



COMPANY
NEWSLETTER
JULY 2010

A message from the president

I would like to welcome you to the first edition of the “Patriot Rail Dispatch.” We are excited to introduce this new communication tool to all employees, customers and friends. We want you to know about our employee achievements, improvements at each of our railroads and the most current news about our company.

At Patriot Rail, we strive to improve our operations and people every day. By investing in our rail lines, we can move freight more efficiently. By investing in safety training and professional development, our people improve their livelihoods and careers. By striving to better our people and our railroads, we are able to offer our best to our customers. From day one, we have set a goal to provide customers with a first class transportation



Gary O. Marino

solution focused on safety, customer service, greater productivity and improved service reliability.

As Patriot Rail continues to evolve and grow internally, as well as through acquisitions, you will be able to read all about it here. We want you to know where we are heading and how we are getting there. Our future relies on connecting customers and employees. This newsletter is another step in that direction. Should you ever have any questions about our company, don't hesitate to give me a call. We look forward to a long and successful relationship with you and all of the other Patriot Rail stakeholders.

Sincerely,

Gary O. Marino
Chairman, President & CEO

Yes, we can do it!

Utah Central Railway takes on pipeline shipments

Faced with the problem of finding midwest off-loading locations for more than 600 miles of pipe for a natural gas pipeline stretching from Wyoming to Oregon, El Paso Pipeline Partners turned to rail as the most efficient form of transportation.

When a representative from the natural

gas company contacted the Utah Central Railway to determine if the short line could assist with the special project, both parties were pleased when the answer was “yes.”

Although the UCRY didn't have storage capacity, it worked with the natural gas company to determine alternative off-loading solutions.

“The crucial aspect of this project for us was, and has been, timing,” said Maurice Bowens, general manager-Utah Central Railway. “We moved



Providing on-time, reliable rail service is crucial for the project's success, as contractors must be called in to off-load pipe when the train arrives.

equipment and employees around a bit to service the pipe train, and it's gone very well thus far. We foresee it continuing that way.”

Class I carrier Union Pacific brings the 40-car unit trains to Harrisville, Utah, where the UCRY accepts the interchange

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Utah Central Railway employees heed the call to transport approximately 500 carloads of pipe for El Paso Pipeline Partners, a subsidiary of El Paso Corporation.

Quick response

Tennessee Southern Railroad employees battle floods

Weather forecasters predicted 10-year and 100-year floods, but no one anticipated the disastrous rainstorm that submerged much of Tennessee May 1 and 2. Due to the volume of rain and the destruction it caused, it has since been dubbed the 1,000-Year Flood.

"It was really amazing," said Larry Taylor, roadmaster for the Tennessee Southern Railroad Company. "The sheer quantity of the water; the speed it came and the mess it made were amazing."

Also amazing was the dedication that Taylor's team demonstrated in responding to the wreckage and restoring the railroad in the days that followed. As flood waters subsided, the team inspected 120 miles of track, and a handful of laborers began repairing the damage within two days.

"They got the track back in working condition in fewer than 10 days, and they did a fantastic job," he said. "They're extremely good people to work with all the time, but in this situation, I was especially proud to have them on the team."

While some damage occurred in and around

Mt. Pleasant, Tenn., Taylor says the most severely hit area was within a seven-mile stretch from Milepost A249.0 to Milepost A257. He said the washouts ranged from 30 to nearly 600 feet in length.

"It took hundreds of rail cars and truckloads of rock to fill them all up," he said.

In the initial reconstruction efforts, there were only two locations where a construction company could access the damaged tracks through the hill. Otherwise, supplies and material were hauled in by Hy-Rail. The team also constructed concrete walls alongside the track to enable them to rebuild the track from the bottom. To bring in the necessary stones, rock and ballast, the group broke through the hillside with a hammering ram.

"We had to do some interesting things to get this done, but these employees were able and willing to do what

was needed," Taylor said.

Congratulations and thank you to the following TSRR employees who worked safely and efficiently to rehabilitate the line quickly: Dennis Grooms, laborer; Marcus Harney, laborer; Wayne Hensley, laborer/foreman; Michael Smith, laborer; and Bill Smotherman, laborer.



Severe flooding in May hampered operations on the TSRR, but employees were able to restore the line in only two weeks.

Spreading the message

Kilgore out to save lives with Operation Lifesaver

In eight years of railroading, Jess Kilgore has acquired almost as many job titles, including brakeman, conductor, engineer trainee, dispatcher and station agent. Earlier this year, the self-proclaimed jack-of-all-trades, master-of-none acquired a new one: Operation Lifesaver representative for the Louisiana and North West Railroad Company.

"It's important to get the message about grade crossing safety and trespassing issues, and I wanted to be a part of it," he said.

Kilgore completed the necessary OL training class last year, where he learned how to create a presentation, what to say and what not to say, and how to be the most effective presenter possible. He

received his official certification during the first quarter of 2010 and now looks forward to making contacts within the community and sharing information with the public. One of the statistics he found most interesting and wants to call attention to is that 50 percent of grade-crossing accidents occur at gates with lights and crossings.

"If more people understand the dangers and how to avoid them, and especially how dangerous it is to go around the gates, hopefully that will mean everyone here won't have a grade crossing incident in their careers," he said. "I'll just go up there and be clear, concise, to-the-point and easy to understand, because the presentation and the information have to make an impression to make a difference."

Getting the job done

Port of Florence team works efficiently

The Tennessee Southern Railroad team at the Port of Florence is small but mighty. The seven employees combine their experience, knowledge and manpower to work safely and efficiently all day, every day.

“We know what needs to be done and we do it,” said Michael Phillips, TSRR port manager. “We do each task and responsibility as safely as possible.”

Phillips and his crew keep safety at the forefront by communicating, maintaining focus and not getting in a hurry. They also wear bright, high-visibility shirts and abide by Port and railroad rules and regulations.

“We talk about safety and how to do our jobs safely every day,” Phillips said. “We remind each other that safety is the No. 1 priority, because if one person gets hurt, it

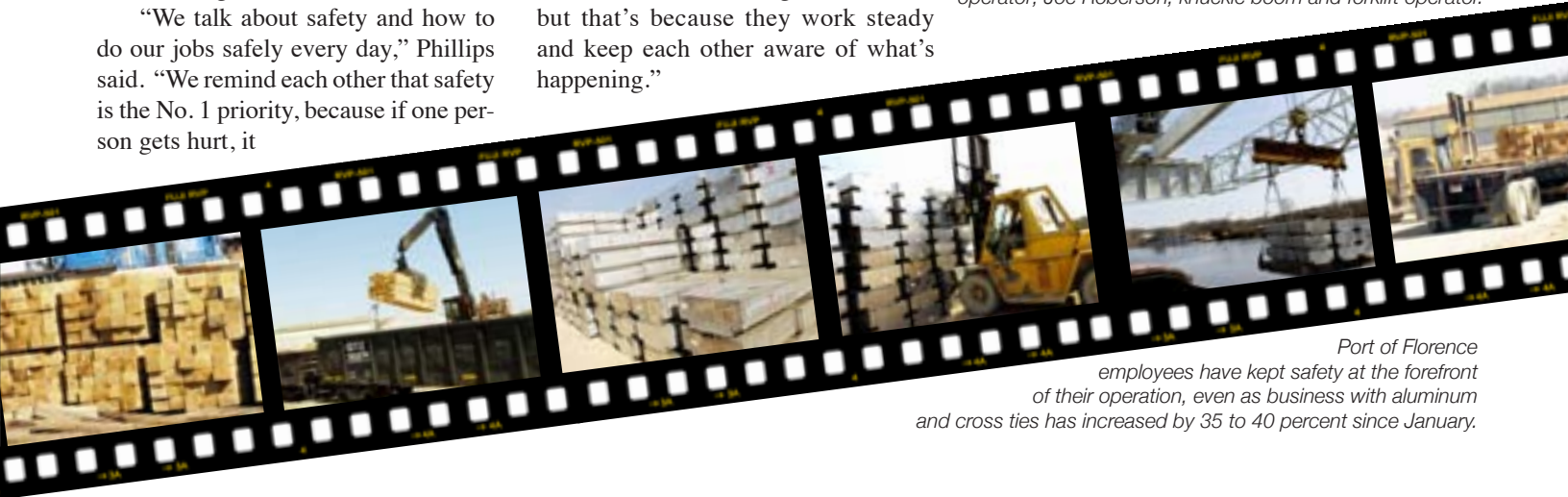
affects everyone.”

With a 35 to 40 percent increase in traffic and volumes of aluminum and cross ties at the Port of Florence since Jan. 1, Phillips says it has become increasingly important for employees to keep their heads in the game and remain aware of what’s going on around them. An incident or injury, he said, would slow the process down.

“Shipments of aluminum come in by barge, train and truck; and cross ties come by truck. We transload the material and get it to where it needs to go,” he said. “We can get 15 to 20 trucks unloaded and out of the gate in an hour, but that’s because they work steady and keep each other aware of what’s happening.”



The TSRR Port of Florence team includes, from left, Michael Phillips, port operations manager; Lisa Phillips, office/shipping and receiving; Katrina Riddle, assistant office/shipping and receiving; Matt Elkins, crane/forklift operator; Norman Staggs, forklift operator; Michael Garrett, forklift operator; Joe Roberson, knuckle boom and forklift operator.



Port of Florence employees have kept safety at the forefront of their operation, even as business with aluminum and cross ties has increased by 35 to 40 percent since January.

It adds up

Powers enjoys career on the railroad

Marissa Powers sought a career in accounting because she appreciates the structure and organization of the field. She has enjoyed the work and the regular deadlines of her role as an accounting manager since June 2008. Working for the Butte Anaconda and Pacific Railway Company has been an added bonus.

“It’s a great place to work,” said Powers, who joined the railroad in 2007 and previously worked as a hostess on the Copper King Express tourist train. “I like knowing what I have to get done, knowing what I have to do to get it done and not having too many surprises.”

Some of Powers’ responsibilities

include compiling daily reports for the corporate office, entering accounts payable, processing payroll and putting together month-end financial information. She also is partially responsible for the billing system and providing detailed, accurate invoices to customers in a timely manner.

Kathy Conlon, BAP Railway’s office manager and dispatcher, updates and maintains the railcar management system, RMI, with daily railcar exchanges, switches, and inbound and outbound cars. When it’s time to bill customers, Powers extracts reports that determine what is owed and enters the information into accounting software.

And because no one likes to pay bills,

Powers presents the amount due information to customers in whichever fashion and at the intervals they prefer.

“We accommodate their wishes as best we can,” she said. “If they want a hard copy, fax or e-mail, or if they want their bills on a monthly or semimonthly basis, we try to make it as easy for them as possible.”

Outside of work, Powers enjoys being outdoors, especially when the weather is nice. Her outdoor time has been limited as she is working on finishing her accounting degree at Montana Tech of the University of Montana in Butte. She is set to complete her final online class in August.

Upgraded fleet

Newly leased locomotives head to SAV, UCRY

Employees on the Sacramento Valley Railroad and Utah Central Railroad were set to welcome three refurbished locomotives to their operations in July. Three GP15-1 units were leased from Larry's Truck Electric Service Co. in McDonald, Ohio, and shipped via Class I railroad to the UCRY and SAV. Two units were bound for UCRY in Ogden, Utah, and one unit was bound for SAV's McClellan Yard.



Two newly refurbished locomotives will replace older units on the UCRY.

Before shipment, the units received a complete diagnostics review and new paint featuring the reporting marks of its destination railroad. The locomotives boast a 12 cylinder 1,500 horsepower prime mover. Dan Kisner, director fleet management-mechanical, said they also expect enhanced fuel savings capabilities over each railroad's previous units.

"Our future plan at Patriot is to identify locations and opportunities to receive similar units in an effort to upgrade our fleet and reliability," Kisner said.



A new paint scheme reflecting Patriot Rail colors adorns the refurbished units.

Customer Spotlight

Albemarle Corporation, LNW form successful partnership

For leaders at the Albemarle Corporation, a strong partnership with local railroads proves a vital component to a successful operation. Enter Louisiana and North West Railroad Company crews, who diligently serve the specialty chemical producer with several inbound and outbound loads a week.


Albemarle handles liquid and powder loads of specialty chemicals used for consumer electronics, petroleum refining, utilities, packaging, construction, automotive/transportation, pharmaceuticals, crop protection, food-safety and custom chemistry services. At the Magnolia plant, inbound and outbound shipments primarily relate to the chemical, bromine, which is used as a flame retardant in the production of plastics.

"All plastics in raw form are very flammable," said Randy Dees, traffic agent. "They need flame retardants to make it work. This part of Arkansas is unique in that saltwater in the ground contains bromine that is extracted for that purpose."

Dees works with David Davila, LNW dispatcher, regularly to ensure shipping needs are met. He has enjoyed the relationship he has built with LNW crews, and the customer-oriented service they have provided since Patriot Rail took over in 2008.

"It is nice knowing people on a first-name basis," he said.

Walter Ilg, director global logistics at Albemarle, has similarly been pleased with the transition to Patriot Rail. He also hopes the LNW is successful in luring new employers

to the area who rely on  ALBEMARLE® rail freight transportation service, which would stimulate the area's weak economy.

"Patriot Rail is a great outfit with lots of experienced railroaders that work together," he said. "They have been very active in developing their business and attracting industries and new business that benefit the whole community."

Ilg spoke of the importance of LNW's value proposition to potential customers in that they have a straight line connection to two Class I railroads – Union Pacific at McNeill, Ark., and Kansas City Southern at Gibsland, La.

"This gives us the option to negotiate with two railroads," he said.

Great customer service

Cucci: Short lines provide many advantages

To Thomas Cucci, director of operations, it's the little things a short line can do to accommodate a customer that make the difference.

"We are always trying to find space, and expand and utilize our assets better in order to provide safe and competitive rail service," he said.

Cucci acts as a resource for potential new customers at each of the six Patriot Rail-owned lines.

"I take a look at their operation and see how we can incorporate their service needs into our current operation," he said. "Our general managers do a lot of the hands-on, day-to-day work of maximizing carloads. It's my role to assist with logistics to insure everything

fits together."

Working as a team to promote the best customer service, the operations team has a weekly conference call meeting to discuss how to lead an even better operation. It's important, for example, to provide timely, reliable service to industries in which production schedules could be impacted by rail service.

"We have service guarantees for our customers," Cucci said. "We are proud to say if we fall down, they aren't going to pay for our mistakes. But, we have never had such issues."

To see what Patriot Rail can do for your business, contact Thomas at 561-443-5313 or Thomas@patriotrail.com.

Employees wear many hats

No matter the project or responsibility, safety comes first

If you ask John Hoffman, Jesse Patino or Ben Poore about a typical day on the railroad, they may need clarification on which job title, project or responsibility is being referred to.

According to Hoffman – roadmaster, part-time locomotive engineer and three-year Utah Central Railway employee – the trio splits its time between track work and switching the El Paso Pipeline Partners train at Business Depot Ogden. This means they must change their mindsets and shift their focus from track maintenance to moving freight.

Regardless of where they are or what they're doing, they conduct a job briefing and do the work as safely and efficiently as they know how.

"We're doing all we can to do a good

job, serve our customers and make money for the UCRY," he said. "We don't take risks, we talk about what we're going to do before we do it and we make sure that everybody goes home at night."

When it comes time to spot the 40-car train at BDO, Hoffman; Patino, laborer/brakeman; and Poore, track gang foreman/conductor; head to their posts. Once they get the train to the business park, El Paso Pipeline Partners transloads it and ships the pipe by truck to a storage facility in Corinne, Utah.

"It's a good move, it's not too strenuous and my crew is great," Hoffman said. "The



UCRY employees include, from left, Ben Poore, track gang foreman/conductor; Jesse Patino, equipment operator/brakeman; and John Hoffman, roadmaster/locomotive engineer.

teamwork and group dynamic is a big part of the success of this job."

Yes, we can do it!

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and spots it for contractors to unload at the Ogden Business Depot. On average, each car carries five 90-foot sections of steel pipe. After only two months of shipments, more than 240 of the estimated 550 to 600 carloads had been unloaded and stored.

"I hope the success of this project allows our name to get out there for projects like this," Bowens said. "It's important that people know and remember that we can handle the business and provide the quality of service that our

"Because our employees have been supportive and communicating with the customer, they are doing a fantastic job."

– Maurice Bowens



The months-long project brings multiple pipe shipments to Harrisville, Utah.

customers need, because that's what we market."

UCRY employees responsible for interchanging with UP in Harrisville, and communicating with their contacts at El Paso Pipeline Partners and the Ogden Business Depot include John Hoffman, manager of track/locomotive engineer; Jesse Patino, equipment operator/brakeman; and Ben Poore, Maintenance of Way foreman/conductor. They also receive support and assistance from other crew members.

"Safety is our main concern, and these employees have been excellent with their safety record and providing the service safely," Bowens said. "After safety, the customer service aspect is another important goal. Because our employees have been supportive and communicating with the customer, they are doing a fantastic job."



Each car carries approximately five 90-foot sections of steel pipeline.

A beneficial relationship

Sacramento Valley Railroad welcomes Alpha-Dyno

Employees of the Sacramento Valley Railroad are having a blast servicing the short line's newest customer, Alpha-Dyno, a Lincoln, Calif., company that produces explosives for the mining industry.

"They had been receiving their materials by truck, but when they learned they could bring it by rail, we worked it out, put together a track agreement and started bringing the cars in," said Richard McGowan, SAV general manager. "We're excited to have them as a customer and we look forward to building a positive and mutually-beneficial relationship."

As of mid-June, when it received its first cars, Alpha-Dyno will receive approximately two carloads per month. The company is now one of 10 SAV customers that transload off the short line's four team tracks.

According to McGowan, off-rail industries like Alpha-Dyno



*Richard McGowan,
SAV general manager*

can save money by transloading railcars, each of which contain three to four truckloads of material, on average.

"This presents significant savings to these companies over four transcontinental semi-trailers," he said. "And, if we can save companies money and provide the utmost in service, why wouldn't we want to market that?"

As soon as hopper cars of ammonium nitrate — one of Alpha-Dyno's main ingredients — are brought from Canada and the Midwest via Canadian Pacific, Union Pacific and BNSF to McClellan Business Park, Calif., SAV employees spot the cars for their customer. Alpha-Dyno then sends trucks in to transload the material and releases the empty cars back to the short line. Ultimately, trucks take the finished product to mines throughout Northern California.

"As their business grows and they continue to enjoy the savings between over-the-road truck and rail, of course I'd like to see car volumes grow," McGowan said. "Regardless, we'll keep providing our best customer service and saving them money."

Sharing knowledge

Magas earns certification to train, test locomotive engineers

When the Sacramento Valley Railroad formed March 1, 2008, Matt Magas came on board to help serve customers in California's largest master-planned business park — McClellan Park.

A short 2 1/2 years later, he settles into a new role as supervisor of locomotive engineers. Magas began his new job July 12. He oversees three employees

in the Operations Department. He was excited to take on a new challenge and become more involved in the training and mentoring of other employees.

Magas became certified as a Designated Supervisor of Locomotive Engineers in June. The certification allows him to conduct training and operations testing for locomotive engineers that previously was handled off-site.

"With the training I've had, I will be able to pass official information on to others, which will allow them to get a real feel for how Operations works," he said. "I'm looking forward to relaying my insight and notes to people in the field."

He plans to keep the lines of communication open between himself, other employees in the field and company leaders to ensure everyone understands any new developments in operational processes and



Matt Magas, supervisor of locomotive engineers, stands with his family including children Delanie and Kian, and wife Devan.

safety measures.

Magas spends his free time with his wife of five years, Devan, and their children, Kian, 4, and Delanie, 3. He enjoys playing the drums and the electric bass guitar in a small garage band with a group of friends.

// *I'm looking forward to relaying my insight and notes to people in the field.*

— Matt Magas



Magas enjoys playing the drums in his spare time.

Big difference

Temple & Central Texas Railway switches at industrial park

When the City of Temple began making improvements to the local industrial park, leaders decided one of the changes would be bringing in a third-party rail switcher to service businesses.

“It makes a big difference — and a positive difference — having a smaller railroad here to serve the customers and get the work done,” said Michael Rose, general manager for the Temple & Central Texas Railway, which was created for this very purpose. “Getting started has been a challenge, but we’re happy to be a part of industrial park’s enhancement and upgrade.”

The short line, which operates on 10 miles of track with two GP38-3 locomotives, moved its first car Aug. 16, 2009. In the year since, Rose said one of the most interesting and exciting aspects has been identifying ways to make things run more smoothly and easily.

“The key to our success so far has been the fact that we’re not standing alone but are part of a company with experienced managers and railroad personnel to depend on and seek assistance from,” he said. “We

created something from nothing, but we didn’t have to reinvent the wheel, and everyone has been great in that and many other regards.”

In addition to receiving assistance and support from other Patriot Rail short lines, Rose cited the benefit of having diligent and dedicated employees on his local team. He appreciates David Lutz, Justin Wimmer and Tim Woods helping one another, learning from and teaching each other, communicating and giving the customers the service they need and deserve.

“This is a brand new crew, but you wouldn’t know it by watching them work,” Rose said. “They give 110 percent every day and work together to get the job done safely and efficiently.”

As time goes by and operations get more fluid and routines get more consistent, Rose believes that the employees’ efforts will result in not only satisfied customers, but also customers interested in increasing carloads and potentially recommending the



The TC crew stands together on one of their locomotives. In front, from left to right Justin Wimmer, brakeman; Tim Woods, conductor. In back, David Lutz, engineer. Not pictured; Michael Rose, general manager.

Temple & Central Texas Railway to other businesses.

“It’s been a tremendous team effort all the way around to get this thing up and running, and we’re looking forward to seeing that continue,” he said. “Yes, there have been challenges, but I think the real good news story is the success we’ve seen and the hope we have for the future.”

Emphasis on the customer

Hunley tackles new role with Sacramento Valley Railroad

As Denise Hunley settles into her new role as assistant general manager for the Sacramento Valley Railroad, a job she began July 1, she continues to ensure that the short line’s customers receive the utmost in customer service.

“In my previous job as traffic manager, I did a little bit of just about everything,” Hunley said. “That hasn’t changed, but now I am better able to not only serve our customers, but also help our employees by giving them the tools and resources they need to do their jobs and help them reach their personal goals within their railroad career.”

Since joining the railroad in 2008, Hunley has learned that some of the keys to her success have been her organizational skills, her ability to multi-task and her willingness to go above and beyond her black-and-white job description. This remains true for her recently acquired job, as she serves as a liaison between customers and train crews, maintains some administrative responsibilities and can be an agent for positive change within the company. She will use these characteristics as she strives to grow the railroad by adding new



Denise Hunley, SAV assistant general manager

customers and increasing current customers’ carloads.

“I don’t know if I have a secret to organization and prioritizing, as much as I just do it,” she said. “It isn’t brain surgery, but I know what’s important to serving our customers and that guides what I do.”

Just as a brain surgeon has a team for support and assistance in the operating room, Hunley is part of a group that depends on each other and enables the SAV to be the best operating railroad it can be.

“There is a very important team dynamic here, because everyone brings their own natural gifts and talents to the table,” she said. “It’s a combination of everybody put together, doing the unique things we do the best way we know how.”

As varied as her railroad life is, it may not surprise you that her personal and family life is also full of activity. When she isn’t working, she enjoys spending time with her five children and seven grandchildren, and traveling to see them. She is also an avid reader, church and community volunteer and small-business owner, twice over: she runs a gingerbread houses/cake/catering company and sells lipstick.

“For this, I have a secret, and that is that I don’t sleep,” Hunley said with a laugh.

Watching out for each other

Tennessee Southern Railroad team dedicated to safety

The next time you need a definition for words such as diligent, focused, dedicated or responsible, don't consult a dictionary. Instead, pay a visit to the Tennessee Southern Railroad Company and observe its 25 employees in action.

"We're just like a family down here, and everyone knows each other," said Walt Robinson, safety and operating practices manager. "It doesn't matter which department they're in or how long they've worked here, the employees communicate with one another, and that's the key to keeping each other out of harm's way."

The team's collective safety-conscious mentality has allowed its members to achieve nearly 350 days without a reportable derailment and almost two years without a lost-time injury.

"Our people maintain equipment, maintain track, move trains and transload at the Port of Florence, and they do it all safely," Robinson said.

Matt Prince, general manager, added that they do it all despite inclement weather and other unfavorable circumstances. They demonstrated this in the aftermath of Tennessee's 1,000-Year Flood that occurred in the western part of the state May 1 to 2.

"Receiving 12 to 16 inches of rain in 36 hours creates a lot of water and a lot of force that can wreak havoc on most anything in its path, and that includes our railroad," Prince said. "Our people were willing to come in on the weekend to work, though, and get our traffic going again, and we really

// We're just like a family down here, and everyone knows each other.

— Walt Robinson



TSRR employees gather for a training session.

This material is intended to be an overview of the news of Patriot Rail Corp. If there are any discrepancies between this newsletter and any collective bargaining process, insurance contracts or other official documents, those documents will govern. Patriot Rail Corp. continues 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.
 Thank you to everyone who contributed to this issue of the newsletter. If you have a story idea, contact Nate at nathan@newslink.com.

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appreciate that."

The most affected portion of the railroad was in an area called Rockdale Hill, located between Mt. Pleasant and Summertown. Prince said employees worked smart and fast and got the railroad up-and-running again in no time.

"Everybody knew where everyone else was and what they were doing, they kept their heads about them, didn't get overly anxious and stayed focused," he said. "They followed our plan to get things going, and we couldn't have asked for anything more."



Sid Pearman serves as trainer and consultant for TSRR.



TSRR employees include, from left, Sid Pearman, trainer/consultant; Michael Phillips, port manager; Corey Brown, brakeman; Justin Cecil, signal maintainer/brakeman; Stanley Atwell, locomotive engineer; Matthew Elkins, port operator/brakeman; Franklin Isbell, engineer consultant; Shane Seagraves, brakeman; Rex Durham, brakeman; Brent Putman, mechanic/engineer; Marvin Allen, mechanic/engineer; Dennis Grooms, brakeman/MOW laborer.