

Lake State Railway

25th Anniversary



"New build development projects underway this year"

"We are proud to have thrived for a quarter of a century."

Building Solid Partnerships

BUSINESS DEVELOPMENT

Expansion projects and continued service to grain producers

SAFETY

Improving & maintaining our safety culture

25-YEAR ANNIVERSARY

Celebrating 25 years of service





From the President...

Welcome to Lake State Railway Company's ("LSRC") inaugural newsletter. While it has long been an idea of ours to put together a newsletter, it somehow made its way to the backburner for too many years. It is time that we share, celebrate and educate readers on all the great things that are happening not only at LSRC, but with our customers, employees, the communities that we serve, the rail industry and others we work with.

It is an exciting time for LSRC with several new customers onboard, many others that will be coming on line during 2017, and even more that we are working on for the future. In addition, we have existing customers that are expanding. What is so exciting is that the LSRC family can look to the future and know that we are growing and becoming stronger. It is expected that all of these projects will add thousands of annual carloads of traffic in total and just as important, they will diversify the traffic base.

New business is extremely important to a company's long-term health. As many of you know, customers can come and go. This is a naturally occurring event where demand changes create a tougher market. At LSRC, we have experienced some dramatic changes throughout the years. Two of the most notable being the loss of gypsum moving from an online mine to an online facility where it was transferred to lake vessels and the closing of a particle board plant. Both of these were extremely large customers for the original LSRC property. Thankfully, these losses occurred at nearly the same time we acquired the Saginaw Bay and Southern property (merged into LSRC in 2012). Because of these losses, traffic on the original LSRC took major hits on each of its two main subdivisions north of Pinconning. Today, most of the growth mentioned earlier, is occurring on those same lines.

While investing in infrastructure (see "Capital work equally as hard investing in our people. While they all need to be established and/or installed Training is an ongoing priority at LSRC as demands grow, the demands on each of our employees people we have pulled together to make LSRC a cessful in an ever changing marketplace is no small undertaking. It takes dedicated employees at every position to keep the trains moving and providing exceptional service to our customers.

The importance of our customers is never taken for granted, as without them, we would not exist. We want to thank you all for giving us the opportunity to serve you. We hope and plan to meet or exceed your expectations and would welcome any feedback on our performance.

Lastly, I want to talk about the importance of 2017. Lake State Railway Company began operating in 1992 making this our 25th anniversary. We are proud to have thrived for a quarter of a century and are looking at an even brighter future. Expect to hear and see from us throughout this year as we celebrate and grow towards new milestones. LSRC intends and expects to be ever striving to provide safe, reliable Excellence in Transportation!

"We are proud to have thrived for a quarter of a century."

Investment" below) is highly important, we all these improvements we make seem easy, and then maintained by trained personnel. and constant improvement continue. As we grow. I couldn't be prouder of the group of success. While success is great, staying suc-

—John Rickoff
President and Chief Executive Officer

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Special points of interest

- 2017 marks the 25th anniversary of LSRC
- New business growth underway this year.
- FRA Safety Data
- Honoring employee years of service

Capital Investment

The railroad industry is extremely capital intensive. LSRC spends millions of dollars every year to maintain and upgrade its infrastructure. While the amount of work being done each year is different, you can expect to see us renew 10,000-20,000 ties and relay 3-4 miles of rail and surface track in various locations. During 2017, we plan to lay 7.5 miles of new 115 lb. continuous welded rail, a first for LSRC, and as this article is being written, we are contemplating adding an additional 7.5 miles this year as well. You will also see us replace 10-12 road crossings and perform bridge work from as simple as replacing one cap to total replacement of a structure. Trucks and other various maintenance equipment will be replaced or improved in order to perform at or above the expected level needed to safely and effectively service our customers. Beyond the track, we plan to do locomotive overhauls combined with installation of new performance

enhancing technology such as micro-processing equipment to locomotives to improve adhesion, maintenance to railcars, and upgrading of shops and other facilities. I am particularly proud of a project started in 2016 and scheduled to be completed in 2017 where we have undertaken a major modernization of our Saginaw yard. This project includes the



building of two unit train tracks, each capable of holding 90 grain cars with locomotives. In addition, the west switch lead to the East Yard (one of three yards, that make up the Saginaw Yard) has been completely redesigned and will be rebuilt with all new switches. At the same time, tracks in the East Yard will be realigned to 14ft on center. Other changes will occur, all of which, will provide significant operating improvements including the switching of railcars, the handling of unit trains and the reduction in maintenance costs.

—John Rickoff

Business Development

Lake State Railway continues to enjoy modest carload growth in a tough rail economy. Carload growth in 2016 finished at 7% over 2015, adding up to a combined 38% non-coal originating/terminating carload growth trend since 2013. LSRC has brought on board 12 new customers either directly or through transload operations in that same time period. Highlights for new customers in 2016 include development of the premier wind power component distribution facility for mid-Michigan in conjunction with the Fisher Companies at Port Fisher in Bay City. LSRC invested capital to rebuild the approach to the



Lake State Railway is expecting to see aggressive growth in 2017 with six committed new build development projects under way this year. Future editions of our newsletter



swing bridge in Bay City, creating a tangent approach from the south for the long blades associated with wind projects. Seven unit



trains were delivered in 2016 and we expect Port Fisher to participate in many future wind projects. Transloading was a key area of growth in 2016, with development of a plastic pellet transload in Standish as well as a liquid transload in Saginaw coming on board. The transload in Alpena continues to grow, with a fourth customer coming online in 2016. LSRC continues to upgrade our warehouse/transload facility in Alpena, helping to increase carloads to 688 in 2016, including aggregates, lumber, panel products and bulk liquid products.

will highlight new customers and progress on their projects. The new build projects will play a key role in LSRC's attainable goal of organic revenue growth of 50% by the year 2020 as compared to 2016.

One project in particular stands out. ARAUCO is building the largest particle board facility in North America near the LSRC yard in Grayling. The project will include over 8,000' of new build track for the rail spur and additional investment in improvements to the LSRC yard in Grayling. The ARAUCO project will have a large impact on the forest products industry in Northern Michigan, with many indirect benefits to LSRC and the Grayling community. LSRC has been working with the state and local community since 2013 to help in the successful selection of Grayling as the site for the facility and we are very excited to welcome ARAUCO to Northern Michigan.

—Mike Stickel

V.P. of Business Development

Birthdays

Kady Martin	1/5
Mike VanAllen	1/6
Kevin Mitrzyk	1/11
Kelsey Feters	1/17
Quentin Johnson	1/19
Ben Schramm	1/21
Richard Wittkopp Jr	2/10
Chris Copp	2/13
Jesse Erickson	2/17
Deanna Hennessy	2/22
Lloyd Douglas	3/6
Gregg Campbell	3/7
Mark Pennell	3/7
Josh Johnson	3/11
Darrell Collins	3/25

Work Anniversaries

Kenneth Suszek	1/1/96
Dan Heimberger	1/3/12
Randy Bessey	1/17/05
Colleen Conway	1/21/08
Elliott Hubbard	1/24/11
Melissa Podgorski	2/5/14
Kevin Mitrzyk	2/9/93
Ken Schramm	2/14/11
Chris Palumbo	2/17/92
Keith Jammer	2/20/16
Zach Valeck	2/20/16
John Bolesky	2/20/11
Kevin Filarski	3/15/99
Corey Violette	3/15/99
Ed Krajniak	3/15/99
Jeremy Johnson	3/31/03

Family Event—Zoo Fun

Lake State Railway is focused on community partners who share a presence in the Mid-Michigan area. We are proud to be a premier sponsor of the 50th birthday party for the Iberschoff Special, everyone's favorite red train at the Children's Saginaw Zoo. This will be a fun-filled day families will not want to miss. Celebrate with games and activities, discounted admission, free train rides, and a kids scavenger hunt for Lake State Railway logos scattered throughout the zoo.

Children's Zoo at
Celebration Square
1730 S. Washington Ave.
Saginaw MI 48601
June 3, 2017
10:00am-5:00pm

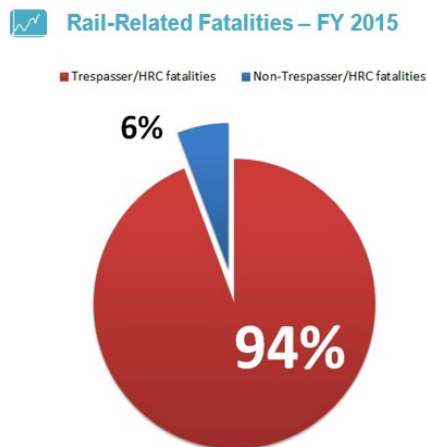
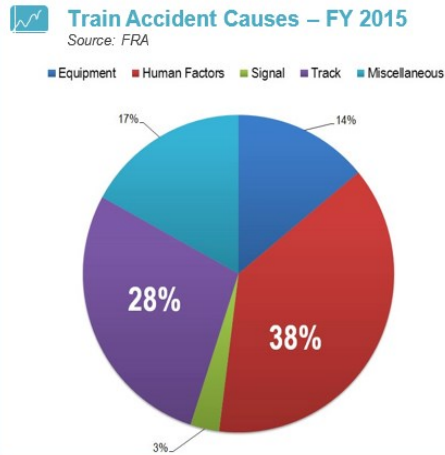


Iberschoff Special

Courtesy of:

US Department of Transportation Federal Railroad Association

<https://www.fra.dot.gov/eLib/Details/L17342>



DECEMBER 2016 SAFETY FACT SHEET

Rail – Moving America Forward

The Federal Railroad Administration's (FRA) mission is to enable the safe, reliable, and efficient movement of people and goods for a strong America, now and in the future.

Railroads are Moving More People and Transporting More Goods Today Than in a Generation

- USA commuter ridership growth remains strong
- Freight rail traffic remains a vital contributor moving goods
- Rail must grow to balance the Nation's transportation options

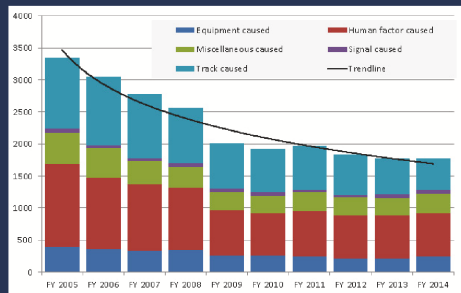
Safety First, Eliminating Risk

FRA is a data-driven agency. Every regulation and enforcement action we issue is based on facts and sound research using advanced statistical methods and modeling. We closely monitor data and trends to eliminate risk.

As a result of data and constantly searching for proactive ways to improve railroad safety, FRA is taking collaborated efforts to elevate and increase safety engagement in the industry:

- Positive Train Control (PTC) Implementation
- Rail Grade Crossing and Trespassing Prevention outreach
- Human Factor / Workers Protection
- Administering funding for rail infrastructure upgrades across the nation (including the Northeast Corridor); and
- Tank Car Enhancements (transporting flammable liquids)

Ten-Year Trend for Accident Reductions *Fiscal Year Representing Absolute Numbers Source: FRA



LSRC SAFETY REALLY COUNT

Safety is the cornerstone of an efficient industrialized nation. We see every day the positive results of good working habits both in the workplace and at home. We also see the results of corporations and families that have not established a strong culture of safety. How many close calls have we all experienced either at home or at work? Shoveling snow without taking frequent breaks, cutting and splitting wood without proper protection, using tools around the house or at work with others nearby who either don't know the potential for an accident or have not been made aware of what is planned.

We here at LSRC, reiterate daily the importance of safety for our staff, our custom-

ers, and the general public. Our employees participate in an effective job briefing at the beginning of their shift and as conditions change. Typically, when an incident occurs, it can be attributed in part, to failing to perform a quality job briefing. This can also be a major reason so many accidents happen in the home as well. The culture of safety is not just about how we perform tasks at work and at home, it is more about our attitudes towards ourselves and each other. We must all support one another, encourage safe work practices and demand rules compliance.

—Michael O'Sullivan
Safety & Training Manager

Customer Spotlight

Brink Farms, Inc. — Brink Terminal Services was established in 1996 with the acquisition of a liquid fertilizer terminal in Muskegon, Michigan. In 2011 they expanded by leasing an out-of-service liquid terminal on the Saginaw River at Port Fisher in Bay City, Michigan. It took a year to get the 4 three million gallon tanks completely refurbished. A new shipping facility was built, and all of the old plumbing was replaced with new double walled piping to meet the MDARD's environmental requirements to receive and ship product out.

The Bay City Terminal has served the need of a shortage in liquid fertilizer storage for the Saginaw Valley which services the thumb and central Michigan farms as well as fertilizer retail centers. Koch Nitrogen and Crop Production Services are the primary tenants and have been great partners.

The facility is able to receive product by rail, vessel, and truck. In the last year, they have received 3 seventy-



five car unit trains. This has been accomplished with the partnership with Lake State and their around-the-clock service to switch railcars as necessary to get these trains unloaded in a timely manner. So far, we have been able

to unload the unit trains in less than 48 hours thanks to the great service Lake State Railway has provided. The product being stored eventually gets shipped out by truck and ends up at retail distributors for farmers to buy, or it gets shipped directly to farms in Michigan.

Port Fisher is owned by Fisher companies and is adjacent to their Bay Aggregate Dock in Bay City as well. Port has over 4,000 feet of track and lots of opportunities for logistical development.

—Brian Brink
Brink Farms Inc.
Office 269-751-5965

"Proud Partnership" - LSRC

Fun Fact:

Chicago is the busiest freight rail hub in the U.S., handling more than 3 million freight cars annually.

https://www.up.com/aboutup/community/inside_track/chicago-commuter-1-11-2017.htm

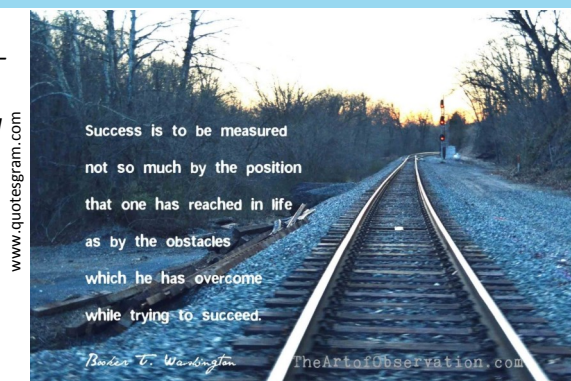
Welcome

We want to give a special welcome to our newest employees from the last quarter of 2016. Welcome aboard! We look forward to all the great knowledge and workmanship you will bring to LSRC.

Quentin Johnson – 10/3/16 – Track Laborer
Mike Miller – 10/4/16 – Railcar Mechanic
Derrick Talaga – 10/4/16 – Railcar Mechanic
Rick Wittkopp -10/4/16 – Railcar Mechanic
Joe DeWaele – 10/10/16 – Railcar Mechanic
Alec McLennan – 10/31/16 – Railcar Mechanic

Dave Murringer – Promoted from Train Service to Trainmaster/DSLE – 12/4/16

Jeremy Johnson – Promoted from Yardmaster/Dispatcher to Trainmaster/DSLE – 12/4/16



Proud parents Joe Banasiak (National Signal) and his wife Diane welcomed their first son Joseph J. Banasiak II on December 18, 2016. At 20 inches tall, precious little Joseph weighed in at 7 lbs. 7 oz. Congratulations to the newly expanded family.



All Aboard!!

24th Annual Christmas Party

Lake State Railway had record attendance at their 24th annual Christmas Party last December. Employees enjoyed an evening out with their significant other at Soaring Eagle casino and had a chance to spin the wheel for cash prizes, extra vacation days, and apparel for the whole Company.

The successful growth of LSRC is a direct result of our valued employees. New this year, we recognized our employees' dedication and commitment to providing Excellence in Transportation by creating a years of service program. Employees will be recognized by their 5-year increment anniversary date, however for the first year, we grandfathered everyone in the program as if we had this recognition program since the start of LSRC. A big thanks to our employees for their hard work and dedication year after year.

- Erica Barnard
HR Manager



Celebrating 25 Years of Service!



Honoring 20-25 years of service

In celebration of 25 years of service, LSRC would like to take this opportunity to give a special thank you to all our dedicated and hard-working employees who have helped make Lake State Railway the thriving company it is today. Also, a special thank you to all of our loyal customers who put their trust in us everyday. We are proud to have you all on our team and look forward to many more years together as LSRC continues to grow and prosper.



Thank you!!

Judy George—Chairman
Kevin Mitrzyk—CFO – 23 years
John Rickoff—President and CEO
Not Pictured: Chris Palumbo – 24 years; Kenneth Suszek – 20 years

Honoring 15-19 years of service



From left to right:

(John Rickoff)
 Brian Benson – 17 years
 Brian Balenda – 17 years
 Sandy Miller – 15 years
 Scott Baker – 15 years
 Dave Violette – 17 years
 Jesse Erickson – 15 years
 Ed Krajniak – 17 years
 Kevin Filarski – 17 years
 (Judy George)
 Not Pictured: Corey Violette – 17 years

Honoring 10-14 years of service



(John Rickoff)
 Kevin Podgorniak – 13 years
 Louie Tremble – 11 years
 Steve Rainey – 11 years
 Chris VanWoert – 11 years
 Joe Vongrey – 11 years
 Rick Krajniak – 11 years
 Steve Johnson – 11 years
 Charlie Zelek – 14 years
 Josh Johnson – 11 years
 Troy Mott – 11 years
 Jeremy Johnson – 13 years
 Randy Bessey – 11 years
 Lloyd Douglas – 11 years
 Helen Huneycutt – 10 years
 (Judy George)
 Not Pictured: Richard Hanson – 10 years; Gregg Campbell – 11 years; Jack Laurin – 11 years

Honoring 5-9 years of service



(John Rickoff)
 Dave Murringer – 5 years
 Dave McKnight – 6 years
 Rick Ruse – 8 years
 Colleen Conway – 8 years
 Chris Copp – 6 years
 Trista Wolgast – 9 years
 Ray Stomberski – 8 years
 John Bolesky – 5 years
 Don Hasty – 9 years
 Ken Schramm – 5 years
 Elliot Hubbard – 5 years
 Erica Barnard – 5 years
 (Judy George)
 Not Pictured: Ed Currie – 8 years; John Agnew – 5 years

Lake State Railway Company

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PLEASE
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STAMP
HERE

Mailing Address Line 1
Mailing Address Line 2
Mailing Address Line 3
Mailing Address Line 4
Mailing Address Line 5

For our e-newsletter, please email info@lsrc.com

Meet our Management Team Additions



Shasta Duffey

AVP - Marketing & Sales

Shasta Duffey joined our team in November bringing 12 years of railroad experience with Watco. She held various roles including Customer Service, Marketing Manager, AVP Marketing & Sales, and VP of Marketing & Sales. Shasta's extensive experience growing business and starting new operations will have a positive impact to LSRC, our customers, and our continued progress in 'Excellence in Transportation'.



Michael O'Sullivan

Safety & Training Manager

Michael O'Sullivan brings over 25 years of Class I & Short Line railroad knowledge. Mike believes that safety is the most important aspect of every job we do on the railroad, and the most important aspect of safety is attitude. Michael's knowledge and experience will have a positive impact on LSRC's safety culture and training program.



Marc Syring

Superintendent of Transportation

Marc Syring has held various positions over his 20 years of railroading with Union Pacific, Rail America, TXNW, and Southwestern Railroad including switchman/Engineer, Division Superintendent, and General Manager. Marc's expertise in operations and safety will be an asset to LSRC.