



Soo Line Railroad Company  
records.

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CHICAGO ROCK ISLAND AND PACIFIC RAILROAD COMPANY/332 S. MICHIGAN AVE./CHICAGO, IL 60604/WILLIAM M. GIBBONS, TRUSTEE

August 31, 1982

Mr. Joe D. Darling  
Director, Special Projects  
Soo Line Railroad Company  
Soo Line Building  
Box 530  
Minneapolis, Minnesota 55440

Dear Mr. Darling:

Per our recent telephone discussion, I am forwarding herewith copies of the Kansas City Terminal Ry. Co. By-Laws, Operating Agreement and First through Sixth Supplemental Agreements.

Sincerely,

Richard J. Lane  
Director-Staff Coordination and  
Rail Assets Disposition

aw

Enclosures



August 31, 1982

TMB, BDO, DDB, JDD

MKT meeting, cordial, frank

\$3,000,000 shipper working capital

March 1980 \$150,000,000 vs \$150,000,000

\$55,000,000

Oklahoma oil and gas revenues

Shipper Association - Section 505 funds

Oklahoma - rental \$150,000/year

0.8% interest, then escalated

FRA financing 6-20 years 150%  
equal annual installments

25 acres, \$1,000,000/acre can sell.

\$15,000,000 from City of Dallas

buy land, reserve easement.

Right of way for railroad purposes only.

August 31, 1982

Memorandum To File

Omaha Bank For Cooperatives

Ken Hile, <sup>Senior</sup> Chief Loan Officer

Meeting: August 30, 1982

Omaha, Nebraska

Re: Financing Acquisition of RT-trackage

By: D. J. Rayer

~~Comment: The meeting took and discussion took place over some four plus hours. Each topic discussed may have been the result of several other topics discussions; but is commented on here because it is important.~~

The topics of <sup>discussion</sup> ~~discussion~~ at the meeting were the result of questions prepared in advance and not an agenda of subjects ~~matters~~.

Accordingly a subject may have been discussed in parts rather than total. I <sup>Memo</sup> have attempted to report highlights of discussion by subject.



~~2~~  
Omaha Bank For Cooperatives - 2  
8-30-82

The meeting commenced <sup>with</sup> ~~by~~ a review of the 1<sup>st</sup> meeting between Soo and OBC by ~~Soo~~ <sup>DOB</sup>. In reviewing a statement was made that OBC would make either a loan through a Consortium of shippers or a direct loan to Soo for certain RT track acquisition.

H KH ~~for~~ advised after first meeting at which that statement was made, OBC officers held lengthy discussion of the subject of a direct loan to Soo. Consensus was that OBC ~~can~~ would request clarification from Washington DOT as to their authority to make such a loan. To date OBC has not received advice from Washington.

H Since the last meeting between Soo and OBC a meeting was held at West Bend between Association Executive Council, IDOT and OBC. KH was asked how the meeting was accepted by Council members? At the meeting the shipper member reported voluntarily polling other members

OBC

8-30-82

3

regarding Soo line interest vs. other railroads. Answer was very favorable to continue to cooperate with Soo Study. Association members expressed they do not think CNW is a permanent operator — will be a part of UP soon. Also CNW will not keep the agreement after rehab program to maintain tracks. Shipper group also advised they have written a letter attempting to withdraw their offer to Trustee (RT) to purchase parts of branch line for ~~for~~ Trustee may accept and they realize they cannot operate a railroad. Trustee does not respond and keeps ~~using~~ <sup>advertising/publishing</sup> their offer. ~~as valid~~.

H Preliminary to answering a question about loan construction KH stated OBC is ~~has~~ motivated by assistance to <sup>coop</sup> Membership to in establishing a viable rail operation to move commodity to market; and is only through a Shipper consortium can it become involved in finance of such projects. ~~It~~ The real property held by RT Trustee is of great importance to OBC in that it will assist members in purchasing



OBC-4  
8-30-82

or otherwise control the Real property  
leased from RI Trustee. Stressed it  
is important issue to OBC to  
secure release of all Iowa land under  
control of Trustee back to reversionary  
Owner or business.

91

With respect to RE held or controlled Real property:

- (1) KH stated approximately 60% by number  
of all on line shippers and other business  
are still leasing RE from Trustee.
- (2) 30-40% of OBC interest in financing  
RE acquisition from Trustee results from  
their concern over ~~RE~~ Trustee control  
of land.
- (3) Seven or eight of OBC "barrowers"  
located on spine line have land for  
their operation and want to purchase.  
(Northwood, Mason City, Manly, and Storey City)
- (4) RE values on the IFG branch  
are ~~\$~~<sup>\$</sup> 2.8M to 3.2M per acre even in  
these depressed times, per KH.



OBC-5

8-30-82

71

Following are some features of an Acquisition of trackage with Omaha Bank For Cooperatives finance.

- (1) Establish a consortium or association of members which represents the vehicle for OBC to provide financing. Must be resident of State served by District of Omaha Bank For Cooperatives.
- (2) Negotiate purchase of trackage & real estate with Trustee.
- (3) Identify operator railroad.
- (4) OBC does not need a legal description of the real estate such as necessary in a conventional REM, OBC will <sup>structure</sup> prepare a collateral filing on the properties acquired ~~with~~ in the form of <sup>leverage</sup> a lease which in their opinion is satisfactory to cloud the title ~~and~~ thus prevent future transfer and protect their interest.
- (5) When lease and loan are executed together the RR operator <sup>has</sup> ~~is~~ the possession of RE, track and structures. All tax <sup>benefits</sup> ~~incentives~~ and depreciation pass through to the "equity participant". Performance under lease by the

OBG-6  
8-30-82

railroad will result in ownership at maturity.

(6) Members of association presently on leased land will have option to purchase the real property.



OBC-7

8-30-82

91

At this point in the meeting it became very apparent that the position and objective of OBC and Association membership is very parallel to the plan drafted in Memo dated August 19. Especially the treatment of the IFG branch line <sup>acquisition</sup> with participation loan by Association supported by real estate.

92

I described the ~~new~~ participation by the Association and their options to purchase the non-transportation property, the interest and option of the Soo in the transportation property, and the resolution to handle the residual lands by Mutual Agreement. KH requested and was given a copy of the proposed items in the Soo-Shipper Consortium Agreement. Each item embodied within the agreement were discussed. His comment was that he liked it and ~~could~~ that none of the items disturbed him; but that item (10) may excite the membership!

OBC-8

8-30-82

I described another ~~for~~ situation in which Soc negotiated with Trustee for main line and branch line; but Trustee insisted upon receiving cash. Soc would turn to OBC via Consortium for full loan to cover both. KH ~~also~~ commented the 2<sup>nd</sup> scenario would be more difficult because it is more difficult for OBC to support a loan on Spine line consistent with their lending authority. Unless they OBC receives a favorable response to their request for authority to do so. KH advised that they would make every effort to move the whole loan and involve other District Cooperative Banks as participating.



OBC-9  
8-30-82

DB raised a considerable number of questions that obviously referred to the Milw-Bayard line program. KH was reluctant to answer, but finally did when assured the information was for SoS internal use only.

9" In the Bayard line it was noted BN would pay lease ~~ten~~ rental for a 16 month period. This serves ~~info~~ 2 purposes. It will allow time within which to construct the loan and lease agreement and get the association organization in place. ~~But~~ KH said it actually was the result of <sup>Milw</sup> Trustee refusing a cash deal in favor of the same amount with 16 monthly lease payments by BN ~~of~~ which are equivalent to the BN interest charges on the loan. This has the effect of increasing the acquisition price by Trustee in the amount of the lease payments. Yet, this change resulted in no increase in acquisition cost to BN-Consortium group.



8-30-82

CH Other information which came to light was the ability of OBC to finance freight cars, diesel units or small car movers and work equipment, providing it is owned and used primarily by Iowa branch line. KH offered there are 40-50 such pieces of equipment presently on OBC books exclusive of freight cars.

TH A reasonable time for formation of a Shipper Association or consortium and draft of lease agreement is 3-6 months. Period of September through December is ~~the~~ busy season for the Association members and they are generally not available for other business.

TH Larry Meyer of the law firm of Meyer, Knox and Heart (sp) and Ken Hilde drafted the consortium-operator lease agreement. L. Meyer for the consortium negotiated the truck purchase with RT Trustee. KH has called L. Meyer and introduced Sam in the event we call for information.

OBC-11  
8.30-82

Can Omaha Bank For Cooperator provide Soo with loan commitment? Yes, at the proper time. A long discussion ensued of all the conditions which would have to be written into the commitment because of the many unknown factors at this time. Resolution ~~would be~~ was that within one week Soo will communicate as much as it can to receive a letter of intent from OBC just prior to Trustee negotiation. At the time of Soo-Trustee agreement over acquisition, Soo can condition agreement upon receiving commitment letter from OBC. Trustee may ask for funding commitment.

91 Clearly, the OBC wants to finance Soo in its acquisition bid for Mh and branch line of RT in Iowa. They view the Soo ~~express concern~~ as the best <sup>candidate</sup> ~~sector~~ to date to achieve their objectives for the membership. They express concern over a loan that covers spine line as well as branch line because it exposes them to potential criticism. They would prefer a consortium-operator loan agreement because they have been through this once. I was surprised OBC was not disturbed by the 2 part loan plan drafted by Soo with sole liability running to the Consortium. The reason for non-concern



OBC-12  
8-30-82

on their part stems from their intense  
desire to secure the real estate from the  
Trustee <sup>control</sup> ~~group~~. This may prove to be  
very difficult in view of the Trustee's reservation  
of all ~~less~~ <sup>less</sup> and developable real estate  
unto himself. Perhaps a direct question is  
in order to the OBC and members as  
to how much it is worth <sup>prior to</sup> ~~the~~ negotiation  
with Trustee.

cc

TMB

DMC

BDO

JAD

A.N.

Monday meeting 8-30-82 Ken Hilde, Soc. loan officer  
Omaha Bank for Cooperatives  
206 South 19<sup>th</sup> St.  
(402) 444-3500

Develop discussion.

- (1) Value of loan Soc needs to assume RI package.
  - (a) Trustee finance plan 1<sup>st</sup> priority.
  - (b) Trustee value unknowns — other offers tell us something.
  - (c) Need Soc commitment prior to offer.
- (2) Does IFGSA plan on participation? How?
- (3) Is ☒ interested in RE of RI?
- (4) Have all elevators on least land purchased RE? complete?
- (5) If trustee will not sell branch or ML without all RE in package can RE be disposed of to land owners separately?
- (6) Was rehab programs in part participated in by users financed? Satisfactory?
- (7) Is OBC willing or able to extend credit for eq? diesel power?
- (8) Can OBC give Soc a commitment for loan? Form?
  - (a) Terms
  - (b) limitations
  - (c) collateral
- (9) Milw-BN-Corstatim — are all details worked out? Who drafted offer? Form available? Call Harry Meyer



Notes Mtg CBC - Ken Aida 11a 8/30

L Black Angus

13<sup>80</sup> 17<sup>5</sup> 15<sup>55</sup>

(1) Sure? No Not cleared through Washington hq's yet!  
Through consortium -

no leverage lease -

- conf (2) Pass through Tx incentives to "equity participant"  
consortium vehicle for CBC to participate in financing
- (3) collateral filing - about the title (lease)  
by CBC will be satisfactory to CBC for loan  
purposes. No not need description to satisfy  
REU.

✓ (4) RE property is important - to CBC & RE land  
back to Iowa owners.

(a) 60% approx by numbers are still leased off users

(b) 30-40% CBC concern is RE - reason for loss.

Example

20 Mil

12 mil - Soc - surest

8 mil - RE - consortium

KH wanted Soc loan agreement items - gave copy  
sez he likes this better!

✓ (5) 7 or 8 "borrowers" on spin line want the  
option to buy RE - Northwood, MC, Mauney  
Strong City.

6 or 260 miles x = 1560 cc x 2<sup>5</sup> =

KH sez land on Gateway worth 283<sup>2</sup> even depressed.

conf (6) BN will accrue all tax benefits and <sup>purchase</sup> option to  
will be effected via performance of lease.  
when lease and loan are executed BN  
is the owner and has possession of all  
RE, tracks & structure.

✓ (7) Meeting in West Bend - I-DOT & Exec Council went  
well. DW said meeting called by KH who was unaware  
of meeting. Shippers have pulled the numbers re  
Soc interest and it is very favorable. Think  
CNC not permanent - part of UP soon.  
Will not keep bargain to maintain track after  
rehab program.



Page 2 - KH Omaha 8/30/81

- ✓ (8) CBC finance Loco? yes if dedicated or owned by the branch line. Also cars and work eq. KH stated 40-50 Small Car movem & diesel locomotives on books at present.
- ✓ (9) Rehab program successful but unsatisfactory because they believe RR<sup>(CNU)</sup> will not maintain in the future and only be back again for another rehab program - Shipper participation.
- (10) Larry Meyer and Ken Hile drafted the BW-Milwaukee Shipper consortium agreement. LM is Consortium Atty - Nat BW - call him. KH called LM and advised Soo will call.
- (11) KH stated Soo was important because they had access to Great Lakes shipping. 2-2 months and at specific times this represented a primary market.
- ✓ (12) Shipper group has tried to withdraw their offer to purchase parts of branch line for fear Trustee may accept their offer. Realize they cannot operate RR.
- (13) Clearly the CBC wants to help Soo with a loan to acquire the branch line. They express concern over a loan to cover the Spine line because it exposes the CBC to possible criticism. They would grant a direct loan to Soo if permissible under charter. They would prefer a consortium loan - agreement because they have been through this once. They are not disturbed by DBS Scenario where the Assoc members are liable for RE portion of loan with purchase options. Even CBC may be interested in the RE in an effort to get it out of grasp of Trustee and back to Iowa land owners.

(14) DB described a scenario where by Soo  
 Acquires by Agreement w/ Trustee all of  
 Spine & branch lines. Soo allocates value of  
 20 mil to branch (12 mil track & structure  
 8 mil RE). 40 mil Spine.  
 Pay trustee down 15 mil + 20 mil.  
 CBC loan 7 years (5 pmts of \$—)  
 Pay trustee off in 5-7 years. reduced int.  
 Soo carries 40 mil with Trustee.

\$60 mil Purchase

35 ✓ { Down  
           15 mil Soo Cash  
           20 ✓ CBC loan

25 ✓ Paid pay over 5 yrs.

20 ✓ CBC loan over 7 yrs.

In event Trustee wants all cash Soo may turn  
 to CBC for a direct loan or via consortium  
 to cover total purchase acquisition from Trustee.

\$60 mil Purchase

60 ✓ Cash  
           15 mil Soo cash  
           45 ✓ CBC loan

KH advised this 2<sup>nd</sup> scenario would be more difficult  
 than 1<sup>st</sup> because it is obviously more difficult to  
 support loan on Spine consistent with their lending  
 authority; but they would certainly make every effort  
 to do so, and involve other District Cooperative Banks  
 as participating where necessary.

(15) What is a reasonable time in formation of consortium  
 and draft of leverage lease agreement? 3-6 months  
 except that Sept to Dec is busy period of members  
 of IFSA.



(16) Is the 16 month lease of truck by BN in the Bayard line transaction a designed time to permit the parties to work out details of Consortium - BN lease agreement? Yes, Partially.

(17) Why do you say partially in your answer to (16)?

(Hesitation - In confidence.)

Trustee in Wilbur Bayard transaction was offered a cash deal. He refused in favor of the same amount with a 16 month lease the payments by BN of which are only equivalent to the BN interest charges on the loan. The effect is to increase the acquisition price by the Trustee in the amount of the lease payments. This change resulted in no <sup>increase</sup> change in acquisition cost to BN - Consortium group.

Note: Above may be true of RT Trustee and a very good reason why Soo should just try to carry acquisition value with Trustee rather than pay cash with a loan from OBC

(18) Can Omaha BC provide Soo with loan commitment. Long discussion of all the conditions which would have to be written into a commitment because of the many unknown factors at this time. Result of the discussion was that within one week Soo will request a letter of intent from OBC prior to negotiation with Trustee. At time of Agreement of terms with between Soo-Trustee over acquisition, Soo can condition agreement upon receiving commitment letter from OBC. Trustee may ask for funding commitment

TMB - Office Mtg 10:30am 8-31-82

RT - Katy visit to Dallas (Castles) 8-30

\* 15 mil bid by Katy - Trustee wanted 150 mil - Settled 55 mil.  
600 miles approx

Okla. pd for tracks in Chin State.

Tex - ka lines pd for via assoc loan & FRA grant.

City of Dallas will purchase 15 mil - Katy to get agreement  
for operating trackage,

ok 304 mi 15 mil

SA 175 U<sup>1</sup>ke } 505 Funds 25 mil loan  
91 miTx }

Run through trains preferred  
Katy will do Swg. @ KC

ITINERARY OF  
DAVID J. BOYER  
MPLS. - OMAHA - RETURN  
August 30, 1982

Monday  
August 30

Minneapolis to Omaha

Flight: Republic Air/312  
Departure: 9:25 a.m.  
Arrival: 10:19 a.m.  
Stops: None  
Food: None

Meeting:

Place: Omaha Bank for Cooperatives  
Time: 11:00 a.m.  
Attending: Ken Hide  
Senior Loan Officer

Omaha to Minneapolis

Flight: Republic Air/317  
Departure: 4:20 p.m.  
Arrival: 5:15 p.m.  
Stops: None  
Food: None

3289 COLLOX 11825 2/3  
MAGWOP 5009



August 30, 1982

SOO LINE RAILROAD

AUG 31 1982

ALC. VICE PRESIDENT

Memorandum to File

From: Thomas M. Beckley

Re: Rock Island Trackage  
Kansas City to Twin Cities

I called Mr. D. K. McNear, Chairman of the Southern Pacific, to advise him that the Soo was making a study to determine whether it should offer to purchase the Rock Island line from the Twin Cities to Kansas City. In connection with the study, I indicated that we wished to talk to the various railroads serving Kansas City to determine how interchange arrangements might be made and to gain a better understanding of the nature of operations in the terminal. I asked whether it would be possible for representatives of the Soo to meet with representatives of the Southern Pacific-Cotton Belt to discuss these matters.

Mr. McNear indicated that on the operating side he believed that Bill Hovig, Vice President-Cotton Belt, would be the appropriate contact. He stated that Mr. Hovig was attending a funeral of a relative but would be back in the office next week. We made arrangements for him to call Mr. Cavanaugh. Mr. McNear asked whether Traffic Department representatives should participate in the discussions. I indicated to him that I would leave it up to Messrs. Hovig and Cavanaugh to determine whether they wished to have this involvement at the present time.

In the course of our conversation, Mr. McNear recounted some of the problems that he had in dealing with the trustee. He indicated that the intervention of Senator Kassebaum was quite helpful in breaking an impasse relating to the acquisition by the SP of several lines in Kansas and Missouri. He stated that in making his offer to the Rock Island, he collected all of the prebankruptcy claims against the Rock Island, some of which might not have been enforceable in the bankruptcy proceeding. He received credit at 100¢ on the dollar for these claims and was thus able to reduce somewhat the cash flowing out to purchase the trackage at prices which appeared attractive to the trustee.

cc: D. M. Cavanaugh  
R. H. Smith  
J. D. Darling

Staff Meeting:

8-29-82 Board Lnw

A - Pres lay out of problems & info to date on

(1) "Spine line" KC - TC

(2) IFG Branch line

B - Pres gave general terms for offer which Soo wants to make.

C - Soo Board Meeting 8-11-82

Need to put together details of plan for presentation to Board.

D. Agri Assn Meeting in West Bend Wed 8-18-82  
Need plan of Soo for presentation.

E - Make contact with Central Bank for Coop in Omaha Neb - as soon as possible.  
Consider filing of CBC for financing the Branch line?



8/29/82 9:30 AM

Darwin Luthero

West Bend Elev.

SIS-887-7211

Wednesday 1:30 P, August 18, 1982

By Q, 1980 June 30, 1982

Card to Sally  
Rever

KC

8/30/82

Winnebago Luthero


Dick Mason

Buffalo Center — Lakota

Thompson, Wadsworth, Hayfield — truck  
single car to Arkansas.



August 27, 1982

TO: T. M. Beckley  
FROM: J. D. Darling   
RE: Rock Island Study

I called Richard Lane of the Rock Island on August 26, 1982.

As thought, all Rock Island interest in the KCT had been sold to the SP in the Tucumcari transaction.

The remaining interest in the Rock Island Armourdale Yard, which according to Mr. Lane consisted of a wheel shop and a lease on the property it occupied, was sold to the SP in the recent Briark to Brinkley, Arkansas transaction.

Alternate Rock Island trackage rights to reach Armourdale via the KCS, MP and UP were terminated some time ago on account of congestion on the route. KCT trackage rights were by virtue of ownership.

The Rock Island retains its interest in the Iowa Transfer Railway at Des Moines.

The trackage rights on the Milwaukee reach the Royal-Palmer segment have never been terminated, but as we know, the Milwaukee trackage from Spencer to Webb has been removed. No alternate rights have been secured. Mr. Lane stated one of the shippers on this segment had indicated the shipper group may pursue the acquisition of this line segment even if the FRA funding is not forthcoming, with the ICG as operator.

The Rock Island right to use the Milwaukee from Emmetsburg to serve the relatively new elevator west of Hartley is still in effect. This right was apparently granted at the insistence of the original owner of the elevator, Cook Industries, even though the Rock Island access to Hartley was already in abandonment status. The Rock Island has half interest in the tracks connecting to the elevator facility. Even though the ownership of the elevator has since changed hands, the CNW recently included this right in their lease with the Rock Island and is serving the elevator. The Milwaukee did not protest. The

T. M. Beckley  
Page Two  
August 27, 1982

Rock Island received 22 75-car trains from this facility in 1978. An Iowa DOT list shows this elevator as Gulf Coast Grain.

Mr. Lane will send a copy of the bylaws with a number of supplements for the KCT.

JDD/jmz

cc: D. M. Cavanaugh  
B. D. Olsen  
D. J. Boyer  
J. T. Hartnett

August 27, 1982

TO: T. M. Beckley  
D. M. Cavanaugh  
R. H. Smith  
R. L. Murlowski  
D. J. Boyer  
J. D. Darling  
J. T. Hartnett  
P. M. McNamee  
H. J. Ness

SOO LINE RAILROAD  
AUG 27 1982  
EXEC. VICE PRESIDENT

FROM: B. D. Olsen

RE: Rock Island-Kansas City Line Acquisition

In view of our current active interest in the above matter, I am attaching for each of you excerpts from the Rock Island Trustee's latest bi-monthly status report for the period ending June 30, 1982. This report includes descriptions of changes in trackage operated by the Iowa Railroad and the C&NW. The latter is now down to 746 miles operated at a rental of \$425,909 per month. The report notes that negotiations are continuing with C&NW with regard to its proposed purchase of the leased trackage and also notes that discussions were conducted with other carriers interested in portions of the same territory. However Soo is not mentioned by name. The OK&T project is described as still not yet final.

The report describes some "competitive bidding" situations including the Milwaukee and C&NW offers for trackage in the Clinton and Davenport areas. Some insight into the Trustee's attitude can be gained from the statement that "a competitive market can produce enhanced values for an estate in liquidation."

Sale of the Royal to Manson, Iowa line to the Royal Manson Shippers Association received preliminary court approval on June 30 but is still contingent upon FRA financing. There is a description of the lease agreement with Chessie which appears to include provision for future traffic-based rental increases. This may indicate that the Trustee is receptive to arrangements contingent in part upon future traffic gains. Rail properties actually sold so far total 1278 miles for a total of \$69.5 million. This averages out to \$54,381 per mile.

Exhibit A lists track segments and parties that have either purchased or negotiated for them. There are several entities that have either made offers or negotiated for various segments of the trackage in which we are interested.

BDO/sjp  
Attachment



IN THE UNITED STATES DISTRICT COURT  
FOR THE NORTHERN DISTRICT OF ILLINOIS  
EASTERN DIVISION

In the Matter of

CHICAGO, ROCK ISLAND AND  
PACIFIC RAILROAD COMPANY,

Debtor.

)  
)  
)  
)  
)  
)

In Proceedings for the  
Reorganization of a  
Railroad

No. 75 B 2697

TRUSTEE'S PROGRESS REPORT OF LIQUIDATION  
FOR  
PERIOD ENDING JUNE 30, 1982

Your Trustee herewith submits his bi-monthly report on the activities of his administration directed to a liquidation of the Debtor's assets as ordered by the Court on January 25, 1980 and by its further order on June 2, 1980, confirming total cessation of the Debtor's operations and of its common carrier obligations, as well as the abandonment of its system.

I

Rail Assets Disposition

Negotiations have continued with various entities interested in purchase or lease of various line segments, with a total of 37 such meetings during the May-June period. Exhibit A attached shows sales completed, leases in effect and sales or leases in negotiation as of June 30, 1982. Exhibit B is a system map showing line segments which had been sold, were operated under lease or were operated under ICC Service Order as of June 30, 1982. Exhibit C is a graphical representation of the status of various negotiations as of June 28, 1982 (the date of such graph - which is updated on a weekly basis - most nearly corresponding to June 30). The Trustee also maintains and updates an exhibit which comprehensively records all expressions of interest received for acquisition of Rock Island's rail assets for continued rail use. This exhibit is available for examination at the Trustee's offices by any party in interest.

Track leases in effect as of June 30, including those upon which rental is being paid on agreed basis although contracts are not yet finalized, total 2,730 route-miles, of which 2,540

miles were in operation as of that date yielding revenue of \$1.41 million per month. This rental figure does not include car-mile charges being paid by Chessie (B&O) and LS&BC within the Chicago-Joliet commuter territory operated and maintained by the Regional Transportation Authority, certain car-mile charges which have been agreed upon with Kyle Railways, Iowa Northern and North Central Oklahoma Railway, nor rental on the segments covered by lease upon which lessees' operations have not yet begun.

Major change in lease status during the May-June period is extension of Iowa Railroad's operation to the entire line segment between Bureau, Illinois and Council Bluffs, Iowa. Prior to May 1, 1982 that operation was confined to the Stuart, Iowa-Council Bluffs segment (122 miles including branch lines). On May 1 Iowa Railroad commenced operation between Bureau and Rock Island, Illinois and on June 1 added the "gap" between Rock Island and Stuart. Thus it is now operating 361 miles between Bureau and Council Bluffs including branch lines serving Milan, Illinois and Pella, Iowa.

Extension of the Iowa Railroad operation effective June 1 coincided with termination of lease to C&NW of 96 miles between Newton and East Des Moines, West Des Moines and Dexter, and Altoona and Pella, all in Iowa. Chicago & Northwestern (CNW) continues as primary lessee on the line segment between East Des Moines and West Des Moines, as does the Milwaukee between Davenport and Iowa City, with Iowa Railroad operating under trackage rights upon those segments.

The largest segment under lease to a single carrier remains that with the CNW which aggregates 746 miles with rental of \$425,909 per month, taking into account the 96 mile lease reduction hereinabove referred to. Negotiations continue with CNW with regard to their proposed purchase of the leased line. Discussions were also conducted with other carriers and entities whose interests include all or portions of the same territory.

Negotiations have continued with the Missouri-Kansas-Texas/Oklahoma, Kansas & Texas (OK&T), the OKT Shippers Association and the State of Oklahoma re their proposed joint purchase of the 645 mile segment between Salina, Kansas and Dallas, Texas, which



includes a freight service easement between Fort Worth and Dallas. The proposed sale for a total consideration of \$55 million, would include the Trustee's trackage rights between Salina and Abilene, Kansas, ownership interest in the Wichita Union Terminal and Wichita Terminal Association, and line segments between El Reno, Oklahoma and Oklahoma City and between Chickasha and Waurika, Oklahoma via Anadarko and Lawton. Agreement in principle subject to final documentation and also subject to FRA funding was reached with the parties and was preliminarily approved by the Court on May 2, 1982. The ICC approved the transaction June 3, 1982 subject to the ability of the purchasers to achieve funding. Court hearing on final approval of this transaction has been continued by the Court on two occasions, the latest extension being to August 23, 1982 to permit FRA to conclude its funding analyses. On the possibility that the transaction may not be finally approved, however, we have continued our discussions with current lessees and others who have indicated interest in acquisitions within this territory. A competing agreement, but for considerably less mileage within the same territory, has been entered into with Enid Central Railway covering 70 miles between Kremlin, Enid and Ponca City, Oklahoma, for a consideration of \$5 million. The agreement has been preliminarily approved by the Court and ICC. Final approval however, has been postponed by the Court until August 23 to determine the outcome of the larger OK&T transaction.

Negotiations have continued with the Cities of Dallas and Fort Worth, Texas on a possible acquisition by the Cities of the Fort Worth-Dallas right of way for future use as a commuter transportation corridor, subject to necessary provision for the needs of the freight carriers operating between those points.

During the current period the Court preliminarily approved a \$17 million transaction with the reorganization trustee of the Milwaukee Railroad involving the line segment between Clinton and Washington, Iowa, via Davenport and Muscatine, and including the Trustee's trackage rights between Clinton and Davenport. Agreements had previously been reached with the Milwaukee on sales of three separate segments within this territory totaling



\$14.7 million. The CNW, however, made a competing offer for the same property for a sum of \$16.5 million. At hearing on June 4 the Court authorized your Trustee to accept the CNW's offer unless it was bettered by a new Milwaukee offer within a specified period. Milwaukee's improved offer of \$17 million in cash was preliminarily approved by the Court on July 14, 1982 and hearing for final approval is scheduled for August 23 to allow the ICC to conduct its proceeding on approval. This transaction was significant for Rock Island's estate since it demonstrated that a competitive market can produce enhanced values for an estate in liquidation.

Similar competitive bidding situations arose in connection with two other line segments, the first of which involved the the Peoria Terminal Company line between Iowa Junction and Hollis, Illinois (6.5 miles). Initially agreement had been reached to sell this line to CNW for \$650,000. A competing offer was received from Peoria & Pekin Union Railway (P&PU) with a subsequent increased offer from CNW. The matter was finally resolved by inviting both parties (as well as the Toledo, Peoria & Western, which has trackage rights on the major portion of the segment) to submit sealed bids and to attend a Trustee's sale at which the bids would be opened and the sealed bidders given the opportunity to make further competitive oral bids. The sale was held on July 16 and resulted in progressive oral bidding which culminated with CNW's highest bid of \$1.3 million. Sale agreement on the transaction will soon be presented for the Court's preliminary approval.

The second competitive bidding situation involves the Pullman branch located in Chicago which serves the Lake Calumet Harbor port facility as well as several major industries. A number of carriers and other entities, including the Chicago Regional Port District, have heretofore negotiated with the Trustee or expressed interest in acquisition of this property. Upon the Trustee's application, the Court has authorized the conduct on September 1, 1982, of a judicial sale upon a solicitation and return of sealed and oral bids. The Court has prescribed the terms of the sale and has approved the form of the Invitation to Bid which has been extended to all interested bidders. Bidders are permitted to participate at the oral solicitation after first submitting sealed bids accompanied with a cash deposit.

We have continued negotiations with the Mid-States Port Authority (MSPA) on their proposed purchase of approximately 450 miles of line in Kansas and Colorado between Hallam, Nebraska and Limon, Colorado and between Clay Center and Belleville, Kansas. Sale price of \$16 million for the rail property has been agreed upon with negotiations continuing with regard to valuation and purchase of collateral non-rail properties. Like the OK&T transaction, MSPA's purchase is dependent upon FRA funding. That portion of MSPA's proposed acquisition between Clay Center and Caruso, Kansas is currently being operated under an interim lease by Kyle Railways which is expected to be MSPA's designated operator upon the purchase of the line.

Sale to the Southern Pacific Transportation Company (SP) of the line between Briark and Brinkley, Arkansas, the Trustee's one-half interest in the line between Topeka and Herington, Kansas, a one-third interest in the Arkansas & Memphis Railway Bridge and Terminal Company, and miscellaneous track segments at Topeka, Kansas, Stuttgart, Arkansas, and Tucumcari, New Mexico, awaits ICC approval and is scheduled for hearing on August 23 for final Court approval. The sale when consummated will include a cash payment to the Trustee of \$9.175 million and discharge by SP and its subsidiaries of all outstanding claims against Rock Island's estate aggregating approximately \$10.5 million. Similar transactions which could include sales of property and settlement of claims have been proposed to other carriers.

The fifty year lease agreement and purchase option with the Chessie System (B&O), covering approximately 88 miles between Joliet-Bureau-Henry, Ill., plus a short segment at Blue Island, Ill., as well as trackage rights between Blue Island and Joliet, was executed on December 3, 1981, received preliminary Court approval on February 1, 1982 and approval of the ICC on April 30, 1982. The lease was amended in various respects at the suggestion of the Trustee's financial advisors, Shearson/American Express, principally to eliminate the purchase option and to set a "cap" on future traffic-based rental increases in order to enhance the prospect of marketing the lease's income stream at a future date. The lease, as



amended, will produce annual rentals indexed for inflation starting at \$2,025,000. On August 3, 1982, the Court gave its final approval to the lease transaction following certain additional modifications decreed by the Court to accommodate the interests of the Regional Transportation Authority (RTA) and also to give the Trustee the option of "putting" the property to the Chessie within 36 months at a stipulated price.

Sale of Royal-Manson, Iowa line (55 mi.) to the Royal-Manson Shippers Association for \$4.35 million received preliminary Court approval on June 30, 1981. Final approval, however, is contingent on the buyer's ability to achieve financing which currently is being considered by the FRA.

The RTA initiated condemnation proceedings in the Reorganization Court on February 27, 1981, seeking acquisition of the commuter related property and other property in the Chicago-Joliet area. Special counsel has been retained to represent the Trustee and has been furnished with an in-house study which delineates the quality and extent of the Trustee's interest in the properties described in the condemnation petition. A tentative agreement to achieve settlement on values has been reached and will be announced when details of the transaction have been finalized and presented to the Court for its consideration and approval.

Rail properties sold to date, as indicated on Exhibit A, total 1,278 route-miles for a total consideration of \$69.5 million. Your Trustee has expeditiously pursued every possible avenue to achieve sales to any entity willing to preserve rail use of the estate's properties. Sales have not occurred as rapidly as some in the public sector would prefer due to the resistance of prospective purchasers to appraisals obtained by your Trustee and the scarcity of public funding. Efforts nevertheless continue to be made to encourage potential purchasers to enter into interim lease agreements while sales are being negotiated and sources for funding are pursued. Such interim arrangements have preserved traffic bases and have provided property protection at no expense to the Trustee while affording the Trustee rental income to offset the administrative costs of the liquidation. In most instances, potential purchasers require the experience of interim operations to justify their continued interest in sales negotiations.



While a very small portion of the system continues to be operated by carriers without the benefit of a lease arrangement with the Trustee and under ICC Service Order authority only, the new ICC requirement that such carriers supply both the Trustee and the ICC with an accounting relative to 14.4 per cent of the net revenues earned on the segments so operated which would be due the Rock Island estate as rental, has substantially improved the remuneration on certain of such segments. Where necessary, we are auditing the records of carriers operating on this basis. If sale negotiations now underway are consummated, all such operations will probably be eliminated within the next few months.

## II

### Non-Rail Assets Disposition

The marketing program for non-rail real estate assets continues to be administered by The Clinton Company, an independent contractor, subject to review by an independent review committee constituted by Court authority for the purpose of advising the Court, its Trustee and creditors with regard to such program.

735 sales of non-rail real estate have been concluded from the date of the commencement of liquidation in January, 1980 through June 30, 1982, producing total consideration of \$24.6 million. An additional 149 transactions with a potential of \$7.0 million were pending as of June 30.

The Varlen Company transaction, which included the sale of all owned locomotives and parts inventory, as well as 80 acres of our shop facilities at Silvis, Illinois, was approved by the Court during December, 1980, and closed in February, 1981. Total consideration was \$23.4 million, including \$5.4 million for land, buildings, trackage, tools and shop equipment. \$3.5 million was received at closing and the balance is being paid over a period of four years, secured by irrevocable letters of credit issued by Mellon Bank of Pittsburgh. Varlen has pre-paid all of the deferred indebtedness except for the note covering locomotives and is making timely payments on that last remaining debt.

All transactions relative to the sale of the La Salle Street Station properties have now been concluded and all monies received by the Estate. The Station building site itself produced \$2.2 million during May, 1982, from Chicago Options Exchange Building Corporation as a consequence of the exercise by your Trustee of a "put" option. The two parcels immediately south of the Station building were sold to U. S. Equities and \$887,800 received during April, 1982. The sites will now be developed by the new owners into multi-story commercial office building structures. It is expected that properties still owned by your Trustee contiguous to the development sites will be enhanced in value.

The \$1,675,000 Inver Grove, Minnesota bridge sale, which was approved by the Court on February 13, 1981, is now scheduled to close in 1982. State, local and U.S. Corps of Engineers permit problems created delays which prevented a 1981 closing.

Highlights of non-rail property closings during May and June included sale to Dalho Corporation of 44 acres of property in the vicinity of our yard at Fort Worth, Texas for \$1.15 million and sale of our yard property at Peoria, Illinois to the City of Peoria for \$1.06 million.

The Trustee's program for sale of permanent easements for pipelines, wirelines and other types of transmission lines on the property, some of which are presently covered by terminable license agreements, has become an excellent source of funds to the estate. Our original projection was \$1.2 million. As of June 30, a total of \$1.74 million in sales have been concluded and \$2.5 million are pending. The advent of fiber optics has created a potential new market which is being explored by the easement group, together with the market for pipelines, coal slurry lines and aerial transmission lines. The Trustee's marketing efforts have also generated considerable interest from several firms for new utility corridor uses of the right-of-way which could result in a decision to dispose of segments of the property exclusively for such use as well as for parallel easements where there is continued rail operation.

Pursuant to the Trustee's instructions, the Non-Rail Assets Disposition and Accounting groups formed a special team in June, 1981 to eliminate a backlog of delinquent rentals, which



at that time amounted to \$693,000. To date a total of \$231,600 has been collected, \$168,100 referred to our attorneys or to collection agencies and \$148,900 cancelled or adjusted as having been improperly billed or being uncollectable. During the May-June period an additional \$428,000 was identified as delinquent and efforts are proceeding toward collection of those rentals.

### III

#### Rolling Stock Disposition

At the outset of liquidation activities there were a total of 28,594 cars in the fleet. To accomplish the liquidation of this fleet your Trustee entered into an exclusive remarketing agreement with North American Car Corporation (NAC). Earlier this year the parties agreed to amend the agreement to be non-exclusive. Disposition of the cars as of June 30, 1982 was as follows:

	<u>Owned Cars</u>	<u>Leased Cars</u>	<u>Total</u>
Returned to Lessors	-	13,797	13,797
To be returned to Lessors	-	2,155	2,155
Remarketed by N.A.C. Corp.	1,442	3,026	4,468
Remarketed by Trustee	143	-	143
To be placed	6,473	109	6,582
Scrapped or to be scrapped	<u>672</u>	<u>777</u>	<u>1,449</u>
Total	8,730	19,864	28,594

Of 147 leased cabooses at the outset of liquidation, 141 have been returned to the lessors and 6 have been approved for scrapping. Of 142 owned cabooses, 2 are currently leased to a carrier on a short-term basis, 70 have been sold, 30 have been approved for scrapping and 42 (including the 2 currently under lease) are available for disposition. A total of 593 locomotives have been delivered to final destinations with 46 leased units still on the property. All 1,551 trailers which were under lease have been returned to the lessors.

Sale of a 27-car ribbon-rail train to the Pittsburgh & Lake Erie R.R. for \$185,000 was completed during the May-June period. A total of 195 work equipment cars had been sold or



were under lease as of June 30, 124 had been scrapped or approved for scrapping and 267 remain available for placement.

As of June 30, under the contract with North American Car, a total of 357 wrecked cars had been picked up and moved to repair shops, leaving 15 to be picked up. Of the cars picked up, 231 had been released from repair shops thru that date.

Interchange inspections on Trustee cars being returned through interchange points have enabled us to obtain defect cards for cardable damage that otherwise would have been charged against the Trustee. This, together with settlements with car owners on repair costs, rejection or correction of improper billing for repairs and transportation of cars, has resulted in savings to the estate estimated at approximately \$4.2 million through June 30.

#### IV

##### Track Dismantling - Personal Property Disposition

Progress on Track Dismantling and Marketing Program was reported in some detail in the last report. The continued economic recession is having a serious impact on the ability to sell reusable rail and ties. The scrap market continues to decline, and there is very little current demand for scrap materials. Present forecast would indicate that there will not be a viable market until sometime into the second or third quarter of 1983. Current forecasts indicate probability that the scrap market will continue at a slow pace for the foreseeable future, with a possible minor improvement in price by the third quarter of 1983. This situation has had an impact on our track pickup scheduling. The pickup will continue at a slower pace, relying on spot market conditions for disposition.

Through June 30 we have dismantled approximately 160 miles of track, or 18.5 per cent of the initial authorization. At the present time there are approximately 100 miles of rail stored awaiting sale or preparation for marketing. Gross sales of basic track material to June 30, 1982, have amounted to \$1.5 million.

Disposition of other personal property by Trustee's forces and remarketing agreements administered by Trustee's forces, including auctions, equipment sold for scrap, lumber, and

car parts, as well as other miscellaneous sales, through June 30, totaled \$26.1 million. In addition, \$1.1 million worth of material has been returned for full credit, resulting in net proceeds to Trustee of \$27.2 million thus far. Included among these sales was an antique "Rock Island System" mother-of-pearl picture for \$12,000.

Some of the specialized rolling stock still available for marketing includes three snowplows, seven old commuter cars, and nine stainless steel passenger cars. There are several sales pending and some expression of interest.

Auctions of miscellaneous items have produced significant amounts and through June 30 totaled \$1.1 million net to the Trustee. We plan to conduct another auction at Herington, Kansas, on August 31, 1982, to dispose of a large portion of the remaining equipment now on hand at that point. There are tentative plans to follow up with an additional auction at some later time at Silvis, Illinois, to dispose of some additional miscellaneous material on hand at that location.

## V

### Personnel

As of June 30, 205 employees were on the Trustee's payroll and engaged in the liquidation process. The employee consist by group was as follows:

<u>Group</u>	<u>No. of Employees</u>
Trustee's Office	2
Accounting	32
Law (Incl. Tax and Claims Personnel)	17
Non Rail Assets Disposition	32
Personnel	22
Staff Coordination	
/Rail Assets Disposition	10
Technical Projects	58
Track Dismantling, Personal Property/ Sales and Leasing	32

Approximately one-fourth of the Trustee's workforce is employed in the Technical Projects Group which is responsible for receiving, inspecting and storing cars and locomotives pending their final disposition. This group also includes a security force of 32 employees,



which provides property protection services for all parts of the system not being operated. As sales and leases of property progress, personnel requirements in this group will continue to be reduced; however such reductions may be offset by additional personnel required in certain areas where liquidation activity will increase rather than slacken, such as the Non-Rail Assets Disposition and Track Dismantling groups.

The Personnel group continues to review Trustee manpower needs in relation to maintaining an adequate staff for the liquidation process. Data resulting from such analysis was used in conjunction with other information obtained from job and salary surveys (pertinent to the non-railroad labor market) to establish a new Trustee Salary Administration Plan, establishing 6 salary grades for Trustee employees. The placement of positions within these salary grades revealed certain positions which were over the maximum pay levels for the salary grade in which they were placed and salaries of employees falling in that category were frozen. The pay levels of each grade have been adjusted and a new salary review was made by the Trustee with his various Directors to permit some salary adjustments to be made effective July 1.

A multifunctional employee utilization program has been established for the purposes of assigning certain employees to serve various Trustee groups in emergency situations, as well as providing assistance where a group is short-staffed. It is utilized effectively and has thus far minimized the necessity of hiring new or additional Trustee employees for positions which become vacant due to retirements and resignations.

Nearly all of the 3,430 labor claims pending against the Trustee prior to October 5, 1979 have been resolved, except for 7 cases now before the National Railroad Adjustment Board.

Effective May 1 the Staff Coordination and Rail Assets Disposition groups were combined under a single Director while the former Director-Rail Assets Disposition was named Director-Non Rail Assets Disposition. During the May-June period Personnel continued an evaluation and restructuring of the Claims group (personal injury/property



damage) and jurisdiction over that group was transferred from Law to Personnel effective July 1.

Included in Personnel's functions is administration of the Trustee's continuing insurance requirements. Extensive review of insurance coverage deemed adequate under existing conditions has resulted in renegotiation which is expected to substantially reduce the Trustee's insurance costs.

## VI

### Accounting and Liquidation Financial Data

The income (loss) statement attributable to the operations of the Debtor during liquidation and the balance sheet financial data are fully reflected in the monthly reports filed with the Court and are not repeated in this report on the liquidation. The statement for five months ending May 31, 1982 indicated net profit of \$614,000. Net proceeds of the sales of all assets (real and personal) are deposited in the two escrow accounts established by Court order for such purposes. These bi-monthly reports on the liquidation reflect the additions to the two said accounts resulting from sales and from investment of the proceeds in U. S. Government securities as required by the court. The results for two months ending June 30, 1982 are included in the following escrow account reports and reflect a total of \$172,633,179 on deposit in both said accounts and an aggregate increase in the two accounts of \$7,676,984 in the said period.

SALE OF PROPERTY (716-214)  
FIRST NATIONAL BANK TRUST ACCOUNT 22-81586

Balance 5/1/82	.....	\$123,844,591.01
Deposit 5/14/82	Easements .....	28,850.00
	Land Sales:	
	Earnest Money (Completed Sales) .....	37,246.66
	LaSalle St. Station .....	2,197,800.00
	Miscellaneous Sales-Each	
	under \$100,000 .....	257,491.70
Deposit 5/28/82	Easements .....	248,000.00
	Land Sales:	
	Earnest Money (Completed Sales) .....	122,234.00
	Peoria Trackage .....	792,284.09
	Miscellaneous Sales - Each	
	under \$100,000 .....	269,542.52
	The Clinton Company-Fees & Expenses	
	(7-1-81 through 6-30-82) .....	(529,304.40)
Interest Credited during May, 1982*	.....	<u>1,272,737.67</u>
Balance 6/1/82	.....	128,541,473.25
Deposit 6/30/82	Easements .....	195,240.00
	Land Sales:	
	Earnest Money Completed Sales .....	107,738.00
	Wichita, Ks. (820-280) .....	162,000.00
	Miscellaneous Sales-Each	
	under \$100,000 .....	438,722.91
Interest Credited during June, 1982*	.....	<u>636,545.18</u>
Balance 6/30/82	.....	<u>\$130,081,719.34</u>
Increase Since 5/1/82	.....	<u><u>6,237,128.33</u></u>

\*Represents only the funds credited to this account from sale or maturities of securities. Excludes interest accumulated on invested securities which mature subsequent to the dates covered by this exhibit.



**SALE OF CHATTELS (716-213/215)**  
**FIRST NATIONAL BANK TRUST ACCOUNT 22-81586**

Balance 5/1/82	.....	\$ 41,111,603.31
Deposit 5/14/82	Office Equipment .....	735.00
	Inventory .....	31,275.00
	Rolling Stock (Ribbon Rail Train) .....	192,200.00
	Miscellaneous Property .....	750.00
Deposit 5/28/82	Office Equipment .....	522.00
	Inventory .....	22,686.48
	Rolling Stock .....	15,200.00
	Miscellaneous Property .....	3,195.00
Interest Credited during May, 1982*	.....	<u>418,162.62</u>
Balance 6/1/82	.....	41,796,329.41
Deposit 6/10/82	Maintenance of Way Equipment .....	235,000.00
Deposit 6/30/82	Office Equipment .....	7,405.00
	Inventory .....	219,782.13
	Rolling Stock .....	72,275.00
	Miscellaneous Property .....	14,887.68
Interest Credited during June, 1982 *	.....	<u>205,780.06</u>
Balance 6/30/82	.....	<u>\$ 42,551,459.28</u>
Increase since 5/1/82	.....	<u><u>1,439,855.97</u></u>

\*Represents only the funds credited to this account from sale or maturities of securities. Excludes interest accumulated on invested securities which mature subsequent to the dates covered by this exhibit.



The final accounting with Kansas City Terminal (KCT), the directed service carrier, awaits review of completed audits and disposition by the ICC and the Court of disputed matters. On April 7, 1981, proceedings were initiated and are pending against KCT in the Reorganization Court for relief on various matters which arose out of the ICC directed service on Rock Island's properties. On March 29, 1982, the Court determined that it would refer the disputed matters to the ICC for its initial resolution, the Court retaining exclusive jurisdiction to enforce, enjoin, set aside, annul, or suspend, in whole or in part, any order of the ICC arising out of the referral. On April 30, 1982, your Trustee and certain creditors filed formal written comments with the ICC in opposition to KCT's Final Accounting Report seeking recovery of approximately \$65 million for the Estate. KCT's reply to the comments are due to be filed on August 31, 1982.

Various auditing programs are conducted by Accounting personnel and have, during the May-June period, produced a recovery of \$433,000 for a total of \$11.9 million recovered to date since the January, 1980 liquidation order.

## VII

### Other

A revenue recovery program was initiated immediately following the liquidation order and commenced work in April, 1980, utilizing Pricing and Divisions personnel. In January, 1981 services of an outside firm were retained to assist in this program. Through June 30, 1982 this program has yielded \$2.77 million total cash and credit for the estate, out of projected total returns in excess of \$2.8 million. The initial audit should be completed by August 1, 1982, following which there will be a period of completion of collections, rebilling, reauditing and legal action where necessary.

7,307 inspections of the property were made by the security force during the May-June period, including 232 investigations of theft, vandalism, fires and encroachments, resulting in the arrest of 34 persons and recovery to the estate of approximately \$34,000.

Purging of non-essential files and records is progressing following examination by each Group in accordance with its continuing of needs during the liquidation process and in conformity with ICC and/or other governmental requirements. Also, an employee relocation and office consolidation plan has been prepared and is under review, the purpose of which is to consolidate all personnel on two floors of the General Office building releasing other leased space for sub-lease.

During September, 1981 your Trustee entered into a contract under Court approval with Shearson/American Express, Inc. This company is providing financial advisory service to the Trustee to assist him in various matters involved in the liquidation process, as well as in the formulation of a plan of reorganization. Shearson recently completed a joint project with Price-Waterhouse to produce a reorganization planning computer model which will greatly assist the Trustee in formulating a plan and will permit parties in interest to evaluate the treatment of their claims in an expeditious and efficient manner. The Court has set November 30, 1982, as the date for the filing by the Trustee of a plan of reorganization for the Debtor and efforts are underway to achieve that timetable. Trustee's counsel is also vigorously pursuing settlement of unliquidated and disputed claims, so as to maximize treatment of liquidated claims under the plan being formulated.

Respectfully submitted,

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William M. Gibbons, Trustee

Dated: August 1, 1982

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# RAIL ASSETS DISPOSITION

as of  
June 30, 1982

## Track Sales Completed

<u>Buyer</u>	<u>Location</u>	<u>Closing Date</u>	<u>Mileage</u>	<u>Price</u>
Archer Daniels Midland Co.	Peoria, IL.	2/13/81	3.06	\$ 264,658
Continental Group	b Hodge-Winnfield, La. Winnfield-Alexandria, La.	3/26/82	25.9) 45.9)	1,700,000
Cotton Belt RR	St. Louis-Santa Rosa, NM Dodge City-Bucklin, Ks.	10/30/80	965.20) 26.5)	57,000,000
CRANDIC	Hills - Iowa City, Ia.	8/13/81	7.89	175,000
Fordyce & Princeton RR	Fordyce-Crossett, Ar.	5/14/81	54.37	1,875,000
Keokuk Northern Real Estate Co.	Keokuk, Ia.	8/19/81	4.0	325,000
Little Rock & Western	Perry-Pulaski, Ar.	4/23/82	44.0	2,700,000
Missouri Pacific RR	Hot Springs - Haskell, Ar. Butterfield - Malvern, Ar.	8/1/80	30.6) 5.0)	2,000,000
Missouri Pacific RR	El Dorado, Ar.	8/1/80	0.2	200,000
Oklahoma D.O.T.	Elk City - Hydro, Ok.	11/18/81	62.0	3,100,000
Peoria & Pekin Union	Pekin, Il.	8/20/81	2.8	170,000
			<hr/> 1,278 mi.	<hr/> \$ 69,509,658

only rail assets portion of sale reported here.  
Track Rights



Contracts for Track Sale Signed with Trustee:

<u>Buyer</u>	<u>Location</u>	<u>Mileage</u>	<u>Price</u>	<u>Prelim Order #</u>	<u>Court Approval</u>		<u>Date</u>
					<u>Final Order #</u>		
hessie System	<sup>b</sup> Joliet-Henry	88.5)	\$2,025,000/yr (plus car mileage on trackage rights)	427	494		8/3/82
	Joliet-Blue Island	24.5)		477	-		
id Central Ry.	Enid-Kremlin	15.5)	5,000,000	448	-		4/8/82
	N. Enid-Ponca City	54.5)					
ilwaukee Rd.	W. Davenport-Culver)	64.0	17,000,000	488	-		7/14/82
	Culver-Washington)			-	-		-
	Clinton, Ia.	2.1		-	-		-
orth Central Oklahoma	Anadarko-Mangum, Ok.	79.3	2,025,000	413	-		11/20/81
oyal Manson Shippers	Royal-Manson, Ia.	55.0	4,350,000	361	-		6/30/81
outhern Pacific	Briark-Brinkley	65.1)	9,175,000 (plus release of \$10.5 million in claims)	479	-		6/16/82
	Herington-Topeka (1/2 Int)	80.9)					
	St. Joseph-N.Topeka	2.8)					
	Tucumcari, NM	1.3)					
	Stuttgart, Ar.	2.3)					
e Ce Corporation	Hardesty, Ok-Stinnett, Tx.)	37.4	2,450,000	416	443		3/15/82
Morse Jet-Etter, Tx)							
ong term lease							
ackage Rights							

Recent Negotiations for Sale/Lease of Line Segments:

<u>Buyer</u>	<u>Location</u>	<u>Mileage</u>	<u>Most Recent Contact</u>
Alco Spring Industries	Pullman Line	5.2	1/19/82
Atlantic-Pacific	Bureau-Council Bluffs	432.7	6/18/82
Burlington Northern	Saginaw-Dallas	42.4	2/17/82
	Cadiz Yard	.8	
	Enid, Ok.-Wichita, Ks.	107.2	
	Burlington, Ia.	2.1	
	Peoria, Il.	7.7	
	Amarillo - Bushland	23.9	
	Joint Texas Division	211.1	
Cactus Feeders	Etter, Tx.	2.0	3/2/82
Centerville Rail Committee	Centerville, Ia.	6.5	7/21/82
Centrail	Enid-El Reno	59.9	6/9/82
Okarche Central	El Reno-Council	19.3	
S. Central Arkansas	El Dorado, Ar.-Ruston, La.	54.2	6/9/82
Chicago & North Western	St. Paul-Kansas City	429.4	7/7/82
	Iowa Falls-Estherville	86.8	
	Bricelyn-Ocheyedan	96.9	
	Dows-Forrest City	29.5	
	Royal-Palmer	49.0	
	Cedar Rapids	3.8	
	Hartley	0.1	
	Carlisle-Indianola	11.3	
	Hollis-Iowa Jct.	6.5	
	W. Davenport-Washington	64.0	
Chicago Short Line	S. Chicago	2.8	2/22/82
Cities Dallas/Ft. Worth	Dallas-Ft. Worth	32.0	5/24/82
City of Sibley	Sibley, Ia.	3.0	5/26/81
Evans Products	Davenport-Washington, Ia.	63.3	2/16/82



Recent negotiations ....(Cont'd.):

<u>Buyer</u>	<u>Location</u>	<u>Mileage</u>	<u>Most Recent Contact</u>
Mc Nulty & Bowey	Pullman Line	5.2	5/27/82
Mid States Port Authority	Clay Center-Belleville, Ks. Hallam-Limon, Co.	50.4 412.1	6/30/82
Missouri Pacific	Brinkley-Pulaski, Ar. Little Rock - Haskell El Dorado-Lille Wichita-Kechi	72.5 27.4 24.1 7.8	4/8/82
OK&T Users Association	Salina-Dallas	650.0	5/3/82
Oklahoma DOT	Memphis-Amarillo	760.6	2/25/82
Peoria & Pekin Union	Peoria-Mossville Peoria Jct.-Peoria Heights Iowa Jct.-Hollis	12.7 4.4 6.5	6/30/82
Quad Cities Development Group	Milan, Il. Branch Moline-Rock Island	6.4 3.6	11/13/81
Railcar-Parker	Vinton-Iowa Falls	74.0	5/5/82
RTA	Chicago-Joliet	47.0	6/16/82
Santa Fe	St. Joseph-Atchison Alva, Ok.	21.1 1.3	3/19/82
Shattuck Chemical Co.	Cedar Rapids, Ia.	1.1	3/12/82
Trans Action Lines Ltd.	St. Paul - Kansas City) Council Bluffs-Denver)	1,958.0	1/5/82
Union Pacific	Fairbury-Hallam Troy - Wathena	36.2 8.5	5/3/82

Recent Offers to Purchase:

<u>Buyer</u>	<u>Location</u>	<u>Date of Offer</u>	<u>Disposition</u>
Alter Metal Co.	Davenport, Ia.-Rock Island, Il.	6/4/81	Declined
B. R. Barfield	Amarillo-Bushland	2/10/82	Pending
Burlington Northern	Dallas-Ft. Worth	6/11/82	Pending
Cadillac & Lake City	Denver Co.	10/7/81	Declined
	Colorado Springs-Elsmere	"	"
	Colby, Ks.-Co. State Line	"	"
Centerville Rail Committee	Centerville-Sharon	5/24/82	Declined
Centrail	Bowie-Ft. Worth	5/17/82	Pending
N-C Texas Ry.	Ft. Worth-Dallas	"	"
Chicago & Northwestern	Hollis-Iowa Jct.	6/30/82	Accepted
Colorado & Eastern	Denver	9/2/81	Pending
	Colorado Springs	"	"
	Western Kansas	"	"
Fitzgibbons	Ocheyedan-Sibley	5/6/82	Declined
Gateway Railroad	W. Liberty-Nora Springs	9/9/80	Declined
	Iowa Falls-Estherville	"	
	Rake-Sibley	"	
	Palmer-Royal	"	
	Hayfield Jct-Woden	"	
	Dows-Buffalo Center	"	
Graham Drilling	Waurika-Richards Spur	3/22/82	Declined
	Waurika-Walters	"	"
Gulf Coast & Pacific	Dallas-Galveston	2/2/81	Declined
Iowa Falls Western	Iowa Falls-Estherville	12/9/80	Declined
	Little Rock - Albert Lea	"	"
	Dows-Buffalo Center	"	"
	Woden-Hayfield Jct.	"	"



Recent Offers....(Cont'd.):

<u>Buyer</u>	<u>Location</u>	<u>Date of Offer</u>	<u>Disposition</u>
C. P. Johnson	Geary-Okeene	4/16/81	Declined
McNulty & Bowey	Pullman Line	5/17/82	Declined
E. J. Meinhardt	McFarland-Manhattan	4/12/82	Declined
Norfolk & Western	Pullman Line	5/7/82	Declined
Oklahoma-Texas Ry.	Temple-Anadarko Carnegie-Chickasha	1/19/82 "	Declined "
Peoria & Pekin Union	Iowa Jct.-Hollis	12/21/81	Declined
Raccoon River RR	Garner-Hayfield Jct.	4/9/81	Declined
S. E. Iowa Shippers	Fruitland-Columbus Jct. Ainsworth-Keota W. Liberty-Burlington	9/4/80 " "	Declined " "
Swift Ind. Packing	Des Moines, Ia.	1/26/82	Declined
Toledo, Peoria & Western	Hollis-Iowa Jct.	7/16/82	Declined
Transport Arts	Cedar Rapids-Iowa Falls	6/6/81	Declined

LEASES

I.	<u>Track Leases in Force:</u>		<u>Total Miles Leased</u>	<u>Miles Operated</u>	<u>Monthly Rental</u>
	ATSF (Santa Fe) RR	Alva Okla.	1.3	1.3	\$ 686
	B&O (Chessie System)	Joliet-Henry & Blue Island, IL. Joliet-Blue Island, IL. (Jt. with RTA, 15¢ car mi.)	88.5 24.5	88.5 24.5	154,318 Variable
	Brandon Corp.	Albright, Neb.	.6	.6	1,043
	Burlington Northern RR	Burlington, Ia., Okeene, Ok., Lawton, Ok. (Rental based on \$565/mi. agreed to be retroactive to Nov. 1, 1981 payable upon B.N. execution of lease agreement.)	3.3	3.3	1,865
	C&NW RR	Various lines in Mn., Iowa & Missouri Iowa Junction-Hollis, Il.	745.5 6.5	745.5 6.5	425,909 7,000
	CMSTP&P RR (Milwaukee)	W. Davenport-Fruitland, Ia., Davenport-Iowa City, Ia., Washington & Clinton, Ia., and Newport, Mn.	94.0	94.0	102,359
	Chicago Short Line Rwy.	South Chicago Line, Il.	.9	.9	1,240
	Continental Carbon, Co.	Etter-Sheerin, Tx.	12.0	12.0	4,959
	Enid Central Rwy. (Centrail)	Kremlin-No. Enid-Ponca City, Ok.	70.0	70.0	22,000
	Farmers Co-op. Elev.	Forest City, Ia.	.2	.2	330
	Ft. Worth & Denver RR	No. Ft. Worth, Amarillo-Bushland, Tx. (Rental based on \$565/mi. agreed to be retroactive to Nov. 1, 1981 payable upon FWD execution of lease agreement.)	26.8	26.8	15,142
	Gen. American Transp'n.	Silvis, Il.	14.2	14.2	20,734



LEASES

I. Track Leases in Force: (Continued)

		<u>Total Miles Leased</u>	<u>Miles Operated</u>	<u>Monthly Rental</u>
Iowa Railroad	Various Iowa and Illinois lines E. Des Moines - West Des Moines, and Ia. City-Davenport, Iowa, joint with other RRs, (13.125¢ Mile)	361.3	361.3	206,420
	Atlantic-Audubon, Ia. (Agreed rental \$7,626 when operating) (Agreement reached, lease prepared not yet executed)	67.0	67.0	Variable
		25.4	-	-
Iowa Northern RR Co.	Cedar Rapids-Rock Falls, Ia. Rock Falls-Manly, Iowa (\$50 per revenue car)	116.8	116.8	32,955
		8.7	8.7	Variable
Keota Washington Transp. (Geneva Square)	Washington-Keota, Iowa (Agreed rental \$8,172 when operating) Iowa Falls-Vinton, Iowa (Agreed Rental \$21,416 when operating)	16.6	-	-
		73.0	18.0	5,281
Kyle Railways, Inc.	Caruso-Courtland, Kansas Courtland-Mahaska & Belleville- Clay Center (\$50 per revenue car)	224.7	224.7	67,404
		82.0	82.0	Variable
Lamco, Inc.	Amarillo, Tx.	.9	.9	1,435
LaSalle & Bureau County R.R.	Blue Island-Chicago, Il. Chicago Area Jt. with R.T.A. (18.3¢ per car mile)	12.2	12.2	15,088
		20.8	20.8	Variable
M.F.A. Milling	St. Joseph, Mo.	.1	.1	151
M.K.T. RR.	McAlester-Council, Okla.	131.4	131.4	55,897
Missouri Pacific RR	Pulaski-Hazen & Hot Spgs. Jct.-M.P. 4.7, Ark. Wichita-Kechi, Ks. (Lease agreement prepared, not yet executed)	54.2	54.2	48,050
		7.8	7.8	10,000

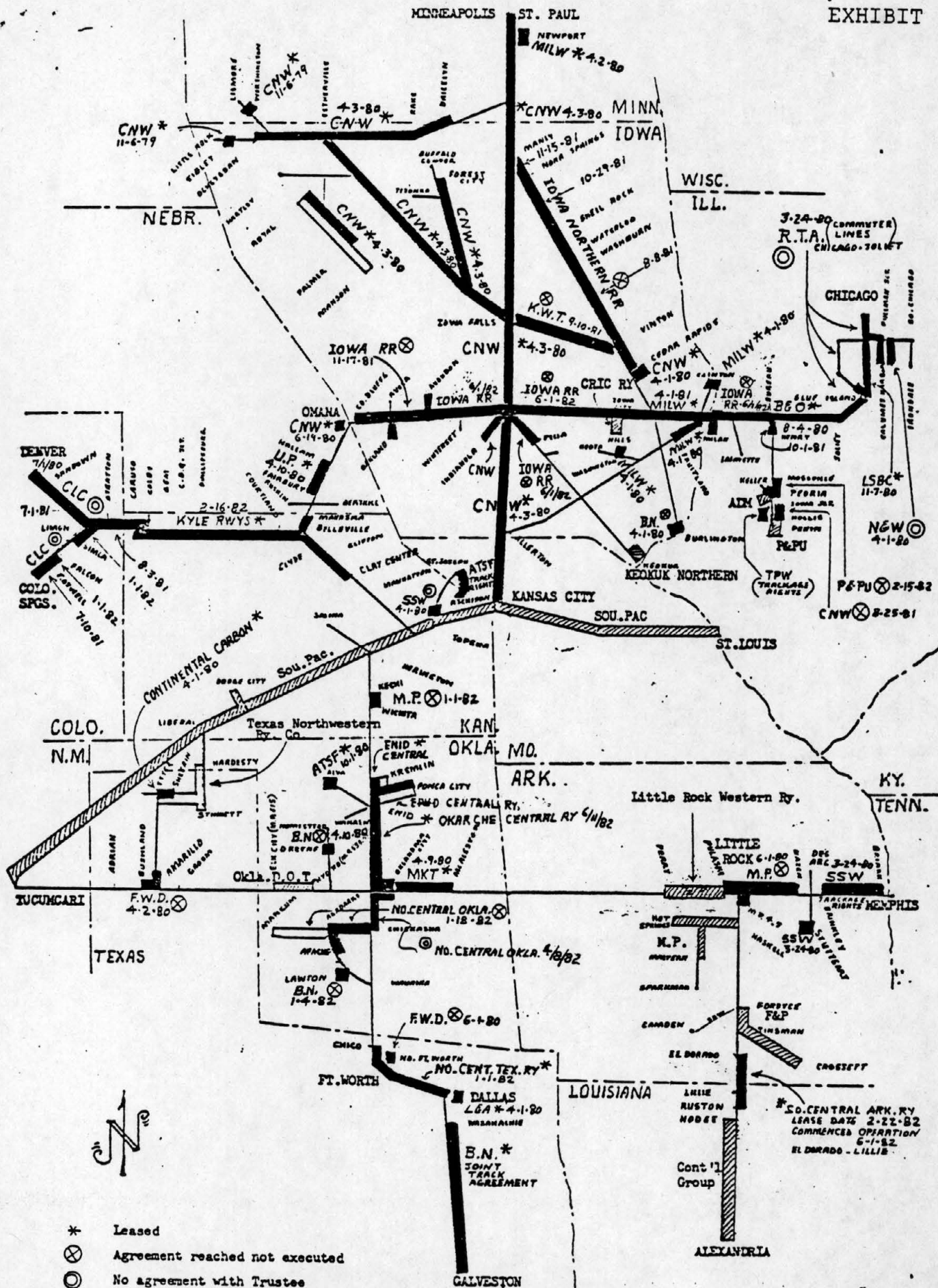
LEASES

I. <u>Track Leases in Force: (Continued)</u>		<u>Total Miles Leased</u>	<u>Miles Operated</u>	<u>Monthly Rental</u>
No. American Car Corp.	Blue Island, Il.	2.0	2.0	2,896
No. Central Okla. RR	Chickasha-Mangum, Ok. (Agreed rent \$29,190 when operating)	97.3	18.0	6,120
	Anadarko-Apache, Ok. (\$50 per revenue carload)	15.5	15.5	Variable
No. Central Texas Ry. (Centrail)	Chico-Dallas, Tx.	84.4	84.4	91,287
Okarche Central Ry. (Centrail)	Enid-Council, Ok.	79.3	79.3	26,969
P&PU RR	Peoria-Mossville & Keller Branch, Il.	17.1	17.1	9,513
Pillsbury Corp.	Waterloo, Ia.	.8	.8	1,000
Planters Co-op	Lone Wolf, Ok.	1.9	1.9	1,494
Regional Transp. Auth.	Chicago-Joliet, Il. Commuter line (Temporary rental agreement reached pending sale agreement or condemnation)	47.1	47.1	28,778
St. Joe Cold Storage	St. Joseph, Mo.	.5	.5	837
So. Central Ark. Ry. (Centrail)	El Dorado, Ark.-Ruston, La. (Agreed rent \$26,000 when operating)	55.8	26.2	15,000
Sunbelt Ry. Services	El Reno, Okla.	.3	.3	556
Union Pacific RR	Fairbury-Hallam, Nebr.	36.5	36.5	24,000
		<u>2,729.7</u>	<u>2,540.4</u>	<u>\$ 1,408,716</u> +Variables

II. Railroads using segments of trackage upon which no agreement has been reached to date:

SSW	North Central Okla. Ry. (Chickasha to Council, Okla.)
N&W	Cadillac & Lake City RR





## WEEKLY STATUS REPORT

6-28-82

## MOST ACTIVE TRACK SALES &amp; LEASING PROJECTS

NAME	DATA 1 2	NEGOTI- ATIONS 1 2 3 4 5	DOCUMENT PRE- PARATION 1 2 3 4 5	CONTRACT EXE- CUTION 1 2	ICC/ COURT APPROVAL 1 2 3	CLOSING 1 2	COMMENTS
A-OK	))))))))))))))	))))))))))))))					SALE:Hydro-El Reno SALE:McAlester-ElReno
BN/FWD Frisco	))))))))))))))	))))))))))))))					LEASE LEASE
CACTUS FEED	))))))))))))))	))))))))))))))					SALE: Etter
CADILLAC	))))						LEASE/SALE
*CENTRAIL Enid Central	))))))))))))))	))))))))))))))					SALE:Enid-Ponca City SALE:Kremlin-Enid LEASE:Enid-OKC SALE:El Dor-Lille
Okarche Ry. S.C. Ark.	))))))))))))))	))))))))))))))					
CHESSIE	))))))))))))))	))))))))))))))					LEASE
CNW	))))))))))))))	))))))))))))))					SALE:KC-St.Paul SALE:Ia Jet-Hollis LEASE:Ia Jet-Hollis SALE:Culver-Washingto SALE:Clinton
CITIES FWD	))))))))))))))	))))))))))))))					SALE:Dallas-Ft. Worth
CHGO PORT	))))))))))))))	))))))))))))))					SALE
CHGO SHT LN	))))))))))))))	))))))))))))))					SALE/LEASE
IND INT	))))))))))))))	))))))))))))))					SALE
IOWA RRD	))))))))))))))	))))))))))))))					LEASE:Stuart-CoBluffs LEASE:Bureau-RI
KEOTA - WASH	))))))))))))))	))))))))))))))					LEASE SUPPL
LS&BC Ia Nrthn	))))))))))))))	))))))))))))))					LEASE SUPPL LEASE:Waterloo- Manly
MID-STATES	))))))))))))))	))))))))))))))					SALE:Clyde-Colo Sprgs
*MLW	))))))))))))))	))))))))))))))					SALE:Culver-Wash
MKT	))))))))))))))	))))))))))))))					SALE:McAlester-Ok.Cit
MOPAC	))))))))))))))	))))))))))))))					LEASE:Hazen-Pulaski SALE LEASE: Wichita-Kechi
N&W	))))))))))))))	))))))))))))))					SALE/LEASE
OKT USERS	))))))))))))))	))))))))))))))					SALE:Salina-Ft. Worth
P&PU	))))))))))))))	))))))))))))))					SALE:Iowa Jct.-Hollis LEASE:Peoria-Mossville
PILLSBURY	))))))))))))))	))))))))))))))					LEASE:Enid SALE:Waterloo
*RTA	))))))))))))))	))))))))))))))					SALE:Commuter Line
ROYAL-MANSN	))))))))))))))	))))))))))))))					SALE
SANTA FE	))))))))))))))	))))))))))))))					SALE: Alva SALE
SHELTON-DAVIS	))))))))))))))	))))))))))))))					LEASE:Mangum-Chicka
SOU PACIFIC	))))))))))))))	))))))))))))))					Settlement Agreement
TE CE	))))))))))))))	))))))))))))))					SALE
UP	))))))))))))))	))))))))))))))					SALE LEASE SUPPL: Fairbury-Hallam

\* : indicates change from previous week



CS ~~Stoffer~~ 8/22/82

Sell moving cars (CNW) from RI  
Opening up Ball Ave (CGW) yard.

Remer ~~had~~ had notified Trustee,  
requested 45 days extra, Sept. 15, 1982

~~John Stone~~ - IA DOT

March 4, 1980 Agreement

RI temporary employment with  
CNW.

S-plan for retiring tracks if  
acquire RI at fuel tax hearing.  
Barge loading terminal - coal and grain  
at Duver Drive.

August 26, 1982

SOO LINE RAILROAD

AUG 26 1982

EXEC. VICE. RESIDENT

To: Mr. Thomas M. Beckley

From: D. J. Boyer

Re: Rock Island Study - Omaha Bank for Cooperatives

On August 25, I placed a call to Mr. Ken Hide, Senior Loan Officer of Omaha Bank for the purpose of setting a meeting time to discuss construction details of a loan to finance acquisition of Rock Island trackage from trustee.

This morning Mr. Hide called to advise a meeting time at Omaha Bank on Monday, August 30, at 11:00 a.m.

During the course of our telephone conversation I asked what legal source was drafting the BN-Shipper consortium arrangement presently in process? He advised the law firm of Meyers, Knox and Heart located in Des Moines was doing the drafting with BN. Attorney Meyers of that firm was the individual involved.

cc: ✓D. M. Cavanaugh  
B. D. Olsen  
J. D. Darling  
H. J. Ness



April 12, 1984

TO: W. M. Edrington  
FROM: D. E. Egertson  
RE: Milwaukee Acquisition

I need some help in explaining the differences in the results of a number of studies of the potential extended hauls over the Kansas City Gateway:

<u>Study</u>	<u>Annual Carloads</u>		<u>Total</u>
	<u>S.B.</u>	<u>N.B.</u>	
RI 4/7/82	18,394	7,044	25,438 - 1978 Info.
CNW Conditions 10/17/83	19,827	4,803	24,630
First MILW Study	16,104	2,766	18,870
Present MILW Study	14,493	2,488	16,981

I understand that the Rock Island Study of April 7, 1982 utilized 1978 movement information which may be one reason.

Since you worked with Jim Hartnett at least on part of this, I am wondering if you can shed any light for me. We are assuming that the present Milwaukee study is the most accurate, however, it is somewhat bothersome to see that the total potential has diminished quite substantially. In all cases, I am told that the figures represent only overhead traffic. After you've had a chance to think this over, I would appreciate your giving me the benefit of any information you might have.

DEE:klr

1978 - Duluth - MPLS - RI

August 26, 1982

TO: J. T. Hartnett

FROM: J. D. Darling *JDD*

RE: Rock Island Study

Back in February, when I first became involved in this study, I used Easytrieve to obtain some printouts of 1978 and 1981 traffic from basic reports. What I asked for was all Soo Line traffic originating or received from connections north of Oshkosh to any of the following states: Arizona, Arkansas, California, Colorado, Kansas, Louisiana, Missouri, New Mexico, Nevada, Oklahoma, Oregon, Texas, and Utah. I then did the same for northbound traffic. Finally, I attempted to eliminate some of the northbound traffic that was obviously not susceptible to Kansas City routing. The results of these runs are summarized below:

*Iowa  
Nebraska  
Wyoming*

	<u>1978</u>	<u>1981</u>
Southbound	27,193	26,844
Northbound	<u>16,277</u>	<u>14,638</u>
TOTAL	43,470	41,472
Northbound (revised)	<u>10,029</u>	<u>9,818</u>
TOTAL	<u>37,222</u>	<u>36,662</u>

At the time, I noted how well the Soo volumes had held up between these two regions. I have the computer printouts available if they would be of any use.

JDD/jmz



# RI Trustee

Cash Industries  
west of town

1. Right to serve Hartley, <sup>CNW using</sup> rights to use HILL to Hartley
2. Rights reserved to reach Royal Palmer - contract not terminated,
3. Status of interest in Iowa transfer
4. Status of interest in KCT. SP
5. Status of Armoudege - SP  
which shop property, lease termination
6. Trackage rights in Kansas City on
  - a. KCS, KCS-MILL - gave up account
  - b. MP <sup>conjunction</sup> ~
  - c. UP ~
  - d. KCS ~
  - e. NW ~

Called Richard Lane, RI, 8/26/82

Bill Sills, Chgo Corp, Wednesday Aug 25, 82  
Meeting with  
Banking Dept, New York NY  
Thursday, Sept 2, 1982



Soo Line Railroad Company



Date

8-25-82

To:

I. W. Deakley, Pres.

From:

SToeyer

☐ Please note and return.

☒ For your information.

☐ Please reply directly to attached.

☐ Please give me your recommendations.

☐ Please draft reply for my signature.

☐ Please handle.

☐ Would like to discuss with you.

☐ Proposed draft attached for your review  
and suggestions.

☐ Comments?

Acknowledge 8-24 Conf. Communication  
Ipsw placed. Called for official CBC  
at Omaha for information re  
atty outside and set up meeting.

August 25, 1982

To: Mr. S. M. Mrosak  
From: Thomas M. Beckley  
Re: Rock Island - Kansas City Line Acquisition

I would appreciate you preparing a short form of description of property to be included in the offer to be made to the Rock Island trustee. It is not necessary to have a description accurate for deed purposes, but the description should describe quite clearly the extent of right-of-way to be included and the property which would be necessary for operating purposes at points such as Northfield, Faribault, Albert Lea, Mason City, Manley, Iowa Falls, Des Moines and Trenton, and at locations of major grain loading facilities.

Those parcels of property which we propose to sell to grain elevators or to other shippers should be included in the description even though the purchase price of the property may be furnished by the shippers rather than by the Soo.

I would hope that the property description can be completed in 1 week's time.

cc: ~~D.~~ M. Cavanaugh  
B. D. Olsen  
D. J. Boyer  
H. J. Ness



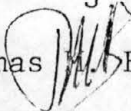
August 25, 1982

To: Mr. H. J. Ness  
From: Thomas M. Beckley  
Re: Rock Island - Kansas City Line Acquisition

I would appreciate your reviewing with me the type of financial studies we wish to submit to the Executive Committee. This should be organized in clearly legible form and need not include all of the supporting data. Of particular relevance to consideration by the Executive Committee will be the impact on net income stated separately for each year, cash flows and balance sheet. We should also be concerned about overall level of interest coverage and the extent to which liabilities may be held off the balance sheet.

cc: D. M. Cavanaugh  
R. L. Murlowski  
D. J. Boyer  
J. D. Darling

August 25, 1982


To: Messrs. R. H. Smith  
J. T. Hartnett  
From: Thomas  Beckley  
Re: Rock Island - Kansas City Line Acquisition

I would appreciate your critical review of traffic projections so that we may be assured that rate levels used for corn traffic in rate projections reflect rate action which may have been taken by the C&NW and connecting roads.

I would also appreciate projections identifying the principal classes of traffic which will move over the line, the revenues expected for each class, and the potential for increase or decrease by class.

In addition, I believe we should identify additional moves as furnished by Canadian Pacific and the potential for traffic switching to Soo and piggyback and container traffic.

We may wish to include this information in final form for presentation to the Executive Committee. Accordingly, I would appreciate a preliminary draft in 1 week's time and final 1 week later.

cc:  D. M. Cavanaugh  
R. L. Murlowski  
D. J. Boyer  
J. D. Darling  
P. M. McNamee  
H. J. Ness  
C. D. Sonnenburg  
W. D. Martino



August 25, 1982

To: Mr. B. D. Olsen  
From: Thomas M. Beckley  
Re: Rock Island - Kansas City Line Acquisition

I believe that it is appropriate for you to take the leadership in preparing the documents shown as 1, 2, 3, 4 and 5.

We should be guided by the documentation used previously in making offers to the trustee of the Milwaukee and Rock Island for various lines.

I believe Mr. Boyer would be particularly helpful in working on financial arrangements of grain gathering lines.

I would hope that the initial draft may be completed within 1 week and distributed to interested parties for comments.

cc: ~~D.~~ M. Cavanaugh  
D. J. Boyer  
J. D. Darling

August 25, 1982

To: Mr. J. D. Darling  
From: Thomas M. Beckley  
Re: Rock Island - Kansas City Line Acquisition

I believe that you should prepare the material described in items 8, 9 and 10 to go to the Executive Committee. There should be a narrative covering each item together with simplified maps and tables relating to each item. I would hope that a preliminary draft of this material may be completed in 1 week.

I would appreciate also brief descriptions of plans for equipment and major maintenance programs, access to Des Moines industries, and giving access to portions of track to other railroads. This work, I believe, can be deferred until after the preliminary drafts of items 8-10 are in shape.

cc: D. M. Cavanaugh  
R. H. Smith  
B. D. Olsen

August 24, 1982

**CONFIDENTIAL**

To: Messrs. ✓ D. M. Cavanaugh  
R. H. Smith  
R. L. Murlowski  
B. D. Olsen  
D. J. Boyer  
J. D. Darling  
J. T. Hartnett  
P. M. McNamee  
H. J. Ness  
C. D. Sonnenburg  
W. D. Martino

From: Thomas M. Beckley

Re: Rock Island - Kansas City Line Acquisition

We are under considerable pressure from a time point of view to conclude our work on the proposal to acquire the Rock Island lines between the Twin Cities and Kansas City. The C&NW is making serious efforts to line up financing to cover its cost of acquiring the lines in question. The decline in interest rates may be helpful to the C&NW in achieving this objective, although their heavy commitments for access to the Wyoming coal field will tend to chill financing sources particularly in the light of proposals for construction of several slurry coal pipelines.

We should be prepared to go to our Executive Committee within the next two weeks with a proposal we intend to submit to the Rock Island trustee, and with arrangements made for financing to the extent that outside financing will be required, and a willingness on the part of shippers to welcome the Soo and, indeed, to indicate a preference for the Soo as against the C&NW.

The following materials should be prepared for the Executive Committee:

1. Form of offer to the Rock Island trustee.
2. Draft of financing arrangement for acquiring the grain gathering line.
3. Operating Agreement between the Soo and the spine line.



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August 24, 1982  
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4. Operating Agreement between the Soo and grain gathering line.
5. Description of FRA financing of the spine line.
6. Description of property to be conveyed by the trustee to the Soo split between the spine line and the grain gathering line.
7. Financial studies supporting the acquisition of the lines.
8. Description of terminal facilities in Kansas City.
9. Description of operations to be conducted on the line.
10. Description of maintenance to be performed and time within which maintenance is to be performed according to the figures in the financial studies.

It is recognized that certain considerations remain open. Entrance to Kansas City is critical to the success or failure of the project, but we must assume for the purposes of the study that we will be able to gain access to Kansas City.

A plan for supplying the road with equipment must be developed. I do not believe it is necessary to include the plan in the materials to be submitted to the Executive Committee, but the existence of the plan is essential if we are to provide incentives to shippers to produce a base level of traffic sufficient to keep operations going and to control car costs.

Access to Des Moines industries is useful in the long run but not critical in the initial stages of the study. We should progress plans for Des Moines but should not hold up the completion of the study until they have been fully developed.

State and federal agencies attach importance to permitting other railroads to have access to the trackage. It may well be that the Milwaukee trackage rights to Mason City will

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Page Three

have to be permitted. I believe that we can make a general undertaking to this effect provided that the trackage rights do not cover the whole line, but I do not believe that in our preliminary study we should spend a great deal of time on the matter.

It is vital that the traffic projections can be supported even in the light of current economic recession. Continuation of traffic patterns which existed in 1978 should be verified. In addition, we should identify opportunities for traffic growth from sources on line which either are not routed over the Soo presently or which are routed over the Soo in a circuitous fashion to Kansas City.

A project of this magnitude requires the creative contributions of all involved if we are to avoid risks of failure either to acquire the property or to operate it successfully, if acquired.

August 24, 1982

TO: The File

FROM: J. D. Darling 

RE: Rock Island Study

Review of the Rock Island right-of-way maps together with on the ground observations suggest that should the acquisition of Rock Island trackage occur, the trackage rights on the Milwaukee between Northfield and Comas should be extended to Owatonna. The Milwaukee Trustee has already indicated his intention of seeking trackage rights on the Rock Island between Comas and Northwood, Iowa. However, in this stretch it appears the Milwaukee route may be shorter, have less grades, and serve more industry. In their respective timetables, the distances between Comas and Owatonna are listed as 21.9 miles on the Milwaukee and 22.2 miles on the Rock Island. This difference could be explained by the location of the station boards, but in any event the Milwaukee route would not appear to be any longer.

In this stretch, the Milwaukee is to the west of the Rock Island. Through Faribault the Milwaukee is on the west side of the town, whereas the Rock Island runs along the river front just east of down town. The Rock Island crosses the Straight River twice in this area and once more south of town. At one time, both the CNW and Milwaukee reached this area of Faribault, but both have removed their tracks and there appears to be no industry using rail in this area. What industry there is is on the Milwaukee and the CNW which is reached from the Milwaukee. The CNW operates from Northfield to Faribault on the Milwaukee. Their own trackage, a former CGW line from Red Wing via Cannon Falls, Randolph, Northfield, Dundas, and Faribault to Mankato has been removed between Dundas and Faribault, and west of Faribault. A CNW directory of industries dated May 1, 1980 lists the following on-track customers:

Doughboy Industries (poultry)  
Faribault Canning  
Genova Minnesota (plastic pipe)  
Land O' Lakes Creamery (butter)



The File  
Page Two  
August 24, 1982

Field notes indicate the following companies on the Milwaukee:

GTA Feeds  
United Builders  
Standard Oil  
Nuting Truck and Casting

A Rock Island list of industries shows none.

Between Faribault and Owatonna, the Rock Island passes through Kasper and Medford. The Rock Island industry list has no entry for Kasper. At Medford, it lists the North Star Machine and Foundry, but field notes do not indicate any facilities. There is a Cenex fertilizer distribution center on the Milwaukee at Medford.

Comas is approximately milepost 306. At milepost 289, just south of Medford, the Milwaukee and Rock Island come together. A connection in this area would be possible. At milepost 288, the Rock Island has risen to cross over the Milwaukee and then crosses the Straight River. Further field survey would be required to determine if a connection in this area eliminating the Rock Island bridge over the Milwaukee would be possible. At milepost 286, the Milwaukee is just across the Straight River from the Rock Island. A connection in this area would appear possible, but would require a new bridge across the Straight River. Some industry served by the Rock Island is north of this potential connection. In any event, 17 to 20 route miles could be eliminated.

The two principle drawbacks to using the Milwaukee trackage is that it is currently unsignaled and it would require a higher level of rehabilitation. Use of a 5,988 foot siding at Kasper would also be lost.

JDD/jmz

Bill Sills 7/23/82

South African agent will be in U.S.  
in early September.

S.M. Mosak, 8/23/62

Farm land

Corn country

Farm land prices dropped 25% over  
last 18 months

Washington Wildlife (Association) Suit -

North St Paul - Oakdale

abandoned right of way



8-23-82

1A

ROCK ISLAND STUDY  
PRO FORMA FIVE YEAR RESULTS ON "CORPORATE ENTITY" BASIS  
ASSUMPTIONS

1. Corporate Structure - Soo would create separate corporate subsidiaries to acquire the Main Line (Northfield to Kansas City) and Iowa Falls Branch Lines. The pro forma schedules demonstrate the five year results for both entities, as well as the MN&S.
2. Operating Income - Revenues and expenses are identical to the study previously furnished to the Executive Committee except <sup>for modifications to track work described below.</sup> ~~that \$6.2 million more trackwork has been added on the Main Line in the first five years to take advantage of the full \$15 million F.R.A. low interest loans.~~ Revenue and expenses were assigned to the three corporate entities as follows:

	Main	Branch	MN&S
Revenues	Balance of revenues from Main and Branch traffic. <sup>\$ 7.5</sup>	Mileage prorate of Branch traffic. Average of 28%. <sup>\$ 3.0</sup>	Existing divisions. Average of \$200/car.
Way and Structures*	Annual maintenance plus \$10 million* programs over <sup>three</sup> five years. Joint Facilities.	Annual maintenance plus \$10 million* programs over <sup>three</sup> five years.	\$ .4 million per year additional maintenance.
Equipment	Locomotive costs on unit requirement basis. Car costs based on on-line days and miles. Joint Facilities.	Locomotive costs on unit requirement basis. Car costs based on on-branch car days and miles.	Locomotive cost on ton mile basis. Car costs assume 50 miles and three hours on MN&S for per diem.
Transportation	On-line T&E and OT&E. Fuel on GTM basis. Joint Facilities. Other items prorated.	On-line T&E and OT&E. Fuel on GTM basis. Other items prorated.	T&E prorated on train miles. Fuel on GTM basis. Other items prorated.
Gen. & Admn.	\$2.4 million/year.	\$ .9 million/year.	\$ .1 million/year.

Note that some operating expenses such as general and administrative would actually be incurred by Soo Line Railroad. The assumption would be that these items are then billed by Soo to the subsidiaries.

\* For purposes of the attached proformas, 1/2 of track programs was classified as operating expense and the other 1/2 was capitalized as "rehabilitation."

ROCK ISLAND STUDY  
PRO FORMA FIVE YEAR RESULTS ON "CORPORATE ENTITY" BASIS  
ASSUMPTIONS

*80% Corp financing*

3. Assets Acquired

	Main	Branch	MN&S
Roadway Purchase	\$40 million (based on net salvage).	\$12 million (based on net salvage).	None
Locomotives	One per year (balance from Soo Fleet).	One per year (balance from Soo Fleet).	None
Cars	None until year 6 (balance from Soo Fleet or short term leases).	None until year 6 (balance from Soo Fleet or short term leases).	None
Other Assets	\$2.5 million initially. <del>\$6 million/year.</del> \$.4 mil/year thereafter	\$1.5 million initially <del>\$4 million/year.</del> \$.2 mil/year thereafter	None (Bridgework?)
Working Capital	\$2.0 million initially.	\$2.0 million initially.	None
Track Rehabilitation	\$7.5 million over 3 years	\$3.0 million over 3 years.	

*A portion of the Minnesota River bridge upgrade will be attributable to Rock Island tonnage. Partial financing may be available from Truman/Hobbs funds. Amounts not included.*

4. Financing

	Main	Branch	MN&S
Roadway	39.3 <del>\$33.2</del> million carried by Rock Island Trustee. Non interest bearing. Repaid over five years.	9.6 <sup>from</sup> <del>\$8.6</del> million carried by <sup>Bank of Commerce</sup> Rock Island Trustee. <sup>14% interest rate</sup> Non interest bearing. Repaid over five years.	None
Locomotives	14% Equipment Trust.	14% Equipment Trust.	None
Track Rehab.	\$15 million F.R.A. loans over three years. No repayment until year 6. 3% effective interest.	3.9 <del>\$4.7</del> million state/shipper funds over <sup>three</sup> <del>five</del> years. Non interest bearing. Shipper repaid same year; state one year later. State forgives repayments for <del>years three &amp; four</del> <sup>one year's borrowing</sup> .	None
Soo Initial Cash Contribution	5.4 <del>\$9.6</del> million.	6.0 <del>\$5.9</del> million.	
Interest Income	Interest income foregone is shown as accruing to each entity at rate of 14%. (Actually would be for Soo account).	Interest income foregone is shown as accruing to each entity at rate of 14%. (Actually would be for Soo account).	Interest income realized at 14% on positive cash flows.



ROCK ISLAND STUDY  
PRO FORMA FIVE YEAR RESULTS ON "CORPORATE ENTITY" BASIS  
ASSUMPTIONS

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5. Income Taxes

	<u>Main</u>	<u>Branch</u>	<u>MN&amp;S</u>
Tax Rate	50%	50%	50%
Roadway	Five year write-off (excluding land).	Five year write-off (excluding land).	-
Locomotives and Other	5 year write-off.	5 year write-off.	-
RRB Operating Expenses	Capitalized with five year write-off. *	Capitlized with five year write-off. *	Capitalized with five year write-off.
I.T.C.	Locomotives, other capital, RRB operat- ing expenses. *	Locomotives, other capital, RRB operat- ing expenses. *	RRB Operating Ex- penses.
N.O.L.	For presentation, re- funds shown as accru- ing to this entity.	For presentation, re- funds shown as accru- ing to this entity.	\$1.8 million of <u>pre-</u> <u>acquisition</u> carry forward. Accelerated from years two - five to year one.
Deferred Tax	Fully accrued.	Fully accrued.	Fully accrued.

6. Balance Sheet - Balance sheet presentation assumes Soo initial cash contri-  
bution is carried as investment on Soo books; then eliminated in consolida-  
tion.

Dividends are assumed to be paid at rate of 50% of consolidated income,  
reducing Soo cash and shareholders' equity.

No intercompany dividends or advances included, other than initial Soo  
contribution. Funding of Branch Line operating deficits and negative cash  
balances not illustrated.

\* Availability of ITC and depreciation on trackwork funded  
by government loans is being investigated.



PROFORMA RESULTS OF OPERATION ON "CORPORATE ENTITY" BASIS

INCOME INCREASE (DECREASE) IN MILLIONS		1	2	3	4	5	TOTAL
1. OPERATING REVENUES:	MAIN	\$ 40.2	\$ 43.5	\$ 46.9	\$ 50.6	\$ 54.7	235.9
	BRANCH	5.4	5.8	6.3	6.8	7.3	31.6
	MN+TS	8.0	8.6	9.3	10.1	10.9	46.9
	TOTAL	53.6	57.9	62.5	67.5	72.9	314.4
2. OPERATING EXPENSES:							
	MAIN	(32.9)	(35.6)	(38.3)	(38.7)	(41.9)	(187.4)
	BRANCH	(7.3)	(7.8)	(8.6)	(8.2)	(8.8)	(40.7)
	MN+TS	(1.8)	(1.9)	(2.1)	(2.3)	(2.5)	(10.6)
	TOTAL	(42.0)	(45.3)	(49.0)	(49.2)	(53.2)	(238.7)
3. OPERATING INCOME:	MAIN	7.3	7.9	8.6	11.9	12.8	48.5
	BRANCH	(1.9)	(2.0)	(2.3)	(1.4)	(1.5)	(9.1)
	MN+TS	6.2	6.7	7.2	7.8	8.4	36.3
	TOTAL	11.6	12.6	13.5	18.3	19.7	75.7
4. INTEREST INCOME+EXPENSE:	MAIN	(1.9)	(.8)	(.8)	(.8)	(.1)	(3.4)
	BRANCH	(2.1)	(2.4)	(2.8)	(3.1)	(3.3)	(13.7)
	MN+TS	-	.7	1.1	1.6	2.2	5.6
	TOTAL	(3.0)	(2.5)	(2.5)	(2.3)	(1.2)	(11.5)
5. CURRENT INCOME TAX:	MAIN	(.1)	1.6	1.6	.9	.4	4.4
	BRANCH	3.3	4.1	4.6	4.7	5.1	21.8
	MN+TS	(1.4)	(4.2)	(4.7)	(5.1)	(5.8)	(21.2)
	TOTAL	1.8	1.5	1.5	.5	(.3)	5.0
6. DEFERRED INCOME TAX:	MAIN	(2.3)	(4.4)	(4.8)	(6.3)	(6.5)	(24.3)
	BRANCH	(.8)	(1.5)	(1.7)	(2.3)	(2.5)	(8.8)
	MN+TS	(1.6)	.5	.7	.4	.6	.6
	TOTAL	(4.7)	(5.4)	(5.8)	(8.2)	(8.4)	(32.5)
7. NET INCOME	MAIN	4.0	4.3	4.6	5.7	6.6	25.2
	BRANCH	(1.5)	(1.8)	(2.2)	(2.1)	(2.2)	(9.8)
	MN+TS	3.2	3.7	4.3	4.7	5.4	21.3
	TOTAL	\$ 5.7	\$ 6.2	\$ 6.7	\$ 8.3	\$ 9.8	\$ 36.7

BASED ON  
CURRENT DIVISION  
FORMULAS

Res  
70.0 million

Part of  
of COM

REFLECTS ACCELERATED  
RECEIPT OF PRE-ACQUISITION  
N.O.L. + I.T.C. (CARRYFORWARD)

# ROCK ISLAND STUDY

## PRO FORMA OPERATING EXPENSES ON "CORPORATE ENTITY" BASIS

(\$ IN MILLIONS)

	1	2	3	4	5	TOTAL
1. "MAJOR" TRACK PROGRAMS: MAIN	2.3	2.5	2.7	—	—	7.5
BRANCH	.9	1.0	1.1	—	—	3.0
MNTS	.3	.3	.3	.4	.4	1.7
TOTAL	3.5	3.8	4.1	3.4	.4	12.2

IN EXCESS OF  
"ANNUAL" MAINTENANCE

## 2. ANNUAL TRACK MAINTENANCE

+ OTHER. W+S EXPENSE: MAIN	5.9	6.4	6.8	7.4	8.0	34.5
BRANCH	2.3	2.4	2.6	2.9	3.0	13.2
MNTS	.1	.1	.1	.1	.1	.5
TOTAL	8.3	8.9	9.5	10.4	11.1	48.2

## 3. EQUIPMENT EXPENSE :

REFLECTS ACQUISITION  
OF 2 LOCOMOTIVES PER  
YEAR, BUT NO FREIGHT  
CARS UNTIL YEAR 6

MAIN	7.8	8.4	9.1	10.1	11.0	46.4
BRANCH	1.6	1.7	2.0	2.3	2.4	10.0
MNTS	.6	.6	.7	.8	.8	3.5
TOTAL	10.0	10.7	11.8	13.2	14.2	59.9

## 4. TRANSPORTATION EXPENSE :

MAIN	14.5	15.7	16.9	18.2	19.7	85.0
BRANCH	1.6	1.7	1.9	1.9	2.2	9.3
MNTS	.7	.8	.9	.9	1.1	4.4
TOTAL	16.8	18.2	19.7	21.0	23.0	98.7

## 5. GEN &amp; ADMINISTRATIVE :

MAIN	2.4	2.6	2.8	3.0	3.2	14.0
BRANCH	.9	1.0	1.0	1.1	1.2	5.2
MNTS	.1	.1	.1	.1	.1	.5
TOTAL	3.4	3.7	3.9	4.2	4.5	19.7

## 6. TOTAL OPER. EXPENSE :

MAIN	32.9	35.6	38.3	38.7	41.9	187.4
BRANCH	7.3	7.8	8.6	8.2	8.8	40.7
MNTS	1.8	1.9	2.1	2.3	2.5	10.6
TOTAL*	42.0	45.3	49.0	49.2	53.2	238.7

## 7. CONSOLIDATED OPERATING RATIO\*

78.4%	78.2%	78.4%	72.9%	73.0%	75.9%
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## \* PREVIOUS STUDY ASSUMPTIONS

: TOTAL OPER. EXPENSE	\$ 43.0	\$ 42.8	\$ 47.3	\$ 53.3	\$ 57.6	\$ 244.0
: OPERATING RATIO	80.2%	73.9%	75.7%	79.0%	79.0%	77.6%



ROCK ISLAND STUDY  
PRO FORMA CASH FLOW ON "CORPORATE ENTITY" BASIS

CASH SOURCE (USE) IN MILLIONS		0	1	2	3	4	5	TOTAL
1. NET INCOME:	MAIN		4.0	4.3	4.6	5.7	6.6	25.2
	BRANCH		(1.5)	(1.8)	(2.2)	(2.1)	(2.2)	(9.8)
	MN+TS		3.2	3.7	4.3	4.7	5.4	21.3
	TOTAL		5.7	6.2	6.7	8.3	9.8	36.7
2. DEPRECIATION AND DEFERRED TAXES:								
	MAIN		2.5	4.6	5.1	6.7	6.9	25.8
	BRANCH		.9	1.7	1.9	2.6	2.8	9.9
	MN+TS		1.6	(.5)	(.7)	(.4)	(.6)	(.6)
	TOTAL		5.0	5.8	6.3	8.9	9.1	35.1
3. BORROWINGS	MAIN	39.9	5.3	5.8	6.2	.9	1.0	59.1
	BRANCH	10.3	1.9	2.0	2.3	.9	.9	18.3
	MN+TS							
	TOTAL	50.2	7.2	7.8	8.5	1.8	1.9	77.4
4. ASSET INVESTMENT:	MAIN	(45.3)	(3.8)	(4.1)	(4.4)	(1.8)	(1.9)	(61.3)
	BRANCH	(16.3)	(2.1)	(2.2)	(2.6)	(1.6)	(1.7)	(26.5)
	MN+TS							
	TOTAL	(61.6)	(5.9)	(6.3)	(7.0)	(3.4)	(3.6)	(87.8)
5. LOAN REPAYMENTS:	MAIN		(6.9)	(9.4)	(10.3)	(6.4)	(6.6)	(39.6)
	BRANCH		(2.1)	(2.8)	(3.2)	(2.4)	(2.6)	(13.1)
	MN+TS							
	TOTAL		(9.0)	(12.2)	(13.5)	(8.8)	(9.2)	(52.7)
6. CASH FLOW	MAIN	(5.4)	1.1	1.2	1.2	5.1	6.0	9.2
	BRANCH	(6.0)	(2.9)	(3.1)	(3.8)	(2.6)	(2.8)	(21.2)
	MN+TS		4.8	3.2	3.6	4.3	4.8	20.7
	TOTAL	(11.4)	3.0	1.3	1.0	6.8	8.0	8.7
PERIODIC ADVANCES REQUIRED TO REPLENISH TREASURY								
7. SDO LINE CONTRIBUTION			11.4					
SDO'S 1981 U.S. INCOME TAX CARRYBACKS								11.5
OR								
1981 IMPACT OF TRACK STRUCTURE RECOVERY								19.1



## FINANCING PROCEEDS AND (REPAYMENTS)

(\$ IN MILLIONS)

MAIN LINE CORP

	0	1	2	3	4	5	TOTAL
1. EQUIPMENT TRUSTS - LOCOS (14%, 15 YEAR AMORTIZATION)	.4	.7	.8	.8	.9	1.0	4.8
				(.17)	(.17)	(.17)	(.3)
2. FRA PREFERENCE SHARES (REDEEMABLE FROM YEAR 6-20. DIVIDENDS BEGIN IN YEAR 10)		4.6	5.0	5.4	-	-	15.0
		-	-	-	-	-	-
3. R.I. TRUSTEE (NON INTEREST BEARING. REPAID OVER 5 YEARS)	39.3	(6.9)	(9.4)	(10.2)	(6.3)	(6.5)	39.3
							(39.3)
4. TOTAL FINANCING	39.9	5.3	5.8	6.2	.9	1.0	39.1
		(6.9)	(9.4)	(10.3)	(6.4)	(6.6)	(39.6)
5. RATIONAL FOR TRUSTEE LOAN REPAYMENTS							
A. DEFERRED TAXES		2.3	4.4	4.8	6.3	6.5	24.3
B. FRA PREFERENCE SHARES		4.6	5.0	5.4	-	-	15.0
C. SOURCE OF FUNDS		6.9	9.4	10.2	6.3	6.5	39.3

BRANCH LINE CORP

6. EQUIPMENT TRUSTS - LOCOS (14%, 15 YEAR AMORTIZATION)	.7	.7	.7	.9	.9	.9	4.8
				(.17)	(.17)	(.17)	(.3)
7. SHIPPER/STATE TRACK FUNDS (RR SHIPPER STATE 1/3 EACH. NON-INTEREST BEARING STATE FORGIVES REPAYMENT FOR ONE YEAR BORROWING)		1.2	1.3	1.4			3.9
		(.6)	(1.3)	(1.3)			(3.2)
8. BANK OF COOPS LOAN (EQUAL TO 80% OF PURCHASE PRICE. 14% INTEREST, REPAYED IN 5 YEARS)	9.6	(1.5)	(1.5)	(1.8)	(2.3)	(2.5)	9.6
							(9.6)
9. TOTAL FINANCING	10.3	1.9	2.0	2.3	.9	.9	18.3
		(2.1)	(2.8)	(3.2)	(2.4)	(2.6)	(13.1)
10. RATIONAL FOR COOPS LOAN REPAYMENT							
A. DEFERRED TAXES		.8	1.5	1.7	2.3	2.5	8.8
B. NET SHIPPER/STATE FUNDS		.6	-	.1	-	-	.7
C. SOURCE OF FUNDS		1.4	1.5	1.8	2.3	2.5	9.5

## ROCK ISLAND STUDY

PRO FORMA BALANCE SHEET CHANGES ON CORPORATE ENTITY BASIS

(DOLLARS IN MILLIONS)

	MAIN	BRANCH	MNTS	SUBTOTAL	500	CONS. ENTITIES	CONS. 500
<u>INITIAL BALANCE SHEET</u>							
CASH	\$ -0-	\$ -0-	\$	\$ -0-	\$ (11.4)	\$	\$ (11.4)
OTHER CURRENT ASSETS	2.0	2.0		4.0			4.0
SUBSIDIARY INVESTMENT					11.4	(11.4)	-0-
NET PROPERTIES	43.3	14.3		57.6			57.6
TOTAL ASSETS	\$ 45.3	\$ 16.3	\$ -0-	\$ 61.6	\$ -0-	\$ (11.4)	\$ 50.2
DEBT	\$ 39.9	\$ 10.3	\$	\$ 50.2	\$	\$	\$ 50.2
DEFERRED INCOME TAX	-	-					-
PREFERENCE SHARES	-	-					-
COMMON EQUITY	5.4	6.0		11.4		(11.4)	-
LIABILITIES + EQUITY	\$ 45.3	\$ 16.3	\$ -0-	\$ 61.6	\$ -0-	\$ (11.4)	\$ 50.2

BALANCE SHEET AT  
END OF YEAR 5

CASH	\$ 14.6	\$ (15.2)*	\$ 20.7	\$ 20.1	\$ (32.8)**	\$	\$ (9.7)
OTHER CURRENT ASSETS	3.0	2.8	-	5.8			5.8
SUBSIDIARY INVESTMENT					11.4	(11.4)	-0-
NET PROPERTIES	56.8	22.6	-	79.4			79.4
TOTAL ASSETS	\$ 74.4	\$ 10.2	\$ 20.7	\$ 105.3	\$ (18.4)	\$ (11.4)	\$ 75.5
DEBT	\$ 4.5	\$ 5.2	\$ -	\$ 9.7	\$	\$	\$ 9.7
DEFERRED INCOME TAX	24.3	8.8	(.6)	32.5			32.5
PREFERENCE SHARES	15.0	-		15.0			15.0
COMMON EQUITY	30.6	(3.8)*	21.3	48.1	(18.4)**	(11.4)	18.3
LIABILITIES + EQUITY	\$ 74.4	\$ 10.2	\$ 20.7	\$ 105.3	\$ (18.4)	\$ (11.4)	\$ 75.5

\* RESOLUTION OF CASH SHORTFALL NOT ILLUSTRATED

\*\* DIVIDENDS AT 50% CONSOLIDATED NET INCOME, REDUCING 500 CASH AND EQUITY.



"PREMIUM PRICE" FOR MAIN LINE IF SUSTAINED REVENUES EXCEED BASE LEVEL  
(DOLLARS IN MILLIONS) ASSUMING +20% REVENUES AS MAXIMUM

8-12-82  
prelim

"BASE LEVEL" ASSUMPTIONS

1. PURCHASE PRICE	\$ 40.0
2. ANNUAL REVENUES (INCLUDING BRANCH DIVISION, EXCLUDING MN+5)	\$ 40.2
3. ANNUAL CARLOADS MOVING ON MAIN LINE	71,400
4. ANNUAL REVENUE TON MILES (MILLIONS) ON MAIN LINE	1500

NET CONTRIBUTION OF 20% ADDITIONAL REVENUES

5. REVENUE GAIN FROM 14,300 ADDITIONAL CARLOADS (+20%)	\$ 8.0
6. EXPENSE INCREASE (USING 80% OPERATING RATIO)	-6.4
7. INCOME TAX INCREASE (50% RATE)	-.5
8. ANNUAL NET INCOME AND CASH	<u>+ .8</u>

ADDITIONAL PURCHASE PRICE JUSTIFIED BY \$ +.8 MILLION

NET CASH PER YEAR FOR 25 YEARS, ASSUMING 15% ROI

	PURCHASE PRICE	TAX DEPRECIATION BENEFIT	ANNUAL NET CASH	NET CASH
0	\$ -7.8			\$ -7.8
1		\$ +.6	\$ +.8	+1.4
2		+ .8		+1.6
3		+ .8		+1.6
4		+ .8		+1.6
5		+ .8		+1.6
6-25				+ .8
TOTAL	\$ -7.8	\$ +3.8	\$ +20.0	\$ +16.0

ROI AFTER TAX = 15%

\$ 7.8 MILLION ADDITIONAL PURCHASE PRICE

POSSIBLE METHODS OF PAYING "PREMIUM PRICE" ON CONTINGENCY BASIS

- \$109 PER CARLOAD FOR CARS IN EXCESS OF 71,400 PER YEAR FOR 5 YEARS.  
MAXIMUM: \$109 X 14,300 CARS/YEAR X 5 YEARS = \$ 7.8 MILLION
- .0052 PER REV. TON MILE FOR TON MILES IN EXCESS OF 1.5 BILLION PER YEAR FOR 5 YEARS  
MAXIMUM: \$ .0052 X .3 BILLION/YEAR X 5 YEARS = \$ 7.8 MILLION
- SIMILAR TO EITHER OF ABOVE, BUT PAY ONLY AFTER 5 YEARS ON CARS IN EXCESS OF 357,000 FOR THE 5 YEAR TOTAL.

NOTE: ANY CONTINGENT PAYMENTS TO TRUSTEE WOULD LIKELY BE CAPITALIZED AS ADDITIONAL PROPERTY INVESTMENT



MAINLINE

PURCHASE PRICE

FINANCING

500 CASH REQUIREMENTS

100

8-23-82

1) \$ 40.0 million PURCHASE PRICE (NET SALVAGE)

2) \$ 39.3 million - PAYMENTS TO R.I. TRUSTEE OVER 5 YEARS: NON-INTEREST BEARING

a) DEFERRED INCOME TAXES

\$ 24.3 million

b) FRA FUNDS

15.0

c) TOTAL

39.3

d) INVESTMENT TAX CREDIT

2.7

3) \$ .7 million - DOWNPAYMENT TO R.I. TRUSTEE BY 500 LINE - INITIALLY

4) \$ 4.7 " - ADDITIONAL 500 LINE CASH REQUIREMENT - INITIALLY

5) \$ 5.4 " - TOTAL 500 LINE CASH REQUIREMENT

6) \$ 15.0 " - REPAYMENT OF FRA LOAN STARTING IN 6<sup>th</sup> YEAR thru 20<sup>th</sup> YEAR

BRANCHLINE  $\begin{cases} \text{PURCHASE PRICE} \\ \text{FINANCING} \\ \text{500 CASH REQUIREMENTS} \end{cases}$

8-23-82

- 1) 12.0 million - PURCHASE PRICE (NET SALVAGE)
- 2) 12.0 million - PAYMENT TO R.I. TRUSTEE INITIALLY
  - a) 9.6 LOAN FROM COOPS
  - b) 2.4 DOWNPAYMENT BY 500 LINE
- 3) 3.6 million - ADDITIONAL 500 LINE CASH REQUIREMENT - INITIALLY
- 4) 6.0 " - TOTAL 500 LINE CASH REQUIREMENT
- 5) 9.6 " - REPAYMENT OF COOP LOAN OVER 5 YEARS: 14% INTEREST
 

\* 8.8 DEFERRED  
 .8 IN D.O.T.  
 \* 9.6

### MAINLINE AND BRANCH LINE - COMBINED

- 6) 52.0 million - PURCHASE PRICE (NET SALVAGE)
- 7) 12.7 " - TO R.I. TRUSTEE INITIALLY  
 39.3 " - " " " OVER 5 YEARS
- 8) 16.4 million - TOTAL 500 LINE CASH REQUIREMENT - INITIALLY

0

August 23, 1982

TO: J. T. Hartnett  
W. B. Peterson  
H. J. Ness

FROM: J. D. Darling

RE: Rock Island Study

ADD/jmz

Attached is a copy of a report prepared by Morrison-Knudsen for the Iowa DOT regarding the Iowa Falls Gateway Shippers Association acquiring and operating the branch lines as a short line railroad.

JDD/jmz

Att. (1)



August 23, 1982, 3:00 PM

TMB, BDO, JDD, DSB, RLM, HSN, JCM,  
JTH, PMM, RKS, Cant

NW - Mr. Day, NW yard does not have  
sufficient capacity

KCS - Tom Carter, favorably disposed to  
establishing connection with Soo,  
support Soo gaining access to yard,  
Soo initiative to overcome objections,  
MILW has veto power, GTW-MILW  
agreement just signed.

KCS - four blocks northbound, four  
blocks southbound.

Leasing yard to CNW, would like to  
terminate, but could not under  
terms of agreement.

Interest in KCT, filed with ICC

BDO - KCS - MILW Agreement, filed with ICC?

HSN -

Rehab

Int. Co. S/R E.

Committee and Divisions

Drafts of documents.

MILW - BN legal consultants,

Draft - Trustee

Bank of Cooperatives

Guaranteed by Elevators

Returned Agreements - Soo and Soo

(2)  
FRA Preference Share Financing



Monday, August 23, 1982

1. Revised financial statements

- a. Increased program work.
- b. Construction \$100,000
- c. Equipment \$4,000,000 startup.  
Op \$600,000 per year.
- d. Slightly reduced annual maintenance

Bridge over  
Minnesota  
Twin Falls

2. Financing option

3. Freight Cars

4. Kansas City - KCS

5. Bank of Corp

6. Real Estate

7. MILW

a. RI trackage rights on MILW, Comas  
to Owatonna.

b. MILW trackage rights on RI,  
Owatonna to Northwood

c. MILW interest in DMU

d. MILW interest in KCS-MILW  
joint agency.

e. MILW trackage rights, Allenton to  
Polo.



August 23, 1982

CONFIDENTIAL

Memorandum to File

From: Thomas M. Beckley

Re: Rock Island Line Study

I called Mr. Carter of the Kansas City Southern to inquire as to the position of that road to the entry of the Soo into its yard. Mr. Carter stated that KCS had had a Management Committee meeting at which it was determined that KCS would try to take care of the Soo. He stated, however, that it would be up to the Soo to sell its participation in the yard. KCS is of the opinion that the Milwaukee has the right to veto as a result of its joint ownership of the yard.

Mr. Carter stated that if the Soo were admitted to the use of the yard, the designated tracks for interchange would be at Airline Jct., and that the KCS would commit itself to makeup 4 blocks on northbound moves. He stated that under the new thousand mile rule it might be possible to make trains up in the Deramus Yard in Shreveport which is 550 miles south of Kansas City and to run them through the Kansas City terminal facilities.

He stated also that the C&NW is using the yard which it leases from the KCS in Kansas City. Because of the problems he has had with the C&NW, he would not be opposed to try to oust them from the use of the yard, but under the terms of the trackage agreement, he is not in a position to do this at the present time.

Mr. Carter indicated that his Traffic Department desires to have connections with as many roads as possible at Kansas City and, accordingly, favors bringing the Soo into the terminal. At the same time it is not his disposition to take sides as between the Soo and Milwaukee since he would expect to have a favorable relationship with each carrier.

cc: ☒ D. M. Cavanaugh  
R. H. Smith  
B. D. Olsen  
J. D. Darling

## OPERATIONS

### Transportation

An operating plan has been developed based on the projected traffic volumes. One through train daily between Minneapolis and Kansas City and return is anticipated. Crews would be changed at Iowa Falls, Iowa and Trenton, Missouri. In addition, one extra train weekly is anticipated between Minneapolis and Iowa Falls and six extra trains weekly between Iowa Falls and Kansas City. These trains would be seasonal, handling primarily corn and soybean shipments from both main line and branch line points.

Two-way freights would be based at Manly, Iowa, one operating north to Albert Lea and Owatonna and one south to Mason City. Other local service requirements are minimal and would be handled by the through freight and extra trains.

Switch engines would be based at Iowa Falls, Avon (Des Moines), and Trenton.

Branch line operations would be similar in nature to our operations in North Dakota. The basic service would be provided by a crew operating from Iowa Falls to Estherville, and then serving the stations to Rake or Ocheyedan before returning to Iowa Falls. An additional turn would operate between Iowa Falls and Forest City. This basic operation would be supplemented by extra trains as required.

The proposed service is detailed in the following section on Train Operations.

Approximately 30 non-operating and supervisory Transportation personnel are estimated to be required to support the operation. This includes an additional dispatchers position around the clock seven days per week to be relocated at Shoreham. This location and nature of these positions is indicated in the subsequent listing, Transportation Personnel.

### Signaling

Between Comas, Minnesota and Manly, Iowa train operations are controlled by a CTC system based at Des Moines.

Between Clear Lack Jct. on the south side of Mason City and Allerton, Iowa, train movements are governed by an Automatic Block System.

Between Allerton and Kansas City, train operations are controlled by a CTC system based at the Harry S. Truman bridge over the Missouri River near Kansas City, currently under the direction of the Milwaukee Road dispatcher at Ottumwa, Iowa.

### Tonnage Density

Main line tonnage varies from 5.5 to 7.5 gross ton miles per mile and is comparable to the Soo Owen to Superior line or the Western Division main line. The Iowa Falls Gateway branch line from Iowa Falls to Estherville varies from 2.3 to 3.2 million gross ton miles per mile and is slightly less than the Soo Brooten to Superior line.



### The Kansas City Terminal

Host terminal facilities in Kansas City are being sought that will provide the following services:

1. Classify unblocked inbound trains for deliver of cars to industries or connecting lines.
2. Block outbound trains for Trenton, Avon (Des Moines), Iowa Falls, Manly, and Shoreham.
3. Permit crews from Trenton to turn without tying up at Kansas City.
4. Permit run through operation of unit grain trains.

If necessary, southbound and northbound blocking can be performed at Trenton and crews can tie up at Kansas City.

To date, we have contacted the KCS and the NW. The KCS facility is preferable because of its location at the northeasst corner of Kansas City immediately adjacent to the point at which the Rock Island trackage enters the terminal. The KCS would welcome our entry into Kansas City and support our operation in this facility. However, this facility is jointly owned with the Milwaukee Road. The KCS is of the opinion that consent of the Milwaukee is required for our entry, and that the KCS must take a method position toward the Soo as opposed to the Milwaukee. Consequently, the KCS has taken the position that the Soo must negotiate directly with the Milwaukee to obtain their consent to our entry.

With regard to the NW, their Traffic Department has given the initial response that the NW facilities are not adequate, particuarly when the automobile traffic is moving.

Other roads being considered are the MKT, SSW, and ATSF.

### Locomotives and Cabooses

The need for locomotives and cabooses has been estimated at 7 SD40-2s, 25 GP38-2s, and 13 cabooses. Of these, 11 GP38-2s and 3 cabooses may be considered associated with branch line traffic.

Initially, locomotives will be furnished from the existing Soo fleet, with additional acquisitions at the rate of two per year starting in year one. Cabooses will be furnished from the Soo fleet.

### Freight Cars

A need for approximately 1,750 freight cars has been estimated for on line loading. These needs were estimated on the basis of a four week turn, except for a two week turn for cars in unit grain train service and intermodal trailers, and a one week turn for intermodal flat cars.

Covered hopper cars dominate the anticipated need for equipment. No acquisition of equipment is anticipated for the first five years. Initial private cars supplemented by Soo equipment is anticipated to be adequate. Shippers on the Iowa Falls Gateway branches own or lease 700 covered hopper cars. Shippers on the main line also control a substantial number of cars. Agri Industries has a fleet of over 3,000 cars. Cargill also furnishes their elevators with cars. Other shippers, such as A. E. Statey, also have fleets of private cars. Many of these fleets are currently underutilized and we are formulating a proposal to furnish the requirements for these lines from a

pool of these cars under a car hire subleasing arrangement.

#### Mechanical Car Department

A repair track capable of performing light running repairs will be required at Iowa Falls. Heavy repairs will be performed at existing Soo facilities. Costs have been included in the financial analysis on Soo ratios.

#### Mechanical Locomotive Department

Locomotive servicing facilities will be required at Manly, Iowa Falls, Avon (Des Moines), and Trenton. All maintenance and repair will be done at Shoreham. Again, costs have been estimated on Soo ratios.

#### Engineering

Overall, main line conditions are fair to good permitting track speeds of 30 to 40 mph and weight of 263,000 lbs. Rock Island rail varies from 112 to 132 lbs. per yard, with 112 lbs. predominately. There is some 115 lb. continuous welded rail at the north and south ends. The 131-132 lb. rail is predominately in Missouri.

Ballast varies from finely crushed limestone, slag, and granite.

The principle deficiency is in tie condition. There is also considerable longitudinal rail movement that requires resetting and additional application of rail anchors.

An excellerated maintenance program of tie installation, sliding, surfacing, and rail application totaling \$13,758,174



has been proposed over the first three years. This program will utilize \$15 million in Title 5 (4-R) funding earmarked by the FRA for rehabilitation of this line under the Rock Island Transition and Employee Assistance Act.

Branch line track has been rehabilitated with ties and slag ballast to support 25 mph operation and 263,000 lb. loads. Two exceptions include 39 miles between West Bend and Estherville and the 11 mile Indianola branch, which are restricted to 10 mph. In addition, there is a weight restriction of 221,000 lbs. over 7.4 miles of poor 70 lb. rail between Garner and Forest City.

A branch line program including tie renewal, surfacing, rail anchors, and some relay of 70 and 80 lb. rail totaling \$5,443,765. This program would be conducted the second through the fourth years and would take advantage of the Iowa Rail Assistance Program under which funding is provided one-third each by shippers, the State and the carrier.

A more detailed description of the proposed work appears in the section labeled Maintenance of Way.

Bridges are in fair to good condition, requiring only normal maintenance for continued operation.

Two hundred fifty-five thousand Dollars (\$255,000) has been estimated to install additional base radio stations to provide 100 percent coverage.

Staffing of Engineering functions has been estimated as outlined in the attachment at the end of this section. This attachment also details a \$7,858,000 program to equip the

Engineering forces. This program would be completed primarily in the first two years.

In addition, \$100,000 has been estimated for the relocation of CTC controls to the Shoreham dispatchers office and \$100,000 to connect the communication facilities.

Finally, \$283,000 has been estimated to construct an additional track and crossover to facilitate the switching operation at Avon south of Des Moines.

#### MN&S Upgrading

Two hundred thrity-six thousand dollars (\$236,000) has been estimated as the cost of shoulder restoration on the MN&S. This work is to be completed in the third year.

Two hundred fifty thousand dollars (\$250,000) of work is currently required on the MN&S bridge over the Mississippi River. An additional \$600,000 of work would be accelerated to within the first thee years with the Rock Island acquisition. Current planning for a \$10,000,000 high level fixed bridge to be constructed over the sixth through tenth year could be accelerated to avoid the \$600,000 expenditure.

As these costs will be incurred without the Rock Island acquisition, they have not been included in the financial analysis. No other costs on the MN&S or Soo are anticipated.

#### Labor Protection

The only requirement for labor protection that is anticipated is under the Rock Island Transition and Employee Assistance Act. Under this Act, former Rock Island and

Milwaukee Road employees must be given preference in hiring to the extent that any employees are hired. The Railroad Retirement System maintains a list of former employees desiring railroad jobs. The Soo is currently under this Act for our employment needs.



# ROCK ISLAND STUDY

## Equipment Requirements

### Years Required

#### Signal and Communications

18	Signal Masters	\$ 810,000	(1)
6	Communications Masters	210,000	(1)
6	Dist. Electrician	150,000	(1)
1	Signal Const. Crew	125,000	(3)
	Total	<u>\$1,295,000</u>	

#### B & B

4	Fixed Headquarters	\$ 680,000	(1)
---	--------------------	------------	-----

#### Track

4	Track Inspectors	\$ 80,000	(1)
5	Yard Section Crews	760,000	(1)
10	Line Section Crews	790,000	(1)
2	Welder Crews	50,000	(2)
1	Tie Gang	660,000	(2)
1	Ballast Gang	817,000	(2)
3	Sufacing Crew	1,194,000	(2)
1	Rail Adjusting Crew	227,000	(1)
4	Utility Tamperers	360,000	(3)
2	Anchor Tights	110,000	(3)
1	Burro Crane	240,000	(3)
1	Hyrail Crane	175,000	(2)
1	Speed Swing Crane	121,000	(2)
4	Power Cars	49,000	(1)
1	Jordan Plow	250,000	(2)
	Total	<u>\$5,883,000</u>	

GRAND TOTAL \$7,858,000

August 23, 1982

SOO LINE RAILROAD

August 20, 1982

AUG 20 1982

EXEC. VICE PRESIDENT

Memorandum to File

From: D. J. Boyer *DJB*

Re: Rock Island Study

Received a telephone call from Doug Walkup, Manager Finance Authority - Iowa DOT. Purpose of the call was to report on the meeting held August 18, West Bend, Iowa between Omaha Bank for Cooperatives (K. Hide), Iowa DOT (D. Walkup) and Executive Council of IFGSA.

D. Walkup stated the meeting went very well from all participants standpoint. The meeting ended with a request to meet with the Soo Line at the Omaha Bank for Cooperatives next week. He specifically named Ivan Summa as one who wished to attend. D. Walkup stated the IFGSA request Soo to present a package to the IFGSA prior to September 20, to avoid their busy season.

D. Walkup advised rehabilitation funds available now at \$2 million. Anticipated rehabilitation funds to be available on branch line 1983 estimated at \$3 million. He reported shippers on branch line indicated willingness to participate in rehabilitation program.

D. Walkup will call Friday a.m. to establish day next week for meeting in Omaha.

cc: T. M. Beckley  
✓ D. M. Cavanaugh  
B. D. Olsen  
J. D. Darling  
H. J. Ness

Soo Line Railroad Company



Soo Line Building  
Box 840  
Minneapolis, Minnesota 55440  
(612) 332-1261

August 20, 1982

Mr. Harvey E. Sims  
Rail Operations Manager  
Railroad Division  
Iowa Department of  
Transportation  
800 Lincoln Way  
Ames, Iowa 50010

Dear Harvey:

The other day you mentioned a need for information on over-head traffic. I have enclosed some data that I had readily available from my files that I thought might be useful.

Sincerely,

JOE D. DARLING  
Director, Special Projects

JDD/jmz

Encl. (4)

*8-24-82*  
*Joe I sent very much*  
*Done*



100  
Albion Road  
COTTON FIBER

RECEIVED

AUG 28 1982

RAILROAD DIVISION  
INDIANA DOT

8/20/82 Harvey Summa

Don Fayer ~~STAFF~~

CNW called Summa and McKinnon  
Don Fayer - CNW Asst. V.P. Govt  
20 year lease purchase Affairs and RA -  
also VP Finance  
CNW Jerry Conlin V.P. Public  
\$60,000,000 Affairs

Excluded

106.8 miles

92 miles IRRC

40 miles Gateway

Dover Falls-Dows

Dows - Belmond

Clarion - Solofield

USDA - Monday \$8,000,000.00 - but

shortage of storage in Iowa today.

Farmers filling grain.

Cars, Barges, Boats

State ASCS office in St. Paul. MN

8/20/82

East Des Moines

Have 54-3-6 Des Moines

West Des Moines

Short Line Jct

47-5-6 Avon

47-5-7 ?

47-5-8 ?

47-5-9 Swamwood

Minor Van Kicken



Soo Line Railroad Company



Soo Line Building  
Box 530  
Minneapolis, Minnesota 55440  
(612) 332-1261

August 20, 1982

Mr. Harvey E. Sims  
Rail Operations Manager  
Railroad Division  
Iowa Department of  
Transportation  
800 Lincoln Way  
Ames, Iowa 50010

Dear Harvey:

The other day you mentioned a need for information on overhead traffic. I have enclosed some data that I had readily available from my files that I thought might be useful.

Sincerely,

JOE D. DARLING  
Director, Special Projects

JDD/jmz

Encl. (4)

August 19, 1982

TO: W. B. Peterson

FROM: J. D. Darling *JDD/10/82*

RE: Rock Island Study

Attached is a list of right-of-way and station maps that I have received to date. I have requested several additional station maps in the Des Moines area.

I also received a book outlining the "carve outs" or property not to be purchased by the CNW.

JDD/jmz

Att. (1)

cc: D. M. Cavanaugh  
D. J. Boyer

# G U I D E T O R O C K I S L A N D M A P S

## MINNESOTA

<u>Right-of-Way</u>	<u>Description</u>	<u>Mileposts</u>
37-1-1	Northwood - Albert Lea	237-258
37-1-2	Clarks Grove - Saco	258-281
37-1-3	Owatonna - Comas	281-306
37-3-7	Rosemont - St. Paul	334-352

<u>Station</u>	<u>Location</u>
36-1-1	Gordon
36-1-2	Glenville
36-1-5	Albert Lea
36-1-5	Albert Lea (CNW)
36-1-5	Albert Lea (RI)
36-1-5-2	Albert Lea
36-1-6	Clarks Grove
36-1-7	Ellendale
36-1-8	Hope
36-1-9	Saco
36-1-10	Owatonna
36-1-11	Medford
36-1-14	Faribault
36-1-15	Comas
36-1-16	Dundas
36-2-1	Northfield
36-2-2	Castle Rock
36-2-3	Farmington
36-2-4	Rosemont
36-2-6-1	Inver Grove (2)
36-2-6-2	Inver Grove

## IOWA

<u>Right-of-Way</u>	<u>Description</u>	<u>Mileposts</u>
55-3-9	Harvard - Lineville	357-376
49-4-6	Allerton	0-20
49-4-7	Chariton - Nepas	21-44
49-4-8	Kimball - Carlisle	45-64
49-4-9	Spring Hill - Des Moines	11-74
49-5-1	Des Moines - Lee Siding	73-94
49-5-2	Cambridge - Nevada	95-111
49-5-3	Fernald - Radcliff	
49-5-4	Sherman - Iowa Falls	132-150
49-5-5	Argon - Hampton	151-169
49-5-6	Chapin - Clear Lake Jct.	170-191
49-2-2	Mason City	

<u>Station</u>	<u>Location</u>
53-5-8	Lineville
53-5-7	Clio
53-5-6	Allerton



IOWA

<u>Station</u>	<u>Location</u>
47-4-12	Corydon
47-4-13	Millerton
47-4-14	Chariton
47-4-15	Williamson
47-4-17	Melcher
47-5-1	Nepas
47-5-3	Beech
47-5-4	Hartford
47-5-5	Carlisle
47-5-6	Avon
54-3-6	Des Moines
47-5-9	Swanwood
47-5-12	Enterprise
47-5-13	Elkhart
47-5-14	Cambridge
47-5-15	ShIPLEY
47-5-16	Nevada
47-5-17	Fernald
47-6-1	McCallsburg
47-6-2	Garden City
47-6-4	Sherman
47-6-5	Buckeye
48-4-10	Iowa Falls
48-4-10-1	Iowa Falls
48-4-10-2	Iowa Falls
47-6-8	Bradford
47-6-10	Hampton
47-6-11	Chapin
47-6-12	Sheffield
47-6-13	Hurley
47-6-16	Mason City
48-3-11	Manly
48-3-12	Kensett
48-3-13	Northwood

MISSOURI

<u>Right-of-Way</u>	<u>Description</u>	<u>Mileposts</u>
55-3-9	Harvard - Lineville	357-376
43-1-1	Lineville - Mill Grove	378-400
43-1-1	Mill Grove - Tindall	397-411
43-1-2	Tindall - Coburn	411-431
43-1-3	Lock Springs - Shoals	431-453
43-1-9	Lee - Lawson	
43-1-5	Lawson - Birmingham	475-497
43-4-5	Birmingham - Armourdale	

# MISSOURI

<u>Station</u>	<u>Location</u>
41-3-1	Mercer
41-3-3	Princeton
41-3-4	Mill Grove
41-3-5	Spickards
41-3-6	Tindall
41-3-7	Trenton
41-3-8	Hickory Creek
41-3-9	Coburn
41-1-4	Shearwood
41-1-5	Lock Springs
41-1-7	Sheal
41-1-10	Polo
41-1-11	Elmira
41-1-12	Lawson
41-1-13	Mosely
41-1-14	Stockdale
41-1-15	Liberty
41-1-15	Liberty (MILW)
41-1-18	Birmingham
42-5-14	Air Line Jct. - Centerpolis Armourdale

## IOWA FALLS GATEWAY

<u>Right-of-Way</u>	<u>Description</u>	<u>Mileposts</u>
49-3-4	Iowa Falls - Dows	91-112
49-3-5	Dows - Godfield	113-135
49-3-6	Goldfield - Bode	136-159
49-3-7	Ottosen - Redman	136-158
49-3-8	Emmettsburg - Estherville	182-206
49-3-9	Estherville - Spirit Lake	206-226
49-4-1	Montgomery - Ocheydan	226-245
49-4-2	Ocheydan - Little Rock	246-266
49-5-7	Dows - Goodell	114-136
49-5-8	Klemme - Forest City	137-161
49-5-9	Niels - Lokota	161-184
37-1-8	Albert Lea - Walters	21-44
37-1-9	Bricelyn - Lakota	
49-6-1	Lakota - Swea City	71-87
49-6-2	Swea City - Estherville	87-108
49-6-9	Hayfield Jct. - Titonka	149-172

<u>Station</u>	<u>Location</u>
48-4-11	Burdette
48-4-12	Popejoy
48-4-13	Dows
48-4-15	Galt
48-4-16	Holmes
48-4-17	Goldfield

IOWA FALLS GATEWAY

<u>Station</u>	<u>Location</u>
48-5-2	Livermore
48-5-4	Bade
48-5-5	Ottosen
48-5-6	West Bend
48-5-7	Rodman
48-5-8	Emmetsberg
48-5-9	Osgood
48-5-10	Graettinger
48-5-11	Wallingford
48-5-12	Estherville (2)
48-5-13	Superior
48-5-14	Divide Siding
48-5-15	Orleans
48-5-16	Spirit Lake
48-6-1	Montgomery
48-6-2	Lake Park
48-6-3	Harris
48-6-4	Ocheyedan
48-6-5	Allerdorf
48-6-6	Sibley
47-2-1	Melvin
47-2-2	Cloverdale
47-2-3	Rowan
47-2-5	Blemond
47-2-7	Goodell
47-2-8	Klemme
47-2-9	Garner
47-2-11	Miller
47-2-12	Forest City
47-2-13	Niels
47-2-14	Thompason
47-2-15	Buffalo Center
47-2-17	Gruver
48-6-13	Hayfield
48-6-15	Titonka
47-3-1	Maple Hill
47-3-2	Armstrong
47-3-3	Swea City
47-3-5	Lakota
47-3-6	Rake
36-2-12	Bricelyn
36-2-13	Walters
36-2-14	Conger

ROYAL - MANSON

<u>Right-of-Way</u>	<u>Description</u>	<u>Mileposts</u>
49-6-5	Manson - Pochantas	441-465
49-6-6	Ware - Webb	465-489
49-6-7	Greenville - Royal	489-513
49-6-8	Hartley - Sibley	513-534



ROYAL - MANSON

Station

Location

47-1-4	Manson
47-1-5	Blandin
47-1-6	Pochantas
47-1-7	Ware
47-1-9	Laurens
47-1-10	Leverett
47-1-13	Rossie
47-1-14	Royal
47-1-15	Monitor
47-1-16	Hartley
47-1-17	Plessis

August 19, 1982

TO: T. M. Beckley  
FROM: J. D. Darling  
RE: Rock Island Study

SOO LINE RAILROAD  
AUG 20 1982  
EXEC. VICE PRESIDENT

Reference my letter of August 17, 1982.

I have received additional station maps which indicate substantial real estate in an area referred to as Swanwood, immediately northeast of Des Moines. The general area is bisected by Interstate 80. North of the freeway some of the land is occupied by a Ford automobile unloading facility (Leroy L. Wade and Son, Inc.) and a small corn processing plant. This was originally of General Mills pilot plant, but the major expansion took place at Avon, as this sight is over a former coal mine. The existing plant is thought to be operated by local interests and does ship or receive some rail. It may not be on railroad property.

South of the freeway are three businesses. The Bulk Service Corporation, which appears to receive some rail shipments, would appear to be located on railroad land. Goodyear Metro Tire appears to serve the local trucking industry. It may be on railroad land, but does not appear to receive rail shipments. Several buildings which appear to have been the Golden Feed and Seed are largely vacant and for sale. The rail access did not appear to be in use. Pioneer Energy Systems, cellulose insulation, may be using a portion of the building as a warehouse.

Much of the land is vacant, although property to the south and west is generally built up with light industry and warehousing in industrial park settings.

JDD/jmz

cc: D. M. Cavanaugh  
D. J. Boyer

8

August 19, 1982

TO: J. T. Hartnett  
P. M. McNamee  
W. D. Martino

FROM: J. D. Darling *JDD/jmz*

RE: Rock Island Study

Attached is a list of Elevator Facilities on Iowa Falls Gateway, furnished by Harvey Simms of the Iowa DOT.

JDD/jmz

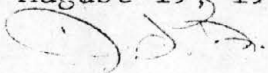
Att. (1)



Re: Rock Island - Study

The following pages represent an attempt to draft a plan whereby Soo Line would acquire from Rock Island Trustee main line trackage from Northfield, Minnesota to Kansas City, Missouri; and the branch line trackage known as the Iowa Falls Gateway. The main line and branch line properties would be individually incorporated and operated to plan. I believe it important to set forth a plan which represents the general framework of Soo management thinking as a starting point upon which management can enlarge and improve resulting in a final plan. Attention and considerations were given what is known (some unsubstantiated details) of offers and purchases of trackage to date. An attempt was made to incorporate the position that rail users should in some manner be involved with the success factor.

D. J. Boyer  
August 19, 1982



### Rock Island - Study

8-17-82 p.m. Joe Darling received telephone call from Doug Walkup of Iowa DOT. Doug Walkup advised that his information regarding latest CNW bid to Rock Island - Trustee was \$60 million for 746 miles. Doug Walkup was privy to CNW details; but offered none.  $\$60 \text{ million} \div 746 \text{ miles} = \$80,429$  per mile. Terms unknown but suspected to be fairly long term financing (purchase agreement) with Trustee. Perhaps to limited down payment. CNW has identified "RE carve outs" to Rock Island Trustee in an effort to reduce the price of RE or establish a better bargaining position with Trustee.

8-19-82 a.m. Dave Boyer received telephone call from Doug Walkup correcting CNW mileage bid to 706.8.  $\$60 \text{ million} \div 707 \text{ miles} = \$84,865 \pm$  per mile.

Rock Island - Study

On the basis of information regarding CNW latest offer to Rock Island Trustee for trackage; that offer price applied to trackage interest of Soo would support the following values.

IFG BL 260 miles @ \$80.50 per mile = \$20,930 M

ML 400 " " " " = 32,200 M

Total 660 " " " " = 53,130 M

Total 660 " @ \$84.90 per mile = 56,035 M



Rock Island - Study

Offer to Rock Island Trustee by Soo

400 Miles ML Northfield, MN to Kansas City

260 Miles Branch Lines - Iowa

660 Miles @ \$81.80 per mile \$54,000 M

Down Payment:

Soo Cash	\$10,000 M	
CBC Loans (2)	16,000 M	26,000 M

Balance: 28,000

Purchase Agreement	28,000 M
Annual Payment	7,000 M
Interest Rate	11.25%
Prepay Option	

Interest:

Purchase Agreement 1st	3,150 M	
2nd	2,362 M	
3rd	1,575 M	
4th	787 M	7,875 M

Less: RE Carve Outs listed

Comment:

Final settlement can be based on Soo experience/  
success factor in the operation of the line  
acquisition.

Rock Island - Study

ML - Kansas City to Northfield, MN

Purchase Price: \$38,000 M    Approximately 400 miles @ \$95 M per mile.  
Down Payment:     10,000 M    Soo cash or portion Title V funds.  
Balance Due:       28,000 M    Finance with Trustee under a PA.

Purchase Agreement.  
Annual principle payments to be not  
less than \$7,000 M.  
Prepayment Option.  
11 $\frac{1}{4}$ % interest.

## Rock Island - Study

### IFG Branch Lines

Purchase Price: \$16,000 M Approximately 260 miles at \$61.5 M per mile.

Down Payment: 16,000 M 100% Loan-Omaha Bank for Cooperatives

### Funds Source:

Loan A 10,000 M Soo Line - direct  
12.75% - 13.75% interest payable S/A.  
7 years term with prepayment option.  
Minimum annual principle \$1,000 M payment.  
Minimum principle reduction within the first 3 years of \$5,000 M.  
Secured by SV of 260 miles track & structures.

Loan B 6,000 M Shipper Consortium - direct  
12.75% - 13.75% interest payable S/A.  
6 year term with prepayment option.  
Minimum annual principle payment \$1,000 M.  
Secured by RE.

### Comment:

Soo could become unsecured limited guarantor in an amount determined by Soo to be equivalent to a Minimum ROW at a reasonable RE value.

$$16,000 \text{ M} \times 80\% = 12,800 \text{ M}$$

Comment: Make loan A <sup>12,800 M</sup> to include the ROW land.

SC-Soo Agreement will specify So owns all of

Accts 1 Eng  
2 Lnd  
2 1/2 oth ROW  
3 Grading  
6 BT&C  
8 Ties  
9 Rail  
10 OTH  
11 Ballast  
12 Trk Lay Sup  
13 Fence, SS & Signs  
16 Bgs - 57 # off  
17 Rdwy Bgs


shops & eqpt  
20 shops Comm Sys  
26 Sigs interlocking  
27 misc structures  
39 Pi  
43 oth eqpt



Re: Rock Island - Study

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D. J. Boyer  
August 19, 1982



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Rock Island - Study

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660 Miles @ \$81.80 per mile \$54,000 M

Down Payment:

Soo Cash	\$10,000 M	
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Balance: 28,000

Purchase Agreement	28,000 M
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Interest Rate	11.25%
Prepay Option	

Interest:

Purchase Agreement 1st	3,150 M	
2nd	2,362 M	
3rd	1,575 M	
4th	787 M	7,875 M

Less: RE Carve Outs listed

Comment:

Final settlement can be based on Soo experience/  
success factor in the operation of the line  
acquisition.

Rock Island - Study

ML - Kansas City to Northfield, MN

Purchase Price: \$38,000 M Approximately 400 miles @ \$95 M per mile.

Down Payment: 10,000 M Soo cash or portion Title V funds.

Balance Due: 28,000 M Finance with Trustee under a PA.

Purchase Agreement.

Annual principle payments to be not less than \$7,000 M.

Prepayment Option.

11 $\frac{1}{4}$ % interest.

Rock Island - Study

IFG Branch Lines

Purchase Price: \$16,000 M    Approximately 260 miles at \$61.5 M per mile.

Down Payment:        16,000 M    100% Loan-Omaha Bank for Cooperatives

Funds Source:

Loan A                10,000 M    Soo Line - direct  
12.75% - 13.75% interest payable S/A.  
7 years term with prepayment option.  
Minimum annual principle \$1,000 M payment.  
Minimum principle reduction within the  
first 3 years of \$5,000 M.  
Secured by SV of 260 miles track &  
structures.

Loan B                6,000 M    Shipper Consortium - direct  
12.75% - 13.75% interest payable S/A.  
6 year term with prepayment option.  
Minimum annual principle payment \$1,000 M.  
Secured by RE.

Comment:

Soo could become unsecured limited guarantor in an amount determined by Soo to be equivalent to a Minimum ROW at a reasonable RE value.



Rock Island - Study

IFG Branch Line

Soo - Shipper Consortium Agreement

- (1) Soo to take possession and control of track, facility and real estate.
- (2) Soo to operate IFG Line for profit - complete authority.
- (3) Members of SC have 1st option to purchase real estate not dedicated to transportation purpose.
- (4) Members of SC may negotiate terms consistent with loan terms in the exercise of their option to purchase real estate.
- (5) Soo have 1st option to purchase real estate dedicated to transportation purpose.
- (6) All options to purchase real estate - proceeds including interest must be applied to loan.
- (7) Soo and SC may mutually agree during term of agreement to sell real estate to 3rd party with full proceeds applied to loan.
- (8) Soo and SC arrive at agreed residual value of real estate at termination of agreement for real estate not optioned under (3) and (5) with option running 1st to Soo.
- (9) Soo to equally reduce debt of SC direct loan and Soo direct loan at an agreed rate per CL for excess over an annual agreed volume of revenue freight.
- (10) SC to equally reduce debt of SC direct loan and Soo direct loan at an agreed rate per CL for deficiency of an annual agreed volume of freight revenue.
- (11) Soo will manage car pool of privately owned freight cars of SC members, in an effort to achieve greater utilization and flow. This will include use of SC membership cars or other pool cars at other Soo on line locations during slack demand periods on IFG line. The pool may include cars of Agri Industries.

Soo will explore potential advantage/disadvantage of converting privately owned shipper cars to railroad marked cars subject to per diem. Advantage to railroad and shippers may dictate a combination pool of railroad marked cars and privately owned cars.

Rock Island - Study

Soo Debt - Liability Service

ML Purchase Price: \$38,000 M

Down Payment: 10,000 M \$10,000 M

Purchase Agreement: 28,000 M

Rate 12.75%

p 7,000 M  
i 3,150 M  
p 7,000 M  
i 2,362 M  
p 7,000 M  
i 1,575 M  
p 7,000 M  
i 787 M

IFG Purchase Price: \$16,000 M

Loan A 10,000 M

Rate 12.75%

p 2,000 M  
i 1,275 M  
p 2,000 M  
i 1,020 M  
p 2,000 M  
i 965 M  
p 2,000 M  
i 510 M  
p 2,000 M  
i 255 M

Loan B (ROW) 2,500 M

p 2,500 M  
i 320 M

1982 10,000 M

1982 p \$ 9,000 M i \$ 4,425 M + \$13,425 M

1984 p 11,500 M i 3,702 M + 15,202 M

1985 p 9,000 M i 2,340 M 11,340 M

1986 p 9,000 M i 1,297 M 10,297 M

1987 p 2,000 M i 255 M 2,255 M

TOTAL p 40,500 M i 12,019 M 52,519 M



Re: RI - Study

The following pages represent an attempt to draft a plan whereby Soo Line would acquire from RI Trustee Main line trackage from Northfield, Minnesota to Kansas City, Missouri; and the branch line trackage known as the Iowa Falls Gateway. The main line and branch line properties would be individually incorporated and operated to plan.

I believe it important to set forth a plan which represents the general framework of Soo management thinking as a starting point upon which management can enlarge and improve resulting in a final plan.

Attention and consideration were given what is known ~~and seen~~ (some unsubstantiated details) of ~~other~~ offers and purchases of trackage to date. An attempt was made to incorporate the position that rail issues should in some manner be involved with the success factor.

BB 8-19-82

or for



## RI - Study

8-17-82 PM JD received telephone call from Doug Weisup of Iowa DOT. DW advised that his information re latest CNW bid to RI-Trustee was \$60 million for 746 miles. DW was privacy to CNW details, but offered none.

$$\$60 \text{ Million} \div 746 \text{ Miles} = \$80,429 \text{ per mile.}$$

Terms unknown but suspected to be fairly long term financing (purchase agreement) with Trustee. Perhaps a limited down payment. CNW has identified "RE Carve outs" to RI Trustee in an effort to reduce the price of RE or establish a better bargaining position with Trustee.

8-19-82 AM DDB received telephone call from D.W. Correcting CNW mileage bid to 706.8.

$$\$60 \text{ Million} \div 707 \text{ miles} = \$84,865^{\frac{1}{2}} \text{ per mile.}$$

## RI - Study

On the basis of information re CNW latest offer to RI Trustee for trackage; that offer price applied to trackage interest of Soo would support the following values.

IFG BL	260 miles	@ \$80 <sup>1</sup> / <sub>2</sub> per mile	= \$20,930 <sup>11</sup>
ML	400 ✓	✓	= 32,200 <sup>11</sup>
Total	660 ✓	✓	= 53,130 <sup>11</sup>

Total	660 ✓	@ \$84 <sup>9</sup> per mile	= 56,035 <sup>11</sup>
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# RI Study

Offer to RI Trustee by Soo

400 Miles ML. Northfield, Mn to Kansas City

260 Miles Branch lines - Iowa

660 Miles @ \$81<sup>2</sup> per mile \$ 54,000<sup>th</sup>

## Down Payment:

Soo Cash \$ 10,000<sup>th</sup>

CBC hours (2) 16,000<sup>th</sup>

26,000<sup>th</sup>

## Balance:

28,000<sup>th</sup>

Purchase Agreement 28,000<sup>th</sup>

Annual Pmt 7,000<sup>th</sup>

Interest Rate 11.25%

Prepay option

## Interest:

Purchase Agreement 1<sup>st</sup> 3,150<sup>th</sup>

2<sup>nd</sup> 2,362<sup>th</sup>

3<sup>rd</sup> 1,575<sup>th</sup>

4<sup>th</sup> 787<sup>th</sup>

7,875<sup>th</sup>

Less: RE Carve outs listed

## Comment:

Final settlement can be based  
on Soo experience/success  
factor in the operation of  
the line acquisition.



## RI Study

ML - Kansas City to Northfield, Min

Purchase Price: \$38,000~~00~~      Approximately 400 miles @ \$95~~00~~ per mile.  
Down Payment: 10,000~~00~~      500 cash or portion Title V Funds.  
Balance Due: 28,000~~00~~      Finance with Trustee under a PA.

### Purchase Agreement.

Annual principle payments to be not less than \$7,000~~00~~.

Prepayment option.

11 1/4% interest.

## RI Study

### IFC Branch Lines

Purchase Price: \$16,000 ~~th~~ - Approximately 260 miles at \$61.5~~th~~ per mile.

Down Payment: 16,000 ~~th~~ 100% loan - Omaha Bank For Cooperatives

#### Funds Source:

Loan A 10,000 ~~th~~ Soo line - direct  
12.75% - 13.75% interest payable S/A..  
7 years term with prepayment option  
Minimum annual principle \$1,000 ~~th~~ payment  
Minimum principle reduction within  
the first 3 years of \$5,000 ~~th~~.  
Secured by SV of 260 miles track  
& structures.

Loan B 6,000 ~~th~~ Shipper Consortium - direct  
12.75% - 13.75% interest payable S/A..  
6 year term with prepayment option.  
Minimum annual principle payment \$1,000 ~~th~~.  
Secured by RZ..

#### Comment:

Soo could become unsecured limited  
guarantor in an amount determined  
by Soo to be equivalent to a  
Minimum ROW at a reasonable  
RZ value.

i.e.

$$(6 \text{ ac/mile} \times 260 = 1,560 \text{ ac} @ \$1.5/\text{ac} = \$2,340 \text{ th})$$



RI - Study

IFC Branch line

Soo - Shipper Consortium Agreement

- (1) Soo to take possession & control of track, facility & RE.
- (2) Soo to operate IFC line for profit - complete authority.
- (3) Members of SC have 1<sup>st</sup> option to purchase RE not dedicated to transportation purpose.
- (4) Members of SC may negotiate terms consistent with loan terms in the exercise of their option to purchase RE.
- (5) Soo have 1<sup>st</sup> option to purchase RE dedicated to transportation purpose.
- (6) All options to purchase RE - proceeds including interest must be applied to loan.
- (7) Soo and SC may mutually agree during term of agreement to sell RE to 3<sup>rd</sup> party with full proceeds applied to loan.
- (8) Soo and SC arrive at agreed residual value of RE at termination of agreement for RE not optioned under (3) and (5) with option running 1<sup>st</sup> to Soo.
- (9) Soo to equally reduce debt of SC direct loan and Soo direct loan at an agreed rate per CH for excess over an annual agreed volume of revenue freight.
- (10) SC to equally reduce debt of SC direct loan and Soo direct loan at an agreed rate per CH for deficiency of an annual agreed volume of freight revenue.



## Agreement - 2

- (11) Soo will manage car pool of privately owned freight cars of SC Members, in an effort to achieve greater utilization and flow. This will include use of SC membership cars or other pool cars at other Soo on line locations during slack demand periods on IFG Line. The pool may include cars of Agri Industries.

Soo will explore potential advantage/disadvantage of converting privately owned shipper cars to RR marked cars subject to per diem. Advantage to Railroad and Shipper may dictate a combination pool of RR marked cars and privately owned cars.

# RI-Study

## SoC Debt - Liability Service

Mh Purchase Price: \$ 38,000 TH.

Down Payment: 10,000 TH.

Purchase Agreement: 28,000 TH

Rate 12.75%

\$ 10,000 TH

no 1980  
Cash - Title & Funds '82

p 7,000 TH  
i 3,150 TH  
p 7,000 TH  
i 2,362 TH  
p 7,000 TH  
i 1,575 TH  
p 7,000 TH  
i 787 TH

✓ - 1<sup>st</sup> Payment '83  
✓ Interest '83  
✓ 2<sup>nd</sup> Payment '84  
✓ Interest '84  
✓ 3<sup>rd</sup> Payment '85  
✓ Interest '85  
✓ 4<sup>th</sup> Payment '86  
✓ Interest '86

IFG Purchase Price: \$ 16,000 TH

Loan A 10,000 TH

Rate 12.75%

p 2,000 TH  
i 1,275 TH  
p 2,000 TH  
i 1,020 TH  
p 2,000 TH  
i 765 TH  
p 2,000 TH  
i 510 TH  
p 2,000 TH  
i 255 TH

✓ 1<sup>st</sup> Payment '83  
✓ Interest '83  
✓ 2<sup>nd</sup> Payment '84  
✓ Interest '84  
✓ 3<sup>rd</sup> Payment '85  
✓ Interest '85  
✓ 4<sup>th</sup> Payment '86  
✓ Interest '86  
✓ 5<sup>th</sup> Payment '87  
✓ Interest '87

Loan B (ROW) 2,500 TH

p 2,500 TH  
i 320 TH

✓ 1 payment '84  
✓ Interest '84

1980	p	\$ 9,000 TH	i	\$ 4,425 TH	+	13,425 TH
1984	p	11,500 TH	i	3,702 TH	+	15,202 TH
1985	p	9,000 TH	i	2,340 TH		11,340 TH
1986	p	9,000 TH	i	1,297 TH		10,297 TH
1987	p	2,000 TH	i	255 TH		2,255 TH
Total	p	40,500 TH	i	12,019 TH		52,519 TH

August 18, 1982

TO: W. B. Peterson

FROM: J. D. Darling ~~XXX~~

RE: Rock Island Study

In addition to the overall estimates of rehabilitation, an estimate should be prepared for constructing an additional track at Avon, Iowa, adjacent to Track No. 3. In addition, this estimate should include a crossover between Track No. 1 and the main line between the south end of Track No. 3 and the country road crossing. Also, the switches connecting the north ends of Track Nos. 1 and 2 with the main line have been removed and will need to be replaced.

JDD/jmz

cc: T. M. Beckley  
D. M. Cavanaugh ✓  
C. C. Leary



8

August 18, 1982

TO: W. B. Peterson

FROM: J. D. Darling

RE: Rock Island Study

The following would be the goals I have in mind for any attempt at rectifying the right-of-way and station maps with the real estate appraisal and the CNW carve outs:

1. Verify the acreage of the real estate segments described in the appraisal
2. Relate the real estate segments to route segments on the right-of-way and station maps
3. Catalog deviations from a 100' wide right-of-way
4. Identify parcels of property which may not be required for operations
5. Identify and tabulate CNW carve outs

Let me know if we should talk about this further, or if I can be of assistance.

JDD/jmz

August 18, 1982

TO: T. M. Beckley  
D. M. Cavanaugh✓  
D. J. Boyer

FROM: J. D. Darling

RE: Rock Island Study

Reference my letter of August 12, 1982.

I had a call today from Doug Walkup of the Iowa DOT. He stated that the latest CNW offer was \$60 million for 746 route miles. Doug apparently knows something of the terms, but did not feel he could elaborate on them and I did not press. This offer averages \$80,429 per mile.

This mileage is approximately the Rock Island trackage currently operated by the CNW.

The previous offer is thought to have been \$65 million for 842.6 route miles, or \$77,142 per mile.

JDD/jmz

Doug Walberg 8/18/82

\$60,000,000

746 miles



August 17, 1982

SOO LINE RAILROAD

AUG 17 1982

EXEC. VICE PRESIDENT

TO: T. M. Beckley  
FROM: J. D. Darling  
RE: Rock Island Study

I have received almost all of the Rock Island right-of-way and station maps requested. A cursory review indicates much of the apparent excess real estate is in wider than usual right-of-way in Missouri. There does not appear to be any significant real estate in north Des Moines. Much of it is as it appears on the ground, less than normal width between the former CGW and FDDM lines.

I also received a book detailing parcels of land or "carve outs" that had been identified by a joint CNW-RI effort as not necessary as operating properties. These properties were to be disposed of by the Trustee separately. They are, however, included in the real estate appraisal. One sticky area is that these parcels include numerous properties occupied by elevators.

The Engineering Department will assist me in a more detailed analysis. Estimates of net liquidation value may not change significantly, as I had made an arbitrary reduction in the amount of real estate on my own.

JDD/jmz

cc: D. M. Cavanaugh  
D. J. Boyer



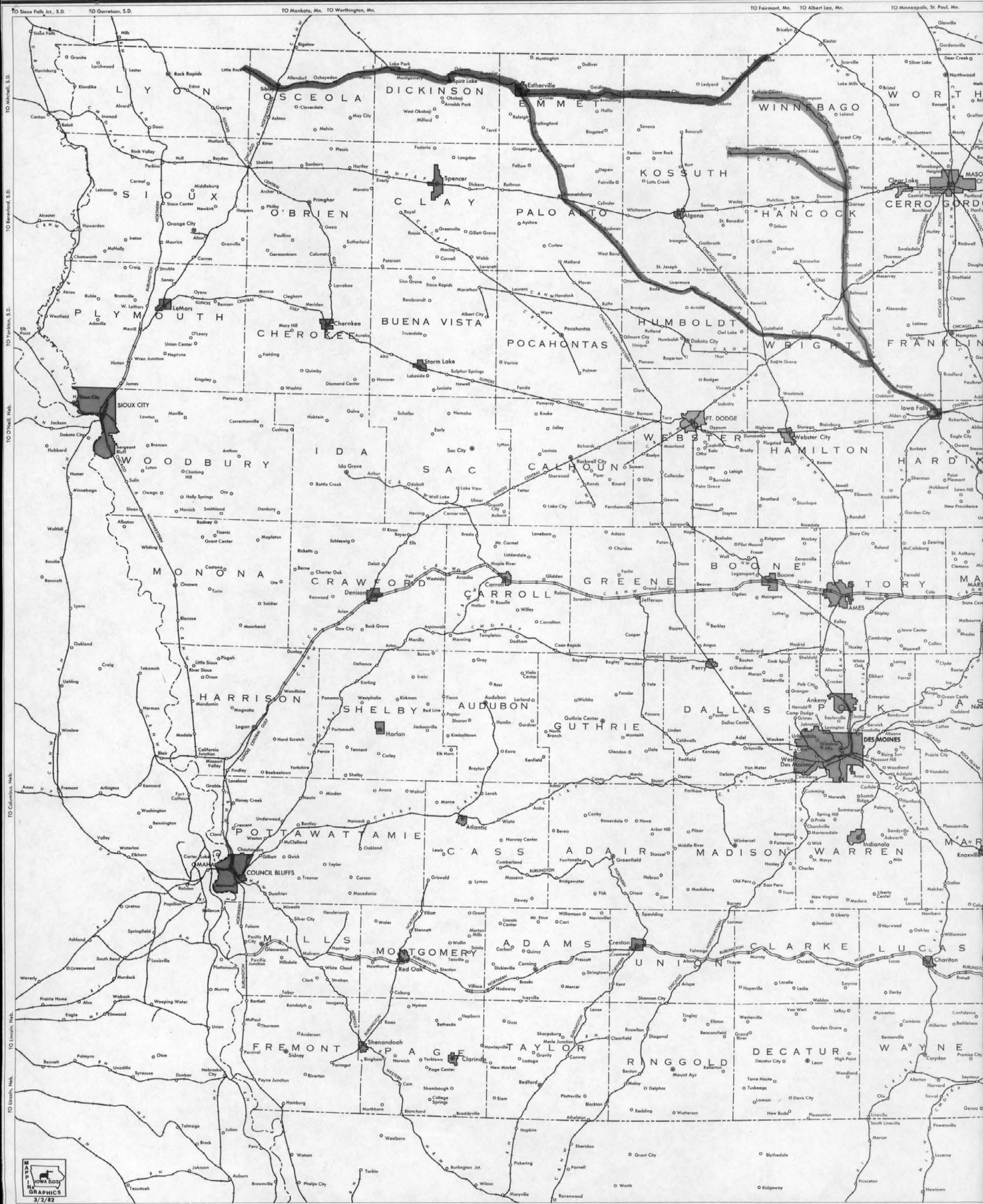
8/17

"Lane Falls Latory"

You may wish to  
utilize the attached info  
on the Latory.

Lane

# IOWA FALLS GATEWAY





Elevator Facilities on Iowa Falls Gateway

Line Segment

1. City Zip Code

XX A. Facility (capacity) Manager, Address, Phone

└─ Car Capacity of Multiple Loading Facility

Little Rock to Rake

1. Little Rock 51243

A. Kruse Brothers Elevator Co. Alfred Kruse, 712/479-2253

B. Langel's Inc. (390,000 bu) Roman Langel, 712/479-2253

C. Little Rock Farmers Exch. (215,000 bu) L. G. Plum, P.O. Box 126, 712/479-2242

2. Sibley 51249

Farmers Coop. Elevator Co. (952,000 bu) Art Doeden, 1107 2nd, 712/754-2526

3. Allendorf 51330

N.W. Iowa Coop. (1,189,000 bu) Dan Noteboom, 712/754-2034

4. Occheydan 51354

50 Coop Elevator Association (1,612,000 bu) Vern Wittrock, 712/758-3621

5. Harris 51345

Harris Grain, Inc. (590,000 bu) Dean Pearson, 712/349-2123

6. Lake Park 51347

75 Farmer Exchange Coop (1,890,000 bu) Harold Nelson, 11 Market St, 712/832-3621

7. Montgomery 51353

Farmers Exchange Coop (203,000 bu) Shane Bush, Main St. Box 206, 712/336-3509

8. Spirit Lake 51360

Farmers Coop Assn. (245,000 bu) Roger Schwieger, Box 272, 712/336-2281

9. Superior 51363

75 Superior Coop. Elevator, Co (2,829,000 bu) Ivan Summa, 712/858-4491

10. Gruver 51344
- 50 Graves Grain Co., Inc (730,000 bu) Paul Graves, 712/362-2625
11. Armstrong 50514
- A. Cargill Inc. (321,000 bu) Duane Ausdemore, 712/864-3620
- 25 B. Farmer Coop. Elevator Co (675,000 bu) Don Mullen, P.O. Box 286, 712/864-3150
12. Swea City 50590
- 50 A. Cargill Inc. (806,000 bu) Ernst Pedersen, Box 309, 515/272-4406
- 25 B. Farmers Coop Elevator co. (300,000 bu) Richard Veit, Box 160, 515/272-4201
13. Lakota 50451
- 75 Farmers Coop Elevator see Buffalo Center (Dows North segment, #7)
14. Rake 50465
- 50 Farmers Coop Elevator (1,760,000 bu) Ralph Matheson, Box 158, 515/566-3351

Dows North

1. Rowan 50470
- A. Cargill Inc (330,000 bu) Greg Michaelson 515/853-2261
- B. Rowan Lumber & Grain (613,000 bu) Bill Myers, Box 168, 515/853-2214
2. Belmond 50421
- A. Central Soya Co Inc (1,650,000 bu) Robert McElfresh, Box 9, 515/444-3236
- B. Farmers Grain Co (942,000 bu) Lyle Pals, Box 227, 515/444-3504
- C. North Central Grain Co. (350,000 bu) Mark Whitty, RR #2, 515/444-4180
3. Goodell 50439
- Farmers Coop Service Center (218,500 bu) Graydon Back, P.O.Box 217, 515/495-6217
4. Klemme 50449
- 75 Klemme Coop Grain Co. (2,097,000 bu) Mark Friedow, P.O. Box 250, 515/587-2161
5. Forest City 50436
- 25 Farmers Coop Association (1,100,000 bu) Sam Hovey, 406 E. "K" St., 515/582-2814
6. Thompson 50478
- Farmers Coop Elevator Co (1,125,000 bu) Darwin Sittig Box 45, 515/584-2241
7. Buffalo Center 50424
- Farmers Coop Elevator Co (1,800,000 bu) Vern Federlick, 515/562-2828
8. Hayfield 50445
- Formanek Elevator (210,000 bu) Richard Formanek, Box 4, 515/923-2915

9. Crystal Lake 50432  
Farmers Coop Elevator Association (250,000 bu) C.B. Van DeVenter; 515/565-3738
10. Woden 50484  
Farmers Coop Elevator (950,000 bu) Royden Larson, Box 115, 515/926-5301
11. Titonka 50480  
Farmers Coop Elevator Co (750,000 bu) William Madsen, Box AN, 515/928-2515

Estherville to Iowa Falls

1. Wallingford 51365  
Terminal Coop Co (395,000 bu) Ronald Herum, 712/867-4115
2. Graettinger 51342
- 75 Terminal Coop Co (2,000,000 bu) Richard Klein, 712/859-3204
3. Emmetsburg 50536
- 50 A. Cargill, Inc. (994,000 bu) Roland Grage, 712/852-3722  
B. Emmetsburg Grain Co (260,000 bu) Mike Hinrichs, 1301 S. Broadway; 712/852-4920
4. Rodman 50580  
West Bend Elevator Co (485,000 bu) Darrell Herscher; 515/887-2061
5. West Bend 50597
- 75 West Bend Elevator Co (3,750,000 bu) Fred McKim; 515/887-7211
6. Ottosen 50570  
Farmers Coop Elevator (875,000 bu) Al Struthers; 515/379-1065
7. Bode 50519  
Bode Coop (950,000 bu) Gerald Christianson, P.O. Box 115; 515/379-1754
8. Livermore 50558
- 50 Farmers Coop Elevator Co (1,385,000 bu) Johnny Gales, P.O. Box 272; 515/379-1843
9. Hardy 50545
- 50 Hardy Coop Elevator Co (1,700,000 bu) Dean Reichter; 515/824-3221



10. Holmes 50547

Farmers Coop Elevator Co (560,000 bu) Gerald Rohrer, Box 342, 515/825-3111

11. Clarion 50525

50 Cargill Inc (1,308,000 bu) Richard Schnittjer; 515/532-2834

12. Galt 50101

Galt Feed & Grain Inc. (470,000 bu) John Tuner, Box 9, 515/852-4434

13. Dows 50071

50 Farmers Coop Co (1,430,000 bu) Ed Rockow, 304 Ellsworth St; 515/852-4136

14. Popejoy 50227

Ackerman's Inc (305,000 bu) Franklin Petrie; 515/859-3388

15. Iowa Falls 51026

A. Farmers Coop Elevator Co (2,500,000 bu) Michael Abildtrup, P.O. Box 1003;  
515/648-2504

B. Ralston-Purina Co, Soybean Plant (1,750,000 bu) Ted Williams, P.O. Box 700;  
515/648-2591

8/17/82

Ran Show, Klemme Coop

NAHX 18 9/4/84 \$232 0.2686 55409-55438

PLCX <sup>unlimited</sup> 13 7/84 445 0.4113 20184-20196

30000  
20 9/82 490 0.4700 19440-19454

30000  
20 7/84 435 0.4113 19665-19684

30000  
20 7/84 435 0.4113 20882-20901

25000

RRFX 25 4/89 374 0.3945

40 2/95 577 0.4700

RRRX 100 2/86 492 0.4952

UTCX 10 2/90 462 0.4281 43790-43799

266

United Purchasers Association

Superior - 170 card

20 12-85 PLCX

\$505

50 12-85 PLCX

\$523

100 1990 ALEX

\$495



CNW Gp<sup>#</sup>0.40

West Bend, IA

NAHX	55249 - 55304	0.2686 \$232	6-1-84	31
RexRug	RREX 4206-4230	0.3777 \$330	4-10-89	16
Pullman	PLCX 19601-19614	0.4029 \$435	6-30-84	13
UnionTnd	UTCX 43080-43179	0.4784 \$465	3-15-86	100

5

August 16, 1982

TO: J. T. Hartnett  
FROM: J. D. Darling *[Handwritten signature]*  
RE: Rock Island Study

Attached are the results of the traffic survey conducted by Darwin Luedtke of the West Bend Elevator Company for the Iowa Falls Gateway branches. I understand the outbound consists entirely of corn, soybeans, and other grain shipments, and the inbound consists entirely of fertilizer.

JDD/jmz

cc: P. M. McNamee  
W. D. Martino

Mr. Joe D. Darling  
Director Special Projects  
Soo Line Building  
Box 530  
Minneapolis, Minn. 55440

Dear Mr. Darling;

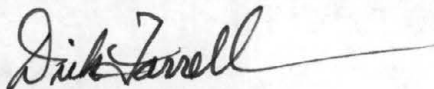
For expedience sake, am sending you the following items  
without formal cover letter.

Two copies of The Rock's Timetable No. 1

One copy of Winter Operations Manual

One copy (legible) of our standard Trackage Rights Agreement.

According to our check list of what was sent you last week, we did  
send a map of Northwood-Clarks Grove, but since you say you didn't  
receive it, we are promptly sending another one under separate cover.



Richard R. Farrell  
Staff Coordination  
CHICAGO ROCK ISLAND & PACIFIC RAILROAD COMPANY 8/16/82

cc: Mr. R. J. Lane



## Trustee

1. Real Estate Appraisal - Shales Carve outs  
Non-rail assets disposition group
  2. Ford Bacon Davis Study
  3. Timetables
  4. Maps, Right of Way  
Northwood Iowa - Charles Grove  
37-1-1
  5. Standard Trackage Rights Agreement.
- M. Farrell 8/16/82

SUPERIOR CO-OP ELEV. CO.  
SUPERIOR, IOWA 51363

As of August 16, 1982

ALL 4750 CU. FT. CARS  
100 Ton

LESSOR

Pullman Leasing Company  
Chicago, Illinois

RENT

EXPIRATION  
DATE

50 Cars PLCX 23101 thru 23119  
23995 thru 24025

\$523.00 per month 8-31-85

PLCX 24012 retired 3/20/82  
Will be replaced by PLCX 18483

PLCX 24022 destroyed 3/20/82 also - No  
replacement car number or reporting marks yet

Agri Leasit Co & Agri Industries  
Mason City, Ia & Des Moines, Iowa

20 Cars PLCX 22475 thru 22494

\$495.00 per month 8-31-85

100 cars ALEX 1710 thru 1809

\$505.00 per month 11-16-90

Total 170 Cars

Mileage payments - Pullman Cars

47.84 cents per  
loaded mile

Agri PLCX Cars

47.00 cents per  
loaded mile

Agri ALEX Cars

45.33 cents per  
loaded mile

Account of reduced rates on tariffs - railroad will  
only pay 40¢ a loaded mile when cars are in a train.

SOO LINE RAILROAD CO.  
**RECEIVED**

**AUG 19 1982**

OFFICE OF  
DIRECTOR OF REAL ESTATE  
DEVELOPMENT AND MANAGEMENT

# IOWA FALLS GATEWAY SHIPPERS - GRAIN & FERT

		OUTBOUND				INBOUND	
1	2	3	4	5	6	7	8
LINE	SEGMENT	TOTAL CARS 1980	TOTAL CARS 1981	TOTAL CARS 6mos-1982	TOTAL CARS 1980	TOTAL CARS 1981	TOTAL CARS 6mos 1982
1							
2	IOWA FALLS - ESTHERVILLE	9499	7643	3475	180	220	31
3							
4							
5							
6	DOWS -						
7	FOREST CITY	3871	3745	1294	96	77	1
8							
9							
10							
11							
12	ESTHERVILLE -	4104	3738	1623	69	65	13
13	WEST						
14							
15							
16							
17	ESTHERVILLE -	5021	4120	1606	78	173	5
18	EAST						
19							
20							
21							
22	GRAND TOTAL	22495	19266	7998	413	535	50
23							
24							
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# LINE SEGMENT IOWA FALLS to ESTHERVILLE

1	2	3	4	5	6	7	8
	QTR	QTR	QTR	QTR		TOTAL	DESTINATION
	J-MAR	A-JUN	JULY-SEP	OCT-DEC			
	1980	1980	1980	1980		1980	
1							
2	1855	913	1222	2500		6490	GULF
3	43	17	43	49		152	ARKANSAS
4	225	174	299	397		1095	KANSAS CITY
5		75	79	100		254	CLINTON
6		100	75	75		250	CEDAR RAPIDS
7	7		105	186		298	DES MOINES
8							FORT WORTH
9				3		3	IOWA FALLS
10		24	573 <sup>CORN</sup> <sub>CCE</sub>	180 <sup>CORN</sup> <sub>CCE</sub>		777	PLAINVIEW
11	30	48	102			180	CHICAGO
12	OUTBOUND	2160	1351	2498	3490	TOTAL 9499	OUTBOUND
13							
14	INBOUND	7	18	104	51	TOTAL 180	INBOUND
15							ORIGIN
16						90	CANADA
17						90	FLORIDA
18							
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# LINE SEGMENT DOWS - FOREST CITY

1	2	3	4	5	6	7	8
	QTR	QTR	QTR	QTR		TOTAL	DESTINATION
	J-MAR	A-JUN	J-SEPT	OCT-DEC		1980	
	1980	1980	1980	1980			
1							
2	977	550	500	1215		3242	GULF
3	24	42	13	8		87	ARKANSAS
4		85	100			185	KANSAS CITY
5	77	3	83	11		174	CLINTON
6		63		65		128	CEDAR RAPIDS
7							DES MOINES
8							FORT WORTH
9	36	19				55	IOWA FALLS
10							PLAINVIEW TX
11							CHICAGO
12	OUTBOUND	1114	762	696	1299	TOTAL	3871
13							OUTBOUND
14	INBOUND	8	12	50	16	TOTAL	86
15							INBOUND
16							ORIGIN
17						51	CANADA
18						35	FLORIDA
19							
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# LINE SEGMENT ESTHERVILLE - WEST

1	2	3	4	5	6	7	8
	QTR	QTR	QTR	QTR		TOTAL	DESTINATION
	J-MAR	A-JUN	JULY-SEPT	OCT-DEC		1980	
	1980	1980	1980	1980			
1							
2	797	530	326	1254		2907	GULF
3	27	7	6			40	ARKANSAS
4	3	145	333	297		778	KANSAS CITY
5	3	2	1			6	CLINTON
6		25		25		50	CEDAR RAPIDS
7	30		9	5		44	DES MOINES
8	7	37	3	10		57	FORT WORTH
9	5		15	24		44	IOWA FALLS
10			3			3	EAGLE GROVE
11			100 <sup>CC</sup>	75 <sup>CC</sup>		175	PLAINVIEW TX
12	OUTBOUND	872	746	796	1690	TOTAL 4/104	OUTBOUND
13							
14	INBOUND	10	5	49	5	TOTAL 69	INBOUND
15							ORIGIN
16						34	CANADA
17						35	FLORIDA
18							
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# LINE SEGMENT - ESTHERVILLE - EAST

1	2	3	4	5	6	7	8	
	QTR	QTR	QTR	QTR		TOTAL	DESTINATION	
	J-MAR	A-JUN	J-SEPT	O-DEC		1980		
	1980	1980	1980	1980				
1								1
2	756	150	603	1379		2888	GULF	2
3	18	15	46	30		109	ARKANSAS	3
4	199	513	527	511		1750	KANSAS CITY	4
5	5	1	45			51	CLINTON	5
6		110	18	39		167	CEDAR RAPIDS	6
7	50		6			56	DES MOINES	7
8							FORT WORTH	8
9							IOWA FALLS	9
10							PLAINVIEW TX	10
11							CHICAGO	11
12	OUTBOUND	1028	789	1245	1959	TOTAL	5021	OUTBOUND
13								
14	INBOUND		78			TOTAL	78	INBOUND
15							ORIGIN	15
16						29-	CANADA	16
17						29-	FLORIDA	17
18						20-	FT MADISON	18
19								19
20								20
21								21
22								22
23								23
24								24
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39								39
40								40

# LINE SEGMENT IOWA FALLS to ESTHERVILLE

1	2	3	4	5	6	7	8
	QTR	QTR	QTR	QTR		TOTAL	DESTINATION
	J-MAR	A-JUN	J-SEPT	O-DEC		1981	
	1981	1981	1981	1981			
1							
2	2230	302	329	525		3386	GULF
3	36	180	118	91		425	ARKANSAS
4	530	709	262	465		1966	KANSAS CITY
5		126	414	175		715	CLINTON
6	3	183	217	180		583	CEDAR RAPIDS
7	8	50	12	29		99	DES MOINES
8		3				3	FORT WORTH
9							IOWA FALLS
10							PLAINVIEW TX
11	76	75	256	79		486	CHICAGO
12	OUTBOUND	2883	1628	1608	1544	TOTAL	7663
13							OUTBOUND
14	INBOUND	9 FLA	15 CAN	123 73CN	59	TOTAL	220
15		14 FLA	50 FLA				INBOUND
16							ORIGIN
17						117	CANADA
18						103	FLORIDA
19							
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# LINE SEGMENT DOWS- FOREST CITY

	1	2	3	4	5	6	7	8
		QTR	QTR	QTR	QTR		TOTAL	DESTINATION
		J-MAR	A-JUN	J-SEPT	O-DEC			
		1981	1981	1981	1981		1981	
1								
2		1099	225		600		1924	GULF
		16	96	55	33		200	ARKANSAS
4			150	225	129		504	KANSAS CITY
5			242	267	251		760	CLINTON
6		76	176	105			357	CEDAR RAPIDS
7								DES MOINES
8								FORT WORTH
9								IOWA FALLS
10								PLAINVIEW TX
11								CHICAGO
12	OUTBOUND	1191	889	652	1013	TOTAL	3745	OUTBOUND
13								
14	INBOUND			70	7	TOTAL	77	INBOUND
15								OR IN
16								
17							38	CANADA
18							39	FLORIDA
19								
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# LINE SEGMENT - ESTHERVILLE - WEST

	1	2	3	4	5	6	7	8	
		QTR	QTR	QTR	QTR		TOTAL	DESTINATION	
		J-MAR	A-JUN	J-SEPT	O-DEC				
		1981	1981	1981	1981		1981		
1									1
2		1145	283	26	394		1848	GULF	2
3			27		6		33	ARKANSAS	3
4		404	383	390	150		1327	KANSAS CITY	4
5				158	25		183	CLINTON	5
6		25	25				50	CEDAR RAPIDS	6
7				52			52	DES MOINES	7
8		12					12	FORT WORTH	8
9			25				25	IOWA FALLS	9
10								EAGLE GROVE	10
11								PLAINVIEW TX	11
12		100	28	80			208	CHICAGO	12
13	OUTBOUND	1686	771	706	575	TOTAL	3738	OUTBOUND	13
14									14
15	INBOUND	11	5	44	5	TOTAL	65	INBOUND	15
16								ORIGIN	16
17							32 -	CANADA	17
18							33 -	FLORIDA	18
19									19
20									20
21									21
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# LINE SEGMENT-ESTHERVILLE-EAST

1	2	3	4	5	6	7	8
	QTR J-MAR 1981	QTR A-JUN 1981	QTR J-SEPT 1981	QTR O-DEC 1981		TOTAL 1981	DESTINATION
1							
2	777			25		802	GULF
3	6	86	54	52		198	ARKANSAS
4	530	653	275	385		1843	KANSAS CITY
5		158	683	26		867	CLINTON
6	25	25	79	25		154	CEDAR RAPIDS
7	31	25				56	DES MOINES
8							FORTWORTH
9		25				25	IOWA FALLS
10							PLAINVIEW
11	75		100			175	CHICAGO
12	OUTBOUND	1444	972	1191	513	TOTAL 4120	OUTBOUND
13							
14	INBOUND	6	33	11466	204	TOTAL 173	INBOUND
15				28 SPAN	16 SPAN		ORIGIN
16				20 FT MAD		54	CANADA
17						55	FLORIDA
18						44	ST PAUL
19						20	FT MADISON
20							
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# LINE SEGMENT IOWA FALLS to ESTHERVILLE

1	2	3	4	5	6	7	8	
	QTR J-MAR 1982	QTR A-JUN 1982				TOTAL 6 MOS 1982	DESTINATION	
1								1
2	646	160				806	GULF	2
3	90	38				128	ARKANSAS	3
4	451	173				624	KANSAS CITY	4
5	325	975				1300	CLINTON	5
6	101	291				392	CEDAR RAPIDS	6
7	50	50				100	DES MOINES	7
8							FORT WORTH	8
9							IOWA FALLS	9
10							PLAINVIEW TX	10
11	50	75				125	CHICAGO	11
12	OUTBOUND	1713	1762		TOTAL	3475	OUTBOUND	12
13								13
14	INBOUND	4	27		TOTAL	31	INBOUND	14
15							ORIGIN	15
16						15	CANADA	16
17						16	FLORIDA	17
18								18
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# LINE SEGMENT

# DOWS - FOREST CITY

1	2	3	4	5	6	7	8
	QTR J-MAR 1982	QTR A-JUN 1982				TOTAL 6mos 1982	DESTINATION
1							
2	300	150				450	GULF
3	136	399				535	ARKANSAS
4							KANSAS CITY
5	54	129				183	CLINTON
6	50	60				110	CEDAR RAPIDS
7							DES MOINES
8							FORT WORTH
9		16				16	IOWA FALLS
10							PLAINVIEW TX
11							CHICAGO
12	OUTBOUND	540	754		TOTAL	1294	OUTBOUND
13							
14	INBOUND	1			TOTAL	1	INBOUND
15							
16						1	CANADA
17							FLORIDA
18							
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# LINE SEGMENT - ESTHERVILLE - WEST

1	2	3	4	5	6	7	8
	QTR J-MAR 1982	QTR A-JUN 1982				TOTAL 6 MOS 1982	DESTINATION
1							
2	601	559				1160	GULF
3		9				9	ARKANSAS
4	99	150				249	KANSAS CITY
5	50	155				205	CLINTON
6							CEDAR RAPIDS
7							DES MOINES
8							FORT WORTH
9							IOWA FALLS
10							PLAINVIEW TX
11							CHICAGO
12	OUT BOUND	750	873			1623	OUT BOUND
13							
14	IN BOUND	8	5			13	IN BOUND
15							ORIGIN
16						6	CANADA
17						7	FLORIDA
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# LINE SEGMENT ESTHERVILLE-EAST

1	2	3	4	5	6	7	8
	QTR	QTR				TOTAL	DESTINATION
	J-MAR	A-JUN				6 mos	
	1982	1982				1982	
1							
2							GULF
3	12	2				14	ARKANSAS
4	361	552				913	KANSAS CITY
5	103	460				563	CLINTON
6	27	50				77	CEDAR RAPIDS
7		39				39	DES MOINES
8							FORT WORTH
9							IOWA FALLS
10							PLAINVIEW TX
11							CHICAGO
12	OUTBOUND	503	1103		TOTAL	1606	OUTBOUND
13							
14	INBOUND	5			TOTAL	5	INBOUND
15							ORIGIN
16						3	CANADA
17						2	FLORIDA
18							
19							
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8/13/82

TMB, RLM, HSN, BJB, PMM, BDO, JDD, JTH

Curt Sommerberg, Bill Martin

Kansas City Repositioning.

UP pays no mileage on private cars

(to west coast ports) 25-50-75

car rates, 20¢ / car shipper vs. RR cars

Agri cars.

Definition of how we accomplish the results

Kicker to trustee

16% Sec credit

Detailed description of method of financing acquisition and major rehabilitation (over annual or in lieu of normalized)

two corporations

Construction at Awar

Rehab, as much as possible in first year, not tied to availability for FRA funds

Leases

Quantity

Expenditure

Rate

(2)

One line on gateway, Back for Coops

financing for 80%

Periodic payments on loan tied to  
cash flows.

9 am Board Run  
Aug 13, 1980

- ① JH - Iowa RR - Brian Wipple  
Evans Products - \$16 Mil claim RI  
BB - Bank For Cooperative  
Contract - Rates?

- ② Martino - Called on 20 elevators.  
"Residual" other areas have 1<sup>st</sup> right to E-Co-Gasf etc -  
Want River access.  
UP pays no private car mileage.  
Use So Cal ports (Stockton) for export rather than Port-Salt Lake.

- ③ H. Ness - ML-40<sup>00</sup> incl interest? ITC-DfITC, FRA 33<sup>00</sup> over 5 yrs. See 9.6 mil  
RfD 13 mil + int. 9/8 return

100% case

Branch 12<sup>00</sup> over 5 yrs.  
Defends + See 5?

TB-cha

Set up general description of finance program of acquisition and  
other programs - repayment

2 corporations

fund out of SH cash <sup>log</sup> - trustee points until 15 mil FRA rec'd.  
Rehab work - not tried to how much we can get but necessary  
items. Front end to hasten credits in early years.

Identify construction projects - necessary - storage etc.

Survey losses  
outstanding - agri Ind  
Individual elevators  
car supply @ peak



3 p 8.23-82 Mtg (fl 2)

Agenda DMB

- (1) MFW - yd KC not available to Soo - Soo engaged!
- (2) KCS - would like Soo connection.

Carter thinks If Milw - KCS yd - KC would become available to Soo. would not share prof to Soo over Milw. Block both directions.

Leaving yd to CNW (KCS) would like to terminate but cannot under terms of agreement.

Kaly?

KCT?

Bank of Coops - BN - Atty financing

- (1) Draft proposal to Trustee
- (2) ✓ ✓ financing/ABC
- (3) ✓ ✓ Association members
- (4) ✓ ✓ operating agreement.
- (5) ✓ - Prof Sham - CRA

K Hide - potential of committing members to loan.

9.8.82 Re Law 1<sup>30</sup> pm RI Study

BDO - Purch Agr. Prepared.

- (1) No reservation mineral rts.
- (2) Easements - reserved for period years to Trustee
- (3) Trackage Dr. reserved to other Rts.
- (4) Removal of eq.
- (5) Time for better offer.

TMB - Review contract by page.

SM has description of property.

No interest payable - out.

"Line haul service on the properties 375%"

Not prepared on orig agreement proposed by Soc.

Installments payable 6 & 18 mos.

#  
p. 2 Need to be certain of all RE under lease to  
elevator branch & ML.

Tows Transfer RR Co interest of RI

Exhibit A - properties.

Include InverCovone (D).

6 (b) out

$$4000/mo \times 12 = 4,800/yr \times 20 yrs. =$$

August 13, 1982

TO: T. M. Beckley  
D. M. Cavanaugh  
R. H. Smith  
R. L. Murlowski  
P. M. McNamee  
D. J. Boyer  
J. D. Darling

FROM: B. D. Olsen

RE: Rock Island Acquisition

SOO LINE RAILROAD

AUG 16 1982

VICE PRESIDENT

As information, I attach a summary of the BN/KCS application to the ICC for authority to acquire the Rock Island Kansas City line, several branch lines and some Milwaukee trackage. I have turned the application over to Jim Hartnett for review of the lengthy traffic data, to see if there's anything useful there.

BDO/sjp  
Attachment



August 9, 1982

RE: BN/KCS Application to Acquire Rock Island  
Kansas City Line

This application is dated December 2, 1980. Representations made should be considered in light of that date.

The applicant is Kansas City Northern Railway Company (KCN) applying for approval of purchase on behalf of Northern Properties Corporation (NPC) which is described as a not yet incorporated company. When that has been accomplished, NPC was to have become the applicant.

In addition to the KC main line, KCN sought to acquire the branch line west from Albert Lea to Sibley, Iowa as well as the rest of the so-called grain line. KCN also sought Rock Island's interest in the joint line with the Milwaukee between Polo and Airline, Missouri, as well as the Milwaukee's branch line between Spencer and Albert City, Iowa. The latter was identified as already having been abandoned. Also sought were the Rock Island's trackage rights over the Milwaukee between Rosemount and Comus, Minnesota, over the Milwaukee between Emmettsburg and Hartley, and over the C&NW between Manly and Clear Lake Junction, Iowa. KCN also sought necessary operating authority under Section 10901 of the Interstate Commerce Act.

BN and the FW&D also propose to purchase unidentified portions of the Rock Island which had to be accepted by the Trustee as a package with the KCN offer. The price "to be offered to the Trustee" was to be "in excess of prices proposed in previous offers made by stockholders of KCN." This seems to indicate a prior offer had already been made by December 1980.

The common stock of NPC was to be owned equally by BN and KCS who were each to make a capital contribution of \$4 million. Funds for acquisition and rehab were to come through financial assistance programs of the FRA under Title 5 of the 4-R Act and through the Iowa Railway Finance Authority. Operation was to be conducted by KCN with support services provided by BN and KCS. Net earnings of KCN were to go to NPC to amortize the indebtedness and thereafter to pay dividends to shareholders of NPC.

The purpose sought to be accomplished was to afford single line service from grain growers and shippers in northwestern Iowa to Gulf ports, west coast ports and Great Lakes ports. Another stated purpose was to introduce a viable carrier into Iowa to provide some competition for the "now dominant" C&NW.

The financial structure of NPC would be as follows:

1. BN and KC will each purchase \$4 million of NPC common stock.
2. NPC will market and issue a voting callable preferred stock to raise additional working capital. This would give preferred stockholders 61% voting control with the remaining 39% shared equally by BN and KCS. It was estimated the size of the preferred stock issue would be \$40 million.
3. Both FRA and the Iowa Railroad Finance Authority would be looked to for funds to acquire and rehabilitate the properties. At least \$86 million (1980 dollars) would be required with the exact mix of financial participation by the two agents not yet finally determined. The proposal was described as "favorably received" by the Iowa DOT.
4. KCN will issue common stock in equal shares to KCS and BN in exchange for capital contribution of \$1 million each and would also enter into equipment leases.

Applicants promise better service than formerly provided by Rock Island and presently provided by C&NW, which would be essentially single line with respect to both KCS and BN local destinations. The usual single system benefits were claimed in connection therewith.

NPC planned to expend "substantial" amounts in rehabilitation during the first five years after acquisition. The cost estimate totaled \$74,328,000 to bring the main line to FRA Class IV and branch lines to Class II. It should be noted that more lines are involved than we are considering acquiring. There is a specific detailed rehabilitation plan by line included with the application. This plan details number of ties to be replaced, surface correction and track materials needed. It was estimated that the fixed charges resulting from the transaction could be met by revenues generated. KCN would hire former Rock Island employees and the possibility was even held out that some former Milwaukee employees would have a chance to obtain railroad work again. The directors and officers of NPC were lawyers from the BN and KCS law departments.

It was estimated that KCN would generate in excess of 37,000 cars of corn and soybeans by the second year of operation. Eighty percent of the grain would be exported with about 20% going to U.S. markets. In addition, continuation of inbound shipment of potash and fertilizer from Canada and other origins was anticipated. A number of other products were mentioned, including meats, dairy products, animal and poultry feed, cement, soybean oil and meal, magazines and tires (presumably



from Meredith Publishing and Firestone in Des Moines), as well as other commodities. The total anticipated traffic volume was given as 100,000 carloads originating or terminating on KCN lines annually. Additional overhead traffic in an undetermined amount was also mentioned.

Attached exhibits include density charts for both KCS and BN and lengthy traffic exhibits showing revenue carloads originated, terminated and overhead on BN, KCS and subsidiaries. This may be of some interest to our Traffic Department.

Exhibit 23 includes the plan of operation. It was anticipated that mainline service would consist of one train daily in each direction between Inver Grove and Des Moines, with two trains daily in each direction between Des Moines and Kansas City. It was anticipated that 609 unit trains would be loaded in the base traffic year and the exhibit shows which lines would generate these trains. Anticipated traffic density is also shown by line segment. The highest segment was Des Moines-Kansas City at 10 MGTM. Newport-Albert Lea, Iowa Falls-Des Moines and Iowa Falls-Estherville are all shown in excess of 5 MGTM.

BDO/sjp



August 13, 1982

TO: J. D. Darling  
FROM: B. D. Olsen  
RE: Rock Island Kansas City Line

I attach copies of pages from the KCS/BN ICC application dealing with operating plans, projected traffic density and estimated rehabilitation costs.

BDO/sjp  
Attachment

§1111.23 OPERATING DATA

This plan reflects applicant's best judgment as to service requirements and other factors based on available traffic data and line segment inspection reports.

(a) - PATTERNS OF SERVICETHROUGH FREIGHT

Main line through freight service will consist of one train daily in each direction between Inver Grove Yard and Des Moines. South of Des Moines to Kansas City, daily service will consist of two trains in each direction. In addition, unit grain trains will utilize the main line.

LOCAL SERVICE

Most of the local service performed on the grain gathering lines west of the north-south main line will be in the form of unit grain train delivery and pick up from elevator sites. These trains will also perform other nongrain local service as required. Loaded trains will originate as 50 car units. Empty trains will be consolidated into 100 car units.

It is expected that 609 unit trains will be loaded in the base traffic year allocated to the various lines as follows:

<u>Line</u>	<u>Trains Originated</u>
Spencer-Sanborn	43
Royal-Palmer	61
Iowa Jct.-Albert City	73
Esterville-Sibley	67
Esterville-Albert Lea	67
Dows-Thompson	43
Iowa Falls-Esterville	188
Iowa Falls-Albert Lea	67

Other local service will be performed as indicated below:

<u>Line</u>	<u>Service</u>
Carlisle-Indianola	5 days/week)
Allerton-Centerville	2 days/week) Train originates at Des Moines
Des Moines-Pella	3 days/week
Des Moines-Newton	3 days/week

#### SWITCH SERVICE

Train switching and local industry work not handled by grain or other local trains will be handled by regularly assigned switch engine service as follows:

<u>Location</u>	<u>Service</u>
Inver Grove	2 - 7 day assignments
Albert Lea	1 - 7 day assignment
Manly	1 - 7 day assignment
Mason City	1 - 6 day assignment
Des Moines	4 - 7 day assignments
Trenton	1 - 7 day assignment



It should be noted that at Kansas City all work will be performed at the joint Rock Island-Kansas City Southern Yard as it has in the past.

(b) - TRAFFIC LEVELS AND DENSITY

Based on the traffic volumes described in the market study for this transaction, projected tonnages by line segment are indicated below:

<u>Line Segment</u>	<u>Estimated Tonnage in Millions of Gross Tons Per Mile</u>
Newport-Albert Lea	5
Albert Lea-Iowa Falls	3
Iowa Falls-Des Moines	5
Des Moines-Kansas City	10
Iowa Falls-Esterville	6.3
Dows-Thompson	.9
Esterville-Albert Lea	1.5
Esterville-Sibley	.5
Spencer-Sanborn	1.4
Iowa Jct.-Albert City	1.4
Palmer-Royal	.5
Carlisle-Indianola	.06
Allerton-Centerville	.2
Des Moines-Pella	Not Available
Des Moines-Newton	Not Available

(c) - MAINTENANCE

Rehabilitation of the lines involved, at an estimated cost of \$74,328,000 will be necessary to upgrade CRIP and Milwaukee properties to desired levels of utility. Attached Table I indicates by line segment the work required, an estimate of cost, and timing of the work.

The main line from Inver Grove to Kansas City will be upgraded to FRA Class IV. All branch lines will be rehabilitated to FRA Class II capable of sustaining 263,000 pound carloads in unit train configuration.

No yard and/or terminal modifications are presently anticipated either on BN, KCS, or Kansas City Northern.

(d)-(g) - OTHER MATTERS

Kansas City Northern will have adequate yard facilities to handle expected traffic. There are no major shop facilities included on the lines involved in this transaction.

There will be no impact on commuter or other passenger service. None is operated over the lines in the transaction.

Operating economies will stem from an efficient operation and utilization of unit trains as much as possible. As this is a new operation, there is no base case to compare to indicate the savings that a KCN operation can provide.

Upon successful completion of this transaction, BN will file to abandon its 84 mile branch line Alexandria-Centerville, which lies within the States of Missouri and Iowa.

Virtually all of the business is located on the end of this line at Centerville. Under a KCN operation, Centerville will be served from Allerton which is a direct connection to the KCN main line.




TABLE I  
PLANNED REHABILITATION OF CRIP AND  
MILWAUKEE LINES TO BE ACQUIRED  
BY KCM

Line Segment (1)	Ties/Mile	Surface Correction	Other	Cost	Accomplish in Years
Inver Grove-Des Moines	1600	Sled with 6 inch raise	Anchors, joint bars, ditching, brush control, relay 112 lb. rail with 132 lb.	\$27,049,000	1-6
Des Moines-Kansas City	1200	Sled with 6 inch raise	Anchors, ditching, brush control, relay 112 lb. with 132 lb.	23,274,000	1-6
Iowa Falls-Esterville	480	2 inch raise	Anchors, relay 80 lb., 90 lb. rail	7,030,000	1-5
Esterville-Albert Lea	320-800	Sled with 4 inch raise or 2 inch raise	Joint bars	7,442,000	1-7
Esterville-Sibley	150	2 inch raise	Relay 80 lb. with 90 lb. rail	2,961,000	1-8
Dows-Thompson	150	2 inch raise	Relay 60 lb. and 70 lb. with 90 lb. rail	1,594,000	1-3
Iowa Jct.-Sanborn	1600	Sled with 4 inch raise	Anchors, brush control	2,021,000	1-2
Iowa City-Albert City	None	2 inch raise	Relay 65 lb. with 90 lb. rail	698,000	1-3
Palmer-Royal	150	2 inch raise		427,000	1-3
Carlisle-Indianola	1200	2 inch raise	Joint bars, brush control	499,000	1-5
Allerton-Centerville	1200	2 inch raise	Joint bars, brush control	1,333,000	1-5
				<u>\$74,328,000</u>	

(1) Rehabilitation estimates not available for Des Moines-Newton and Pella

August 12, 1982

TO: W. B. Peterson

FROM: J. D. Darling 

RE: Rock Island Study

Attached are two maps. One map shows the weights of rail and the other shows main line speed restrictions. These maps were furnished by the Iowa DOT.

JDD/jmz

Att. (2)

August 12, 1982

TO: T. M. Beckley  
FROM: J. D. Darling *JDD*  
RE: Rock Island Study

On Tuesday afternoon, August 10, 1982, Dave Boyer and I met with representatives of the Evans Products Company in their offices in Rolling Meadows, Illinois. The representatives of Evans Products Company were as follows:

Laurence P. Prange,  
Vice President and Controller, Leasing  
Operations  
Evans Railcar Leasing Company

Jim Wilkinson,  
Manager-Financial Planning and Systems  
Development  
Railcar Division

Robert L. Benton,  
Manager-Marketing Services  
Railcar Division

Charlie Schott,  
Manager-Marketing Administration  
Railcar Division

Douglas L. Walkup, Finance Authority Manager, Railroad Division, of the Iowa DOT was also present.

At one time, Evans leased the Rock Island as many as 4,000 cars. Except for a number of 40 foot box cars for which there is no market, most of these cars have been returned to Evans. As many as 200 cars are unaccounted for.

Evans has a claim for \$16 million against the Rock Island estate arising out of failure to make lease payments and other considerations. Evans has had some very preliminary discussion with the Trustee, possibly at the suggestion of the Trustee, that Evans accept some operating properties in settlement of their claim. Evans has looked at several properties, including the Iowa Falls Gateway branch lines. While Evans has no firm



T. M. Beckley  
Page Two  
August 12, 1982

indication of any discount the Trustee may wish to make with respect to their claim, Evans expressed the opinion that they should receive a high percentage of their claim, as they feel they have a good basis for presenting their claim as an expense of administration.

I reviewed my understanding of Evans circumstances with Wayne Serkland. The term "expense of administration" refers to expenses incurred by the Trustee after bankruptcy. Normally, such expenses are paid currently and take precedence over almost all pre-bankruptcy expenses. We conjectured that perhaps equipment leases were not terminated at the initial declaration of bankruptcy, but upon court order to liquidate, and a dispute has arisen regarding breach of contract. Normally, there is a brief period after declaration of bankruptcy to disaffirm contracts and in such cases breach of contract claims would be pre-bankruptcy claims. If contracts were not so disaffirmed, there would be grounds for claim as administrative expense.

In any event, \$14.5 million was mentioned in connection with a property considered by Evans, but no approach to the Trustee was indicated.

Evans had considered sole acquisition and operation themselves. They apparently have had some bad experiences with short-line operators. However, partnership, limited partnerships, or use of their claim as a loan, with any ownership interest on their part bought out over time are acceptable. Evans manufactures and leases freight cars of any type, including tank cars, although to date they have not manufactured intermodal freight cars. Evans currently has a large number of idle cars. Part of their consideration of acquisition of property was to find a base for some of these cars. Car leases in negotiable form, including per diem bases, could be part of any agreement with the Soo Line. Evans also manufactures some types of maintenance-of-way equipment, leases a wide range, and recently has gotten into track rehabilitation, maintenance, and construction. Their major track work is thought to be in connection with rapid transit lines. Lease of the equipment and/or purchase of services could also be a factor in any agreement with the Soo Line.

JDD/jmz

cc: D. M. Cavanaugh  
D. J. Boyer

August 12, 1982

SOO LINE RAILROAD

AUG 13 1982

EXEC. VICE PRESIDENT

To: Thomas M. Beckley  
✓ D. M. Cavanaugh  
R. H. Smith  
J. D. Darling

From: D. J. Boyer *DJB*

Re: Rock Island Study

D. L. Walkup, Finance Authority Manager, Iowa DOT called after he had discussed the postponement of Soo-IFGSA proposed meeting on August 18 in West Bend with J. D. Darling. This call was to advise that the IFGSA members understood the reason for postponement and no problem resulted.

In view of the interest of all parties a meeting would be held that day in West Bend by Omaha Bank for Cooperatives (K. Hide), Iowa DOT (D. L. Walkup) and the IFGSA Executive Council. Purpose of the meeting would be to explain the financial program of Omaha Bank for Cooperatives to potential purchaser of the Rock Island.

D. L. Walkup will report on the meeting to Soo.

8/12/82

J.E. Gugg, KCS

J.H. Hughes,

816-556-0477



August 12, 1982

TO: P. M. McNamee  
FROM: J. D. Darling  
RE: Rock Island Study

On Wednesday, August 11, 1982, Darwin Leutke, West Bend Elevator Company, called with the following summary results from his shipper survey:

Forwarded Carloads (Corn and Soybeans)

<u>Segment</u>	<u>1980</u>	<u>1981</u>	<u>1982</u>
Iowa Falls-Estherville	9,499	7,663	3,473
Dows-Forest City	3,871	3,745	1,294
Estherville West	4,101	3,738	1,623
Estherville East	<u>5,021</u>	<u>4,120</u>	<u>1,606</u>
Total	22,495	19,266	7,998

Note: (a) Six months, January 1 - June 30, 1982  
(b) Includes one west coast train in June 1982  
(c) Includes 982 CCC corn to Plainview, TX in 1980

Received Carloads (Fertilizer)

<u>Segment</u>	<u>1980</u>	<u>1981</u>	<u>1982</u>
Iowa Falls-Estherville	180	220	31
Dows-Forest City	86	77	1
Estherville West	69	65	13
Estherville East	<u>78</u>	<u>173</u>	<u>5</u>
Total	413	535	50

Note: (a) Received primarily in autumn  
(b) 50% Canada, 50% Florida

More detailed information by quarter with general off-line origin and destination information was mailed yesterday.

JDD/jmz

cc: T. M. Beckley  
D. M. Cavanaugh  
R. H. Smith  
D. J. Boyer

August 12, 1982

TO: T. M. Beckley  
D. M. Cavanaugh  
D. J. Boyer

FROM: J. D. Darling *JDD*

RE: Rock Island Study

SOO LINE RAILROAD  
AUG 12 1982  
EXEC. VICE PRESIDENT

On Wednesday, August 11, 1982, I had a call from C. J. Stoffer, General Freight Agent, Iowa Northern Railroad Company.

Mr. Stoffer had been attempting to determine the details of the most recent CNW offer to the Trustee. His information is that it was an offer of a lease purchase arrangement for the Iowa Falls Gateway branch lines and possibly some other trackage, but not all of the Spine Line. This is consistent with other rumors I have heard; for example, Doug Walkup of the Iowa DOT had heard that the offer was for \$60 million, also for the Iowa Falls Gateway branches and something less than the entire Spine Line.

At the risk of adding the appearance of credibility to other unsubstantiated rumors, Mr. Stoffer had also heard the CNW intended to cease operations on the Rock Island trackage effective August 31, 1982. He stated stored cars were being moved from Rock Island track and that the Motel Sleepers, which provides crew lodging at Manly, Iowa, had been notified their services would shortly not be required.

JDD/jmz

8

August 12, 1982

TO: W. D. Martino  
FROM: J. D. Darling ~~SAD~~  
RE: Rock Island Study

I had a call from C. J. Stoffer, General Freight Agent, Iowa Northern Railroad Company. Among other things, he mentioned that the Agricultural Stabilization and Conservation Service will hold a meeting at 1:00 p.m., on Monday, August 16, 1982, in the Hotel Fort Des Moines at Des Moines, Iowa. Rail carriers, barge lines, Agri Industries and other grain firms, and local cooperatives are expected to attend. The topic will be the discussion of problems anticipated in the relocation of last year's corn crop to government storage to make room for this year's crop.

I thought you might wish to attend the meeting for its own sake, but as we have also had to postpone our meeting with the Iowa Falls Gateway Shippers Association that was scheduled for Wednesday, August 18, 1982, in West Bend, your presence might also help to demonstrate our continued interest.

JDD/jmz



August 12, 1982

TO: T. M. Beckley  
D. M. Cavanaugh  
R. H. Smith  
D. J. Boyer

FROM: J. D. Darling *JDD*

RE: Rock Island Study

The meeting scheduled for Wednesday, August 18, 1982, with the Iowa Falls Gateway Shippers Association has been postponed.

No date has been set for any further meeting.

JDD/jmz

D.M.C.

ROCK  
ISLAND

August 12, 1982

AUG 13 1982

EXEC. VICE PRESIDENT

Memorandum to File

From: D. J. Boyer ~~DOB~~

Re: Central Bank for Cooperatives - Omaha, Nebraska  
11:00 a.m., Monday, August 9, 1982

Attending: O. R. Zuber, V.P., Omaha Bank for Cooperatives

(\*) Ken Hide, Chief Loan Officer - Omaha Bank for  
Cooperatives

Randy Kassmeier, Attorney

D. L. Walkup, Mgr. Finance Authority, Iowa DOT

J. D. Darling - Soo

D. J. Boyer - Soo

Ref: Memorandum, August 3, 1982, D. J. Boyer

After individual introductions by each in attendance, Doug Walkup opened the meeting with a general discussion of the Iowa DOT interest in promoting ownership of the "spine line" and IFG branch lines. He explained present aid programs and proposed future financial aid via IRFA revolving fund loans. As the meeting developed and in later conversations with D. L. Walkup; the Iowa DOT was unaware of the extent of planned financial involvement contemplated by the Omaha Bank for Cooperatives. See above reference to D. J. Boyer memorandum of August 3, 1982.

Without having a definite agenda it was agreed the participants of the meeting would discuss pertinent items relative

\* - Spokesman

Memorandum to File  
August 12, 1982  
Page Two

to their interest in the Rock Island railroad and its disposition by Trustee.

D. J. Boyer covered the historical interest of Soo in the Kansas City gateway, and current happenings within the railroad industry which are generating a renewal of Soo interest. A general statement of Soo interest and attitude in surveying available financing sources and programs for input to Soo feasibility of acquisition study.

Ken Hide covered the organization of Central Bank for Cooperatives and their purpose. At this point D. J. Boyer asked how Central Bank for Cooperatives could finance to outside membership. A scenario followed given by Ken Hide of the formal organization of a consortium that would originate the loan, purchase the track and real estate then lease back to non-member for operation and option to future purchase. Fortunately, B. D. Olsen had provided details of a recent like situation in Iowa involving Milwaukee main line Council Bluffs to Bayard with BN as operator.

D. J. Boyer recited details which surprised bank representatives who were not aware of public release. Further discussion reveals BN may have purchase option because the final details of agreement remain to be worked out prior to expiration of 16 month rental period.

O. R. Zuber and Randy Kassmeier had a discussion of Central



Memorandum to File  
August 12, 1982  
Page Three

Bank for Cooperatives authority to loan to non-member providing there is a "substantial benefit to coops" from loan. There need not necessarily be a "majority involvement" by membership as compared to non-member. This particular matter will be researched by Randy Kassmeier and an opinion rendered. This is of importance in as much as it would permit a direct loan to a non-member and greatly reduce the organizational work of a consortium. In this respect also the consortium and non-member (corporation) must have legal residence within the service area of Omaha Bank for Cooperatives (Ia., S.D., Nebr., Wy.).

I suspect Ken Hide is the chief designer of the Milwaukee main line acquisition by the coop consortium with proposed BN operation. After realizing the details were public he expounded further stating loan could cover real estate as well as track and structures. It would cover acquisition in Minnesota and Missouri as well by bringing in the Bank for Cooperatives serving those regions as participating banks on the loan.

The chief item of concern is the liquidation value of real estate and trackage to cover the loan. Ken Hide asked directly whether Soo had made such an appraisal or study? D. J. Boyer responded no. Ken Hide suggested this is a "must" in the bank's view.

Memorandum to File  
August 12, 1982  
Page Four

The other bank requirement to financing the acquisition would be a revenue generation study particularly of the IFG branch. Bank is insistent that the venture will support the pay out. Pay out can be 12-15 years, but prefer 10 years. The loan rate is not pegged to either the prime or discount rate. It is the result of a "sampling" of their funds source (NY). Present fixed rate is 13.75%. The other source is private placement (over \$50 million) with a fixed rate by source. Omaha Bank for Cooperatives will also structure loan on a "floating" rate or a combination of portions of loan fixed and portions floating rate.

The matter of binding the association members to volumes and paybacks was brought up by the bank. D. J. Boyer stated Soo has not discarded the philosophy of shipper participation in some manner. Ken Hide indicated he had briefly reviewed financial and credit reports on Soo Line. He was impressed with the reports available and requested Soo annual report and system map. Stated the full financial backing of purchaser or guarantor was important.

Summary: Some details remain to be worked out in the loan construction with Omaha Bank for Cooperatives. Assuming loan is supported by approximate liquidation values of real estate, track and structure acquired from Rock Island; and revenue generation study supports the pay off program, the Omaha Bank

Memorandum to File  
August 12, 1982  
Page Five

for Cooperatives appear to be willing and capable of financing the package with some flexibility to Soo.

Major difference to be resolved would be Soo insistence pay back based on revenue car loadings and some type of membership shipper responsibility. Bank may insist on full faith and credit of Soo Line as purchaser or guarantor.

cc: T. M. Beckley  
✓ D. M. Cavanaugh  
B. D. Olsen  
J. D. Darling



Minneapolis, Minnesota  
August 12, 1982

File: CA

To: P. M. McNamee

From: W. D. Martino

SUBJECT: Marketing patterns, corn and soybeans, from Rock Island Iowa Falls gateway branch lines to various destination.

Last week Curt Sonnenberg and I drove several hundred miles and called on 20 elevators located on Rock Island trackage in North Central and Northwestern Iowa. We started at Rake and drove through Buffalo Center and west through Estherville and onto Ocheyedan. We then doubled back through Estherville and headed south through Graettinger, Emmetsburg and West Bend to Clarion. We then headed north through Klemme our last stop being Thompson before we headed home. This week, I visited Agri Industries, Cargill and the Iowa Department of Transportation on a one day trip to Des Moines. The purpose of these trips was to determine marketing patterns for the corn and soybean production in this Iowa Falls gateway area. In this memo I will discuss the various markets, including the summer and wintertime influences, intermodal competition, my thoughts on Soo (RI) access to some of these markets and I'll pass on some of the thoughts of Cargill and Agri.

#### MARKETS, GENERAL

North central and northwestern Iowa can be described as a residual source of corn and soybeans. For rail to the Gulf, corn and beans will move out of Missouri and southern Iowa first. For shipments to the West Coast, Nebraska product will move first. For the East Coast, Illinois corn will move first. For the Mississippi River barge market, both Illinois and Eastern Iowa corn will move first. Even the domestic corn processors are located in Illinois and Eastern Iowa or along the Missouri River. There are some soybean processors in this area, however. Northwestern and North Central Iowa, although very centrally located to all these markets, due to higher freight rates is the back-up supplier but it is like saying Lake Superior is the back-up supplier to Lake Mille Lacs. This area is rich in corn and soybeans. While we were driving, we didn't see any pigs, we saw some cattle but not enough to even fill a barn at the State Fair, one or two fields of oats and the rest was corn and beans. We learned to recognize the soybeans. If it wasn't corn, it must have been soybeans. Even the small elevators are large by Soo Line standards. Most of the elevators were of the very tall, concrete bin variety and did not appear to be very old. We learned that the Gulf Rail is the "star" market for both corn and soybeans but that these elevators need access to the other markets as well which I will describe.

MARKETS, SPECIFIC

The Gulf is the favorite market particularly among the very largest shippers, those capable of shipping 50 or 75 cars at one time. This market phases in strongly in late fall (harvest) and lasts through May. That is not to say that there isn't any rail Gulf during the summer or that at a time of a block buster corn movement there wouldn't be steady movement during the summer, the normal strong months are during the winter. This is caused by a couple of things.

At the opening of navigation on the Mississippi River in April, the river must absorb a back log of corn in Eastern Iowa that has been waiting to move. Later in the spring and early summer, the river must push its banks west and draw corn from further away. This tips the market in favor of the river and away from the all rail to the Gulf. This influence can be felt even though corn from our subject area doesn't necessarily move to the river. This past year, corn is moving from our area due to the exaggerated influence of the river. This is caused, of course, by the ultra depressed barge rates, and the generally flat demand for corn and soybeans for export. In addition, both the Milwaukee and the CNW have priced to feed the river. The Milwaukee has written contracts allowing 5 car shipments from stations on their Northern Iowa East-West line to McGregor, Muscatine, and Buffalo along the Mississippi. Agri has a house at McGregor and Cargill is located at Buffalo. These contracts will terminate probably in September as the harvest comes in and as the all rail to the Gulf takes over. The Rock Island elevators are shipping corn to East Clinton, Illinois in 25 car shipments. Agri has a house at East Clinton. I believe that the Milwaukee has a slightly better deal which results in some of the grumbling and possible loss of some business from the Rock Island elevators to the Milwaukee elevators. I didn't detect a panic on this phenomenon. Many of the Rock Island elevators such as at Buffalo Center or Clarion are far enough north or south as not to be influenced by any advantage the elevators located on the Milwaukee might have. Also, there is so much corn in this area that there is enough to go around for everybody. If there is a discrepancy between the Milwaukee and Rock Island elevators, it will go away around harvest. The other factors that influence rail movement to the Gulf are the barge orientation of Louisiana ports and the wheat movements into the Texas ports. The Louisiana ports are largely barge oriented in both summer and winter. They are set up to handle barges and prefer to handle barges as opposed to unit trains. Although the Texas ports can also be served by barge (from the Mississippi River via the Intracoastal Waterway), they are rail oriented since much of their grain tonnage originates from land locked states such as Kansas, Oklahoma, Colorado and Texas. In fact, during the summer months, they are preoccupied with loading winter wheat from those states and are not too interested in Iowa corn. This further influences the summertime and wintertime corn directions.



Summarizing, the river is an influence every year although more pronounced this year due to the flat markets and cheap barge rates. Corn and soybeans all rail to the Gulf will peak in the winter and slack off in the summer regardless of whether corn from the subject area is physically moving to the river or not. The river is a big influence in any year.

There are other markets besides the Gulf which tend to become more prominent in the summer as could be expected. There is a tremendous quantity of corn moving in single and 3 car rates to the chicken feeders in Arkansas. This market is a particular favorite of the smaller elevators. Agri Industries has leased facilities from Producers Grain in West Texas and wants to ship Iowa corn to feed lots in that area. Even Klemme, a 75 car shipper and possibly the biggest elevator that we visited, is presently shipping single and 3 car to the Arkansas market. Influencing them is the utilization of their private fleet. They can give them a longer ride to Arkansas than to the river via East Clinton.

Another market that has been quite active is Kansas City proper. Corn is positioned here for furtherance to the feed lots and chicken farmers and also for furtherance to Mexico. Mexico is also a strong market for both corn and soybeans on rail shipments direct from Iowa.

In addition, the East Coast can occasionally reach into Western Iowa if all the corn in between has been exhausted or if there should be a crop failure in Illinois. Also, the West Coast can and is reaching into Iowa for some of their corn. It is expected that this West Coast market will grow and become more dependable. Presently, due to the depressed barge rates and apparently reasonable bunker fuel rates, much of the corn that had been going off the West Coast is now going out through the Gulf ports. As fuel prices stabilize at higher rates, the movements off the West Coast should increase and become more consistent.

In addition, there are shipments to domestic processors for both corn and soybeans. Much of the soybeans are trucked to area processors at Fort Dodge, Mason City, Iowa Falls, and Mankato. Some of them are railed also. Corn is occasionally shipped to processors at Clinton and on the Missouri River. Again, our subject area is largely a residual supplier to these destinations as the processors will exhaust the supplies immediately adjacent to their plant before they will reach out to other areas. In general, the large 75 car shippers would rather not monkey with this type of business. They would rather be in the unit train business. As can be expected, the smaller elevators would go after this business as it more closely fits their capabilities.



August 12, 1982

PRIVATE CARS

Some of the elevators have private car fleets which influence their marketing decisions. Quite a few have 25 to 30 cars under lease but West Bend has 160, Superior 170 and Klemme a whopping 264 cars. These elevators will look at the market bids and will ship in the direction that will realize them the most profit including earnings for car allowances. For instance, the elevator at Superior may receive a West Coast bit that looks better than a Gulf bid but they will ship Gulf since the Union Pacific doesn't pay any mileage allowances on the West Coast rate. I already pointed out that Klemme is shipping to Arkansas rather than the East Clinton River market for the same reason. Most of these elevators would like to pare down their fleets but they still would like to keep 100 cars or so as insurance and to permit them marketing flexibility. These are huge, rail oriented operations. A few bucks spent on private cars does not mean that much to them.

WHAT SHIPPERS WOULD EXPECT FROM THE SOO LINE

Naturally, grain shippers want available all the marketing options that could possibly exist at lower rates than are presently applicable. Since the CNW serves so much of Iowa, it offers the shippers a wide variety of choices. It serves virtually all of the corn and soybean processors, serves the river at East Clinton, yet can haul to Chicago, Fremont, Kansas City, Peoria, or East St. Louis. The Soo Line could not offer all of this but if we could be reasonably assured that we would get them to the key markets, I believe they would be satisfied. They have to be interested in the long run operation of these lines and not just in the short term.

Obviously, we should have no problem serving the Arkansas and Texas feeder markets, the Mexican markets, the Gulf markets and Kansas City proper. I believe we would have to offer an outlet on the river and to the West Coast, however.

Let's discuss the river first. Since the Soo would not physically serve any port on the Mississippi, we would have to work with a connection. I do not believe we could work well with the Milwaukee or the CNW as we are competing for the same grain. We possibly could work with the ICG on rates to Dubuque which is a planned site for a new Agri terminal. We could also work with the new Iowa Railway which is operating the Rock Island main between Council Bluffs and Bureau, Illinois. There are some barge loaders in the Davenport area although the future of the Iowa Railway is cloudy to say the least. We could also interchange with the Norfolk & Western at Des Moines on traffic to Naples, Illinois. The river is important particularly in times of depressed demand such as now. Although it is not the primary market for North Central and Northwestern Iowa, these shippers need it as a safety valve.

The other market that we may have difficulty is the West Coast. Presently, the important corn elevators off the West Coast are at Seattle and Tacoma served by the BN and the UP. I don't feel comfortable working closely with the BN although it possibly could be done. The UP is a better partner although if the CNW ever joined up with the UP, then they would become an unfriendly connection as we would be competing for the same corn as the CNW has lines in our subject area. Also, we would connect with the UP at Kansas City which is the long way around to the Pacific Northwest. We possibly could work with the ICG at a connection at Iowa Falls or again with the Iowa Railway via Des Moines, however tenuous. I believe that the rate levels are too depressed to allow us to haul this corn up to Portal. One area of optimism, a growing export market from California. Continental and Cargill have elevators at Stockton and Agrex is at Long Beach. Both Agri and Cargill suggested that competitive freight rates to California would help promote that coast. Agri mentioned that a lot of ships that unload in the Stockton area deadhead to Seattle-Tacoma to pick up corn and that they might as well load the corn at Stockton. I believe that we could easily reach the California markets in connection with the ATSF or the Southern Pacific and perhaps with the DRGW if they get trackage rights into Kansas City. The latter route might be best as it would be shortest. Both SP and Santa Fe are rather circuitous except to Long Beach. There is also a domestic market in California and there have been some movements to those destinations. Again, we should not have a problem serving this market via Kansas City.

For the occasional shipment to the East Coast, we could connect with the N&W at Des Moines or the B&O (maybe) via Des Moines and the Iowa Railway. We would have to forsake most of the domestic processors except the soybean plants at Iowa Falls and Mason City. Perhaps there would be a few more opportunities if various trackage rights are awarded to some short line operators.

Summarizing, the Gulf is a star market but I believe we have to provide access to the Mississippi River and to the West Coast. Grain markets change and while the merchandisers might want the world, they can settle for less but do need options depending on what is hot at the moment.

#### COMMENTS OF CARGILL, AGRI AND THE IOWA DOT

Of the elevators that we called on, two were independent, three were Cargill houses and the rest were coops affiliated with Agri Industries of Des Moines. The two independents were small. There is no doubt that Agri has a strong hold on this area and also the rest of Iowa even more so than GTA has in our area. As an aside, the fact that we are only dealing with two grain firms might make it easy to contract some of the rates.



August 12, 1982

I talked to Mr. Tom Williamson, Vice President Transportation, and Mr. Jerry VanDerKamp, Manager Rail Rates for Agri. Tom advises that Agri is interested in the Gulf first and foremost. He would prefer a single line railroad to Houston where Agri has a terminal. He advises, however, that Agri would not come out directly against a carrier that wouldn't reach Houston and Agri would not oppose Soo Line's entry into Iowa. Tom favors single line because of division squabbles the CNW has had with its connections at Kansas City. Tom is also critical of the CNW rate structure believing there should be wider spreads between the various carload requirements (25, 50 and 75 cars) and that rates from Southern Iowa should be less than from Northern Iowa. He feels that the CNW is pricing to keep cars on their line. Tom feels that corn could move all rail from Southern Iowa to the Gulf in the summer months even with the presence of the river. Agri has an 8,000,000 bushel house at Avon served by the Rock Island which influences this thinking, however.

Tom also gave some insight into corn export patterns that can be related to some of the information contained above. He states that in a period of depressed demand, the first coast that will fall off is the Pacific Northwest. The next one is the Texas Gulf. Third, Gulf ports that don't have barge facilities such as Pascagoula or Lake Charles. Then the East Coast, and then all others. The all others include Mississippi barge which would be the last to drop off in the event of depressed markets.

Tom advises further that Agri is the biggest supplier to Mexico of corn and soybeans and intends to remain that way. He also advises that Agri operates a pool of 3,000 cars, 1,354 owned or leased by Agri with the rest subleased to the elevators. He would like Agri to control 800 cars with approximately 1,000 controlled by the affiliates. He has apparently worked a deal with the CNW and the other Iowa railroads to operate this fleet as a pool. The CNW does not have to worry about returning West Bend's cars back to West Bend or Superior cars back to Superior. The railroads can use them promiscuously as Agri maintains the bookkeeping. A few of the elevators have leases outside of Agri, most notably Klemme.

I also talked with Mr. John Miller, Area Manager for Cargill, and Mr. Phil Deeney, Branch Traffic Manager for Cargill located in Des Moines. They reiterated that the Gulf is their favorite market. They agree that the West Coast will become a more prominent market. They also want access to the river. Miller recognizes that the Soo may not offer as many options as the CNW but that some railroad beats no railroad at all. John is concerned that those lines are not being maintained and he would like a permanent operator in that area. Also, Cargill prefers shipping soybeans to the Gulf as well and not to area processors.



August 12, 1982

I also talked to Mr. Harvey Sims of the Iowa DOT. He described the Iowa Railway between Council Bluffs and Bureau. Sims stated that the operator wasn't well financed but figures that he will continue because no one else wants the line. His future is cloudy, of course, since he is only a tenant of the Rock Island and could be evicted.

Sims does not feel that the UP is interested in the CNW. He states that the Iowa DOT has endorsed enthusiastically the Milwaukee-Grand Trunk merger particularly since the Milwaukee will be keeping their Northern Iowa line and also their river lines. They enthusiastically supported the KCS-BN proposed purchase but felt that neither of those lines put up enough front money. He seemed enthusiastic that the Soo Line was interested in coming into Iowa.

#### SUMMARY

Mr. Darwin Luedtke of West Bend will be furnishing actual carloadings and destinations by quarter for the various line segments of the Iowa Falls gateway branches. I have not attempted to treat tonnage or car numbers from this area but attached are two statements showing carloadings from Superior Cooperative Elevator Company at Superior, Iowa and Farmers Coop. Elevator at Wake, Iowa which you may find interesting. Superior is one of the largest shippers. Their 1981 in particular shows the shipment pattern that I described previously.

Reiterating, the principle market is rail Gulf with the Arkansas feeder market and the Mexican markets important as well. The Kansas City proper market is also important but it is just an interim market to feed the chicken farmers and the Mexican markets. This past summer, the river market has been important because of the sluggish demand and cheap barge rates. Normally, the river is a factor during the summer months anyway although probably not to the degree it is this year. In any event, even during a slack market like this, there will be substantial movement to the Gulf come November and December. Even during slack times, these elevators push out a lot of carloads. If there was ever a block buster demand for the corn, there would probably be unit trains moving all year around instead of just in the winter months. The other export markets are occasional, both the East Coast and West Coast but the West Coast will be increasing in prominence and importance in the future.

I feel that the Soo can adequately serve all markets that are tributary via Kansas City. I do believe that we have to offer a route to the river and to the West Coast in order to give the elevators the diversity they need. I didn't mention Duluth-Superior in the narrative. We could offer rates to these ports but only when the Russians were buying corn as they like the smaller vessels the type of which serve the Twin Ports.

P. M. McNamee

-8-

August 12, 1982

All in all, this area is rich in corn and ship tremendous numbers of carloads even during periods of flat demand. I believe that the Soo could do some business in this area.

WDM:jlq

cc: R. H. Smith

July 29, 1982

Company name Superior Cooperative Elevator Company

Shipping location Superior, Iowa 51363

Phone number 712-858-4491

Year 1980	No. of Cars	Origin or Destination
Jan - Mar	523	Gulf - Hou - <sup>Best</sup> WL Charles - Mobile - Baton Rouge - / Des Moines
	<u>28</u> 551 Cars	
	5 cars	in with fertilizer
Apr-Jun	3 Ft Worth - <sup>Serrano</sup> 75 WL Charles 77 WL Charles 76 Ama La 75 WL Charles 77 WL Charles	75 WL Charles 17 Fort Worth 25 Cedar Rapids 75 WL Charles 3 Ft Worth
Jly-Sept	3 Fort Worth 50 Plainview Tx <sup>ccc</sup> 75 WL Charles 9 DMS <sup>Des Moines</sup> 1 St. Joe 75 Pascagola Ms	578 Cars 76 WL Charles 1 KC 50 WL Charles 10 Ia Falls 5 Ia Falls 50 Plainview TX <sup>ccc</sup>
Oct-Dec	50 Galveston <sup>ccc</sup> 50 Reseve 6 Ft Worth 75 Hou 4 FT Worth	76 Baton Rouge 50 Plainview 25 Davin, Tx 75 Hou 75 WL Charles
		75 Hou 75 WL Charles 75 Hou 75 Hou 75 Hou
		75 WL Charles 78 Hou 75 Hou 75 Hou 75 Hou
		1013 Cars
Year 1981	No. of Cars	Origin or Destination
Jan-Mar	75 Hou 75 Hous 75 Reserve 75 Ima 3 Ft Worth 75 Hou	3 N Little Rock 75 Pascagola 78 Hou 78 Hou 3 Ft Worth 3 Ft Worth
		75 Chgo - <sup>normal</sup> 75 Baton Rouge 78 Hou 3 Ft Worth 3 Greggton Tx
		74 Hou 80 Galveston 75 Corpus Christy 75 WL Charles 1153 Cars
		6 cars Fertilizer in
Apr-Jun	75 WL Charles 79 WL Charles 79 WL Charles 28 KC 28 KC	28 KC 28 Chgo 25 Ia Falls 27 Springdale, Ark.
		397 Cars
Jly-Sept	28 Roby Ind 26 K City 6 Clinton 26 Roby Ind 26 Clinton 26 WL Charles	26 Clinton 27 K. City 27 K. City 26 St. Paul 26 CHgo
		27 KC 27 KC 27 KC 27 KC 26 St. Paul 26 CHgo
		431 Cars
		19 Cars Fert In



Year 1981 cont'd      No. of Cars      Origin or Destination

Oct-Dec	79 Hou	3 Ft Smith
	80 Hou	75 Hou
	80 WL Charles .	3 Ft Smith
	80 Hou	

400 Cars

Year 1982      No. of Cars      Origin or Destination

Jan-Mar	75 Hou	80 Hou	
	80 Hou	80 Hou	
	80 Hou		
	77 Hou	551 Cars	3 cars fert in
	79 Hou		

Apr-June	80 Hou	80 Hou	
	6 Nashville, Ark	3 Mary La	
	79 Hou	80 Hou	
	80 Hou	80 Clinton - to Barge	
	80 Hou		
	80 Hou		

648 Cars

Volume estimate lost during period of relative slow movement to:

Truck-- ~~Barge Comb~~ 200,000 to 300,000 ~~Rm Com~~

Milw RR.-- June July - & Nov Aug) 1982 - 250,000 to

Barge

300,000 Rm. Com

& maybe some  
Beams.

July 29, 1982

Company name Farmer's Coop Elev

Shipping location PAKE IOWA

Phone number 515 566 3351

Year 1980 No. of Cars Origin or Destination

Jan - Mar 1-18-80 25 CARS Des Moines IA.  
1-29-80 24 CARS ST. JOE MISSOURI  
2-4-80 25 CARS MOBILE ALABAMA  
2-28-80 25 CARS HOUSTON TEXAS  
2-28-80 25 CARS LAKE CHARLES LA.  
3-3-80 25 CARS PASCAGOULA MISSISSIPPI  
3-18-80 49 CARS AMA LA  
Apr-Jun 4-22-80 27 CARS CEDAR RAPIDS IA  
4-30-80 25 CARS K.C. MISSOURI  
4-30-80 24 CARS CEDAR RAPIDS IA

7-8-80 25 CARS K.C. MISSOURI  
7-18-80 3 CARS SPRINGDALE ARK.  
7-22-80 6 CARS SPRINGDALE ARK.  
7-26-80 9 CARS SPRINGDALE ARK.  
8-4-80 50 CARS LAKE CHARLES LA.  
8-5-80 10 CARS SPRINGDALE ARK.  
8-26-80 17 CARS PEORIA ILL.  
8-28-80 1 CAR PEORIA ILL.  
9-11-80 49 CARS HOUSTON TEXAS

Oct-Dec 10-9-80 50 CARS HOUSTON TEXAS  
10-15-80 50 CARS HOUSTON TEXAS  
10-25-80 25 CARS K.C. MISSOURI  
10-28-80 50 CARS HOUSTON TEXAS  
10-31-80 50 CARS HOUSTON TEXAS  
11-18-80 25 CARS CEDAR RAPIDS IA.  
11-21-80 25 CARS WEST LAKE CHARLES LA.  
11-23-80 53 CARS HOUSTON TEXAS  
12-3-80 51 CARS K.C. MISSOURI

TOTAL LOADED 1980 947 CARS

Year 1981 No. of Cars Origin or Destination

Jan-Mar 1-14-81 51 CARS HOUSTON TEXAS  
1-30-81 50 CARS HOUSTON TEXAS  
2-17-81 50 CARS HOUSTON TEXAS  
3-2-81 51 CARS HOUSTON TEXAS  
3-12-81 50 CARS K.C. KANSAS  
3-30-81 52 CARS K.C. MISSOURI

Apr-Jun 4-2-81 51 CARS K.C. MISSOURI  
4-9-81 50 CARS K.C. KANSAS  
4-20-81 50 CARS K.C. KANSAS  
5-1-81 51 CARS CLINTON IA.  
6-18-81 25 CARS SPRINGDALE ARK.

July-Sept 7-23-81 27 CARS EAST CLINTON ILL.  
8-12-81 50 CARS EAST CLINTON ILL.  
8-25-81 52 CARS EAST CLINTON ILL.  
9-1-81 50 CARS EAST CLINTON ILL.  
9-28-81 25 CARS K.C. MISSOURI



Year 1981 cont'd	No. of Cars	Origin or Destination
10-9-81	30 CARS	K.C. MISSOURI
Oct-Dec 11-2-81	26 CARS	Roby INDIANA
12-14-81	26 CARS	K.C. MISSOURI
12-16-81	25 CARS	K.C. MISSOURI

TOTAL CARS LOADED 1981 842 CARS

Year 1982	No. of Cars	Origin or Destination
1-16-82	25 CARS	Clinton IA
Jan-Mar 2-12-82	25 CARS	North K.C. MISSOURI
3-27-82	26 CARS	East Clinton Ill.

4-16-82	25 CARS	East Clinton Ill.
4-23-82	25 CARS	K.C. MISSOURI
Apr-June 5-18-82	26 CARS	East Clinton Ill.
6-8-82	25 CARS	East Clinton Ill.
6-12-82	28 CARS	East Clinton Ill.
6-15-82	50 CARS	K.C. KANSAS

CARS LOADED IN THIS PERIOD 255 CARS

Volume estimate lost during period of relative slow movement to:

Truck--

Milw RR.--



July 29, 1982

Company name

Klemme Coop Grain Co.

Shipping location

Phone number

515 .587 2161

Year 1980

No. of Cars

Origin or Destination

Jan - Mar

825 Sulf

8 cars Sulf

Apr-Jun

375 Sulf  
75 KC  
450 Tot

July-Sept

450 Sulf  
25 KC  
475 Tot

Oct-Dec

975 Sulf

4 cars  
Sulfizer

Tot for yr 5737

Year 1981

No. of Cars

Origin or Destination

Jan-Mar

825 Tot Sulf

8 cars Sulfizer

Apr-Jun

225 Sulf  
125 KC  
150 CR  
75 Sulf  
Tot 575

Tot 575

July-Sept

62 Sulfizer  
75 KC  
25 CR  
25 Sulf  
Tot 187

Tot 187

Year 1981 cont'd      No. of Cars      Origin or Destination

Oct-Dec    600 Gulf  
              3 arb      Tot 603      4 Fertilizer

Tot year 2202

Year 1982      No. of Cars      Origin or Destination

Jan-Mar    300 Gulf  
              25 Clinton      Tot 325  
                                 5 cars fertilizer

Apr-June    183 arb  
              150 Gulf  
              16 La Salle      Tot 359

Tot first 6 months 689

Volume estimate lost during period of relative slow movement to:

Truck--

Milw RR.-- 500,000

Draft  
8/12/82

ROCK ISLAND STUDY  
PRO FORMA FIVE YEAR RESULTS ON "CORPORATE ENTITY" BASIS  
ASSUMPTIONS

1. Corporate Structure - Soo would create separate corporate subsidiaries to acquire the Main Line (Northfield to Kansas City) and Iowa Falls Branch Lines. The pro forma schedules demonstrate the five year results for both entities, as well as the MN&S.
2. Operating Income - Revenues and expenses are identical to the study previously furnished to the Executive Committee except that \$6.2 million more trackwork has been added on the Main Line in the first five years to take advantage of the full \$15 million F.R.A. low interest loans. Revenue and expenses were assigned to the three corporate entities as follows:

	Main	Branch	MN&S
Revenues	Balance of revenues from Main and Branch traffic.	Mileage prorate of Branch traffic. Average of 28%.	Existing divisions. Average of \$200/car.
Way and Structures	Annual maintenance plus \$18 million programs over five years. Joint Facilities.	Annual maintenance plus \$7 million programs over five years.	\$.4 million per year additional maintenance.
Equipment	Locomotive costs on unit requirement basis. Car costs based on on-line days and miles. Joint Facilities.	Locomotive costs on unit requirement basis. Car costs based on on-branch car days and miles.	Locomotive cost on ton mile basis. Car costs assume 50 miles and three hours on MN&S for per diem.
Transportation	On-line T&E and OT&E. Fuel on GTM basis. Joint Facilities. Other items prorated.	On-line T&E and OT&E. Fuel on GTM basis. Other items prorated.	T&E prorated on train miles. Fuel on GTM basis. Other items prorated.
Gen. & Admn.	\$2.4 million/year.	\$.9 million/year.	\$.1 million/year.

Note that some operating expenses such as general and administrative would actually be incurred by Soo Line Railroad. The assumption would be that these items are then billed by Soo to the subsidiaries.



ROCK ISLAND STUDY  
PRO FORMA FIVE YEAR RESULTS ON "CORPORATE ENTITY" BASIS  
ASSUMPTIONS

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3. Assets Acquired

	<u>Main</u>	<u>Branch</u>	<u>MN&amp;S</u>
Roadway Purchase	\$40 million (based on net salvage).	\$12 million (based on net salvage).	None
Locomotives	One per year (balance from Soo Fleet).	One per year (balance from Soo Fleet).	None
Cars	None until year 6 (balance from Soo Fleet or short term leases).	None until year 6 (balance from Soo Fleet or short term leases).	None
Other Assets	\$.6 million/year.	\$.4 million/year.	None (Bridgework?)
Working Capital	\$2.0 million initially.	\$2.0 million initially.	None

4. Financing

	<u>Main</u>	<u>Branch</u>	<u>MN&amp;S</u>
Roadway	\$33.2 million carried by Rock Island Trustee. Non interest bearing. Repaid over five years.	\$8.6 million carried by Rock Island Trustee. Non interest bearing. Repaid over five years.	None
Locomotives	14% Equipment Trust.	14% Equipment Trust.	None
Track Rehab.	\$15 million F.R.A. loans over three years. No repayment until year 6. 3% effective interest.	\$4.7 million state/shipper funds over five years. Non interest bearing. Shipper repaid same year; state one year later. State for-gives repayments for years three & four.	None
Soo Initial Cash Contribution	\$9.6 million.	\$5.9 million.	
Interest Income	Interest income fore-gone is shown as accruing to each entity at rate of 14%. (Actually would be for Soo account).	Interest income fore-gone is shown as accruing to each entity at rate of 14%. (Actually would be for Soo account).	Interest income realized at 14% on positive cash flows.

ROCK ISLAND STUDY  
PRO FORMA FIVE YEAR RESULTS ON "CORPORATE ENTITY" BASIS  
ASSUMPTIONS

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5. Income Taxes

	<u>Main</u>	<u>Branch</u>	<u>MN&amp;S</u>
Tax Rate	50%	50%	50%
Roadway	Five year write-off (excluding land).	Five year write-off (excluding land).	-
Locomotives and Other	5 year write-off.	5 year write-off.	-
RRB Operating Expenses	Capitalized with five year write-off. *	Capitlized with five year write-off. *	Capitalized with five year write-off.
I.T.C.	Locomotives, other capital, RRB operat- ing expenses. *	Locomotives, other capital, RRB operat- ing expenses. *	RRB Operating Ex- penses.
N.O.L.	For presentation, re- funds shown as accru- ing to this entity.	For presentation, re- funds shown as accru- ing to this entity.	\$1.8 million of <u>pre-</u> <u>acquisition</u> carry forward. Accelerated from years two - five to year one.
Deferred Tax	Fully accrued.	Fully accrued.	Fully accrued.

6. Balance Sheet - Balance sheet presentation assumes Soo initial cash contri-  
bution is carried as investment on Soo books; then eliminated in consolida-  
tion.

Dividends are assumed to be paid at rate of 50% of consolidated income,  
reducing Soo cash and shareholders' equity.

No intercompany dividends or advances included, other than initial Soo  
contribution. Funding of Branch Line operating deficits and negative cash  
balances not illustrated.

\* Availability of ITC and depreciation on trackwork funded  
by government loans is being investigated.



# ROCK ISLAND STUDY

## PROFORMA RESULTS OF OPERATION ON "CORPORATE ENTITY" BASIS

INCOME INCREASE (DECREASE) IN MILLIONS		1	2	3	4	5	TOTAL
1. OPERATING REVENUES:	MAIN	\$ 40.2	\$ 43.5	\$ 46.9	\$ 50.6	\$ 54.7	235.9
	BRANCH	5.4	5.8	6.3	6.8	7.3	31.6
	MN+5	8.0	8.6	9.3	10.1	10.9	46.9
	TOTAL	53.6	57.9	62.5	67.5	72.9	314.4
	BASED ON CURRENT DIVISION FORMULAS.						
2. OPERATING EXPENSES:	MAIN	(35.6)	(38.1)	(40.7)	(39.9)	(43.3)	(197.6)
	BRANCH	(7.1)	(7.6)	(8.4)	(9.1)	(9.8)	(42.0)
	MN+5	(1.8)	(1.9)	(2.1)	(2.3)	(2.5)	(10.6)
	TOTAL	(44.5)	(47.6)	(51.2)	(51.3)	(55.6)	(250.2)
3. OPERATING INCOME:	MAIN	4.6	5.4	6.2	10.7	11.4	38.3
	BRANCH	(1.7)	(1.8)	(2.1)	(2.3)	(2.5)	(10.4)
	MN+5	6.2	6.7	7.2	7.8	8.4	36.3
	TOTAL	9.1	10.3	11.3	16.2	17.3	64.2
4. INTEREST INCOME+EXPENSE:	MAIN	(1.4)	(1.3)	(1.2)	(.9)	(.4)	(5.2)
	BRANCH	(.9)	(1.2)	(1.6)	(2.2)	(2.7)	(8.6)
	MN+5	-	.7	1.1	1.6	2.2	5.6
	TOTAL	(2.3)	(1.8)	(1.7)	(1.5)	(.9)	(8.2)
5. CURRENT INCOME TAX:	MAIN	.1	1.5	1.7	1.1	1.0	5.4
	BRANCH	2.1	2.9	3.4	4.0	4.7	17.1
	MN+5	(1.4)	(4.2)	(4.7)	(5.1)	(5.8)	(21.2)
	TOTAL	.8	1.2	1.4	-	(.1)	1.3
6. DEFERRED INCOME TAX:	MAIN	(.8)	(2.8)	(3.2)	(5.5)	(5.9)	(18.2)
	BRANCH	(.5)	(1.1)	(1.2)	(1.5)	(1.7)	(6.0)
	MN+5	(1.6)	.5	.7	.4	.6	.6
	TOTAL	(2.9)	(3.4)	(3.7)	(6.6)	(7.0)	(23.6)
7. NET INCOME	MAIN	2.5	2.8	3.5	5.4	6.1	20.3
	BRANCH	(1.0)	(1.2)	(1.5)	(2.0)	(2.2)	(7.9)
	MN+5	3.2	3.7	4.3	4.7	5.4	21.3
	TOTAL	4.7	5.3	6.3	8.1	9.3	33.7

REFLECTS ACCELERATED RECEIPT OF PRE-ACQUISITION N.O.L. + I.T.C. (CARRYFORWARD)



# ROCK ISLAND STUDY

## PRO FORMA OPERATING EXPENSES ON "CORPORATE ENTITY" BASIS

(\$ IN MILLIONS)

	1	2	3	4	5	TOTAL
1. "MAJOR" TRACK PROGRAMS: MAIN	5.0	5.0	5.0	1.2	1.4	17.6
BRANCH	1.2	1.3	1.4	1.5	1.6	7.0
MNTS	.3	.3	.3	.4	.4	1.7
TOTAL*	6.5	6.6	6.7	3.1	3.4	26.3
<div style="border: 1px solid black; padding: 2px; display: inline-block;">           IN EXCESS OF "ANNUAL" MAINTENANCE         </div>						
2. ANNUAL TRACK MAINTENANCE						
+ OTHER W+S EXPENSE: MAIN	5.9	6.4	6.9	7.4	8.0	34.6
BRANCH	1.8	1.9	2.1	2.3	2.4	10.5
MNTS	.1	.1	.1	.1	.1	.5
TOTAL	7.8	8.4	9.1	9.8	10.5	45.6
3. EQUIPMENT EXPENSE: MAIN	7.8	8.4	9.1	10.1	11.0	46.4
BRANCH	1.6	1.7	2.0	2.3	2.4	10.0
MNTS	.6	.6	.7	.8	.8	3.5
TOTAL	10.0	10.7	11.8	13.2	14.2	59.9
<div style="border: 1px solid black; padding: 2px; display: inline-block;">           REFLECTS ACQUISITION OF 2 LOCOMOTIVES PER YEAR, BUT NO FREIGHT CARS UNTIL YEAR 6         </div>						
4. TRANSPORTATION EXPENSE: MAIN	14.5	15.7	16.9	18.2	19.7	85.0
BRANCH	1.6	1.7	1.9	1.9	2.2	9.3
MNTS	.7	.8	.9	.9	1.1	4.4
TOTAL	16.8	18.2	19.7	21.0	23.0	98.7
5. GEN & ADMINISTRATIVE: MAIN	2.4	2.6	2.8	3.0	3.2	14.0
BRANCH	.9	1.0	1.0	1.1	1.2	5.2
MNTS	.1	.1	.1	.1	.1	.5
TOTAL	3.4	3.7	3.9	4.2	4.5	19.7
6. TOTAL OPER. EXPENSE: MAIN	35.6	38.1	40.7	39.9	43.3	197.6
BRANCH	7.1	7.6	8.4	9.1	9.8	42.0
MNTS	1.8	1.9	2.1	2.3	2.5	10.6
TOTAL*	44.5	47.6	51.2	51.3	55.6	250.2
7. CONSOLIDATED OPERATING RATIO	83.0%	82.2%	81.9%	76.0%	76.3%	79.6%

\* PREVIOUS STUDY ASSUMPTIONS

: MAJOR TRACK PROGRAMS	\$ 5.0	\$ 1.8	\$ 2.8	\$ 5.1	\$ 5.4	\$ 20.1
: TOTAL OPER. EXPENSE	43.0	42.8	47.3	53.3	52.6	244.0

# ROCK ISLAND STUDY

## PRO FORMA CASH FLOW ON "CORPORATE ENTITY" BASIS

CASH SOURCE (USE) IN MILLIONS		0	1	2	3	4	5	TOTAL
1. NET INCOME:	MAIN	\$	\$ 2.5	\$ 2.8	\$ 3.5	\$ 5.4	\$ 6.1	\$ 20.3
	BRANCH		(1.0)	(1.2)	(1.5)	(2.0)	(2.2)	(7.9)
	MN+TS		<u>3.2</u>	<u>3.7</u>	<u>4.3</u>	<u>4.7</u>	<u>5.4</u>	<u>21.3</u>
	TOTAL		4.7	5.3	6.3	8.1	9.3	33.7
2. DEPRECIATION AND DEFERRED TAXES:	MAIN		1.0	3.0	3.5	5.9	6.3	19.7
	BRANCH		.6	1.3	1.4	1.8	2.0	7.1
	MN+TS		<u>1.6</u>	<u>(.5)</u>	<u>(.7)</u>	<u>(.4)</u>	<u>(.6)</u>	<u>(.6)</u>
	TOTAL		3.2	3.8	4.2	7.3	7.7	26.2
3. BORROWINGS	MAIN	33.8	5.7	5.8	5.8	.9	1.0	53.0
	BRANCH	9.3	1.5	1.6	1.8	1.9	2.0	18.1
	MN+TS							
	TOTAL	43.1	7.2	7.4	7.6	2.8	3.0	71.1
4. ASSET INVESTMENT:	MAIN	(43.4)	(1.8)	(1.9)	(2.0)	(2.2)	(2.3)	(53.6)
	BRANCH	(15.2)	(1.4)	(1.5)	(1.8)	(1.8)	(2.0)	(23.7)
	MN+TS							
	TOTAL	(58.6)	(3.2)	(3.4)	(3.8)	(4.0)	(4.3)	(77.3)
5. LOAN REPAYMENTS:	MAIN		(5.8)	(7.8)	(8.3)	(5.6)	(6.0)	(33.5)
	BRANCH		(1.3)	(2.2)	(2.9)	(2.9)	(2.8)	(12.1)
	MN+TS							
	TOTAL		(7.1)	(10.0)	(11.2)	(8.5)	(8.8)	(45.6)
6. CASH FLOW	MAIN	(9.6)	1.6	1.9	2.5	4.4	5.1	5.9
	BRANCH	(5.9)	(1.6)	(2.0)	(3.0)	(3.0)	(3.0)	(18.5)
	MN+TS		4.8	3.2	3.6	4.3	4.8	20.7
	TOTAL	(15.5)	4.8	3.1	3.1	5.7	6.9	8.1
PERIODIC ADVANCES REQUIRED TO REPLENISH TREASURY								
7. SOD LINE CONTRIBUTION		\$ 15.5						

REFUNDABLE INCOME TAXES AT 12/31/81: \$ 15.7  
OR

1981 IMPACT OF TRACK STRUCTURE RECOVERY: 19.1



# ROCK ISLAND STUDY DEBT BORROWINGS AND (REPAYMENTS) MAIN AND BRANCH CORPORATIONS

(\$ IN MILLIONS)

0    1    2    3    4    5    TOTAL

## MAIN LINE CORP

1. EQUIPMENT TRUSTS (14% 15 YEAR AMORTIZATION)	.6	.7	.8	.8	.9	1.0	4.8
	-	-	-	(.1)	(.1)	(.1)	(.3)
2. FRA TRACK LOANS (3% EFFECTIVE RATE, REPAYMENT 15 FROM YEAR 6 TO YEAR 20)	-	5.0	5.0	5.0	-	-	15.0
	-	-	-	-	-	-	-
3. R.I. TRUSTEE (NON INTEREST BEARING. REPAID OVER 5 YEARS)	33.2						33.2
		(5.8)	(7.8)	(8.2)	(5.5)	(5.9)	(33.2) ←
4. TOTAL LOANS	33.8	5.7	5.8	5.8	.9	1.0	33.0
		(5.8)	(7.8)	(8.3)	(5.6)	(6.0)	(33.5)
5. SUM OF DEFERRED TAXES AND FRA LOAN PROCEEDS		5.8	7.8	8.2	5.5	5.9	33.2 ←

## BRANCH LINE CORP

1. EQUIPMENT TRUSTS (14% 15 YEAR AMORTIZATION)	.7	.7	.7	.9	.9	.9	4.8
				(.1)	(.1)	(.1)	(.3)
2. SHIPPER/STATE TRACK FUNDS (RR, SHIPPER, STATES 1/3 EACH. NON INTEREST BEARING. STATE FORGIVES REPAYMENT OF 3.9 MIL.)		.8	.9	.9	1.0	1.1	4.7
		(.4)	(.8)	(.9)	(.5)	(.6)	(3.2)
3. R.I. TRUSTEE (NON-INTEREST BEARING. REPAID OVER 5 YEARS)	8.6						8.6
		(.9)	(1.4)	(1.9)	(2.3)	(2.1)	(8.6) ←
4. TOTAL LOANS	9.3	1.5	1.6	1.8	1.9	2.0	18.1
		(1.3)	(2.2)	(2.9)	(2.9)	(2.8)	(12.1)
5. SUM OF DEFERRED TAXES, INVESTMENT CREDIT, AND STATE TRACK FUND GRANTS		.9	1.4	1.9	2.3	2.1	8.6 ←



# ROCK ISLAND STUDY

## PRO FORMA BALANCE SHEET CHANGES ON CORPORATE ENTITY BASIS

(DOLLARS IN MILLIONS)

	MAIN	BRANCH	MNTS	SUBTOTAL	500	CONS. ENTRIES	CONS. 500
<u>INITIAL BALANCE SHEET</u>							
CASH	\$ -0-	\$ -0-	\$	\$ -0-	\$ (15.5)	\$	\$ (15.5)
OTHER CURRENT ASSETS	2.0	2.0		4.0			4.0
SUBSIDIARY INVESTMENT					15.5	(15.5)	-0-
NET PROPERTIES	41.4	13.2		54.6			54.6
TOTAL ASSETS	\$ 43.4	\$ 15.2	\$ -0-	\$ 58.6	\$ -0-	\$ (15.5)	\$ 43.1
DEBT	\$ 33.8	\$ 9.3	\$	\$ 43.1	\$	\$	\$ 43.1
DEFERRED INCOME TAX	-	-		-			-
SHAREHOLDER'S EQUITY	9.6	5.9		15.5		(15.5)	-0-
LIABILITIES + EQUITY	\$ 43.4	\$ 15.2	\$ -0-	\$ 58.6	\$ -0-	\$ (15.5)	\$ 43.1

## BALANCE SHEET AT END OF YEAR 5

CASH	\$ 15.5	\$ (12.6)*	\$ 20.7	\$ 23.6	\$ (32.4)**	\$	\$ (8.8)
OTHER CURRENT ASSETS	3.0	2.8	-	5.8			5.8
SUBSIDIARY INVESTMENT					15.5	(15.5)	-0-
NET PROPERTIES	49.1	19.8	-	68.9			68.9
TOTAL ASSETS	\$ 67.6	\$ 10.0	\$ 20.7	\$ 98.3	\$ (16.9)	\$ (15.5)	\$ 65.9
DEBT	\$ 19.5	\$ 6.0	\$	\$ 25.5	\$	\$	\$ 25.5
DEFERRED INCOME TAX	18.2	6.0	(.6)	23.6			23.6
SHAREHOLDER'S EQUITY	29.9	(2.0)*	21.3	49.2	(16.9)**	(15.5)	16.8
LIABILITIES + EQUITY	\$ 67.6	\$ 10.0	\$ 20.7	\$ 98.3	\$ (16.9)	\$ (15.5)	\$ 65.9

\* RESOLUTION OF CASH SHORTFALL NOT ILLUSTRATED

\*\* DIVIDENDS AT 50% CONSOLIDATED NET INCOME, REDUCING 500 CASH AND EQUITY.

# ROCK ISLAND STUDY

"PREMIUM PRICE" FOR MAIN LINE IF SUSTAINED REVENUES EXCEED BASE LEVEL  
(DOLLARS IN MILLIONS) ASSUMING +20% REVENUES AS MAXIMUM

## "BASE LEVEL" ASSUMPTIONS

1. PURCHASE PRICE	\$ 40.0
2. ANNUAL REVENUES (INCLUDING BRANCH DIVISION, EXCLUDING MWTS)	\$ 40.2
3. ANNUAL CARRIAGE MOVING ON MAIN LINE	71400
4. ANNUAL REVENUE TON MILES (MILLIONS) ON MAIN LINE	1500

## NET CONTRIBUTION OF 20% ADDITIONAL REVENUES

5. REVENUE GAIN FROM 14300 ADDITIONAL CARRIAGES (+20%)	\$ 8.0
6. EXPENSE INCREASE (USING 80% OPERATING RATIO)	-6.4
7. INCOME TAX INCREASE (50% RATE)	-1.8
8. ANNUAL NET INCOME AND CASH	<u>+ .8</u>

ADDITIONAL PURCHASE PRICE JUSTIFIED BY \$ +.8 MILLION  
NET CASH PER YEAR FOR 25 YEARS, ASSUMING 15% ROI

	PURCHASE PRICE	TAX DEPREC. BENEFIT	ANNUAL NET CASH	NET CASH
0	\$ -7.8			\$ -7.8
1		+ .6	\$ +.8	+ 1.4
2		+ .8		+ 1.6
3		+ .8		+ 1.6
4		+ .8		+ 1.6
5		+ .8		+ 1.6
6-25				+ .8
TOTAL	<u>\$ -7.8</u>	<u>\$ + 3.8</u>	<u>\$ + 20.0</u>	<u>\$ + 16.0</u>

ROI AFTER TAX = 15%

## POSSIBLE METHODS OF PAYING "PREMIUM PRICE" ON CONTINGENCY BASIS

- \$109 PER CARRIAGE FOR CARS IN EXCESS OF 71,400 PER YEAR FOR 5 YEARS.  
MAXIMUM: \$109 x 14,300 CARS / YEAR x 5 YEARS = \$ 7.8 MILLION
- .0052 PER REV. TON MILE FOR TON MILES IN EXCESS OF 1.5 BILLION PER YEAR FOR 5 YEARS.  
MAXIMUM: .0052 x .3 BILLION / YEAR x 5 YEARS = \$ 7.8 MILLION
- SIMILAR TO EITHER OF ABOVE, BUT PAY ONLY AFTER 5 YEARS ON CARS IN EXCESS OF 357,000 FOR THE 5 YEAR TOTAL.

NOTE: ANY CONTINGENT PAYMENTS TO TRUSTEE WOULD LIKELY BE CAPITALIZED AS ADDITIONAL PROPERTY INVESTMENT



August 11, 1982

TO: T. M. Beckley  
D. M. Cavanaugh  
B. D. Olsen  
D. J. Boyer

FROM: J. D. Darling *JMA*

RE: Rock Island Study

Attached is some information furnished by the Iowa DOT on the  
Title 5 funding and loan guarantee programs.

JDD/jmz

Att.



# STATUS OF "505" FUNDS

(\$000)

Authorizations 1,400.0

Appropriated (thru FY '82) 615.5

Rescissions/Transfers 16.3

Net Appropriations 599.2

Agreements 500.3

Unobligated Funds 98.9

## Reserved Funds:

- For Rock Island lines under RITEA: 38.0

Royal to Manson  
MidState Port Authority  
(Kansas)  
Oklahoma-Kansas-Texas  
Little Rock - Western

- From FY '82 appropriations:

East St. Louis	20
Oklahoma-Kansas-Texas	11
Grain Route (RI Spine)	15
Milw. Mainline	
(Chicago-Twin Cities)	6
Armourdale Yard	
(Kansas City)	5
Feeder Line Program	<u>3</u>

Total 60.0

Reserved Funds 98.0

Funds Available (Not Reserved) .9

## LEGISLATIVE HISTORY SECTION "505" FUNDING

Railroad Revitalization and Regulatory Reform Act of 1976  
(PL 94-210) February '76

- Section 505 (45 USC 825) authorized \$600 million for rehabilitation and improvement financing

Public Law 95-620 November 1978

- Increased the authorization to \$700 million

Rock Island Transition and Employee Assistance Act  
(PL 96-254) May 30, 1980

- No less than \$25 million from funds available for purchase, lease, or rehabilitation of RI by noncarriers (Section 112)
- No more than \$18 million from funds available for purchase, lease, or rehabilitation of Milwaukee Road by noncarriers (Section 112)
- No more than \$15 million is available for Directed Service on Rock Island and Milwaukee Road (Section 104) (\$5.9 M expended)

Staggers Rail Act of 1980  
(PL 96-448) October 1980

- Increased authorization to \$1.4 billion
- Increased funds available for RI and Milwaukee by noncarriers:
  - RI - No less than \$38 million
  - Milw - No more than \$27 million



# AMERICAN ASSOCIATION OF STATE HIGHWAY AND TRANSPORTATION OFFICIALS

## National Conference of State Railway Officials (Standing Committee on Railways)

### President

JOHN A. CLEMENTS  
Commissioner  
New Hampshire Department  
of Public Works and Highways

### Committee Chairman

RICHARD P. BRAUN  
Minnesota Department  
of Transportation

B-82-37

Address reply to:

444 N. Capitol St., N.W.  
Suite 225  
Washington, D.C. 20001

TO: The Members of the Standing Committee on Railways  
FROM: William T. Druhan, Secretary  
SUBJECT: Fiscal Year 1982 Supplement Appropriations  
DATE: July 16, 1982

The House Appropriations Subcommittee on Transportation considered and reported out a fiscal year 1982 supplemental appropriation. Included in this bill are several items relating to the Federal Railroad Administration.

It recommended \$24.766 million to liquidate a promissory note issued by the DOT in connection with a January 27, 1981 loan default by the Rock Island Railroad guaranteed under Section 511. Similarly, it recommended \$1.55 million to liquidate promissory notes issued in connection with more loan defaults under the Emergency Rail Service Act of 1970 and Section 215 of the 3R Act.

With further regard to the Section 511 of the Guarantee Loan Program, the Subcommittee recommended reducing the fiscal year 1982 appropriations from \$270 million to \$100 million. It explained that the continuing high interest rates have seriously curtailed demand for the loan guarantees. FRA explained that currently the interest rate is about 16 percent and that railroads capable of paying this interest rate are also capable of obtaining loans from a bank and therefore are ineligible for this program. The \$100 million being made available is to accommodate a possible \$75 million guarantee to cover Rock Island labor protection requirements and \$25 million for other applications and contingencies.

It provided \$639.4 million to liquidate a further settlement in the Conrail liquidation case. This amount was primarily to settle the claim for the Erie Lackawanna Railroad but also included a small amount for the Reading. It will be recalled that \$2.1 billion was paid to Penn Central in fiscal year 1981. A claim by the Central of New Jersey Railroad is the only outstanding matter in the liquidation case.



Rail Committee  
July 16, 1982  
page 2

With further regard to Conrail, the subcommittee recommended an additional \$9 million to close out the labor protection payments authorized under Title 5 of the 4R Act. A total of \$335 million had previously been expended for this labor protection program. Thus, this brings the total to \$344 million whereas a total of \$485 million had been previously authorized.

*Don*  
An additional \$25 million was recommended for the East St. Louis restructuring project. Of this amount \$20 million is to be provided from new funding and \$5 million is to be provided from a transfer of the FRA research and development funding. Apparently, these funds are being provided at this time in lieu of providing a similar amount already included in the fiscal year 1983 budget. The subcommittee suggested, however, that report language be included to direct FRA to make payment available for this project only after agreement has been secured from private railroads to fund at least 40 percent of the total project. There is no indication that this will be accomplished in fiscal year 1982 in time to obligate these additional funds.

With regard to the transfer of Conrail commuter lines to Amtrak commuter or to local authorities, DOT proposed that \$37.5 of the \$45 million appropriated for fiscal year 1982 be made available over a four year period. The Committee believes that this is too long a period and reiterated the fact that the funds were appropriated for a one time transition period. In addition, the Subcommittee recommended that report language be included stating that if additional transition funding is required the final appropriation will be made in fiscal year 1983. Also, report language will be included prohibiting use of transition funds to address cash flow problems and working capital fund requirements of commuter authorities. Finally, there will be report language stressing that aside from transition funding subsidies for commuter rail systems, the Northeast will receive no special consideration outside what is afforded to national commuter rail needs through the UMTA program.

On the subject of Amtrak, the Subcommittee recommended report language which would permit Amtrak to purchase and rehabilitate the Conrail trackage between Cincinnati and Indianapolis. FRA had testified in the hearings that this purchase was unnecessary and could not be justified on the cost benefit basis.

The Subcommittee also suggested report language directing the FRA to apprise the Committee of all projects currently underway or planned relating to high speed rail service or the development of new high speed rail service technology.

It is planned that the bill will be considered by the full House Appropriations Committee on July 20.

WTD:cam

RECEIVED

JUL 21 1982

RAILROAD DIVISION  
FRA HQ

Soo Line Railroad Company



Soo Line Building  
Box 530  
Minneapolis, Minnesota 55440  
(612) 332-1261

August 11, 1982

✓ DAVID J. BOYER  
Executive Assistant

Mr. Ken Hide  
Senior Loan Officer  
Omaha Bank for Cooperatives  
800 Farm Credit Building  
206 South 19th Street  
Omaha, Nebraska 68102

Dear Mr. Hide:

We greatly appreciate the time you and your associates of Omaha Bank for Cooperatives afforded us on our Monday visit to Omaha.

Soo is indeed interested in continuing its current study of the potential of certain Rock Island line acquisition. The interest shown by Omaha Bank for Cooperatives in provision of financial programs was most welcome by us. We do understand that preliminary to any further discussion Omaha Bank for Cooperatives will research the propriety of its involvement in the discussed financial plans which may be available to Soo directly or via a consortium. In this respect, we look forward to hearing from you in the very near future.

Under separate cover a package containing current Soo financial reports and other data is being sent for your review.

Thank you again for your hospitality.

Very truly yours,

cc: T. M. Beckley, President, Soo Line  
D. L. Walkup, Finance Authority Manager,  
Iowa DOT

bcc: J. D. Darling

August 11, 1982

TO: W. B. Peterson  
FROM: J. D. Darling  
RE: Rock Island Study

Attached are a number of track inspection reports, a current estimate of rehabilitation costs and other information relating to the Iowa Falls Gateway branch lines furnished by the Iowa DOT. You may wish to review this information to confirm your field inspections.

JDD/jmz

Att.



8-11-82

C. J. Staffer

CNW offer was lease-purchase  
Meeting in Hotel Fort DuRoi

8-18-82 1:00 PM Monday

Rail Carriers, Barge Lines,  
Agri-Bus, other grain companies,  
elevator companies.

Off farm storage to government storage  
Agricultural and Stabilization and  
Conservation Service

60 Day rollover

Hotel sleepers, Manly, not needed

Moving stored cars

Rever about August 31, 1982



Superior

Klemme

West Bend

Brattin

620

Cargill

Cargill Industries

Dreyfus

Continental



Tuesday, August 10, 1982

4000 Cars loaned to RI

Cat fine 200

Claim against ~~estate~~

Expense of administration - paid

Bankruptcy

Disaffirm contracts

Breach of contract claim would

customarily be pre bankruptcy claim

# 8/9 Bank of Cooperatives

O.R. Zuber, Ken Hilde, Randy Cassman, Attorney  
Doug Walberg

Non-recourse loan to shippers

IRFA possibility of refinancing loans  
18 months ago

Trusted \$110,000 Spine and Lateral

Long term?
Real Estate only? → Anything
Magnitude? Reversing title

Needs government.

Ownership by share holders

Eligible borrower - cooperatives or group  
of cooperatives

St. Paul, St. Louis Bank for Cooperatives  
structure similar to trading company

Lease/Purchase

Leverage Lease/Purchase Buyback

Option to purchase



Long term loan

B3/4 variable rate currently

12 year or less

\$50,000,000 plus private placements

fixed rate based on cost of bonds  
reflective of cash flow from project.

full financial backing of Socon

guarantee.

IA, SD, NE, WY

~~Headquarters must be in one of four states~~

Socon Route Structure

little search

Mr. Boyer

D. J. BOYER & J. D. DARLING

MPLS. - OMAHA - CHICAGO - RETURN

August 9 & 10, 1982

Monday  
August 9

Minneapolis to Omaha

Flight: Republic Air/312  
Departure: 9:25 a.m.  
Arrival: 10:19 a.m.  
Stops: None  
Food: None

Meeting: Central Bank for Cooperatives - Omaha  
206 South 19th Street  
11:00 a.m.

Attending: D. L. Walkup, Mgr. Finance Authority, Iowa DOT  
K. Hide, Representative Omaha Central Bank for Coops.

Meeting: Brian R. Wipple, President  
Iowa Railroad Company  
P.O. Box 518, Atlantic, Iowa 50022  
(712) 243-2806  
Monday evening

DAUXENCO  
HYATT

Accommodations: Hyatt Des Moines  
6215 Fleur Dr.  
(515) 285-1234  
Guaranteed late arrival.  
Confirmation No. QA4333

IRRC DISPATCHER  
DES MOINES, IA  
515-243-7552

Tuesday  
August 10

Des Moines to Chicago

Flight: United/612  
Departure: 9:45 a.m.  
Arrival: 10:44 a.m. (O'Hare)  
Stops: None  
Food: None

Mr. Walkup will also be traveling with you.

You will be met at Chicago/O'Hare by a  
representative of Evans Products and will  
be driven to:

Meeting: Evans Products  
Rolling Meadows

Chicago to Minneapolis

Flight: Northwest/751  
Departure: 7:00 p.m. (O'Hare)  
Arrival: 8:11 p.m.  
Stops: None  
Food: None



CHICAGO ROCK ISLAND AND PACIFIC RAILROAD COMPANY/332 S. MICHIGAN AVE./CHICAGO, IL 60604/WILLIAM M. GIBBONS, TRUSTEE

August 9, 1982

Mr. Joe D. Darling  
Director, Special Projects  
Soo Line Railroad Company  
Soo Line Building  
Box 530  
Minneapolis, Minnesota 55440

Dear Mr. Darling:

Per our telephone conversation and your letter of August 2, we are sending to you prints of station plats (1" = 100') and right-of-way maps (1" = 400') covering the line segments which you are studying. Needless to say these are coming under separate cover since they make a rather large "package."

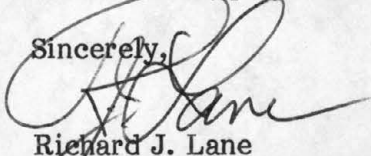
I am enclosing herewith copies of two of the three agreements pertaining to the joint lines with the Milwaukee between Polo, Missouri and Kansas City. The preliminary agreement of November 4, 1929 preceded the construction of the Rock Island main track and relocation of segments of the Milwaukee main to constitute a joint double track between Polo and Birmingham; the February 10, 1938 supplement to the August 1, 1931 agreement provided for a Rock Island connecting track on right-of-way leased by the Milwaukee from the Burlington at Birmingham. So far we have been unable to turn up a copy of the April 22, 1942 preliminary agreement (referred to in your letter as April 22, 1945) referred to in the June 1, 1945 agreement, which preceded construction of the joint line between Birmingham and Kansas City. However, I enclose copy of a draft agreement prepared in 1941 which would appear to be a preliminary draft of the agreement finally entered into in April 1942. As your letter states, these agreements are no longer in effect but they do provide some additional perspective on the construction of the joint lines covered by the existing agreements, copies of which were sent you previously. If we run down the 1942 agreement I will forward you a copy of that one also; however, assume it follows generally the lines of the 1941 draft.

With regard to the question concerning ownership of the line between Albert Lea, Minnesota and the Minnesota/Iowa state line near Northwood, Iowa, our records show that at the time the 1901 agreement was entered into with the Iowa Central that segment of line was indeed owned by the M&StL and leased by the BCR&N, predecessor of the Rock Island. Apparently at that time the Iowa Central was not yet a part of the M&StL.

Rock Island purchased this property from the M&StL in 1927. As an aside, after 31 years with the Rock Island I must admit that this is a bit of its history that I do not recall ever having heard until you brought it to my attention.

I hope that the additional information contained herein and the maps being sent you separately will prove helpful to you in your study. If other items develop in which we can be of assistance, please let us know.

Sincerely,



Richard J. Lane  
Director-Staff Coordination and  
Rail Assets Disposition

aw

Enclosures



<u>Line Segment</u>	<u>Location</u>	<u>M.P.</u>	<u>E.P.S.</u>	<u>Miles</u>	<u>Comments</u>
1. W.St.Paul - Northwood	A. W.St. Paul	8.39	990+47	0.0	1. Does not include Inver Grove Yard or segment M.L. or Branch line - New C.W. Conn. So. of Inver Grove to C.W. Conn. North of yard. 2. W.St.Paul - End of Track N&D. 3. Includes R.I. Portion signal system on MILW. 4. Does not include Mississippi River Br. or to Newport. 5. Includes Albert Lea Yard.
	B. Northwood	236.41	12394+58	119.15M.L. 5.02 Br. 124.17	
<hr/>					
1A. Inver Grove Yard			556+25 637+00	Yard	1. Includes Inver Grove Yard and segment M.L. from New C.W. conn. to C.W. conn. No. of Yard
<hr/>					
2. Northwood - Swanwood	A. Northwood	236.41	12394+58	0.0	1. Includes P.I. portion, C.W. and signal system on C.W. Northwood to Manly. 2. Does not include Manly Yard. 3. FB&D prorated estimate 4. M.P. 79 on ground is approx. .25 mi. North of M.P. 79 on Maps - Map M.P. used for reference.
	B. Swanwood	79.50	4191+00	133.9	
<hr/>					
2A Swanwood - Short Line Jct.	A. Swanwood	79.50	4191+00	0.00	1. FB&D prorated estimate 2. Does not include Swanwood Auto Facility unloading trackage. 3. M.P. 79.5 (map) = approx. 1/4 mi. No. of H.B. to Auto Fac. 4. N.S. line only - Does not include Short Line yard.
	B. Short Line Jct.	73.68	3887+83	5.82	
<hr/>					
3B Short Line Jct. - Carlisle	A. Short Line Jct.	73.68	3887+83	0.00	
	B. Carlisle	64.6	3142+56+	9.08	
<hr/>					
3C Swanwood	A. Auto Unloading Facility	78.80	-	Lead Track	1. Auto Facility tracks only
<hr/>					
4. Carlisle - Allerton	A. Carlisle	64.6	3142+56+	0.0	1. MP 64.6 = Jct. Indianapolis Line H.B. in passing track. 2. Does not include Wye track or California line East of TSS 19247+93 at Allerton. Short line adj to 1440 ft. California line. 3. Approx. 670 ft Indianapolis Line used as passing track at Carlisle.
	B. Allerton	- 0.1	19262+29.7	64.7	

CHICAGO AND NORTHWESTERN RAILROAD COMPANY

(Continued)

Line Segment	Location	M.P.	E.P.S.	Miles	Comments
5. Allerton - Polo	A. Allerton	365.0	19262+29.7	0.0	1. MP 364-365 @ Allerton = Long Mile.
	B. Polo	460.23	24401+96.2	95.91	2. Includes Trenton Yard. 3. Polo = Div RI/Begin Joint line w/MILW.
6. Polo - Sheffield (NCT JCT)	A. Polo	460.23	24401+96.2	0.00	1. Includes joint own trackage and Trenton Bridge w/MILW.
	B. Sheffield	501.2	25308+43	41.51	2. Trackage connects to NCT.
7. Iowa Falls - Estherville	A. Iowa Falls	95.25	3832+97	0.00	1. Include approx. 1.4 mi. Vinton line East of Short Line requested by C&N on Insp. Trip.
	B. Estherville	206.9	4095+80	111.65	2. F&SD inspection begins MP 96.7 = Short Line crossing. 3. Includes Iowa Falls yard & Argon conn. tracks. 4. Includes Estherville yard. 5. MP 206.9 = Estherville Depot.
7A. Erieclyn - Ocheyedan	A. Erieclyn	57.63	999+32	0.00	1. Erieclyn=C&N xing R/W
	B. Estherville	0.69	3353+17	56.93	2. Estherville=E.B. conn w/Iowa Falls line.
	C. Estherville	206.9	4059+80	0.00	3. MP 206.9 = Estherville Depot.
	D. Ocheyedan	247.42	630+00	40.52	4. Does not include conn. to Worthington at Lake Park.
7B. Dows - Forest City	A. Dows	113.41	4788+91	0.00	1. Does not include conn. to Mankato Br. at Mayfield.
	B. Forest City	158.16	2369+00	44.75	
8. E.Des Moines - W.Des Moines	A. E. Des Moines	351.61	18567+72	0.0	1. E.D.M. = Begin double track at Univ. Ave.
	B. W. Des Moines	364.42	19241+14	12.81	2. Includes Short Line Yard and W.Des Moines Yard. 3. Does not include Des Moines Depot. 4. W.Des Moines - E.O.T. requested by C&N on Insp. Trip.
10. Cedar Rapids	A. South End	96.34	5124+00	0.00	1. Does not include Iowa River Bridge or track So. of Bridge.
	B. North End	100.50	5346+32	4.16	2. Includes Cedar Rapids Yard. 3. Does not include Nat'l. Cats joint track. 4. MILW (Grandis) has trackage rights.

## CHICAGO AND NORTHWESTERN LINE SEGMENTS

(Continued)

11. Carlisle Indianola	A. Carlisle	64.6	3142+56+	0.00	1. Approx. 2 miles subject to U.S. Corp. of Engineers flood easement.
	B. Indianola		1154+00	11.1	
11A (1) E.Des Moines Altoona	A. E. Des Moines	351.61	18567+72	0.00	1. E.Des Moines - Begin track at Univ. Ave.  2. Altoona = Jct. Pella Line.
	B. Altoona	346.83	18315+41.8	4.78	
11A (2) Altoona Newton	A. Altoona	346.83	18315+41.8	0.00	1. None
	B. Newton	320.50	16926+60	26.33	
11B. Altoona Pella	A. Altoona	151.37	18315+41.8	0.00	1. To include Altoona local tracks necy. to include 0.53 mi. Colo. Line eastward to M.P. 346.25.  2. Jct. w/Colo. Line.  3. Pella E.O.T. by C.W Insp.
	B. Pella	114.80	6066+00	36.57	
11C. W.Des Moines Earlham	A. W. Des Moines	364.42	19241+14	0.00	1. Includes 1.67 Mile Winterset Line to Quarry.
	B. Earlham	388.13	2049+95	23.76	
<u>Line Segment</u>	<u>Location</u>	<u>M.P.</u>	<u>E.P.S.</u>	<u>Miles</u>	<u>Comments</u>
9. Royal Palmer	A. Royal	502.74	4097+45	0.00	1. Does not include line to Manson.  2. Palmer E.O.T. requested by C.W on Insp. Trip.
	B. Palmer	453.64	1505+53	49.10	



8/6/82  
ROCK ISLAND STUDY  
POSSIBLE BANK OF COOPS LOAN  
QUESTIONS TO BE RESOLVED

1. How STRICT IS REQUIREMENT THAT LOAN IS "FOR LAND ONLY?" Would THIS BE INTERPRETED TO MEAN THAT MAXIMUM AMOUNT WOULD BE NET REAL ESTATE (LAND) VALUE OF RIGHT OF WAY? OR COULD VALUE OF TRACK STRUCTURE ALSO BE INCLUDED?
2. IF LOAN NEGOTIATED AT 2% UNDER PRIME, WOULD THIS THEN BE FIXED FOR ENTIRE LOAN PERIOD? IF OPTED FOR FLOATING RATE, HOW WOULD RATE BE DETERMINED?
3. How WOULD LOAN BE REPAYED:
  - a) AMORTIZATION OVER SPECIFIED PERIOD WITH EQUAL PAYMENTS (SIMILAR TO MORTGAGE)
  - b) INTEREST ONLY, WITH SINKING FUND AND/OR BALLOON
  - c) EQUAL PRINCIPAL, WITH ACCRUED INTEREST
  - d) VARIABLE PAYMENTS
4. ADVANTAGES / DISADVANTAGES FOR SDO??
5. INCOME - BALANCE SHEET RESTRICTIONS? *Patricia (Soo)*

August 6, 1982

TO: T. M. Beckley  
D. M. Cavanaugh  
R. H. Smith  
R. L. Murlowski  
P. M. McNamee  
~~D. J. Boyer~~  
J. D. Darling

FROM: B. D. Olsen

RE: Milwaukee Line Sale Council Bluffs to Bayard, Iowa

I have now obtained a complete copy of the application of the Milwaukee Trustee for permission from the bankruptcy court to sell the Milwaukee main line from Council Bluffs to Bayard to a shipper group. I am supplying a complete copy of the application as well as the service list and the agreement between the Trustee and the shipper group.

The service list gives some idea of the number and types of individuals and companies involved. This may be the abandonment proceeding service list and we have no way of knowing how many are involved in Shippers Consortium Inc., the purchaser. The expectation that BN will be willing to operate the line may have something to do with the fact that Mary Garst, cattle manager of the Garst Company, is on the BN board.

The purchase agreement provides for a lease arrangement prior to final closing. Monthly lease payments of \$75,000 are to be credited against the purchase price. There is no indication of the source of funds for the purchaser.

BDO/sjp  
Attachment

August 3, 1982

Re: Rock Island Study

From: D. J. Boyer

Meeting: Central Bank for Cooperatives - Omaha  
206 South 19th Street, Omaha, Nebraska  
11 a.m., Monday, August 9, 1982

Attending: D. L. Walkup, Mgr. Finance Authority, Iowa DOT  
K. Hide, Representative Omaha Central Bank  
for Coops  
J. D. Darling, Soo  
D. J. Boyer, Soo

Transportation: Republic Air  
Lv: 9:25 a.m., Ar: 10:19 a.m. to Omaha  
Lv: 4:20 p.m., Ar: 5:15 p.m. to Mpls.

Tentative: Meet with Brian R. Wipple, President  
Iowa Railroad Company  
P.O. Box 518, Atlantic, Iowa 50022  
(712) 243-2806  
Monday evening

cc: T. M. Beckley  
D. M. Cavanaugh  
✓ J. D. Darling



Thursday, August 3, 1982, 9:00 a.m.

TMB, BMC, DJB, PHM, JDA, BDO, RLM, SCM  
RHS

\$5M KCS

\$5M BN

\$40M Shippers

\$23.1M Ind. Dev. Bonds

\$67-70M Ind

268 people

Selling lines shipper support

Below market financing from  
Central Bank for Coops


Guarantee from shippers to repay  
loan if they do not exceed  
minimum volume

Bank for Coops must lend to Coops

DMC

August 3, 1982

Memorandum to File

From: D. J. Boyer 

Re: Appointment coming week with Omaha Central Bank for cooperatives. Purpose: to determine CBC as a source of financing in Soo purchase of RI lines their district.

Source: Telephone call to Douglas L. Walkup, Finance Authority Manager, Iowa DOT (515/239-1690) Ames, Iowa

- (1) Iowa DOT refer Soo to CBC or act as intermediary?  
Prefer IDOT involvement.
- (2) DLW will call back Mon. or Tues. next week for meeting in Omaha, Neb.
- (3) Further telephone conversation reveals:
  - (a) CBC loan for land only.
  - (b) CBC loan could be available for ML as well as IF branch line of RI.
  - (c) Shippers (3) are concerned about the leased land status of their facility, and generally provides basis for CBC loan.
  - (d) Loan rate may be about 2% under prime or a negotiated floating rate.
  - (e) At our Mason City meeting it was intimated that unlimited financing was available from CBC by DLW. In response to direct question of accuracy



of my understanding of this financing service;  
answer was to contrary - not unlimited.

(4) Anticipated Finance Form

Without having specific information from CBC of Omaha, I believe the following suppositions would be present in a financing package from that source. This expectation is the result of two conversations with DLW, who is no authority for CBC.

- (a) Since CBC would have charter restrictions on areas or ventures to be financed; the real estate would provide the basis for CBC involvement financially. This is consistent with the expressed element of concern by three reported association members who have facilities on leased RI land. Plus the general objective of CBC to promote the economic welfare of its membership in terms of essential transport of commodity to market.
- (b) In keeping with CBC and association members objectives expressed in (a) the loan would most likely take on the following characteristics: A RE loan in names of Association or several of its more dominate members. May be not a formal RE loan, but RE purpose will be stated to support the loan. Payment will be made directly to Trustee at time of track purchase closing.
- (c) Soo or entity purchasing trackage from Trustee will



be asked to join or guarantee payment; more than likely as an unsecured guarantor on the instrument.

- (d) Maker (association) of loan from CBC and as technical owner of land under trackage will form lease to Soo with pre-negotiated terms and option to purchase after a specified future time.
- (e) Amount of financial package from CBC source is in the area of \$10-15 million; not unlimited as previously rumored. The amount would depend upon how extensive the work-up program by association membership and CBC had progressed. Also have the feeling in this regard that others interested in the branch lines have progressed to the CBC for discussion.

(5) Comment:

The finance form anticipated in 4(d) is reversed from Soo anticipated direct loan from CBC with some form of participation or guaranty by association membership. However, the form anticipated can very well work to good advantage in tieing the association membership directly to a successful Soo operation for a payout.

There may also be some exploration with the other CBC districts for States of Minnesota and Missouri for a possible similar arrangement.

cc: T. M. Beckley  
✓ D. M. Cavanaugh  
J. D. Darling

August 3, 1982

TO: T. M. Beckley  
~~D. M. Cavanaugh~~  
R. H. Smith  
R. L. Murlowski

FROM: B. D. Olsen

RE: Iowa Railroad Restructuring

SOO LINE RAILROAD  
AUG 03 1982  
EXEC. VICE PRESIDENT

As possibly bearing on our plans for the Rock Island, the Milwaukee Railroad Trustee has filed an application with the bankruptcy Trustee for approval of the sale of its line from Council Bluffs to Bayard, Iowa. The price is set at \$7,650,000 for 100.2 miles of what is described as the Milwaukee's former "branch line" and associated property. It is in fact the Milwaukee main line across Iowa. The buyer is identified as Shippers Consortium Inc. and the probable operator is identified as Burlington Northern, with whom the buyer is supposedly negotiating. The sale is contingent in part upon the buyer working out a long term lease of the properties to BN.

Bayard is several miles west of Perry, which appears to be the nearest non-Milwaukee outlet at the east end of this segment. It appears that all traffic will have to flow off the line through the Omaha-Council Bluffs gateway. The application states that the purchaser desires to reinstitute railroad service over the line.

There is also an interesting description of an Iowa statute passed last year, which apparently attempts to invade the authority of the bankruptcy courts and require that property owned by a bankrupt railroad must first be offered to parties holding a leasehold or similar interest. While not accepting the authority of this statute, the Trustee goes to some lengths to show compliance. The sale price is also described as "substantially in excess of the net liquidation value of the line."

BDO/sjp

Attachment

cc: J. D. Darling  
C. H. Peterson  
D. J. Boyer



IN THE UNITED STATES DISTRICT COURT  
FOR THE NORTHERN DISTRICT OF ILLINOIS  
EASTERN DIVISION

IN THE MATTER OF

CHICAGO, MILWAUKEE, ST. PAUL  
AND PACIFIC RAILROAD COMPANY,

Debtor

) In Proceedings for the  
) Reorganization of a  
) Railroad  
)  
) No. 77 B 8999  
) Thomas R. McMillen

APPLICATION OF THE TRUSTEE FOR AUTHORITY TO SELL THE DEBTOR'S  
COUNCIL BLUFFS TO BAYARD LINE IN POTTAWATTAMIE, HARRISON, SHELBY,  
CRAWFORD, CARROLL AND GUTHRIE COUNTIES, IOWA  
(SHIPPERS CONSORTIUM INC., OR NOMINEE)

---

Richard B. Ogilvie, Trustee of the property of the Chicago, Milwaukee,  
St. Paul and Pacific Railroad Company, Debtor, hereby requests that the Court  
enter an order:

(1) authorizing the Trustee to enter into a Purchase Agreement to sell  
by quitclaim deed, free of liens and other claims (including applicable  
mortgage liens, state or local tax liens or claims and any purported claim or  
right under Iowa law - including Sections 327G.78 and 327G.79 added to the  
Iowa Code 1981 by House File 2334 - of any other person to acquire the  
property being sold), his interest in approximately 100.2 miles of the  
Debtor's former branch line, and associated property, including the  
improvements thereon, from Council Bluffs, Iowa (Milepost 483.8) to Bayard,  
Iowa (Milepost 383.6) in Pottawattamie, Harrison, Shelby, Crawford, Carroll  
and Guthrie Counties, Iowa, to Shippers Consortium Inc. for a total  
consideration of \$7,650,000 and under the other terms and conditions  
contained in the Purchase Agreement;



(2) providing that the rights, claims, liens and interests of the Trustee, the holders of any Trustee's Certificates, the Debtor, the trustees under applicable mortgages, state and local tax agencies and any other claimants in or upon the property authorized to be sold by the order shall be transferred from such property to the net proceeds from the sale;

(3) providing that the proceeds from the sale, net of all expenses incident or related thereto, shall, until further order of this Court, be deposited and retained in the existing trust account bearing the designation "Real Estate Sales" at the Continental Illinois National Bank and Trust Company of Chicago and shall be invested pursuant to this Court's Order No. 536 in accordance with instructions from the Trustee or a person designated by him;

(4) providing that the Trustee may recover from the Real Estate Sales trust account any portion of the initial \$1 million deposit by the purchaser if, under the terms of the Purchase Agreement, it must be returned to purchaser; and

(6) authorizing the Trustee to lease the sale properties to the purchaser pending closing of the sale under the terms and conditions of Section 8 of the Purchase Agreement.

In support of this Application, the Trustee represents as follows:

1. Attached as Exhibit A to the copy of this Application filed with the Court is a copy of a Purchase Agreement between the Trustee and Shippers Consortium Inc. ("Purchaser"); a copy thereof will be provided upon request to any of the intervenors in this proceeding. The Purchaser, a group of shippers including Agri Industries of Des Moines, desires to purchase this approximately 100.2 mile line segment containing approximately 2,163 acres of

land and 130 miles of trackage. The land was acquired between 1881-1885 and 1905-1912 at a total cost of approximately \$483,674.

2. This line segment is a portion of the 1,557 miles of railroad line authorized for abandonment in Iowa and South Dakota pursuant to Order No. 342-A dated June 9, 1980. From approximately March 1, 1980 to April 30, 1981, the Chicago and North Western Transportation Company performed temporary service over the easterly end of this line between Bayard and Manning via access from Perry, Iowa pursuant to ICC service orders. On the westerly end at Council Bluffs, the Union Pacific has been using the Debtor's Council Bluffs yard under short-term lease agreements since March 22, 1980 with access to the yard being under a trackage rights agreement. Attached to the Court's copy of the Application are two maps. The first shows, outlined in red, the subject line from Council Bluffs to Bayard. The second is a Milwaukee II map showing superimposed the location of this line segment being sold; the sale segment no longer has any relationship to Milwaukee II operations. Purchaser desires to acquire this line to be able to have railroad operations reinstituted thereover. Representatives of the Trustee have been informed that the Purchaser has been negotiating with the Burlington Northern ("BN") to provide this service. Purchaser would enter into a long-term lease of the properties with the BN, with the rentals to service the debt incurred in purchasing the properties; the Purchase Agreement will not be executed until the BN lease, and financing, are completed, which should occur in August. BN would also provide rehabilitation work on the line.

3. The sale is to be for an aggregate purchase price of \$7,650,000, with a \$1 million down payment on August 1, 1982 or the date of commencement of the lease under Section 8 of the agreement, whichever is later. The sum



of \$1.2 million is then to be paid in 16 equal monthly installments of \$75,000 each, commencing at the same time. Finally, the balance of \$5,450,000 would be payable at closing, which is to occur on the first business day following the 16 month period from the date of commencement of the lease. The Purchaser and/or its operator are obligated to obtain any temporary or permanent ICC, Federal or State approvals required to lease and purchase this line. In the event such approvals are not obtained, the Purchaser is obligated only for the \$75,000 per month charges; however, if such approvals are obtained and Purchaser elects not to complete the purchase, the Trustee would retain \$300,000 of the initial \$1 million deposit as liquidated damages, and return the \$700,000 balance to the Purchaser; in this regard, the \$1 million would have to be recovered from the escrow account at Continental Illinois National Bank of Chicago where it will have been deposited.

4. The conveyance, by quitclaim deed(s), includes all of the right-of-way, rail, track materials, buildings, signal and communication equipment, and all assignable or transferable rights, agreements, grants, franchises, licenses or other interests in this line of railroad. It does not include the Council Bluffs yard which will be either sold independently or salvaged at a later date. Mineral rights are included in the consideration and will not be reserved. The property is not currently subject to state assessed ad valorem taxes; locally assessed ad valorem taxes will be prorated as of the closing date. The conveyance will be made subject to all leases, easements, licenses and rights of the public, whether of record or otherwise, and all rentals from leases and licenses will be prorated as of the date of closing when such are assigned to the Purchaser. Additional details concerning this sale are contained in Exhibit A.



5. The Iowa Sixty-Ninth General Assembly recently passed House File 2334, a copy of which is attached to the Court's copy of this Application as Exhibit B. Sections 3 and 4 thereof added new Sections 327G.78 and 327G.79 to Chapter 327G, Iowa Code 1981. Section 327G.78 provides in relevant part that the Trustee, if he has an interest in real property adjacent to a right-of-way abandoned by order of this Court, or he seeks to sell his interest in that property under any other circumstance, must extend a written offer to sell at a fair market price to all persons holding leases, licenses or permits upon the properties, allowing 60 days from time of receipt for a written response. Further, that if a disagreement arises between the parties concerning the price or other terms of a sale transaction, then that disagreement shall be resolved by the Iowa Transportation Regulation Authority, whose decision is to be binding on the parties except that the person who seeks to purchase such property may withdraw the offer within 30 days of the Authority's decision. According to these provisions, only if those persons withdraw may the Trustee sell the real property without further order of the Authority. In the case of the determination of the fair market value of the property, the law provides that the Authority's determination shall be based in part upon at least three independent appraisals. The Authority's determination would be subject to limited administrative review by the Iowa courts. The Trustee is requesting that the Court authorize this sale, which is in the public interest and that of certain Iowa shippers, free of any claim or right of any person under House File 2334. These Iowa laws purport to interfere with the lawful processes of this Court under the exercise of its sole and exclusive jurisdiction of the Debtor and its property wherever located, including its exclusive jurisdiction under Bankruptcy Rule 8-509 to authorize sales of the Debtor's property pursuant to

offers negotiated by and received by the Trustee free of any restraints against alienation of the estate's property (see Section 77(a) of the Bankruptcy Act). This Court's authority under the Bankruptcy Act is paramount to any state legislation which purports to describe who may purchase property from the Debtor's estate and who can establish the purchase price and other terms thereof. A copy of this Application is being served upon the Attorney General of the State of Iowa and the Iowa Transportation Regulation Authority. Notice of the proposed sale and the August 2, 1982 hearing date has been given to 90 lessees holding an aggregate 112 leases on portions of the properties. Counsel for the Trustee have been informed that Judge McGarr has, at least twice, authorized sales of property in the Rock Island proceeding without compliance with these new Iowa laws. See also, e.g., this Court's recent Order No. 572 overriding any purported claim or right under conflicting Section 85.09 of the Wisconsin Statutes.

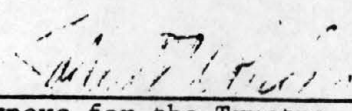
6. In the opinion of Mr. B. H. Bobbitt, the Trustee's Assistant Vice President-Property Management, the consideration to be received is fair market value for the property and the sale is in the best interest of the Debtor. In January, 1982 the firm of Morrison-Knudsen Company conducted an appraisal of the Debtor's line segment of 123 miles from Perry to Council Bluffs, excluding the Council Bluffs yard. Prorating the net liquidation value contained therein to cover only the 100.2 miles in this sale indicates a sale price substantially in excess of the net liquidation value of the line.

7. The sale of these properties under the terms and conditions of the Purchase Agreement is deemed to be in the best interest of the Debtor. Completion of the sale and deposit of the net proceeds thereof in a special account subject to Court order preserves the rights of all parties. This

authority will minimize administrative expenses and is in the best interest of the Debtor's estate and ultimate reorganization.

8. This sale, free of liens, is permitted by Bankruptcy Rule 8-509(a). Authorization of the lease contained in the Purchase Agreement is permitted by Bankruptcy Rule 8-510(a).

Respectfully submitted,

  
\_\_\_\_\_  
Attorneys for the Trustee

Dated: July 26, 1982

Robert H. Wheeler  
Isham, Lincoln & Beale  
Three First National Plaza  
Chicago, Illinois 60602  
(312) 558-7500

Michael D. Sullivan  
516 West Jackson Boulevard  
888 Union Station Building  
Chicago, Illinois 60606  
(312) 648-3836



August 2, 1982

To: J. D. Darling  
From: S. M. Mrosak  
Re: RI Study - Real Estate Appraisal  
Your letter of July 15, 1982

In my opinion the appraisal method used is sound of comparable values but leaves much to be desired as an estimate of what could actually be realized in total from a parcel by parcel liquidation as it does not estimate the actual amount of saleable land, the period of time it would take to dispose of so much real estate, the expense of disposal nor the discount that would be required as a buyer's cost to convert right of way back to agricultural land.

As railroad rights of way go, very little of the urban-suburban land will support free standing developments compatible with adjacent zoning and willing buyers would be lacking in most instances.

A more ready market for the rural land could be expected from adjacent owners but price would have to be discounted upwards of \$500/ac. as a back to cultivation conversion cost and most probably further discount would be required to motivate a market that is limited to adjacent owners.

It's my guess that it would take about three years to market up to 25% of the right of way with intensive effort and that it would take an added five to ten years of the same effort to market another 50% in a parcel by parcel sale. The balance would have to be held indefinitely or sold at fire sale prices. Further diminution (about 10% of sales dollar) would result from staff time, commissions, paper work, etc.

Looking at the price of real estate as a purchaser of a ready made railroad transportation corridor it is my opinion that the "across the fence" or comparable method of appraisal grossly understates replacement value and I suggest that the actual cost of recreating so extensive a railroad right of way could run upwards of three times the value assumed from "over the fence" comparables, i.e. if acquisition in today's circumstance is a realistic possibility. In my opinion it could be so expensive and difficult an undertaking that it would not be at all feasible.

In summary, I feel that the method of appraisal used substantially overstates total value to be realized from a parcel by parcel sale and grossly understates total value as a railroad transportation corridor.

SMM:sb

cc: T. M. Beckley  
D. M. Cavanaugh

Soo Line Railroad Company



8  
Soo Line Building  
Box 530  
Minneapolis, Minnesota 55440  
(612) 332-1261

August 2, 1982

Mr. Richard J. Lane  
Director - Staff Coordination  
and Rail Assets Disposition  
Chicago Rock Island and Pacific  
Railroad Company  
332 South Michigan  
Chicago, Illinois 60604

Dear Mr. Lane:

Per our phone conversation this date, we are requesting such right-of-way and station maps as you may be able to furnish to assist us in our evaluation. Such maps covering the lines currently under lease to The Chicago and North Western Transportation Company in Minnesota, Iowa, and Missouri would be adequate at this time.

We would also appreciate information on the status of the ownership of the line of railway from Albert Lea, Minnesota and Northwood, Iowa. The July 18, 1901 contract indicates that, at that time, this line was leased by the Burlington, Cedar Rapids, and Northern Railway Company, predecessor of the Rock Island, from the Minneapolis and St. Louis Railroad Company, later acquired by The Chicago and North Western Transportation Company. Perhaps this lease has accrued to these successors.

We would also appreciate copies of the preliminary agreement, dated November 4, 1929, to the August 1, 1931 agreement, the February 10, 1938 supplement to this agreement, and the preliminary agreement, dated April 22, 1945, to the June 1, 1945 agreement, all between the Rock Island and the Milwaukee Road. These additional agreements may no longer be in effect, but we feel they would provide needed perspective.

Mr. Richard J. Lane  
Page Two  
August 2, 1982

I appreciate your assistance in this matter and look forward to working further with you.

Sincerely,

A handwritten signature in cursive script, appearing to read "Joe D. Darling". The signature is written in dark ink and is positioned above the typed name.

JOE D. DARLING  
Director, Special Projects

JDD/jmz



August 2, 1982

TO: T. M. Beckley  
D. M. Cavanaugh ✓  
R. H. Smith  
D. J. Boyer

FROM: J. D. Darling *JDD*

RE: Rock Island Study

The meeting with the Iowa Falls Gateway shippers has been set for Wednesday, August 18, 1982, at 1:30 p.m., at the offices of the West Bend Elevator Company.

JDD/jmz

St. Paul Bank for Cooperatives  
375 Jackson 221-0646

Omaha Bank for Cooperatives

Federal Farm Credit System, continued

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n Credit Districts—Continued

DISTRICT No. 7—Offices at St. Paul, Minnesota

TERRITORY IN DISTRICT—MICHIGAN, WISCONSIN, MINNESOTA, NORTH DAKOTA.

DIRECTORS—LARRY L. DeVUYST, FRED P. BOESHANS, E. CHARLES MIEHE, LYMOND L. DRISCOLL, LYLE E. McLAIN.

Annual Meeting: Tuesday after the Third Monday in January.

FARM CREDIT DISTRICT OF ST. PAUL—A. C. MOHR, Chairman, Presidents Committee.

FEDERAL LAND BANK OF ST. PAUL (Transit Number 22-89)—ALBERT C. MOHR, President; ROGER L. SCHLADER, Senior Vice President; R. D. GILSRUD, Senior Vice President; D. M. ENGELKING, Vice President & Treasurer; WALLACE L. ARSON, General Counsel and Secretary.

FEDERAL INTERMEDIATE CREDIT BANK OF ST. PAUL (Transit Number 22)—BURGEE AMDAHL, President; H. HARLOW THOMPSON, Senior Vice President; L. LAWRENCE WILLIAMS, Senior Vice President; ALLAN LAMBRECHT, Senior Vice President; NEIL N. FRUECHTE, Senior Vice President; JOHN ECKSTEIN, Senior Vice President; Controller JAMES M. CORUM, Senior Vice President and General Counsel.

ST. PAUL BANK FOR COOPERATIVES—BURGEE O. AMDAHL, President; HARLOW THOMPSON, Senior Vice President; ALLAN LAMBRECHT, Senior Vice President; NEIL N. FRUECHTE, Senior Vice President; L. LAWRENCE WILLIAMS, Senior Vice President; JOHN ECKSTEIN, Senior Vice President; Controller JAMES M. CORUM, Senior Vice President-General Counsel.

DISTRICT No. 8—Offices at Omaha, Nebraska

TERRITORY IN DISTRICT—IOWA, NEBRASKA, SOUTH DAKOTA, WYOMING.

DIRECTORS—ROBERT L. DICKEY, HOWARD G. WHITMORE, T. EUGENE GUSTAFSON, JAMES D. HENDRY, MELVIN TODD, JR.

Annual Meeting: Third Monday in January.

FARM CREDIT DISTRICT OF OMAHA—D. L. HOVENDICK, Chairman, Presidents Committee.

FEDERAL LAND BANK OF OMAHA (Transit Number 27-63)—ARTHUR C. HUFFINGTON, President; ALLAN J. EVERIST, Executive Vice President; DEAN A. HABER, Senior Vice President; JEROLD A. HURTZ, Senior Vice President Finance; EDWARD J. WELCH, General Counsel.

FEDERAL INTERMEDIATE CREDIT BANK OF OMAHA (Transit Number 27)—DONALD L. HOVENDICK, President; JAMES C. HEISER, Senior Vice President; JAMES W. BESORE, Senior Vice President; KENNETH M. HUGGINS, Treasurer.

OMAHA BANK FOR COOPERATIVES—JOHN A. HARLING, President; JAMES L. OPT, Senior Vice President; EUGENE B. COLLEGE, Senior Vice President; ARROL E. VAUGHN, Treasurer.

DISTRICT No. 9—Offices at Wichita, Kansas

TERRITORY IN DISTRICT—KANSAS, OKLAHOMA, COLORADO, NEW MEXICO.

DIRECTORS—JACK LIMON, JAMES H. DEAN, DAVID J. MICHAEL, JOE H. WHITE.

Annual Meeting: Third Monday in January.

FARM CREDIT DISTRICT OF WICHITA—WM. S. MAY, Chairman, Presidents Committee.

FEDERAL LAND BANK OF WICHITA (Transit Number 40-77)—WM. S. MAY, President; JEROLD L. HARRIS, Senior Vice President and Secretary; MAY H. BUSSEY, Senior Vice President; J. K. PERRY, Senior Vice President and Treasurer.

FEDERAL INTERMEDIATE CREDIT BANK OF WICHITA (Transit Number 40-75)—ALTON B. COOK, President; CHARLES N. THORPE, Senior Vice President; LEROY H. SCHNOOR, Senior Vice President; WILLIAM G. STRAIT, Vice President and Treasurer.

WICHITA BANK FOR COOPERATIVES—EVERETT M. O'CONNOR, President; DAVID W. DEWEY, General Counsel and Secretary; DANIEL L. LOUGHMAN, Treasurer.

DISTRICT No. 10—Offices at Houston, Texas

TERRITORY IN DISTRICT—TEXAS.

DIRECTORS—RAY ROBERTSON, W. CLYDE IKINS, ROY A. SEABERG, JR., HEINIE A. BADE, DEE W. MARTIN.

Annual Meeting: Wednesday after the Third Monday in January.

FARM CREDIT DISTRICT OF HOUSTON—JACK H. BARTON, Chairman, Presidents Committee.

FEDERAL LAND BANK OF HOUSTON—THOMAS H. BENSON, President; GARY VAUGHN, Vice President; FLOYD E. KNOTTS, JR., Vice President and Treasurer; ROBERT G. VANWINKLE, Vice President; DONALD R. ROGGE, Vice President; FRANK NAGLE, General Counsel.

FEDERAL INTERMEDIATE CREDIT BANK OF HOUSTON—JACK H. BARTON, President; J. A. ROBERS, Senior Vice President; MARSHA P. MARTIN, Senior Vice President; THOMAS W. LOCKWOOD, Vice President and Treasurer.

HOUSTON BANK FOR COOPERATIVES—JACK P. HUGHES, President; RAY WINN, Senior Vice President; DOUGLAS WILHELM, Treasurer.

DISTRICT No. 11—Offices at Sacramento, California

TERRITORY IN DISTRICT—UTAH, ARIZONA, NEVADA, CALIFORNIA, HAWAII.

DIRECTORS—GRANT T. LUCAS, DONALD GOODENOUGH, GORDON K. VAN VLECK, HOWARD A. WUERTZ, WILLIAM R. HANGER.

Annual Meeting: Third Monday in January.

FARM CREDIT DISTRICT OF SACRAMENTO—GEORGE M. ANDERSON, Chairman, Presidents Committee.

FEDERAL LAND BANK OF SACRAMENTO (Transit Number 90-1097)—GEORGE P. BLOXHAM, President; JAMES M. SCHURR, Senior Vice President; JACK A. CLINE, Vice President and Principal Attorney; JOSEPH E. FRENTZEN, Vice President and Secretary; JAMES L. CARTER, Vice President and Treasurer.

FEDERAL INTERMEDIATE CREDIT BANK SACRAMENTO (Transit Number 90-1073)—GEORGE M. ANDERSON, President; GEORGE D. BEITZEL, Senior Vice President; ROBERT A. HISCOX, Vice President and Treasurer; WILLIAM C. HOUSTON, Vice President and Secretary.

SACRAMENTO BANK FOR COOPERATIVES—GEORGE M. ANDERSON, President; GEORGE W. HICKMAN, Senior Vice President; ROBERT C. RATHBONE, Vice President and Treasurer.

DISTRICT No. 12—Offices at Spokane, Washington

TERRITORY IN DISTRICT—MONTANA, IDAHO, WASHINGTON, OREGON, ALASKA.

DIRECTORS—FRANK NIESSNER, THOMAS J. HARPER, RONALD BOKMA, EUGENE C. DAVIS.

Annual Meeting: Third Monday in January.

FARM CREDIT DISTRICT OF SPOKANE—WM. F. BARRATT, Chairman, Presidents Committee.

FEDERAL LAND BANK OF SPOKANE (Transit Number 28-61)—A. WAYNE NEEL, President; RODNEY R. OLSON, Senior Vice President; JOE M. QUINN, Senior Vice President; GARY DAVIES, Treasurer; WILLIAM B. NOUSE, General Counsel.

FEDERAL INTERMEDIATE CREDIT BANK OF SPOKANE (Transit Number 28-60)—WILLIAM F. BARRATT, President; REGINALD M. GORDER, Vice President; ROALD TANGVALD, Senior Vice President; RAYMOND P. TOMLINSON, Vice President and Treasurer; DENNIS H. POTTRATZ, General Counsel.

SPOKANE BANK FOR COOPERATIVES—MILTON J. CARTER, President; ALFRED E. VAN WINKLE, Senior Vice President; GEORGE A. NIELSEN, Vice President; ARNOLD BOS, Treasurer; HARVE H. PHIPPS, JR., General Counsel.

CENTRAL BANK COOPERATIVES

(Farm Credit Administration)  
LOCATED AT DENVER, COLORADO

DIRECTORS

LEE R. KOLMER, T. EUGENE GUSTAFSON, JOHN H. MATHEWS, HOWARD A. WUERTZ, MELVIN A. ENSLEY, HILMER E. ALBRECHT, DARRELL MOSESON, BIBUS, JOHN W. STONE.

OFFICERS

W. M. HARDING, President; ROBERT L. METZGER, Executive Vice President; MAXEY D. LOVE, Executive Vice President; ROBERT W. FINN, Senior Vice President Finance.

Information, Building No. 2, Denver Technological Center, 5290 DTC Parkway, Englewood, Colorado. Telephone: Area Code: 303-773-6404.

FARMBANK SERVICES

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FREDERICK E. WAGNER, Executive Manager, 12000 E. 47th Avenue, 2nd Flr., Denver, Colorado 80238.

PETER J. CARNEY, Fiscal Agent, 90 William St., 2nd Floor, New York, New York 10038.

\*Farmbank Research & Information Service, 12000 E. 47th Avenue, Denver, Colorado. Telephone: (303)-373-0180.

SOO LINE RAILROAD COMPANY

BOARD OF DIRECTORS

August 11, 1982

Report on the Proposal to Acquire Rock Island Line  
Between the Twin Cities and Kansas City

At the Executive Committee meeting of June 29, I reported on the preliminary internal studies which had been made concerning the possible acquisition of Rock Island lines located between the Twin Cities and Kansas City together with certain Rock Island grain gathering lines in the northwestern part of Iowa.

The Soo's interest in acquiring these lines was prompted by the agreement of the Grand Trunk-Canadian National to acquire the Milwaukee which would provide a direct route between Canadian points and Kansas City, the proposed acquisition by the Chicago and North Western of operating rights between Omaha and Kansas City which would reduce the C&NW need to acquire the Rock Island trackage as a method of gaining access to Kansas City, and the acquisition by the Soo of the Minneapolis, Northfield and Southern which provides direct access to the Rock Island line without time consuming operations through the Twin Cities terminals to gain access to the shortest route to Kansas City. We obtained from the Rock



Island trustee his records of grain movements over the lines in the year 1978, the last year of Rock Island operation of the property. Working from this base, we sorted out the traffic which we believed would be retained to the line if the Soo acquired it and made an appraisal of traffic presently or perspectivevely handled by the Soo which would be susceptible of routing over the line. On the basis of these traffic studies, it was concluded that I should take certain steps and report back to the Executive Committee concerning my findings.

In the course of our review of the Rock Island line situation, we obtained from the Kansas City Southern which had made bids for the line in question its working papers analyzing its conclusions as to the traffic potential, operating expenses and maintenance requirements. These have been most helpful to the Soo assessing our internal evaluation of the lines.

We have discussed with shippers located on the grain gathering line and the Iowa Department of Transportation their position on our effort to acquire. Most Iowa interests have expressed dissatisfaction in the manner in which the Chicago and North Western has been conducting operations over the lines which it is currently leasing from the Rock Island trustee. While we have not been able to secure firm enough commitments as yet to enable us to formulate a proposal to acquire the lines, considerable support has been expressed for the Soo operation.

The Federal Railroad Administration has earmarked \$15 million for the so-called spine line between Kansas City and

the Twin Cities and intends to make these funds available to whatever line is successful in acquiring the line from the trustee. Staff members of the FRA have expressed some distaste that any portion of these funds should find their way to the hands of the trustee, but nevertheless, have made an informal commitment of these funds to the Soo if it is the successful bidder for the property.

Recently a group of grain shippers in western Iowa formed a corporation to acquire approximately 100 miles of Milwaukee mainline east of Omaha to be operated by the Burlington Northern. Funds for this undertaking were to be provided by the Bank for Cooperatives. The Burlington Northern was to lease rather than to purchase the line, and a 16 month period was provided to determine whether the volume of traffic would support train operations. If not, most of the downpayment for the line would be refunded by the Milwaukee trustees.

The transaction may serve as a model for a proposal the Soo might make to acquire the grain gathering line.

Twin Cities-Kansas City line would provide the Soo with a significantly shorter route to Kansas City than is available over other railroads. The difference is particularly pronounced with respect to traffic originating or terminating in western Canada and handled through the Kansas City gateway. The extension of line would be helpful to the Soo in entering into contract rates for traffic moving over the other route, and the additional mileage would in all likelihood result in a somewhat longer overall length of haul for Soo traffic.

It is our intention to review further with the Executive Committee the more detailed appraisals of traffic potential, operating costs, and financial considerations which might support the making of an offer to acquire these lines. Their acquisition could be quite profitable for the Soo provided that their acquisition could be negotiated on a favorable price, with assistance from the Iowa Department of Transportation, the Federal Railroad Administration and shipper groups comparable to that provided in other takeovers of Rock Island properties.



August 30, 1982

TO: J. C. Miller  
FROM: J. D. Darling ~~SM~~  
RE: Rock Island Study

Please refer to my letters of May 18, 20, and 25, of this year.

In reviewing the detailed listing from the Rock Island tape of carloads originating on the main line, I have determined that a much higher percentage of traffic handled in covered hopper cars will be retained as opposed to the traffic handled in other car types. This results from the predominance of loading of covered hoppers at captive local elevators and the predominance of flow of grain traffic over Kansas City. This also results in a slight increase in the units of equipment required, as the anticipated need for covered hopper cars has offset the previously anticipated need for intermodal trailers and flat cars which were projected with shorter turnarounds. The annual carloads by car type currently anticipated are listed as follows:

<u>Type of Car</u>	<u>Main Line</u>	<u>Iowa Falls Gateway</u>	<u>Total Carloads</u>
Equipped Box	13	11	24
Unequipped Box	219	237	456
Hider Lumber Box	9	7	16
TOFC Flats	-	-	-
Machinery Flats, 52'	25	-	25
Machinery Flats, 60'	15	88	103
Gondolas, 52'	128	111	239
Open Top Hopper	39	-	39
Cement Covered Hopper	112	-	112
Jumbo Coverd Hopper			
Unit	3,671	10,568	14,239
Single	7,888	5,738	13,626
Airslide Covered Hopper	291	7	298
Insulated Box Car, RBL	122	3	125
Mechanical Refrigerator	2	-	2
Auto Rack	59	5	64
Tank	115	260	375
Miscellaneous	21	19	40
TOFC Trailers	771	7	778
TOTALS	<u>13,500</u>	<u>17,061</u>	<u>30,561</u>

J. C. Miller  
Page Two  
August 30, 1982

The current car requirement projected, with no allowance for private covered hopper cars is as follows:

<u>Type of Car</u>	<u>Main Line</u>	<u>Iowa Falls Gateway</u>	<u>Total Carloads</u>
Equipped Box	1	-	1
Unequipped Box	17	1	18
Hider Lumber Box	1	18	19
TOFC Flats	10	-	10
Machinery Flats, 52'	2	-	2
Machinery Flats, 60'	1	7	8
Gondolas, 52'	10	8	18
Open Top Hopper	3	-	3
Cement Covered Hopper	9	-	9
Jumbo Covered Hopper	746	842	1,588
Airslide Covered Hopper	22	1	23
Insulated Box Car, RBL	9	-	9
Mechanical Refrigerator	-	-	-
Auto Rack	5	-	5
TOTALS	836	877	1,713
TOFC Trailers	30	-	30

With 50 percent private jumbo covered hopper cars, the total units of equipment, including TOFC trailers, would be 919, as opposed to 1,052. The apparent decrease results from the greater number of private cars projected based on the 50 percent assumption.

JDD/jmz