



MESSAGE

*from the
President*



It is hard to believe that 2011 is nearly in the rear view mirror. The year was certainly filled with ups and downs and twists and turns. We all remember the incredibly cold and snowy winter

followed by what seemed to be the spring that would never end—with too much rain and melting snow for our rivers and streams to handle. Fortunately, over the years we had prepared ourselves by armoring our river banks for any potential floods. The mid-western part of the country was not as kind to our partner, BNSF. As you likely recall, the town of Minot, ND was ravaged by floodwaters, and BNSF's main line was out of service for weeks. In other BNSF locations, tracks were out of service for months. All in all, the floods of 2011 were historic by comparison to anything any of us have seen in our lifetimes. Some say the mid-west floods will be put into the history books as a 500+ year event. The floods provided a unique opportunity for Montana Rail Link – overnight we were asked by BNSF to handle unprecedented traffic levels for an undetermined amount of time. As a team of nearly 1,000 employees, we rose to the challenge and handled the new business efficiently, effectively and, most importantly, safely. On many occasions since the disaster and from the highest levels, BSNF officials have thanked us for a job well done. Thank you for answering the call and performing so exceptionally well—and so safely—during that challenging time.

Almost immediately after the Minot tracks were put back in service, our traffic dwindled to some of the lowest levels of the year. It seemed as if the recession returned, and we wondered if 2009 was back to take a second bite. Fortunately, the downturn was short-lived, and we are back to our pre-flood levels. Although getting better, traffic for our on-line Montana customers continues to be at levels well below the pre-recession years. It will be difficult to return to the Smurfit Stone Container era; however, we have worked feverishly on business opportunities and have recently seen up ticks in forest products in western Montana. Logs are moving from and to points all across the system, and significant opportunities exist for wood chips, coal and many other commodities.

Our business levels ebb and flow, however our passion for safety has stayed constant. We continue to enjoy record low injuries across the system. Our improvement in the injury frequency rate is nothing short of remarkable. As you know, we achieved a new Company record in 2010 and are now poised to best that record this year. Our goal continues to be Double Zeros – Zero personal injuries and Zero accidents. A few years ago, that goal seemed ridiculous to most, however it is clear now that Double Zeros are attainable. Thank you for your diligence this past year—and, especially, thank you for working safely yourself and as a team to stretch and pierce through once unthinkable boundaries.

Remember our vision – to be the best in safety, customer satisfaction and ingenuity. If we keep those three simple thoughts in our daily work, we will continue to soar beyond what was once thought unimaginable.

Merry Christmas – Enjoy the season!

Tom Walsh

'Best of the Best' Year After Year

Pete Lawrenson, Chief Security & Safety

During these difficult economic times, we continually hear how challenging it is for a business to succeed. Starting operations is very expensive, and a secure line of credit is critical. However, having the right people to make the business successful is the real key. As Montana Rail Link enters its 25th year of operation, our current 960 employees and those who have retired have made the Company a success second to none.

The most critical component of operation for the Company and its customers is safety, and without it, success is - at best - up to Lady Luck. MRL employees have provided the advantage through their commitment to the critical aspect of safety in their day to day work. Here we are, approaching the end of 2011, with the best record of personal injury reduction in the Company's history. MRL employees didn't count on luck. They have worked hard, committed themselves and their team to a safe work environment, eliminated risk, and demonstrated that safety is the Company's number one and top priority.

To every employee currently working and the many who have retired, congratulations for making Montana Rail Link the **Best of the Best**. Safety is a team effort, and this team has risen to the challenge to prove that success in safety is not an accident. Have a wonderful Christmas holiday season in the spirit of peace and goodwill—and let's challenge ourselves to make 2012 even better!



Carter Street Double Crossover

Gary Loeffler, Stan Boaz & Leon Scoles; Signals/Communication

The Signal Department completed a \$700,000 double crossover upgrade in Helena east of Carter Street in July. A double-crossover allows train movement between two tracks in either direction, providing greater flexibility for the Operating Department to move the trains into and out of the yard. This project was an upgrade from hand-thrown switches to a CTC control point with power-operated dual control switches.

The signals and signal bungalow were in need of upgrades as well. One intermediate signal was removed, and approximately 50,000 feet of new cable were buried and installed within the 400 feet between the Carter Street crossing and the crossovers plus another 25,000 feet of wire inside the bungalows. Although not actually considered part of the crossover project, one signal was moved further west to Roberts Street and replaced with a new, four-headed back-to-back signal. It now serves as the approach signal to both east end and west end crossovers. Prior to this change, trains may have had to stop and wait for the Dispatch Center to line the switches,

blocking three crossings. Now the westbound traffic has the ability to know when and how the Helena West Signal is lined prior to proceeding.

In addition to the many man hours required to install the upgrades, 8 to 10 hours of testing without any trains in the area was needed to ensure that every signal, signal apparatus and switch functioned as intended. Changes were also required in the Dispatch Center, and testing was required between the Center and the field before the system was returned to the dispatcher to proceed with train movement. The Dispatch Center now controls the crossover switches, eliminating the need for one of the train crew to be on the ground during the crossover.

This project was very complicated and expensive; but the results, allowing for smoother and more efficient train movement into and out of the east end of the Helena Yard, were even better than anticipated.

Visit the MRL Extranet site to view additional details in Announcements.

Keeping Track

On the Move

Jay Barnes • Was Manager Crew Operations, Now Dispatcher Trainee – Missoula

Mark Fischer • Was Electrician, Now Mechanical Foreman – Livingston

Look Who's New

Machinist Apprentice – **Laurel**
Ryan Donnelly

Signal Laborer – **West End**
Brian Nordwick

Temporary Yardmaster – **Missoula**
Kayla Wood

Yardmaster – **Laurel**
Tony Stone

Retirements

James Eller, *Mechanical Laurel*
Wendell Hays, *Engineering Laurel*
James Hirning, *Mechanical Missoula*
Larry Johansen, *Engineering Missoula*
Char Morton, *Operating Missoula*
Colleen Reeser, *Operating Laurel*
Jerry Riesinger, *Mechanical Laurel*
Douglas Thomson, *Mechanical Livingston*

Safety Leaders Enjoy Another Win

Safety Leaders *in* the field take time to enjoy Griz Leaders *on* the field—A number of engineering employees who exemplify MRL's *Best of the Best* when it comes to safety were invited to watch the Grizzlies vs. Northern Iowa with their spouses on December 9th. Griz won 48-10.

Below (L-R): Pat & Annette Spence, Chuck & Marie Hendrickson, Pete & Pat Lawrenson, Lyle & Nancy Evans, Curt & Lois Schoening

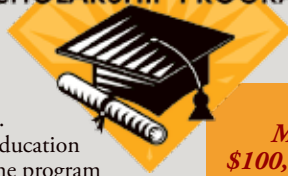


Employee Family Scholarship Provides Up to \$8,000!

In partnership with the Dennis & Phyllis Washington Foundation, Montana Rail Link offers the Employee Family Scholarship. The scholarship program was established to help the families of our employees broaden their access to higher education and offers up to \$8,000 maximum lifetime benefit toward education costs.

The program provides \$1,000 per semester to a child (no age limit) or spouse of an employee who has worked with the Company for one year or more. Funds may be used for post-secondary education at any accredited institution, provided the program

**THE WASHINGTON COMPANIES
EMPLOYEE FAMILY
SCHOLARSHIP PROGRAM**



is full-time and continues a minimum of one year. *Students must submit their application no later than 30 days after the school term has begun.*

The application can be located on the MRL Extranet website or at dpuwfoundation.org. If you have any questions concerning the Employee Family Scholarship Program, please contact Ellen Harne Washington Corporations (523-1371).

During the Fall 2011 semester, Montana Rail Link funded nearly \$100,000 to 98 students through the EFSP

DEPARTMENT HIGHLIGHT

MECHANICAL

Rourk Price, General Foreman Mechanical Livingston

Change is inevitable, and during the last five years the Mechanical Department has experienced its fair share of changes.

In 2005, MRL made a substantial investment in the future with the purchase of 16 SD70ACe locomotives. The new locomotives brought new technology, new maintenance issues, and a new perspective on how the railroad functions.

MRL secured the back-shop facility in Livingston in 2006, providing the Mechanical Department the means to be more self reliant and capable of performing work previously done elsewhere.

The biggest change comes in the Livingston maintenance facility and a new set of faces in the office almost over night. **Kevin Albrecht**, General Foreman will retire in January after 35 years of railroading. **Larry Rehmer**, Mechanical Foreman, will retire early in 2012 with 33 years under his belt. Last but not least, Livingston clerk **Pam Harris-Bouchée** left in November after 27 years. More than 90 years of experience and knowledge accompany Kevin, Larry and Pam as they depart. They will be missed, and we wish all three the best.

Who are the new faces in Livingston? **Cindy Moore** arrived last fall to fill the position of Foreman of Materials Management; **Rourk Price** will be filling the General Foreman position; **Bill Edwards** and **Mark Fischer** took positions as



Above (L-R): Larry Rehmer, Kevin Albrecht, Cindy Moore, Rourk Price, Mark Fischer, Peggy Sheldon, Bill Edwards

Mechanical Foreman earlier this year; and in October, **Peggy Sheldon** took the plunge and moved from Missoula to fill the clerk position.

Each brings their own unique experience, knowledge and a different perspective to the Mechanical Department. Please join us in welcoming these newcomers to the Livingston Maintenance and Repair Shop.

Leadership MRL

Scott Trent, Chief HR Officer

Esteemed author, speaker and business consultant Kenneth Blanchard writes, "The key to successful leadership today is influence, not authority." Leadership MRL launched three years ago with one objective in mind; to reinforce the successful transition of MRL's culture from management to leadership. In that regard, Leadership MRL is having the desired impact.

In 2011, nearly 90 frontline foremen, supervisors and managers attended these dynamic sessions targeted to develop their skills and abilities in specific competencies. This year's sessions were titled Guidelines to Safety Excellence, Generational Differences, Leadership Credibility, and Effective Leadership Communication; with each class lasting approximately four hours in length.

Attendees were asked to employ six Basic Principles, strengthen six Genuine Qualities of leadership, and exhibit our Core Values; fairness, integrity, respect, safety, and trust; as a foundation for these learning opportunities. Attendees were then encouraged to put into action what they learned in these sessions to successfully influence desired outcomes at MRL each day.

Many people made these annual offerings a valuable experience for attendees, especially our skilled facilitators (**Pete Lawrenson**, **Casey Calkins**, **Bryan Peterson** of Associated Employers, **Claude Van Winkle**, **Mark Krause**, and **Mike Lemm**) who developed and delivered this year's curriculum. Additionally, **Susan Twiford** and **Pam Schneider** worked hard to support and contribute to this process. **Nick Bailey** also provided his expertise with some content utilized in several sessions. We thank all of these talented and committed team members for their generous contributions to the overall success of Leadership MRL!

2011 BROKEN WHEEL CLUB

Any MRL employee who finds a cracked or broken wheel or missing tread on a train can qualify for the Broken Wheel Club and a \$100 reward. Please report to your supervisor. Congratulations and thank you to:

*Aaron Hanify, Mechanical
Dan Burns, Mechanical
Dave Hahn, Mechanical
Mike Firehammer, Operating
Sam Langve, Mechanical
Faron Stevens, Mechanical*