

Lake State Railway

Railway Age 2018 Short Line of the Year

The Turntable

FROM THE PRESIDENT
2018 Reflection

BUSINESS DEVELOPMENT
Log Traffic

SAFETY
Continuing Education



Marshall aka Trainmaster Phil Bailey gets a breath of fresh air in between Santa Train stops.

From the President...



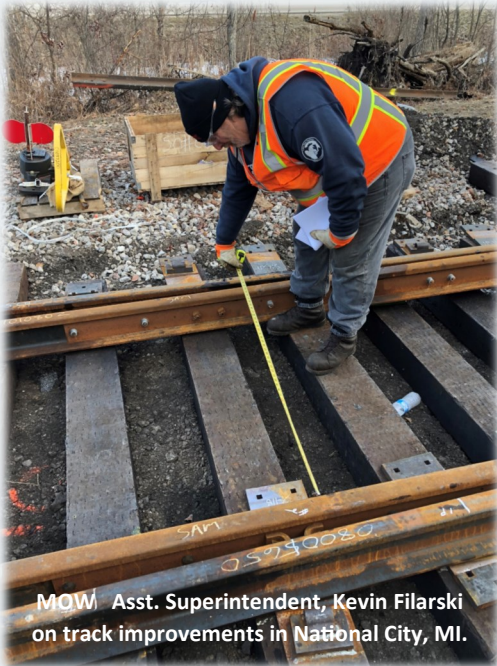
At the end of each year I always find myself reflecting on not only the year's ups and downs, the hurdles and trials and the ordinary and mundane, but also the many triumphs. 2018 was a

remarkable year for Lake State Railway. The many accomplishments, recognitions and continued improvements will be hard to replicate, but will not stop us from trying. It started with being recognized by Saginaw Future Inc. with an Economic Excellence Award, followed shortly thereafter with a Marketing Award from the American Short Line and Regional Railroad Association. Then, LSRC was named Short Line of the Year by Railway Age. We, at LSRC take great pride in earning this recognition. I believe it is a reflection of the

"...2018 was a remarkable year..."

completed in Grayling for the new ARAUCO plant (expected to open in the first quarter of 2019), the expansion of traffic for Georgia Pacific, Stella Jones and Camp Grayling. Agreements have been completed which are expected to result in 2 new facilities being constructed for new customers in early 2019 with more in progress.

In December, LSRC ran its second annual Santa Train in Michigan benefiting Toys for Tots. The 2018 operation covered 3 stops, Standish, Roscommon, and Grayling. The event was a phenomenal success, something our employees can be proud of as they helped bring the spirit of Christmas to the communities we serve and operate through. Special "Thank You's" go out to all employees, towns, radio stations and organizations that helped make this charitable event a huge success. We hope, in 2019 and years to come, the success of the Lake State Santa Train will continue to grow.



MOW Asst. Superintendent, Kevin Filarski on track improvements in National City, MI.



New Sidings in Grayling, MI

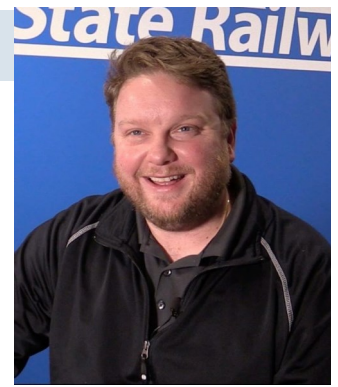
entire workforce doing their jobs with purpose and pride in an effort to make a difference. We're looking forward to our future together as a company.

Throughout 2018, Capital Investments in infrastructure continued at a high rate with more ties, welded rail, surfacing, grade crossing renewals, yard improvements and switch replacements completed. An approximate 12-mile stretch of track on our Huron Subdivision was upgraded from 10 mph to 25 mph. All done in an effort to better serve our growing list of customers. Tracks were

Our valued customers delivered the best gift of all during 2018, with expanded business volumes from many and continued business from others. Thank you all for your continued support. We hope we will see our partnerships grow and flourish throughout this new year.

In closing, I'd like to take this opportunity to communicate directly to all LSRC employees. Thank you all for your commitment and hard work during the last year. As we continue to grow and rebuild ourselves your efforts truly make a difference.

**- John Rickoff
President & CEO**



Lake State had a strong finish to 2018, seeing year over year originating/terminating carload growth of 16%. This growth was earned by working with our partners and customers to convert truck traffic and develop new lanes. Our three primary railroad connections have all worked with Lake State Railway in creative ways this year to help improve service, economics and competitive options for our customers. One project in particular stands out. Long-time LSRC customer Weyerhaeuser, located in Grayling, MI, brought up a logistical issue they had regarding one of their OSB mills on the A&O in Heaters, WV. There was a shortage of available raw materials locally, and they were going to cutback production as a result. However, there was a surplus of wood available in northern Michigan. Our team worked with CSX to develop competitive pricing and the economics worked out favorably to move the product from Michigan to West Virginia. There was one issue, Lake State did not have an adequate supply of log cars and CSX did not have any to offer either. This is where our friends at Canadian National stepped in to help. CN had some surplus log cars that would work for this move, and they saw that they could not only help LSRC, but our mutual customer Weyerhaeuser as well. Shasta Duffey and our whole marketing team were involved in the coordination of ensuring proper car hire earnings, getting the cars delivered, and putting a plan in place to load the cars in Grayling. This goes to show the value of relationships and we are grateful to the CN, CSX, and the A&O for working with us to help a customer in a time of need. We have a lot of exciting projects developing for 2019 and we look forward to working with our partners to continue growing rail traffic in and out of Michigan.



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- Mike Stickel
EVP & Chief Operating Officer

UPCOMING EVENTS

- Martin Luther King Jr. Day... 01/21
- Groundhog Day..... 02/02
- Valentine’s Day..... 02/14
- President’s Day..... 02/18
- Daylight Savings..... 03/10
- St. Patrick’s Day 03/17
- April Fools Day..... 04/01

FUN FACT:

Total Michigan Railroad Miles Timeline:

- 1840—104 miles
- 1850—308 miles
- 1860—770 miles
- 1870—1,739 miles
- 1880—3,823 miles
- 1890—6,957 miles
- 1900—7,946 miles
- 1910—9,021 miles
- 1920—8,734 miles
- 1930—8,072 miles
- 1940—7,303 miles
- 1950—6,803 miles
- 1960—6,640 miles
- 1970—6,140 miles
- 1980—5,370 miles
- 1990—4,143 miles
- 2000—3,687 miles
- 2010—3,634 miles

https://www.michigan.gov/documents/mdot/Michigan_Railroad_History_506899_7.pdf

Customer Spotlight



Specification Stone Products

(Spec Stone) is a Michigan-based company with over 100 years of experience in providing quality stone for its customers and is the premier producer of stone products for unique landscaping and architectural designs. Not only does the stone produced from the quarry, located in Alpena, MI, add an

esthetic value to any landscape project, it is also the primary source of ballast utilized along the Lake State Railway network. With nearly 300 mainline railroad operating miles, the strong relationship between Specification Stone and Lake State Railway has shown to be of great benefit to both companies.

The Alpena stone quarry started operations in 1980 and in 1987 Spec Stone purchased it from Straights Aggregates, who were owned by the Detroit and Mackinaw Railroad at the time. In 2009, Specification Stone was purchased by the Edward C. Levy Company (founded in 1918).



An advantage of working with a company such as Spec Stone is that when Lake State Railway not only purchases their product to ensure network integrity, we are also buying Pure Michigan products! With a vast amount of quarry reserves;

road-building contractors, construction firms, cement producers, and other businesses are guaranteed availability of high quality product with Specification Stone.

The commitment, partnership and reliability of Specification Stone makes them the premier stone supplier within the Michigan marketplace. Moving approximately 500,000 tons of stone with Lake State Railway each year ensures that their customers have access to products at a distribution location nearby. Any company that is in need of decorative stone, 6AA, 21AA, ballast, rip rap or boulders should contact Specification Stone who has the solution for any environment.

- Shasta Duffey
VP of Marketing & Sales

Roundhouse Report



LSRC is focusing on repair and improvements to our turntable located at the roundhouse and locomotive shop in Saginaw. With the existing span and center bearing constructed in the 1920's, years of traffic and use have necessitated the need to improve the structure and make repairs geared toward future demand and use of our locomotive facilities. Following a thorough inspection of the center bearing, which included lifting of the entire span and removal of the solid-brass bearing cover and minor repairs to a keeper plate, a plan was laid out to address concerns about the structure. Preliminary engineering has com-



menced that will focus on the replacement of the ring rail, headwall repairs, and construction of an access ramp into the pit. Replacement of the ring rail will stabilize the turntable span and reduce excess and eccentric loading of the span and center bearing. Headwall repairs will ensure that the concrete surrounding the pit will remain stable, and finally a ramp will aid in the removal of snow during the winter months.

—Sean Pengelly

Distribution Locations: Kawkawlin, Grayling, Flint
Contacts: John Werth or Mark Larsen 989-354-3502
www.puremichiganstone.com
www.edwclevy.com

LSRC LET SAFETY REALLY COUNT

Setting realistic safety goals is an important aspect of building and maintaining a quality Safety Culture. Every employee injury and every human factor event is preventable, therefore, the goal must be ZERO. What's the point of setting a goal of ZERO unless we have a plan to make our very best attempt to achieve it? ZERO is only achievable if every single employee chooses and accepts their responsibility to work safely, hold good job briefings, and has a willingness to call out a fellow employee to correct an unsafe work practice. Without that commitment, ZERO is not realistic.

On December 11, the Short Line Safety Institute (SLSI) came to the Lake State training facility and held a "Train the Trainer Hazmat and Security" training class. The following day, they supervised a Direct Employee Training event. Most LSRC managers and executives attended the event. The classes were highly informative and helpful to ensure a quality response in the event of a hazardous release or security breach. Part of our plan for on-going safety training is continued education for all employees. Recently, LSRC sent Mike Ewing and Phil Bailey from our management team to a Human Factor Seminar in Chicago, focused on the science behind human attention and the lack thereof and how it relates to safe work practices. LSRC feels these continuing education programs help in the effort to improve safety on all fronts.

The first quarter of 2019 will be a busy one for Safety & Training. We have several new employees who are almost

ready for promotion. We will work with Michigan Operation Lifesaver to do the annual Snowmobile Enforcement event. Several rules publications need updating, and we will start scheduling classes for annual rules training across Transportation, MOW, MOE, Car, and Dispatch departments.

LSRC is sponsoring a Weight Loss program for employees from January to March. Last year we had 56% employee participation. The top 20 participants lost a total of 243 lbs. We are looking at surpassing those totals this time around. Winners will be announced on April 1.

-Michael O'Sullivan
Safety & Training Manager



Welcome

All Aboard

We want to give a warm welcome to our newest team members who joined Lake State October—December, 2018. Welcome aboard! We look forward to all the great knowledge and workmanship you will bring to Lake State Railway.

- Jade Dowdy - Transportation
- Adam Gilley - Transportation
- Chris VanWoert - Dispatch
- Rebecca Krabbe - Revenue & ISS Accounting

Congratulations

LSRC Promotions:

- Kevin Mitrzyk— EVP & CFO
- Jeremy Johnson—Senior Trainmaster
- Mike Ewing— Director of Transportation
- Elliot Hubbard—Chief Dispatcher
- Kyle Reilly—Conductor
- Nick Wirtz— Conductor & Engineer

Congratulations to you all. LSRC thanks you for your commitment to Excellence in Transportation!



Kevin Podgorniak—Conductor & Engineer



Meet Kevin Podgorniak (aka “K-Pod”), one of Lake State’s finest Conductors & Engineers. Kevin started working for Lake State 16 years ago in 2003. Before he came to work for LSRC, Kevin had spent 10 years employed by Northern Tube in Pinconning, MI as a CNC Operator custom fitting exhaust tubing for Class A Trucks. During that time, he was facing a possible layoff and had heard from a friend that Lake State was looking to hire 1 person in the Transportation Department. He submitted an application, interviewed in Tawas, MI where LSRC was headquartered at the time and landed the job. He ran Lake State’s North end grain train early on and is now currently part of the crew running the Dow Chemical train. Tasked with operating chemical and hazmat trains, Kevin understands that safety and customer trust are the most important aspects of his job which he doesn’t take lightly. Kevin prefers working outdoors with all the different daily challenges it brings rather than the confinement of a

shop. One of the facets of his job he enjoys the most is getting the opportunity to work with a myriad of people and the many friendships he has gained from it over the years.

Kevin grew up in Pinconning, Michigan and currently resides a few miles south in Linwood with his wife Terri and his 8-year old son Carter. His 23-year old daughter Keeli graduated from Ferris State University with an HR degree and now lives and works in Massachusetts. Kevin’s hobbies include target shooting, spending time with his family and visiting his favorite city up north, Petoskey.

Kevin is known to his peers as “K-Pod” and they have nothing but good things to say about him. Some of the many descriptions given were:

- “He’s respectful”*
- “He’s a great peer mentor, especially with Hazmat”*
- “He’s a non-procrastinator, he just gets the job done”*
- “You never hear him complain”*
- One co-worker joked with a laugh, “K-Pod has good hygiene”. ☺*

Aside from being an all-around great guy, Kevin is an exceptional employee and has been a great asset to Lake State. His hard-working ethic doesn’t go unnoticed and he has been an incredible and valuable teacher in educating new conductors and engineers over the years. We are extremely lucky and proud to have him on our team. **—Deanna Hennessy**



2019 1st Qtr. Birthdays

Mike VanAllen	01/06
Brendan Forrest.....	01/07
Kevin Mitrzyk.....	01/11
Kelsey Fetters	01/17
Quentin Johnson.....	01/19
Andrew Weise	01/20
Ben Schramm.....	01/21
Tony Kolnowski.....	02/04
Chris Copp	02/13
Jesse Erickson	02/17
Rebecca Krabbe	02/19
Deanna Hennessy	02/22
Travis Bishop	02/27
Lloyd Douglas	03/06
Gregg Campbell	03/07
Mark Pennell	03/07
Mike Hnatiuk.....	03/07
Michael Edwards	03/09
Joshua Johnson.....	03/11
Darrell Collins	03/25
Adam Gilley	03/26

2019 1st Qtr. Work Anniversaries

Kevin Mitrzyk.....	26 Years
Kenneth Suszek.....	23 Years
Kevin Filarski.....	20 Years
Corey Violette.....	20 Years
Jeremy Johnson	16 Years
Randy Bessey.....	14 Years
Elliott Hubbard.....	8 Years
Ken Schramm.....	8 Years
John Bolesky.....	8 Years
Dan Heimberger.....	7 Years
Melissa Podgorski	5 Years
Keith Jammer.....	3 Years
Zach Valeck.....	3 Years
Deanna Hennessy	2 Years
Michael O’Sullivan	2 Years
Devin Kern	2 Years
Tony Kolnowski.....	1 Year
Mike Ewing.....	1 Year

2018 Employee Christmas Party



Mark Eickholt (MOE) being honored for leading the Safety Committee as its Chairman and for going above and beyond in promoting safe work practices.



Honoring Years of Service



From Left to Right:

- Kevin Mitrzyk—25 years
- Mike Stickel—5 years
- Ray Stomberski—10 years
- Rick Ruse—10 years
- Kevin Podgorniak—15 years
- Jeremy Johnson—15 years
- Ed Currie (not picture)-10 years
- Judy George
- John Rickoff

Thank you for your loyal years of service.

"The Turntable" - Lake State Railway Company's official newsletter

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STAMP
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2018 LSRC Santa Train

