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LABOR PROTECTIVE AGREEMENT
between
RAILROADS PARTIES HERETO
INVOLVED IN MIDWEST RAIL
RESTRUCTURING
and
EMPLOYEES OF SUCH RAILROADS
REPRESENTED BY THE RAIL
LABOR ORGANIZATIONS
operating through the
RAILWAY LABOR EXECUTIVES' ASSOCIATION

The scope and purpose of this agreement are to provide, pursuant to the Milwaukee Railroad Restructuring Act (45 U.S.C. Sec. 901 et seq.) and the Interstate Commerce Act (49 U.S.C. Sec. 10101 et seq.), a fair, equitable and complete arrangement for protection of Milwaukee and Rock Island employees taken into the employ of interim service operators and purchasing carriers signatory hereto and to enable the interim service operator or purchasing carrier to be operated in the most efficient manner, as set forth herein, immediately upon authorization for such operation.

Article I. General Provisions

1. Definitions -- Whenever used in this agreement, unless its context requires otherwise:

(a) "Purchasing carrier" means a signatory party to this agreement who is either the interim service operator (pursuant to Commission or Court Order) or the eventual purchaser of a line of railroad of the Rock Island or the Milwaukee, or who is a remaining operating carrier under an existing joint trackage agreement with the Rock Island or Milwaukee.

(b) "Rock Island" means the Chicago, Rock Island and Pacific Railroad Company.

(c) "Milwaukee" means the Chicago, Milwaukee, St. Paul and Pacific Railroad Company.

(d) "Bankrupt carrier employee" means any person with an employment relationship (i.e., in active service or on furlough) with the Rock Island, or with the Milwaukee as of the date of this agreement.

(e) "Transaction" means restructuring of the Rock Island and/or the Milwaukee by sales or transfers of railroad lines to a purchasing carrier, or interim operator.

2. Labor Protection Obligations --

(a) The provisions of this agreement shall constitute the complete labor protection obligation of a purchasing carrier to the bankrupt carrier employees who are taken into its employ because of a transaction. A purchasing carrier will have no labor protection obligation to any other bankrupt carrier employees.

(b) The labor protection obligation, if any, for employees of the Rock Island who are not taken into the employ of a purchasing carrier because of a transaction, and for moving expenses of those employees of the Rock Island who are taken into the employ of a purchasing carrier because of a transaction, will not be the responsibility of the purchasing carrier.

3. Notice and Negotiation -- A purchasing carrier will notify interested employee representatives, including those on the Rock Island or Milwaukee, of each transaction as soon as it has been authorized to become an interim service operator or finalizes arrangements to be a

purchaser. Thereafter, except as specifically provided in Article II the purchasing carrier shall be relieved of any requirement to notify its employees or to reach implementing agreements concerning that transaction.

Article II. Hiring and Work Rules

1. Eligibility for Hiring -- All employees of the Rock Island or Milwaukee who held seniority on the effective date of this agreement in a craft represented by one of the labor organizations signatory hereto shall be eligible for participation in the hiring procedures described in this Article.

2. Determination of Need for Additional Employees -- A purchasing carrier shall determine its necessary additional manpower requirements by craft due to its taking over those Rock Island and Milwaukee Lines. Each of the determinations shall be discussed with representatives of the crafts on purchasing carrier and on the Rock Island or Milwaukee with detailed explanation to them of the basis for each determination prior to serving notice under paragraph 4 hereof, but there shall be no delay in hiring employees or in commencement of operations. If a purchasing carrier has employees on furlough they will not be subject to recall as a result of the additional manpower requirements resulting from a transaction, until after bankrupt carrier employees on appropriate seniority rosters have exhausted their opportunity to be hired hereunder.

3. Preferential Hiring -- As a carrier determines its need for additional employees under this Article, it shall allow eligible employees in seniority order on the Rock Island or Milwaukee the first right of hire respectively, dependent on whose trackage is involved, and consistent with the purpose of Section 8 of the Milwaukee Railroad Restructuring Act. Each carrier, whether acquiring lines or operating

lines on an interim basis, shall independently make such determination of its needs for additional employees irrespective of any determination of this nature made by other carriers. In carrying out the purposes of this section, the purchasing carriers shall first utilize existing seniority rosters applicable to the appropriate craft and seniority district for the lines and territories involved in fulfilling employment needs in connection therewith.

4. Notification of Hiring -- When a carrier determines that it needs additional employees under this Article, such carrier shall notify the labor organizations representing employees of the Rock Island or Milwaukee of its specific needs and advise them exactly where and how eligible employees of the craft needed from the Rock Island or Milwaukee should apply for such vacancies. Eligible employees of the Rock Island or Milwaukee interested in such vacancies shall have the responsibility of applying to the carrier for vacancies in the manner described by the carrier. An employee shall have 7 days to apply after receipt of notice from the carrier or the organization or 20 days after the labor organization has received notice from the carrier, whichever occurs first, subject to paragraph 9 hereof. To the extent that the carrier has determined a need for additional employees under this Article, applicants will be required to meet those physical and rules standards which the carrier applies to its own employees on reexamination. The applicant's seniority in the appropriate craft and seniority district on the bankrupt carrier will prevail if the number of qualified applicants exceeds the carrier's determined need for additional employees. Bankrupt carrier employees who are in service with a bankrupt carrier at the time of interim operation or purchase and who are hired on the commencement of

operations by a purchasing carrier pursuant to this agreement will be presumed qualified physically and purchasing carrier will have the burden of proof if it wishes to challenge such qualifications.

Those employees who are subject to examination on purchasing carrier's operating book of rules may be required to pass a re-examination on those rules.

5. Duration of Preferential Hiring -- The procedures established in this Article shall continue in full force and effect for not less than one year from the effective date from the commencement of operations or as otherwise provided for by law, but in no event beyond April 1, 1984.

6. Employee Election -- An eligible employee of the Rock Island or Milwaukee afforded the first right of hire pursuant to this Article by more than one carrier signatory hereto shall have the option to elect on which carrier the employee will exercise such right. Should a transaction involving another purchasing carrier occur subsequent to the employee's initial election which the employee finds is preferable, the employee will have one opportunity to be hired by another purchasing carrier.

7. Termination of Seniority -- When final agreement has been reached pursuant to Paragraph 9 of this Article dealing with seniority, those Rock Island and Milwaukee employees who are hired by a purchasing carrier will be considered as having severed their employment relationship with their former employer.

8. Application of Work Rules --

(a) A purchasing carrier shall not take over or assume any of the contracts, schedules or agreements in effect between the Rock

Island or Milwaukee and its employees concerning rates of pay, rules, working conditions or fringe benefits, and shall not be bound by the terms and provisions thereof.

(b) An employee of the Rock Island or Milwaukee hired by a purchasing carrier shall come under the coverage of all contracts, schedules and agreements in effect between such carrier and its employees concerning rates of pay, rules, working conditions and fringe benefits, and shall be bound by the terms and provisions thereof in the same manner and to the same extent as other employees of the purchasing carrier working in the same craft.

(c) The purchasing carrier shall have the option:

(1) to commingle, under the purchasing carrier's work rules, work in connection with lines acquired from the Rock Island and/or the Milwaukee with work in its existing seniority districts, including expansion of those seniority districts to encompass the acquired lines; and where there are agreed-upon switching limits for yards at a common point, switching limits of the purchasing carrier will be extended to include the switching limits of the acquired property; or

(2) to operate the acquired property as a separate seniority district or districts under the purchasing carrier's work rules.

9. Implementing Agreement --

(a) In accordance with the option selected under paragraph 8 of this Article, agreements will be reached on each purchasing carrier concerning the manner in which seniority will be allocated in filling additional job assignments, between the purchasing carrier's employees and the bankrupt carrier employees hired by the purchasing carrier. In the absence of an agreement, in order to avoid delay in operations, the purchasing carrier may, on a temporary basis, hire qualified and available bankrupt carrier employees to the extent needed where additional jobs are established at the outset. Such employees will be placed at the bottom of the current list of active employees, and they will remain in such status until an agreement is reached respecting seniority in accordance with the provisions of this paragraph. Where no additional jobs are established, the purchasing carrier's present employees' jobs may be expanded to include work on or in connection with the acquired property. If, as a result of the agreement on allocation of seniority, bankrupt carrier employees used on such a temporary basis do not secure jobs with the purchasing carrier, their employment with the purchasing carrier will be terminated without any preservation of rights or benefits with the purchasing carrier.

(b) If an agreement is not reached within ten (10) days from the date of the notification given under Article I, paragraph 3 hereof, either party to the dispute may utilize the following procedures for determining the allocation of seniority referred to above:

(1) Within five (5) days after notice in writing from one party to another that it desires to arbitrate the dispute, the parties shall select a neutral referee and in the event they are unable to agree upon the selection of said referee, then the National Mediation Board shall immediately appoint a referee.

(2) No later than twenty (20) days after a referee has been designated a hearing on the dispute shall commence.

(3) The decision of the referee shall be final, binding, and conclusive and shall be rendered within thirty (30) days from the commencement of the hearing of the dispute.

(4) The salary and expenses of the referee shall be borne in accordance with the Railway Labor Act.

Notwithstanding any of the foregoing provisions of this section, the purchasing carrier may proceed with the transaction, provided that all hired bankrupt carrier employees shall be provided with all of the rights and benefits of this agreement.

(c) An employee hired by a purchasing carrier in one craft but who also has seniority in another craft with Rock Island or Milwaukee, such as a yardmaster who also has seniority as a yardman, will be given seniority in both crafts on the purchasing carrier. This issue will be handled in the negotiations under paragraph (a) hereof.

(d) The issue of seniority date and service date where an employee transferred from one roster or craft to another on the bankrupt carrier will be handled in the negotiations under paragraph (a) hereof.

(e) Special projects -- Protection, seniority and contracting (pursuant to existing agreements) in special rehabilitation projects will be subject to negotiations between individual purchasing carriers and interested employee representatives.

Article III. Monthly Compensation Guarantee

1. Coverage -- A purchasing carrier will provide a monthly compensation guarantee, as hereafter provided, only to bankrupt carrier employees hired by the purchasing carrier pursuant to this agreement and to its own employees who are (1) working in the same seniority district in the zone or working district of the acquired property and (2) are in active service on the date that interim operation is begun or purchase completed, whichever first occurs.

2. Duration -- Each employee described in paragraph 1 of this Article shall be entitled to receive a monthly compensation guarantee payment for a total of not more than 36 months from the date employee makes a claim for it, except that:

(a) the period of entitlement to a guarantee payment shall not exceed the employee's total months of service prior to date interim operation is begun or purchase completed, whichever first occurs, with the bankrupt or the purchasing carrier, as the case may be; and

(b) payments of this type received from a bankrupt carrier, or any interim service operator, or a purchasing carrier or under supplementary unemployment insurance (such as Section 10 of Milwaukee Railroad Restructuring Act) all count toward the limit on the total number of months as set forth above; and

(c) no compensation shall be provided under this section after April 1, 1984, unless it is necessary in order to provide an employee with at least eight (8) months of the payments, but after such date, that employee shall receive the eight-month minimum only if that employee is not employed continuously after that date.

3. Guarantee -- the monthly compensation guarantee shall be an amount equal to:

(a) 80 percent of an employee's average monthly straight-time compensation (including all general wage increases negotiated nationally for railroad employees) earned from the Milwaukee (or purchasing carrier) during the period beginning June 1, 1977 and ending October 31, 1979, or from the Rock Island (or purchasing carrier) during the period June 1, 1977 and ending on May 31, 1979.

(b) In the case of an employee who served as an agent or a representative of a class or craft of employees on either a full- or part-time basis during the period set forth in subsection (a) above, 80 percent of the average monthly straight-time compensation (including all general wage increases negotiated nationally for railroad employees) of the employees actively employed in his class or craft involved immediately above and below him on the same seniority roster or 80 percent of his own average monthly straight-time compensation as computed in subsection (a) above, whichever is greater. This subsection (b) shall also be applicable to railroad officials, supervisory or fully exempt personnel who return to their respective crafts.

4. Payments and Offsets —

(a) Each employee described in paragraph 1 of this Article shall be eligible to receive a monthly compensation guarantee payment for any month in which such employee's monthly compensation guarantee exceeds such employee's actual compensation for that month with an offset for any losses due to absences from service or account of injury, sickness, disability, or discipline for cause in accordance with existing agreements. In computing such offset the guarantee will be reduced proportionately on the basis of working days in the month. Claims for guarantee shall be paid within 30 days after date claim is filed; except in the case of the initial claim it will be paid within 90 days of filing.

(b) Notwithstanding other provisions of this agreement, the carrier may reduce the "monthly compensation guarantee" for each day lost under emergency conditions such as flood, snowstorm, tornado, cyclone, hurricane, earthquake, fire or strike, provided that operations are suspended in whole or in part and provided further that because of such emergencies the work which would be performed by the incumbents of the positions to be abolished or the work which would be performed by the employees involved cannot be performed. The reduction in monthly compensation guarantee will be reduced proportionately on basis of working days in the month.

(c) The sum of (A) the amount of any benefits payable to such employee for such month under the Railroad Unemployment Insurance Act or under any state unemployment insurance program, and (B) the

amount of any earnings of such employee for such month from employment or self-employment which is first engaged in after the employee is adversely affected, may be used as an offset.

(d) The monthly compensation guarantee payment shall cease prior to the expiration of the period as set forth in paragraph 2 of this Article in the event of the employee's resignation, death, retirement, dismissal for justifiable cause under existing agreements, failure to exercise seniority on an available position less than 125 railroad route miles from his or her residence, and for failure without good cause to accept a reasonably comparable position which does not require a change of residence, for which he is physically and mentally qualified, if his return does not infringe upon employment rights of other employees under a working agreement. "A change of residence" as used herein means a transfer to a work location which is located either (A) outside a radius of 30 miles of the employee's former work location and further from his residence than was his former work location or (B) is located more than 30 normal highway route miles from his residence and also further from his residence than was his former work location.

(e) If, for any reason, an interim service operator is denied Commission approval or court authorization for final sale or transfer of a line of a bankrupt carrier, or ceases to be an interim operator, or if a successor carrier agrees, or is ordered to, perform the functions formerly performed by the Rock

Island or Milwaukee under an existing joint trackage agreement, the employment of bankrupt carrier employees who may be employed to fill the positions necessary for the operation of such service on such line may be terminated simultaneously with the cessation of that service, without preservation of rights or benefits with that purchasing carrier.

5. Initiation -- The monthly compensation guarantee payment will be the responsibility of an interim service operator from the date of the start-up of interim operations until its proposed acquisition is allowed, denied or withdrawn, or until the employee's eligibility terminates, whichever occurs first. The successful purchaser will have responsibility for monthly compensation guarantees once the proposed transaction is consummated, until the employee's eligibility terminates.

6. Elections -- Nothing in this agreement shall be construed as depriving any employee of the purchasing carrier whose employment relationship began prior to the effective date of this agreement of any rights or benefits or eliminating any obligations which such employee may have under any existing job security or other protective conditions or arrangements; provided, however, that if a protected employee otherwise is eligible for protection under both this agreement and some other job security or other protective conditions or arrangements, he shall elect between protection under this agreement and, for so long as he continues to be protected under the arrangement which he so elects, he shall not be entitled to any protection or benefit (regardless of whether or not such benefit is duplicative) under the arrangement which he does not so elect; and,

provided further, that after expiration of the period for which such employee is entitled to protection under the arrangement which he so elects, he may then be entitled to protection under the other arrangement for the remainder, if any, of his protective period under that arrangement.

7. Seasonal Work -- In computing the monthly compensation guarantee for employees who, during the period beginning June 1, 1978 and ending on May 31, 1979, did not hold a job on a year-round basis due to seasonal requirements, their monthly compensation guarantee will be computed using the actual number of months assigned to work in such period. Such guarantee as thus computed will apply to the same number of months each year after commencing work with a purchasing carrier.

Article IV. Miscellaneous

1. Effect of Severance Payment -- This agreement shall not apply to any bankrupt carrier employee who has elected to receive a severance payment under any other protective conditions or agreement.

2. Health and Welfare Coverage -- The purchasing carrier will pay a premium under the national health and welfare, dental and supplemental sickness plans, for the first month of employment of bankrupt carrier employees accepting employment pursuant to this agreement with the purchasing carrier.

3. Milwaukee or Rock Island employees accepting employment with a purchasing carrier pursuant to this agreement will be given credit for service with the former employer in computing vacation qualification, entry rates and sick leave.

4. This agreement shall be construed as a separate agreement by and on behalf and each of the carriers signatory hereto and its employees represented by each of the organizations signatory hereto.

Signed at Washington, D.C., this 4TH day of MARCH, 1980.

FOR THE CARRIERS:

BURLINGTON NORTHERN INC.
FORT WORTH AND DENVER RY. CO
DAVENPORT, ROCK ISLAND AND NORTH-
WESTERN RAILWAY

C. E. Giers V.P. - L.R.
UNION PACIFIC RAILROAD CO

P. J. Jordan
SOUTHERN PACIFIC TRANSCO.
ST. LOUIS SOUTHWESTERN RY CO

W. R. Denton
VP LS

R. Russell
S.V.P. - Admin -
C & N. T. Co.

J. R. Hamilton
C.M. ST. P. & P. R. Co.

J. L. Seewer
The Kansas City Southern Ry. Co. Omberg

FOR THE EMPLOYEES:

AMERICAN TRAIN DISPATCHERS
ASSOCIATION:

B. C. Wilbert

AMERICAN RAILWAY SUPERVISORS
ASSOCIATION:

Frank D. L. J.

BROTHERHOOD OF LOCOMOTIVE
ENGINEERS:

John F. Lytner
J. F. Lytner

BROTHERHOOD OF MAINTENANCE OF
WAY EMPLOYEES:

DRAFT ARRANGEMENT SUBMITTED BY RLEA
TO INTERSTATE COMMERCE COMMISSION
June 9, 1980

EMPLOYEE PROTECTION ARRANGEMENT

The scope and purpose of this arrangement are to provide protections to employees of the Chicago, Rock Island & Pacific Railroad Company which are at least as protective of the interests of employees as those provided to employees under Section 9 of the Milwaukee Railroad Restructuring Act, 45 U.S.C. §908. Consequently, these protections are to be read in conjunction with the Agreement dated March 4, 1980, between various railroads and labor organizations, and the two arrangements are to read as one.

SECTION 1 - DEFINITIONS

(a) ROCK ISLAND RAILROAD - means the property of the Chicago, Rock Island and Pacific Railroad Company which is in reorganization pursuant to 11 U.S.C. §205, its subsidiaries, and any reorganized successor company or companies.

(b) TRUSTEE - means the Trustee appointed by the court having jurisdiction over the reorganization of the Rock Island Railroad and shall include any successors to the present trustee.

(c) EMPLOYEE - means any person with an employment relationship with the Rock Island Railroad or the Trustee on August 1, 1979, but does not apply to (A) any person who was hired for a specific project or projects funded with monies provided pursuant to the provisions of the Railroad Revitalization and Regulatory Reform Act of 1976, and who did not have an employment relationship with the Rock Island Railroad as of August 1, 1979, or (B) any person who resigns, retires, or is discharged for cause in accordance with existing agreements, where applicable, prior to the date on which this Employee Protection Arrangement is agreed to or imposed pursuant to Section 106 of the Rock Island Transition and Employee Assistance Act; provided further, employee does not include any individual serving as president, vice president, secretary, treasurer, comptroller, counsel, member of the Board of Directors or any other person performing such functions. The term Employee also includes:

- (1) a person absent because of illness or injury, but only upon a showing of his fitness to resume his normal occupation in accordance with the procedures established by the Railroad Retirement Board under Sections 106(e)(1) and 114 of the Act as hereinafter defined.

- (2) any person on a leave of absence from the Rock Island Railroad for the purpose of serving as a union representative.

(d) TRANSACTION - means any action, past, present, or future taken in connection with the cessation of operations, abandonment or sale of lines of the Rock Island Railroad, or liquidation of the Rock Island Estate, or the results thereof.

(e) SEPARATED EMPLOYEE - means an employee whose position is abolished or who is displaced therefrom by another employee as a result of a Transaction and who is unable to obtain through the exercise of his seniority rights employment with the Rock Island Railroad that does not require a change in residence of more than 125 Rock Island Railroad route miles in existence as of the date of this agreement.

(f) AVERAGE MONTHLY NORMAL COMPENSATION - means:

- (1) Eighty percent of an employee's average monthly straight-time compensation (including all authorized general wage increases) earned from the Rock Island Railroad during the period beginning June 1, 1977, and ending May 31, 1979.
- (2) In the case of an employee who served as an agent or a representative of a class or craft of employees on either a full- or part-time basis during the period set forth in subsection (f)(1) above, 80% of the average of the average monthly straight-time compensation (including all authorized general wage increases) of the employees actively employed in the class or craft involved immediately above and below him on the same seniority roster or his own average monthly straight-time compensation as computed in subsection (f)(1) above, whichever is greater. This subsection (f)(2) shall also be applicable to railroad officials, supervisory or fully exempt personnel who return to their respective crafts.

(g) YEAR OF COMPLETED SERVICE - means each 12 months of employment with the Rock Island Railroad Kansas City Terminal Railroad in its capacity as directed service carrier, or any interim service operator, during which compensation was credited for purposes of the Railroad Retirement Act of 1974, as amended.

(h) PURCHASING CARRIER - means a rail carrier which acquires lines of the Rock Island under Section 17(b) of the Milwaukee Railroad Restructuring Act (45 U.S.C. §915(b)).

(i) BOARD - means the Railroad Retirement Board.

(j) ACT - means the Rock Island Transition and Employee Assistance Act.

SECTION 2 - INTERIM EMPLOYEE ASSISTANCE

(a) Any Separated Employee shall be eligible to receive interim employee assistance under this section for a six-month period beginning with the date of his separation or the date of enactment of the Act, whichever occurs last, except that the period of eligibility for assistance under this section shall not exceed the Separated Employee's total months of service with the Rock Island Railroad, including service for a directed service or interim service carrier, and in no event shall benefits under this section exceed the amount to which he otherwise would be entitled under Section 5 of this arrangement.

(b) Interim employee assistance under this section shall be payable to a Separated Employee on a monthly basis in an amount equal to such Separated Employee's Average Monthly Normal Compensation as defined in Section 1(f) of this arrangement less the sum of:

- (1) the amount of any benefits payable to such Separated Employee for such month under the Railroad Unemployment Insurance Act or under any State unemployment insurance program; and
- (2) the amount of any earnings of such employee for such month from regular employment or self-employment which is first engaged in after the employee is adversely affected as a result of a transaction.

(c) An employee receiving an interim employee assistance allowance shall be subject to call by the Rock Island Railroad to return to service, provided said call does not require a change in residence of more than 125 railroad route miles in existence as of the date of this agreement.

(d) Any claim for interim employee assistance under this section shall, upon certification by the Board, be paid by the Rock Island Railroad in accordance with sections 106(e)(2) and 110 of the Act and shall be treated as an administrative expense of the estate of such railroad.

(e) Any claim of a Separated Employee for interim employee assistance under this section shall be filed with the Board in accordance with the regulations of the Board under Sections 106(e)(1) and 114 of the Act.

(f) Any interim employee assistance received by a Separated Employee pursuant to this section shall be considered to be compensation solely:

- (1) for purposes of the Railroad Retirement Act of 1974 (45 U.S.C. §231 et seq.); and
- (2) for purposes of determining the compensation received by such Separated Employee in any base year under the Railroad Unemployment Insurance Act.

SECTION 3 - MOVING EXPENSES

(a) Any employee who, in connection with a Transaction carried out by the Rock Island Railroad, either is required to make a change of residence in order to retain his employment with the Rock Island, or is separated from his employment with such railroad and is required to make change of residence in order to obtain employment with another rail carrier, shall be eligible to receive moving expense benefits in accordance with this section.

(b) The benefits to which an Employee described in subsection (a) of this section shall be eligible are as follows:

- (1) The actual expenses of moving such Employee's household and personal effects,
- (2) The actual, necessary traveling expenses of such Employee and members of his family, or

In lieu of (b)(1) and (2), a lump-sum in the amount of \$1,500.

- (3) The closing costs involved in disposing of a residence and acquiring a new residence, including a realtor's fee of not more than \$3,000, or the Trustee of the Rock Island Railroad shall reimburse the employee if he suffers any loss in the sale of his home for less than its fair market value. In each case the fair market value of the home in question shall be determined as of a date sufficiently prior to the transaction to be unaffected thereby. The Rock Island Railroad shall in each instance be afforded an opportunity to purchase the home at such fair market value before it is sold by the employee to any other party.
- (4) If the Employee holds an unexpired lease on a dwelling occupied by him as his home, reimbursement for all loss and cost in securing the cancellation of such lease.

(c) Any claim for moving expense benefits under this section shall, upon certification by the Board, be paid by the

Trustee of the Rock Island Railroad in accordance with sections 106(e)(2) and 110 of the Act, and shall be treated as an administrative expense of the estate of such railroad.

(d) Any claim of an Employee for moving expense benefits under this section shall be filed with the Board in accordance with the regulations of the Board under Sections 106(e)(1) and 114 of the Act.

(e) When the term "change in residence" is used in this Agreement, it means transfer to a work location which is located either (A) outside a radius of 30 miles of the employee's former work location and farther from his residence than was his former work location or (B) is located more than 30 normal highway route miles from his residence and also farther from his residence than was his former work location.

(f) In addition to the benefits available under subsection (b)(1) and (2), but in lieu of the benefits of subsection (b)(3) of this section, an employee may accept a lump-sum payment equivalent to 15 percent of the first \$20,000 of fair market value of his home and 10% of the next \$40,000 of fair market value.

SECTION 4 - EMPLOYEE INCENTIVE COMPENSATION

(a) Any Employee who either is employed by the Rock Island Railroad or is separated from his employment with the Rock Island Railroad in connection with a Transaction and obtains employment with another rail carrier, which is not a purchasing carrier, shall be eligible for employee incentive compensation in accordance with this section.

(b) Each employee described in subsection (a) of this section shall be eligible to receive a total of not more than 36 months of employee incentive compensation under this section, except that:

- (1) no such compensation shall be provided after March 1, 1984, unless it is necessary in order to provide an Employee with at least 8 months of such compensation, but after such date such Employee shall only receive such 8-month minimum if such Employee is employed continuously after such date; and
- (2) there shall be deducted from such 36 months total one month for each month such Employee received interim employee assistance under section 2 of this Agreement.

(c)(1) Employee incentive compensation shall be payable to each Employee described in subsection (a) of this section in any month in which (A) such Employee's Average Monthly Normal Compen-

sation exceeds (B) such Employee's compensation for that month from his new position with the Rock Island Railroad or another rail carrier, less the proportion of the monthly allowance normally due to the extent any time is lost on account of voluntary absences or absences from service on account of injury, sickness, disability or discipline for cause in accordance with existing agreements to the extent that he is not available for service.

(2) Employee incentive compensation under this section shall be payable to an employee on a monthly basis in an amount equal to the amount described in clause (A) of subsection (1), as computed for that employee, less the amount described in clause (B) of subsection (1) as computed for that employee.

(d) Employee incentive compensation under this section shall, upon certification by the Board, be paid by the Rock Island Railroad in accordance with sections 106(e)(2) and 110 of the Act, and shall be treated as an administrative expense of the estate of such railroad.

(e) Any claim of an Employee for employee incentive compensation under this section shall be filed with the Board in accordance with the regulations of the Board under Sections 106(e)(1) and 114 of the Act.

SECTION 5 - SEPARATION ALLOWANCES

(a) Any Separated Employee may elect to receive a Separation Allowance from the Rock Island Railroad in accordance with this section, except that no such allowance shall be paid to any employee who secures employment with seniority rights unaffected pursuant to the March 4, 1980 Agreement on any property acquired by any railroad which acquires a line or portion thereof from the Rock Island Railroad.

(b) A Separation Allowance under this section shall be payable to a Separated Employee in an amount equal to \$2,000 for each Year of Completed Service, except that --

- (1) the total amount of Separation Allowance payable to a Separated Employee shall not exceed \$25,000;
- (2) the amount of Separation Allowance payable to an employee shall be reduced by the amount of any interim employee assistance received by an employee.

(c) Any Separation Allowance under this section shall, upon certification by the Board, be paid by the Rock Island Railroad in accordance with sections 106(e)(2) and 110 of the Act, and shall be treated as an administrative expense of the estate of such railroad.

(c) Any claim of an Employee for a separation allowance under this section shall be filed with the Board in accordance with the regulations of the Board under sections 106(e)(1) and 114 of the Act.

(e) Any separated employee with less than twelve (12) months' completed service shall be entitled to receive a lump-sum separation allowance of \$1,000.

(f) The Separation Allowance shall be paid at the time an employee is separated, or as soon thereafter as he elects to take separation, provided, that if the amount of Separation Allowance payable to an Employee, before any reduction under subsection (b)(2) of this section is more than \$1,000 the Separation Allowance will be paid to such Employees as follows:

- (1) 75% of such amount shall be paid at the time the Employee is separated, and
- (2) the balance shall be payable July 1, 1981, or as soon thereafter as the total liability of the Rock Island Railroad pursuant to this Agreement for all payments and benefits under this Agreement can be calculated, provided such liability does not exceed \$75,000,000, but in any event no later than March 1, 1984. If the calculated total liability of the Rock Island Railroad exceeds \$75,000,000 a pro rate reduction shall be made in the payments to each Employee under this paragraph in the amount necessary to maintain the Rock Island Railroad's total liability, for all payments and benefits under this Agreement, at \$75,000,000.

SECTION 6 - ELECTIONS

(a) Any Employee who receives employee incentive compensation under section 4 of this arrangement shall not be eligible for a separation allowance under section 5 of this arrangement.

(b) Any Employee who receives a separation allowance under section 5 of this arrangement shall not be eligible for moving expense benefits under section 3 of this arrangement, employee incentive compensation under section 4 of this arrangement or further interim employee assistance under section 2 of this arrangement.

(c) Any Employee who receives interim employee assistance under section 2 of this arrangement, moving expense benefits under section 3 of this arrangement, employee incentive compensation under section 4 of this arrangement, or a separation allowance under section 5 of this arrangement shall be deemed to

waive any employee protection benefits otherwise available to the employee under section 17(a) of the Milwaukee Railroad Restructuring Act, the Bankruptcy Act, title II of the United States Code, the Interstate Commerce Act, title 49 of the United States Code, or any applicable contract or agreement, except the March 4, 1980, agreement, provided that there be no duplication of benefits.

(d) Any employee who is eligible to receive benefits under this arrangement shall, no later than April 1, 1981, file on a form to be prescribed by the Board, a statement with the Board stating whether the employee elects to receive benefits under this arrangement and the March 4, 1980, Agreement, under the Act, or under any other form of employee protection arrangement.

SECTION 7 - IMPLEMENTATION OF ARRANGEMENT

To implement this arrangement, it is necessary that the Trustee issue trustee certificates to borrow up to \$75,000,000.00 in funds under section 110 of the Act, and section 511 of the Railroad Revitalization and Regulatory Reform Act of 1976.

The Trustee shall, within three (3) days of the date of this arrangement, file a petition with the Reorganization Court for authority to borrow all funds necessary to implement this arrangement, and the Trustee shall exert every reasonable effort both to obtain the necessary approvals for such borrowing, and to obtain the funds under such authorizations pursuant to section 110 of the Act or section 511 of the Railroad Revitalization and Regulatory Reform Act of 1976.

SECTION 8 - REARRANGEMENT OR ADJUSTMENT OF FORCES

Should the Rock Island Railroad rearrange or adjust its forces in anticipation of a transaction with the purpose or effect or depriving an employee of benefits to which he otherwise would have become entitled under this arrangement, this arrangement will apply to such employee.

SECTION 9 - EXCEPTIONS TO ELIGIBILITY TO RECEIVE ASSISTANCE

(a) During any period in which an employee is employed by any rail carrier providing temporary service over any lines of the Rock Island Railroad, where that carrier is subject to or a party to the March 4, 1980 Agreement, such employee shall not be eligible to receive any assistance under this arrangement, other than moving expenses under section 3 hereof, during such period of interim employment.

(b) Any employee who receives an offer of employment from a purchasing carrier of any lines of the Rock Island Railroad pursuant to the terms of an implementing agreement reached under Article II, Section 9 of the March 4, 1980 Agreement, in his craft or class, for which he is physically and mentally qualified, shall be ineligible to receive any further assistance under this arrangement, with the exception of moving expenses under section 3 hereof. As used herein, the term "offer of employment" shall be construed to mean the securing of a position with a purchasing carrier in accordance with the terms of Article II, Section 9 of the March 4, 1980 Agreement.

SECTION 10 - PROCESSING OF CLAIMS AND RESOLUTION OF DISPUTE

Any claim arising under this arrangement shall be filed with the Railroad Retirement Board in accordance with the regulations of the Board under Sections 106(e)(1) and 114 of the Act. Any dispute or controversy with respect to the interpretation or application of the provisions of this arrangement shall be decided in accordance with the procedures established by the Board pursuant to Sections 106(e)(1) and 114 of the Act, and any final decision by the Board shall be final, binding, and conclusive upon the parties to the dispute.

SECTION 11 - SAVINGS CLAUSE

In the event any provision of this arrangement is held to be invalid or otherwise unenforceable under applicable law, the remaining provisions of this arrangement shall not be affected.

September 13, 1982

TO: D. M. Cavanaugh
FROM: J. D. Darling *JDD*
RE: Rock Island Study-CNW Offer

Attached is my estimate of the mileage breakdown of the most recent CNW offer, based on information on page 3 of Exhibit A of the Trustee's Progress Report of Liquidation for Period Ending June 30, 1982.

My estimates of mileage are based on adding up the distances between stations as shown in Timetable No. 1, March 18, 1979, with the following exceptions:

Inver Grove-Rosemont (ICC Service Order 1473, July 24, 1982)	-0.3
Albert Lea (CNW)-Curtis (assumed omitted from mileage total)	-1.1
Freight Line Jct.-West Wye Tower (assumed omitted from mileage total)	-0.3
KCS Jct. (assumed included in mileage total)	+0.1
East Des Moines-West Des Moines (Chicago and Northwestern Line Segments)	+2.5
Dows-Clarion (Trustee, June 30, 1982)	+2.1
Bricelyn-Ocheyedan (Trustee, June 30, 1982)	+2.3
Royal-Palmer (Trustee, June 30, 1982)	+1.9
Cedar Rapids (Trustee, June 30, 1982)	+3.8
Hartley (Trustee, June 30, 1982)	+0.1

Note that these adjustments rectify the total mileage without inclusion of any former Rock Island trackage rights on other roads, such as the Milwaukee between Rosemont and Comas.

The CNW offer for the 6.5 mile Hollis-Iowa Jct. segment near Peoria, Illinois has apparently been accepted.

D. M. Cavanaugh
Page Two
September 13, 1982

The CNW was out-bid by the Milwaukee for the 64 mile West Davenport to Washington segment.

JDD/jmz

Att.

CNW OFFER JULY 7, 1982

St. Paul-Kansas City		429.4
Rock Jct.-Inver Grove	5.2	
Inver Grove-Rosemont	10.6	
Comas-Northwood	70.0	
Clear Lake Jct.-Shore Line Jct.	117.5	
Short Line Jct.-Carlisle	8.9	
Carlisle-Allerton	65.1	
Allerton-Trenton	49.4	
Trenton-Air Line Jct.	89.1	
KCS Jct.	0.1	
Eas Des Moines-West Des Moines	13.5	
Iowa Falls-Estherville		86.8
Dows-Clarion	15.7	
Goldfield-Estherville	71.1	
Bricelyn-Ocheyedan		96.9
Dows-Forest City		29.5
Belmond-Forest City	29.5	
Royal-Palmer		49.0
Cedar Rapids		3.8
Hartley		0.1
Carlisle-Indianola		<u>11.3</u>
G R A N D T O T A L		<u><u>706.8</u></u>

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 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.	"	"

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>		
essie System	^b 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)					
waukee 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
uthern 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.) Morse Jet-Etter, Tx)	37.4	2,450,000	416	443		3/15/82

ong term lease

ackage Rights

September 13, 1982

TO: D. M. Cavanaugh
FROM: J. D. Darling *JDD*
RE: Rock Island Study-CNW Equipment

The Official Railway Equipment Register, July, 1982, lists 9,791 gravity or gravity/pneumatic covered hoppers 4,000 cubic feet and over 180,000 lbs., and over capacity for the CNW. From personal observation, I believe the cars in the 700,000 series are ex-Rock Island cars. These account for 1,680, or 17.2 percent of the total. All are straight gravity cars.

The pneumatic total 1,153 cars leaving 6,958 CNW and 1,680 former Rock Island gravity cars, at a total of 8,638. The Rock Island cars are 19.4 percent of the gravity fleet.

The CS60-A dated July 1, 1982, lists 9,862 covered hopper cars, 4,000 cubic feet or more for the CNW, with 198 heavy bad order, and 327 light bad order. Heavy bad orders are 2 percent, total bad orders 5.3 percent.

JDD/jmz

Omaha Bank for Cooperatives

Farm Credit Building
206 South 19th Street
Omaha, Nebraska 68102
Telephone (402) 444-3500

September 13, 1982

Mr. David Boyer
Executive Assistant
Soo Line Railroad Company
Soo Line Building
Box 530
Minneapolis, Minnesota 55440

Dear David:

As we have discussed in our meeting at the Bank on August 30, 1982, and during our phone conversation of September 9, 1982, the Bank is interested in pursuing a financing arrangement which would involve the Soo Line Railroad in the position of "guarantor" for a loan for the purpose of acquiring certain Rock Island properties through a to be determined eligible borrower domiciled within the state of Iowa.

Due to the infantile stage of this project, the Bank is not in a position to make a commitment on financings or structure at this time though as I have expressed to you, we do have a desire to continue pursuing options available to present Bank borrowers to secure long-term viable rail service.

Please keep me informed of changes in the status of this project as they relate to the Bank, and call if questions arise.

Cordially,

Kenneth E. Hide

Kenneth E. Hide *dy pmp*
Senior Loan Officer

KEH:jmh/7

*Phillips memo
Standard Helling*

SOO LINE RAILROAD COMPANY

EXECUTIVE COMMITTEE

SEPTEMBER 10, 1982

RESOLUTION A

RESOLVED, That the President be, and hereby is, authorized to enter into negotiations with William M. Gibbons, Trustee of the property of the Chicago, Rock Island and Pacific Railroad Company, for the purpose of acquiring certain lines of railroad of the Chicago, Rock Island and Pacific Railroad Company, consisting of approximately 690 miles and generally extending ^{St Paul} from Northfield, Minnesota to Kansas City, Missouri and between the following cities in Iowa: Iowa Falls to Esterville, Rake to Ocheyedan, Dows to Forest City, and Carlisle to Indianola;
Such other properties as President may determine.

RESOLVED FURTHER, That the President be, and hereby is, authorized to submit a Purchase Agreement to the aforementioned Trustee in substantially the form presented to this meeting, which document is hereby ordered duly identified and filed as part of the records of this meeting, providing for the purchase of the aforementioned lines of railroad;

RESOLVED FURTHER, That the President be, and hereby is, authorized in the exercise of his discretion and judgment to increase the amount of the purchase price provided for in the Purchase Agreement up to \$65 million, to be payable in installments or entirely in cash on the closing date; *with inclusion of all other property to be included in offer.*

RESOLVED FURTHER, That the President is authorized to negotiate with state and federal agencies in order to obtain

*Payable in
Terms &
Conditions to be
Negotiated.*

such financial assistance as may be available in the form of loans, preference share financing, contributions towards, or supplements to the purchase price;

RESOLVED FURTHER, That the President is authorized to negotiate with lending institutions to obtain funds to finance the purchase price to the extent further financing may be necessary or desirable to stabilize cash flows;

RESOLVED FURTHER, That the President is authorized in the exercise of his discretion and judgment to cause one or more subsidiaries to be incorporated for the purpose of acquiring title to properties which may be acquired from the Trustee of the Rock Island under a Purchase Agreement executed by the Company;

RESOLVED FURTHER, That the President and Secretary or Assistant Secretary are authorized to execute and deliver such agreements or other documents as may be necessary and appropriate to carry out the intent and purposes of the foregoing resolutions;

RESOLVED FURTHER, That the President and other appropriate officers of the Company are hereby authorized to do any and all things necessary and appropriate to carry out the intent and purposes of these resolutions.

C-2 Stoffer 9/10

9/17 CNW off Spine Line

8/1 extended 90 days.

Not moving so fast

Keota and Washington done

~~Big~~ Big elevators

9000 ties, some resurfacing, 10 mph
Cedar Rapids to Hanley

40 mph Watuloo to Cedar Rapids.

112 Q6

March 4, 1980

80% RI employees

interim service employees, not needed
pay 80% till March 4, 1984

laid off 150-160 since June 1982

Clerks detailed

Tramway and enginemen to bottom

Soo Line Railroad Company



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

BYRON D. OLSEN
Vice President and
General Counsel

SOO LINE RAILROAD
SEP 10 1982
EXEC. VICE PRESIDENT

September 10, 1982

John F. Cikota
Financial Analyst
Federal Railroad Administration
Office of National Freight
Assistance Programs
U.S. Department of Transportation
400 Seventh Street, S.W.
Washington, D.C. 20590

Dear Mr. Cikota:

This will confirm our telephone arrangements to meet with you and other members of your staff Monday afternoon, September 20 in Room 5534 of your offices. The purpose of the meeting is to review requirements for the preparation of an application for funding that may be available under Title V of the Railroad Revitalization and Regulatory Reform Act of 1976, with respect to the Rock Island Twin Cities to Kansas City line. I will have with me the person who is acting as project manager in our Company.

You asked that I call that morning if possible to reconfirm the meeting. We will be flying in that morning and so it may be difficult to give you a call. I will be in touch with you only in the event that our plans change. In the meantime, we appreciate your cooperation.

Sincerely,

BDO/mcj

cc: T. M. Beckley
D. M. Cavanaugh
J. D. Darling

SOO LINE RAILROAD COMPANY

EXECUTIVE COMMITTEE

SEPTEMBER 10, 1982

AGENDA

1. Call Meeting to Order.
2. Consideration of Acquiring
Rock Island Line to Kansas City.
 - a) R. H. Smith - Traffic Potential
 - b) D. M. Cavanaugh - Operational
Arrangements
 - c) T. M. Beckley - Review the
Financial Considerations
3. Resolution:
 - A) Authorizing offer
4. Report on Milwaukee Depot Property.
Resolutions:
 - B) Acquisition of 244,200 square
feet
 - C) Acquisition of 670,230 square
feet
5. Other Business.
6. Adjournment.

Called From Sioux City
Letter of intent →
Thems fax # →
visit Shipper group →

712-858-4491

Ivan Summa

Trustee →

9/10 Call from KS

Letter of intent forthcoming.

Visit re. RE reservation by Trustee

He seemed not to be aware of this.

Asked if Soo had completed study.

Suggested he request a description of RE
parcels and acreage for purposes of possible
request

Fred McKim, Gen. Mgr.

Leonard Anliker, Pres.

Carl F. Heldt, Sec.

WEST BEND ELEVATOR CO.

Grain, Feed, Seed, Chemicals, Fertilizer and Merchandise
Petroleum Products, Soybean Processing
WEST BEND, IOWA 50597
515-887-7211

Branches:
Rodman, Iowa 50580
515-887-2061
Mallard, Iowa 50562
712-425-3313

September 9, 1982

Dear Shippers:

There will be a meeting Monday afternoon, September 20, 1:00 p.m., at West Bend Elevator Company's office, West Bend, Iowa.

Jim Wolfe, President of Chicago & Northwestern Transportation Company, and other representatives of CNW will be here to discuss several matters concerning transportation in the Iowa Falls Gateway area. Some of the points to be covered are as follows:

1. When, if, and how the CNW is going to acquire the Rock Island lines.
2. What are their plans for upgrading the lines that they acquire?
3. On what lines are they planning to provide service and how?
4. ~~What help they would like from the shippers or what they are expecting from shippers.~~

Representatives from the Iowa DOT, Agri Industries, Cargill, Inc., Iowa Institute of Cooperation, Iowa Grain and Feed Association, and the Omaha Bank for Cooperatives will also be at this meeting, and will be available to answer questions in their particular areas. You can see from the above mentioned topics and people attending that this will probably be one of the most important meetings we shippers have had for a long time. I would like to encourage each one of the members of our shippers association to bring one or two of their directors to this meeting, because if the shippers association feels it is time to aggressively show our support to a railroad to serve us in the future, we must have adequate representation from our total area. I personally think that it is time that the shippers aggressively move to help in any way possible to have a railroad acquire our area from the Trustee of the Rock Island. The Trustee of the Rock Island is doing nothing but letting his railroad deteriorate, and this could have long range implications for the shippers who are now being served by the CNW. If the CNW is ready to move and needs our support, I think we should be ready with large representation at this meeting to move in some direction.

I would again like to encourage and invite each and every one of you to have good representation at this meeting Monday afternoon, September 20.

Your Slave,

Fred McKim
Fred McKim, Chairman

Iowa Falls Gateway Shippers Association

FM: Lub

Telecopy: D. Cavanaugh
R. Smith

CENTRAL BANK FOR COOPERATIVES

Two meetings have taken place between representatives of the Soo and the Central Bank for Cooperatives at Omaha, Nebraska.

Loans made by the Central Bank for Cooperatives must be for the benefit of the member cooperatives. Generally, loans from the Central Bank are more than a percentage point lower than the prevailing market rate. In this instance, the Central Bank is willing to consider making loans for the acquisition of Rock Island trackage to protect the real estate leased to member cooperatives and on which many of their elevator facilities are located. The Central Bank is also interested in establishing a stable rail operation to serve their member cooperatives.

Such loans might be for the purchase of track structure or right-of-way. Normally, loans would be made to member cooperatives; however, the Central Bank is reviewing its ability to make a loan directly to a non-member such as the Soo.

The Omaha Bank for Cooperatives must make loans to legal residents within its service area of Iowa, Nebraska, South Dakota, and Wyoming. An Iowa corporation would have to be established for this purpose. Should the Soo wish to finance acquisition of properties in Minnesota and/or Missouri, the Omaha Central Bank would request the participation of the Central Banks in St. Paul and St. Louis.

The Central Bank for Cooperatives in Omaha has provided the majority of the funding whereby Shippers Consortium, Inc., thought to include Agri Industries, has purchased the 100.2 mile Milwaukee Road line from Council Bluffs to Bayard for \$7,650,000. The line will be leased to the Burlington Northern, it is believed with an option to buy.

The Omaha Bank for Cooperatives has indicated a willingness to assist the Soo and is prepared to provide a letter of intent.

JD 9/9 For EC Inty.

Central Banks for Cooperatives

The Central Banks for Cooperatives along with related agency banks, Federal Land Banks and Federal Intermediate Credit Banks are a federally chartered agency of the federal government. The system is comprised of twelve districts within the United States, each district being served by one each of the three agency banks making up the total system of thirty-seven banks. The thirty-seventh bank is the additional Denver based Central Bank for Cooperatives.

The Farm Credit Administration in Washington, D.C. is the supervisory authority for the system, although each bank acts autonomously. The Farm Credit Act of 1971 and 1980 amendments to the Act is the enabling legislation.

The U.S. government does not provide funds for the Farm Credit Administration system banks. The issuer of these agencies are non-guaranteed by the United States government.

The source of funds for all banks within the Farm Credit Administration system is raised via the fiscal agent for the Farm Credit Administration system located in New York. Funds are raised or floated from agency issues approximately sixteen times each year. The combined Farm Credit Administration banking system represents collectively the third largest part of the credit market in the United States.

In a survey of potential sources of funding, Soo has identified the Omaha Bank for Cooperatives because of their special interest in the rail structure in Iowa serving the many grain and agricultural cooperatives in that state. The Omaha Bank for Cooperatives has advised Soo of a willingness to issue a future letter of intent to finance Soo Line future acquisition in this area. The Omaha Bank for Cooperatives has a present dollar loan volume of approximately nine billion.

Central Bank for Cooperatives

The Central Bank For Cooperatives along with its Sister agencies the Federal Land Banks and Federal Intermediate Credit Banks are a Federally Chartered Agency of the Federal Government. Within the The System is comprised of twelve districts within the United States, each district being serviced by one each of the three banks making up the ^{total} System of thirty-seven banks.

The Farm Credit Administration in Washington, DC is the Supervisory Authority, although each of the individual Banks acts autonomously. The Farm Credit Act of 1971 and 1980 Amendments to the Act is the enabling legislation.

The U.S. Government does not provide the funds for the Farm Credit Administration. The assets of these institutions are not guaranteed by the United States Government.

The Source of funds for all banks within the Farm Credit System is raised via the fiscal agent for the Farm Credit System located in New York. Funds are raised or floated ~~the~~ ^{from} agency issues via ~~the~~ ^{system} fiscal agent approximately 16 times each year. The Combined Farm Credit ~~Bank~~ Administration Banking System is the third largest part of the Credit Market in the United States.

Soo is negotiating and has been advised of a ~~withdrawing~~ forthcoming letter of ~~intent~~ ^{of intent} ~~intention~~ to finance acquisitions of RTI trackage with the Omaha Bank For Cooperatives located in Omaha, Nebraska. The Omaha Bank ~~has~~ ^{has a} ~~their~~ present loan volume ~~is~~ ^{of} approximately Nine billion dollars.

9/8/82 JDD, BDO, DJB, TMB, DMC, RLM, HJN
WOS

Not in -

Mineral rights

Convert licenses to easements

New easements

Crossing easements

Trackage rights

Removal of rolling stock and property

Better offer

amounts owed by the Trustee and Rock Island
to Soo and MNS.

Duane Grove flood plain.

ROCK ISLAND - STUDY

PROJECTED ACQUISITION PRICE AND FUNDS SOURCE OF ROCK ISLAND TRACKAGE PER SOO INTERNAL STUDY - ACCOUNTING DEPARTMENT

Main Line: 400 Miles

32,000 \$39,300 M ML Trustee non interest bearing purchase Agreement.
8,000 700 M Soo Cash Down payment.
40,000 M Purchase Price.

Repayment: (Source)

6,400	\$6,900 M	Year 1	(Def. Tax	\$2,300 M	Pref. Shs. \$4,600 M)
6,400	9,400 M	" 2	(" "	4,400 M	" " 5,000 M)
6,400	10,200 M	" 3	(" "	4,800 M	" " 5,400 M)
6,400	6,300 M	" 4	(" "	6,300 M)	
6,400	6,500 M	" 5	(" "	6,500 M)	

32,000

Branch Line: 260 Miles

\$ 9,600 M OBC Loan @ 14%
2,400 M Soo Cash Down Payment.
12,000 M Purchase Price

Repayment: (Source)

1,500	\$1,500 M	Year 1	(Def. Tax	\$ 800 M	I-DOT \$600 M)
1,700	1,500 M	" 2	(" "	1,500 M)	
1,900	1,800 M	" 3	(" "	1,700 M	" 100 M)
2,100	2,300 M	" 4	(" "	2,300 M)	
2,400	2,500 M	" 5	(" "	2,500 M)	

9,600

Rock Island Trustee - Position

\$52,000 M Purchase Price of 660 Miles Rock Island Trackage
20,400 12,700 M Cash to Trustee
32,000 39,300 M Due Trustee Purchase Agreement

Soo - Position

\$52,000 M Purchase Price
10,400 3,100 M Cash down - Soo
9,600 M OBC-Loan @ 13.75%, 5 yrs.
32,000 39,300 M Purchase Agreement-due Trustee, 5 yrs, No interest

Repayment:

7,900	\$8,400 M	Year 1	(Def. Tax	\$3,100 M	Eliminate * Pref. Shs. \$4,600 M I-DOT \$600 M)
8,100	10,900 M	" 2	(" "	5,900 M	" " 5,000 M)
8,300	12,000 M	" 3	(" "	6,500 M	" " 5,400 M " \$100 M)
8,500	8,600 M	" 4	(" "	8,600 M)	
8,800	9,000 M	" 5	(" "	9,000 M)	

41,600

5,600
9,600
9,400
9,500
43,500

* Pay back 6 yrs.

Revised TRB 9-8-82

100

ROCK ISLAND - STUDY

PROJECTED ACQUISITION PRICE AND FUNDS SOURCE OF ROCK ISLAND TRACKAGE PER SOO INTERNAL STUDY - ACCOUNTING DEPARTMENT

Main Line: 400 Miles

32,000 \$39,300 M ML Trustee non interest bearing purchase Agreement.
8,000 700 M Soo Cash Down payment.
40,000 M Purchase Price.
Repayment: (Source)
6,400 \$6,900 M Year 1 (Def.Tax \$2,300 M Pref.Shs. \$4,600 M)
6,400 9,400 M " 2 (" " 4,400 M " " 5,000 M)
6,400 10,200 M " 3 (" " 4,800 M " " 5,400 M)
6,400 6,300 M " 4 (" " 6,300 M)
6,400 6,500 M " 5 (" " 6,500 M)

Branch Line: 260 Miles

\$ 9,600 M OBC Loan @ 14%
2,400 M Soo Cash Down Payment.
12,000 M Purchase Price
Repayment: (Source)
1,500 \$1,500 M Year 1 (Def.Tax \$ 800 M I-DOT \$600 M)
1,700 1,500 M " 2 (" " 1,500 M)
1,900 1,800 M " 3 (" " 1,700 M " 100 M)
2,100 2,300 M " 4 (" " 2,300 M)
2,400 2,500 M " 5 (" " 2,500 M)

Rock Island Trustee - Position

\$52,000 M Purchase Price of 660 Miles Rock Island Trackage
20,000 12,700 M Cash to Trustee
32,000 39,300 M Due Trustee Purchase Agreement

Soo - Position

\$52,000 M Purchase Price
10,400 3,100 M Cash down - Soo
9,600 M OBC-Loan @ 13.75%, 5 yrs.
32,000 39,300 M Purchase Agreement-due Trustee, 5 yrs, No interest
Repayment:
7,900 \$8,400 M Year 1 (Def.Tax \$3,100 M Pref.Shs. \$4,600 M I-DOT \$600
8,100 10,900 M " 2 (" " 5,900 M " " 5,000 M)
8,300 12,000 M " 3 (" " 6,500 M " " 5,400 M " \$100
8,500 8,600 M " 4 (" " 8,600 M)
8,800 9,000 M " 5 (" " 9,000 M)

Revised DB 9-8-82

ROCK ISLAND - STUDY

PROJECTED ACQUISITION PRICE AND FUNDS SOURCE OF ROCK ISLAND TRACKAGE PER SOO INTERNAL STUDY - ACCOUNTING DEPARTMENT

Main Line: 400 Miles

\$39,300 M ML Trustee non interest bearing purchase Agreement.

700 M Soo Cash Down payment.

40,000 M Purchase Price.

Repayment: (Source)

\$6,900 M	Year 1	(Def. Tax	\$2,300 M	Pref. Shs.	\$4,600 M)
9,400 M	" 2	(" "	4,400 M	" "	5,000 M)
10,200 M	" 3	(" "	4,800 M	" "	5,400 M)
6,300 M	" 4	(" "	6,300 M)		
6,500 M	" 5	(" "	6,500 M)		

Branch Line: 260 Miles

\$ 9,600 M OBC Loan @ 14%

2,400 M Soo Cash Down Payment.

12,000 M Purchase Price

Repayment: (Source)

\$1,500 M	Year 1	(Def. Tax	\$ 800 M	I-DOT	\$600 M)
1,500 M	" 2	(" "	1,500 M)		
1,800 M	" 3	(" "	1,700 M	"	100 M)
2,300 M	" 4	(" "	2,300 M)		
2,500 M	" 5	(" "	2,500 M)		

Rock Island Trustee - Position

\$52,000 M Purchase Price of 660 Miles Rock Island Trackage

12,700 M Cash to Trustee

39,300 M Due Trustee Purchase Agreement

Soo - Position

\$52,000 M Purchase Price

3,100 M Cash down - Soo

9,600 M OBC-Loan @ 13.75%, 5 yrs.

39,300 M Purchase Agreement-due Trustee, 5 yrs, No interest

Repayment:

\$8,400 M	Year 1	(Def. Tax	\$3,100 M	Pref. Shs.	\$4,600 M	I-DOT	\$600
10,900 M	" 2	(" "	5,900 M	" "	5,000 M)		
12,000 M	" 3	(" "	6,500 M	" "	5,400 M	"	\$100
8,600 M	" 4	(" "	8,600 M)				
9,000 M	" 5	(" "	9,000 M)				

RI - Study

Projected purchase price of RI Trackage per
Soo internal study.

Main Line: 400 Miles
\$ 39,300 M Mh Trustee Non interest bearing purchase Ag.
700 Mh Soo Cash Down payment.
40,000 Mh Purchase Price

Repayment: (Source)

Year	Def Tx	Pf Sk
1	2,300 Mh	4,000 Mh
2	4,200 Mh	5,000 Mh
3	4,800 Mh	5,000 Mh
4	6,300 Mh	
5	6,500 Mh	

Branch Line: 260 Miles
\$ 9,600 Mh OBC Loan @ 14%
2,400 Mh Soo Cash Down Payment.
12,000 Mh Purchase Price

Repayment: (Source)

Year	Def Tx	Shipper State Funds
1	800 Mh	600 Mh
2	1,500 Mh	
3	1,700 Mh	100 Mh
4	2,300 Mh	
5	2,500 Mh	

RI Trustee - View Position
\$ 52,000 Mh Purchase Price of 660 Miles RI Trackage
12,700 Mh Cash To Trustee
39,300 Mh Due Trustee Purchase Agreement

Soo - View Position

Purchase Price
\$ 52,000 Mh
3,100 Mh Cash down - Soo
9,600 Mh OBC - loan @ 13.75%, 5 yrs
39,300 Mh Purchase Ag - due Trustee, 5 yrs No int.

Repayment: 3,400 Mh year 1 (Def Tx 3,100 Mh Pf Sk 4,600 Mh I-DOT 600 Mh)

Year	Def Tx	Pf Sk	I-DOT
1	3,100 Mh	4,600 Mh	600 Mh
2	5,900 Mh	5,000 Mh	
3	6,500 Mh	5,400 Mh	100 Mh
4	8,600 Mh		
5	9,000 Mh		

DRAFT - September 7, 1982

PURCHASE AGREEMENT

The Purchase Agreement, made and entered into as of the day of _____, 1982, by and between William M. Gibbons, Trustee of the property of the Chicago, Rock Island and Pacific Railroad Company (said Trustee hereinafter "Trustee" and said debtor and its estate hereinafter "Rock Island") and the Soo Line Railroad Company, a Minnesota corporation (hereinafter "Soo Line"):

WITNESSETH: WHEREAS, Trustee is the owner of certain properties, described on Exhibit "A" attached hereto, hereinafter called "Property" or "Properties," which Trustee is willing to convey and the Soo Line is willing to purchase for the purpose of continuing railroad operations over said Properties;

NOW THEREFORE, in consideration of the mutual covenant contained herein, the parties agree as follows:

1. Purchase Price.

Subject to the terms and conditions of this contract, Trustee agrees to sell and Soo Line agrees to purchase the Property for a total consideration of \$52 million, to be paid ^{1.} on execution hereof and ^{2.} in cash on Closing Date, with the balance payable in five equal annual installments of \$6,400,000 payable on the anniversary dates of Closing Date. ^{10 million} interest shall be payable on the annual installments, but Trustee shall be entitled to such additional payments as are required by the succeeding paragraph.

In the event total revenue carloads moved over the Properties during the 5 years immediately succeeding Closing Date exceed ^{375,000} car loads, then, in addition to the payments required

375,000/ch
Revenue being paid semi-annually on 10/1/82

RT Balance Due

above, the Soo Line shall pay to the Trustee, as compensation for the purchase of said Properties, an amount equal to \$_____ per car in excess of said _____ car loads.

2. Properties Included.

Trustee shall sell to Soo Line and Soo Line shall purchase from Trustee all of his right, title and interest in and to the Property, including all real estate, right of way, personal property, improvements (including rail, track material and railroad facilities), buildings, signal and communication equipment, spur, industry, team, interchange or similar tracks and terminal facilities, and all rights, agreements, grants, franchises, licenses, permits or other interests in and appurtenant to the Property, and all rights, title and interest in and to any and all trackage rights agreements, joint facility agreements and all other agreements between Trustee or the Rock Island and other railroads or entities which involve the Properties.

3. Assignment Permitted.

The parties hereto specifically covenant and agree that the Soo Line may assign, or any ^{part} part of its rights or interests arising under this agreement to such third parties as it shall designate without the consent of Trustee, provided, however, that such assignment shall in no way relieve the Soo Line of its obligation to pay any part of the purchase price required hereunder.

4. Closing Date.

Subject to accomplishment of all conditions contained herein, the Closing Date (herein "Closing Date") for conveyance of the Property shall be not later than June 30, 1983, provided that Soo Line shall have the option to extend said Closing Date for any

period up to an additional one year from said June 30, 1983 in the event all said conditions have not been met. Upon satisfaction of all such conditions Closing Date shall be a date specified by Soo Line in written notice to the Trustee, which date shall not be less than five days from the satisfaction of such conditions nor later than 30 days thereafter. Closing shall take place at such location in the city of Chicago, Illinois as shall be agreed upon by the parties.

5. Interim Operations.

In the event any interim operator gives notice of intent to terminate all or any part of its operations over the Property, Trustee shall immediately notify Soo Line of such pending termination and no interim operator, shall be appointed or designated without the consent of the Soo Line. The Soo Line shall have the option to elect to provide interim service over all or part of the area subject to such termination, upon the same terms and conditions as were in effect between the Trustee and the interim operator prior to termination. Any payments made by Soo Line to Trustee under any interim operating agreement shall be credited to Soo Line as part payment of the purchase price due at Closing Date.

6. Conditions Precedent to Closing.

Closing shall not take place until all the following conditions have been fulfilled:

- (a) This Purchase Agreement and the operation of the railroad trackage to be acquired hereunder have been approved by all necessary governmental and judicial authorities, as required by law, including, but not limited to the Rock Island's Reorganization Court and

Chw
Amund

the Interstate Commerce Commission. As soon as practicable following the execution of this contract, but in no event later than 30 days thereafter, the parties will file necessary motions, applications or other documents to obtain such approvals. In the event any such governmental or judicial authority shall impose any conditions upon either the purchase of the Properties or the continued railroad operation of said Properties, which materially impair the value of the Property or the ability of Soo Line to operate said Properties economically, Soo Line shall have the right to terminate this Purchase Agreement.

~~(c)~~ Soo Line's acquisition of financing for the entire purchase price upon terms and conditions satisfactory to it.

- Any Sales?*
- (c) Trustee shall obtain written assignments of the trackage, joint facility and other agreements listed on Exhibit "B" attached hereto, and any other material agreements, from all parties to those agreements, concurring in the assumption of said agreements by the Soo Line under the same terms and conditions as are currently applicable to the Trustee and Rock Island. *+ Comments*
- (d) Soo Line has acquired, or in its reasonable judgment determines it is able to acquire, terminal facilities in the Kansas City terminal area sufficient to economically carry on the interchange of rail freight traffic at that terminal with other railroads and to make delivery of traffic to shippers located in the Kansas City area.

- (e) Inspection of the Properties shall have disclosed that there are no material structural defects in right-of-way and track facilities and structures located thereon.

7. Duty to Support Transaction.

Upon execution of this Purchase Agreement, Trustee shall promptly petition for preliminary approval of this transaction by the Reorganization Court and shall assist Soo Line in obtaining all necessary approvals, satisfactory financing, and in satisfying all other conditions precedent. Each party shall bear its own expenses in obtaining such necessary approvals, including, but not limited to those for experts, consultants, and outside counsel.

8. Representations, Warranties and Agreements of Trustee.

Trustee hereby represents and warrants to, and agree with, Soo Line as follows:

- (a) Trustee has been duly appointed by the Court and is acting as the Reorganization Trustee of Rock Island.
- (b) Trustee has legal power and authority to bind the estate of Rock Island by this Agreement, and when authorized as provided herein, will be bound to convey the Properties in accordance with the terms hereof, and after closing Soo Line will own all of said Properties. Upon request by Soo Line Trustee agrees to make all books, records and other documents of Trustee and Rock Island, relevant to the Properties, available for inspection and copying by Soo Line as required during regular business hours. Soo Line shall have full access to all of Rock Island's and Trustee's Properties and facilities.

- (c) Trustee has good and marketable title to the Properties, free and clear of any liens and encumbrances (except those for taxes and installments of special assessments for the current year not yet due and payable and such minor defects, irregularities, easements, rights of way, clouds on title and other encumbrances as normally exist with respect to properties similar in character to such real property as do not in the aggregate materially impair the Property affected thereby for the purpose for which it is to be acquired by Soo Line). All Trustee's property, equipment, structures and buildings are in good order and repair, ordinary wear and tear excepted.
- (d) There are no actions, suits, or proceedings pending, or to the knowledge of Trustee, threatened against or affecting, or which may affect the Properties, in any court or by or before any government body or agency, which, in the judgment of Trustee and Rock Island are significant except as described on Exhibit C attached hereto. Neither Trustee nor Rock Island is subject to any order, judgment or decree, or any agreement with any governmental body or agency which materially adversely affects or may adversely affect the business or operations of the Property.
- (e) Neither the use intended by Soo Line of the Properties after closing, nor the continued operation of the Properties prior to closing, nor this Agreement, nor the sale of the Properties hereunder violate any

restrictive covenant or condition, or produce or cause a reversion, reverter or similar event to occur.

(f) Trustee and Rock Island are not now in default, except such defaults permitted by authority of the Reorganization court having jurisdiction over Rock Island's bankruptcy, under any of its leases, franchises, joint facility agreements, trackage agreements, policies or contracts.

(g) After transfer the Properties will be operated by the Soo Line, free and clear of all terms, conditions and restrictions contained in labor agreements entered into or binding upon the Trustee or Rock Island.

9. Continued Operations.

Trustee and Rock Island will insure that business continues to be conducted over the Properties between the date of execution of this Agreement and the date of closing in substantially the same manner as business has been conducted in the past, and in accord with all applicable laws and regulations. Trustee shall preserve, protect and maintain said Properties at least to their present conditions, and shall not make or permit any sale or conveyance of the Properties of a nature which would impair the utility of said Properties for the purposes for which they are being acquired by Soo Line. Trustee will take such action as is necessary to insure the cessation of operations over the Property by any interim operator as of the Closing Date.

10. Indemnification.

Trustee shall indemnify and hold the Soo Line harmless against any claims, liabilities, causes of action, costs and expenses, including all costs of defense, in any manner arising from

or out of the operation of the Property prior to Closing Date or the bankruptcy of Rock Island.

In addition, Trustee shall take no action and make no agreements which shall in any way release any liabilities, claims, causes of actions and suits for waste, improper maintenance, or other damages to the Properties caused by any interim operator prior to Closing Date.

11. Preparation of Documents.

Within a reasonable period of time after the execution and delivery of this Agreement, the Trustee shall prepare specific quit claim deeds, assignments and other conveyances in a form satisfactory to the Soo Line and acceptable for recording in the states of Minnesota, Iowa and Missouri. The conveyancing documents shall be prepared in a form sufficient, when duly executed, acknowledged and delivered and recorded, to vest in the Soo Line, or its assignee or designee, all of the Trustee's right, title, and interest to the Properties. The Trustee shall prepare such other documents as may be reasonably requested by the Soo Line to effect the transaction contemplated by this Agreement. The Trustee shall deliver to Soo Line on or about the date of execution of this Agreement, copies of all abstracts of title to the Property in his possession.

12. Representations, Warranties and Agreements of Soo Line.

Soo Line hereby represents and warrants to, and agrees with Trustee, as follows:

- (a) Soo Line is a corporation duly organized, validly existing and in good standing under the laws of the state of Minnesota and has full power and authority to acquire the shares and otherwise consummate the transactions herein provided.

- (b) The execution and delivery of this Agreement by Soo Line has been duly and validly authorized by the Board of Directors or the Executive Committee thereof of Soo Line and all requisite corporate action has been taken to make it valid and binding upon Soo Line in accordance with its terms.
- (c) Neither the execution nor the delivery of this Agreement nor the consummation of the transactions contemplated herein will violate any provisions of the Certificate of Incorporation or Bylaws of Soo Line or result in the breach of any term or provision of or constitute a default in any indenture, mortgage, deed of trust or other agreement to which the Soo Line is a party.

13. Conditions Precedent to Obligations of Soo Line.

The obligations of Soo Line under this Agreement are subject to the fulfillment, prior to or on the Closing Date, of each of the following conditions, any one or more of which may in the discretion of Soo Line be waived:

- (a) Satisfaction of all conditions precedent set forth in paragraph _____ hereof.
- (b) All the representations and warranties of Trustee contained in this Agreement shall be correct on and as of the Closing Date with the same force and effect as though such representations and warranties had been made on and as of the Closing Date. Trustee shall have performed and complied with all the duties, obligations and conditions required by this Agreement

to be performed and complied with by them or on their part at or before the Closing Date and Trustee shall have delivered to Soo Line his certificate to the foregoing effect, dated the Closing Date.

- (c) There shall have been no material adverse change in the operating condition of the Property between the date of this Agreement and the Closing Date.
- (d) Soo Line shall have received from counsel for Trustee a legal opinion, dated as of the Closing Date, confirming the representations and warranties of Trustee set forth in Section _____ to _____ hereof.

14. Conditions Precedent to Obligations of Trustee.

The obligations of Trustee under this Agreement are subject to the fulfillment, prior to or on the Closing Date, of each of the following conditions, any one or more of which may, in the discretion of Trustee, be waived:

- (a) All the representations and warranties of Soo Line contained in this Agreement shall be correct on and as of the Closing Date with the same force and effect as those such representations and warranties had been made on and as of the Closing Date, Soo Line shall have fully performed and complied with all the duties, obligations and conditions required by this Agreement to be performed and complied with at or before the Closing Date, and Soo Line shall have delivered to Trustee a certification of its President, dated as of the Closing Date, to the foregoing effect.

(b) Trustee shall have received an opinion of Byron D. Olsen, counsel for Soo Line, dated the Closing Date, confirming the representations and warranties of Soo Line set forth in Sections _____ to _____ hereof.

15. Proration at Closing.

All ad valorem taxes levied or assessed against the Properties, all prepaid rentals and all receivables or payables, utility charges and any and all other sums receivable or payable with respect to the Properties shall be pro rated between the parties as of the Closing Date, with each parties' share to be the proportion which the number of days of its ownership in the period covered, bears to the total number of days in the applicable period. In the event ad valorem taxes, utilities or other charges are not levied or assessed directly against said properties, the parties shall agree upon an equitable method of dividing such amounts as of the Closing Date. All loaded freight on the Property as of Closing Date shall be promptly delivered or moved off the Property by Trustee or Trustee's operator, and all freight revenues attributable to such movements shall belong solely to the Trustee or its operator. All freight cars which are loaded on the Property or delivered to the Property after the Closing Date, shall be moved to their billed destinations by Soo Line, and Soo Line shall be entitled to all revenues attributable to service performed by Soo Line.

16. Risk of Loss.

In the event of fire or other accident or calamity, prior to the Closing Date, the purchase price to be paid hereunder shall be reduced in an amount equal to the value of the property destroyed

by such fire, accident or calamity. If the parties are unable to agree on the amount of such adjustment, the amount shall be determined by arbitration in Minneapolis under the rules of the American Arbitration Association in effect at the time of said arbitration. In the event closing shall be scheduled to occur prior to the completion of such arbitration, closing shall occur with the full purchase price being paid by Soo Line to Trustee, provided, however, that Trustee shall establish a special escrow account into which such portion of the consideration to be paid hereunder shall be deposited, as is agreed by the parties to represent a reasonable estimate of the expected purchase price reduction.

17. Transfer Taxes.

Trustee shall purchase any documentary stamps required by law with respect to the conveyance of any of the Properties, and pay any and all transfer taxes sales and use taxes or any other fees or charges whatsoever imposed by reason of the filing and recording of the conveyances of the Properties, including but not limited to any ad valorem property taxes due and payable at the time of such recording, without payment of which such deeds and conveyances will not be accepted for recordation.

18. Notices.

All notices or other communications which are required to be given or served pursuant to this contract shall be in writing and shall be deemed to have been properly served when mailed prepaid, certified or registered mail, return receipt requested, to the following parties: The Soo Line, Thomas M. Beckley, President, 800 Soo Line Building, Minneapolis, Minnesota 55402. For the Trustee, William M. Gibbons, Trustee of the Properties of Chicago, Rock

Island and Pacific Railroad Company, Debtor, 332 South Michigan Avenue, Chicago, Illinois 60604.

Each party may designate by notice in writing a substitute party or a new address to which any notice, demand, request of communication may thereafter be so served.

19. Successors and Assigns.

This contract shall be binding upon and inure to the benefit of the successors, assigns and designees of the parties.

20. Law Governing.

This agreement shall be construed and enforced in accordance with the laws of the state of Minnesota, except to the extent inconsistent with or governed by, any laws of the United States of America or rules and regulations thereunder, including those applicable to the Rock Island by its Reorganization Court.

21. Section Headings.

Section headings are inserted for convenience only and shall not affect any construction or interpretation of this Agreement.

22. Amendment.

No modification, addition or amendment to this Agreement shall be effective unless and until such modification, addition or amendment is reduced to a writing executed by authorized officers or agents of each party.

23. Survival of Terms.

All covenants, agreements, representatives and warranties made by the parties in this agreement and in their certificates or other documents delivered pursuant to said agreement shall be deemed to be material and to have been relied upon by the parties and shall survive the closing.

24. No Continuing Waiver.

Waiver by either party of any condition; or the breach of any term, covenant, representation or warranty contained in this agreement, whether by conduct or otherwise, in any one or more instances shall not be deemed to be or construed as a further or continuing waiver of any such condition or breach or a waiver of any other condition or of the breach of any other term, covenant, representation or warranty of this agreement.

25. Counterparts.

This agreement may be executed simultaneously in two or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one in the same instrument.

26. Termination.

In the event that the condition precedents set forth in Section _____ of this agreement are not met on or before the Closing Date, either party may elect to terminate this agreement upon written notice to the other party. In the event of such termination, neither party hereto shall have any further obligation to the other with respect to the transactions herein contemplated, and each party shall bear the expenses incurred by it and shall not be responsible for any consequential or special damages to the other resulting from such termination; provided, however, that Trustee shall return to Soo Line the full \$_____ paid to it hereunder.

In the event any party shall substantially fail to perform its obligations under this agreement and continue in such default for a period of 30 days after receipt of notice thereof in writing, the other party may, at its option, upon 30 days notice thereof in writing, terminate this agreement. The right to terminate shall be

in addition to and shall not constitute a waiver of any other legal or equitable rights of the terminating party.

27. This agreement is binding on William M. Gibbons, not as an individual, but as Trustee of the Property of the Chicago, Rock Island and Pacific Railroad Company, Debtor.

IN WITNESS WHEREOF, the undersigned parties hereto have duly executed this agreement as of the date first above written.

SOO LINE RAILROAD COMPANY

By _____

Its _____

Subscribed and sworn to before
me this _____ day of _____, 1982.

William M. Gibbons
Trustee of the Property of the
Chicago, Rock Island and Pacific
Railroad Company, Debtor

By _____

WITNESS:

September 7, 1982

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

Based on the information acquired to date, I would recommend a fleet of 2,000 covered hopper cars, 1,100 associated with the subsidiary operating the Iowa Falls Gateway branch lines, and 900 associated with the subsidiary operating the main line. This is somewhat more than the number of cars estimated to be required to handle the volumes of traffic projected by the Traffic Department, but information furnished by Darwin Luetke of the West Bend Elevator indicates that 1978 was near the low end of the range of annual volumes, at least on the branch lines. The size of the fleets has been estimated with the intent that they come close to covering their lease costs from car hire credits during slow times and that they come close to handling peak demands as well. I believe we can closely achieve this on the branch lines, as the predominance of unit train loading provides the opportunity for more repaid turnaround. This appears less possible on the main line where single car shipments predominate, in part due to shipments of processed soybean meal, and the turnaround necessary to obtain sufficient credits cannot be greatly increased to provide greater capacity. We need to acquire the same information regarding shipping patterns on the main line as we have for the branches and also obtain the same detailed information on private cars owned or leased by shippers on the main line. It may be that the number of processing plants add stability to the main line loading.

In general, I would propose that the Soo Line acquire these fleets for the two subsidiaries at no cost, while attempting to extract the shippers from their current predicament with leased cars and yet encourage them to continue their direct participation in furnishing and utilizing the required car supply.

I propose that we do this by having each subsidiary sublease the cars of the shippers on its lines on a per diem basis. The shippers on the Iowa Falls Gateway branches have 700 cars. The shippers on the main line also have substantial, but unknown numbers. The balance of the required cars would be obtained

T. M. Beckley
Page Two
September 7, 1982

by offering Agri Industries a similar arrangement. I understand they have a fleet of 3,000 cars which they wish to reduce by some 1,200. A fleet maintenance contract for Agri Industries to perform heavy maintenance at their Avon facility might also work well for both of us.

Other features of the proposed sublease are:

1. Shippers would be entitled to the use of a portion of the subsidiaries' fleet in accordance with the percentage of the total fleet subleased from that shipper. This would protect the shippers current ownership advantage and hopefully encourage continued participation.
2. Excess car hire would accrue to the shippers. This would also help encourage participation and also use. However, as the cars would be pooled a shipper would not benefit in direct proportion with his use. This should be generally acceptable in that in spreading the risk they would also have spread the rewards. On the other hand, some more intricate method of allocating gains and shortfalls based on use may be required.
3. Every effort would be made to use these cars off line when surplus and to supplement them when short. As railroad cars, they would be more readily used off line.
4. Pool size and participation will be limited to insure proper utilization and controlled growth.

It is intended that the Soo and each of its subsidiaries would pay car hire for the use of cars.

A draft of a contract intended to accomplish all this is attached.

In studying the requirements for covered hopper cars, I became convinced that a much greater percentage of the main line traffic that moved in covered hopper cars would be retained than that moved in other car types. This is due to the greater north-south orientation of the grain traffic and the predominance of grain loading at local stations. This has reduced the anticipated requirements for other types of cars to a total of only 155, with no more than 23 (airslide covered hoppers) of any one type. Consequently, I would suggest it would be safe, at least in this time of general car surplus, to make no

T. M. Beckley
Page Three
September 7, 1982

specific plans for acquisition of any other car types until we had some experience firsthand.

I am preparing a more detailed report on how I arrived at the size of the suggested covered hopper car fleet. I have asked the Legal Department to review my draft agreement for violations.

I believe the next steps to determining the adequacy of this plan would be:

1. Visit main line grain shippers to determine loading patterns and private car supply.
2. Contact Agri Industries regarding adequacy and participation in plan.
3. Contact Cargill and other major firms having private car fleets in the area regarding participation in plan or relationship to proposed fleet.
4. Contact Iowa Falls Gateway and main line shippers regarding participation in plan.
5. Renegotiate shipper leases with car suppliers as necessary.

JDD/jmz

Att. (1)

September 7, 1982

TO: T. M. Beckley

FROM: J. D. Darling

RE: Rock Island Study - Trackage Rights

By prior agreement, we would inherit three trackage rights or joint operations:

1. The ICG has trackage rights on the Rock Island from Albert Lea to Glenville, Minnesota.
2. The CNW has trackage rights on the Rock Island from Albert Lea to Northwood, Iowa.
3. The Rock Island and Milwaukee jointly operate the line from Polo, Missouri into Kansas City. From Polo to Birmingham, the Rock Island owns the west main (east bound) and the Milwaukee owns the east main (west bound). From Birmingham to Kansas City both are owned jointly.

There appears to be only one likely chance of additional trackage rights:

1. The Milwaukee Trustee has published his intention to obtain trackage rights on the Rock Island from Comas, Minnesota to Northwood, Iowa; on the CNW from Northwood to Manly; and on the Rock Island from Manly to Plymouth Jct., from which point trains would run on an idle Milwaukee line coming from Austin into Mason City. The route via Manly to Plymouth Jct. is currently leased by the Rock Island Trustee to the Iowa Northern. The connection at Plymouth Jct. would have to be reinstalled, including reconstruction of a short bridge. This route is apparently preferred because it provides a straightaway entry into the Milwaukee yard at Mason City that would be difficult to construct from the CNW line. The former MSTL route through the east side of Mason City might be an alternative. In any event, this would allow the Milwaukee to abandon their line between Comas and Ramsey, just north of Austin, and from Austin to Calmar, as well as removal of the track from Austin to Plymouth Jct.

T. M. Beckley
Page Two
September 7, 1982

I think we should consider the Milwaukee line between Comas and Owatonna. It would require more rehabilitation and signaling, but serves more rail shippers and may have better grades and less curvature. Rehabilitation could be accomplished while jointly operating on the Rock Island.

Other instances of trackage rights appear remote:

2. Restore the track from the Milwaukee at Seymour, Iowa to the Rock Island at Allerton, Iowa, a distance of 13 miles. Additional trackage rights from Allerton to Polo would be 95.9 miles, for a total of 108.9 miles. This would allow the Milwaukee to abandon its parallel line of 106 miles. From our point of view, we would earn interest on one-half of our investment in this segment and at least initially the Milwaukee would pay the greater portion of the maintenance and operating expense. The Milwaukee has studied this possibility in the past. The 1975 FRA maps indicate the Milwaukee lines subject to abandonment application within three years. The only town of any size on the Milwaukee line is Chillicothe, Missouri, also served by the BN and NW. However, the Milwaukee considered purchasing the Allerton to Seymour segment on their own, but declined. Sales of three segments totaling 2.7 of the 13 miles have been agreed, but not closed with adjacent property owners.
3. Milwaukee from Albert Lea, Mason City, Garner and/or Emmetsburg, overhead rights only for unit grain trains to Kansas City.
4. Milwaukee from Comas to Kansas City.
5. CNW from Comas to Albert Lea, permitting abandonment of portions of their line, former MSTL, from Minneapolis via Hopkins, Merrian, New Prague, and Waseca to Albert Lea.
6. CNW from Des Moines to Kansas City in preference to the former CGW route.
7. CNW from Comas to Kansas City.

T. M. Beckley
Page Three
September 7, 1982


8. CNW from Iowa Falls to Cleves. The CNW has a branch that runs from Eldora and the Mason City-Marshalltown line to Alden, west of Iowa Falls. Coming from Alden, they could run on the ICG through Iowa Falls and then on the Rock Island to Cleves. This portion of the Rock Island is leased to, but not operated by, the Keota and Washington Transportation Company. Although it would include a mile or so of branch line that I believe we should acquire, the CNW would probably not do this as the sale operator.
9. BN, Comas to Kansas City.
10. ICG, Iowa Falls to Kansas City.
11. KCS, MKT, or SSW, Kansas City to Des Moines, as part of an expansion to Chicago.

JDD/jmz

Att. (2)

CONFIDENTIAL

September 3, 1982

To: Mr. Thomas M. Beckley
From: S. M. Mrosak 
Re: Rock Island-Kansas City Line Acquisition.
Your letter of August 25.


Attached is a description draft of the Rock Island property of interest as related by Joe Darling.

The description is all inclusive as information at hand on carveouts is too voluminous and nebulous.

Presumably, any offer of interest will be countered with specifics on real estate that the Rock Island will not include and I believe that a sincere counter offer would minimize carveouts which could then be evaluated by the buyer as to affect on operating utility and economic value of the entire property.

As a suggestion, negotiations may be benefitted by including a purchase offer provision reducing the offer by the value of all real estate sold since January 1, 1981 (date of appraisal) at the sale price along with the appraised value of all real estate that hasn't been sold but which the seller wishes to retain.

SMM:sb

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

8

September 3, 1982

TO: T. M. Beckley

FROM: J. D. Darling ~~SAE~~

RE: Rock Island Study - Access to Des Moines Industries

Relatively few industries in Des Moines are served directly from the north-south line of the Rock Island. However, these do include several of the more significant rail shippers in Des Moines, including three firms in the grain or grain processing industries.

From south to north, starting at the end of the Indianola branch, some of the industries served directly would be:

Indianola

Laberty Elevator, Inc. (50 car train loading capacity)

Carlisle

Farmers Grain Company

Avon

Agri Industries (100 car train loading capacity)
General Mills (flour mill)

Des Moines

Des Moines Asphalt
Bulk Services Warehouse (fertilizer)
Agri Industries
A. E. Staley (Central Soya, Swift Edible Oil Co.) (soybean oil processor)

Swanwood

Ceco Steel Product Corporation (steel products)
Bulk Services Warehouse (fertilizer)
Maizemaster Corporation (ground corn cobs)
Leroy L. Wade and Son, Inc. (Ford Motor Company distributorship)

T. M. Beckley
Page Two
September 3, 1982

This list may not be quite up to date. I have not seen the Des Moines Asphalt or Ceco Steel Products facilities. I have seen several sidings that may have a few other rail shippers, but I do not anticipate any of significance.

Swift and Company and Armstrong Rubber Manufacturing are close to the north-south line just south of Shore Line Jct. in Des Moines. Swift, to the west of the north-south line, could be reached through the DMU or through acquisition of some Rock Island trackage that would be reached from the trackage proposed for access to the Iowa Transfer Railway Company. Rock Island trackage in this area is in disrepair and Swift has been negotiating with the Rock Island for property in this area. Armstrong, could also be reached through the DMU or by connecting the north-south main to the industry lead running from the East Des Moines yard.

Other industrial areas served by the Rock Island included along the north side of the East Des Moines yard, through downtown Des Moines, West Des Moines and access to the Hollingsworth Spur of the CNW in southwest Des Moines. All of the industries in these areas are currently served by the CNW, and in West Des Moines and on the Hollingsworth Spur, are served by the CNW on its own right. The Iowa Railroad, which operates under lease on the east-west line of the Rock Island has overhead rights only through Des Moines. Direct access to these industrial areas has not been contemplated. Such access would have a significant impact on our requirement for terminal facilities in Des Moines. Rather, it has been assumed that the industries in these areas would be reached through reciprocal switching with interchange with the servicing carrier taking place at the Iowa Transfer Railway.

The CNW, through its consolidation of the CGW, DCI, FDDM, and MSTL, as well as its own original entry to Des Moines, serves the greatest number of industries in Des Moines. The Des Moines Union, equally owned by the Milwaukee and NW, serves the next greatest number. The Rock Island would have come next, and then the Burlington Northern. A few industries are listed as served directly by the NW. A few former Milwaukee industries are served by the DMU. Most industries in the Des Moines area are open to reciprocal switching. Interchange with the serving carriers at the Iowa Transfer Railway Company would appear to be desirable to minimize our crew time. While other arrangements for direct interchange with the Burlington Northern, CNW and DMU (NW) would be possible, the Iowa Transfer facility is accessible by all and would appear to offer an equitable and efficient means of affecting mutual interchange.

T. M. Beckley
Page Three
September 3, 1982

Acquisition of the Milwaukee interest in the DMU would not appear necessary to have access to DMU industries through reciprocal switching, but it might enhance our image. It might also be useful as a concession in negotiating our Kansas City entry with the Milwaukee.

JDD/jmz

ROCK ISLAND AUTO TRAFFIC
TERMINATING IN DES MOINES IN 1978

<u>Origin</u>	<u>Route</u>	<u>Cars</u>
Meltilpas, CA	WP-DRGW-Denver-RI	2
Cedar Rapids, IA	RI	1
Calumet Yard, IL	NW-Chicago-RI	24
Louisville, KY	LN-Chicago-RI	106
Obannon, KY	LN-Chicago-RI	69
	LN-Memphis-RI	1
Port Allen, LA	MP-Kansas City-RI	17
Baltimore, MD	CR-Chicago-RI	2
Dundalk, MD	BO-Chicago, RI	3
Dearborn Station, MI	DTI-NW-Chicago-RI	96
Wayne, MI	CR-Chicago-RI	254
Wison, MI	CO-Chicago-RI	67
Mahwah, NJ	CR-Chicago-RI	33
Metuchen, NJ	CR-Chicago-RI	45
Fairlane, OH	CR-Chicago-RI	198
	NW-Chicago-RI	7
Oakville, Ontario	CN-GTW-Chicago-RI	5
	CP-NW-Chicago-RI	17
Talbottville, Ontario	NW-Des Moines-RI	1
Lake Yard, OR	BN-Minneapolis-RI	7
Portland, OR	BN-Minneapolis-RI	1
Nashville, TN	LN-St. Louis-RI	1
Dallas, TX	RI	1
Houston, TX	SP-Fort Worth-RI	20
	MP-Kansas City-RI	4
Seattle, WA	BN-Minneapolis-RI	2
TOTAL		<u>984</u>

Dick Lane 9/3/82

1. Control of Birmingham interlockers by NW
2. Seymour and Allerton - 3 sales pending, 2.7 miles, offers accepted, not closed, 1500', 1 mile +, 2 miles?
MILW decided against buying for insurance.

3 CTC - segment north of Rosmont
Yard office at Inver Grove, out
of service, sold CTC machine,
power switches hand operated

4. Mason City - Hanley (CGW) - not
signaled 435 -

Dick Parill, 7596

Richard Lane 9/2/82

Quiver Grove - Rosemont ABS

Rosemont - Comas CTC

Comas - Manly - CTC

Manly - Allenton ABS

Allenton - Kansas City CTC

Palus 400-406 CTC

Des Moines IA

Polo - Kansas City, Truman Bridge,

10 year period of operation

MILW waived until about

MILW operating, by operator

Ottumwa Dispatchers

Birmingham interlock on CTC board

on Truman Bridge board.

NC may operate Birmingham interlock
from Quiver.

2016.11.1

1/2/82

RI Trustee

1. CTC
2. Location of Dispatchers.
3. Who Dispatches.
4. Callerton to Seymour.

Call FRA

\$1,800,000
600,000
\$1,500,000

September 2, 1982

TO: R. H. Smith

FROM: J. T. Hartnett *JTH*

RE: Rock Island Study

In his letters of August 24 and 25, Mr. Beckley raised several questions in connection with the traffic study on the potential Rock Island acquisition, which I will attempt to answer.

Continuation of traffic patterns which existed in 1978 should be verified

Joe Darling made an analysis of all Soo Line traffic originating or received from connections north of Oshkosh to any of the following states -

Arizona	New Mexico
Arkansas	Nevada
California	Oklahoma
Colorado	Oregon
Kansas	Texas
Louisiana	Utah
Missouri	

for the year 1978 as compared to 1981. He did the same for northbound traffic and adjusted the northbound to eliminate traffic that was obviously not susceptible to Kansas City routing. The results were as follows:

As you can see, there was less than a 2% decline in the carloads to and from the states with Rock Island potential. By contrast, total cars handled on the Soo system 1978 and 1981 and projected for 1982 and 1983 were as follows:

<u>1978</u>	<u>1981</u>	<u>1982</u>	<u>1983</u>
435,000 (actual)	363,000 (actual)	326,700 (est.)	328,419 (est.)

It is my opinion that business to and from the rapidly growing Southwest will hold up better than the Soo's average experience in a recession economy and traffic potential for the Rock Island in 1983 as compared to 1978 would be down more like 10% rather than the 24½% that we are projecting for the Soo system. On the other hand, none of us feel like the Rock Island secured as great a percent of the potential because of their weakness in 1978 as the Soo would.

Opportunities for Traffic Growth

New Business from the Canadian Pacific

In a memo of July 7, you outlined potential traffic for the line which you had received from the Canadian Pacific. There were a total of 11,420 carloads involved. Since in most cases detail was not available, I have arbitrarily

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Memo J.T. Hartnett to R.H. Smith

Re: Rock Island Study

September 2, 1982

and conservatively taken one half of these cars and applied the average 1982 revenue per car projected on the Minneapolis-Kansas City line of \$691. This is summarized as follows:

CP overhead traffic from New England originations	- 1,000
CP overhead for termination by New England connections	- 650
From Southwest to CP's Atlantic Region	- 1,450
To Southwest from CP's Atlantic Region	- 1,100
Between New England and Atlantic Region on the one hand and stations on the Rock Island line on the other	- 150
Newsprint from Abitibi, Thunder Bay	- 70
Potash from Saskatchewan	- 40
Diversions from the Soo Sumas gateway	- 1,250

At \$.691 per car - this equates to \$3,945,000.

Piggyback Potential

Loren Westrom has developed from his contacts with Consolidators and others the following piggyback units - southbound - which he feels he could secure if we acquire the line. Total is as follows:

3,068 units with revenue of \$957,000.

Updating rate levels on corn traffic

Marketing has checked rate levels on corn from five representative origins on the Rock Island to selected destinations for 1978. They then updated and increased that rate level by 52% to approximate the 51.73 increase used in the study which reflected a weighted average of Ex Parte increases. This rate was then compared with the current X-082 rates between the same points. I am listing below this information, covering the highest volume movement from each origin:

Page 3

Memo J.T. Hartnett to R.H. Smith

Re: Rock Island Study

September 2, 1982

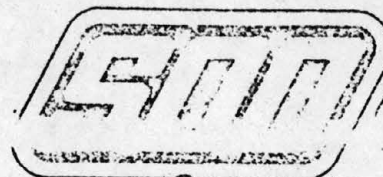
<u>From (Ia)</u>	<u>To</u>	<u>Cars</u>	<u>G.Rev.</u> <u>per car</u>	<u>¢</u> <u>per cwt.</u>	<u>1.52%</u>	<u>25 cars</u>	<u>50 cars</u>	<u>75 cars</u>
Superior	B. Rouge	145	\$1328	69¢	104.9¢	122	113	102
West Bend	Beaumont	228	\$1306	67.3¢	102.3¢	121	112	101
Klemme	Houston	623	\$1290	67.2¢	102.1¢	121	112	101
Lakota	Houston	160	\$1512	75.2¢	114.3¢	122	113	102
Ocheyedan	Beaumont	50	\$1687	76.4¢	116.1¢	125	117	105

A copy of the complete statement is attached for your information. In general, the 51.73% increase which we used seems to be a pretty good average.

I will cover the analysis of principal classes of traffic in a separate letter.

Attachment

Soo Line Railroad Company



11022

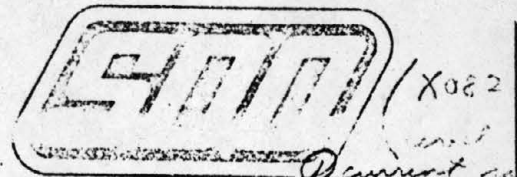
19

1978

From (to)	To	cars	2. rev per car	per cent	1.527 ₀	① current rate	25 cars	50 cars	75 cars
Superior	K. City	25	\$684	34¢	51.7¢	57	52	48	
	Beaumont	51	\$1446	74.5¢	113.2¢	122	113	102	
	"	75	\$1384	72¢	109.4¢	"	"	"	
	Jones Falls	63	\$720	46.1¢	62.5¢	26	23	20	
✓ B. Range		145	\$1328	69¢	104.9¢	122	113	102	
		359							
W. Bend	Chgo	76	\$768	38.6¢	58.7¢	58	53	49	
	B. Range	199	\$1318	66.5¢	101.1¢	121	112	101	
	N. Gibson	75	\$1336	69¢	104.9¢	"	"	"	
	Honston	148	\$1360	68.6¢	104.3¢	"	"	"	
✓	Beaumont	228	\$1306	67.3¢	102.3¢	121	112	101	
	Springdale, AR	3	\$1335	67.0¢	70.5¢	110	116		
	Van Buren, AR	3	\$1314	73.0¢	111.0¢	115	126		
						1 car	3 cars		
Klemme	K. City	26	\$611	31.9¢	48.5¢	54	50	46	
✓	Beaumont	149	\$1245	66.5¢	101.1¢	121	112	101	
	Honston	623	\$1290	67.2¢	102.1¢	121	112	"	
	J. Falls	168	\$362	21.9¢	33.3¢	23	20	17	
	Decatur, AR	3	\$1216	62¢	94.2¢	123	106		
	Springdale, AR	3	\$1242	63¢	95.8¢	108	109		
	N. Dardanelle, AR	3	\$1333	74¢	112.5¢	1	3	127	

Soo Line Railroad Company

1978



From (In)	To	cars	per car	percent	1.52%	in cents per car		
						25	50	75
Hakata to	K. City	99	#743	36.4%	55.34	55	51	47
	Houston	150	#1512	75.2%	114.34	122	113	10
	N. Orleans	49	#1367	66.7%	101.44	"	"	"
	Clarksville, AR	3	#1558	77.5%	117.84	<u>1</u>	<u>3</u>	<u>130</u>
	Fayetteville, AR	9	#1371	68%	103.44	<u>1</u>	<u>3</u>	<u>117</u>
	Springdale, AR	16	#1310	67%	101.84	115	116	
Ocheyedan to	Reserve	50	#1510	75.5%	114.84	125	117	105
	Beaumont	50	#1687	76.4%	116.14	"	"	"
	"	25	#1400	70.0%	106.44	"	"	"
	Fayetteville, AR	3	#1436	73%	111.4	<u>1</u>	<u>3</u>	<u>126</u>
	Springdale, AR	9	#1410	72%	109.44	117	124	

C - corn

S - soybeans

① per CNW 4028 & SWFB 4031

CDS
8-26-82

September 2, 1982

TO: R. H. Smith

FROM: J. T. Hartnett *JTH*

RE: Identification of principal classes of traffic potential to the Rock Island Kansas City line.

Following is an analysis of commodity flows from the Rock Island study, covering traffic found on the Rock Island tapes, which did not include joint Rock Island-Soo traffic, southbound, and northbound movement of Soo business for 1978, with revenues updated by 51.73% to reflect the impact of Ex Parte increases. I am also showing shipments related to the Iowa Falls branch, which includes joint Rock Island-Soo business to the extent there was any.

Main Line Originations

<u>Commodity</u>	<u>Carloads</u>	<u>Revenue</u>
Corn & other grain off Kansas City	2,940	\$2.4 million
Soymeal & other food products off Kansas City	1,332	\$1.1 million

Main Line Terminations

Grain mill products & other food products on Kansas City	493	\$.318 million
Chemicals, except potash	1,149	\$.743 million

Main Line Originations Terminating on the Main Line (Class IV)

Corn & other grains	1,061	\$.819 million
Soymeal & other food products	708	\$.546 million

Southbound Soo Line Traffic

From Soo Origins to and via the Rock Island Main Line

Wheat & other farm products	875	\$.616 million
Pulp & paper	2,077	\$1.414 million

To and Via The Main Line From CP Rail

Newsprint, pulp & paper	2,361	\$2.377 million
Lumber & other forest products	6,278	\$4.463 million
Potash	1,605	\$1.462 million

Page 2

Memo J. T. Hartnett to R. H. Smith

Re: Principal classes of traffic potential to the RI-KC line
September 2, 1982

From the CN off at Kansas City

<u>Commodity</u>	<u>Carloads</u>	<u>Revenue</u>
Lumber & other forest products	2,183	\$1.102 million

Northbound via Soo

From Connections Kansas City to Soo Destinations

Canned Goods	598	\$.308 million
Residual fuel oil & other petroleum products	1,427	\$.824 million

Iowa Falls Branch

To Connections Kansas City

Corn & other grains	13,154	\$13.0 million
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To All Other

Corn & other grains	2,722	\$2.2 million
---------------------	-------	---------------

From All Other

Trucks & other transportation equipment	1,501	\$1.36 million
---	-------	----------------

Potential for Increase or Decrease

Corn and other grain products moving from the main line and branch moves heavily to the Gulf and interior feed lots. This crop will fluctuate to some degree but should be a constant source of business. The destinations may vary with export demand and barge prices.

The growth of the petrochemical industry in the Southwest should ensure continued movement of this product.

Wheat and other southbound farm products to and via the main line should expand with Rock Island ownership. We would go after the Texas Gulf ports more aggressively and have a more competitive and more profitable route. With partners such as the ATSF, etc., we should be able to meet single line competition from the BN from competitive origins.

Page 3

Memo J. t. Hartnett to R. H. Smith

Re: Principal classes of traffic potential to the RI-KC line
September 2, 1982

Soo paper mills, in general, have been strong and have in most cases had a consistent growth. I look for this business to be one that will expand with ownership.

Pulp and paper from CP Rail mills have also been a movement we could count on for growth until the recession economy. I look for us to expand this market share. We should also do well with potash because of the increasing demand and the extension of our line into consuming points.

Lumber expansion will be dependent on the housing market. Housing starts in 1978 were 2.02 million. The ten year average for housing starts 1972 through 1981 was 1.70 million or 16% below 1978. Most experts feel that if interest rates fall, pent-up demand will cause an increase over average starts in the next few years.

CN business to connections at Kansas City is questionable due to the Milwaukee merger potential. I believe most of this business should be written off. We should hold on-line business in most cases.

California Cannery and Growers are closing their packing plant and distribution warehouse at Lomira and this business should be written off. Residual fuel oil to GAF and others has moved from the Southwest for many years, and when housing improves should continue at a heavy rate.

Trucks and other transportation equipment will be down until demand returns. Interest rates will also affect this market.

D.M.C.

September 2, 1982

Memorandum to File

Omaha Bank for Cooperatives
Ken Hide, Senior Loan Officer
Meeting: August 30, 1982
Omaha, Nebraska

From: D. J. Boyer

Re: Financing Acquisition of Rock Island Trackage

SOO LINE RAILROAD
SEP 02 1982
EXEC. VICE PRESIDENT

The topics of discussion at the meeting were the result of questions prepared in advance and not an agenda of subjects. Accordingly, a subject may have been discussed in part rather than total. Memo attempts to report highlights of discussion by subject.

The meeting commenced with a review of the first meeting between Soo and Omaha Bank for Cooperatives by D. J. Boyer. In reviewing a statement was made that Omaha Bank of Cooperatives would make either a loan through a consortium of shippers or a direct loan to Soo for certain Rock Island track acquisition.

Ken Hide advised after first meeting at which that statement was made Omaha Bank for Cooperatives officers held lengthy discussion of the subject of a direct loan to Soo. Consensus was that Omaha Bank for Cooperatives would request clarification from Washington, D.C. as to their authority to make such a loan. To date Omaha Bank for Cooperatives has not received advice from Washington.

Since the last meeting between Soo and Omaha Bank for Cooperatives a meeting was held at West Bend between Association Executive Council, Iowa DOT and Omaha Bank for Cooperatives. Ken Hide was asked how the meeting was accepted by council members? At the meeting the shipper member reported voluntarily polling other members 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 rehabilitation program to maintain tracks. Shipper group also advised they have written a letter attempting to withdraw their offer to Trustee (Rock Island) to purchase parts of branch line for

fear trustee may accept and they realize they cannot operate a railroad. Trustee does not respond and keeps publishing their offer.

Preliminary to answering a question about loan construction, Ken Hide stated Omaha Bank for Cooperatives is motivated by assistance to coop membership in establishing a viable rail operation to move commodity to market. Only through a shipper consortium can it become involved in finance of such projects. The real property held by Rock Island Trustee is of great importance to Omaha Bank for Cooperatives in that it will assist members in purchasing or otherwise control of the real property leased from Rock Island Trustee. Stressed it is important issue to secure release of all Iowa land under control of Trustee back to reversionary owner or business.

With respect to Rock Island held or controlled real property:

- (1) Ken Hide stated approximately 60% by number of all on line shippers and other business are still leasing real estate from Trustee.
- (2) 30-40% of Omaha Bank for Cooperatives interest in financing real estate acquisition from Trustee results from their concern over Trustee control of land.
- (3) Seven or eight of Omaha Bank for Cooperatives "borrowers" located on spine line lease land for their operation and want to purchase. (Northwood, Mason City, Manley and Storey City).
- (4) Real estate values on the Iowa Falls Gateway branch are \$2.8 M to \$3.2 M per acre even in these depressed times, per Ken Hide.

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 Omaha Bank for Cooperatives to provide financing. Must be resident of state served by District of Omaha Bank for Cooperatives.
- (2) Negotiate purchase of trackage and real estate with Trustee.
- (3) Identify operator railroad.
- (4) Omaha Bank for Cooperatives does not need a legal description of the real estate such as necessary in a con-

ventional real estate mortgage. Omaha Bank for Cooperatives will structure a collateral filing on the properties acquired in the form of a leverage lease which in their opinion is satisfactory to cloud the title thus prevent future transfer and protect their interest.

- (5) When lease and loan are executed together the railroad operator has the possession of real estate, track and structures. All tax benefits pass through to the "equity participant." Performance under lease by the railroad will result in ownership at maturity.
- (6) Members of association presently on lease land will have option to purchase the real property.

At this point in the meeting it became apparent that the position and objective of Omaha Bank for Cooperatives and association membership is very parallel to the plan drafted in memo dated August 19. Especially the treatment of the Iowa Falls Gateway branch lines acquisition with participation loan by association supported by real estate.

I described the loan participation by the association and their options to purchase the nontransportation property. The interest and option of the Soo in the transportation property and the resolution to handle the residual lands by mutual agreement. Ken Hide requested and was given a copy of the proposed items in the Soo-Shipper Consortium Agreement. Each item embodied within the agreement was discussed. His comment was that he liked it and that none of the items disturbed him; but that item (10) may excite the membership!

I discussed another situation in which Soo negotiated with Trustee for main line and branch line; but Trustee insisted upon receiving cash. Soo would turn to Omaha Bank for Cooperatives to support a loan on spine line consistent with their loaning authority, unless Omaha Bank for Cooperatives receives a favorable response to their request for authority to do so. Ken Hide advised that they would make every effort to move the whole loan and involve other District Cooperative Banks as participating.

D. J. Boyer raised a considerable number of questions that obviously referred to the Milw-Bayard line program. Ken Hide was reluctant to answer, but finally did when assured the information was for Soo internal use only.

In the Bayard line it was noted BN would pay lease rental for a 16 month period. This serves two purposes. It will allow time within which to construct the loan and lease agreement and get the association organization in place. Ken Hide said it actually

was the result of Milw. Trustee refusing a cash deal in favor of the same amount with 16 monthly lease payments by BN 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.

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

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 busy season for the Association members and they are generally not available for other business.

Larry Meyer of the law firm of Meyer, Knox and Heart (sp) and Ken Hide drafted the consortium-operator lease agreement. Larry Meyer for the consortium negotiated the track purchase with Rock Island Trustee. Ken Hide has called Larry Meyer and introduced Soo in the event we call for information.

Can Omaha Bank for Cooperatives 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 was that within one week Soo will communicate as much as it can to receive a letter of intent from Omaha Bank for Cooperatives just prior to Trustee negotiation. At the time of Soo-Trustee agreement over acquisition, Soo can condition agreement upon receiving commitment letter from Omaha Bank for Cooperatives. Trustee may ask for funding commitment.

Clearly, the Omaha Bank for Cooperatives Trustee wants to finance Soo in its acquisition bid for main line and branch line of Rock Island in Iowa. They view the Soo as the best candidate 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 to consortium - operator loan agreement because they have been through this once. I was surprised Omaha Bank for Cooperatives was not disturbed by the 2 part loan plan drafted by Soo with sale liability running to the consortium. The reason for nonconcern on their part stems from their intense desire to secure the real estate from the Trustee control. This may prove to be very difficult in view of the Trustee's reservation of all leases and

developable real estate unto himself. Perhaps a direct question is in order to the Omaha Bank for Cooperatives and members as to how much it is worth prior to Soo negotiation with Trustee.

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

IOWA DEPARTMENT OF TRANSPORTATION

TRANSMITTAL SLIP

DATE:

9/2

TO OFFICE:

Soo Line

ATTENTION:

Joe Darling

FROM:

Harvey Sims

OFFICE:

Railroad Div.

SUBJECT:

ACTION

- | | |
|---|---|
| <input type="checkbox"/> NOTE AND FILE | <input type="checkbox"/> PREPARE REPLY FOR MY SIGNATURE |
| <input type="checkbox"/> NOTE AND RETURN TO ME | <input type="checkbox"/> TAKE APPROPRIATE ACTION |
| <input type="checkbox"/> RETURN WITH MORE DETAILS | <input type="checkbox"/> PER YOUR REQUEST |
| <input type="checkbox"/> NOTE AND SEE ME ABOUT THIS | <input type="checkbox"/> SIGNATURE |
| <input type="checkbox"/> PLEASE ANSWER | <input type="checkbox"/> FOR YOUR INFORMATION |
| <input type="checkbox"/> FOR YOUR APPROVAL | <input type="checkbox"/> INVESTIGATE AND REPORT |
| <input type="checkbox"/> PER OUR CONVERSATION | |

COMMENTS:

This data supercedes material recently sent you. There are some major discrepancies. I apologize for any inconvenience this may cause.

Thank ed

• RI Spine Line - 1978 Traffic Data in Iowa

[illegible]

8

September 2, 1982

TO: S. M. Mrosak
W. B. Peterson

FROM: J. D. Darling JDD/je

RE: Rock Island Study

Attached is a revised list of the right-of-way and station maps received from the Rock Island Trustee.

JDD/jmz

Att. (1)

Year	Group	Series	No. of Units	Units 7/31/82	Orig. Cost per Unit
1975	668	74234 - 74333	100	95	\$ 28,377.54
1976	672	74334 - 74433	100	99	29,003.59
	673	74434 - 74533	100	99	30,413.59
	675	74534 - 74633	100	90	29,118.92
1977	677	74634 - 74833	200	194	30,506.14
1978	680 684 691	74834 - 75130	300	298	33,471.55
	681	75131 - 75183	50	50	35,912.55
1980	694	75184 - 75358	175	174	41,051.90
	702	75359 - 75758	400	396	41,375.19
1981	715	76400 - 76518	119	119	43,880.20
	✓	76519 - 76599	81	81	43,883.01
1982	Leased	76600 - 76624	25	25	45,708.00
	✓	76625 - 76649	25	25	48,163.00

September 1, 1982

Attached is an example of enhancing the purchase price through incorporation of interest into the principal amount.

All sorts of combinations can be worked to accomplish the Trustee objective.

DB 9-1-82

A-Proposed Soo Acquisition RI (660 Miles)

\$ 66,760	##	Purchase Price	(101,151.51	per Mile)	
14,000	##	Down Payment - Cash			
52,760	##	Balance Due Trustee			
42,208	##	Annual Increment	10,552	##	due 1983
31,656	##	✓	✓	✓	✓ 1984
21,104	##	✓	✓	✓	✓ 1985
10,552	##	✓	✓	✓	✓ 1986
0		✓	✓	✓	✓ 1987

Note: Above purchase price is equivalent to
 \$ 54,000 ## purchase price and -
 14,000 ## down payment cash and -
 40,000 ## balance paid over 5 years @ 10%
 26.38 Annual k factor application

B-Proposed Soo Acquisition RI (660 Miles)

\$	70,520	th	Purchase Price (106,848.48 per Mile)					
	14,000	th	Down Payment - Cash					
	56,520	th	Balance Due Trustee					
	45,216	th	Annual Increment	\$	11,304	th	due	1983
	33,912	th	✓	✓	✓	✓	✓	1984
	22,608	th	✓	✓	✓	✓	✓	1985
	11,304	th	✓	✓	✓	✓	✓	1986
	0		✓	✓	✓	✓	✓	1987

Note: Above purchase price is equivalent to
\$54,000th purchase price and -
14,000th down payment cash and -
40,000th balance paid over 5 years @ $12\frac{3}{4}\%$.
28.26 Annual k Factor application.

C. Proposed Soo Acquisition (660 miles)

- \$4,000 ~~th~~ Initial Cash Payment by Soo
Sign Intent - Agreement To Purchase
Soo commence operations. Close 9 mos.
- 10,000 ~~th~~ Cash Payment by Soo
Sign closing Sale Agreement within
9 mos of intent agreement. Trustee
deliver title. Pass through all
tax benefits to equity purchasers.
- 52,760 ~~th~~ Due Trustee in five equal
annual installments \$10,552 ~~th~~ each.

or —

- 40,000 ~~th~~ Note payable by Soo to Trustee
@ 10% due 5 years, Min pay 7 Mil ann.
Interest approximately \$12,700 ~~th~~ here.

To JDD 9/1/82 comment?

A - Proposed Soo Acquisition RI (660 Miles)

\$ 66,760 ~~th~~ Purchase Price (101,151.51 per Mile)

14,000 ~~th~~ Down Payment - Cash

52,760 ~~th~~ Balance Due Trustee

42,208 ~~th~~ Annual Increment 10,552 ~~th~~ due 1983

31,656 ~~th~~ ✓ ✓ ✓ ✓ 1984

21,104 ~~th~~ ✓ ✓ ✓ ✓ 1985

10,552 ~~th~~ ✓ ✓ ✓ ✓ 1986

0 ✓ ✓ ✓ ✓ 1987

Note: Above purchase price is equivalent to

\$ 54,000 ~~th~~ purchase price and -

14,000 ~~th~~ down payment cash and -

40,000 ~~th~~ balance paid over 5 years @ 10%

26.38 Annual k factor application

September 2, 1982

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

Attached are drafts of my submissions under items 8, 9, and 10 of your letter of August 24, 1982. An additional colored map of the entire proposed acquisition similar to the one used at the previous Executive Committee meeting is also planned for inclusion.

With regard to Kansas City, perhaps I should include paragraphs on the results of your contact with the MKT and on the provisions of the Staggers Act.

JDD/jmz

Att. (1)

cc: D. M. Cavanaugh

TRAIN OPERATIONS

Main Line Operations

The Twin Cities-Kansas City main line would be divided into three crew districts and subdivisions. These crew districts would be:

<u>From - To</u>	<u>Miles</u>
Shoreham, MN - Iowa Falls, IA	195.1
Iowa Falls, IA - Trenton, MO	197.2
Trenton, MO - Kansas City, MO	<u>89.0</u>
Total Miles	<u>481.3</u>

Iowa Falls would be the home terminal for train operating between Iowa Falls and Shoreham and Iowa Falls and Trenton. Trenton would be the home terminal for trains operating between Trenton and Kansas City.

A daily train would operate in each direction between Shoreham and Kansas City. In addition, about 50 extra trains annually would operate in each direction between Shoreham and Iowa Falls, primarily in conjunction with unit grain, potash and coal shipments, and filling in with way work as required. Between Iowa Falls and Kansas City, about 300 extra trains annually would operate in each direction, primarily in conjunction with unit grain shipments, and again filling in with way work as required.

Yard engines, road switchers and way freights serving main line points will be required as follows:

<u>Location</u>	<u>Tricks/Year</u>
Manly - Owatonna Turn	250
Manly - Mason City Turn	250
Iowa Falls Yard	500
Avon - Des Moines - Indianola	500
Trenton Yard	250

Manly and Avon would be outlying points on the Iowa Falls crew district.

IOWA FALLS GATEWAY BRANCH LINE OPERATIONS

The Iowa Falls Gateway branches will be operated as follows:

IOWA FALLS - FOREST CITY TURN

With projected traffic volumes, a week day turn from Iowa Falls to Forest City and return would operate 250 trips annually.

In addition to Forest City branch stations, this crew would also serve the Iowa Falls - Estherville line stations of Popejoy and Dows, where the Estherville and Forest City lines diverge.

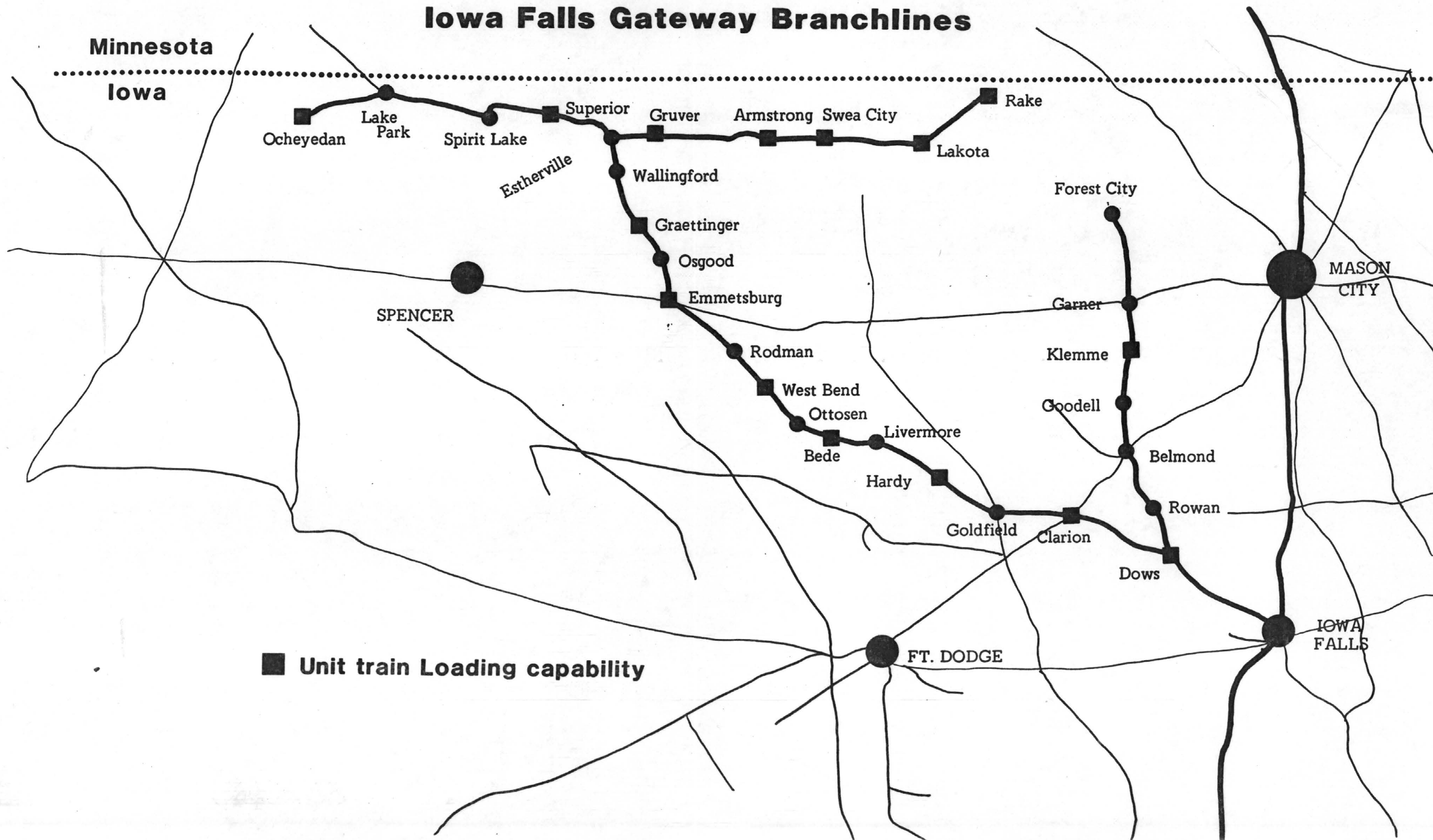
During heavy grain shipping seasons, this crew would likely be bulletined to make a side trip further up the Estherville line to Galt and Clarion, principally to provide a second switch for unit grain trains loading at Clarion.

IOWA FALLS TO OSCHHEYEDAN AND RAKE VIA ESTHERVILLE

For the purposes of this analysis, it is assumed that track conditions and way work would not permit operation from Iowa Falls through Estherville to Ocheyedon or Rake on a single tour of duty. Consequently, an operation similar to the following is anticipated:

1. One crew assigned year around working six days weekly, 50 round trips annually, Iowa Falls to Estherville, Estherville to Ocheyedon and return, Estherville to Iowa Falls, Iowa Falls to Estherville, Estherville to Rake and return, Estherville to Iowa Falls.
2. In conjunction with unit grain shipments, 25 extra round trips annually, Iowa Falls to Estherville, Estherville to Ocheyedon and return, Estherville to Iowa Falls.
3. In conjunction with unit grain shipments, 25 extra round trips annually, Iowa Falls to Estherville, Estherville to Rake and return, Estherville to Iowa Falls.
4. In conjunction with unit grain shipments, 50 extra round trips annually, Iowa Falls to Estherville, Estherville to Iowa Falls.

Iowa Falls Gateway Branchlines



TRANSPORTATION PERSONNEL

Shoreham, Minnesota

Dispatchers (4.2)

Albert Lea, Iowa

Agent/Operator (Car)

Manly, Iowa

Agent/Operator (Car)
Operator

Iowa Falls, Iowa

Assistant Superintendent (Car)
Trainmaster (Car)
Supervisory Agent
Operators (4.2) (Car)
Car Distributor

Des Moines, Iowa

Supervisory Agent/Operator (Car)
Operators (3)

Trenton, Missouri

Trainmaster (Car)
Supervisory Agent/Operator
Operators (3.2) (Car)

Kansas City, Missouri

Assistant Trainmaster/Agent (Car)

Dows, Iowa

Agent/Operator (Car)

Emmetsburg, Iowa

Agent/Operator (Car)

Estherville, Iowa

Supervisory Agent/Operator (Car)
Operator

The personnel at Dows, Emmetsburg, and Estherville, as well as the Trainmaster, one operator, and the car distributor at Iowa Falls are associated with the Iowa Falls Gateway branches.

KANSAS CITY TERMINAL FACILITIES

General Requirements

The general pattern of Soo Line train operations entering Kansas City is anticipated to be one daily freight train of mixed carload traffic and another train averaging six days weekly consisting largely of grain traffic. Many of the grain trains will be 50 and 75 car unit shipments and trackage rights or other operating arrangements will be sought to permit delivery of these trains by the inbound road crew.

The other grain trains and the daily through freight will have traffic for as many as 12 connecting lines, including the Kansas City Terminal. While traffic to two of these lines, the CNW and Milwaukee are anticipated to be inconsequential, traffic to the others, the ATSF, BN, ICG, KCS, KCT, MKT, MP, NW, SSW, and UP would be expected each day. With traffic for this number of connecting lines and the limited train service, it is not anticipated that it will be possible to do significant preblocking of inbound trains, or to establish run through connections with any roads other than for unit grain trains. While more than half of the general carload traffic is anticipated to have originated at Shoreham, it would neither be desirable nor significant to preblock traffic at Shoreham. While facilities at Iowa Falls and Trenton are adequate, the significance of blocking traffic for connections in Kansas City would not appear to warrant the delay and expense. Finally, the volume of general carload traffic anticipated will not support a transfer operation for delivery of interchange to each of the connecting lines. As a consequence of these considerations, the Soo will seek to join in the utilization of the existing facilities of another carrier for switching, transfer and interchange services in the Kansas City terminal on either an intermediate switching, contractual or joint facilities basis.

As the entry to Kansas City is only 89 miles from Trenton, Missouri, it is desirable to turn crews at Kansas City on continuous time. This avoids lodging expenses, reduces arbitrary payments, eliminates any need for substantial locomotive servicing, and improves locomotive utilization.

Yard crew expense at main line locations and transit time are minimized if trains departing from Kansas City included five blocks, which are listed below:

1. Trenton
2. Avon (Des Moines)
3. Iowa Falls
4. Manly
5. Shoreham

The Trenton block would be small, but having these cars on the head end would avoid delay at that station. The Avon and Manly blocks would also normally be small, but occasionally contain returning empty private grain cars or empty grain cars applied on multiple car orders. Of the two significant blocks, the Iowa Falls block would consist largely of empty grain cars, while the Shoreham block would consist of general carload traffic and returning Soo and Canadian empties. All traffic available for any of these blocks could be advanced from Kansas City by crews returning to Trenton.

In summary, the desired facilities in Kansas City are:

1. Trackage rights and/or operating arrangements for the direct delivery of unit grain trains by inbound road crews.
2. Entry into an existing facility on an intermediate switching, contractual or joint facility basis for switching of unblocked inbound road trains and the transfer and interchange of traffic.
3. Classification of outbound trains in five blocks.

At a minimum, the requirement is entry into an existing facility for the transfer and interchange of preblocked inbound trains and the dispatch of unblocked outbound trains.

KCS-MILW Joint Agency

The KCS-MILW facilities are the most desirable to utilize as they are immediately adjacent to the point at which the joint MILW-Rock Island trackage enters the Kansas City terminal. The facility has adequate capacity and a recently expanded intermodal facility.

The KCS would welcome the entry of the Soo into Kansas City and would support the Soo utilization of this facility. However, the Milwaukee has a 50 percent ownership interest and in the opinion of the KCS, the Milwaukee has the right to veto the entry of the Soo. It is the position of the KCS that while they desire to have connections with as many roads in Kansas City as possible, they do not wish to appear as favoring the Soo over the Milwaukee and, therefore, it would be up to the Soo to sell its participation in the facility to the Milwaukee.

NW

The Norfolk and Western Avondale Yard is the second choice of terminal facilities for utilization from an operating point of view. This NW yard is located on the north side of the Missouri River opposite the KCS-MILW Joint Agency and would be reached by reconstructing the required track connection at

the grade crossing between the NW and the joint MILW-Rock Island line at Birmingham, Missouri. However, the NW has indicated that their facility has limited capacity, particularly when the automobile traffic is moving.

**Kansas City
(Kansas)**

MP(CNW)

UP(SSW)

Kansas River

ATSF

ATSF

SSW

UP

CNW

MKT

BN(MKT)

BN

BN

N&W

N&W

RI/MILW

Missouri River

KCS/Milw

MP

ICG

KCT

MP

ATSF(MP)

ICG

BN

MP

KCS

**Kansas City
(Missouri)**

Track Rehabilitation

Over the three day period, June 23-25, 1982, W. B. Peterson, Chief Engineer, R. T. Pearson, Assistant Chief Engineer of Maintenance and Way, and D. I. Kjellman, Assistant Chief Engineer Bridges and Structures, made an initial inspection of the property. The following is a brief summary of that inspection:

The main line from Northfield to Kansas City is generally in fair to good condition, with maximum operating speed between 30 MPH and 40 MPH. Maximum allowable weight is 263,000 lb. over the entire line.

The rail weight ranges from 90 lb. to 132 lb., but is primarily 112 lb. jointed track. Ballast type varies considerably from finely crushed limestone to slag and granite.

The principal deficiency is in the condition of the ties. Except for the segments between Albert Lea and Mason City and between Allerton and Trenton, the entire main line route will require tie and surfacing work within the first three years.

Considerable longitudinal rail movement was observed and, except in areas of continuous welded rail, a program of resetting and placement of additional anchors will be necessary to properly secure the rail. This type work would best be incorporated with the tie and surfacing projects.

Except for a 39 mile segment between West Bend and Estherville, all branch lines have been rehabilitated with ties and slag ballast and are in good condition. Maximum operating speeds are at least 25 MPH, except for a 10 MPH restriction between West Bend and Estherville and on the 11.3 mile Indianola Branch. Maximum allowable weight is 263,000 lbs., except from Garner to Forest City, where weight is restricted to 221,000 lbs. due to 7.4 miles of poor 70 lb. rail.

There are no significantly large terminal facilities located on the entire route and, in general, the side and yard tracks appear to be in fair condition.

In general, the bridges on the main line and branch lines appear to be in fair to good condition and of adequate design to handle present-day railroad loadings.

Buildings are in fair condition requiring routine maintenance.

The condition of highway grade crossings ranged from fair to poor. A program of crossing rehabilitation will be

necessary and can initially be incorporated with tie and surfacing work.

As a result of this inspection, a preliminary estimate has been made of the rehabilitation required to bring the track up to a condition that will support efficient operations.

The main line program consists primarily of tie renewal, surfacing, and the application of rail anchors, with some sledging. This program totals \$13,758,174. The program planned to be accomplished within the first three years of operation. Application will be made for funding this work from \$15 million in Title 5 (4-R) funds earmarked by the FRA for this line under the Rock Island Transition and Employee Assistance Act.

The branch line program also includes tie renewal, surfacing, rail anchors, and also some relay of 70 and 80 lb. rail with secondhand 90 lb. rail. The branch line program totals \$5,443,765 and is also planned to be accomplished over the first three years of operation. This pace will enable the program to stay within the estimated ability of the shippers and Iowa DOT to provide their one-third each of the total funding under the Iowa Rail Assistance Program. Under this program, any funds provided by the State become a grant when use on a second approved project. An initial first time obligation to the State for approximately \$1,000,000 will be incurred with the acquisition.

A detailed breakdown of the projected programs follows.

Main Line

Comas to Curtis (Albert Lea) 55.3 Miles

1,120	Ties Per Mile	
350	Cu. Yd. Surfacing Per Mile	
91,600	Rail Anchors 42.4 Miles-Adjust Rail	
61,930	Ties @\$22.47 ea.	\$ 1,391,702
	Surfacing \$3,383 x 55.3 Mi.	187,080
91,600	Rail Anchors-42.4 Mi.	154,225
		<u>\$ 1,733,007</u>

Curtis (Albert Lea) to Northwood 15.9 Miles

320	Ties Per Mile	
350	Cu. Yd. Surfacing Per Mile	
34,300	Rail Anchors 15.9 Miles-Adjust Rail	
5,088	Ties @\$22.47 ea.	\$ 114,327
	Surfacing \$3,383 x 15.9 Mi.	53,790
34,300	Rail Anchors-15.9 Mi.	57,784
		<u>\$ 225,901</u>

Mason City to Iowa Falls 45.2 Miles

640	Ties Per Mile	
350	Cu. Yd. Surfacing Per Mile	
97,600	Rail Anchors 45.2 Miles-Adjust Rail	
28,928	Ties @\$22.47 ea.	\$ 650,012
	Surfacing \$3,383 x 45.2 Mi.	152,912
97,600	Rail Anchors-45.2 Mi.	164,360
		<u>\$ 967,284</u>

Iowa Falls to Des Moines 73.8 Miles

Undercut Track Reballast - Renew 15 Grade Crossings

Cost 2.5 Miles Through Des Moines \$ 217,518

Sled and Ballast - 800 Ties Per Mile - 35.6 Miles

35.6 Miles @ \$51,540 \$ 1,834,824

320	Ties Per Mile 35.6 Miles	
350	Cu. Yd. Surfacing 35.6 Miles	
153,800	Rail Anchors 71.2 Miles-Adjust Rail	
11,392	Ties @\$22.47 ea.	\$ 255,978
	Surfacing \$3,383 x 35.6 Mi.	120,435
153,800	Rail Anchors-71.2 Mi.	258,962
		<u>\$ 2,687,667</u>

Des Moines to Allerton 73.6

Sled and Ballast - 1,025 Ties Per Mile - 73.6 Miles

73.6 Miles @ \$59,196 \$ 4,356,826

142,600 Rail Anchors - 66.0 Miles
- Adjusted Rail

240,082

\$ 4,596,908

Allerton to Trenton 49.4 Miles

350 Ties Per Mile
350 Cu. Yd. Surfacing Per Mile
54,900 Rail Anchors 25.4 Miles-Adjust Rail

17,290 Ties @\$22.47 ea. \$ 388,506

Surfacing \$3,383 x 49.4 Mi. 167,120

153,800 Rail Anchors-25.4 Mi. 92,416

\$ 648,042

Trenton to Polo 46.5 Miles

960 Ties Per Mile
1,750 Cu. Yd. Ballast Per Mile
100,400 Rail Anchors 46.5 Miles-Adjust Rail

44,640 Ties @\$22.47 ea. \$ 1,003,061

Surfacing \$3,383 x 46.5 Mi. 1,026,488

100,400 Rail Anchors-46.5 Mi. 169,081

\$ 2,198,630

Polo to Lawson Jct. 11.2 Miles Double Track

800 Ties Per Mile - Both Tracks
350 Cu. Yd. Surfacing Per Mile - Both Tracks
24,200 Rail Anchors 11.2 Miles-Adjust Rail

17,920 Ties @\$22.47 ea. \$ 402,662

Surfacing \$3,383 x 22.4 Mi. 75,779

24,200 Rail Anchors-11.2 Mi. 40,742

\$ 519,183

Lawson Jct. to Moseby Jct. 8.5 Miles

800 Ties Per Mile
350 Cu. Yd. Surfacing Per Mile

6,800 Ties @\$22.47 ea. \$ 152,796

Surfacing \$3,383 x 8.5 Mi. 28,756

\$ 181,552

TOTAL MAIN LINE

\$13,758,174

Branch Lines

Iowa Falls to Dows 15.8 Miles

300	Ties Per Mile	
350	Cu. Yd. Surfacing Per Mile	
15,800	Rail Anchors Application Only	
	4,740 Ties @\$22.47 ea.	\$ 106,508
	Surfacing \$3,383 x 15.8 Mi.	53,451
	15,800 Rail Anchors-15.8 Mi.	19,750
		<u>\$ 179,709</u>

Dows to Estherville 50.6 Miles

Relay - 90# CWR S.H. in - 80# out	
-- 37.5 Miles Net x \$44,788	\$ 1,697,465
Sled & Ballast - 600 Ties Per Mile	
--32.2 Miles x \$45,465	\$ 1,463,973

300	Ties Per Mile - 61.5 Miles	
350	Cu. Yd. Surfacing Per Mile -61.5 Miles	
15,800	Rail Anchors 23.0 Miles - Adjust Rail	
	18,450 Ties @\$22.47 ea.	\$ 414,572
	Surfacing \$3,383 x 61.5 Mi.	208,055
	43,500 Rail Anchors-23.0 Mi.	77,471
		<u>\$ 3,861,536</u>

Estherville to Rake 50.6 Miles

300	Ties Per Mile	
350	Cu. Yd. Surfacing Per Mile	
	15,180 Ties @\$22.47 ea.	\$ 341,095
	Surfacing \$3,383 x 50.6 Mi.	171,180
		<u>\$ 512,275</u>

Estherville to Ocheyeday 39.1 Miles

300	Ties Per Mile	
350	Cu. Yd. Surfacing Per Mile	
	11,730 Ties @\$22.47 ea.	\$ 263,573
	Surfacing \$3,383 x 39.1 Mi.	132,275
		<u>\$ 395,848</u>

Dows to Forest City 44.3 Miles

Relay - 90# CWR S.H. in - 70# out
-- 7.4 Miles Net x \$45,897 \$ 45,904

300 Ties Per Mile
350 Cu. Yd. Surfacing Per Mile

13,290 Ties @\$22.47 ea. \$ 298,626
Surfacing \$3,383 x 44.3 Mi. 149,867
\$ 494,397

Carlisle to Indianola 11.6 Miles

None

TOTAL BRANCH LINES \$ 5,443,765

TOTAL MAIN LINE 13,758,174

GRAND TOTAL \$19,201,939