 2008, including more concerts at the top of La Veta Pass.

We have successfully acquired, operated, and grown the business on five railroads since 2001, and through the committed, enthusiastic, safety-conscious team on each railroad, at each car repair location and at headquarters, we are in the position to continue growth both through acquisitions and through additional traffic on each railroad.

I'm personally excited about our continued re-investment in the railroads which will continue in 2008, and look forward to continued improvements in safety and service.

Ed Ellis

Iowa Pacific Holdings President

Partnership

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“We wouldn’t be in existence without the railway,” Walker said. “They were critical to the success and financing of this plant.”

West Texas and Lubbock Railway will provide the method of transportation for shipping grain in to be distilled and shipping the ethanol out after production.

Work began in March on construction of nearly two and a half miles of roadbed for the loop track. Contractors began track work in September and expect to be completed in December.

“It’s going very well,” Barker said. “It has been rainy, but it has not affected the schedule.”

The new track, along with three switches and an in-motion track scale will be capable of serving a 110-car grain train. Barker said incoming grain cars will be unloaded to storage silos at the plant within eight hours.

After production, the ethanol tank cars will be forwarded to BNSF Railway. Walker said they expect to ship about four cars of ethanol a day, a number they are prepared to handle.

“We are ready for the ethanol,” Barker said. “It all depends on the customer’s needs.”

He said both he and local residents are excited about the plant.

“People are looking forward to it because it is a source of employment,” Barker said. “Personally, I love to build railroad projects and look forward to getting this up and running.”

Business boom

Ethanol, a high octane, clean burning, renewable fuel produced from crops, is quickly reshaping the economies of rural areas across the Midwest.

A recent push to move towards increased American production of ethanol to decrease the country’s dependence on foreign oil has prompted a business boom.

Not only is rural America seeing the effects of this boom, but so too is the railroad, a vital means of transportation for ethanol.

Because of its cleansing components, it cannot be transported by pipeline like gasoline. Shipment via truck costs considerably more than rail.



Michael Martin Murphey, center, stands in front of the SP-1744 vintage steam locomotive, which regularly pulls 1950s-era passenger cars through the Sangre de Cristo Mountains. The engine was commissioned into service in 1901 by the Southern Pacific Railroad.

WILD WEST CONCERT

More than 300 passengers enjoyed the breathtaking view of La Veta Pass in the Colorado Rockies as they were whisked up to Horseshoe Curve Sept. 8 for a concert by cowboy singer/poet Michael Martin Murphey.

La Veta Pass, the highest point at which any active standard gauge rail crosses the Rockies in Colorado, was the setting for the debut event in the Rio Grande Scenic Railroad’s High Altitude Concert series showcasing ‘Wild West’ entertainment.

Murphey charmed the crowd with hits including, “Cowboy Logic,” “Carolina in the Pines,” and his trademark, “Wildfire.” He intermingled his music with commentary on his life-long love of rural Colorado and railroading.

Train generators powered the sound and lighting equipment, preserving the fine mountain acoustics, proving a truly unique concert experience.

“Is there any better setting than this for a cowboy poet?” Murphey asked the audience amidst cheers.

Murphey said the site was the most exciting venue he had played and was thrilled with the atmosphere of the event.

“The smell of the pines and the wood-smoked barbecue, the cool mountain air, the sunset over the Spanish Peaks and the canopy of stars inspired me in an overwhelming wave that washed over my senses,” he wrote on his Web site.



Left: Passengers enjoy snacks in the cars before the concert. Right: The sun sets behind the RGSR train as it pulls up to Horseshoe Curve on La Veta Pass for the concert.

READY FOR GROWTH

More than 10 months into operations, the Chicago Terminal Railroad is on track to continue to increase business and staff, according to Superintendent of Operations John Sorrell.

CTR took over operations from Canadian Pacific Railway on the former Milwaukee Road lines in 2006 and began their switching operations along North Avenue Jan. 2.

CTR employees serve local industries along North Avenue, in Elk Grove, Ill., and will soon begin switching operations in Bensenville, Ill.

Tuesdays and Thursdays, on North Ave., they switch out industries on a four-mile track that services Goose Island and Chicago's North Side. Industries include A. Finkl & Sons Co., a large industrial castings company; Big Bay Lumber Co.; and, General Iron Industries, Inc., a scrap yard.

The actual track is unique in that it runs down the middle of the streets and alleys in that area. The train also travels across a unique 1899 swing-basculer bridge, owned by CTR, across the Chicago River en route to Big Bay Lumber Co.

"These are historic tracks," Sorrell said. "The line used to be the main line that went from Chicago to Evanston, Ill."

CTR has also been in operations since May 1 at Centex Business Park in Elk Grove. The railroad operates on 14 miles of track to serve 18 businesses, including: Chicago Sweeteners, Vertis Communications, Ropak Packaging, Material Sciences Corporation, Clear Lam Packaging, Inc., and DouMak, Inc.

"We're always looking to increase business," Sorrell said. "Since we are new to the park, I think we'll find our niche."

The railway currently has two locomotives, the ILSX 900 and ILSX 921, which are leased from Independent Locomotive Service



The 1899 swing-basculer bridge connects with the rail to service Big Bay Lumber.



Jim Prokes, locomotive engineer, works in Elk Grove. He has worked for CTR five months.

Hay flatcar tested

Central Car Repair recently finishing testing on a new flatcar designed to transport hay more efficiently.

The Greenbrier Companies, headquartered in Lake Oswego, Ore., worked with CCR to design the modifications to the 90-foot-long flatcars. Each is capable of handling 70 one-ton bails of hay. The flatcars will hold three truckloads of hay, whereas hi-cube boxcars can only contain two.

The flatcars have large bulkheads on each end and straps that prevent the hay from moving while in transit.

General Car Foreman Bryon Palmer said the company want to build between 50 and 100 of the cars once Union Pacific Railroad and BNSF Railway approve the design. The cars will be loaded on the San Luis and Rio Grande, interchanged with UP and BNSF, and off-loaded near dairy farms in the Southwest, including on the Texas-New Mexico Railroad.

The first car began testing this summer in Colorado on the San Luis & Rio Grande and will reduce the cost for farmers in the San Luis Valley to deliver hay to customers.

"Hay could potentially be a big increase for carloadings on the SLRG," Palmer said.



The San Luis and Rio Grande Railroad will be able to better serve the hay industry with a new car designed specifically to transport hay efficiently.



A Texas-New Mexico Railroad train passes southbound by the Lea County Convention Center near Hobbs, N.M.

Lovington Reopened

With upgrades to the Texas-New Mexico line now complete between Monahans, TX and Eunice, NM, and the line reopened for business from Hobbs, N.M., to Lovington, N.M., Jack Dapkus, Iowa Pacific Holdings vice president-sales, said the line has a "promising future."

New ballast, rail, ties and a grade crossing signal (at highway 18 in Lovington) were installed between November, 2006 and September, 2007. Dapkus said with these upgrades, the full Texas-New Mexico line purchased in 2002 is ready for growth. The line extends south from Lovington 104 miles, connecting with Union Pacific Railroad in Monahans, Texas, but the last few miles into Lovington were not open when Iowa Pacific bought the line.

Dapkus said the first car on the reopened portion was a lumber car. He is currently working with chemical distributor Univar, which purchased property and a rail spur. Other potential industries to serve include frac sand, drilling supplies and cotton seed. "This re-opening is establishing an economic benefit for the city of Lovington," Dapkus said.

In 2008 and 2009 the portion of the line between Eunice and Hobbs is scheduled to be upgraded.



Seven B39-8 GE locomotives are increasing horsepower on the SLRG and TNMR lines.

ADDING HORSEPOWER

In the past eight months, seven B39-8 GE locomotives have made their way to the San Luis & Rio Grande and Texas-New Mexico railroads.

The four-axle, 3,900 horsepower locomotives are part of the fuel efficient GE-8 series.

According to Mike McConville, vice president-operations, the best feature of these locomotives is an on-board diagnostics system, which reduces enroute failures and out-of-service time. The system will tell operators if a failure has occurred; then, a phone call to a short-line GE representative is made. The representative will be able to determine how the railroad can return the locomotive to service.

“In the past, determining the problem could be challenging,” McConville said. “Since we can now quickly contact the manufacturer, a lot of the guesswork is taken out of the repair process.”

These new locomotives replace five older locomotives and average two to three times as much power.

Four of the new locomotives are for the San Luis & Rio Grande Railroad and three are for the Texas-New Mexico Railroad.

McConville said they are adding horsepower because these railroads have more traffic now and more on the way.

“We have really good sales and marketing people increasing our business across the board,” he said.

The San Luis & Rio Grande and Texas-New Mexico Railroads move goods such as oil field supplies, volcanic rock, potatoes, wheat, barley, fertilizers, lumber and cement.

This newsletter appears under the direction of the president. For news coverage, contact Stephanie at the newsletter office by phone at (402) 475-6397, mail to 1845 S. 11TH ST, LINCOLN, NE 68502-2211 or e-mail stephanie@newslink.com. This material is intended to be an overview of the division news. If there are any discrepancies between this newsletter and any collective bargaining process, insurance contracts or other official documents, those documents will govern. Iowa Pacific Holdings continue to maintain and reserves the right, at any time, to alter, suspend, discontinue or terminate all plans and programs described in this newsletter. This newsletter is not an employment contract or any type of employment guarantee.

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Taking a trip to relive history

Clark Johnson understands the importance of the railroad in the history of the United States.

“The railroad built this country,” said Johnson, president of High Iron Travel and director of Iowa Pacific. “There was a time when everybody rode trains.”

Passengers will relive that history Nov. 2 to Nov. 5 with a High Iron Travel excursion trip from Philadelphia to Olean, N.Y.

The trip will commemorate the 50th anniversary of the Steamtown National Historic Site museum in Scranton, Pa.

“This is really to help raise money for the restoration efforts of the museum,” Johnson said. “This is a way of preserving that history.”

The museum restores locomotive and passenger cars, some up to 100 years old.

The 16 High Iron passengers and six crew members will fill two of an 11-car passenger train departing Philadelphia’s 30th Street Station Nov. 2. The train will be pulled by two restored Pennsylvania Railroad E-8 locomotives built in the 1950s.

On Nov. 2, the Susquehanna Limited, run by Juniata Terminal Company, will travel on the former Reading, former Lehigh Valley and former Delaware Lackawanna & Western lines to Scranton, where they will stay overnight.

Passengers will visit Steamtown all day Nov. 3. and will also board a special steam-powered excursion to Stroudsburg, Pa. using the museum’s restored equipment.

On Nov. 4, passengers will travel to Binghamton, N.Y., then west on the “Southern Tier” to Olean, N.Y. where they will spend the night.

They will travel back to Philadelphia on the former PRR Buffalo lines Nov. 5.

Johnson described the nearly 600-mile trip as providing beautiful views.

“It’s very mountainous and scenic,” he said.

He also said the trip is unique because some of the old lines to Scranton have seldom, if ever, been traveled by a passenger train.

“This is extraordinarily unusual,” he said, “considering there used to be thousands of trains that went everywhere in the country.”