

IOWA PACIFIC

DISPATCH



First Quarter 2011

Big things ahead for 2011

Foundations for the future were laid recently for Permian Basin Railways. On the heels of a strong finish in 2010, the railroad is poised for an even stronger 2011 and beyond.

Bruce Carswell, general manager of West Texas & Lubbock Railway and Texas-New Mexico Railroad, said one of the biggest boons to business will be the new Levelland Rail Industrial Park in Levelland, Texas.



Iowa Pacific President Ed Ellis was the keynote speaker at a ribbon-cutting ceremony in November. VIPs toured the facility on a special passenger train.

Following the dedication, LRIP's construction began in earnest. WTLC serves as the connecting line to the industrial park, which will accommodate more than a dozen businesses along 21,000 feet of rail.

The entire rail portion — which includes a 300-acre development for new businesses — received \$3.3 million in federal stimulus funds along with \$1.5 million of the Levelland Economic Development Corporation's cash reserves. The remaining \$3.8 million came from a loan through bonds sold by the City of Levelland and repaid with LEDC sales tax revenue and Tax Increment Financing district funds.

"Things have been exciting here lately," Carswell said.

He said the first customer, Tex-Rail Commodities, anticipates shipping about 100 carloads of cotton seed each month.

Permian Basin Railways will generate sizable business from the new

industrial park.

"We see it as a significant opportunity," Carswell said. "Not many short lines have this sort of resource on their locations. For the longevity of the line, this is incredibly important. It's a huge step forward and very exciting."

Carswell said ample opportunities are on the horizon, and interest in rail transportation remains strong.

"The phone continues to ring, and I spend a lot of time chasing down opportunities," he said. "Some of them look like they have a real chance of coming to fruition in 2011."

Additionally, Permian Basin oil field activity looks very strong and frac sand figures continue to increase, he said. There may be additional possibilities with drilling mud and the chemicals used for it.

A new potash mine under development along the TNMR may result in even more business.

"This is an exciting prospect that would bring a large increase of traffic to

that railroad," Carswell said.

Last fall, a project funded by a Railroad Rehabilitation and Improvement Financing loan from the FRA was completed on TNMR. This project upgraded more than 70 miles of key rail lines by replacing ties and rail, and updating grade crossings.

"The completion of that project has improved our ability to service customers efficiently and safely for decades to come," he said.

Carswell said there have been strong gains in both the agricultural and energy sectors that have benefitted Permian Basin Railways.

"This part of the country recently experienced record prices and record yields, and the oil industry and its support businesses have been as strong, if not stronger, than in recent times," he said. "All that means good things for us."



Bruce Carswell, general manager of West Texas & Lubbock Railway and Texas-New Mexico Railroad



Gains in the agricultural, mining and oil industries have increased business for Permian Basin Railway.



The Globe, Ariz., train depot has been restored to resemble its original state.

A trip through time

As visitors enter the old train depot in Globe, Ariz., they see a ticket window just beyond the benches. A large clock hangs above — a reminder trains will be on time.



The renovated Globe, Ariz., train depot has delighted visitors and propelled the success of the Copper Spike Train Excursions.

The depot offers a glimpse of a bygone, golden era of rail travel. But it is a trip down memory lane Arizona Eastern Railway hopes to continue indefinitely.

Built in 1916, the substantial brick building reflects the economic prominence that Globe enjoyed in the heyday of its mining industry. It housed passenger services on the ground floor and operating suites on the second floor. Arizona Eastern managers and clerks toiled away upstairs as passengers arrived and departed below them.

The restoration of Globe’s historic railroad depot began with the freight office in 2005, followed by the passenger lobby two years later. Volunteers from the Historic Globe Main Street Program restored the lobby office.

Kip Culver, director of the Main Street Program, was a driving force behind the idea to save and restore the historic landmark.

“We had always cast a look at the original passenger station and hoped it could be reutilized at some point,” Culver said.

Soon after Arizona Eastern Railway was acquired by Iowa Pacific Holdings, Culver

called the company to gauge interest in restoring the building to its original state.

After feasibility studies and further negotiations, restoration began on the freight office in late 2005. Volunteers labored to return the old train station to its original look and feel of almost a century ago.

“People are so taken by the lobby itself and its historical feel,” Culver said. “They really do a double take.”

The building served as a laundromat for more than 35 years prior to restoration.

Jean Sullivan has worked the ticket window the past two years.

“For quite a while, I washed my clothes here, not knowing the building’s history,” Sullivan said.

The volunteers’ hard work paid off. Restoration of Globe Depot has won state preservation and economic restructuring awards. It also paved the way for Arizona Eastern’s Copper Spike Train Excursions,



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Kip Culver's Historic Globe Main Street Program works with Iowa Pacific Holdings to save the old depot, which served as a laundromat for 35 years.



Antique railroad memorabilia can be found throughout the depot.



A television crew from Montreal visits Globe to feature the city and the depot in a travel program.



Jean Sullivan has assisted thousands of depot visitors in the past two years.

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which began in December 2008. Since then, thousands of delighted visitors have flocked to the depot to ride the excursion trains.

Visitors continue their experience when they step out of the depot and board Copper Spike Excursions Dome or Mardi Gras cars, which make 134-mile runs from Globe to Bowie, Ariz. Passengers relax, enjoy a meal, spend time with loved ones and friends, watch scenery pass by outside their windows and daydream about what it was like to ride the rails during the 1940s and '50s.

While the depot hosts a handful of other themed events — including the Valentine's Day Romance on the Rails and the Christmas Santa Express — the dinner trains remain the most popular.

"The dinner trains sell out consistently,"

Sullivan said. "They are very popular, to say the least. Many come back to do it again and again."

Future renovation is expected. Plans include a new roof and repairs to the second-floor offices to restore their original usefulness. Heating and cooling systems also need updating, and window replacement throughout the building is required.

Iowa Pacific's willingness to renovate the depot was a boost to railroad fans and curious observers alike, Culver said.

"Other communities have attempted similar restorations, and few have gotten this far," he said. "Iowa Pacific has been an incredible community partner and has done a terrific job in saving an important piece of railroad history."



Copper Spike Train Excursions remain popular since they started making runs out of Globe in 2008.



Frac sand is offloaded in the Hobbs, N.M., site, for construction that began in February.

Nova Mud transloading facility on track

One of Iowa Pacific Holdings' newest customers is on track for a new transloading facility by early 2012.

Nova Mud Inc., a leading supplier of liquid mud and other oil and gas field services, is building a 30-acre transloading facility in north Hobbs, N.M. The facility will accommodate Nova Mud's partnership with Halliburton, one of the world's largest providers of products and services to the energy industry.

"We're shooting to have everything done within our one-year schedule, and we have no reason to believe we won't meet that goal," said Ray Hardin, procurement manager for Nova Mud.

Work on the facility began in early February with installation of a caliche pad to form the site's foundation. About 5,000 feet of additional and rebuilt track also is needed.

As of March 1, sand was being offloaded from Texas-New Mexico Railroad trains onto Nova Mud trucks for transport to Halliburton work sites.

The facility will include a sacking plant, large warehouse,

new main office building and mechanical shop. Frac sand storage buildings and additional spurs for railcar storage also are planned.

Nova Mud has purchased an additional eight acres just north of the original site. Once the project is completed, at least one TNMR crew will be stationed at the location.



Once completed, the Nova Mud facility will include a large warehouse, office building, mechanical shop and other features to serve the company's clients.

WTLC poised for strong year

As business picks up throughout the Southwest, a large project under way will enhance and expand tracks in Seagraves, Texas, to accommodate a large client of the West Texas & Lubbock Railway.

"This means a significant expansion of business," said Jack Dapkus, vice president of sales. "Track improvements mean we can avoid maintenance and derailment

issues and focus on safety and efficiency."

About \$200,000 has been spent on a track rehabilitation project for tracks serving Southwest Proppants & Services LLC to design and construct an additional unloading track.

After a sluggish 2009, 2010 saw improvement for the WTLC, Dapkus said.

"We had some slower spots during the

year, but we roared back and finished the year strong," he said.

This year, WTLC has several new prospects, which could mean an additional 1,500 to 2,000 cars.

"Things are starting to look brighter for the economy, and that leads to more prospects for us," Dapkus said.

A train makes its way along a stretch of West Texas & Lubbock Railway.



Busy times on Arizona Eastern Railway

Days have been busy at Arizona Eastern Railway, and there are plenty more ahead.

Thanks to rising copper and gold prices, business is booming along the railroad. Freeport McMoRan Inc., an international mining company with a copper and nickel ore facility in Claypool, Ariz., added extra personnel to meet its production demands, and Arizona Eastern stays in step to satisfy its customers' needs.

Arizona Eastern railcar traffic for 2011 is projected at 14,426 cars – a 32 percent increase compared to



Johnny Holguin,
Arizona Eastern
general superintendent



Increased output in the copper mining industry contributes to Arizona Eastern's growing car-traffic forecasts for 2011.



Increased production at Freeport McMoRan's plant in Claypool, Ariz., has Arizona Eastern busy.

2010, when 10,935 cars moved on the system.

With increased production from Freeport McMoRan comes increased shipments of sulfuric acid, copper and other materials. Fewer Arizona Eastern railcars are in storage, and there are plans to put more locomotives in service.

Johnny Holguin, general superintendent, said the railroad has increased service to six days a week. Temporary help has come from San Luis & Rio Grande while new employees are training.

"We're doing everything we can to provide the best service possible," Holguin said. "It's an exciting time for us and our customers."

Mount Hood Railroad 'springs' ahead

Spring and summer are busy times for the Mount Hood Railroad, and its passengers could not be happier.

The Mount Hood line, located in the Columbia River Gorge near Portland, Ore., travels from Hood River to the base of Mount Hood. Passenger services include two- and four-hour scenic excursions and dinner trains, along with special event trains.

Passengers aboard the excursions ride original cars from the early 1900s.

Themed excursions have become popular among Mount Hood passengers. Aboard the Murder Mystery Dinner Train, which runs through the end of October, passengers enjoy a meal and entertainment that puts them in the middle of a "whodunit" thriller.

Also, beginning May 14 and continuing through the end of September, the Wild West-themed "Western Train Robbery"

experience rides again. Passengers are treated to a trip back to a time where they need to keep a tight grip on their valuables from train robbers stopping the train in search of loot. Passengers also will enjoy a one-hour layover in scenic Parkdale, Ore., where they can savor a barbecue meal.

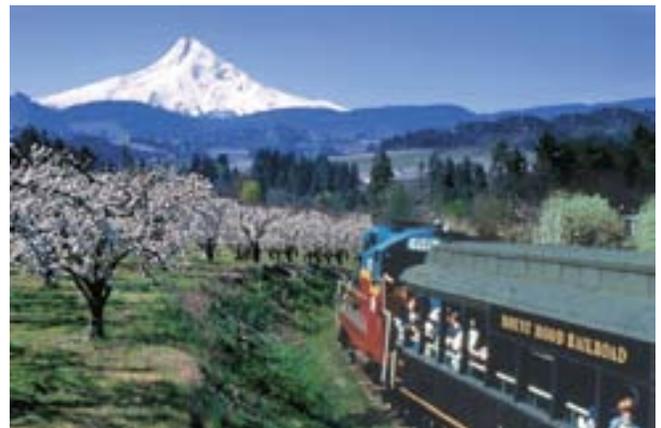
Also available in coming weeks are the Mother's Day and Father's Day Brunch excursions, during which passengers can show their appreciation with a three-course meal, a rose for Mom and a keepsake mug for Dad.

Mother's Day is May 8, while Father's Day is June 19, so make your reservations early.

Finally, through mid-May, passengers aboard the scenic trains will enjoy thousands of acres of blooming orchards as

they travel through the Hood River Valley. Each spring, the fruit trees come alive and fill the valley with blossoms, making the experience even more memorable and colorful.

For more information or to make reservations for any upcoming Mount Hood Railroad events, call 1-800-872-4661 or visit www.mthoodrr.com.



Passengers are treated to blooming fruit trees during springtime rides on the Mount Hood Railroad.

This newsletter appears under the direction of the president. For news coverage, contact Chuck at the newsletter office by phone at 402-475-6397, mail to 1845 S. 11TH ST, LINCOLN, NE 68502-2211 or e-mail chuck@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. Thanks to everyone at Iowa Pacific Holdings who took time to contribute to this newsletter, including, but not limited to, Bob Alexander, Neil Bagaus, Bruce Carswell, Kip Culver, Jack Dapkus, Gary Hernandez, Mount Hood Railroad and Jean Sullivan.



Gary Hernandez, chief mechanical officer

Keeping up with demand

With business expanding throughout Permian Basin Railways, the central car repair facility in Globe, Ariz., has become a hub of activity.

Thanks to increased business for customers — particularly in the agricultural, mining and oil industries — returning railcars and locomotives to service is a priority.

“Right now, we have more work than we can handle, which certainly beats not having any work at all,” said Bob Alexander, car shop foreman. “Business is picking up and we’re all happy about that.”

Thanks to the recent rising cost of copper, Alexander said, Freeport McMoRan Inc. increased output from its plant in nearby Claypool, Ariz. As a result, business increased for Arizona Eastern Railway, paving way for more work at the shop.



Bob Alexander, car shop foreman

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Work at the Central Car Repair facility in Globe, Ariz., has steadily increased since the start of 2011.

Gary Hernandez, chief mechanical officer, works with Alexander and Luis Martinez, carman and lead technician. Hernandez said the team takes the increased workload in stride.

“We have a great team here in Globe, and throughout the Arizona Eastern Railway,” he said. “People on this railroad

have many years of service, so it’s a tight-knit group that works well together.”

Originally from Globe, Hernandez has worked for Arizona Eastern since 1988. He has served as CMO the past seven years.

“I love it here,” he said. “It has been an extremely rewarding career.”