

**APPLICATION
FOR
SHORT LINE RAILROAD LIABILITY INSURANCE**

THIS APPLICATION IS FOR CLAIMS MADE COVERAGE

INSTRUCTIONS – ALL INFORMATION IS STRICTLY CONFIDENTIAL

- All questions must be answered completely. Please type or print clearly.
- If you need more space, continue on additional information sheet (Page 8 of application) and indicate question number.
- Complete a separate application for each subsidiary or affiliated railroad company to be insured.
- Submit signed copy of authorization to obtain information.
- Submit current financial statements. If new operation provide pro-forma financials.
- This application and all supplemental forms must be signed and dated by the principal of the entity.

1. Name of Railroad: LAKE LINE RAILROAD INC.
2. Mailing Address: Box 639 PETERSFIELD, MANITOBA R0C 2L0
3. Locations of operations: SELKIRK, MB to GULLI, MB; BEAUSEJOUR to MOLSON, MB
4. Name of Contact: For Inspection: ART STACEY
For Audit: ART STACEY
5. Telephone Number: (204) 934 2537
6. Applicant is: Individual Partnership Corporation Other: _____
7. Number of years experience general manager has had in shortline industry:
8. a) Name(s) of subsidiary(s) or affiliate railroad or company(ies). (Complete separate application for each company to be covered)
General Managerial services are provided by 3 persons: HAZ Koberinski 15 years short line experience, ART STACEY: 4 years, RANDY PENNER: 1 year
- b) List all additional Insureds to be added to policy and a brief explanation as to their interest. (Provide copies of lease and/or contractual agreements, if any)
Central Canadian Railway Inc. - provides haulage services to LCRR under contract

9. List interchange locations of Railroad (railcar repair). If jointly owned or operated with other railroads, provide copy(ies) of liability agreements between the railroads. Provide copy(ies) of all hold harmless agreements and repair contracts.

SELKIRK - interchange with CPR
MOLSON, MB - " " " "

10. If a company (in Item 1 or 8) is newly formed, provide the following:

- a) Name of previous owner: N/A
 b) If track has not been in operation, please advise how long: N/A
 c) What is prior railroad operating experience of officers:

Hal Koberski - 30+ years at CNR; 4 years at CCR
ART STACEY: 4 years at CCR

DESCRIPTION OF OPERATIONS:

11. Types of industries served and general description of operations (indicate hours of operations.)

twice weekly service to Diageo - more tankers of Crown Royal
3x/week service to Hudson Cement - more aggregate
as needed service to Viterra & Beauséjour - GRAIN

12. a) List major commodities and percentage of each handled per year:

| Commodities | % | No. of Carloads Per Year |
|------------------------|--------------|--------------------------|
| <u>WHISKEY Ethanol</u> | <u>10.85</u> | <u>181</u> |
| <u>GRAIN</u> | <u>49.16</u> | <u>820</u> |
| <u>AGGREGATE</u> | <u>40</u> | <u>667</u> |

- b) Describe hazardous materials, chemicals or explosives:

| Specify Type | No. of Cars/Trains | No. Cars/Year |
|-----------------------------|--------------------|----------------|
| <u>concentrated whiskey</u> | <u>1-5</u> | <u>200-300</u> |
| <u>Ethanol</u> | <u>3</u> | <u>181</u> |

13. Number of cars owned/leased/rented: 0
 Number of engines owned/leased/rented: 0
 Average number of foreign cars on line per month: 0
 Number of excursion passengers carried per year: 0
 Total passenger revenue per year: 0
 Average speed of train: 10 mph
 Maximum speed of train: 10 mph
 Average number of cars per train: Drago - 4/train, Vitevra 25/train
 Average value of lading per train: _____
14. Interchange partner and types of services performed: CPR

DESCRIPTION OF TRACK AND EMPLOYEES:

15. General condition of track: Good
 Specify FRA track maintenance class: Class 2
 Total miles of track: 32 + 1 -
 Miles of track operated: 32 + 1 -
 How many miles of accepted track: (Class I or lower): Nil
 Number, general condition, and type of bridges crossed by your line: 3 : 2 GOOD, 1 FAIR
16. Number of unprotected grade crossings: 48
 Total number of grade crossings: 3

| | <u>Current Year</u> | <u>Last Year</u> | <u>W&H Proposed</u> | <u>Previous Year</u> |
|---------------------------|---------------------|------------------|-------------------------|----------------------|
| Maintenance of way: | <u>\$100,000</u> | _____ | _____ | _____ |
| Maintenance of equipment: | _____ | _____ | _____ | _____ |

17. How often are there maintenance inspections by railroad personnel? Bi Monthly
 Name and title of contact for engineering inspection: H. Koberinski
 Telephone number: (905) 440-7278

18. Do you contract with an outside security firm? Yes No
 If yes, provide certificate of insurance: _____
 If yes, the number of guards: _____ Any Special training received? _____
 If yes, provide certificate of insurance: _____

19. List number of employees and annual payroll for each of the last three (3) years plus estimate for the coming year:

| | <u>Year</u> | <u>No. of Employees</u> | <u>Total Payroll</u> |
|--------------------------------|-------------|-------------------------|----------------------|
| Estimate for coming year: | 2013-14 | 0 | contracted |
| Current year: | 2012-13 | 1 | \$16,000 |
| 1 st previous year: | _____ | _____ | _____ |
| 2 nd previous year: | _____ | _____ | _____ |

20. List locomotive engineer information:

see application of Central Canadian Railroad Inc.

| <u>Name of Driver</u> | <u>Date of Birth</u> | <u>Driver's Licence No.</u> | <u>State</u> |
|-----------------------|----------------------|-----------------------------|--------------|
| _____ | _____ | _____ | _____ |
| _____ | _____ | _____ | _____ |
| _____ | _____ | _____ | _____ |

21. List total profitability before taxes for each of the last three (3) years and estimate for coming year or alternatively probability ratio for each respective year:

commenced operation July/12
gross revenue for 4 months to NOV 30/12: \$322,360
Profit / loss to NOV 30/13 = (\$3,257)

22. Have you ever filed for protection under the bankruptcy laws? NO.

23. Have you been cited or fined by the FRA or AAR for any reason during the past three (3) years? If the answer is yes, please provide a complete description of the incident and what remedial action was taken and current status:
NO.

24. Current Program:

a) Name of Carrier: as arranged by Western Financial Group

b) Policy number: _____

c) Policy term: _____

d) Retroactive date: _____

e) Coverage and limits carried: _____

Check coverage carried: BI PD FELA FRS BOL Pass. Liab.

f) Premium and rate: (indicate rating basis) _____

25. Have you ever been denied coverage: Yes No If yes, please provide details: _____

26. Requested program:

- a) Limit of liability: renewal of existing.
- b) Each accident self insured retention: (\$25,000. minimum) _____
- c) Proposed effective date: _____
- d) proposed retroactive date: _____

EMPLOYMENT PRACTICES:

27. Do you currently have in place a rule certification program? If so, what are the requirements for the program? Do you have a re-certification program as well? If so, how often are employees re-certified and by whom?

No. Services are contracted

28. How many training classes are held each year? N/A
29. Are training classes mandatory for all employees? N/A
30. Do you have a pre-employment physical examination requirement? N/A
31. Do you have a drug and alcohol testing program that meets the FRA requirements? N/A

32. Do you have a policy concerning drug and alcohol testing after employment begins? If so, please supply the details:

N/A

33. Do you have an efficiency testing program in place to ensure the compliance?

N/A

EMPLOYEE INSURANCE:

34. Medical Insurance:

N/A

Is coverage written on an occupational basis: Yes No

What is lifetime maximum amount per employee? _____

What is the maximum out of pocket amount per employee each year? _____

35. Disability Income Insurance:

N/A

What is maximum benefit period for any employee? _____

What percentage or amount of lost weekly wages is covered? _____

36. Accidental Death and Dismemberment Policy:

N/A

What is the amount provided for the accidental death of any employee? _____

Does the coverage apply on a 24-hour occupational/non-occupational basis? If yes, please furnish a copy of the policy declarations page.

Yes No

CLAIM INFORMATION:

38. Has applicant any general liability, bill of lading, foreign rolling stock or federal employers liability claims in the past five years? Yes No. If yes, describe in detail, using the claim description sheet page 7 (please make photocopies), one for each claim. Also, if available, attach insurance company loss runs:

39. Please list below all incidents/accidents that Applicant is aware of which have occurred on or after the requested retroactive date and which have resulted in bodily injury or property damage, but have not resulted in a claim being made as of the date of this Application: (if additional space is needed, please use photocopies of this Page 6)

| Date of Incident/Accident | Description of Incident/Accident (Include Exact Names of Injured Persons) | Extent of Bodily Injury/Property Damage | Current Status (Include Any Amounts Paid) |
|---------------------------|---|---|---|
| / | | | |

SPECIAL NOTE: ANY OMISSION FROM THE FOREGOING LISTING CONSTITUTES CAUSE FOR DENIAL OF ANY CLAIM WHICH MAY ARISE FROM AN OMITTED INCIDENT/ACCIDENT.

CLAIM DESCRIPTION SHEET (Please make photocopies as needed • use one copy for each claim)

DESCRIBE EACH CLAIM (Last five years)

- A. Date of occurrence: _____
- B. Who is plaintiff(s)? _____
- C. Who is defendant(s)? _____
- D. Name of Insurance carrier: _____
- E. How accident occurred: _____
- _____
- _____
- _____
- _____

RESERVES

- F. What are the Insurance company current reserves for damages claimed?
- | | | | |
|---------------|----|-------------------------|----|
| Bodily Injury | \$ | Property Damage | \$ |
| FELA | \$ | Loss Adjustment Expense | \$ |
- G. Has loss reserve grown from original amount? Yes No
- If yes, what was original reserve? \$ _____
- H. What is your opinion of the validity of this claim? _____
- _____
- _____

PAID

- I. Bodily Injury: \$ _____ Property Damage \$ _____ FELA \$ _____
- J. Loss Adjustment Expenses (including estimates) \$ _____

_____ Date

_____ Agent - Signature of Officer

CORPORATE SIGNATURE

NOTICE TO APPLICANT – PLEASE READ CAREFULLY

The applicant declares that the statements and information set forth in this Application and in any attachments made hereto are true and no material facts have been suppressed or misstated.

The applicant agrees that the Insurance Company or its designee may make such inquiries with respect to the proposed insurance as are deemed necessary by the Insurance Company.

The Insurance Company reserves the right to amend the terms, conditions and limitations of any policy issued as a result of this application if subsequent to the date of this Application, but prior to the inception date of such policy, there are any material changes to the information contained herein. In the event of such material changes as aforesaid, the applicant agrees to give immediate written notice to the Insurance Company and the former insurer and such notice shall attach to and form part of this Application.

Signing this Application does not bind the applicant or the Insurance Company to complete the insurance, but it is agreed that the statements and particulars contained in this Application will be relied upon by the Insurance Company should a policy be issued, and, in such case, the Application shall form a part of the policy.

Signature of Applicant

Title

Date

Effective date requested for this Insurance

PLEASE MAKE CERTAIN ALL QUESTIONS ARE ANSWERED AND THAT ALL APPLICABLE SUPPLEMENTAL FORMS ARE COMPLETED.

MAKE CERTAIN YOU HAVE ATTACHED A COPY OF THE CURRENT LIABILITY CARRIER(S) POLICY.

THIS APPLICATION WILL NOT BE PROCESSED UNLESS ALL QUESTIONS ON THE APPLICATION AND SUPPLEMENTAL FORMS ARE ANSWERED.

AUTHORIZATION TO OBTAIN INFORMATION

To: FRA/ARA and other governmental and regulatory agencies.

We hereby authorize you to release to _____ or United Shortline Inc., copies of all reports, actions, filings or documents that may relate to the operation of our railroad – explicitly for the purpose of determining insurance acceptability.

This shall constitute their sufficient open power of attorney for obtaining such information.

In witness whereof, we have caused this authorization to be duly signed by a corporate officer on the date set forth below.

Applicant – Signature of Officer

Title

Date