

IOWA PACIFIC

DISPATCH



Fourth Quarter 2008



Unique Perspectives

CTR crews shove into a curve to avoid blocking the intersection of Kingsbury and Cortland streets as they wait to pull cars from A. Finkl & Sons Co.



A CTR train passes through General Iron Industries Inc., a scrap yard. The yard was once divided by Kingsbury Street, but is now closed to street traffic.

Winding through the bustling streets of Chicago's Goose Island, it is easy to know when the Chicago Terminal Railroad is operating as it draws a lot of attention from puzzled onlookers. The street-running railroad shares its tracks, which run smack down the middle of the street, with pedes-



Kyle Kimpel, conductor, operates an in-ground switch, which is hidden by an iron panel and lays flat on the street, when not in use.

trians, cyclists and motorists at least twice a week as crews serve nearby industries.

Simply put, "it's crazy" said Phil Van, locomotive engineer, who has worked the job since the CTR took over North Avenue operations in 2007. "This is a true test of engine braking."

Van is joined on the job by Kyle Kimpel, conductor.

Street running, once a commonly used practice for freight and passenger railroads, has largely become a thing of the past. However, a few short line freight and passenger railroads still have street running operations through heavily populated areas such as San Francisco, Philadelphia, Oakland, Calif., and Bronx, N.Y.

Goose Island, located northwest of downtown Chicago, is surrounded by the Chicago River and at one time contained a large freight yard owned by the Milwaukee Road. CTR Crews operate an 1899 swing bridge over the river to get to their industry work at A. Finkl & Sons Co., Big Bay Lumber Co. and General Iron Industries Inc. which they serve on Tuesday and Thursday mornings.

Staying vigilant throughout a switching operation is always key for a railroad, but even more so for the unique CTR operation.

"It can be nerve-racking because you are trying to keep track of a lot of things, especially where everybody is," said

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SPUD TRAIN



An abundance of potatoes from local farmers and a sharp spike in diesel fuel has translated into increased freight business for the San Luis & Rio Grande Railroad.

Just north of Alamosa, Colo., in the fertile San Luis Valley, potatoes have long been an agricultural staple. Colorado potatoes are known for their superior color, shape and, in some varieties, nutritional properties. The cool weather contributes to the smoothness of the skin, while the Valley's isolation helps eliminate pests and disease.

About 1,000 boxcar loads of potatoes are shipped annually to

Schoenmann Produce Company in Houston. The SLRG handles these cars from a connection with the San Luis Central Railroad at Monte Vista, Colo., to the SLRG's interchange with Union Pacific at Walsenburg, Colo., which in turn hands them off to BNSF Railway at Pueblo, Colo. for the move to Houston.

"This is very time sensitive," said Steve Schott, vice president business development, Iowa Pacific Holdings. "Our crews are doing everything we can to get cars in a timely fashion to ensure we meet our schedule with UP."

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Unique Perspectives

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Mike Smul, locomotive engineer. “When I make a move, I have to be clear of everything around me. It’s safety first.”

That proves a challenge on most days, when unaware motorists buzz around the corner only to meet the freight locomotive. Or, when impatient pedestrians and cyclists take matters into their own hands, finding ways to slither around the train as it momentarily blocks an intersection.

“It’s a test of patience,” Smul said.

The crew has multiple responsibilities while street running that include flagging street traffic, operating the swing bridge, running the locomotive, communicating with customers and operating the nearly century-old in-ground switches.

They can also be seen with ice picks in the winter, chipping away at track and switches to avoid derailments.

“We have to inspect them constantly,”

Van said.

Making special considerations for the public, the crew tries to minimize interruptions in the daily lives of Chicagoans. They follow a much-practiced routine, shortening the time they block an intersection whenever possible.

“We try to have the best attitude with people,” Van said. “You want to keep good relationships with the public.”



With a perfect view of the Sear’s Tower, CTR crews run down the middle of North Cherry Avenue toward the Division Street crossing to serve Big Bay Lumber Co.



The CTR crew runs down Cherry Avenue after pulling a car from Big Bay Lumber Co.



CTR crews pull a box car from Big Bay Lumber Co.



Phil Van, locomotive engineer, left, trains Mike Smul, locomotive engineer, on North Avenue yard operations.



Street traffic waits as the CTR train crosses the intersection of Kingsbury and Cortland streets, on its way to A. Finkl & Sons Co.

SPUD TRAIN

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The potatoes are scheduled to be to the Houston distribution facility within six days of being loaded. They are moved in bulk, rather than boxed, which requires a unique flume method for unloading. Water is pumped into the car and a channel sends the floating potatoes down a chute to the processing area, where they are inspected, boxed and sent to local grocery stores. They are sold under the name “Mountain King Potatoes.”

Potato cooperatives turned to rail, which provides more flexibility with service, as a more economical way of moving their crop.

Rail service had been replaced in recent years by over-the-

road trucks, which previously provided more competitive pricing.

“The majority of this business has typically moved by truck the past few years, but when diesel and oil took off about six months ago, it became more economical for them to return to rail,” Schott said. “This is a very competitive piece of business.”

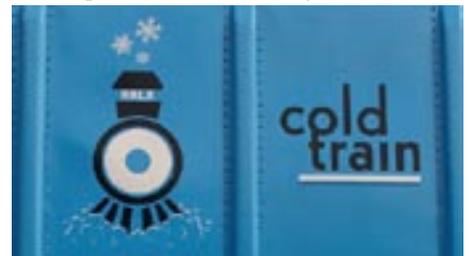
The success of the potato operation may mean more opportunities for similar service to other areas in the future.

“We anticipate being able to handle shipments going into Atlanta this fall and expanding to handle other destinations,” Schott said. “We know there is tremendous potential for potatoes going throughout the country.”

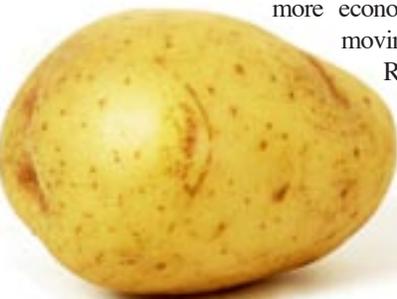
Those potatoes are expected to move boxed, rather than bulk. Norfolk Southern is expected to handle the interchange at

Memphis from BNSF to carry the shipments into Atlanta. The SLRG has partnered with Rail Logistics to provide refrigerated cars for future potato shipments to Atlanta.

“I think this shows that we have the ability to identify new market opportunities and put together pricing and service packages to attract business traditionally moved by truck,” Schott said. “We have to prove to our customers that we can provide the service they need.”



The SLRG has partnered with Rail Logistics to provide refrigerated cars for future potato shipments to Atlanta.



MEET YOUR ADMINISTRATIVE STAFF

Like many small companies, administrative staff members at Iowa Pacific Holdings wear many hats.

Meet Mary Taylor, Ovidio Saenz, Laura Pazar, Debbie Reed and Judy Hogan. The five employees work behind the scenes in the fourth floor suite of the Clinton St. headquarters in downtown Chicago, ensuring everything from finances to employee issues and general paperwork is handled appropriately. They each play an integral role in making a growing company a thriving success.

Judy Hogan, administrative assistant

Judy Hogan is the newest member of the Iowa Pacific administrative staff. She joined in April.

She previously worked nearly 13 years in pharmacy contracting.

With her current role, she provides support to company employees, which may include making calls, acting as a liaison between President Ed Ellis and other employees, fielding calls, processing paperwork, verifying material sent and ordering office supplies.

"I enjoy coming to work every day," she said. "We have a good rapport here and there is always something new every day."

She said the rail industry is similar to her experience in pharmaceuticals, as everybody knows each other and treats one another like family.

Laura Pazar, accounts payable

Taking on a new avenue in her career, Laura Pazar joined the Iowa Pacific team in May 2005 to handle accounts payable.

She previously worked 14 years as a surgical technician and 7 years in the kitchen design department at Home Depot.

Pazar, sister of Mary Taylor, controller, never realized Chicago was such a hub for rail operations. In accounts payable, she inputs invoices; creates invoicing for Central Car Repair, which involves entering AAR Billing into the financial system; processes incoming checks; manages the company credit card; retains vendor files and tracks derailment related expenses.

She enjoys working with the same core group of people and taking on the challenge of new things.

"With the acquisitions, there is more

to do all the time, but I do my best to stay on top of it," Pazar said.

Debbie Reed, staff accountant

Debbie Reed, originally from the Cleveland, Ohio, area, joined Iowa Pacific in January 2007.

She previously worked 8 years as a staff accountant for a dental supply company in Eagan, Minn., and holds an associate degree in accounting. She wanted to move to Chicago to be near her children.

With Iowa Pacific, Reed handles the daily cash flow and monthly journal entries. She monitors bank accounts, assists with accounts payable and accounts receivable. She also assists with technical issues, and has most recently worked on installing a new phone system.

Employees on the Rio Grande Scenic Railroad may be familiar with her voice, as she also keeps tabs on their daily sales.

"They were really very good this season," she said. "It was the third year for the passenger train and the best season they have had so far in reservations."

Ovidio Saenz, human resources manager

Ovidio Saenz joined the Iowa Pacific team in March 2006 to oversee human resources for employees throughout the company.

A Gary, Ind., native, he holds a bachelor's degree in business administration from Indiana University Northwest and plans to pursue a master's degree in business administration from IUN beginning in January.

In human resources, Saenz handles payroll, insurance claims, health benefits, employee policies and any other personnel-related issues. Learning the functions and terminology of railroads has been a learning process for

him, but a challenge he has taken on with excitement.

"Just as our companies are growing, I feel like I am growing as well," he said. "Being able to see the growth we have had in such a short period of time is very encouraging."

Mary Taylor, controller

Chicago native Mary Taylor was looking for a new challenge when she stumbled across an ad for a job with Iowa Pacific in 2005.

Taylor holds a bachelor's degree in finance from Northern Illinois University and a master's degree in business administration from Benedictine University. She has worked in various financial capacities in non-profit and for-profit sectors.

"I am amazed at how big this industry is, but it seems like few people ever leave it," Taylor said. "It is encouraging that people hold the railroad very near and dear to their hearts."

As controller, Taylor is a vital overseer to the company's financial health. She handles payroll, payables, receivables, financial statements, tax filings, government agency reporting, audits, insurance renewals and supervises human resources.

As Iowa Pacific acquired two new rail operations in 2008, Taylor has kept busy incorporating the entities into the company's financial system. Purchase of Iowa Pacific's newest subsidiary, British American Railway Services LLC, was finalized Sept. 4, while the purchase of Mount Hood Railroad in Oregon closed in April.

"Because we are a small, growing company, our exposure to every aspect of railroading is far greater than it would be at a larger company where administrators have a very specialized niche," Taylor said. "No two days are ever the same here."



Judy Hogan



Debbie Reed



Mary Taylor



Laura Pazar



Ovidio Saenz



Frac Sand

Silverline, a frac sand supplier in Seagraves, Texas, has grown, making more business for the WTLC line.

In the Texas panhandle, oil is a leading industry. Along the Texas-New Mexico Railroad and West Texas & Lubbock Railway, oil is a major freight commodity.

In addition to hauling oil, both lines move products used to maintain and improve wells, including frac sand, drilling mud and hydrochloric acid.

Hans Grosstueck, general superintendent, said the railroads move most of the frac sand to customers in Seagraves on the WTLC and Hobbs, Kermit and Monahans on the TNMR.

The sand is pumped into oil wells during fracturing operations. Fracturing occurs when pressure is applied to rock formations, causing them to fracture and allow for better hydrocarbon flow.



Fred Krebs

The frac sand gets carried into the fracture along with fluids. The sand keeps the fracture propped open, allowing for greater production. Without the sand, the fractures close once the fluids are removed.



Fred Krebs, general manager, said the lines haul different grades of frac sand throughout the territory, which comes from mines in Arizona, Arkansas, Missouri, Illinois and other states. The TNMR and WTLC railroads pick up the frac sand from interchanges with UP and BNSF and move it to customer transload facilities. From there, trucks deliver it to the oil fields.



Q: What is frac sand?

A: Frac sand is sand that is pumped into an oil well during the fracturing operation. Fracturing allows better flow of hydrocarbons to the wellbore, which stimulates production.

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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SMART SAVINGS

The former LS&I No. 18 steam locomotive on the Rio Grande Scenic Railroad goes through about 1,100 gallons of oil during its daily 124-mile round trip between Alamosa and La Veta pass.

It's no wonder, then, that Steve Butler, master mechanic-steam, started researching ways last year to save money on high oil prices.

His answer came in the form of recycled oil, which the RGSR now purchases from a supplier in Penrose, Colo.

"It is less than half the cost of using diesel fuel," Butler said. "It runs the same as regular oil, but it is a significant savings."

Recycled oil was also used last year on the SP 1744 steam locomotive.

"It's a fairly common practice, a lot of tourist railroads use this for the same reason," Butler said.

In addition to the cost savings, recycled oil is also more environmentally friendly. It comes from vehicle oil service facilities that would otherwise discard the used oil.

"This is a good way of getting rid of it, rather than using new oil pumped

out of the ground," Butler said.

The No. 18 steam locomotive has performed well this season, Butler, said. Recording more than 11,000 miles, it was down only a brief period for mechanical maintenance.

The SP 1744 locomotive has been undergoing repairs this year, but is expected to be in service again by spring

Upcoming passenger line special events:



Mount Hood Railroad

- The Polar Express™ December 9-21
- Wine Train to Odell December 19
- Dinner Train to Parkdale December 20
- Christmas Tree Trains December 20, 21
- Holiday Brunch Trains December 21
- Murder Mystery Dinner Train December 20

Rio Grande Scenic Railroad:

- North Pole Express December 20
- Winter Wonderland Express Weekend Trains from December 2008-March 2009
- Chocolate Lover's Dream Train February 14
- Easter Bunny Train and Egg Hunt April 11
- Throw Momma On the Train-Mother's Day Brunch May 10
- Rio Grande Railroad Days May 23, 24 & 25

