



APEX

2018

Message from Peter Gilbertson



News for Customers, Employees & Friends of Anacostia Rail Holdings



Welcome

Our entire team is focused on developing service packages that add value for our customers while operating in a manner that is safe for employees, communities, and the environment.

That is simple to state, but harder to do.

We are a capital-intensive industry with long-lived assets. A railroad tie lasts about 40 years, so we must plan to be in business for the long term to justify buying and installing that tie. Similarly, training and qualifying a new employee to become a certified engineer can take up to 36 months, so we must anticipate the hiring need three years in advance. Overall, to add service today we must plan strategically, with plenty of lead time.

As a company, we are investing in physical plant and people.

Railroading is an old industry, but to better serve our customers we are continually finding ways to innovate. You'll learn about some of our innovations in this newsletter. In the critical category of safety, we were the first short

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When Indiana National Guard Staff Sgt. J.L. "Jay" Fleck decided to extend his 18-year military career, he chose to be sworn in at what, for him, is the perfect location—the running board of an LIRC diesel locomotive.

Vets and ARH Share Values

Anacostia Rail Holdings has a long-term commitment to hiring U.S. military vets, and many within the company have a personal connection to the military.

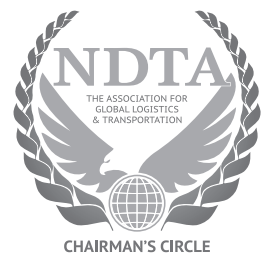
Company President Peter Gilbertson—the proud father of an active duty Marine—says service members make excellent employees.

"The military experiences of hard work, commitment, and discipline are excellent training for careers in the rail industry, where serving our customers and protecting our communities is our top priority," said Gilbertson.

This year, Anacostia joined the

National Defense Transportation Association (NDTA) as a Chairman's Circle corporate member. The NDTA brings together government, military, and private sector professionals to solve pressing challenges in the fields of logistics, transportation, and passenger travel services.

Scott Lurkins, senior director of business development, represents Anacostia at NDTA.



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Message from Peter Gilbertson

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line freight railroad in the country to implement a program to screen for and address Obstructive Sleep Apnea among train service employees. This will enhance the safety of our operations, as well as benefit our employees and their families. Similarly, we have equipped all of our locomotives with microprocessing units that support regulatory compliance as they also perform operating performance diagnostics. Meanwhile, we are working with our industry's IT provider, a customer, and two other railroads to pilot a system that will improve visibility for customer car movements.

If you are a potential customer, or connecting railroad, we want to work together to build a better supply chain.

Peter Gilbertson
President & Chief Executive Officer
Anacostia Rail Holdings Company

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News from
Anacostia Rail Holdings

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Precision Scheduled Railroad-ing (PSR) is again a subject of much discussion in our industry. During my 12 years at CN during E. Hunter Harrison's tenure, I worked on many PSR corporate initiatives, giving me some personal perspective on what it means for short lines and our customers.

The success of CSX and CP reveals the power of the PSR service model to quickly produce improved financial results. At the same time there are other impacts on partners, capacity, and service reliability. It's reasonable to ask how those factors contribute to the overall effect of PSR.

PSR's foundation is straightforward: discipline, a solid plan, and a focus on individual cars rather than train movements. Because network capacity is intrinsically tied to capacity, PSR's success requires a cooperative effort between all parties. Shippers need to minimize cars detention; short lines need to execute timely service; and interchanges must be fluid.

We have all witnessed the shock to the system when PSR's early phases reduce rail-car fleet size, train starts, and yard capacity in order to "right size" the network. This is not strictly science. Mistakes are made and execution of the plan isn't always easy. Focus on service sensitive

Connections

Anacostia 'On the Move'

by Eric Jakubowski
Anacostia Chief Commercial Officer

metrics is the key to success and it's critical for shippers and short lines to understand what these are for their Class I partners.

At Anacostia, we focus on maintaining open lines of communication and candid feedback about interchange performance. We work diligently to adjust on the fly as individual Class I connections make adjustments to schedules. Most importantly, we strive to protect every one of our customers by measuring our own service performance and staying in touch to ascertain requirements as conditions change.

For PSR to succeed, accurate and timely data is a must. For our part we plan to fulfill all the requirements for event reporting. Better visibility of railcar location, status, and ETA should afford customers and short lines the benefit of planning and managing costs to the same degree as it does for Class I railroads. In the long run, all of these efforts will add essential network capacity as we rise to the demand that is forecast for the rail sector.

This is a complex issue that can't be easily summed up in a short article. Nevertheless, I have a brief suggestion: Stay engaged, provide feedback, and expect change at a rapid pace. ♦



Take a Flying Tour of the ARH Railroads—Virtually!

We have been releasing a series of brief videos that take you on a flight over some of our most impressive rail and industrial development facilities.

They are designed to help shippers and developers of distribution and manufacturing facilities find the right location for new or expanded business locations along our lines. Each brief video provides a quick introduction to one of our railroads, followed by a tour-by-drone, lasting about four minutes.

If you have a need—or have customer who has a need—for efficient rail service in North America, this is must-see TV!

<https://www.anacostia.com/news/videos>



Innovation for North American Shippers

The ARH railroads have been very successful in helping customers develop and implement innovative logistics solutions. Here are a few examples:



Chicago South Shore & South Bend Railroad

CUSTOMER
Glycerin Traders

CHALLENGE: Efficiently manage rapid business growth while maintaining high customer service.

BACKGROUND: Glycerin Traders evolved from a glycerin and waste food ingredient trader into a provider of related products. A rail spur on our line proved to be an ideal location to receive and distribute these products. Over time, the number of rail shipments grew. The only problem was that Glycerin was outgrowing the capacity of its four-car track.

SOLUTION: With reliable and efficient twice-weekly train service—and the availability of neutral rail connections to all major rail carriers in Chicago—Glycerin made the decision to further invest in its Stillwell, Indiana facility, doubling capacity to eight cars. According to Glycerin Traders President and CEO Dennis Zeedyk: “We received excellent customer service from CSS.”



Pacific Harbor Lines

CUSTOMER
Los Angeles Harbor Grain Terminal

CHALLENGE: A new customer was skeptical that its export shipments could be moved to the port by rail without delay.

BACKGROUND: L.A. Grain’s busy eight-acre terminal dispatches some 20,000-container loads of agricultural products annually. With minimal ground storage space available, the company has learned it can rely on PHL for reliable and prompt delivery of loaded railcars—about 85 percent of the volume the terminal receives—to avoid a backup of products at its facility.

SOLUTION: This was an instance where nothing could create confidence like a proven success record, according to Dwight Robinson, vice president and general manager, L.A. Grain: “When the new customer saw that port-bound cars delivered to PHL Class I railroads were spotted at our terminal the same day, they were quite impressed. PHL is second to none,” he said.



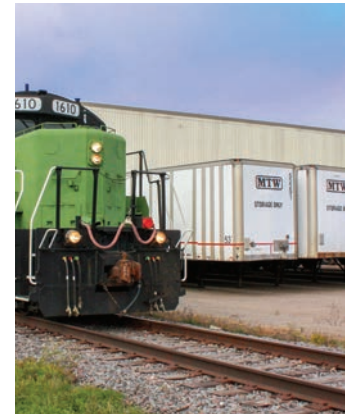
Louisville & Indiana Railroad

CUSTOMER
WestRock

CHALLENGE: Accumulating volumes of scrap paper in WestRock’s Columbus, Indiana paper products plant were blocking floor space prior to transfer to truck docks for disposal. At the same time, once inbound shipments were unloaded, the rail cars were returned empty.

BACKGROUND: During a familiarization tour of the plant, we discussed this situation with the plant manager and proposed loading and removing the scrap paper by rail.

SOLUTION: We quickly developed rate plans with our Class I connections to move the scrap by rail to several destinations. Plant congestion was relieved, backhauls were filled, and greener rail transportation was utilized, multiplying the environmental benefit of paper recycling.



Northern Lines Railway

CUSTOMER
Mayers Transport & Warehousing (MTW)

CHALLENGE: MTW has enjoyed ongoing growth for many years. As a provider of logistics services in Central Minnesota, but with a customer base that covers North America, the company needed national marketing resources.

BACKGROUND: MTW operates a 115,000 square foot warehouse, with four railcar doors, in St. Cloud, Minnesota. It depends on NLR to provide efficient, reliable delivery of inbound forest products, bulk industrial, and palletized industrial and consumer goods. “We consider NLR a valued partner in our joint endeavors,” says MTW President Mike Mueller.

SOLUTION: An unexpected benefit of its relations with NLR has been that the railroad’s website—part of Anacostia Rail Holding’s U.S. network—has opened new business opportunities for MTW, resulting in business growth and added rail traffic.

SAFETY ROUNDUP

Protecting Communities, Employees, and Shipments

Anacostia works hard to provide safe service for our customers, protect the communities we travel through, and ensure that each of our employees goes home safe at the end of their shift. Here are a few highlights of that commitment.

Training

Anacostia’s railroads work closely with emergency responders, and host hands-on training with the actual equipment responders would encounter in a real-life situation.

This summer, NYA assembled a team of nationally recognized railway safety experts to conduct Tank Car Response Training programs for more than 400 first responders from New York City and Long Island. PHL completed hazmat training in September with local law enforcement and fire agencies.

CSS, LIRC, and NLR also supported emergency response training sessions in Indiana and Minnesota.



Honors

In the past two years, our railroads received top safety honors from the American Short Line and Regional Railroad Association (ASLRRRA), including:

- CSS, *President’s Award for outstanding safety achievement*;
- CSS, NLR and PHL, *Jake With Distinction Award*; and
- LIRC’s Transportation Director Jeremy Kramer, *2018 Safety Person of the Year*.



Left to right: Jeremy Kramer, Leah Windell and Scott Lurkins from LIRC, with Doc Claussen, Vice Chairman of ASLRRRA
Photo courtesy of ASLRRRA

At PHL, Kimia Khatami, director of customer service, was nominated for ASLRRRA’s John H. Chafee Environmental Excellence Award. She was recognized for efforts to restructure and enhance PHL’s compliance program, as well as implementation of new procedures and employee training to mitigate risks.



Public Education

Our railroads are involved in Operation Lifesaver, the public education program to prevent collisions, injuries, and fatalities on and around tracks and crossings.

For example, LIRC installed Operation Lifesaver signs at all its grade crossings, and also participated in a social media program that uses geo-fencing to push messaging to people within a specific proximity to rail crossings.

Health & Safety

NYA is the first short-line freight railroad in the United States to institute an Obstructive Sleep Apnea screening and treatment program for locomotive engineers and conductors. LIRC subsequently inaugurated this program for its operating employees.

Sustainability

Environmental safety is another key initiative for Anacostia. Several of our railroads are investing in new equipment that enhances environmental performance. PHL conducted locomotive technology testing to fully utilize systems that meet and exceed standards set by the California Air Resources Board. ◆



News from Our Railroads

It has been a busy year for ARH's six railroads. Here's just a glimpse of what's happening.

CHICAGO SOUTH SHORE & SOUTH BEND RAILROAD (CSS)

PRESIDENT Todd Bjornstad
LOCATION Chicago and Northwest Indiana
TRACK 182 miles
VOLUME 50,000 carloads, annually

CSS has partnered on a two-year, \$300 million undertaking to increase train capacity by installing an additional 17 miles of second track between Gary and Michigan City, Indiana. This project will make the entire section double track to allow for more efficient train operations. Pending federal funding approval, it is scheduled to be completed by 2021.

GULF COAST SWITCHING (GCS)

PRESIDENT Leigh Walters
LOCATION Houston, Texas
TRACK 26 miles in 2018, to increase in 2019
VOLUME 18,000 carloads in 2018, to increase in 2019

GCS maintains and switches Union Pacific's Robinson Yard in Dayton, Texas, and is opening the Angleton Yard at the end of 2018. GCS has a new five-year operating agreement at both yards, which are owned by Union Pacific. The Angleton Yard will have 35 tracks and roughly 18 miles of track when fully completed in June of 2019. The yard's annual volume is projected at 9,000 carloads for the first year—growing to 11,500.

As a result of lessons learned during past hurricane seasons, GCS—together with UP—has worked to improve drainage in the Dayton freight rail yard. An initial program cleaned all ditches that drain water away from the track and the rail yard. That was followed with regular cleaning to prevent vegetation and other materials from refilling the ditches.

LOUISVILLE & INDIANA RAILROAD (LIRC)

PRESIDENT John Goldman
LOCATION Southern Indiana and Louisville, Kentucky area
TRACK 106 miles
VOLUME 20,000 carloads, annually

LIRC customers and partners are seeing the benefits of the Southwind project, a major infrastructure investment of more than \$100 million since 2015.

The project connects the Port of Indiana—Jeffersonville—and its Foreign Trade Zone #170—to enhanced rail access and more efficient freight service through the region. A big milestone in 2018 was the replacement of the Flat River Rock Bridge in Columbus, Indiana, which makes LIRC fully compliant to handle 286,000 pound gross weight rail cars.

NORTHERN LINES RAILWAY (NLR)

PRESIDENT Justin Chalich
LOCATION Central Minnesota
TRACK 25 miles
VOLUME 10,000 carloads, annually

A significant locomotive fleet improvement is scheduled for late 2018, with the lease of two upgraded GP15 locomotives to replace older units. The newer power will provide higher reliability, greater crew comfort, and better service for customers. Locomotive modernization and improvements include a hot-start feature that will minimize engine idling during the infamously cold Minnesota winters.

NEW YORK & ATLANTIC RAILWAY (NYA)

PRESIDENT James Bonner
LOCATION Nassau and Suffolk counties; Brooklyn; and Queens, New York
TRACK 269 miles
VOLUME 30,000 carloads, annually

The first of four NYA locomotives were sent out for rebuilding in February.

This significant NYA capital investment is being made to upgrade MP15AC 1,500 horsepower road-switchers for increased reliability, efficiency, and emissions reductions. Work on the four-unit order should be completed in 2019.

PACIFIC HARBOR LINE (PHL)

PRESIDENT Otis Cliatt
LOCATION Serves Port of Los Angeles and Port of Long Beach
TRACK 59 miles
VOLUME 40,000 carloads, annually
 140 intermodal trains, daily

PHL celebrated its 20th anniversary in February, and in March President Otis Cliatt chaired World Trade Week sponsored by the Los Angeles Area Chamber of Commerce. In August, PHL Trainmaster Eric Flores was honored by the American Association of Railroad Superintendents with an "Ones to Watch" award.

At the Port of Long Beach, a \$1.31 billion redevelopment project is expected to improve PHL's velocity, dwell time, and rail car processing.





Anacostia Rail Holdings: Connecting Industry, Delivering Value

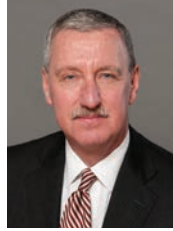
Anacostia Rail Holdings Company owns and operates freight railroads in the United States, providing customers with neutral access to the larger Class 1 railroads. Services also include car switching for intermodal terminals and various industries; track maintenance and repair; freight trans-loading; and train dispatching. Meet our experienced and knowledgeable management.



PETER GILBERTSON
President and Chief Executive Officer

In addition to his ARH roles, Gilbertson is an alternating member of the board of the Association of American Railroads (AAR).

He is past chairman of the Regional Railroads of America and the STB Railroad Shipper Transportation Advisory Council.



BRUCE LIEBERMAN
Executive Vice President and Chief Financial Officer

Lieberman specializes in railroad finance and risk management. He is also non-executive chairman of the New York & Atlantic Railway.

He is a past president of the Railroads of New York and past chairman of the Finance and Administration Committee of the ASLRRRA.



ANDREW FOX
Managing Director

Fox has served Anacostia as the president of Pacific Harbor Line and the Chicago South Shore & South Bend Railroad.

Previously, he held a variety of posts at the Southern Pacific Transportation Company. Fox is a past president of the California Short Line Railroad Association (CSLRA) and past director of ASLRRRA.



ERIC JAKUBOWSKI
Vice President and Chief Commercial Officer

Prior to joining Anacostia, Jakubowski was director of network strategy—US for Canadian National Railway, and held marketing and operating positions at CN and Conrail.

He served on the STB's Rail Shipper Transportation Advisory Committee.



THOMAS LEOPOLD
Chief Safety and Compliance Officer

Leopold has led safety programs in the rail, aerospace and defense industries.

He is a Certified Safety Professional (CSP) and in 2014 received the ASLRRRA Safety Professional of the Year award. Leopold is a member of the ASLRRRA Safety and Training Committee and the AAR Risk Management Committee.



Veterans Continued from page 1

Anacostia Human Resources Director David Hankins is a U.S. Marine Corps veteran who also chairs the American Short Line and Regional Railroad Association's (ASLRRRA) Veterans Recruitment Committee.

Our railroads also support active-duty military and veterans in a variety of ways.

LIRC established rail service at Camp Atterbury in Indiana with a nine-track terminal to support military deployments. It was inaugurated in 2017 with a National Guard training mission

that simulated combat operations and involved approximately 309 railcars, 1,207 pieces of equipment, and 6,000 soldiers. The Illinois National Guard staged a similar deployment in 2018, and the Minnesota National Guard conducted training there.

LIRC's efforts at Camp Atterbury were recognized with an award from the American Short Line and Regional Railroads Association (ASLRRRA). LIRC also won the ASLRRRA's Timmons Award two consecutive years for recruiting and hiring veterans. Approximately 30 percent of LIRC employees are veterans.

PHL takes pride in employing veterans and ensuring active military reservists can

fulfill their duties to both the railroad and in service of their country. PHL President Otis Cliatt, an Army veteran, has served as chairman of the ASLRRRA Veterans Recruitment Committee. Cliatt says employing veterans is a permanent part of PHL's hiring program, and the railroad retains an average of 20 percent veterans. The state of California has recognized and awarded PHL for its hiring of veterans practices.

Anacostia's railroads are also strong supporters of veterans' charities in their local communities—donating time, talent, and dollars to support those who have served our country. ♦