



Soo Line Railroad Company
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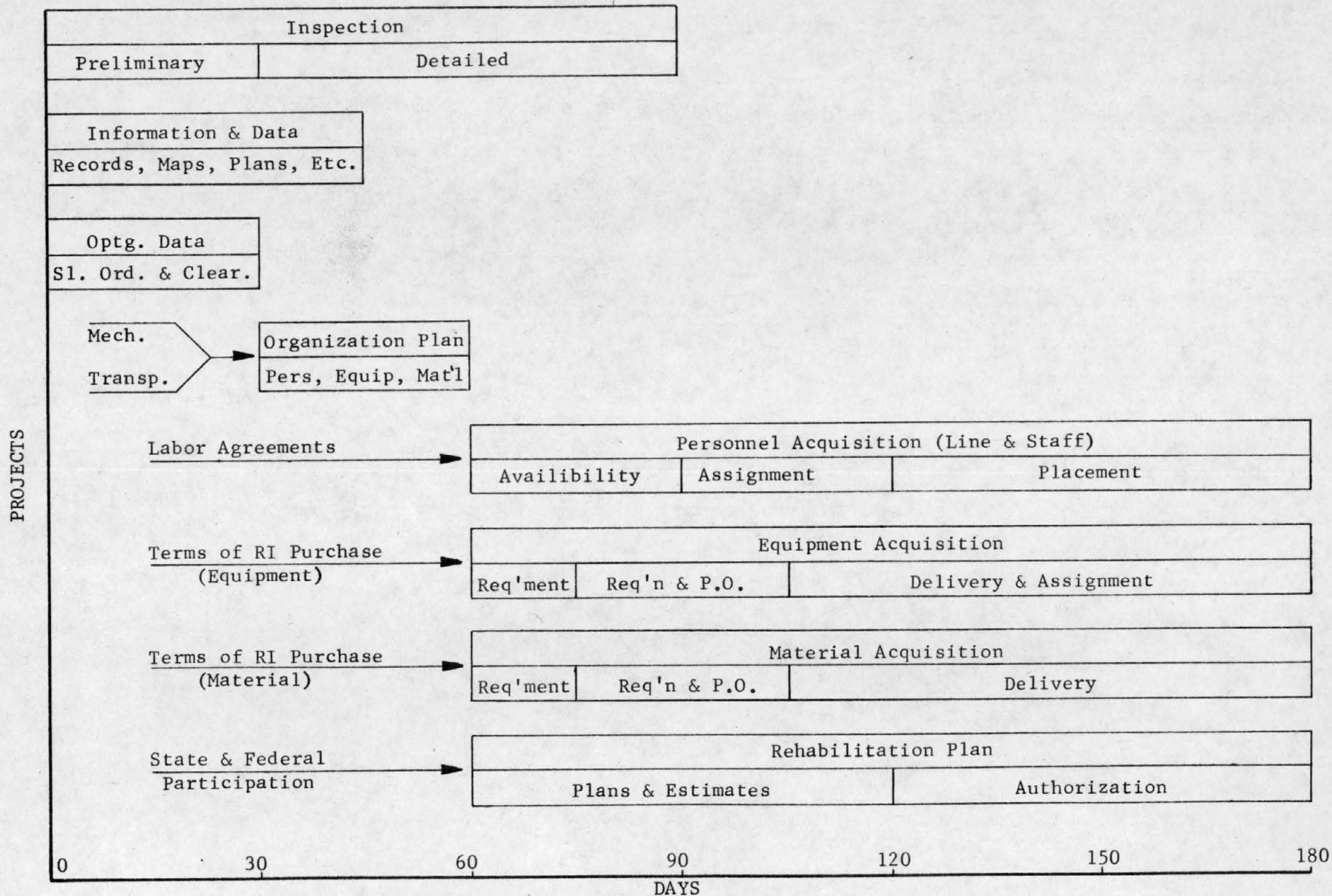
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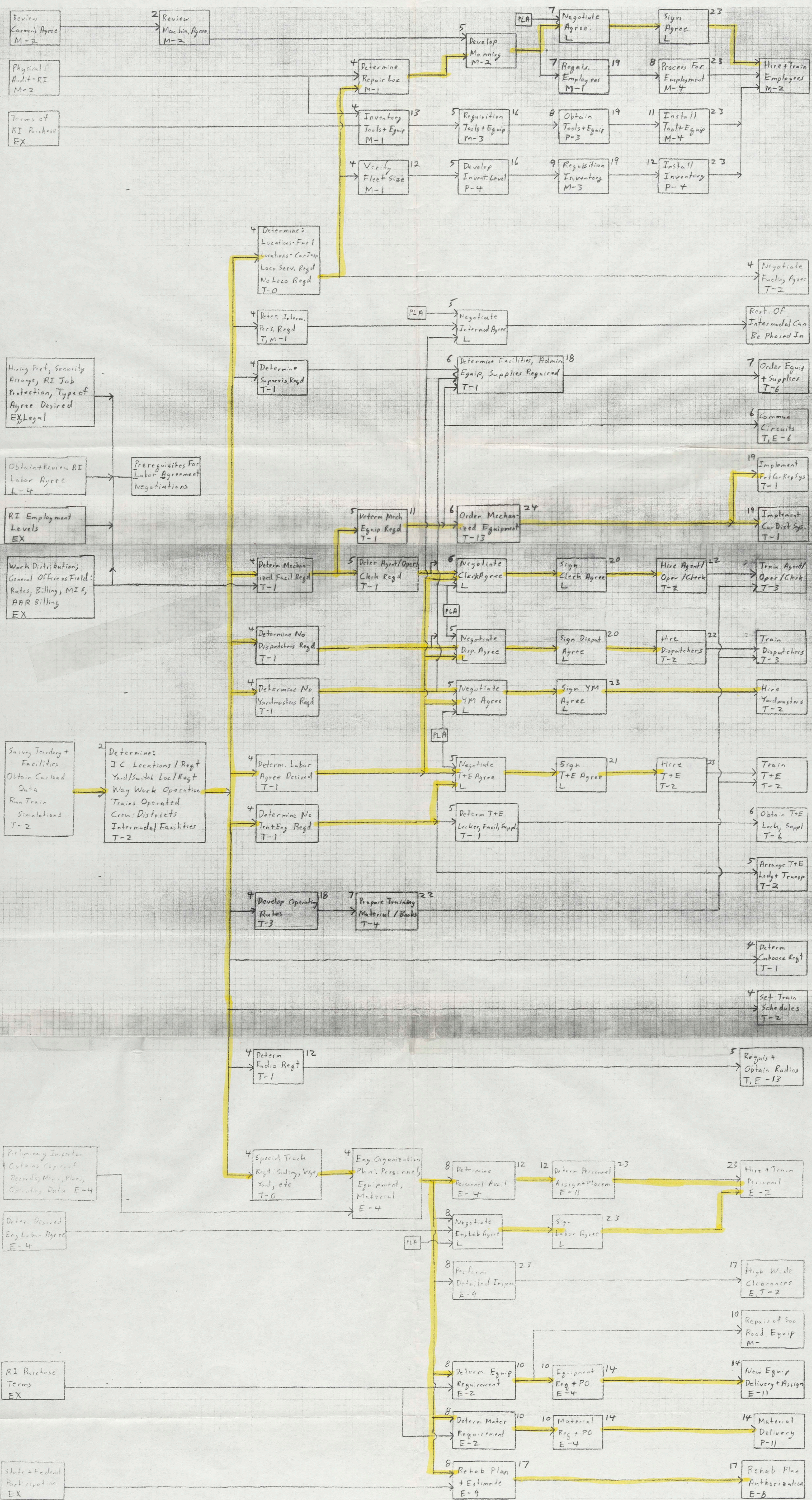
ROCK ISLAND STUDY
OPERATING PLAN - ENGINEERING DEPARTMENT

DEC 29 REC'D

DMC/GBP



Eng'r Dept.
Dec. 22, 1982



December 17, 1982

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

Les Holland and Harvey Sims called yesterday.

They reiterated what you had told me about the Rock Island settlement of back taxes, IRFA and past rehabilitation funding. It will be six months before the Iowa Supreme Court rules on the suit brought by the counties over the appropriation of back taxes by IRFA. Past rehabilitation funds apparently total \$2.5 million, up from past estimates of \$1 million. Iowa has accepted repayment of these rehabilitation funds and should receive them shortly. One curiosity, this makes this money first time around instead of second time around as would have been the case if we had inherited the debt.

The trackage rights issue, IRRC on C&NW between McClellan and Council Bluffs, has been sent to Judge McGarr by the Circuit Court in Chicago. A ruling is not expected for six to twelve months.

One thing, Les and Harvey both felt that we would improve our position relative to last minute bidding by the C&NW if we got the Trustee to go to the Bankruptcy Court with our offer first. They felt that the fact that we were first to come to Court, rather than the C&NW being the current operator or having made the first offer to the Trustee, would give us the last bid in Court. They will try to send us a copy of the actual proceedings in Court in the contested MILW acquisition of the Davenport - Washington line, but if they do not have it, it is public record in Chicago.

JDD/jmz

December 16, 1982

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

A meeting was held at 10:00 a.m. on Wednesday, December 15, 1982, in the Third Floor Conference Room. Those copied below and myself were in attendance.

The following activities will be progressed for further review during the first week of 1983:

1. Tom Fletcher will coordinate the development of a pert chart for initiation of operations within 180 days.
2. Tom Fletcher will prepare data to simulate train operations on the main line between Minneapolis and Kansas City. Cliff Leary would like to have Chris Urban develop current slow orders to incorporate in these simulations. Chris Urban would also review these simulations as an aide to verifying the proposed locations of main line crew terminals.
3. The Transportation Department would like to review the Traffic Department surveys and projections in detail to verify switching and way freight requirements and terminal locations. The Mechanical Department also needs access to the Traffic projections to plan the location and number of their staffing. The Traffic projections are expected within a week.
4. Proposed trainmen and enginemen agreements will be finalized.
5. The Accounting Department was requested to reflect the Iowa Falls Gateway carloadings and empty returns on their chart of cars originating and terminating at main line points.

Other topics of discussion were:

All three Operating Departments would like to make a hi-rail trip over the property early in the planning process and before heavy snow cover.

D. M. Cavanaugh
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Generally, the Departments are not in a position to assign a person to this project full time, and in particular, to assign an individual to be considered for supervision over this territory after acquisition, without releasing the person selected. The request was made to consider contracting recently retired employees to develop the implementation plans.

Transportation requested verification of the location and extent of CTC and the availability of former Rock Island dispatchers. Chris Urban should be able to do this.

Transportation also requested the development of rosters of former Rock Island employees by craft. While the general consensus is that adequate experienced personnel will be available in all crafts, knowledge of the availability of former Rock Island employees might have a bearing on our approach to contract negotiations. Several sources of rosters of former Rock Island employees were suggested: The Railroad Retirement Board, The Rock Island Trustee's Office and local contacts. Direct request of the organizations was considered premature.


JDD/jmz

cc: C. C. Leary
W. B. Peterson
G. H. Barker
G. E. Warner
T. M. Fletcher
H. J. Ness

D.M.C.

DEC 21 Rec'd

December 10, 1982

To: T. M. Beckley
From: D. J. Boyer 
Re: Rock Island Study - December 7 and 8
Des Moines, Iowa Trip

The trip was stimulated by an impromptu visit to the Soo Line offices recently by W. F. Bannon of the Des Moines Union and the Iowa Transfer of Des Moines, Iowa.

W. F. Bannon met Joe Darling and myself at 9:00 a.m. at the Des Moines air terminal. We were taken through Des Moines proper to view the layout of railroads serving the Des Moines area and all interchange locations between those carriers. We next went directly downtown to the offices of the Des Moines Union where we were joined by P. J. Rickershauer, District Sales Manager of Norfolk & Western. Discussion continued as to the positions of the Des Moines Union and the Norfolk & Western with respect to the potential acquisition of Rock Island mainline by the Soo from Minneapolis to Kansas City.

Following is a summary of discussion points:

- (1) DMU is owned equally by the Milwaukee and the and the Norfolk & Western.
- (2) Chicago & North Western does not cooperate with the DMU or the Norfolk & Western.
- (3) Norfolk & Western has just offered the Milwaukee an unknown amount for the Milwaukee one-half interest in the DMU.
- (4) Norfolk & Western made available a comprehensive study which contained detailed traffic and operational data. Soo retained this information overnight to review and take notes. Joe Darling to report on this material in a separate report.
- (5) Norfolk & Western district sales manager suggested Soo contact Mr. Larry T. Rasche, Director of Market Research, Roanoke, Virginia. Norfolk & Western has recently completed a traffic study by this individual for north-

T. M. Beckley
December 10, 1982
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bound commodities which are of interest. It appeared that the Norfolk & Western wishes to expand the Des Moines operation as a long haul point for northbound movements. The Soo should explore for interest.

At Noon a meeting at the Marriott Hotel downtown was held with Scott Bannister, attorney with the firm of Bump and Hoesemeyer. Bannister is the attorney for the Royal to Palmer Shippers Group. Royal to Palmer group has contacted and is negotiating with the Illinois Central Gulf for operation and service of their line. The ICG may not provide the best route for the shippers on the line. The shipper group did not apply for bank financing because of the cost of money which would render the program prohibitive. Scott Bannister underscored the fact that the program as presently established could not stand the payment of interest for financing of the acquisition. The group would welcome Soo assistance. Scott Bannister assisted L. Meyers in drafting the Milwaukee Bayard line consortium and the BN agreement.

Next was a 2:15 p.m. meeting at the Chamber of Commerce of Des Moines. The individuals with which we met were Mr. Mark Threlkeld, Director of Industrial Development and a Mr. Chester Good, who heads the local economic development area.

Results of the discussion were as follows:

- (1) Des Moines has no major plan for revitalization of the downtown area.
- (2) Des Moines has no tax increment district or future plan for such a district.
- (3) A tax abatement program is in place and can be applied for on an individual basis.
- (4) We received Rock Island communications and information from the Chamber of Commerce office on several Rock Island real properties which are for sale.

Mr. W. Bannon joined Dave Boyer and Joe Darling for dinner Tuesday evening to continue discussions of the Des Moines area industry.

Bannon picked up the Soo persons at motel for a visit to the GMI and Agra Industries facility at Avon. The Chicago & North Western switch crews spend about six hours per day at this industry location. Other facilities that could be directly serviced by the Rock Island mainline operator were also visited.

T. M. Beckley
December 10, 1982
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At 10:00 a.m. Wednesday, a meeting was held with the staff of the Iowa Des Moines National Bank downtown. Principal contact was Mr. Thomas Ferris, Executive Vice President. A general review of Soo activity and position to date with respect to acquisition of Rock Island trackage was given. Additionally, a general explanation of the two corporate plans of operation of the grainline and mainline was made. Questions of the bank personnel relative to the dollar size of acquisition and expected portions to be financed were answered in general numbers in view of the incomplete negotiations at this time.

Responsive staff was very positive with the comment that the Iowa Des Moines National Bank would like to handle the entire transaction along with the other Northwest affiliate banks in Iowa.

Considerable time was taken to discuss with the Iowa Des Moines staff the desire of Soo to dispose of real estate in greater Des Moines area not needed in transportation activity. Mr. Ferris stated the Hubble family does have a representative on the Board of Directors and is the most active greater Des Moines rehabilitation sponsor. He asked permission to bring the subject to the Board of Directors attention and more specifically to the attention of the Hubble family interests. Mr. Ferris will report back to the Soo on interest in this matter. As a note the Chicago & North Western does not bank at this bank.

At 11:15 a.m. we called on the Bankers Trust of Des Moines. The principal in the bank is Mr. Joseph Bognanna, Senior Vice President.

The reception was very good and positive toward the Soo acquisition of Rock Island trackage. Bankers Trust was the Rock Island bank location during operation. The Chicago & North Western does not bank here. The discussion at Bankers Trust was not as attuned to the specific acquisition events as was the staff of the Iowa Des Moines bank. We were invited to lunch with Bankers Trust and continued the discussion during the luncheon period. Mr. Dick McGuire, a former Soo employee, joined the group for lunch.

From 1:30 p.m. to 3:00 p.m. we were taken by Bannon of the Des Moines Union to industries served by the Des Moines Union. Additionally, we viewed the Chicago & North Western operation and industries served by that railroad.

Bannon was tremendously helpful inasmuch as he is so familiar with all operations within the area. He obviously would like to see the

T. M. Beckley
December 10, 1982
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Soo succeed in acquisition.

Mr. Bannon stated that on Monday, December 6, J. W. Conlon had met with all C&NW employees and union representatives during the day and after work. The object was to give employees a "pep talk" for C&NW acquisition and answer employee questions.

Operating information such as size of trains from the BN and the Norfolk & Western into the Des Moines area was obtained and will be reported on by Joe Darling.

As a result to the Des Moines area, I am impressed with industrial activity as well as the volume of traffic which is originating and terminating in the greater Des Moines area.

Att.

cc: ✓ D. M. Cavanaugh
R. L. Murlowski
B. D. Olsen
J. D. Darling

December 31, 1982

TO: T. M. Beckley
D. M. Cavanaugh
R. L. Murlowski
~~D. J. Boyer~~

FROM: B. D. Olsen

RE: Rock Island Acquisition

I have now obtained and attach a copy of the Chicago and North Western application to the ICC for authority to issue securities in connection with its intended acquisition of the Rock Island St. Paul to Kansas City line and branches. The application was filed December 2 and is on behalf of both the C&NW and a company called Midwestern Railroad Properties, Incorporated, which was formed August 13, 1981 to act as a vehicle for the acquisition of Rock Island lines.

The securities proposed to be issued are described in general terms starting on page 3 of the application. The maximum amount proposed is \$80 million to be issued either by C&NW or both C&NW and Midwestern Railroad Properties.

A description of the status of CNW negotiations with Trustee Gibbons starts at page 10. They are described as "progressing satisfactorily" and "have reached a stage that warrants the filing of this application." The form and amount of securities to be issued are described as uncertain and dependent upon (among other things) "the extent to which Mr. Gibbons may accept extended payments" as well as upon the results of negotiations C&NW intends to conduct with institutional lenders and underwriters. All of this detail is to be forthcoming in a supplemental application. The asserted purpose of the present application is, in part, to seek an exemption from competitive bidding requirements.

Specific Rock Island line segments are listed starting at page 12 and are grouped in two categories: those in which there is a firm purchase interest and those in which there is a contingent purchase interest. 717.8 miles are in the "firm purchase" category while certain trackage in Altoona and West Des Moines are in the "contingent" category. The latter group totals 91.6 miles. More discussion of negotiations with the Trustee follows. It is evident that C&NW has proposed issuing securities to Mr. Gibbons in part payment and now believes that firm financing commitments will help its negotiating posture. The proceeds, however, are not necessarily to be limited to acquisition and upgrading of the Rock Island lines.

You will be interested in the discussion starting at page 18. One of the purposes sought to be achieved is the ability to respond promptly to competing offers. The possibility of Trustee participation in financing is also raised.

There is some possibly useful corporate and financial information concerning the C&NW appended to the application. I have attached copies of the C&NW by-laws only to Mr. Beckley's copy of this letter. I regret that the C&NW financial information did not reproduce well.

BDO/sjp
Attachment

cc: J. D. Darling

Rock Island
Acquisition

December 31, 1982

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

DEC 31 Rec'd

FROM: B. D. Olsen

RE: Milwaukee Bayard Line Sale

I attach copies of documentation covering the acquisition by Shippers Consortium of the Milwaukee Bayard line and lease to Burlington Northern for operation. This should provide a useful model for structuring our acquisition of Rock Island properties.

BDO/sjp
Attachment

cc: M. D. Ross

12-30-82

Mpls. Grain Exchange Transp. Topics

*MNS
MCA*

PRESIDENT EXPECTED TO SIGN RAIL MEASURES SOON

The United States Congress recently passed most of the provisions of a pending omnibus rail bill (H. R. 6308, Rail Safety Act of 1982) by means of incorporating the provisions to the reauthorization of the Pipeline Safety Act (H. R. 3420).

In taking the December 20 action, the following rail provisions were approved: 1) An additional \$35 million in labor protection funds were authorized for the Rock Island and Milwaukee Road railroads. 2) The Interstate Commerce Commission was empowered to settle valuation disputes between the trustee of the Rock Island and interested purchasers. 3) The United States Railway Association was empowered to conduct a valuation study of the Alaska Railroad. The State of Alaska was authorized to purchase the federally owned railroad based upon the valuation set by United States Railway Association and USRA has nine months to complete its valuation study. 4) The bill authorized the construction of passenger corridors between Philadelphia and Atlantic City, as well as between portions of upstate New York. 5) Finally, the bill authorized continued funding of the preference share program through the year 1985. Of the \$55 million authorized, \$40 million will be used for the East St. Louis project. The balance of the funds will be divided between the Chicago RTA and the Dallas/Fort Worth projects.

At the time of this printing, the legislation had been submitted to the President, and although he hadn't signed it yet, he is expected to.

ANOTHER POSSIBLE ICC CANDIDATE

Recent reports indicate that Jane Holt, an independent Washington, D. C., consultant, is being considered by President Reagan as a possible candidate for a seat on the Interstate Commerce Commission. If nominated and confirmed Holt, a Democrat, would likely fill the Democratic seat now held by Vice Chairman Reginald E. Gilliam, Jr.

At the present time Mrs. Holt, 37, is a consultant with the Office of Technology Assessment, which is a quasi-independent Congressional support agency. She has been involved in a recent study on the feasibility of high-speed passenger rail service in the United States. Holt has also worked as a consultant for the United States Railway Association.

OVERALL TRUCK SALES UP

According to figures recently released by the Motor Vehicle Manufacturers Association, retail truck sales by U. S. manufacturers in November were up 42.7 percent overall, but sales of the heaviest trucks declined by 20.9 percent. The report noted that only 4,884 Class 8 trucks were sold during November, compared with 6,176 sold in November of 1981.

So far this year, there have been 68,440 Class 8 trucks sold--this compares with 92,396 for the corresponding period last year. The Association also said that "Sales of Class 7 trucks were off .6 percent in November but the year-to-date sales figure shows an increase of 23 percent over last year's figures."

December 29, 1982

TO: D. M. Cavanaugh
R. H. Smith
R. L. Murlowski
H. J. Ness
~~D. J. Boyer~~
J. D. Darling

FROM: B. D. Olsen

RE: FRA Loan Application: Rock Island

It is important that we begin work now on the Federal Railroad Administration loan application so that it can be filed promptly in the event we are successful in acquiring the Rock Island line to Kansas City. By letter dated September 16, 1982, I supplied several of you with copies of the regulations governing these applications. With this letter I am supplying the regulations to those who did not receive them previously. I am also supplying to everyone a copy of guidelines supplied by the FRA with respect to deferred maintenance. These guidelines may have applicability in drafting our application.

In order to get work started, I am scheduling a meeting 2:00 P.M. Monday, January 3, in the 8th floor Board Room. This should be a meeting of the working group assigned to do the actual preparation work. Those attending should review the regulations before the meeting and be prepared to raise questions of interpretation and participate in establishment of schedules for completion. In order to intelligently set schedules, a good understanding of the work required by the regulations is essential.

Subpart A starting at page 245 of the regulations deals with the specific requirements for the application itself. The required exhibits start at Section 258.9 on page 248. Subpart B starting at page 253 discusses the standards for evaluation and determination of the application. Obviously if we expect success, we must gear the application to the criteria in Subpart B.

You will recognize rather quickly that this will be a lengthy and burdensome document. The rehabilitation work to be done must be broken down and prioritized. Part of the reason is that the FRA doles out the funds on a piecemeal basis as portions of the work are completed. I am here listing some of the provisions and identifying the department which appears to have primary responsibility. This is subject to correction and in any event, everyone should be familiar with the entire application requirement.

Section 258.7, Title 49, Form and Content of Application

(a)(4)(i)	Description of facilities	Engineering
(4)(ii)	Identification of subparts	Engineering
(4)(iii)	Financing requested	Engineering
(4)(iv)	Start and finish dates and repayment schedule	Engineering and Accounting
(4)(v)	Estimated internal rate of return	Accounting
(4)(vii)	Effect on energy consumption	Engineering, Mechanical, Transportation
(5)	Category of project (See Section 258.27)	All departments
(6)	Contribution to safety	Transportation
(7)	Alternate fund sources	Accounting and Executive
(8)	Environmental impact	Engineering
(10)	Management program to provide essential services	All departments
(10)(i)	Traffic base	Traffic
(10)(ii)	Operating plans	Transportation and Traffic
(10)(iii)	Equipment and right of way maintenance plans	Mechanical and Engineering
(10)(iv)	Plans for rationalization of marginal services	All departments
(10)(v)	Facilities susceptible to consolidation or coordination	All departments
(11)	Other appropriate information	All departments

Section 258.9, Required Exhibits

(a)	Exhibit A - Map	Engineering
(b)	Exhibit B (1) - Locomotive units out of service	Mechanical

Exhibit B (2) - Freight cars out of service	Mechanical
(c) Exhibit C and Items 1 thru 7 - Balance sheet and other financial information	Accounting
(d) Exhibit D - Income statement	Accounting
(e) Exhibit E - Spread sheets showing effective assistance for 4 years	Accounting
(f) Exhibit F - Changes in financial position	Accounting
(g) Exhibit G - Changes in financial position 4 years subsequent to application	Accounting
(h) Exhibit H - Equipment proposed to be rehabilitated	
(1) - Locomotives	Mechanical
(2) - Freight cars and other equipment	Mechanical
(i) Exhibit I (1) - Classification of lines on which work will be done	Engineering
Exhibit I (2) - Track class and other information	Engineering
Exhibit I (2)(i) - Method of rehabilitation	Engineering
Exhibit I (2)(ii) - Cost of rehabilitation	Engineering
Exhibit I (2)(iii) - Analysis of cost of facility improvement	Engineering and Accounting
Exhibit I (3) - Grade crossing information	Engineering
Exhibit I (4) - Subdivision of work	Engineering and Accounting

BDO/sjp
Attachment

cc: T. M. Beckley
C. H. Clay
C. C. Leary
G. H. Barker
W. B. Peterson

**Guidelines for Quantifying Work that Will
Reduce Deferred Maintenance on Railway
Facilities under Section 505 of the 4R Act**

BACKGROUND

Regulations regarding applications for financial assistance under section 505 of the Railroad Revitalization and Regulatory Reform Act of 1976 (4R Act) specify that redeemable preference shares whose proceeds are expended solely to reduce the level of deferred maintenance on facilities will have a dividend and redemption schedule resulting in a yield which, expressed as an annual percentage rate from the date of issuance of such shares, shall be as follows:

"In the case of shares whose proceeds are to be expended solely to reduce the level of deferred maintenance on facilities, equal to the applicant's average rate of return on total capital, as defined in section 505(a)(5) of the Act, for the three fiscal years preceding the date of submission of the application, except where the public interest in financing the project warrants a lower yield;

In the case of shares whose proceeds result in no reduction in the level of deferred maintenance on facilities, equal to the cost of money to the government, except where the public interest in financing the project warrants a lower yield;

In all other cases, equal to a weighted average yield determined by applying the yields obtained in paragraphs (b)(ii) (A) and (B) of this section to the appropriate portions of the total project cost;

In no event shall the yield under this subparagraph (ii) be lower than the minimum permissible yield determinable under section 506(a)(3) and (4) of the Act. Section 258.25(b) of the Regulations, 42 Fed. Reg 28985 (June 6, 1977)."

The need to distinguish between deferred and nondeferred maintenance is essential to implement fully section 506(a)(5) of the 4R Act, which states:

"The proceeds from the issuance of which are to be expended solely to reduce the deferred maintenance on facilities, shall in no event yield (a) less than the minimum permissible yield determinable in accordance with paragraphs (3) and (4) of this subsection, nor (b) more than such railroad's rate of return on total capital (represented by the ratio which such carrier's net income, including interest on long-term debt, bore to the sum of the average shareholders equity, long-term debt and accumulated deferred income tax credits for the three fiscal years preceding the date of submission of the application) as determined in accordance with the uniform system of accounts promulgated by the Commission in those cases in which such rate of return exceeded such minimum permissible yield."

The guidelines establish two types of criteria: the specific guidelines which identify those parts of proposed expenditures which reduce deferred maintenance resulting from track and/or structural deterioration through rehabilitation of facilities and supplemental guidelines which identify deferred improvements which should be implemented to eliminate redundant facilities, accommodate technical obsolescence and special maintenance requirements and provide for current and projected levels of traffic. The classification of work to reduce deferred maintenance or implement deferred improvements contained in the guidelines that follow gives priority to reduction of existing deficiencies that restrict an applicant's ability to provide essential rail freight service. This is consistent with the following statement on deferred maintenance published in the preamble to the proposed section 505 evaluation standards.

"For the purpose of this section, deferred maintenance is defined as the accumulated physical deterioration in the component parts of a railroad facility, as defined in section 501(3) of the Act, as amended, which causes that facility to fail to meet the standard reasonably necessary to provide adequate freight and passenger services. The amount of the deferred maintenance that exists on a line is therefore related to the type and density of traffic and the desired quality of service, as well as the previous condition of the facility.

The assessment of the physical condition or remaining useful life of the component parts of a facility and the amount of deferred maintenance in a facility must be based on engineering and maintenance practices customary in the industry. The determination must be made by professionally qualified railroad engineers and managers, projecting the quantities and types of work necessary to restore the facility to a condition adequate to meet current service requirements. The Administrator will review the applicant's submittal in this regard and carefully examine the methodology and assumptions used to calculate the amount and type of deferred maintenance associated with a project." 42 Fed. Reg. 4662 (January 25, 1977)

DEFINITION AND APPLICATION

While the item, "deferred maintenance" has been variously defined depending on the nature of its application, it can be used to describe the deterioration or deficiencies in the physical condition of a specific facility or item of equipment, or collectively to several units of property, at a specific time. Deferred maintenance is customarily quantified in terms of estimated cost to restore, reconstruct, rehabilitate, or improve facilities or equipment to some previous or higher level to accommodate the present level of utilization.

The definition appearing in the preamble to the regulations dated January 25, 1977, is a broad interpretation of the concept of deferred maintenance. However, the definition does not include as deferred maintenance every element of work, and the associated expenditures, that an application might include in complete rehabilitation or improvement to facilities. The level of deferred maintenance is related to:

Physical deterioration of the property that has occurred prior to the time of proposed funding.

Source of component failures and reasons why the property does not meet operating requirements for current traffic density levels.

Current and projected level of utilization required (quality, reliability and quantity of rail service) including elimination of redundant facilities where appropriate.

All track rehabilitation projects include to some extent the following categories of component replacement, and rehabilitation or correction of existing deficiencies. The specific guidelines distinguish between deferred and nondeferred maintenance in each of the following categories:

- rail
- ties
- turnouts
- ballast, including cleaning, restoration, replacement or addition
- subgrade (stabilization or restoration)
- road crossings
- bridges, tunnels and drainage structures
- signals, interlocking and communication facilities
- drainage systems
- vegetation control
- surfacing related to accomplishment of work in the above categories
- miscellaneous maintenance, including bolt tightening, anchor reapplication, rail grinding, etc.
- yard and terminal facilities

For purpose of applying the guidelines, traffic density and tonnage as well as directional flow of traffic for each track in multiple track territory on which work is to be performed will be considered. The existing or prospective conditions associated with each track entity will apply only to that track rather than to the route.

SUPPLEMENTAL GUIDELINES

Where main line tracks defining a route or segment of a route are to be rehabilitated, sidings, side tracks and other trackage which are shown to be integral parts of the route and which provide operating support necessary to the route will be considered eligible for rehabilitation or improvement as a part of the project as deferred maintenance.

In situations where redundant facilities are to be eliminated through a process of reconfiguration and removal of facilities, such work will be considered a reduction in deferred maintenance if the applicant demonstrates that costs of the proposed reconfigured facilities and removal of redundant facilities would be no greater than costs of reducing deferred maintenance in existing facilities.

In projects where technical obsolescence of existing facilities precludes rehabilitation by replacement in kind, the work will be considered a reduction in deferred maintenance if replacement of the existing facilities or systems is not technologically feasible and the proposed facilities are the most economical means of providing essential rail service.

The cost of rehabilitating and/or improving facilities in lieu of interim short-term repairs in order to maintain scheduled track speeds in localized track segments may be considered as a deferred maintenance expenditure where substandard conditions causing excessive maintenance costs can be identified and cost benefits of corrective action proposed can be stated.

In projects where traffic¹ is shown to be greater than the operating capability of a line or line segment, costs of improvements including but not limited to improved control systems, longer sidings, reconfigured interlockings, Centralized Traffic Control, additional trackage may be considered as deferred improvement expenditures.

In each of the aforementioned cases applicant must provide detailed documentation necessary to substantiate his case. Where improvement projects are involved the following criteria must be met:

¹"Traffic" as used in these guidelines is defined as that which is existing currently or will be generated within a specific time frame.

Improvement Projects - In order to establish the eligibility of certain rail improvement projects for inclusion in Title V agreements at rates lower than the Government's cost of borrowing the following condition must be met:

The capital improvement project(s) is part of an overall program to reduce deferred maintenance and is essential to a Title V project achieving acceptable operating and engineering standards (ICC Class I Railroads) through the elimination of obsolete or substandard operating conditions.

SPECIFIC GUIDELINES

I. RAIL

Expenditures to replace rail will be deemed to reduce deferred maintenance when one or more of the following conditions are present in the project:

Slow orders restricting maximum allowable speeds below speed requirements for current and prospective service levels directly attributable to rail defects, wear, age, or condition.

Rail in place is inadequate to handle applicable type and density of traffic at the maximum speed determined necessary for efficient operation.

Jointed rail of any weight may be renewed at 250 million gross tons regardless of rail condition for the purpose of cropping, welding and cascading to another location within a negotiated period of its release to a specific location which meets criteria established in the guidelines.

Rail in place that has been subjected to at least 75 percent of its first stage service life based on the applicant's standard practice, but not less than 400 million gross tons for rail sections over 100#/yd and 250 million gross tons for 100#/yd and lighter.

Each applicant will be expected to recommend whether to use new or reusable secondhand rail and the rail sections considered appropriate to reduce deferred maintenance. The maximum replacement rail section that will be considered justifiable under typical operating conditions expected to be encountered are as follows:

<u>Annual Tonnage</u>	<u>*Weight of Rail Not to Exceed Pounds Per Yard</u>
Less than 5 MGT	Secondhand rail of any weight
5 to 10 MGT	New 100 RE or secondhand rail of any weight
10 to 20 MGT	New 119 RE or secondhand rail of any weight
20 and over MGT	New 140 RE or secondhand rail of any weight

*Track segments carrying heavy cars qualify for special consideration depending on circumstances of the specific project.

A. DEFERRED MAINTENANCE EXPENDITURES

When rail replacements are consistent with the criteria set forth above, deferred maintenance expenditures will include the following:

1. Rail of the same size and quality now in place or the minimum size and quality adequate for traffic density, tonnage and rail service being provided as determined in accordance with criteria set forth in the foregoing.
2. Material associated with rail renewal (including additional anchors), including costs incident to continuous welded rail.
3. Appropriate plates and other track material to accommodate replacement rail section.
4. Surfacing, signals and grade crossing work directly required by the rail relay procedures.
5. Such other work as necessary to be consistent with good maintenance practice relative to rail replacement, including rail grinding.

B. OTHER EXPENDITURES

All other expenditures related to replacement of rail will be considered nondeferred maintenance, rehabilitation, or improvement. These include, but are not limited to the following costs:

1. Incremental costs of new rail heavier than justified under current traffic levels.
2. Costs associated with renewal of rail in territories experiencing a high rate of service and detected failure where such failures have not resulted in long-term speed restrictions (more than six months duration) except as otherwise set forth in the supplemental guidelines.

3. Other track material costs associated with items above.
4. Subgrade, ties, grade crossings, ballast, surfacing associated with items above unless meeting the criteria set forth in other sections for deferred maintenance.

II. TIES

Expenditures to replace ties will be considered as deferred maintenance expenditures in those locations where timetable speed restriction and posted slow orders in effect result in maximum allowable speeds below speed requirements for current and prospective service levels, directly attributable to defective ties or where tie renewals have not been made within the railroads normal tie renewal cycle even though slow orders have not been posted.

A. DEFERRED MAINTENANCE EXPENDITURES

Expenditures in connection with tie replacements for purpose of reducing deferred maintenance will include the following:

1. Ties required to be replaced in order to restore the track to a condition adequate for service requirements and maximum allowable speeds deemed essential by applicant but not to exceed the number of ties described as "Defective" by part (b) and required for support of rail as prescribed in part (c) and (d) of paragraph 213.109 of FRA Track Safety Standards (Defective Ties).
2. Additional "Defective" ties not to exceed the number required to meet applicant's documented cycle maintenance schedule. For example: not to exceed 500 ties/mile on a line having 3000 ties per mile with a 30-year tie life and a five-year cycle maintenance schedule.
3. Defective ties, not to exceed the number of ties in one maintenance cycle in track where renewals have not been made within the normal tie renewal cycle established by the railroad even though speed restrictions are not yet in effect.
4. Additional and/or replacement anchors necessary to meet the applicant's standard practices in the project area.
5. Appropriate tie plates for new ties where consistent with applicant's standard practices of replacing plates on new ties in regular maintenance programs in project area.

6. Other track material necessary to conform to the applicant's standard practices for work comparable to project.
7. Surfacing, grade crossing and related work directly required by the tie replacement operation.
8. Such other work as is necessary to be consistent with good maintenance practice relative to tie replacement.

B. OTHER EXPENDITURES

All other expenditures related to replacement of ties will be considered nondeferred maintenance, rehabilitation or improvement including, but not limited to the following:

1. Ties in addition to those defined above deemed necessary by applicant to be replaced for rehabilitation or improvement of the facility.
2. Larger size timber ties or more costly nontimber ties account inventory practices or technical standards adopted by the applicant in excess of minimum requirements for traffic level.
3. Other track material costs associated with the foregoing.
4. Rail, ballast, grade crossings, subgrade, surfacing and related work associated with the foregoing where no deferred maintenance is present in the project.

III. TURNOUTS

A. DEFERRED MAINTENANCE EXPENDITURES

Expenditures for replacement of switches, frogs and other turnout components including ties will be deemed to reduce deferred maintenance when one or more of the following conditions exist:

1. Slow orders below speed requirements for current or prospective service levels are in existence directly attributable to defects, wear, age or condition.
2. Section or number (No. 8, 10, 15, 20, etc.) of turnouts must be changed for compatibility in connection with other work categorized as deferred maintenance, such as rail renewal.
3. Surfacing, lining, ballast cleaning and such other work as is necessary to be consistent with good maintenance practice relative to renewal of turnouts.

4. Renewal associated with procedures implemented to correct other deferred maintenance conditions such as replacement of fouled ballast or correction of a poor subgrade condition.

B. OTHER EXPENDITURES

All other expenditures related to replacement of turnouts will be considered nondeferred maintenance, rehabilitation or improvement including, but not limited to, the following:

1. Replacements as part of applicant's normal maintenance program.
2. Replacements to accommodate inventory practices or technical standards adopted by applicant in excess of minimum requirements for traffic levels.
3. Replacements as part of other work categorized as rehabilitation or improvement such as reconfiguration of an interlocking plant or restructuring of system except as otherwise set forth in these guidelines.

IV. BALLAST

Expenditures to clean, replace or add ballast will be deemed to reduce deferred maintenance where the following conditions are present:

1. Slow orders lower than maximum speed deemed necessary by applicant for current service levels are in effect exclusively attributable to inadequate ballast condition.
2. Track cannot be maintained to handle traffic at the maximum speed determined necessary for efficient operation exclusively attributable to inadequate ballast condition.

A. DEFERRED MAINTENANCE EXPENDITURES

When ballast cleaning, replacement or additions are appropriate for reasons set forth above, deferred maintenance expenditures will include but not be limited to the following:

1. Undercutting or sledding to remove dirt or fouled ballast and permit replacement of the quantities of cleaned or new material necessary to restore the track to a condition adequate for current service requirements based on documented project investigation and engineering analysis, including consideration of physical circumstances at site, operating speeds, traffic density, and extent to which the track is subjected to heavy axle loads. New material greater than eight inches in depth below bottom of final tie grade will not be considered necessary

to reduce deferred maintenance except for specific locations or routes where a greater depth, not to exceed 12 inches of new and reclaimed ballast is shown to be necessary due to exposure to heavy axle loads (in excess of 8 MGT annually), inability of railroad to obtain stone or slag ballast meeting AREA specifications on line, or other special circumstances.

2. Where undercutting or sledding is not involved, additional quantities of new ballast of quality standards required to restore track to a condition that will accommodate applicant's projected cycle maintenance program in project area, but not in excess of four inches of new material below bottom of final tie grade.
3. Where shoulder and/or crib cleaning only is involved, or where the ballast shoulder is inadequate, additional quantities of new ballast to restore track to the railroad's standard cross-section for ballast.

B. OTHER EXPENDITURES

All other expenditures associated with ballast will be considered as costs for nondeferred maintenance.

V. SUBGRADE

Expenditures to correct unsatisfactory conditions in, on or about the subgrade including, but not limited to, such facilities as cuts, fills, cross drains, longitudinal drains, french drains, side ditches, slopes, and embankments will be deemed to reduce deferred maintenance when one or more of the following conditions are present:

Unstable conditions resulting from inability of the subgrade to withstand forces imposed by wheel loads of traffic and rail service being provided.

Cross drains, longitudinal drains, french drains or others are obstructed and prevent free flow of surface and ground water due to deterioration, failure or by a long-term accumulation of debris, dirt, silt, or vegetation.

Slopes are eroded as the result of insufficient or inadequately maintained systems for collection and drainage of surface water.

Ditches and berms are obstructed by a long-term accumulation of dirt, debris or vegetation so as to prevent a free flow of surface and ground water.

A. DEFERRED MAINTENANCE EXPENDITURES

When subgrade work is for reasons set forth above, deferred maintenance expenditures will include but not be limited to:

1. Geotechnical analysis of unstable subgrade to determine appropriate remedial action.
2. Appropriate remedial action to stabilize subgrade as determined through a geotechnical analysis.
3. Constructing, cleaning, restoring, and/or relocating ditches and berms.
4. Repair of long-term erosion damage and elimination of the condition that caused it.
5. Engineering incident to work described above.

B. OTHER MAINTENANCE

All other expenditures associated with the subgrade will be considered as costs for nondeferred maintenance.

VI. ROAD CROSSINGS

Expenditures to rebuild or rehabilitate road crossings will be considered deferred maintenance where current condition or construction is substandard for rail or highway purposes and/or where work is related to rail, tie or other rehabilitation, categorized as deferred maintenance in other sections.

A. DEFERRED MAINTENANCE EXPENDITURES

When grade crossing rebuilding or rehabilitation is appropriate for the reasons set forth above, deferred maintenance expenditures will also include:

1. Correction of drainage defects in the vicinity of the crossing.
2. Welding of the rail in the crossing.
3. Correction of subgrade defects in the vicinity of the crossing.
4. Correction of vegetation problems in the vicinity of the crossing resulting from inadequate maintenance.
5. Correction of visibility defects in the vicinity of the crossing resulting from inadequate maintenance.

6. Adjustments to and replacement of component parts of existing grade-crossing protection.
7. Installation of additional or higher standard grade crossing protection by order of a local, state or Federal regulatory agency to the extent not funded from other public appropriations.

B. OTHER EXPENDITURES

All other expenditures related to the replacement crossing will be considered nondeferred maintenance rehabilitation or improvement including, but not limited to, the following costs:

1. Work associated with rail or tie projects not deemed to reduce deferred maintenance.
2. Work scheduled to be performed as part of the applicant's cycle maintenance program.
3. Crossings of different design or larger size more costly than the existing crossing unless the existing crossing is substandard for rail or highway traffic.

VII. BRIDGES, TUNNELS AND DRAINAGE STRUCTURES

A. DEFERRED MAINTENANCE EXPENDITURES

Expenditures to restore bridges, tunnels and drainage structures will be deemed to reduce deferred maintenance under one or more of the following circumstances:

1. Component and/or complete replacement in-kind where necessary to remove railroad slow orders in effect because of structural deterioration or damage.
2. Component or complete replacement with an improved design where it can be shown that heavy axle load or other circumstances are causing accelerated wear and deterioration of the structure.
3. Component or complete replacement in-kind necessary to eliminate existing railroad load or size restriction below standards for route involved to provide for prospective traffic.
4. Maintenance and repairs to structural components of railroad structures postponed beyond applicant's documented cycle maintenance schedule.

5. That portion of total replacement cost equivalent to 1 and 3 above where replacement structures of different design are proposed and where the project does not qualify under 2 above.
6. Painting structural members or entire structures subjected to corrosive conditions detrimental to load capacity of steel structures.
7. Emergency repairs to highway bridge structures necessary to meet traffic requirements to extent of applicant's contractual obligations.

B. OTHER EXPENDITURES

All other expenditures to repair or replace bridges, tunnels or drainage structures will be considered nondeferred maintenance, rehabilitation or improvement, including but not limited to, the following:

1. Replacement cost in excess of 4 above.
2. Replacement of structures scheduled under applicant's normal budgeted replacement program account of expiration of useful service life, obsolescence, or environmental considerations.
3. Repairs performed as part of applicant's normal maintenance schedule.
4. Painting all or part of a structure for asthetic purposes.

VIII. SIGNALS, INTERLOCKING & COMMUNICATION FACILITIES

A. DEFERRED MAINTENANCE EXPENDITURES

Expenditures to repair or replace components of the existing signal system will be considered deferred maintenance when one or more of the following conditions exist:

1. Failures occurring in the signal, interlockings or communication system resulting in delays to or creating a hazard to train operation.
2. Work is required as a component part of other work categorized as deferred maintenance such as rail or tie replacements, surfacing or subgrade maintenance.
3. Replacement of existing temporary or emergency-type installations considered inadequate for traffic.
4. Maintenance and replacement of components to restore facilities to a level that can be maintained with normal service life cycle replacements.

5. Replacement of facilities to the extent that replacement costs do not exceed cost of rehabilitating an existing functional system except as provided for under Supplemental Guidelines.

B. OTHER EXPENDITURES

All other expenditures related to maintenance or replacement of component parts of existing facilities and/or installation of new or additional facilities will be deemed as nondeferred maintenance expenditures, except as otherwise set forth in these guidelines.

IX. DRAINAGE SYSTEMS

Expenditures for correction of drainage systems associated with bridges and cross drainage structures, subgrade, ballast and road crossings are covered in sections relating to these items. This section covers other drainage systems.

A. DEFERRED MAINTENANCE EXPENDITURES

Expenditures to correct current deficiencies in operation of drainage systems contributing to erosion, flooding, muddy track, accelerated deterioration of ties and ballast, subgrade instability, signal malfunctions, and environmental pollution will be considered deferred maintenance. Work to be funded as deferred maintenance may include but is not limited to:

1. Ditch cleaning and widening through cuts.
2. Excavation and structures for improvement of water courses.
3. Restoring and expanding culvert drainage systems.
4. Restoring and protecting embankment and slopes.

B. OTHER EXPENDITURES

All other expenditures related to improvement in drainage systems will be deemed as nondeferred maintenance expenditures.

XI. SURFACING

A. DEFERRED MAINTENANCE EXPENDITURES

Expenditures for surfacing performed, in connection with other work categorized as deferred maintenance such as rail replacement, tie replacement, ballast replacement will be considered deferred maintenance.

B. OTHER EXPENDITURES

Surfacing, as an independent operation, unrelated to other work deemed to reduce deferred maintenance will be considered as a part of the applicant's normal cycle maintenance, rehabilitation or improvement schedule unless otherwise indicated by special circumstances.

XII. MISCELLANEOUS MAINTENANCE

A. DEFERRED MAINTENANCE EXPENDITURES

Expenditures for track maintenance of a cyclical or irregular frequency such as bolt tightening, joint straightening, anchor reapplication, rail grinding or other special operations will be deemed to reduce deferred maintenance when the following conditions are present in the project:

1. Slow orders restricting allowable speeds below speed requirements for current service levels are directly attributable to deficiencies to be corrected.
2. Deficiencies to be corrected are part of a project involving other categories of work classified as deferred maintenance such as tie replacement, surfacing, ballast upgrading, subgrade stabilizing, rail renewal, etc.

B. OTHER EXPENDITURES

Expenditures for work of this type performed as part of applicant's normal cycle maintenance program will be considered as nondeferred maintenance expenditure.

XIII. YARD AND TERMINAL FACILITIES

Guidelines will be applied to yards and terminals as operating entities and not in terms of operating components such as rail, ties, ballast, etc., for the purpose of quantifying work deemed to contribute to a reduction of deferred maintenance.

Expenditures to rehabilitate and improve yard and/or terminal facilities will qualify for low cost funding as deferred maintenance when the following conditions are present in the project:

- The facility is located on and is considered to be an integral part of the operating characteristics of the line or route, being rehabilitated to improve the level of service with funds provided under Title V of the 4R Act or with other funds.

- Rehabilitation or improvement of the facility is important to the efficient processing of traffic through the facility and will result in increased operating capability.
- The physical condition of facility components is such that their renewal, rehabilitation or other improvement is necessary to assure efficient, reliable operation of the yard or terminal facility in conjunction with the route or routes which the facility supports.
- Rehabilitation or improvement of the facility or consolidated facilities will not result in a net increase in trackage except as provided for under Supplemental Guidelines.

A. DEFERRED MAINTENANCE EXPENDITURES

When rehabilitation or improvement of yard and/or terminal facilities is consistent with the criteria set forth above, deferred maintenance expenditures will include, but not be limited to:

Rehabilitation, relocation, restoration or renewal of operating appurtenances, including, but not limited to, rail, ties, OTM, turnouts and rail crossings, ballast, drainage pipes, ditches, culverts, catch basins, signals, communications and control systems, air lines, pole lines, power lines, flood lights, switch heaters, retarders, track gradients, lubricators, and other components of a yard or terminal facility.

B. OTHER EXPENDITURES

All other expenditures related to improvement of a yard or terminal facility will be considered nondeferred maintenance. These include, but are not limited to, the following costs:

1. Cost of the net increase in trackage, over and above that in place in the existing facility except as provided for under Supplemental Guidelines.
2. Costs associated with construction, rehabilitation, restoration or renewal of trackage, beyond the clearance point of a turnout, whose main purpose is to serve a private industry except where such costs are driven by work being performed on the main track.
3. Costs associated with construction, rehabilitation, restoration or renewal of facilities which are not associated with or do not have a direct impact on the related line improvement being funded.
4. Normal maintenance costs associated with the operation of a yard or terminal facility having the operational capability of servicing applicable levels of traffic.

XIII. VEGETATION CONTROL

Expenditures to implement brush and vegetation removal will be considered deferred maintenance when performed as an essential element of other work deemed to reduce deferred maintenance including but not limited to tie or rail replacement, ballast renewal, embankment restoration and stabilization, road crossing restoration, bridge and drainage projects.

A. DEFERRED MAINTENANCE EXPENDITURES

Expenditures to correct conditions attributable to deficient levels of vegetation control in the past will be deemed to reduce deferred maintenance including but not limited to:

1. Clearing of signal and communication lines.
2. Improving sight distances approaching signals, signs, markers and grade crossings where maintenance has been inadequate.
3. Clearing vegetation which has become a fire hazard to railroad structures.
4. Clearing vegetation from track or ditches where drainage is impeded.
5. Clearing walkways and work areas.
6. Clearing vegetation from track and right-of-way if such vegetation prevents detailed inspection of track or train.

B. OTHER EXPENDITURES

Expenditures to continue regular periodical brush and vegetation control on a recurring basis will be deemed as nondeferred maintenance expenditures.

12/27/82

Dennis -

The C&NW authored the
rail property arbitration
provisions of H.R. 6308. ✓

Xanny
✓

DEC 30 Rec'd

t of Transportation

DIVISION

Ames, Iowa 50010

REF. NO.

between 70,000 and 80,000 pounds GVW - \$1,200 per year plus \$40 per 1,000 pounds in excess of 70,000; and, for vehicles weighing more than 80,000 pounds GVW - \$1,600.

On July 1, 1986, the maximum tax would be increased to \$1,700. On July 1, 1987, the maximum tax would be increased to \$1,800. On July 1, 1988, the maximum tax would increase to \$1,900. No information is now available on how taxes would be increased for vehicles weighing less than 80,000 pounds GVW.

Provides a one-year delay in the phase-in of these taxes for fleets of five or less trucks. If a truck is retired from service during the year because of accident or theft, provides for a prorated refund of user taxes.

Creates certain exemptions from these taxes including one for less than 5,000 miles per year of highway use.

LARGE TRUCK STUDY - Empowers DOT, in conjunction with the states and after receiving public comment, to submit a detailed report on the benefits and costs of permitting larger trucks, up to a maximum of 110 feet long and weighing 80,000 pounds GVW, to operate over certain federal highways. This study is to be submitted to Congress within 18 months after enactment of this legislation.

SPLASH AND SPRAY SUPPRESSANT DEVICES - Empowers DOT to set regulations to: (1) within one year after enactment, set standards for performance and installation of splash and spray suppressant devices; (2) within two years after enactment, require all new truck tractors, trailers, and semitrailers to be equipped with devices meeting those DOT requirements; and, (3) within five years after enactment, require all such equipment to be fitted with these devices.

55 MPH SPEED LIMIT STUDY - Requires DOT, in cooperation with the National Academy of Sciences, to comprehensively study and investigate: (1) the benefits of the 55 mile per hour speed limit; and, (2) whether states' laws are a substantial deterrent to violations of this federal limit. This report, with recommendations, is to be submitted to Congress within 12 months after enactment of this legislation.

NATIONAL PUBLIC WORKS INVENTORY AND ASSESSMENT - Requires DOT to, based on existing and relevant data, design and prepare a national public works inventory and assessment study. It authorizes \$3 million for this purpose.

CONGRESS PASSES RAIL MEASURES

The Senate and House December 20 passed most of the provisions of a pending omnibus rail measure, H R 6308, Rail Safety Act of 1982, by incorporating them into the reauthorization of the Pipeline Safety Act.

In passing H R. 3420, Pipeline Safety Act of 1982, Congress took the following action in the

rail area:

-- Authorized an additional \$35 million in labor protection funds for the Rock Island and Milwaukee Road railroads.

-- Empowered the Interstate Commerce Commission to settle valuation disputes between the trustee of the Rock Island and interested purchasers.

-- Empowered the United States Railway Association to conduct a valuation study of the Alaska Railroad. The State of Alaska will be allowed to purchase the federally owned railroad based upon the valuation set by USRA. USRA has nine months to complete its valuation study.

-- Authorized the construction of passenger corridors between Philadelphia and Atlantic City as well as between portions of upstate New York.

-- Continued funding of the preference share program through 1985. Of the \$55 million authorized, \$40 million would be used for the East St. Louis project, with the remainder to be split between the Chicago RTA and the Dallas/Fort Worth project.

The measure has been submitted to the President and he is expected to sign it.

HOUSE SETS 1983 SCHEDULE

The House has tentatively set its work schedule for 1983. According to the schedule released by the Office of the Majority Whip, the House will be in Washington and in the district as follows:

January 3 - Convenes in Washington.
 January 8-24 - District work period.
 January 25 - February 10 - Washington work period.
 February 11-13 - Lincoln district work period.
 February 14-17 - Washington work period.
 February 18-21 - George Washington district work period.
 February 22- March 24 - Washington work period.
 March 25-April 4 - Easter district work period.
 April 5-May 26 - Washington work period.
 May 27-31 - Memorial Day district work period.
 June 1-30 - Washington work period.
 July 1-10 - Independence Day district work period.
 July 11-August 12 - Washington work period.
 August 13-September 11 - August/Labor Day district work period.
 September 12-15 - Washington work period.
 September 16-18 - Yom Kippur district work period.
 September 19-October 11 - Washington work period.
 October 12-16 - Columbus Day district work period.
 October 17-28 - Washington work period.
 October 28 - target adjournment date for first session.

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12-27-82



Iowa Department
of Transportation

DEC 30 Rec'd

Dennis:

Herewith court transcripts
relating to the Courts' opinion
as to bidding - . Please note
highlighted passages on pages 2 and
4^① which we believe contain the
Judges basic philosophy.

See pages 7, 8 and 9^② relative to
Trustee's assessment (comparison) of the
terms of C&NW vs Miller Road affec.

① Document A

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B

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1 IN THE UNITED STATES DISTRICT COURT
2 NORTHERN DISTRICT OF ILLINOIS
3 EASTERN DIVISION

4 IN THE MATTER OF:)
5)

6 CHICAGO, ROCK ISLAND &) NO. 75 B 2697
7 PACIFIC RAILROAD COMPANY,)
8)

9 Debtor.)

10 EXCERPT OF PROCEEDINGS

11 had in the above-entitled cause before the Honorable FRANK
12 J. MC GARR, Chief Judge of said Court, in his courtroom in
13 the United States Courthouse, Chicago, Illinois, on Friday,
14 June 4, 1982, at the hour of 2:00 p.m.
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A.

1 THE COURT: In terms of the public interest, I'm
2 dealing with two first-class railroads. I don't care
3 which the customers would prefer as long as there's service.
4 That does not weigh very heavily upon me as a consideration.

5 Secondly, I'm concerned basically with the
6 interest of the estate. It is obvious the public interest,
7 while it bulks heavily in all of these considerations, is
8 in this instance secondary to the means which will obtain
9 the greatest return for the bankrupt estate without violating
10 the rights of anybody involved in this business process.

11 I have talked in the past about my dissatis-
12 faction with the process that started here for a short time
13 where last-minute bidders would come in at a confirmation
14 hearing and make better bids than that one before the Court,
15 and so on two or three occasions -- which is all I remember
16 -- we had a bidding process and I became an auctioneer.

17 Then I instructed the Trustee that we had
18 to terminate that process, because I had a sense of inequity
19 and misgiving about allowing a good faith negotiation to go
20 over great length of time with the expenditure of time and
21 commitment -- sometimes the arranging of financing by the
22 parties -- and then have a last minute bid come in to upset
23 all those plans.

24 On the other side of that proposition, however,
25 is the advantage and the necessity of obtaining the advantage

1 to the estate of getting the highest possible bid.

2 As for today, I have granted the petition --
3 the Trustee's motion to withdraw the petition for the sale
4 of the initial segment that we were talking about. That
5 leaves us in the presence of at least, at the moment, two
6 known interested parties -- the Milwaukee and the Northwestern
7 -- in the whole segment -- by "the whole segment," I am
8 talking about Washington to Clinton -- whatever rights the
9 Rock Island has in that segment and whatever track and real
10 estate it owns in that segment, and if there is some problem
11 as to the Rock Island's operating rights between Davenport
12 and Clinton, the bidder who gets them is going to have to
13 worry about that because the bidder is buying into that
14 situation and can resolve it, and that should be a consi-
15 deration and I'm sure it has been in the minds of those
16 parties interested in bidding.

17 So the question boils down to whether there
18 should be a whole new auction, forgetting the fact that the
19 Milwaukee has made -- entered into a contract for part and
20 negotiated for another part, or whether there is some equit-
21 able right in the Milwaukee which has to be recognized in
22 the exercise of my discretion to control this process.

23 I do recognize the fact that whatever happens
24 the interest of the Rock Island is best served by the sale of
25 segment, the whole line, and that is so overriding that any

1 circumstance that I will concede to or approve has to
2 involve that, which is why I have allowed the Trustee to
3 withdraw the offer for the lesser segment.

4 I understand now that we have a Chicago
5 Northwestern offer of \$16.5 million for the whole segment.
6 I understand that correctly. I would authorize the Trustee
7 to accept that offer subject only to the proviso that if
8 the Milwaukee, before June 29th, makes a firm offer as
9 valid and as attractive in every respect as the Chicago
10 Northwestern offer except that the total dollar amount is
11 is directory -- I would direct the Trustee to accept
12 the Milwaukee offer.

13 I do not think that I will let this get into
14 a bidding contest because I believe that the Milwaukee Rail-
15 road's participation in this matter and negotiation up till
16 now entitles it to that degree of security for the validity
17 of the bidding process and negotiations it has had up until
18 now, so the Milwaukee can go back to their bankruptcy judge
19 and say if they can meet this offer and exceed it, that they
20 will get the approval of the court, and, if not, the bid will
21 go to the Northwestern for the amount that has already been
22 granted.

23 Can you do that before June 29th? Can you
24 make it earlier?

25 MR. WHEELER: I wouldn't care to make it earlier. We

1 have a notice requirement that we are going to have to make.

2 THE COURT: I will put an outside date of June 29th on
3 it. If you can get some sort of approval earlier, notice it
4 up and come in.

5 MR. WHEELER: We will notice it up immediately and
6 move it as quickly as we can.

7 THE COURT: The petition of the Trustee is denied to
8 the extent that the Trustee has asked that I authorize an
9 oral auction without any respect to the rights of the Mil-
10 waukee thus far, and I think the announcement I made is
11 sufficient.

12 Nick, would you draw some sort of order that
13 embodies that?

14 MR. MANOS: Yes, I will.

15 THE COURT: Drop that off.

16 All right, out with the railroads, bring in
17 the ships. Gentlemen, thank you for your time.

18 (Which were all of the excerpts of
19 proceedings had in the above-
20 entitled cause on the day and
21 date aforesaid.)
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File 114, Banno
Sale of Railroad Land (Matwaukee Road)

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

Rec. 4-22-82
Orbit 1

IN THE MATTER OF:)

CHICAGO, ROCK ISLAND &)
PACIFIC RAILROAD COMPANY,)

No. 75 B 2697

Debtor.)

#B.

TRANSCRIPT OF PROCEEDINGS

had in the above-entitled matter before the HONORABLE
FRANK J. MC GARR, Chief Judge of said Court, in his
courtroom in the United States Courthouse, Chicago,
Illinois, on Wednesday, July 14, 1982, at the hour of
10:00 o'clock a.m.

PRESENT:

WILLIAMS, MANOS, RUTSTEIN,
GOLDFARB & SHARP, LTD.
(140 South Dearborn Street,
Chicago, Illinois 60603), by
MR. NICHOLAS G. MANOS

appeared on behalf of the Trustee;

MR. O. L. HOUTS
(332 South Michigan Avenue
Chicago, Illinois 60604)

appeared on behalf of the Rock Island;

PRESENT: (continued)

GOLDBERG & KOHN, P.C.
(Mid-Continental Plaza
55 East Monroe Street
Chicago, Illinois 60603), by
MR. TERRY F. MORITZ

appeared on behalf of the 1st National Bank;

MR. WILLIAM C. SIPPEL
Assistant General Solicitor
(516 West Jackson Boulevard
Chicago, Illinois 60606)

appeared on behalf of the Chicago, Milwaukee
St. Paul and Pacific Railroad Company

- - - -

THE CLERK: 75 B 2697, in the matter of Chicago, Rock
Island & Pacific Railroad Company. Trustee's petition for
authority to sell real estate at Dowds, Iowa; Trustee's
petition for injunctive relief; and petition for prelimin-
ary approval of sale of railroad line.

THE COURT: Mr. Manos, I have the impression this is
going to be brief. Am I right?

MR. MANOS: Yes your Honor, it would probably take
about ten minutes.

THE COURT: Well, then perhaps we better hold it to
the end of the call. Put that at the end, Terri.

(Whereupon, the Court heard other
matters on the call, after which the

following further proceedings were
had herein:)

THE CLERK: 75 B 2697, in the matter of Chicago, Rock
Island & Pacific Railroad Company.

THE COURT: Counsel -- excuse me --

(Whereupon, the Court heard other
matters on the call, after which
the following further proceedings
were had herein:)

THE COURT: Rock Island.

MR. MANOS: Your Honor, there are three matters that
are presented. I believe the clerk first called the matter
of the sale of real estate at Dowds, Iowa.

THE COURT: Right.

MR. MANOS: Your Honor, this matter is of small dollars.
It's only \$1,800. It's one acre of land, however, the land
is not being purchased by the lessee in possession, and
consequently notice has been given to the Attorney General
of Iowa and to the lessee in possession. There is a stand-
ing objection that has been made by the Attorney General, if
your Honor will recall, just on June 30th to the Court's
decree of a sale free and clear of any claims that might be
made under a statute which seeks to preempt your Honor's
authority to decree and supervise the sale of the Rock
Island properties.

The Attorney General at that time, as the Court will recall, indicated that he might file a brief within the thirty-day period. There is no mandate on him to do it. We know of no objection that is being made to this specific transaction by the Attorney General, not having heard from him.

We again, in this situation, ask that the sale be decreed free and clear of any claims which anyone may assert pursuant to that specific Iowa statute, and that we be authorized to continue to do so in any sale that is involved with the State of Iowa, unless and until the Attorney General of the State of Iowa files a memorandum and the Court determines that it doesn't have the power to so decree.

THE COURT: And the usual notice has been given in this case?

MR. MANOS: Yes, it has.

THE COURT: All right. The petition is granted. I'll sign the order. Wait until I find it.

MR. MANOS: That would be Order 486, your Honor.

THE COURT: All right. I have numbered it 486 and signed it.

What's next, Mr. Manos?

MR. MANOS: The next matter, your Honor, that has been called by the clerk is the Trustee's petition for injunctive

relief against the Johnsons. The Johnsons have filed a suit to quiet title in the State of --

THE COURT: Somewhere in Illinois, as I remember.

MR. MANOS: Your Honor, I believe it's in Iowa. Yes, it's in Iowa.

THE COURT: All right.

MR. MANOS: Suit to quiet title. What is important, however, is that they did not come to this Court seeking authority for a modification of the automatic restraint that pertains against them under the Bankruptcy Rules.

THE COURT: The attorney for Mr. Johnson was in on this.

MR. MANOS: They have filed an objection with the Court which seeks to deny the relief that the Trustee is seeking. They believe that the state court in Iowa should hear this matter. We are resisting this on the basis that they should apply first to this Court for a modification of the Court's automatic restraint.

Now, this is of great significance, your Honor, for the following reason. The complaint that has been filed in the State of Iowa states, inter alia, that the property that is involved has reverted automatically now as a consequence of your Honor's decision of June 2, 1980, which decreed total abandonment. The Trustee believes that this is of such a profound importance to the estate

because of the thousands and thousands of parcels that are involved where reversion may be involved, that a declaratory judgment of this type by a state court should not be made, it should be done -- it should be determined by this Court, as to the effect of its own order of June 2, 1980, as to what the abandonment resulted insofar as property rights are concerned.

Consequently, if the Johnsons first apply to this Court for a modification of the order, this Court can then determine whether it wishes to hear the matter here under the exercise of its exclusive jurisdiction, or whether the Iowa Court should hear it. In any event, it is premature, I believe, for me to discuss the issues. I believe they must first apply to this Court and ask for a modification of the restraint.

THE COURT: Have you given notice to Mr. Johnsons' attorney of this petition this morning?

MR. MANOS: We have been conferring with Mr. Norman. We have examined his correspondence. He has notice of this proceeding.

THE COURT: Does he have notice of today's petition?

MR. MANOS: Absolutely.

THE COURT: All right.

MR. MANOS: Now we are asking, your Honor, consequently, that the restraint be entered, and if he sees fit to come

before this Court to ask for a modification of the Court's order, the Court can then determine just what it wishes to do with respect to this litigation.

THE COURT: All right, I have signed the injunction. What number is this?

MR. MANOS: 487, your Honor.

THE COURT: All right. Be sure to explain to Mr. Norman, or whatever his name was, that the procedural posture of this, I'm not foreclosing his rights, but merely limiting it to this Court rather than the state court.

MR. MANOS: We will do this, your Honor by direct correspondence with Mr. Norman, and apprise him of his rights under your Honor's direction.

The third matter, your Honor, relates to the proposed sale of property owned by this estate to the Milwaukee Railroad. Your Honor will recall the several proceedings that were held before your Honor wherein initially the Trustee had made application to this Court for a sale of a portion of the property between Clinton and Washington, Iowa, to the Northwestern or to the Milwaukee Road.

The Northwestern then came in and made an offer, your Honor then decreed if by a certain date the Milwaukee Road would improve the offer that had been made by the

Northwestern, that the direction of the Trustee would be to accept the improved bid of the Milwaukee Road, and then come to this Court for a preliminary approval of the contract and the procedure that involves the Interstate Commerce Commission.

In fact, this has occurred. The Milwaukee Road did come in, your Honor, with a bid which, in the Trustee's opinion, has improved on the \$16.5 million deferred payment plan bid that was made by the Chicago Northwestern. The improved bid that has been made by the Trustee of the Milwaukee Road, Mr. Oglivie -- who is in the courtroom -- was for the sum of \$17 million, up front and in total cash.

The Chicago Northwestern in a conference which it had with me just about ten days ago, and with a letter addressed to Mr. Gibbons, has stated their position that in their opinion the bid -- the cash bid of Mr. Oglivie, indeed, is not an improvement on their \$16.5 million offer, because under the terms of their agreement, they say, for the five years, that 1.5 percent over prime for the deferred balance would produce at the end of five years more than the \$17 million which is being offered cash, up front by the Trustee of the Milwaukee Road.

The Trustee of the Chicago, Rock Island, however, Mr. Gibbons, is of the opinion that up front cash now rather than a deferred bank payment under the collateral

of a letter of credit is a considerable improvement for the estate, given the fact, your Honor, that a letter of credit is only as good as the bank that issues it, and having read of some of the collapses that are occurring here recently, and having heard some of the bad loans that have been made by some of the -- even the larger banks in the Chicago area, the Trustee of the Rock Island is exceedingly apprehensive, and consequently feels that the cash up front that is being offered by the Milwaukee Road, is a distinct improvement over the Northwestern's bid.

THE COURT: You're liable to start a run on the banks with talk like that.

MR. MANOS: Your Honor, under those circumstances the Trustee is today seeking and urges the preliminary approval of the contract now that has been executed by Mr. Oglivie under the authority of his court, the Reorganization Court.

I might note here that Judge McMillen has authorized Trustee Oglivie to pay the sum of \$17 million in cash at closing immediately upon final approval by this court, and to do so without any further authority required by Judge McMillen. Consequently, the transaction is now poised for a consummation immediately upon approval by the Interstate Commerce Commission and your Honor's final approval, which we recommend be set for September 1, 1982,

at the hour of 10:00 o'clock a.m.

I note the presence in the courtroom of the attorneys for the Chicago Northwestern. I don't know whether --

THE COURT: Well, I'll ask them, anyone who wishes to comment on this, I'd be glad to hear them. Is there anyone? You've heard Mr. Manos's presentation.

Mr. Moritz, do you have anything to say?

MR. MORITZ: I would state for the record two things, your Honor. One, we would certainly support the Trustee's request that the Court approve this sale; and secondly, we think it is appropriate to compliment all of the parties, both the Trustee and his counsel and the Milwaukee Trustee and his counsel. We think this resolution is very good for the estate of the Rock Island, and we would encourage that the Court approve it.

THE COURT: Yes, sir?

MR. SIPPEL: Good morning, your Honor. William Sippel for the Milwaukee Trustee.

I would like to endorse the remarks of Mr. Manos. They were very accurately stated, and I would just like to urge upon the Court that the Milwaukee is indeed fully prepared to go forward with this transaction as expeditiously as possible and close this transaction on September 1st.

Thank you, your Honor.

THE COURT: Anyone else? Apparently not.

All right, I regard the \$17 million Milwaukee offer as an improved offer. I'll grant the Trustee's petition and sign the order.

The September 1st date, is that the date you have chosen for the consummation?

MR. MANOS: It is a date that is recommended for final approval by this Court. Consummation then could be made immediately after that date, or whenever the --

THE COURT: According to my present plans, I won't be here on the 1st. The 7th will be my first day, unless you want to make it earlier? I will be here on the 23rd of August. I don't know whether you can do it that fast.

MR. MANOS: Your Honor, if we can move it up, then perhaps August --

THE COURT: -- 23rd. Monday, August 23rd for further status.

MR. MANOS: Will that give you enough time for the Interstate Commerce Commission?

MR. SIPPEL: Yes.

THE COURT: If it turns out that it isn't, just agree to put it over to the 7th.

MR. MANOS: Fine, your Honor.

THE COURT: What was that order number, Mr. Manos?

MR. MANOS: That would be 488.

THE COURT: You have to get Mr. Houts's approval.
Does 488 sound all right?

MR. HOUTS: Yes.

THE COURT: He keeps track of these. All right. I've
signed the order.

MR. MANOS: Thank you, your Honor.

THE COURT: Anything else up this morning?

MR. MANOS: Nothing.

(Which were all the proceedings
had in the cause pending before
this court on the day and date
aforementioned.)

- - - - -

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

IN THE MATTER OF:

CHICAGO, ROCK ISLAND &
PACIFIC RAILROAD COMPANY,

Debtor.

No. 75 B 2697

C E R T I F I C A T E

I hereby certify that the proceedings had in the above-entitled cause, before the HONORABLE FRANK J. MC GARR, Chief Judge of said Court, in his courtroom in the United States Courthouse, Chicago, Illinois, on Wednesday, July 14, 1982, were caused to be reported stenographically by me, and that the foregoing transcript, consisting of Pages 1 through 12, inclusive, is true and correct.

Anthony W. Lisanti,
Official Court Reporter

December 23, 1982

DEC 23 Rec'd

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

FROM: B. D. Olsen

RE: Rock Island Reorganization

I attach a copy of the Trustee's latest bi-monthly report for the period ending October 31. The report notes that the deadline for filing a plan of reorganization was extended upon the Court's own motion "in the best interests of all parties" to January 5, 1983. I am advised that that date has since been extended to sometime later in the month of January, but have no written confirmation as yet.

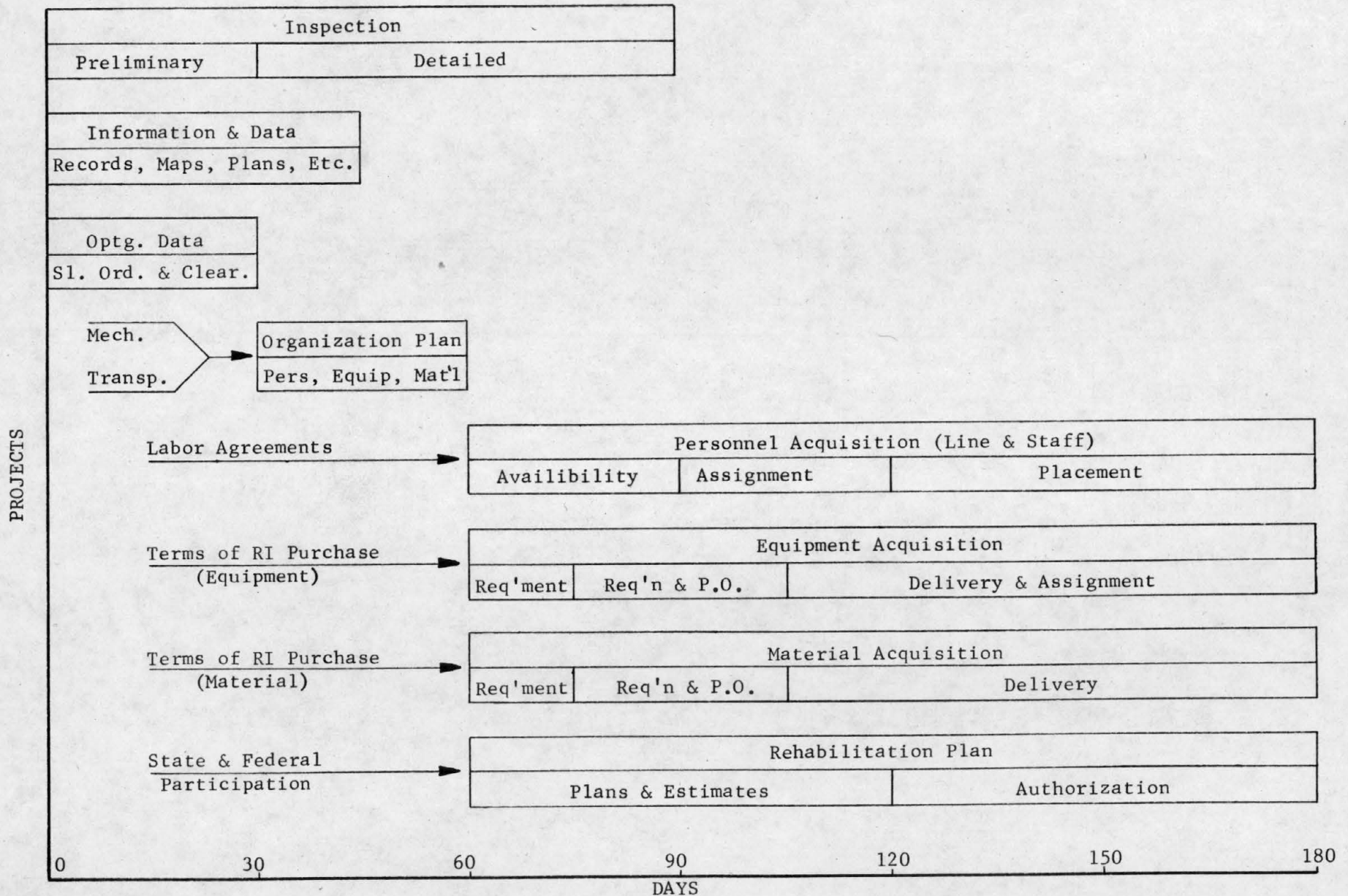
Little is said about sale of the Twin Cities to Kansas City line except that negotiations are continuing with C&NW and also that Soo has submitted an offer.

I am also attaching a copy of the General Balance Sheet and Income Statement as of October 31, 1982.

BDO/sjp
Attachment

ROCK ISLAND STUDY
OPERATING PLAN - ENGINEERING DEPARTMENT

JDD/
LBP



Eng'r Dept.
 Dec. 22, 1982

900

Minneapolis - December 21, 1982

MEMO

By: C. J. Urban

Re: Rock Island

This morning on December 20, 1982 I had a phone conversation with Mr. Arlie H. Bender. Mr. Bender was the Manager of Rules on the Rock Island Railroad up until the end of the Rock Island in 1980. His background, for twelve years he was an operator and train dispatcher on the old Chicago Great Western in the region from the Twin Cities down to Kansas City from 1937 to 1949 and he was with the Rock Island from 1949 up until 1980 serving as a dispatcher and then as the head Rules man on the Rock Island. When the Rock Island ended in 1980 Mr. Bender became the first trick train dispatcher on the Cotton Belt in April of 1980, working in the Kansas City dispatchers office. Arlie will retire on January 15, 1983. I also might add that Mr. Bender actively participated in the writing of the approximately first half of the General Code of Operating Rules. This covered a period of about three years until the Rock Island ceased its operation at which time Arlie then became a train dispatcher on the Cotton Belt.

When I first asked Arlie his personal opinion of the possibility of the Soo Line Railroad taking over the Rock Island to Kansas City his first reaction was to say, "Halleluah". He couldn't have been more pleased to hear that the Soo Line was interested in making this move as opposed to the North Western taking over the operation in this area.

Following are some comments that I received from Arlie regarding the Rock Island operation as he knew it before the Rock Island ceased operation in 1980:

Regarding crew changes - crews operated between Inver Grove and Manly, Iowa then between Manly and Des Moines, between Des Moines and Trenton and between Trenton and Kansas City. Des Moines was the away from home terminal for crews coming out of Manly and also for crews coming out of Trenton. After the Chicago North Western began operating this portion of the Rock Island, Arlie mentioned that the North Western tried to operate crews all the way through between Des Moines and Kansas City. However, they just couldn't do it because of track conditions. They did an awful lot of dog catching. Also he said that the sidings were in very rough shape and they were also too short. He noted particularly that there were no good sidings between Des Moines and Allerton. Between Polo and West Wye in Kansas City the joint trackage with the Milwaukee Road, the railroad used to operate on an alternating basis every five years as to who had control of this stretch of track. When I asked Arlie if he felt that the Milwaukee Road stuck any of the Rock Island trains when they had the operation in their control he stated, no, he felt that the handling of Rock Island trains in this corridor was fair and impartial on the part of the Milwaukee.

Arlie stated that there are only two good sidings between Iowa Falls and Des Moines. He felt there would be no problem running through Des Moines if consideration were to be given for a crew running between Iowa Falls and Trenton.

Regarding the Kansas City Terminal operation itself he stated that the Rock used to have problems trying to get from West Wye into their own Armourdale Yard running over the Kansas City Southern and the KCT. He noted that the Santa Fe seemed to get preference over everybody else on the Kansas City Terminal. Another problem area was he stated that they used to get killed crossing over the Missouri Pacific just south of West Wye. The MP would use this as a switching lead quite often and this meant serious delays to Rock Island trains moving south out of West Wye. Trains did move quite well in the CTC portion though between Polo and West Wye.

Regarding Manly Yard, Arlie stated this is an old M&StL Line which ran from Northwood to Albert Lea. The Rock had this on a 99 year lease. Manly Yard was built by the Rock Island. The Rock Island also had a small yard at Mason City of approximately 4 or 5 tracks the longest track holding approximately 50 cars.

Another note regarding the operation of the Kansas City Terminal area, Arlie stated that you could figure a good hour to move from West Wye over the KCS and the KCT to get to the Rock Island's Armourdale Yard.

Regarding the subject of operators, the only Rock Island operators between Mason City and Des Moines were a Agent/Operator position at Nevada and Hampton. Chicago North Western gave them their orders out of Mason City for all movements south in the ABS territory to Des Moines. At Iowa Falls the Rock had no operators since they were able to utilize the 24 hour services of the ICG operators at the interlocking at Iowa Falls. This ICG operator could be used to hoop up train orders to both north and southbound trains operating between Des Moines and Mason City. This Iowa Falls operator was also utilized to fix up trains going out on the branch lines in either direction out of Iowa Falls. There was also an operator at Esterville to fix up trains in the northwestern regions of the state. As far as operators go between Mason City or Manly and the Twin Cities there were only Agent/Operator positions at Owatonna and at Albert Lea. However, these were not needed for train orders. At Des Moines the Rock Island had 24 hour service, 7 days a week with its own operators. These operators fixed up trains with train orders leaving northbound in the ABS territory between Des Moines and Mason City and they fixed up southbound trains going to Kansas City with orders for the ABS portion between Carlisle and Allerton. Allerton, of course being the beginning of CTC. There was an agent at Allerton, however he was not utilized to any degree for train order work since southbound trains were entering CTC and the northbound trains out of Allerton in the ABS territory were already fixed up with train orders with the operator from Trenton. Trenton was the next station with Rock Island operators and these were 24 hours, 7 days a week.

Regarding the dispatching forces, Arlie said that with today's business levels he felt that one train dispatcher could easily handle all of the traffic between Kansas City and Minneapolis.

Regarding the small stretch between Manly and Mason City the Rock had to operate over the Chicago North Western timetable & rules. At one time the Rock wanted to take over this section from Clearlake Jct. to Manly and CTC it. However, this never materialized.

Regarding the staffing of this portion, Arlie stated that there was a Superintendent and Asst. Superintendent at Des Moines. These men also handled all of the branches east and west out of Des Moines. There was an Asst. Superintendent at Inver Grove. His territory went down to Manly and included the Manly terminal. There was a roadmaster stationed at Manly and another roadmaster stationed at Des Moines. A trainmaster also at Inver Grove whose responsibility went down to Albert Lea and there was a trainmaster/road foreman at Des Moines who handled Des Moines to Mason City. A trainmaster and a road foreman at Trenton and there was a trainmaster at Esterville.

Another comment Arlie had about the Kansas City Terminal area as far as Soo Line making connection with the MKT he stated that the Katie was always at the mercy of the Frisco when they operated from Kansas City to Payola. It seems they were always at odds with the Frisco on the dispatching procedures and the MKT trains were taking a beating. He doesn't know whether this would exist any more now under the Burlington Northern control. He figured the Kansas City Southern was the best route for moving in and out of the Kansas City Terminal.

Regarding communications and CTC, he furnished the following: There was basically only local radio coverage south of Des Moines. There was not much in the way of the radio system at all between Des Moines and Kansas City. There were only two remote control stations, that being Allerton and Trenton. North of Des Moines the communication was a little bit better with controlled radio stations at Owatonna, Albert Lea, Manly and one other station which Arlie couldn't remember at the time. The dispatcher circuit is an old physical circuit and again south of Des Moines especially they had many problems with brush and rain. This raised trouble with the phones and even with the CTC system. South of Des Moines they even had the problem of some false clears in the field in the CTC signaling. At one time they had to take part of the CTC out of service simply so they could cut all the brush and trees out of the phone lines and the CTC lines. In some areas the pole line disappeared completely into the woods according to Arlie. On another note, Arlie made a comment that the Iowa DOT spent an awful lot of money rehabilitating some of the line especially the northwest branch line area and that the DOT of Iowa does not like the Chicago North Western because of their service which was poor and at one time they encouraged the Kansas City Southern to take over from Kansas City to Iowa Falls and on up to Esterville.

Regarding Manly and depending on where the 99 year lease rides Arlie mentioned that the roundhouse facility is no longer available, however, there is a two stall diesel house at Manly and there is still a yard at Manly with a depot which isn't in too good of shape however, there is a yard office or locker room area which is fairly new construction and in pretty good shape should any thoughts be entertained about using Manly as a terminal. As far as running crews from Trenton on into Kansas City and return all within one tour of duty this would be a questionable item since it would be at the mercy of the Milw. Road between Polo and Birmingham. And then there is the possibility of yard congestion getting in and out of Knoche Yard, putting the train away then getting on a new train, making an air test and then again encountering possible yard congestion in trying to depart the Kansas City Terminal area and then

back again for the approximately 80 mile return trip to Trenton. Whether this could be made 160 miles round trip in a 12 hour span, it would be questionable.

I feel that Arlie Bender would be a good source for any additional information should we deem it necessary and up until January 15th he works first trick 7:30 AM to 3:30 PM as train dispatcher from Wednesday through Sunday which means he is available for consultation anytime on Monday and Tuesday and after January 15th according to him we are more than welcome to obtain any and all the information we can from him and after January 15th this will be on a full time basis since he will then be retired.

CJU/klb

cc: C. C. Leary
G. M. Short
F. K. Cramer
J. Benz, Jr.
J. D. Darling ✓

8
December 17, 1982

TO: D. M. Cavanaugh
FROM: J. D. Darling JDD
RE: Rock Island Study

Les Holland and Harvey Sims called yesterday.

They reiterated what you had told me about the Rock Island settlement of back taxes, IRFA and past rehabilitation funding. It will be six months before the Iowa Supreme Court rules on the suit brought by the counties over the appropriation of back taxes by IRFA. Past rehabilitation funds apparently total \$2.5 million, up from past estimates of \$1 million. Iowa has accepted repayment of these rehabilitation funds and should receive them shortly. One curiosity, this makes this money first time around instead of second time around as would have been the case if we had inherited the debt.

The trackage rights issue, IRRRC on C&NW between McClellan and Council Bluffs, has been sent to Judge McGarr by the Circuit Court in Chicago. A ruling is not expected for six to twelve months.

One thing, Les and Harvey both felt that we would improve our position relative to last minute bidding by the C&NW if we got the Trustee to go to the Bankruptcy Court with our offer first. They felt that the fact that we were first to come to Court, rather than the C&NW being the current operator or having made the first offer to the Trustee, would give us the last bid in Court. They will try to send us a copy of the actual proceedings in Court in the contested MILW acquisition of the Davenport - Washington line, but if they do not have it, it is public record in Chicago.

JDD/jmz

8

December 16, 1982

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

A meeting was held at 10:00 a.m. on Wednesday, December 15, 1982, in the Third Floor Conference Room. Those copied below and myself were in attendance.

The following activities will be progressed for further review during the first week of 1983:

1. Tom Fletcher will coordinate the development of a pert chart for initiation of operations within 180 days.
2. Tom Fletcher will prepare data to simulate train operations on the main line between Minneapolis and Kansas City. Cliff Leary would like to have Chris Urban develop current slow orders to incorporate in these simulations. Chris Urban would also review these simulations as an aide to verifying the proposed locations of main line crew terminals.
3. The Transportation Department would like to review the Traffic Department surveys and projections in detail to verify switching and way freight requirements and terminal locations. The Mechanical Department also needs access to the Traffic projections to plan the location and number of their staffing. The Traffic projections are expected within a week.
4. Proposed trainmen and enginemen agreements will be finalized.
5. The Accounting Department was requested to reflect the Iowa Falls Gateway carloadings and empty returns on their chart of cars originating and terminating at main line points.

Other topics of discussion were:

All three Operating Departments would like to make a hi-rail trip over the property early in the planning process and before heavy snow cover.

D. M. Cavanaugh
Page Two
December 16, 1982

Generally, the Departments are not in a position to assign a person to this project full time, and in particular, to assign an individual to be considered for supervision over this territory after acquisition, without releasing the person selected. The request was made to consider contracting recently retired employees to develop the implementation plans.

Transportation requested verification of the location and extent of CTC and the availability of former Rock Island dispatchers. Chris Urban should be able to do this.

Transportation also requested the development of rosters of former Rock Island employees by craft. While the general consensus is that adequate experienced personnel will be available in all crafts, knowledge of the availability of former Rock Island employees might have a bearing on our approach to contract negotiations. Several sources of rosters of former Rock Island employees were suggested: The Railroad Retirement Board, The Rock Island Trustee's Office and local contacts. Direct request of the organizations was considered premature.

JDD/jmz

cc: C. C. Leary
W. B. Peterson
G. H. Barker
G. E. Warner
T. M. Fletcher
H. J. Ness

7/16/82 Les Holland, Harvey Sims

McClellan to Council Bluffs

Judge McClellan, sent back from
Circuit Court

Bob Steiner, TRA Chief Legal Staff

Harvey Sims

Larry Samuels, NW Legal Council in
Chicago

Mano, Libbans for RI

6 months to 12 months before ruling

IRFA Board -

Agreement on 4.5 million escrow account
State Treasury

Working with

Judge McClellan, MILW Bankruptcy
Court

sent back to Iowa Supreme Court.
six months

RI Trustee - offer to repay cost of
administration claims \$2,500,000
met, 30 days to accept, approved.

12/16/82 Van Kieken

Swift & Co.

No sale yet.

Say they have seeds to small portion.

R/S/O 10⁰⁰AM CCL WBP GEW TMF HBN GHB

Traffic - update study
Simulations

Timetable - on Wang. ← CS Urban
(timetables)

(Slow Orders)

(General Orders)

Over the rail - WBP, CCL

Agreements

Disputes

Detailed Profiles

List of RT Employed -

Railroad Retirement

Contacts

Assign Individual (Retired)
need replacement - Region
Area Supervisor

1. Port Chart

8

December 14, 1982

TO: C. C. Leary
G. H. Barker
W. B. Peterson
G. E. Warner
H. J. Ness
J. D. Darling

FROM: D. M. Cavanaugh *DMC*

RE: Rock Island Study

Please arrange to attend a meeting on the Rock Island Study at 10:00 a.m. on Wednesday, December 15, 1982 in the Third Floor Conference Room.

JDD/jmz

12/4/82 VanKicken, RI Trustees Office

263,000 lbs, 10 mph

through trees

DMU

8-19 Strip of land, north side of
main track, west of river 1st St SE
two block to west.

23,700 sq ft. 0.54 acres

CNW 350.8 mile east of town

approach sign to double

364.34 west yard limit

Per HAP 12/4/02

Need lockers at Lower Falls.

December 13, 1982

File: GC-102 - Grain

TO: Thomas M. Beckley
FROM: Ray H. Smith *RT*
RE: Grain Shipping Projections - Your December 1, 1982, letter.

Although there were extensive pockets in the northern prairies of sprout-damaged wheat caused by an early frost this past fall, I do not believe the damage in terms of total Canadian wheat production (a record crop) will frustrate Canada's export objectives. I would say that they will have no difficulty in selling the USSR all the wheat it wants and grading to export standards. Incidentally, U.S. millers are finding that the sprout-damaged wheat, which does not meet Canada's export grades, is perfectly suitable for flour milling and we have participated in some movement of Canada wheats from Thunder Bay into terminal storage positions in Minneapolis. We expect further movement to flour millers. Pillsbury, with mills at Springfield, Illinois, and St. Louis is interested.

Hard red winter wheats at Kansas City and spring wheats at Minneapolis are trading currently at about the same cash price. Unless a premium should develop at Kansas City for hard red winters caused by Gulf demand from non-USSR importers, I doubt that any sales we may make in the current crop year to Russia will consist of any substantial quantity of springs. Hard red winters, of course, are a good milling wheat. Canada springs could be blended with the winters to raise the protein content to whatever gluten standards the Russian consumer may have, assuming that he is allowed any selectivity.

USSR is a notorious price buyer. It will buy some U.S. wheats in the contract year ending September 30, 1983, under the one year extension of the agreement, which requires purchasing a minimum of six million tons of U.S. wheat and feed grains. Hard red winters at the Gulf are currently Russia's best buy.

Copy to: D. M. Cavanaugh
C. H. Clay
D. J. Boyer
W. D. Martino

12/13/02 Harvey Simon

District Court - Chicago

McClellan Trackage Rights

Tom Fogel

Interested in Iowa Transfer Railway

3/13/02 Dick Lane RI

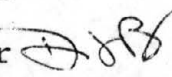
Dean Avenue - Short Line Set - Des Moines

Paired tracks

Hollingsworth

December 10, 1982

To: R. H. Smith

From: ✓ D. J. Boyer 

Re: Rock Island Study
December 7-8 trip to Des Moines, Iowa

Directly after the above trip to Des Moines, J. Darling and myself discussed our trip with you. In accordance, the N&W individual to contact is Mr. Larry T. Rasche, Director of Market Research, Roanoke, Va. Telephone (703) 981-4000.

The above individual is reported to be in possession of a very recently completed study by N&W of NB commodities.

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

December 10, 1982

To: T. M. Beckley

From: ✓ D. J. Boyer *[Signature]*

Re: Rock Island Study - December 7 and 8
Des Moines, Iowa Trip

The trip was stimulated by an impromptu visit to the Soo Line offices recently by W. F. Bannon of the Des Moines Union and the Iowa Transfer of Des Moines, Iowa.

W. F. Bannon met Joe Darling and myself at 9:00 a.m. at the Des Moines air terminal. We were taken through Des Moines proper to view the layout of railroads serving the Des Moines area and all interchange locations between those carriers. We next went directly downtown to the offices of the Des Moines Union where we were joined by P. J. Rickershauer, District Sales Manager of Norfolk & Western. Discussion continued as to the positions of the Des Moines Union and the Norfolk & Western with respect to the potential acquisition of Rock Island mainline by the Soo from Minneapolis to Kansas City.

Following is a summary of discussion points:

- (1) DMU is owned equally by the Milwaukee and the Norfolk & Western.
- (2) Chicago & North Western does not cooperate with the DMU or the Norfolk & Western.
- (3) Norfolk & Western has just offered the Milwaukee an unknown amount for the Milwaukee one-half interest in the DMU.
- (4) Norfolk & Western made available a comprehensive study which contained detailed traffic and operational data. Soo retained this information overnight to review and take notes. Joe Darling to report on this material in a separate report.
- (5) Norfolk & Western district sales manager suggested Soo contact Mr. Larry T. Rasche, Director of Market Research, Roanoke, Virginia. Norfolk & Western has recently completed a traffic study by this individual for north-

T. M. Beckley
December 10, 1982
Page Two

bound commodities which are of interest. It appeared that the Norfolk & Western wishes to expand the Des Moines operation as a long haul point for northbound movements. The Soo should explore for interest.

At Noon a meeting at the Marriott Hotel downtown was held with Scott Bannister, attorney with the firm of Bump and Hoesemeyer. Bannister is the attorney for the Royal to Palmer Shippers Group. Royal to Palmer group has contacted and is negotiating with the Illinois Central Gulf for operation and service of their line. The ICG may not provide the best route for the shippers on the line. The shipper group did not apply for bank financing because of the cost of money which would render the program prohibitive. Scott Bannister underscored the fact that the program as presently established could not stand the payment of interest for financing of the acquisition. The group would welcome Soo assistance. Scott Bannister assisted L. Meyers in drafting the Milwaukee Bayard line consortium and the BN agreement.

Next was a 2:15 p.m. meeting at the Chamber of Commerce of Des Moines. The individuals with which we met were Mr. Mark Threlkeld, Director of Industrial Development and a Mr. Chester Good, who heads the local economic development area.

Results of the discussion were as follows:

- (1) Des Moines has no major plan for revitalization of the downtown area.
- (2) Des Moines has no tax increment district or future plan for such a district.
- (3) A tax abatement program is in place and can be applied for on an individual basis.
- (4) We received Rock Island communications and information from the Chamber of Commerce office on several Rock Island real properties which are for sale.

Mr. W. Bannon joined Dave Boyer and Joe Darling for dinner Tuesday evening to continue discussions of the Des Moines area industry.

Bannon picked up the Soo persons at motel for a visit to the GMI and Agra Industries facility at Avon. The Chicago & North Western switch crews spend about six hours per day at this industry location. Other facilities that could be directly serviced by the Rock Island mainline operator were also visited.

T. M. Beckley
December 10, 1982
Page Three

At 10:00 a.m. Wednesday, a meeting was held with the staff of the Iowa Des Moines National Bank downtown. Principal contact was Mr. Thomas Ferris, Executive Vice President. A general review of Soo activity and position to date with respect to acquisition of Rock Island trackage was given. Additionally, a general explanation of the two corporate plans of operation of the grainline and mainline was made. Questions of the bank personnel relative to the dollar size of acquisition and expected portions to be financed were answered in general numbers in view of the incomplete negotiations at this time.

Responsive staff was very positive with the comment that the Iowa Des Moines National Bank would like to handle the entire transaction along with the other Northwest affiliate banks in Iowa.

Considerable time was taken to discuss with the Iowa Des Moines staff the desire of Soo to dispose of real estate in greater Des Moines area not needed in transportation activity. Mr. Ferris stated the Hubble family does have a representative on the Board of Directors and is the most active greater Des Moines rehabilitation sponsor. He asked permission to bring the subject to the Board of Directors attention and more specifically to the attention of the Hubble family interests. Mr. Ferris will report back to the Soo on interest in this matter. As a note the Chicago & North Western does not bank at this bank.

At 11:15 a.m. we called on the Bankers Trust of Des Moines. The principal in the bank is Mr. Joseph Bognanna, Senior Vice President.

The reception was very good and positive toward the Soo acquisition of Rock Island trackage. Bankers Trust was the Rock Island bank location during operation. The Chicago & North Western does not bank here. The discussion at Bankers Trust was not as attuned to the specific acquisition events as was the staff of the Iowa Des Moines bank. We were invited to lunch with Bankers Trust and continued the discussion during the luncheon period. Mr. Dick McGuire, a former Soo employee, joined the group for lunch.

From 1:30 p.m. to 3:00 p.m. we were taken by Bannon of the Des Moines Union to industries served by the Des Moines Union. Additionally, we viewed the Chicago & North Western operation and industries served by that railroad.

Bannon was tremendously helpful inasmuch as he is so familiar with all operations within the area. He obviously would like to see the

T. M. Beckley
December 10, 1982
Page Four

Soo succeed in acquisition.

Mr. Bannon stated that on Monday, December 6, J. W. Conlon had met with all C&NW employees and union representatives during the day and after work. The object was to give employees a "pep talk" for C&NW acquisition and answer employee questions.

Operating information such as size of trains from the BN and the Norfolk & Western into the Des Moines area was obtained and will be reported on by Joe Darling.

As a result to the Des Moines area, ^{visit} I am impressed with industrial activity as well as the volume of traffic which is originating and terminating in the greater Des Moines area.

Att.

cc: D. M. Cavanaugh
R. L. Murlowski
B. D. Olsen
J. D. Darling

December 10, 1982

To: T. M. Beasley

Re RI Study

December 7 & 8 Des Moines, Iowa Trip

By D. J. Sawyer

Trip to Des Moines was stimulated by an impromptu visit to Soo office recently by W. F. Bannon of the Des Moines Union and Iowa Transfer of Des Moines.

W. F. Bannon met J. Darling and D. Sawyer at Gann Des Moines air terminal. We were taken through DM papers to view the layout of RRs serving DM and all interchange locations. This ~~tour~~ lasted about 1 1/2 hours. We next went directly downtown to the office of the DMU where we were joined by P. J. Rickershaver, DSM, N & W. Discussion continued as to positions of DMU and N & W with regard to potential acquisition of RI ML by Soo. ^{discussion} Following is a summary of 7 points:

- (1) DMU is ~~owned~~ ^{owned} equally by Miles and N & W.
- (2) CNW does not cooperate with DMU or N & W.
- (3) N & W has just offered Miles an unknown amount for Miles 1/2 DMU interest.
- (4) N & W made available a Comprehensive Study which contained detailed Traffic and operational data. Soo retained this information over night to review and take notes. J. Darling to report on this material.
- (5) N & W DSM suggested Soo contact Larry T. Rasche, Director of Market Research, Roanoke, Va. N & W has recently completed a Traffic Study for NB Commodities of interest. It appeared that N & W wished to expand Des Moines as a long haul point for NB movements. Soo should explore for interest.

Joseph D. Darling [FED'L. EXPRESS]

Per our conversation today

Dick Lane 12/10/82

12/9/82 Dick Lane

BMC / Trustee

East Des Moines - West Des Moines

\$6,000,000

Prepared to go to court

Letter of Agreement

500 six million

12.8 total including collateral

10 without

See \$6,000,000

Fright house area, motor transit
office and garage

Passenger station

Coach yard

Schley

##

Short Line Int. to West ^{Des} Moines

12/9/82 Harvey Simms

DMU

Des Moines Urbanized Area RR Study

Central Iowa Regional Association of
Local Governments

Des Moines City Engineer

Jim Thompson

Hubbel - Equitable Life Insurance Co.

December 9, 1982

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

FROM: J. D. Darling JDD

RE: Rock Island Study

Attached is a letter of support for the C&NW from the
Lehigh Portland Cement Company.

JDD/jmz

Att. (1)

LEHIGH PORTLAND CEMENT COMPANY

L. E. CUMMINGS
VICE PRESIDENT - DISTRIBUTION & PLANNING
215: 776-2620

RECEIVED

LEHIGH

P. O. BOX 1882
718 HAMILTON MALL, ALLENTOWN, PA 18105
215: 776-2600

November 18, 1982

99-1-C&NW-CRI&P

The Lehigh Portland Cement Company supports the application of the Chicago and North Western Railroad to acquire the North South line of the Chicago, Rock Island and Pacific Railroad between Minneapolis, Minn. and Kansas City, Mo.

The Lehigh Portland Cement Company has operations as it pertains to this matter at Savage, Minn., Mason City, Iowa, Cedar Rapids, Iowa, Olathe, Kan. and Independence, Kan. It ships in excess of 250,000 tons of freight annually over the C&NW Railroad.

Your support is respectfully requested.

Sincerely,


L. E. CUMMINGS

LEC/vr

Soo Line Railroad Company



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

December 9, 1982

Mr. W. F. Bannon
General Manager and Treasurer
DES MOINES UNION RAILWAY COMPANY
902 Walnut Street
Des Moines, Iowa 50309

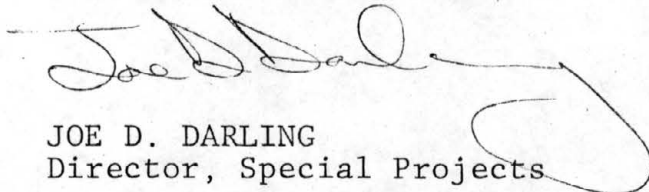
Dear Mr. Bannon:

Just a note to thank you for the courtesy extended to
Dave Boyer and myself on our recent trip to Des Moines.

We greatly appreciate the time you took to show us the
terminal and describe the operations. We also appreciate
your expression of willingness to consider various alter-
natives for Soo Line switching service in Des Moines should
the Soo be successful in acquiring the Rock Island Twin
Cities-Kansas City line.

Thanks again.

Sincerely,



JOE D. DARLING
Director, Special Projects

JDD/jmz

cc: D. J. Boyer



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

December 9, 1982

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

Dear Joe:

Herewith the "red book" with all changes brought up-to-date through 10/29/82 and including an index sheet which shows where changes have occurred.

Sincerely,

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

ef

8

December 9, 1982

TO: J. T. Hartnett
FROM: J. D. Darling JDD/AB
RE: Rock Island Study

Attached are Des Moines Union Railway Company Switching
Tariff DMU 8029-B, Supplements 1-6 and a current rate sheet.

JDD/jmz

Attachments

CHICAGO AND



TRANSPORTATION COMPANY

JAMES R. WOLFE

PRESIDENT AND CHIEF EXECUTIVE OFFICER

December 8, 1982

Mr. Thomas M. Beckley, President
Soo Line Railroad Company
Soo Line Building
Box 530
Minneapolis, Minnesota 55440

Dear Tom:

Thanks for your letter of November 24 and your observations regarding our outline of a possible joint venture on the Rock Island's Spine Line.

I believe the points in your letter can be resolved to our mutual satisfaction. For example, I have no problem with the principle that the SOO, and the C&NW, should have a property interest proportionate to their investment. We do need to determine what that property interest should be for each party and the resulting rights of ownership. Similarly, with regard to your last point concerning tax incentives, we believe the tax benefits should apply to each party in proportion to property interest and I understand your position.

Concerning the Kansas City terminal, we believe the SOO would have the same opportunity to use terminal facilities as other railroads whether the SOO entered Kansas City on a solely owned or jointly owned line. Under our joint venture concept, North Western would fully support SOO before the ICC or any other entity in gaining the necessary interchange rights.

Finally, in response to your comment on the traffic along the Spine, because of the subject matter, we should promptly ask the Department of Transportation to convene a "401" meeting in order to discuss and resolve the issue. Our experience with meetings under 401 has been very good. In fact, by using 401 we have experienced much faster resolution of the agenda items than would otherwise happen.

It seems to me from our exchange of correspondence, the nucleus of an agreement is there which will serve our mutual interests and which will benefit both parties. To that end, we are ready to sit down and discuss the matter. Please let me know your wishes.

Sincerely,

IOWA-DES MOINES NATIONAL BANK

Seventh and Walnut Street
Des Moines, Iowa 50304
515/245-3131



December 8, 1982

David J. Boyer, Executive Assistant
Soo Line Railroad Company
Soo Line Building
Box 530
Minneapolis, MN 55440

Dear Mr. Boyer:

Tom Farris, Walter Pirnot and I wanted to thank you and Joe Darling for taking the time to visit with us here in Des Moines this morning. We are excited about the potential opportunity of working with your company. I am hopeful that you will not hesitate to contact us if we can be of any assistance as you continue to examine the possible acquisition in Iowa. I look forward to receiving financial statements on Soo Line, and we would be prepared to work with Northwestern in a rapid fashion to respond to any financing needs that might arise.

As Tom mentioned, he will initiate some inquiries here locally on the land development question and will contact you directly with any comments or suggestions generated as a result of those conversations.

We do travel in the Minneapolis market frequently during the course of the year and will look forward to stopping by to say hello on future visits. Again, thank you for your time and consideration.

Best regards,

A handwritten signature in dark ink, appearing to read "J. L. Little". The signature is stylized with a large, looped initial "J" and a cursive "Little".

J. L. Little
Vice President and Manager
National and Regional Banking

JLL/DW11

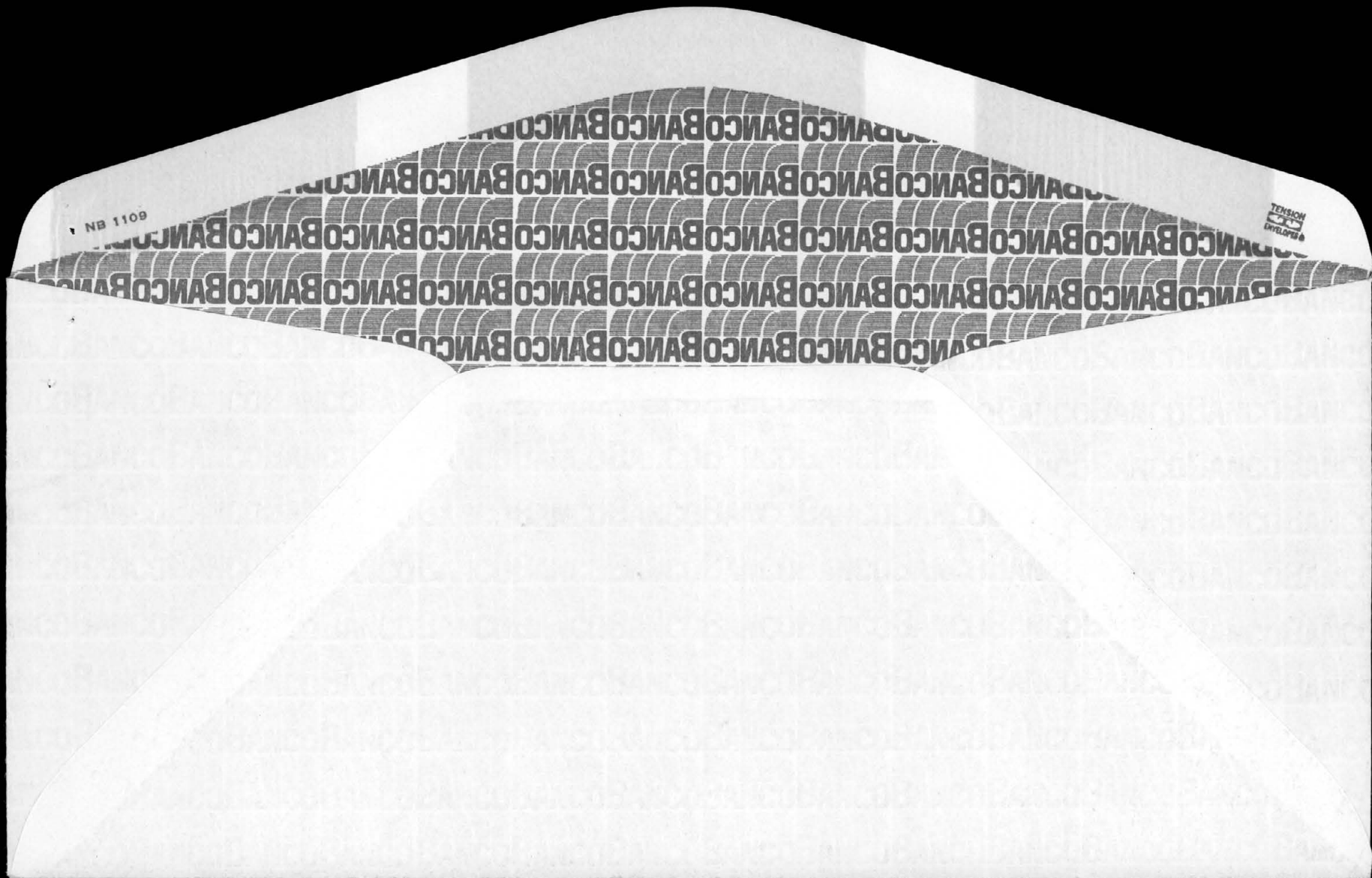
IOWA-DES MOINES NATIONAL BANK

Seventh and Walnut
Des Moines, Iowa 50304

313



David J. Boyer, Executive Assistant
Soo Line Railroad Company
Soo Line Building
Box 530
Minneapolis, MN 55440



*Iowa-Des Moines National Bank
Statement of Condition*

*First in Iowa
by putting
Iowa first.*

Statement of Condition
December 31, 1981



**IOWA-
Des Moines**
NATIONAL BANK
Member FDIC
An Affiliate of Northwest Bancorporation **BANCO**®

Balance Sheets

(in thousands of dollars)

ASSETS

	December 31	
	1981	1980
Cash and due from banks	\$ 132,030	\$ 179,469
Interest-bearing deposits with banks		16,000
Investment securities	135,751	152,277
Trading account securities	5,159	16,162
Money market investments	203,200	240,650
Loans	588,334	427,734
Less:		
Unearned discount	3,936	3,076
Allowance for loan losses	6,359	4,522
Net loans	578,039	420,136
Premises and equipment	16,927	15,587
Interest receivable and other assets	37,040	29,751
Total assets	<u>\$1,108,146</u>	<u>\$1,070,032</u>

LIABILITIES AND STOCKHOLDERS' EQUITY

Deposits	\$ 745,295	\$ 742,211
Short-term borrowings	277,774	246,330
Accrued expenses and other liabilities	24,881	22,794
Capital lease obligations	8,720	8,765
Subordinated notes payable	9,000	9,000
Total liabilities	<u>1,065,670</u>	<u>1,029,100</u>
Stockholders' equity		
Common stock, \$100 par value — Authorized and outstanding 100,000 shares in 1981 and 1980	10,000	10,000
Capital surplus	10,000	10,000
Retained earnings	22,476	20,932
Total stockholders' equity	<u>42,476</u>	<u>40,932</u>
Total liabilities and stockholders' equity	<u>\$1,108,146</u>	<u>\$1,070,032</u>

Board of Directors

Myron N. Blank
President
Central States Theatre Corporation

Roger K. Brooks
President & Chief Executive Officer
Central Life Assurance Company

Robert A. Burnett
President & Chief Executive Officer
Meredith Corporation

W.O. Conyers
President
Gibbs-Cook Equipment Company

James W. Erickson
President
Anderson-Erickson Dairy

William Friedman, Jr.
President
Younkers, Inc.

Dee L. Frost
Vice Chairman
Iowa-Des Moines National Bank

Jack V. Harker
President & Chief Executive Officer
Harker's Wholesale Meats, Inc.

James W. Hubbell III
President
Hubbell Realty

Ronald D. Kenyon
President
Ronald Kenyon Construction Company

David Kruidenier
Chairman of the Board
Des Moines Register and Tribune

Robert L. Maddox
President
Allied Construction Services

Dr. Wilbur C. Miller
President
Drake University

George F. Milligan
President & Chief Operating Officer
Iowa-Des Moines National Bank

Marvin A. Pomerantz
President
Mid-America Development Company

Eugene G. Precht
Chairman & Chief Executive Officer
Iowa-Des Moines National Bank

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Executive Vice President
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Robert L. Sandblom
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Delavan Corporation

Marjorie S. Spevak
Community Leader

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Vice President & Chief Executive Officer
Northwestern Bell Telephone Company

Gary J. Vermeer
Chairman of the Board
Vermeer Manufacturing Company

William F. Vernon, Jr.
President
The Vernon Company

F.A. Wittern, Jr.
President & Chief Executive Officer
Fawn Engineering Corp.



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Chairman & Chief Executive Officer

George F. Milligan
President & Chief Operating Officer

Dee L. Frost
Vice Chairman

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Harley L. Martin Second Vice President
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Harold E. Lenihan Real Estate Loan Officer
Nicholas J. Preftakes Real Estate Loan Officer
Barbara J. Riskedahl Real Estate Loan Officer

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Regional & National Banking
J. Lanier Little Vice President
Donald E. Allison Second Vice President
John L. Bailey National Banking Officer
Mary Ann Leporte Administrative Officer
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Robert L. Buenneke Vice President
Dennis A. Nahnsen Vice President
Linda J. Collins Second Vice President
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Metropolitan Banking

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Gary E. Giesler Vice President
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Jerry C. Houser Second Vice President
Mary E. Kennedy Personal Loan Officer

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Thomas J. Naughton International Banking Officer

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E. Leslie Greaves Vice President
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Elizabeth A. Bryant Credit Officer
Betty J. Wilkie Accounting Officer
Frank J. Koppold Second Vice President
Linda M. George Consumer Compliance Officer

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Herbert B. Lavine Installment Loan Officer

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Robert J. Ertle Vice President
William E. Clark Second Vice President
Larry E. McIntosh Second Vice President
K. E. Joe Reed Second Vice President
Stephan M. Thompson Second Vice President
Sally Jo Smith Senior Accounting Officer
Sana K. Danielson Card Services Officer
William J. Dewhurst Card Services Officer
Lois J. Iverson Card Services Officer
Donald M. Long Card Services Officer
Katherine L. Plante Card Services Officer

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Public Relations

Joyce A. Van Houten Vice President

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Michael R. Carver Vice President
Joan E. Eckert Personal Banking Officer
Janis E. Sutherland Retail Operations Officer

Douglas Office

William W. Davis Vice President
Christine A. Miller Personal Banking Officer

Euclid Office

Dennis A. Brown Second Vice President
Randall L. Wade Personal Banking Officer

Fort Des Moines Office

Linda L. Snider Second Vice President
Gary R. Moritz Personal Banking Officer

Urbandale Office

Carmela M. Brown Second Vice President
Thomas L. Quinlin Personal Banking Officer
Evelyn L. Nelson Personal Banking Officer

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& Chief Financial Officer

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Patricia L. Hanson Vice President
Keith W. Savery Senior Accounting Officer
Leslie E. Sherrard Vice President, Operations Control
D. Dee Webster Operations Control Officer

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Barbara J. Estey Funds Management Officer
Charlotte E. Heaberlin Funds Management Officer
Rita Marie Pirrello Funds Management Officer

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John D. Hunt Vice President
John B. Johnson Second Vice President
Roger L. Mahoney Investment Officer
N. Janine Young Investment Officer

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Roger H. Dahlstrom Vice President
Betty L. Marsh Senior Personnel Officer
Vicki K. Butler Human Resources Officer

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James A. Hanisch Second Vice President
Mitchell A. Christensen Senior Operations Officer
Charlotte M. Gehringer Operations Officer
Colleen K. Monahan Operations Officer
Iris L. Swanson Transit Operations Officer

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Lowell A. Barkley Vice President
Greg R. Scharnberg Second Vice President
Larry E. Welch Second Vice President
Carol A. Barkley Computer Services Officer
Kathleen M. DeLucca Computer Services Officer
Cynthia A. Urness Computer Services Officer

Facilities Management

Hayden C. Curry Facilities Management Officer

Office Management Services

C. Ann Nordquist Office Management Officer

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Richard W. Carey Vice President
Frank J. Marcovis Trust Officer

Estate & Trust Administration

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James D. Robinette Vice President
J. Paul Ahlers Trust Officer
W. Kent Miller Trust Officer
Ann T. Sokolowski Trust Officer
K. McKenzie Cooper Trust Administrative Officer

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Lewis C. Cobb Vice President
Robert L. Anderson Trust Real Estate Officer
Mildred B. Henning Trust Investment Officer

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A. Marcelle Cooper Trust Accounting Officer

Pension & Profit Sharing

Donald S. Mears Vice President
Lois M. Olsan Senior Trust Officer
Janet J. Jenkins Trust Officer
L. Bruce Williamson Trust Officer

**IOWA-
Des Moines**
NATIONAL BANK
Member FDIC
An Affiliate of Northwest Bancorporation 

At 10am Wednesday a meeting was held with staff of Iowa Des Moines Natl Bank. Principal contact was Mr Thomas Ferris, Executive Vice President. A general review of Soo activity and position to date with respect to acquisition of RI trucks was given. Additionally a general explanation of the two corporate plans of operation of grain lines and main line was made. Questions of the bank personnel relative to the dollar size of acquisition and expected portions to be financed were answered in general rather than specific numbers in view of incomplete negotiation at this time.

Response of staff was very positive with the comment that IDB would like to handle the entire transaction ^{along} with the other NW affiliated banks in Iowa.

Considerable time was taken to discuss with the IDB staff the desire of Soo to dispose of RE in greater DM not needed in transportation activity. Mr Ferris stated the Hubber family principle is on this Board and is the most active greater owning rehabilitation sponsor. He asked permission to ~~bring~~ bring the subject to the Board attention and more specifically to the attention of the Hubber family. Mr Ferris will report back to Soo on interest in this matter. CNU does not bank here.

At 11:15 am we called on the Barkers Trust of Des Moines. The principle in this bank is Mr. Joseph Bognanna, Sr. U.P.

Reaction was very good and positive toward Soo acquisition of RT trackage. Barkers Trust was RT bank location during operation. CNW does not bank here. The decision at Barkers Trust was not as attuned to Soo the ^{specific} ^{events} of RT trackage as at Iowa Northern.

We were invited to lunch with Barkers Trust.

Dick McQuinn, former Soo employee joined for lunch.

~~At 1:30~~ From 1:30 to 3p we were taken over by W. Prauner of DMU to industrial ~~Attack~~. Served by the DMU. Additionally, we viewed the CNW operation and industry served by them.

DMC
BDO
RM
W. Prauner was tremendously helpful inasmuch as he is so familiar with all operations within the area. He obviously would like to see Soo succeed in acquisition.

Stated that Monday 12-6 J.W. Colson had met with all CNW employees and union representatives during the day and after work. Object was to give employees a "pop talk" for CNW acquisition and answer employee questions.

Des Moines — December 7, page 2

Meeting at Marriott Hotel downtown with Scott Bannister, Attorney with firm of Bump & Hoese Meyer. Bannister is the attorney for the Royal to Palmer ^{shippers} group. Royal to Palmer group has contacted and is negotiating with ICC for operation and service of line. ICC may not provide the best route for shippers. Shipper group did not apply for local bank financing because of the cost of money which would render the program ~~unworkable~~ and prohibitive. Group would welcome SDC assistance. Scott Bannister assisted L. Meyer in drafting the Midwest Bayard Line Consortium and BA agreement.

Next was a 2:15 pm meeting at the Chamber of Commerce - Des Moines.

Mark Threlkeld, Director ID
Chester Coed, Head local ED

Results of discussion:

- (1) Des Moines has no major plan for revitalization of the downtown area.
- (2) Des Moines has no Tax Increment District or future plan for such.
- (3) Tax abatement programs are in place and can be applied for on individual basis.
- (4) Received RIT Communications and information on several RI Real properties.

Mr. W. Bannon joined DB and ID for dinner Tuesday evening to continue discussions of the Des Moines Area industry.

W. Bannon picked up at hotel for a visit to CMI and Agri Industries facilities at Avon. CMI Switch crew spends about 6 hours per day at this industry location. Other facilities that could be directly serviced by the RI DM operators were visited.



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

Copies From Chambers of Commerce Des Moines
DJR 12-7-82

FOR SALE

ROCK ISLAND DEPOT AND ADJOINING BAGGAGE BUILDING

A turn of the century building in the Historic Court Avenue District of Des Moines, Iowa.

A full brick building with tile roof in good condition.

The depot's location next to downtown Des Moines, Iowa, provides immediate access to:

- . Civic Center Plaza
- . County Building
- . Federal Building
- . Major Department Stores

This historic depot has over 17,000 sq. ft. of usable space. The adjoining Baggage Building contains over 3,000 sq. ft.

The depot sits on a one acre site with frontage on 3rd, 4th and 5th Streets.

This is a perfect location for offices, restaurants, retail shops or other commercial development.

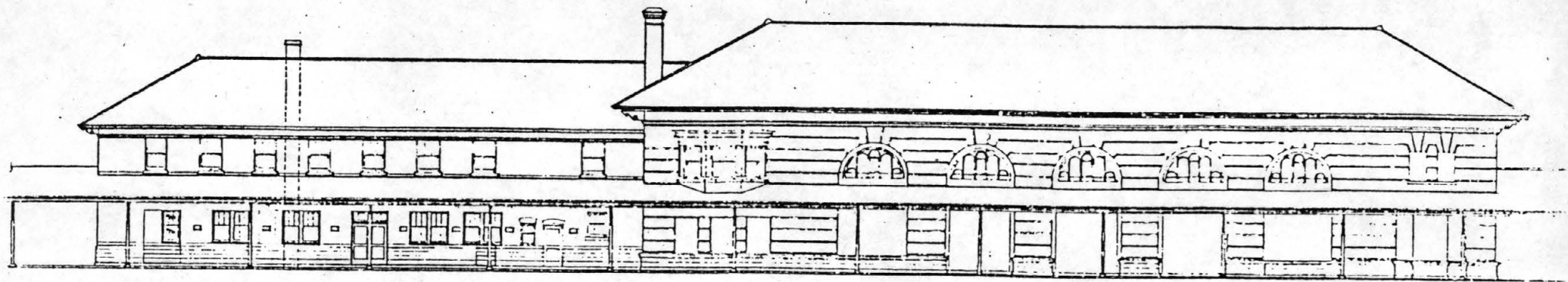
Interested Parties Contact:

David Conroy
Nonrail Assets Disposition
Rock Island Railroad
William M. Gibbons, Trustee
332 S. Michigan Avenue
Chicago, Illinois 60662

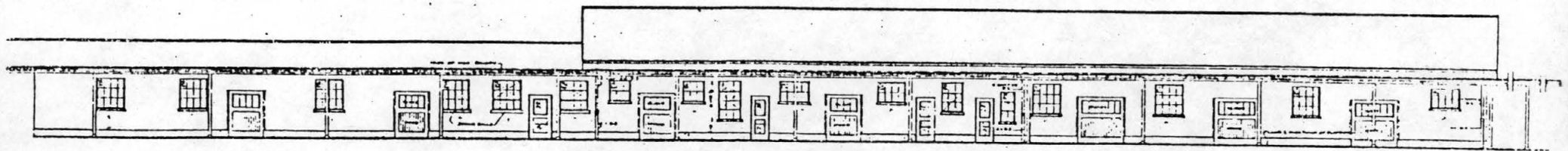
or phone
(312) 435-7557

mj

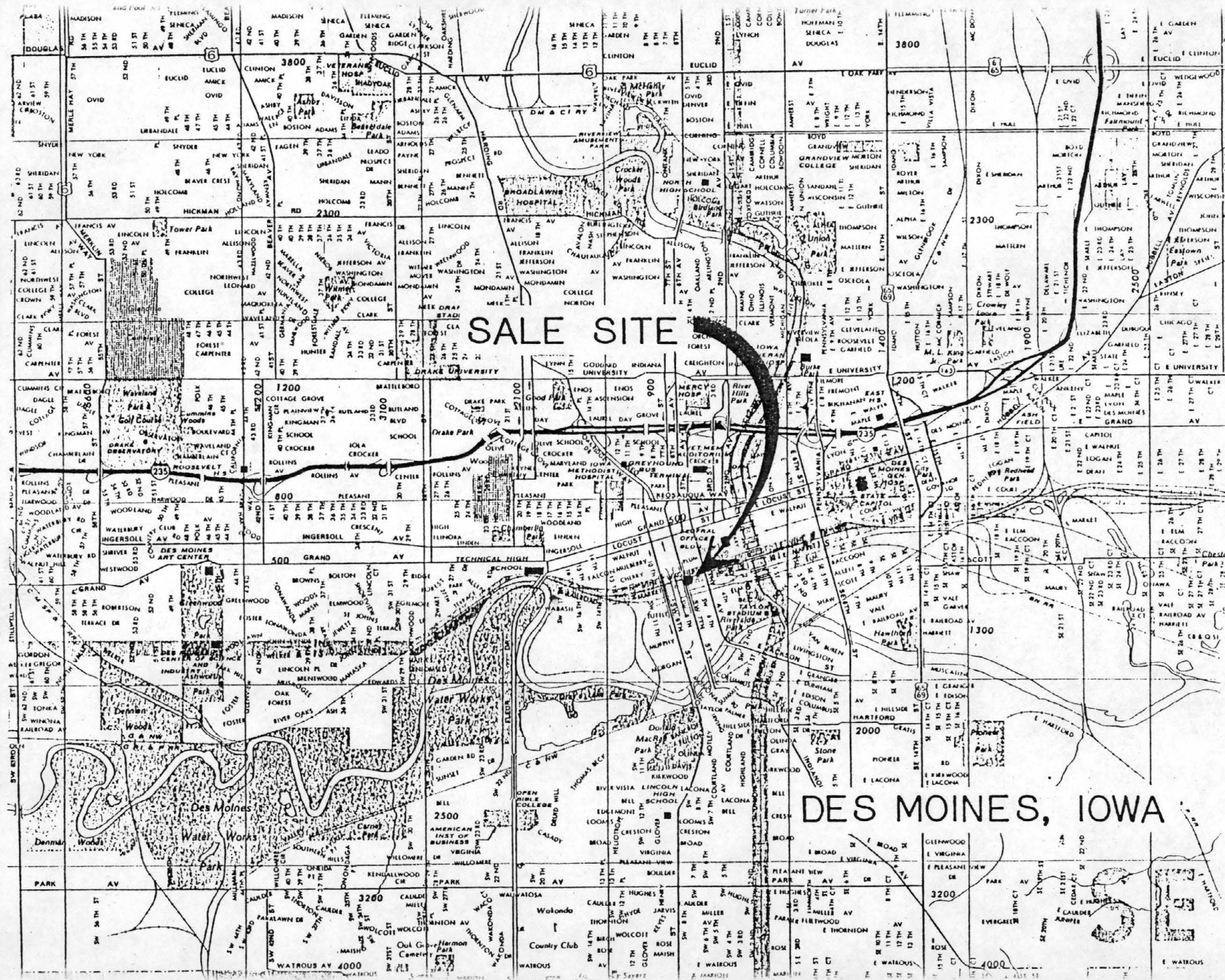
DES MOINES, IOWA



SOUTH ELEVATION ROCK ISLAND DES MOINES DEPOT



SOUTH ELEVATION BAGGAGE BUILDING



SALE SITE

DES MOINES, IOWA



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

Copies From Chamber of Commerce Des Moines
DHB 12-7-82

Thank you for your inquiry into the Rock Island's former Coach Yard Facility in Des Moines, Iowa.

This 3.36-acre parcel of vacant land is strategically located on the edge of downtown Des Moines.

With frontage on Vine and Market Streets and 5th, 6th, and 7th Streets, this property has almost unlimited possibilities for development.

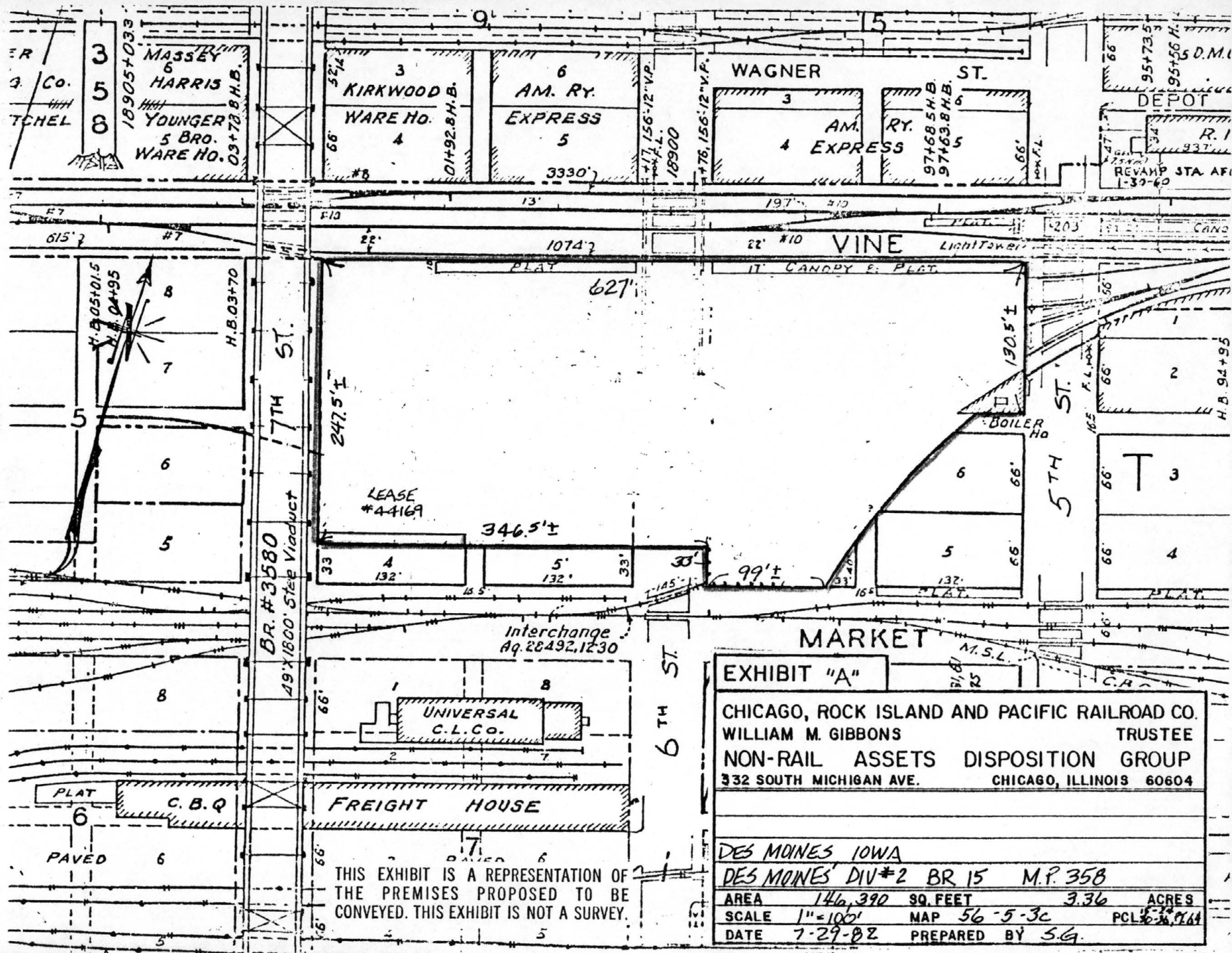
The price I am willing to recommend to the Trustee is \$600,000 for this property.

Please contact me at (312) 435-7758 regarding any questions you may have or to set up an appointment to further discuss this property.

Sincerely,

David Conroy
Regional Manager

aw





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

Thank you for your inquiry into the Rock Island Depot and Baggage Building in Des Moines, Iowa.

Enclosed is a packet of data on this Historic Facility.

The price I am willing to recommend to the Trustee is \$625,000 for this 52,000 + sq. ft. site and buildings.

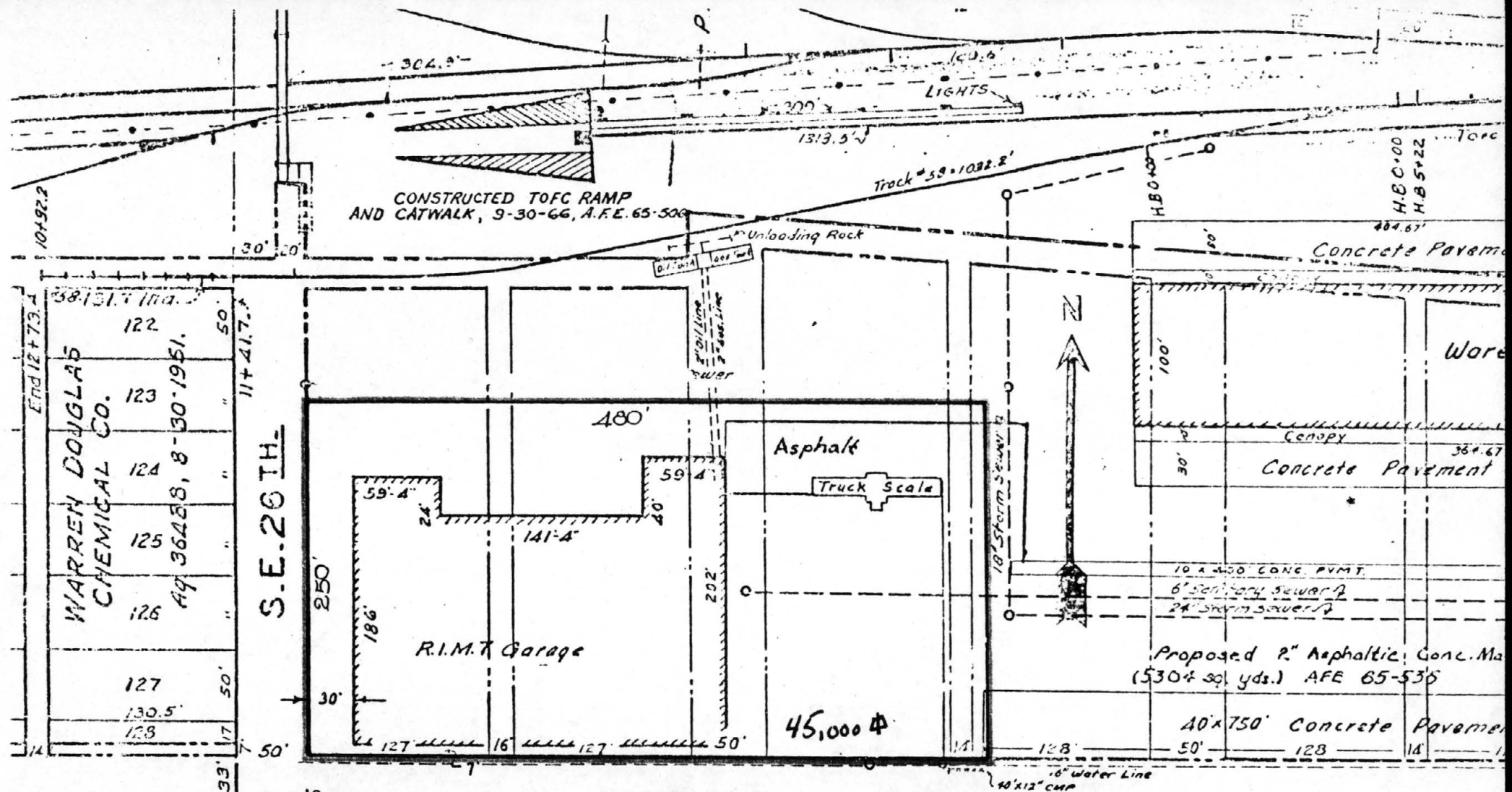
Please contact me at (312) 435-7758 regarding any questions you may have or to set up an appointment to inspect or further discuss the property.

Sincerely,

David Conroy
Regional Manager

aw

Enclosures



MARKET

EXHIBIT

CHICAGO, ROCK ISLAND AND PACIFIC RAILROAD CO.
WILLIAM M. GIBBONS TRUSTEE
NON-RAIL ASSETS DISPOSITION GROUP
332 SOUTH MICHIGAN AVE. CHICAGO, ILLINOIS 60604

ROCK ISLAND TRUCK GARAGE

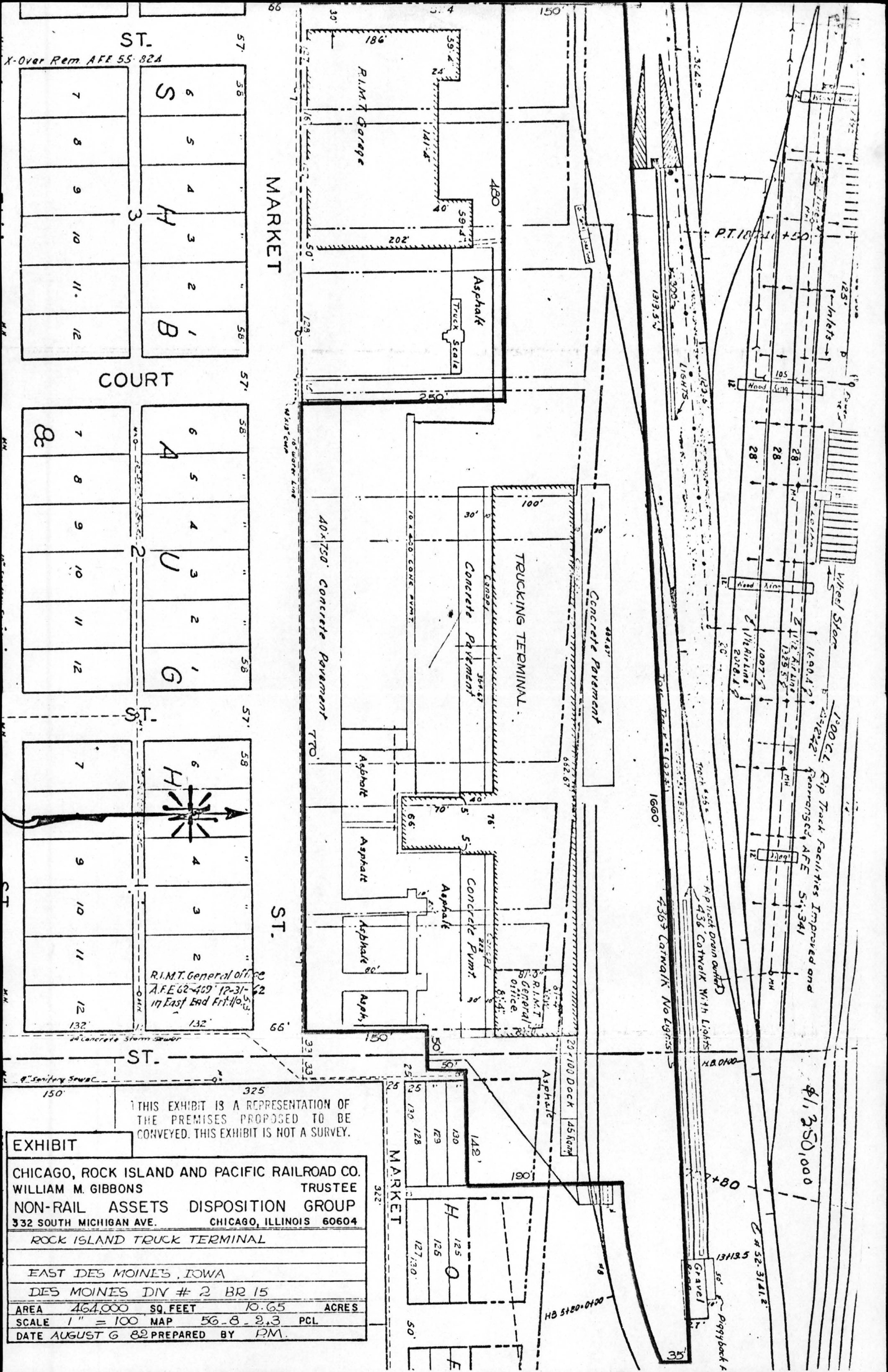
EAST DES MOINES, IOWA.

DES MOINES DIV # 2 BR 15

AREA	120,000	SQ. FEET	2.75	ACRES
------	---------	----------	------	-------

SCALE 1" = 100 MAP 56-8-3 PCL

DATE AUGUST 6 - 82 PREPARED BY D.M.



THIS EXHIBIT IS A REPRESENTATION OF THE PREMISES PROPOSED TO BE CONVEYED. THIS EXHIBIT IS NOT A SURVEY.

EXHIBIT

CHICAGO, ROCK ISLAND AND PACIFIC RAILROAD CO.
WILLIAM M. GIBBONS TRUSTEE
NON-RAIL ASSETS DISPOSITION GROUP
332 SOUTH MICHIGAN AVE. CHICAGO, ILLINOIS 60604

ROCK ISLAND TRUCK TERMINAL

EAST DES MOINES, IOWA
DES MOINES DIV # 2 BR 15

AREA 464,000 SQ. FEET 10.65 ACRES
SCALE 1" = 100 MAP 56-8-2.3 PCL
DATE AUGUST 6 82 PREPARED BY R.M.

KJ - Study

+ 72.0 Million CNW Offer

Items Not In Soo Offer:

- 4.2 Rosemont - St. Paul
- 4.1 Royal - Palmer
- 0.7 Brooklyn - Rake
- 2.6 Cedar Rapids Yd.
- 1.1 Ocheysdan - Sibley

59.2

59.2

+ 67.0 Million Soo Offer

Items Not In CNW Offer:

- 2.9 IF - Belmond
- 0.9 Clarion - Golds
- 14.4 RE Carve Cu
- + 5.0 RE Carve Cu
Adj. - DM Parc

53.8

+ 5.4 Increase Offer

59.2

The above comparison of Soo & CNW offers reflects the inclusion of E-W Des Moines Yard in both offers and a "carve out" of North Des Moines RE from Soo offer in the amount of \$5 million value placed by Trustee. After these changes Soo would be \$5.4 million lower than CNW, if full value recognized of Royal - Palmer line as a difference.

Mrs Boyer

ITINERARY FOR

D. J. BOYER & J. D. DARLING

MPLS.-DES MOINES-RETURN

December 6-7, 1982

Tuesday
December 7

Minneapolis to Des Moines

Flight: Ozark/655
Departure: 8:00 a.m.
Arrival: 8:47 a.m.
Stops: None
Food: None

Accommodations

Hyatt Des Moines
6215 Fleur Dr.
Des Moines, Iowa
515/285-1234

Meetings Scheduled on Tuesday and Wednesday

W. F. Bannon, Gen. Mgr., Des Moines Union
Representative, N&W **288-6549 Res 278-4896**

Mark Threlkeld, Director Industrial Development,
Chester Good, Head Local Economic Development, and
David Mahs, Research, Chamber of Commerce. **286-4950**

Thomas Ferris, Executive Vice President, Iowa
Des Moines National **245-3396**

Joseph Bognanna, Sr. Vice President, Bankers Trust
Ryan Bg 7th E Locust, 245-2921

Scott Bannister, Attorney, Bump & Haesemeyer
(For Royal Palmer Group). **225-8811**

Wednesday
December 8

Des Moines to Minneapolis

Flight: Ozark/662
Departure: 4:13 p.m.
Arrival: 4:59 p.m.
Stops: None
Food: None

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

Meet @ Airport

2P

Wed AM

Tue L?

515

December 6, 1982

To: T. M. Beckley
From: ✓ D. J. Boyer *DB*
Re: Rock Island Study

Received a telephone call from W. F. Bannon, General Manager of Des Moines Union and President of Des Moines Terminal. The purpose of his call was to inform that at a previous evening dinner function it was reported that the CNW had made a new offer to Rock Island Trustee for the "Spine Line". The speaker for the dinner was Dunham of Iowa DOT, who made the statement and further elaborated that CNW is now the top offer. This comment was made at the dinner table and not a part of the speech. No details of the reported new CNW offer were given. W. F. Bannon sat one chair removed from the speaker.

W. F. Bannon further comment was that Cargill representatives at the dinner were "pushing" the CNW offer because "Soo does not have a route to the river" for shippers.

W. F. Bannon asked when next coming to Des Moines? When advised perhaps next Tuesday; W. F. Bannon stated he had put together a "booklet" of information he would like to review. Evidently N&W representatives had some input in the information.

12/9 Comment:

*On Des Moines, Ia visit to WFB office I again
Quizzed WFB on accuracy of above statement in the
light of IDOT statement that NO mention was
made of CNW new offer. WFB sez BS!
The statement was made as reported.*

DB

3/6/82 Desiring Koerner

Closing Altana

Cats related to getting letter of
credit for Powder River Basin

12/6/82 Bill Sills

Economics Finance Minister S.A.

Jim Conpton, North American Car

Wednesday, December 8, 1982

12/6/82 C.D. Stoffer

Tearing down yard office, concrete /
block structure, no salvage, at Hardy.

12/3/82 TMB, BDO, CHC, JTH, JHO, JDD, RLM, RKS, DMC

Carroll supporting CWO - access to river,
member on CWO board, Jim Herberg

Carroll at Buffalo, Iowa on MILW

Pillsbury, Davenport

Agri - East Clinton

W. Nagler Ill on Illinois River

RKS to contact CWO for concern on

policy, See to respond

Harry Benson, ~~W. Nagler~~ ~~Back~~, Des Moines
Pillsbury Back

Royal-Mason - no

Cedar Rapids - no

RI - Study

+ 72.0 Million CNW Offer

+ 67.0 Million Soo Offer

Items Not In Soo Offer:

Items Not In CNW

- 4.2 Rosemont - St. Paul
- 4.1 Royal - Palmer
- 0.7 Bryceland - Rake
- 2.6 Cedar Rapids Yd.
- 1.1 Ocheysdan - Sibley

- 2.9 IF - Belmond
- 0.9 Clarion - Goldfield
- 14.4 RE Carve Outs
- + 5.0 RE Carve Out
Adj. - DM Parcel

59.2

53.8

+ 5.4 Increase Offer

59.2

59.2

The above comparison of Soo & CNW offers reflects the inclusion of E-W Des Moines Yard in both offers and a "carve out" of North Des Moines RE from Soo offer in the amount of \$5 million value placed by Truster. After these changes Soo would be \$5.4 Million lower than CNW, if full value recognized of Royal - Palmer line as a difference.

DBayer 12-2-82

12/2/82 Gosholland

Lehigh Portland Cement Company
Pennsylvania
Mason City IA

Chuck Savitsky
Indianapolis IA

December

Council Bluffs to McClellan
IA DOT, CDW, RI, IRRC

DEC - 7 Rec'd

Prairie Village, Kansas
Des Moines Sales Agency
December 2, 1982

File: Rock Island Study

TO: Mr. J. T. Hartnett

FROM: Mr. T. P. Sweeney *TPS*

RE: Survey of traffic potential - Rock Island main line
and Iowa Falls branch

Please refer to your letter of November 2, 1982. I am attaching the completed survey of firms with potential on the Rock Island main line and branches in the state of Iowa, that you requested.

attach/

cc: Mr. R. M. Smith
Mr. J. D. Darling
Mr. D. T. Walsh
Mr. R. E. Anderson

12/1/82 Bill Sills

Dr Jacke, Economics Minister
Representative, controls line of credit
IDC

\$284,000,000 placed this fiscal year

Habit Oil oil rigs

North American has open line of
credit

Signed meeting, \$200,000,000