

Volume I Issue 2

Lake State Railway



25th Anniversary



2017 Spring Edition

Photo courtesy of Kevin Burkholder

CAPITAL INVESTMENT

2017 Record Year

BUSINESS DEVELOPMENT

New Customer Rail Spurs Under Construction

SAFETY

Operation Lifesaver



From the President...



Change is an ongoing part of life in every business. It is no different at LSRC than other businesses where change must occur to keep a business successful. Many of us get comfortable in the situation that exists whether that be with the people we work with, the process in place for doing

certain repetitive things or what we perceive to be the normal course of business.

LSRC has recently undergone significant changes in our management structure. Some of the changes occurred due to the departure of several management employees and some occurred due to the addition of new management positions. On top of management changes is a renewed focus on Safety. Safety has always been a focus for LSRC driven by the desire to be an industry leader, and certainly by the fact that we desire to have our employees perform their duties safely while at work so they can return home healthy. In addition, the constant updating and changing of regulations can be challenging to keep up with. However, we must train our people, develop programs to track such training and ensure compliance with these rules.

All of the above are a making of a paradigm shift. With some new managers and other restructuring in just the last few months, and the desire to be among the industry leaders in safety training and performance, our employees have to get used to new managers and new processes. When I say employees, I mean all of us. To be amongst the leaders in our industry, we must review nearly everything that we do to determine how we can do it better. This process is very demanding and challenging. To many, it requires a change in their everyday work habits and in many cases an uncomfortable change. In our case, it requires working with new-to-LSRC managers who are knowledgeable, experienced, and not afraid to challenge and push others to be better.

A critical element in everyday life is commu-

nication, whether you're an air traffic controller or railroad dispatcher, customer service representative, or customer. The requirement to communicate clearly, accurately, respectfully and in a timely manner is important for many reasons: 1) It sets the tone for future dealings, 2) it is a critical part of safety in the railroad industry, 3) it keeps others informed so that they can plan schedules accordingly, 4) it helps avoid or minimize paradigm shifts, and 5) it helps make a business more successful.

Imagine taking time off work to go to a scheduled appointment only to find out the appointment was cancelled. What about the reverse where a colleague or customer is scheduled to meet with you and you don't show up? Someone is spending time and money and getting no benefit because someone failed to communicate. Even a delay of an hour or two can be very costly and more importantly, irritating. Communication internally is just as important as external. Simply said, the failure to communicate clearly, respectfully or in a timely manner causes many unnecessary problems and issues. It is important to understand that it can result in unsafe situations, loss of business or strained working relationships, all of which are problematic for those involved.

Change is a constant in business that must be managed for ongoing success. A paradigm is a common way of thinking or a standard methodology that exists in organizations. So when ongoing success requires a change in how an organization thinks or operates, it can cause a paradigm shift. These paradigm shifts can be very uncomfortable for many people mainly because they don't see the importance or need to change things. Companies that don't see the need to change can find themselves falling behind the curve with the result usually being unfavorable. LSRC strives everyday to ensure that paradigm shifts and communication issues are minimized so that the interactions of our workforce both externally and internally help drive LSRC and our customers on to greater success in the future.

In closing, I am pleased to announce that Mike Stickel has been promoted to Executive Vice President and Chief Operating Officer for Lake State Railway. Mike's broad experience in shortline railroading which includes Business Development, Finance, Operations and Customer Service coupled with his locomotive and railcar experience, has significantly contributed to LSRC's success over the last 4 years. We look forward to an even brighter future with Mike's enhanced leadership role. Please join me in congratulating Mike.

—John Rickoff
President and Chief Executive Office



Inside this issue

From the President.....	2
Capital Investment	3
Business Development	4
Fun Fact/Trivia	5
Safety	5
Customer Spotlight.....	6
Employee Spotlight	7

LSRC Upcoming Events

- Saginaw Zoo event..... 06/03
- Employee family outing at the Loons game..... 06/25
- Train rides..... FALL
- Christmas Party 12/09

Capital Investment

2017 will be a record year for capital investments at LSRC. We are currently budgeted to make investments of 7.8 million dollars. The highlights include the completion of the Saginaw Yard modernization project, the laying of 7 miles of new continuous welded rail, the cascading of rail to several projects that will help support our rapidly growing customer base, bolt tightening and surfacing on our Huron Subdivision, the rebuilding of 10 grade crossings and the installation of several thousand ties.

In addition to the Saginaw Yard project, we will be doing work at 3 oth-



er yards. These projects include the replacement of 75# rail with 100# rail on 3400 feet of track in the Alpena Yard, the addition of a 2200 ft. track in the N. Bay City Yard, the reconfiguration and a 1650 ft. extension of a track in Grayling, MI.

Lastly, not included in the numbers above, is the possibility that LSRC may be investing in another unit train of welded rail with the possibility that some of the rail will be installed this year.

—John Rickoff



Birthdays

Rick Krajniak	04/05
Joe Vongrey	04/07
Devin Kern	04/08
Chris Palumbo	04/10
Brandon Pennington	04/15
Mike O'Sullivan.....	04/17
Kevin Filarski.....	04/18
Kenny Suszek.....	04/21
Kris Kent	04/24
Erica Barnard	04/25
John Rickoff	04/28
Keith Jammer.....	05/05
Steve Johnson.....	05/09
Dan Heimberger.....	05/11
Kevin Klepser	05/15
Jack Laurin	05/18
Mike Stickel	06/02
Scott Baker	06/06
Ken Schramm.....	06/10
Mike Miller	06/10
Troy Mott	06/13
Colleen Conway	06/14
John Agnew	06/26
Amber Neumeyer	06/28
Rich Joles.....	06/29

Work Anniversaries

Don Hasty	04/16/07
John Agnew	04/25/11
Nathan Frasier	05/07/12
Allen Gooch	05/07/12
Kris Kent	05/21/12
Richard Hanson.....	06/01/06
Trista Wolgast.....	06/11/07
Mark Pennell	06/11/12
Mark Eickholt.....	06/16/14
Rich Joles.....	06/23/14
Scott Baker	06/24/01
Brian Benson	06/27/99

Business Development

Lake State Railway will be supporting a series of new build projects and customer expansions in 2017. Several projects are out to bid or under construction this spring, with more to be underway by mid-summer. In March, LSRC closed on 24 acres of industrial property in Gaylord, MI. Gaylord is the northernmost rail served point on I-75 in Lower Michigan and this property will be developed into the premier transload facility for northern Michigan. There are many communities and industries in Northern Michigan which do not have rail access and this transload will allow industry to enjoy the beneficial economics of rail service. The facility will initially have 10 rail car spots, utilities such as 480v power and natural gas, Class A road access to I-75 and ample room for growth. The transload will be capable of handling dry bulk products, liquid products and fuels, forest products, construction materials and steel products. Transloading has been successful in other areas on LSRC and we ex-



Bit Mat distribution facility construction site

pect the Northern Michigan Transload Terminal in Gaylord to have a very positive impact on LSRC and the regional business community in Northern Michigan.

Grayling will see several new projects this year, including an expansion of the stone handling capabilities for L.C. Materials, allowing for the amount of cars to be handled at the facility to go from five unloading spots to twenty-two cars per switch. Also in Grayling, bids have been let this spring for expansion of Camp Grayling into a unit train rail facility. Camp Grayling was founded in 1913 and covers 147,000 acres, making it the largest National Guard training facility in the country.

Bay City has two large projects in process this year, including a new rail spur to service Bit-Mat's asphalt distribution facility near Port Fisher. This project should be complete by early summer and LSRC looks forward to working with Bit-Mat to provide competitive rail options for inbound product this summer.

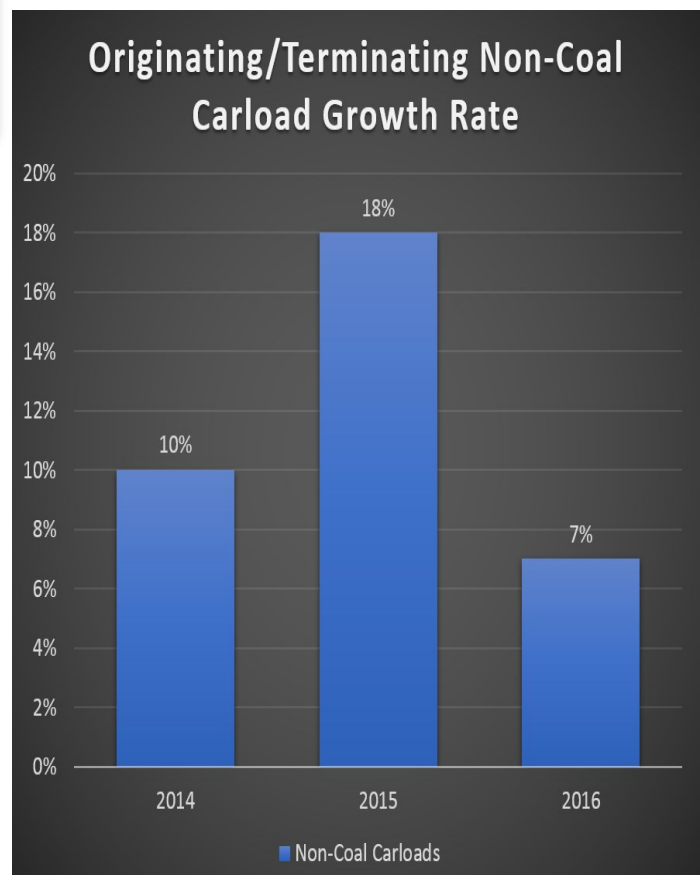
The new customer projects this year will build on the 38% growth in non-coal originating and terminating traffic LSRC



Bit Mat distribution facility under construction near Port Fisher .

has had since 2014. While many of the new customers are familiar with rail service, LSRC is eager to demonstrate the meaning of "Excellence in Transportation" – Superior Service and Exceptional Value.

—Mike Stickel
V.P. of Business Development



ROUNDHOUSE REPORT:

LSRC 4325 was delivered to Saginaw in March 2017 fresh off of an overhaul, which was completed at Metro East Industries in East St. Louis, IL. The locomotive was the former LSRC 1169, built as Baltimore and Ohio 3741, and is painted in a modi-



Photo courtesy of Kevin Burkholder

fied version of the LSRC lightning stripe paint scheme to celebrate the 25th Anniversary of Lake State Railway. Details include silver metallic stripe/underframe, and numbering font originally found on Detroit & Mackinac locomotives which were utilized at the commencement of LSRC operations in 1992. The locomotive received a thorough mechanical 45-point Class B overhaul, including new power assemblies, rebuilt turbo-charger, aux gen, injectors, and many more items which were renewed, rebuilt or replaced. The unit was also upgraded with a state of the art ZTR Nexsys III control system and converted into a "mother" unit, capable of powering an additional slug locomotive. LSRC 4325 is the tenth locomotive to have capital work completed for Lake State Railway at MEI in the last three years.

FUN FACT:

LSRC has over 120,000 feet of yard track in Saginaw. That is approximately 23 miles of storage and yard capacity, or approximately twenty-two 90-car unit grain trains!

PRESS RELEASE: 13 JAN 2017
Courtesy of: US Department of Transportation
Federal Railroad Association Office of Public Affairs, Washington D.C.
PRESS RELEASE NUMBER 01-17
SUBJECT: RIGHT-OF-WAY, Accident Reduction

https://www.fra.dot.gov/eLib/details/L18522#p1_z5_gD



WASHINGTON – The U.S. Department of Transportation (DOT) launched the "Stop! Trains Can't" ad targeting young male motorists and encouraging them to act cautiously at railroad crossings. The campaign is the latest in a two-year effort by DOT to reduce accidents and fatalities at railroad crossings around the country. The National Highway Traffic Safety Administration (NHTSA) and the Federal Railroad have partnered in the nationwide effort.

The message is simple: Ignoring railroad crossing signs or attempting to race or beat a train can have deadly consequences," said U.S. Transportation Secretary **Anthony Foxx**. "Hundreds of lives could be saved each year by simply following the rules."

Although rail incidents have declined over the last 10 years, railroad crossing fatalities spiked in 2014. Last year alone, 232 people died in railroad crossing accidents, and approximately every three hours, a person or vehicle is hit by a train in the United States.

The \$7 million media buy will target male populations aged 18 to 49 years old in states with the nation's 15 most dangerous crossings, as well as in states where 75 percent of the crossing accidents occurred in 2015. Male drivers are

involved in nearly 75 percent of all railroad crossing accidents.....

...."Your life is worth more than a few saved minutes, and trying to outrun a train isn't worth the risk," said **NHTSA Administrator Dr. Mark Rosekind**. "When a train is coming, the only choice is to stop. Trains can't."

By law, trains always have the right of way because they cannot swerve, stop quickly, or change directions to avert collisions. A freight train travelling at 55 miles per hour takes a mile – the length of 18 football fields or more – to come to a stop once the emergency brakes are applied.

"Education is key here – sometimes a driver is distracted, or in an unfamiliar area. Other times, the state highway department has not done enough to warn drivers they are approaching a crossing," said **FRA Administrator Sarah E. Feinberg**. "We must do everything we can to give drivers the information they need to keep themselves and their families safe – and this ad helps us do just that."

For more information on the "Stop! Trains Can't" campaign, visit :

www.transportation.gov/stop-trains-can

Watch the ad: <https://youtu.be/szaQ3hXvzfW>



Sam Crowl - Sgt. David Johnson - Dave Murringer (LSRC)

On Saturday January 28, 2017 - Michigan Operation Lifesaver coordinated a Snowmobile Enforcement detail with the cooperation of the Lake State Railway Company, Michigan State Police, Otsego County Sheriff, Department of Natural Resources and the Crawford County Sheriff. The event was set up with the support of Sgt. David Johnson of the Houghton Lake post of MSP and John Rickoff - President of the Lake State Railway Company.

Prior to getting started, a job safety briefing was held at the office of Kirk Wakefield, the Crawford County Sheriff, outlining the objective of the operation. The team was divided up so

that an officer was located near as many crossings and problem areas as possible. The Officers would then move ahead after the train passed by.

There had been some snow the days before and on Saturday - so that the trail along Old Rt. 27 was in nice shape. As the train moved North we observed over 100 sleds traveling in both directions. As we approached Fredrick, three riders were on the tracks and one had broken off his muffler on the rail as he trespassed to the other side. All were cited. There was one other citation for trespassing issued nearing Gaylord. In addition, we observed at least 8 crossing violations and the Officers were able to write up 4 drivers for the crossing violations. The others got lucky.

WPBN - TV reporter Raphael Pires accompanied us for the entire trip, filming much of the run for publication on Monday, January 30 - in the evening on channel 7 & 4. - as a Special Report for Up North Live. Mr. Pires, a Florida native, was on his first train ride and was enthusiastic in his effort to help us promote safe snowmobiling near the railroad tracks.

Michigan Operation Lifesaver is grateful to all those who helped make this a successful enforcement effort. For more information about Operation Lifesaver see www.oli.org.

Sam A. Crowl
State Coordinator- Michigan Operation Lifesaver

Customer Spotlight

LaFargeHolcim (LH) is a World leader in the building materials Industry providing cement, aggregates, concrete and asphalt products worldwide whether it be residential, commercial or community infrastructure. Headquartered in Switzerland and operating in 80 countries, LH employs over 90,000 people in nearly 2300 plants and offices across the globe, 200 of which are cement producing plants. LaFarge Alpena is one of North America's largest cement-producing facilities and has been in operation since 1908—nearly 110 years with the ability to produce up to 2.7 million tons of cement annually. Millions have been invested into modernization and technological innovations. The plant went through many changes over the years, starting with 6 small kilns in the early years to 23 kilns producing approximately 2.4 million tons of clinker annually. Today, one of their 5 kilns can produce as much in one day as the original 6 produced in a week. The plants growth and efficiency is due to the use of state-of-the-art electronics, computers, X-ray analyzers, and highly skilled, educated and dedicated employees. Along with their dedication to innovation, the Alpena Cement Plant is committed to being a good neighbor, serving as an active positive force in the



community, and working toward cleaner and greener operations. LSRC is proud to be part of their eco-friendly methods to safely and efficiently transport their product and helping to further reduce the carbon footprint. It is understood why LaFargeHolcim is an industry leader. LSRC works closely with both local and corporate transportation managers to ensure optimal rail service needs are met while keeping costs in line with the ever demanding marketplace. LSRC is honored to call LaFargeHolcim our partner in business!

www.lafargeholcim.com

"Proud Partnerships" - LSRC

A & L Iron and Metal is a scrap metal processing company that was established in 1978 in Gaylord, Michigan. At that time, the only means of transporting goods to the local foundries was via semi trucks. Over the years, A & L continued to grow and expand. In 1996 two new divisions were added in the Upper Peninsula of Michigan – Kinross and Ishpeming. With this expansion, the increase in volume of product to be delivered combined with the distance traveled by semi trucks, it became clear that the use of semi trucks alone would not be able to keep up with the demand of foundries and steel mills being serviced in Wisconsin and Chicago.

The solution was found in utilizing the railroad. Product from semi trucks originating in Gaylord could be loaded onto rail cars and delivered to both of these markets. In 1996, rail was added to both Kinross and Ishpeming.

In July 2004, A & L Iron and Metal purchased and installed a Steel Shredder to process more scrap quickly and efficiently, increasing the volume of product that needed to be moved. This was the largest investment on behalf of A & L Iron & Metal. It would give A & L the ability to move product from Northern Michigan through Southern Michigan and out to the Midwest and the East Coast. The cost and volume of product made it virtually impractical to use semi trucks as the means of transportation.

On September 24, 2004, A & L Iron and Metal and Lake State Railway Company (LSRC), entered into an agreement to

bring rail to the Gaylord Division to service the Shredder. By December 2006, the first railcar was loaded and sent off to Delta, Ohio. Railcars continued to be used to transport product from Gaylord to remote destinations throughout the Midwest and East Coast.

The recession of 2009 hit Northern Michigan hard, closing many manufacturing companies, reducing the volume of product needed and devaluing scrap values. The need for rail cars slowed dramatically.

In 2012, A & L Iron and Metal added a 4th division in Escanaba, Michigan to assist with the flow of scrap metal to the Shredder. By 2014, scrap values began to rise and along with it the use of rail cars increased and by 2016 it became evident that the volume of product entering the Shredder was increasing as

well. This significantly increased the need to move product via railcars. Through the first quarter, A & L Iron and Metal is on pace to surpass the quantity of railcars utilized in 2016.

Without the partnership between A & L Iron and Metal and LSRC, the logistical challenges of transporting product and goods over a vast geographic area would not have been possible.

A & L Iron and Metal
989-732-5900



Employee Spotlight



Chris Palumbo

Lake State Railway Company Engineer & Conductor

Chris is one of Lake State Railway Company's "Proud Originals". Chris worked for Detroit & Mackinac Railway for 4 years and in 1992 came on board with Lake State. 2017 marks his 29th year in railroading and we are proud to have him on our team.

What do you do for LSRC? - I am an engineer and conductor. It took me 6 months to become a conductor and 2 years to become an engineer.

What did you do before D & M/LSRC? - I was in construction and did work like

trenching fiber optic cable.

What do you like to do when you're not at LSRC? - I like to work on all kinds of equipment. I fix jet skis, boats, lawn mowers, snowmobiles, cars.... Almost anything with a motor. I have a '95 Z-28 and an '86 Monte Carlo I like to work on as well. My favorite things to do though are hunting and fishing.



What do you enjoy most about working at LSRC? - I enjoy the exercise I get switching and conducting and also enjoy working with the customers.

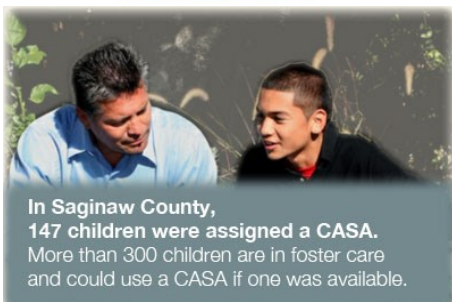
What do you feel is the most important aspect of your job? - Being safe and efficient.

What would you like to share about yourself? - I have 2 great boys, Kurt is 26 and Nicholas is 23. Kurt is an air traffic controller with the Air Force in Spokane, WA and Nicholas graduated from Michigan State University in Communications and now works in sales in Detroit.



Lake State Railway Employee's Charity Drive

This quarter, LSRC employees will host a charity drive for much needed items to help support the CAN (Child Abuse & Neglect) Council Great Lakes Bay Region. The CAN Council is a recognized children's advocacy leader with a mission to help build communities where children are free from abuse and neglect.



In Saginaw County, 147 children were assigned a CASA. More than 300 children are in foster care and could use a CASA if one was available.

Please join us in helping stop child abuse and neglect by donating needed items for the Children's Advocacy Center and CASA (Court Appointed Special Advocates). Look for the designated CAN Council Donation boxes throughout LSRC locations from April 20th until June 30, 2017, to drop off your items. A short list of items needed are below. For the CAN Council's complete WISH LIST and for more information on this great organization, please visit. <http://cancouncil.org>.

- | | | |
|--|-----------------------------|-------------------------------|
| • Individual snacks (ie granola bars, goldfish...) | • Kid's magazines | • Girls Hair Accessories |
| • Individual juice boxes | • New Board Games & Puzzles | • Gas Cards |
| • AA Batteries | • Coloring Books | • Hot Wheels Cars |
| | • Fast Food coupons | • New Kid's socks & underwear |

Welcome

We want to give a special welcome to our newest employees from the first quarter of 2017. Welcome aboard! We look forward to all the great knowledge and workmanship you will bring to LSRC.

Deanna Hennessy	• 01/03/17 Administrative Asst.
Michael O'Sullivan	• 01/16/17 Safety & Training Manager
Marc Syring	• 01/30/17 Superintendent of Transportation
Devin Kern	• 02/08/17 Track Laborer
Ray Stomberski	• Promoted from Foreman to Roadmaster
Kevin Filarski	• Position expanded to include Northern territories
Allen Gooch	• Transferred from Train service to Dispatcher/Yardmaster



We bid farewell to Dave Violette who retired on January 31st from LSRC's MOW Department after being a loyal employee for nearly 18 years. Best wishes Dave.

All Aboard!!

“The Turntable” - Lake State Railway Company's official newsletter

Lake State Railway Company

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PLEASE
PLACE
STAMP
HERE



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

Railroad Terminology—what is a turntable?

“Turntable” — A circular platform with a track section extending across its diameter, pivoted at the center, and used for turning locomotives around at terminals. Also, it's the title of Lake State Railway's Newsletter.

Source: Railway Age's Comprehensive Railroad Dictionary—second edition



Photo courtesy of Kevin Burkholder

Lake State Railway
EXCELLENCE IN TRANSPORTATION SINCE 1992