

RCPE Update

Rapid City, Pierre & Eastern Railroad, Inc.



During the initial phase of the start-up of the Rapid City, Pierre & Eastern Railroad (RCPE) after June 1, focus was to establish safe and efficient protocols and procedures; to hire, train and orient almost 200 new employees; and to deploy assets necessary to safely meet the initial perceived needs of the communities and customers served by the railroad. This work is largely complete.

Concurrent with the start-up, RCPE management became acutely aware of the growing backlog of grain awaiting transport out of the state. Elevators were near capacity while facing a series of expected bumper crops through the balance of 2014. Action was taken to secure or accelerate additional crews, locomotives and freight cars. Also, an ongoing and intense effort began to coordinate actions with connecting Class I freight railroads.

While much more work remains to be done, over the last three weeks, promising gains have been made in addressing the backlog of grain. RCPE employees will continue their work to improve this situation.

People

- RCPE current total employment is 188, with an additional 15 temporary workers initially brought on to help with the start-up retained for work handling the record grain harvests
- Following the initial hiring of employees for the June 1 start-up, RCPE has hired an additional 24 employees for train and engine (T&E) service
- These new T&E employees must undergo technical, safety and on-the-job training. This is underway, with eight of the new employees now being qualified.

Operating Plan

- The expanded RCPE operating plan is stabilizing to the increased flow of cars and locomotives from CP; placement of empty cars for loading, and pulling of released loaded cars, continues to improve
- New plan, based on locomotive commitments detailed below, adds three additional trains per week. The week of August 18 – 24, RCPE was able to handle four additional trains to CP
- Five BNSF shuttle trains of grain were delivered in August
- Constant coordination with CP is important, and CP support allows for the additional trains of grain traffic

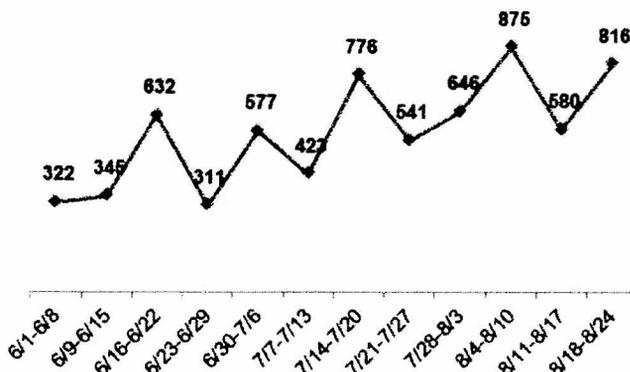
Locomotives

- RCPE locomotive fleet currently has 58 units
- RCPE has installed new engines in two of the five heavy bad order locomotives, and these units should be in service before the end of September, with two more in service by the end of October
- Significant improvements have been made over the last three weeks to the shared RCPE-CP pool of locomotives to facilitate movement of traffic over the Tracy MN interchange. CP has committed to add more locomotives to the interchange pool and work to maintain its share of the pool

Grain Railcars

- RCPE startup plan called for creating a dedicated fleet of 2,500 railcars (all types)
- To date, 2,089 grain cars have been secured by RCPE for delivery between June 1 and December 31, of which 1,175 have been received and placed into service, with the remainder expected by end of year
- Until then, agreement is in place to augment the RCPE fleet with additional CP grain cars

RCPE Weekly Grain Carloads Shipped



Investments

RCPE Maintenance of Way forces in conjunction with contractors have:

- Installed 20,000 of the planned 41,000 new ties
- Surfaced 91 miles of track
- Installed 175 bridge stringers and 100 bridge ties

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