



Soo Line Railroad Company  
records.

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10/1/88 CS Stoffer

68 to 14 pool crews at Fremont and  
Broomfield  
Dest Moines

East Dest Moines - Bell Avenue  
Hick Dept - Eagle Grove



1/21 Dick Lane RI

Dick Farrell

Nothing to date -

Call from time to time -

January 31, 1983

FILE: Rock Island Acquisition

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

FROM: J. D. Darling *JDD/*

RE: Rock Island Study

The attached letter from Northern States Portland Cement Company was received from Les Holland of the Iowa DOT.

JDD/jmz

Att. (1)

127  
NORTHWESTERN STATES PORTLAND CEMENT CO.



MASON CITY, IOWA

January 14, 1983

RECEIVED

JAN 14 1983

WARREN B. DUNHAM

Honorable Reese H. Taylor, Jr., Chairman  
Interstate Commerce Commission  
Interstate Commerce Commission Building  
Washington, D.C. 20423

Dear Mr. Taylor:

The rail transportation network of the Upper Midwest, consisting primarily of Iowa and Minnesota, has long been plagued by an existence of over capacity of the trackage. While it is true there is a vast amount of grain shipped, as well as, other bulk commodities coming from various origins in this region destined for markets throughout the world, there is still a shortfall in revenue available to support a multitude of common carriers in this region.

As you are well aware, prior to the shutdown of the Rock Island and the cut backs of the Milwaukee in this region, we had no less than three carriers operating systems that are, for the most part, dual in nature. This situation ultimately lead to the shutdown of the Rock and the cut backs of the Milwaukee. This, we might add, was in a time of relative prosperity in the economy in general and the railroad in particular. Rates and surcharges during this period of time were accelerating but services were dwindling. Since the demise of the Rock Island and the cut backs of the Milwaukee, the Chicago & Northwestern Transportation Company has served the needs of the shipping public in this region and maintained a high level of dependability. Rate increases have become reflective of the cost of doing business rather than trying to support weaker carriers due to unwarranted competition.

In the coming months a decision must be made on the future of the rail system in the Upper Midwest. Presently there are two rail carriers competing for the purchase of the old Rock Island main line through this region. While we, in theory, support the idea of competition and the benefits it brings, we cannot support the reality of two rail companies in the Upper Midwest operating over



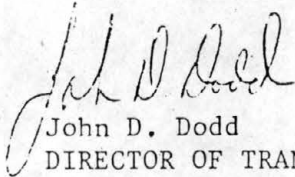
Honorable Reese H. Taylor, Jr.

Page 2

January 14, 1983

virtually the same routes. The Soo Line and the Chicago & Northwestern Transportation Company are both sould rail carriers but we, at Northwestern States Portland Cement Company, must lend our support on behalf of the Chicago & Northwestern Transportation Company and pray the commission look favorably on their past performance and services provided to meet the needs of the shipping public in the Upper Midwest.

Yours truly,



John D. Dodd

DIRECTOR OF TRANSPORTATION AND TERMINALS

JDD:mb

CC: James Wolfe  
Erling Nelson  
Robert Rigler  
R. J. Schieselbein  
William Gibbons  
John Sullivan  
✓ Warren Dunaham  
File

JDD

January 28, 1983

Memorandum

From: D. J. Boyer *DJB*

Re: Meeting with Hubbell Representatives Relative to  
their Interest in Acquisition of Real Estate in  
Des Moines, Iowa of Rock Island Properties

Attendance: Robert G. Beers, Chairman of the Board, Hubbell  
James W. Hubbell, III, President, Hubbell  
Thomas H. Farris, Executive Vice President,  
Iowa Des Moines National Bank  
Walter W. Pirnot, Senior Vice President,  
Iowa Des Moines National Bank

A meeting was held in the conference of the Iowa Des Moines National Bank in downtown Des Moines at 2:00 p.m., Tuesday, January 25. The meeting had been arranged by Tom Farris as a result of prior discussions with myself of the Soo Line as to potential developers by local interest of Soo acquired Rock Island properties within the east-west Des Moines corridor.

The object of Soo interest in discussions of this nature is to liquidate unneeded real estate which Soo may acquire as a result of its larger potential acquisition of the Rock Island trackage from Minneapolis to Kansas City, thereby reducing its acquisition cost.

The meeting was opened by myself with a brief and general description of the Soo Line and its position within the rail transport network; and the goal of the Soo in its expansion to the Kansas City market area. A brief explanation of why the Soo may acquire real estate which is not needed for transportation purposes was explained to the representatives. In response to the Soo, the Hubbell interests by Mr. Beers expressed very definite interest in some of the real properties. Their interest in the property was, of course, for developmental purposes and they would be interested in the land under trackage only if it could be removed to facilitate development. In further discussions, Mr. Beers explained that he had attempted to contact the trustee of the Rock Island but had not met with a great deal of success. Mr. Beers indicated the Hubbell interests would like the coach yard, the large 251 acre tract of land



Memorandum  
January 28, 1983  
Page Two

north of Des Moines; and any of the trackage area between 11th Street and the river on the east was of interest to them. Mr. Beers was left with the possibility that the Soo could incorporate the property interested by Hubbell within the Soo bid for the total acquisition. The Soo would then turnaround and sell the property to the Hubbell interests for the cost plus any other carrying expenses the Soo might incur. Mr. Beers was very interested in this plan and indicated that he would quickly review the property items again and present a separate list with a value attached. It remains to be seen whether or not the values which the Hubbell interests attach even come close to those which are known to us which were placed by the trustee.

After the meeting had closed, Tom Farris offered that the Hubbell interests will act very quickly because they are a family organization and do not need to report to anyone else. He also explained that the Hubbell interests are well capable of carrying out any plans which might surface from them.

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

DJB:lcs

RT flr

DMC

For your  
INFO. GSP  
1/28

January 27, 1983

JAN 31 Rec'd

MEMO

C&NW derailment on Rock Island trackage approximately 3 miles north of Owatonna, Minnesota at grade separation with the Milwaukee Road.

Checked the site on January 26, 1983. Traffic has been restored, as evidenced by the again clean running rail - all cranes, equipment, etc. are gone and since there are no recent markings in the snow, it appears there has been no activity there for some time.

However, the site has not been cleaned up. Some portions of the derailed cars still remain, although most of this has been removed. There is construction material laying all over - rails, ties, S.H. timbers, cribbing material, scrap steel, etc. - it's a mess.

The bridge has been repaired, but all work not completed. There are guard timbers yet to be installed, damaged members of the main span yet to be repaired, the abutment backwall repairs not complete, etc., but repairs are sufficiently completed to operate over. Would guess there must be a slow order on yet. The only flag seen was a green one about 1,000 feet north of the bridge facing for northbound traffic. The damaged abutment had been dug out and some timber blocking set in place to support the running rails - this leaves a gap of 40 inches between tie plate supports.

It appears that as soon as the first train passed, everyone just left.

D. I. Kjellman

DK

Soo Line Railroad Company

Date 1/10-83To: ~~DMC~~From: WBP

JAN 10 Rec'd

- Please note and return.  
X        For your information.  
       Please reply directly to attached.  
       Please give me your recommendations.  
       Please draft reply for my signature.  
       Please handle.  
       Would like to discuss with you.  
       Proposed draft attached for your review  
and suggestions.  
       Comments?

Per your request. Will

CHECK STATUS AGAIN IN ABOUT

2 WEEKS.

244

MEMO

C&NW derailment on R.I. trackage approximately 3 miles north of Owatonna, Minnesota (MP 28) at grade separation bridge with Milwaukee Road.

|                              |   |
|------------------------------|---|
| Date of Soo Line Inspection: | January 5, 1983. See attached photos.   |
| Date of Derailment:          | Around December 23, 1982  |
| Train:                       | CNW Southbound.   |
| Derailed Cars:               | Appears to be 4 box cars loaded with rolls of paper.  |
| Track:                       | 112#, 1947 Jointed rail-approximate 2° curve, line and surface good.                                      |
| Bridge:                      | 3 span open deck - 1-60' TPG and 2 40 DPG's on masonry piers and abutments span over the Milwaukee track. |
| Cause of Derailment:         | Could not find out, but appears derailment occurred off the bridge very close to the north abutment.      |

Track damage was slight, but heavy bridge damage. Derailed cars destroyed the north approach span, heavy damage to the upper portion of north pier, slight damage to main span except for bridge shoes which were damaged beyond use, some blocks missing from north abutment. North end of main span dropped several feet.

At time of inspection, salvage of rolls of paper almost completed. C&NW forces present were a 6 man B&B Crew, 8 man Steel Bridge Crew, 2 Welders, 3 Cranes, Front End Loader. The 4 derailed cars were clear of the Milwaukee tracks. The main span was cribbed and being jacked back up to final position. A replacement span being fabricated on the site was almost complete. New bridge shoes and steel grillage were being made.

It would appear track back in service around January 14th.

D. I. Kjellman







View east  
along Milw.  
tracks



View east  
along Milw.  
tracks



South pier -  
no damage to  
pier.  
Expansion shoes  
of TP6 damaged  
on blocking.





View north from  
Milw. tracks  
showing damaged  
north pier &  
north abutment.  
North approach  
span is gone



View west along  
Milw. tracks



Rolls of paper  
being salvaged





View north toward  
bridge along  
R.I. track



View north toward  
bridge along  
R.I. track



View north toward  
bridge along  
R.I. track  
Note wheel sets  
on main span





View north



North abutment  
& pier damage



North approach  
Span, D P 6,  
damage beyond  
repair





North pier and temporary cribbing



Replacement span  
for north approach  
being welded  
together on site



1/26/83 Bill Sills

Oge Corp

Car materials, sideframes, wheels,  
axles, rail, rail anchors, OTM

cast, forge

\$200,000,000 for material

\$85,000,000 for railroad

Locomotive fuel, crude \$26-27.

DMC, ~~DD~~ informal meeting with

Dr Locke & Bill Sills

within month or so.



1/26/83 WBP, CHC, PMM, JDD, BDO, DSB, RLM, HSD,  
TMB

TMB BDO, DSB, Des Moines, local people, IA DOT,  
difference, \$10M, \$6M, cost does not  
justify access, exclude other RTD, east  
west

Whites - construction co.

Urban - Pioneer Seed

Summer - gas utility, local

IRFA - diesel fuel tax

Redevelopment

Appropriations

Development fund

DSB - Hubbell family

TMB, BDO, DMC

Trustee, Munoz, Lane, Sheets

\$52M cash

\$100/car over 5,000/year paid currently  
with no max

Des Moines

CNW \$12,000,000 cash contingent  
on financing \$60,000,000

\$12,000,000 with RT financing

6 years, \$15,000,000 minimum

indexed lease to price, rate, inflation

(2)

Less than 25% of ~~total~~ life remaining.  
Economic

Tax benefits

Put

Other uses of right of way.

Bank for Cooperatives

Shipper Association nominally back  
~~the~~

Lease for accounting, capital for tax

IA DOT rehab

Owning implications - H&N

Des Moines carve out \$1,500,000  
not including Sunwood

Brian gathering all Spine Line lease.

End of week.

CONFIDENTIAL

January 26, 1983

FILE: Rock Island Acquisition

TO: C. C. Leary  
W. B. Peterson  
G. H. Barker  
C. J. Chotkowski  
T. M. Fletcher  
H. J. Ness

FROM: J. D. Darling JDD:ab

RE: Rock Island Study

Attached is my write-up on our meeting of January 10, 1983.

JDD/jmz

Att. (1)



IOWA DEPARTMENT OF TRANSPORTATION

## TRANSMITTAL SLIP

DATE: 1/25

TO OFFICE:

ATTENTION:

FROM:

OFFICE:

SUBJECT:

## ACTION

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

COMMENTS:

*St. Paul, Minn.*

# NORTHWESTERN STATES PORTLAND CEMENT CO.



*CO N*

MASON CITY, IOWA

RECEIVED

JAN 17 1983

January 14, 1983

WARREN B. DUNHAM

Honorable Reese H. Taylor, Jr., Chairman  
Interstate Commerce Commission  
Interstate Commerce Commission Building  
Washington, D.C. 20423

Dear Mr. Taylor:

The rail transportation network of the Upper Midwest, consisting primarily of Iowa and Minnesota, has long been plagued by an existence of over capacity of the trackage. While it is true there is a vast amount of grain shipped, as well as, other bulk commodities coming from various origins in this region destined for markets throughout the world, there is still a shortfall in revenue available to support a multitude of common carriers in this region.

As you are well aware, prior to the shutdown of the Rock Island and the cut backs of the Milwaukee in this region, we had no less than three carriers operating systems that are, for the most part, dual in nature. This situation ultimately lead to the shutdown of the Rock and the cut backs of the Milwaukee. This, we might add, was in a time of relative prosperity in the economy in general and the railroad in particular. Rates and surcharges during this period of time were accelerating but services were dwindling. Since the demise of the Rock Island and the cut backs of the Milwaukee, the Chicago & Northwestern Transportation Company has served the needs of the shipping public in this region and maintained a high level of dependability. Rate increases have become reflective of the cost of doing business rather than trying to support weaker carriers due to unwarranted competition.

In the coming months a decision must be made on the future of the rail system in the Upper Midwest. Presently there are two rail carriers competing for the purchase of the old Rock Island main line through this region. While we, in theory, support the idea of competition and the benefits it brings, we cannot support the reality of two rail companies in the Upper Midwest operating over



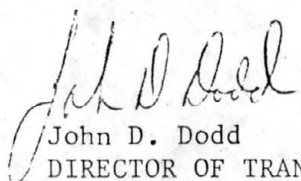
Honorable Reese H. Taylor, Jr.

Page 2

January 14, 1983

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Yours truly,



John D. Dodd

DIRECTOR OF TRANSPORTATION AND TERMINALS

JDD:mb

CC: James Wolfe  
Erling Nelson  
Robert Rigler  
R. J. Schieselbein  
William Gibbons  
John Sullivan  
✓ Warren Dunaham  
File

January 25, 1983

Memorandum

To RI Study File

Re Meeting with Hubbell interests representative relative to their interest in acquisition of RE in Des Moines of RI properties.

Attendees: Robert C. Beers, Chm. of the Board, Hubbell  
James W. Hubbell III, President, Hubbell  
Thomas H. Farris, Executive Vice President, Iowa Des Moines Natl  
Walter W. Pinnot, Senior Vice President, Iowa Des Moines Natl

Meeting was held in Conference room of the Iowa Des Moines National Bank in downtown Des Moines at 2 pm Tuesday January 25. The meeting had been arranged by Tom Farris as a result of prior discussions with DBayer Soo as to potential developments by local interests of Soo acquired RI properties within the E-W Des Moines corridor.

The object of Soo interest in discussions of this nature is to liquidate unneeded RE which Soo may acquire as a result of its larger ~~and~~ potential acquisition of the RI trackage from Minneapolis to KC, thereby reducing its debt-equity.

The meeting was opened by DB with a brief and general description of the Soo line and its position within the rail transport network, and the goal of the Soo in its expansion to the KC market area. A brief explanation of why the Soo may acquire RE which is not needed for transportation purposes.

In response to the Soo the Hubbell interests by Mr. Beers ~~was~~ expressed very definite interest in some of the ~~RE~~ real properties but only if track could be removed to facilitate development.



Des Moines Iowa 1-25-83 Airport

Tom Urban, Pioneer Seed Co

Fred Whites, Whites Construction

Cardner, Editor

Dwight Swanson

Paw Cong Rm Air Terminal Des Moines

IDOT: McGilivray  
Holland

DM: Whiter

Soo: Olsen  
Buckley  
DB

TMB - Introduction & Orientation of Rail Structure  
around KC and explain Soo interest  
in RT to KC position.

Soo identity -

Regulation - control rates and regulation  
of Soo KC identity.  
Wider - GT consolidation of properties with  
CN directions.

Brief explanation of Soo characteristics as a grain  
hauler from ND - sparse population, agricultural  
products to market - similar operation in Iowa.  
Soo understands this business.

IFC - cow & beans to spine line make a viable RR.

CNW - Soo offers to Trustee - Differences of RE  
300'w x 11 miles long

CNW - reason for acquisition - block Iowa RR - other E-W

RT - trackage would be unsalable - Salvage

Soo - position re acquisition of E-W Des Moines trackage  
& RE to be successful bidder, but RE @ 6 mil is  
not that valuable to Soo. Access only to 2 industry.

IDOT cannot commit. Civic leaders may see  
some interest in RE at future date.

Question: How would Soo like to handle this  
RE package in its offer to Trustee? I include  
in offer @ \$6 million, with understanding it will



(2)

be take out from Soo @ cost which reflects carrying value.

Erhan Question: How important is Spinline to CNW?

How does that CNW position compare to Soo position re operation of line?

When do you intend to next negotiate with Trustees?

When must you take a firm position?

Gray will work earnestly with Soo, we have state money, bonding authority, and will commit to trying to resolve the matter, which he feels he can do.

W - To TMB - do not rely heavily on this DM Group in your negotiations with the Trustees, because there are some DM elements that could oppose the DM position to help the Soo in favor of the CNW particularly with respect to legal resolution of the state funds.

M'B - Summarize the partnership of DM Group with Soo in attempting to resolve earnings at a later date.

W - Timetable - Trustees today - serious negotiation? How long?

TMB - Some Trustees now wants to move along in the negotiation with Soo.

January 24, 1983

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

JAN 24 Rec'd

FROM: B. D. Olsen

RE: Rock Island Reorganization

The Trustee has finally filed his Plan of Reorganization for the bankrupt Rock Island. He now projects paying off all creditors, in some cases with interest, and having some money left over to engage in "such other business as its board of directors may decide." He targets placing the Plan in effect by the end of this year, although he does not anticipate that all railroad lines would be liquidated until the end of 1985.

A copy of the Plan is attached. Although some challenge is always a likelihood in a bankruptcy of this magnitude, the fact that all creditors will be paid off and something will be left over is likely to keep challenges to a minimum.

BDO/sjp  
Attachment

cc: C. H. Peterson



Harvey Sims called at 1:48 p.m.  
with the following information:

RE: The Feeder Line

The answer is no. The Staggers Act specifically exempts the Rock Island Milwaukee property on the Feeder Line Program. No funds appropriated anyway.

1/24/83

JZ

Soo Line Railroad Company



TO \_\_\_\_\_

TIME \_\_\_\_\_ DATE \_\_\_\_\_

# IMPORTANT MESSAGE

WHILE YOU WERE OUT

M \_\_\_\_\_

OF \_\_\_\_\_

PHONE NO. \_\_\_\_\_

- |  |   |
|--|---|
| <input type="checkbox"/> Telephoned                          | <input type="checkbox"/> Please call back |
| <input type="checkbox"/> Called to see you                   | <input type="checkbox"/> Will call again  |
| <input type="checkbox"/> Left the following message: - - - - |   |

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1/21/83 CJS Staff

MKT - Kansas City - Maule - Cedar Rapids

1/24/83 THB, BDP, ~~BBB~~, ~~DD~~  
Tom Urban Turner Seed Corn

Find Waites Construction Co.

Budimer -

Waites

Map - lines, Soc, nature of operations

Presentation

Annual Report

---

Operations

Map with carve outs

Reasons for joining Soc

ADD

LAW OFFICES

SHIPLEY SMOAK & HENRY

SUITE 820

910 17TH STREET, N. W.

WASHINGTON, D. C. 20006

(202) 775-1330

TELEX:(WUI) 64538 USEXP

JAN 20 Rec'd

OF COUNSEL

E. EDWARD STEPHENS

January 18, 1983

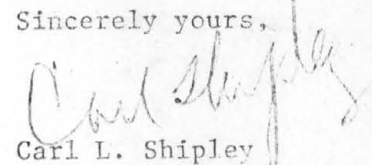
Soo Line Railroad Company  
800 Soo Line Building  
P. O. Box 530  
Minneapolis, Minnesota 55440

Gentlemen:

In response to your inquiry passed to us by Mr. Bill Sills, Chicago, and Mr. Joseph Rosenbaum, McLean, Virginia, respecting the names of AAR approved suppliers of certain railroad equipment referred to in the attached draft agreement, will you please return one signed copy to us and keep one for your files.

If you have any questions, please let us know. Dr. Locke will be in the United States for another week.

Sincerely yours,

  
Carl L. Shipley

CLS

h

Enclosures



LAW OFFICES  
SHIPLEY SMOAK & HENRY

SUITE 820  
910 17TH STREET, N. W.  
WASHINGTON, D. C. 20006  
(202) 775-1330  
TELEX:(WUI) 64538 USEXP

OF COUNSEL  
E. EDWARD STEPHENS

Soo Line Railroad Company  
800 Soo Line Building  
P. O. Box 530  
Minneapolis, Minnesota 55440

Re: Component Requirements -- South Africa

I hereby wish to advise that AAR approved suppliers of axles, side frames, bolsters and allied railroad equipment to be supplied by the undersigned is the sole proprietary information of the undersigned.

The companies concerned are:

- 1) Standard Brass Ltd.
- 2) Scaw Metals Ltd.
- 3) Swassap Division of Dorbyl Railway Products Ltd.

It is understood that the information is submitted for checking purposes with AAR only and by requesting and receiving such information, Soo Line hereby agrees that Lesley C. Locke (for Midrose) is recognized as being the sole exporter of such equipment to Soo Line in the event of any orders being placed by Soo Line or its agents for such equipment and any successive orders.

Accepted and agreed by the undersigned this \_\_\_\_ day of January, 1983.

Signed: 1) \_\_\_\_\_ Soo Line Railroad Company  
2) lc Locke L. C. Locke Associates

CONFIDENTIAL

January 18, 1983

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

FROM: B. D. Olsen

RE: Revised Rock Island Purchase Agreement

I attach a Purchase Agreement revised in accordance with our last meeting on the subject. Changes are almost entirely confined to the first two pages. The provision providing for five annual installments of \$6,400,000 has been deleted and the ceiling has been taken off the \$100 per car extra payment provision. In addition, the latter has been made payable on an annual basis rather than at the end of five years. I have made it effective when Soo operation commences rather than from the closing date, in the event the lessee in possession (the C&NW) exercises any rights to continue operating for a period of time following our purchase. Messrs. Murlowski and Ness should advise if there will be any accounting problems in calculating these traffic based payments on other than a calendar year or in making settlement within two months following the close of each one year period.

I have placed the Des Moines property description in a separate exhibit and have made it subject to the provisions of numbered paragraph 2. The former Exhibit B, which has not yet been prepared, will now be identified as Exhibit C, and the former Exhibit C will become Exhibit D. The price for the Des Moines property must be inserted. This section may be easily severed if we choose not to purchase that portion.

BDO/sjp  
Attachment



## PURCHASE AGREEMENT

This Purchase Agreement, made and entered into as of the            day of            , 1983, by and between William M. Gibbons, Trustee of the property of the Chicago, Rock Island and Pacific Railroad Company (said Trustee hereinafter "Trustee" and said debtor and its estate hereinafter "Rock Island") and the Soo Line Railroad Company, a Minnesota corporation (hereinafter "Soo Line"):

WITNESSETH:

WHEREAS, Trustee is the owner of certain railroad properties, generally extending between Northfield, Minnesota and Kansas City, Missouri and between the Iowa cities of Iowa Falls to Estherville, Emmetsburg to Hartley, Rake to Ocheyedan, Dows to Forest City and Carlisle to Indianola, which Trustee is willing to convey and the Soo Line is willing to purchase for the purpose of continuing railroad operations over said railroad properties;

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

1. Purchase Price.

Subject to the terms and conditions of this contract, Trustee agrees to sell and Soo Line agrees to purchase the Properties described in Exhibit A attached hereto for a total consideration of \$52 million, to be paid in cash on the Closing Date. It is agreed by the parties that a portion of the payment due on the Closing Date shall be paid by the discharge of all Minneapolis, Northfield and Southern Railway, Inc. claims then

pending against the estate of the bankrupt Rock Island and all Rock Island or Trustee claims against Minneapolis, Northfield and Southern Railway, Inc. This credit shall be made on a dollar-for-dollar basis for the net amount of all such claims, as are then agreed by Trustee and the Soo Line to be properly due and payable.

As additional consideration, Trustee shall be entitled to deferred payments as follows: During the 5 years immediately following commencement of operation of the Properties by Soo Line, Soo shall pay to the Trustee an amount equal to \$100 per revenue carload moved over the Properties in line haul service, in excess of 75,000 such carloads per year. Soo Line shall make settlement with the Trustee within two months following the conclusion of each one year period subject to this provision.

Trustee agrees to sell and Soo Line agrees to purchase for the additional consideration of \$\_\_\_\_\_ million Rock Island property in and about the city of Des Moines, Iowa described in Exhibit B attached hereto.

2. Properties Included.

Trustee shall sell to Soo Line and Soo Line shall purchase from Trustee all of his right, title and interest in and to the properties described in Exhibit A and Exhibit B attached hereto, hereinbefore and hereinafter "Property" or "Properties," including all real estate, station grounds, right of way, personal property, improvements (including rail, track material and railroad facilities), buildings, signal and communication equipment, spur, industry, team, interchange or similar tracks and terminal facilities, and all rights, agreements, grants, franchises,



licenses, permits or other interests in and appurtenant to the  
Property, and all right, title and interest in and to any and  
all trackage rights agreements, joint

facility agreements and all other agreements between Trustee or the Rock Island and other railroads or entities which involve the Properties. In addition, this conveyance shall include all communications or other equipment necessary and essential to the operation of the Property, and all files and records of Rock Island or Trustee relevant to the present or past operation of the Property, wherever located.

3. Assignment Permitted.

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

4. Closing Date.

Subject to accomplishment of all conditions contained herein, the Closing Date (herein "Closing Date") for conveyance of the Property shall be not later than June 30, 1983, provided that Soo Line shall have the option to extend said Closing Date for any period up to an additional one year from said June 30, 1983 in the event all said conditions have not been met. Upon satisfaction of all such conditions Closing Date shall be a date specified by Soo Line in written notice to the Trustee, which date shall not be less than five days from the satisfaction of such conditions nor later than 30 days thereafter. Closing shall take place at such location in the city of Chicago, Illinois as shall be agreed upon by the parties.



5. Option to Begin Interim Operations.

At any time prior to Closing Date Soo Line may elect to provide interim rail service over the Property. In such event Soo Line shall serve written notice of its intention upon Trustee, who shall promptly take whatever steps are necessary to terminate the service of the then interim operator, at the earliest date possible under agreements then in effect. Trustee shall fully cooperate with Soo Line to obtain any necessary governmental or court approvals for such transfer of interim operations. Soo Line interim operations shall be provided upon the same terms and conditions as are in effect between Trustee and the then interim operator at the time of termination. Further, in the event any interim operator gives notice of intent to terminate all or any part of its operations over the Property, Trustee shall immediately notify Soo Line of such pending termination, and no successor interim operator shall be appointed or designated without the consent of the Soo Line. The Soo Line shall have the option to elect to provide interim service over all or part of the area subject to such termination, upon the same terms and conditions as were in effect between the Trustee and the interim operator prior to termination. Any rental payments made by Soo Line to Trustee under any interim operations agreement shall be credited as part payment of the purchase price due at Closing Date.

6. Conditions Precedent to Closing.

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

- (a) This Purchase Agreement and the operation of the railroad trackage to be acquired hereunder have been approved by all necessary governmental and judicial

authorities, as required by law, including, but not limited to the Rock Island's Reorganization Court and the Interstate Commerce Commission. As soon as practicable following the execution of this contract, but in no event later than 30 days thereafter, the parties will file necessary motions, applications or other documents to obtain such approvals. In the event any such governmental or judicial authority shall impose any conditions upon either the purchase of the Properties or the continued railroad operation of said Properties, which materially impair the value of the Property or the ability of Soo Line to operate said Properties economically, Soo Line shall have the right to terminate this Purchase Agreement.

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



- (d) Inspection of the Properties by Soo Line or its designees shall have disclosed that there are no material structural defects in right-of-way and track facilities and structures located thereon.
- (e) Interim operators shall have vacated the Property and surrendered possession of all personal property intended to be conveyed to Soo Line hereunder.

7. Duty to Support Transaction.

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

8. Representations, Warranties and Agreements of Trustee.

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

- (a) Trustee has been duly appointed by the Court and is acting as the Reorganization Trustee of Rock Island.
- (b) Trustee has legal power and authority to bind the estate of Rock Island by this Agreement, and when authorized as provided herein, will be bound to convey the Properties in accordance with the terms hereof, and after closing Soo Line will own all of said Properties. Upon request by Soo Line Trustee agrees to make all books, records and other documents of Trustee and Rock Island, relevant to the Properties,

available for inspection and copying by Soo Line as required during regular business hours. Soo Line shall have full access to all of Rock Island's and Trustee's Properties and related facilities.

- (c) Trustee has good and marketable title to the Properties, free and clear of any liens and encumbrances, including but not limited to Rock Island's First Mortgage dated January 1, 1950, to First National Bank of Chicago, as Trustee, liens, encumbrances or mortgages in favor of the Federal Railroad Administration or any other governmental agency, Federal, State or local, any other mortgages, the lien of any certificates or any other obligations created by the Trustee, and any purported rights created by Sections 327G.78 to 327G.79 Iowa Code or any other similar state laws (except those for taxes and installments of special assessments for the current year not yet due and payable).
- (d) All Trustee's property, equipment, structures and buildings are in good order and repair, ordinary wear and tear excepted.
- (e) There are no actions, suits, or proceedings pending, or to the knowledge of Trustee, threatened against or affecting, or which may affect the Properties, in any court or by or before any government body or agency, which, in the judgment of Trustee and Rock Island are significant except as described on Exhibit ~~E~~<sup>D</sup> attached hereto. Neither Trustee nor Rock Island is subject to



any order, judgment or decree, or any agreement with any governmental body or agency which materially adversely affects or may adversely affect the business or operations of the Property.

- (f) Neither the use intended by Soo Line of the Properties after closing, nor the continued operation of the Properties prior to closing, nor this Agreement, nor the sale of the Properties hereunder violate any restrictive covenant or condition, or produce or cause a reversion, reverter or similar event to occur.
- (g) Trustee and Rock Island are not now in default, except such defaults permitted by authority of the Reorganization court having jurisdiction over Rock Island's bankruptcy, under any of its leases, franchises, joint facility agreements, trackage agreements, policies or contracts.
- (h) After transfer the Properties will be operated by the Soo Line, free and clear of all terms, conditions and restrictions contained in labor agreements entered into or binding upon the Trustee or Rock Island.

9. Continued Operations.

Trustee and Rock Island will insure that business continues to be conducted over the Properties between the date of execution of this Agreement and Closing Date in substantially the same manner as business has been conducted in the past, and in accord with all applicable laws and regulations. Trustee shall preserve, protect and maintain said Properties, at least to their present conditions, and shall not make or permit any sale or conveyance of the

Properties of a nature which would impair the utility of said Properties for the purposes for which they are being acquired by Soo Line.

10. Indemnification.

Trustee shall indemnify, and hold the Soo Line harmless against, any claims, liabilities, causes of action, costs and expenses, including all costs of defense, in any manner arising from or out of the operations of the Property by Rock Island, Trustee or interim operators prior to Closing Date. Soo Line shall have no liability for, and Trustee shall indemnify it against, all claims, obligations, debts or liabilities of Rock Island, Trustee or interim operators, including but not limited to debts or liabilities to other railroads, any debts or liabilities arising under any agreement or contract between Trustee and/or the Rock Island and any other party whatsoever, any debts or liabilities to the United States or any agency thereof, including the Small Business Administration, any principle or interest owing on Rock Island's mortgage, indenture or equipment obligations or any other claims debts or liabilities of Rock Island or Trustee in Rock Island's bankruptcy.

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



11. Preparation of Documents.

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

12. Representations, Warranties and Agreements of Soo Line.

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

- (a) Soo Line is a corporation duly organized, validly existing and in good standing under the laws of the state of Minnesota and has full power and authority to acquire the Property and otherwise consummate the transactions herein provided.
- (b) The execution and delivery of this Agreement by Soo Line has been duly and validly authorized by the Board of Directors or the Executive Committee thereof of Soo Line and all requisite corporate action has been taken to make it valid and binding upon Soo Line in accordance with its terms.

- (c) Neither the execution nor the delivery of this Agreement nor the consummation of the transactions contemplated herein will violate any provisions of the Certificate of Incorporation or Bylaws of Soo Line or result in the breach of any term or provision of, or constitute a default in, any indenture, mortgage, deed of trust or other agreement to which the Soo Line is a party.

13. Conditions Precedent to Obligations of Soo Line.

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

- (a) Satisfaction of all conditions precedent set forth in Section 6 hereof.
- (b) All the representations and warranties of Trustee contained in this Agreement shall be correct on and as of the Closing Date with the same force and effect as though such representations and warranties had been made on and as of the Closing Date. Trustee shall have performed and complied with all the duties, obligations and conditions required by this Agreement to be performed and complied with by them or on their part at or before the Closing Date and Trustee shall have delivered to Soo Line his certificate to the foregoing effect, dated the Closing Date.
- (c) There shall have been no material adverse change in the operating condition of the Property between the date of this Agreement and the Closing Date.



- (d) Soo Line shall have received from counsel for Trustee a legal opinion, dated as of the Closing Date, confirming the representations and warranties of Trustee set forth in Section 8(a) to 8(b) hereof.

14. Conditions Precedent to Obligations of Trustee.

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

- (a) All the representations and warranties of Soo Line contained in this Agreement shall be correct on and as of the Closing Date with the same force and effect as those such representations and warranties had been made on and as of the Closing Date, Soo Line shall have fully performed and complied with all the duties, obligations and conditions required by this Agreement to be performed and complied with at or before the Closing Date, and Soo Line shall have delivered to Trustee a certification of its President, dated as of the Closing Date, to the foregoing effect.
- (b) Trustee shall have received an opinion of Byron D. Olsen, counsel for Soo Line, dated the Closing Date, confirming the representations and warranties of Soo Line set forth in Sections 12(a) to 12(b) hereof.

15. Proration at Closing.

All ad valorem taxes levied or assessed against the Properties, all prepaid rentals and all receivables or payables, utility charges and any and all other sums receivable or payable with respect to the Properties shall be pro rated between the parties as

of the Closing Date, with each parties' share to be the proportion which the number of days of its ownership in the period covered, bears to the total number of days in the applicable period. In the event ad valorem taxes, utilities or other charges are not levied or assessed directly against said properties, the parties shall agree upon an equitable method of dividing such amounts as of the Closing Date.

16. Risk of Loss.

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

17. Transfer Taxes.

Trustee shall purchase any documentary stamps required by law with respect to the conveyance of any of the Properties, and pay any and all transfer taxes, sales and use taxes, or any other fees or charges whatsoever imposed by reason of the filing and recording of the conveyances of the Properties, including but not limited to any



ad valorem property taxes due and payable at the time of such recording, without payment of which such deeds and conveyances will not be accepted for recordation.

18. Notices.

All notices or other communications which are required to be given or served pursuant to this contract shall be in writing and shall be deemed to have been properly served when mailed prepaid, certified or registered mail, return receipt requested, to the following parties: For the Soo Line, Thomas M. Beckley, President, 800 Soo Line Building, Minneapolis, Minnesota 55402. For the Trustee, William M. Gibbons, Trustee of the Properties of Chicago, Rock Island and Pacific Railroad Company, Debtor, 332 South Michigan Avenue, Chicago, Illinois 60604.

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

19. Law Governing.

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

20. Section Headings.

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

21. Amendment.

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

22. Survival of Terms.

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

23. No Continuing Waiver.

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

24. Counterparts.

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

25. Termination.

In the event that the condition precedents set forth in Section 6 of this agreement are not met on or before the Closing Date, either party may elect to terminate this agreement upon written notice to the other party. In the event of such termination, neither



party hereto shall have any further obligation to the other with respect to the transactions herein contemplated, and each party shall bear the expenses incurred by it and shall not be responsible for any consequential or special damages to the other resulting from such termination.

In the event any party shall substantially fail to perform its obligations under this agreement and continue in such default for a period of 30 days after receipt of notice thereof in writing, the other party may, at its option, upon 30 days notice thereof in writing, terminate this agreement. The right to terminate shall be in addition to and shall not constitute a waiver of any other legal or equitable rights of the terminating party.

26. Successors and Assigns.

This agreement is binding on William M. Gibbons, not as an individual, but as Trustee of the Property of the Chicago, Rock Island and Pacific Railroad Company, Debtor, and shall be binding upon the successors and assigns of the Rock Island and the parties hereto.

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

SOO LINE RAILROAD COMPANY

Attest:

By \_\_\_\_\_

Its \_\_\_\_\_

By \_\_\_\_\_

Its \_\_\_\_\_

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

\_\_\_\_\_

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

By \_\_\_\_\_

WITNESS:

\_\_\_\_\_  
\_\_\_\_\_



Exhibit A

The following properties, and all lands adjacent thereto:

1. The line of railroad in the State of Minnesota extending southerly from and including Northfield to the Minnesota-Iowa State line near Gordonsville, Minnesota.
2. The line of railroad (Hollandale Branch) in the State of Minnesota extending easterly from the Head Block in the North-South line at Clarks Grove a distance of 1,895 feet measured along the centerline of said Hollandale Branch.
3. The line of railroad in the State of Iowa extending from the Iowa-Minnesota State line near Gordonsville, Minnesota thru Mason City, Iowa Falls, Des Moines, Carlisle and Allerton, to the Iowa-Missouri State line near Lineville, Iowa, including trackage and permanent right of way easement therefore in both the Southwest and Northwest quadrants of the North-South, East-West main line intersection (Short Line Junction) at Des Moines as providing sufficient access to and interchange with the Iowa Transfer Railway Company Yard, except the Davenport to Council Bluffs main line of railroad in Des Moines and all right of way in Des Moines lying south of the South line of Dean

Avenue, north of the North line of Market Street and outside a 100 foot right of way being 50 feet (measured at right angles) on either side of the centerline of the North-South main line.

4. The line of railroad in the State of Iowa extending northwesterly from the East line of Section 16, Township 98 North, Range 20 West (east of Iowa Falls) to and including Estherville.
5. The line of railroad at Des Moines, Iowa comprising a part of the Winterset Branch extending westerly from the North-South main line to the centerline of the Iowa Transfer Railway Company track which is 690 feet (more or less) distant westerly from the westerly line of Southeast 16th Street measured along the centerline of said Winterset Branch.
6. The line of railroad in the State of Iowa extending easterly approximately 13.0 miles from and including Allerton to its connection with the Chicago, Milwaukee, St. Paul and Pacific Railroad at Mile Post ~~352.1~~ near Seymour.
7. The line of railroad in the State of Iowa extending westerly from Emmetsburg to the elevator facilities formerly operated by Cook Industries and now operated by Gulf Coast Grain, just to the west of Hartley.



8. The line of railroad in the State of Iowa extending easterly from the West line of the Northeast Quarter, Section 10, Township 99 North, Range 40 West (west of Ocheyedan) to the Iowa-Minnesota State line.
9. The line of railroad in the State of Iowa extending northerly from and including Dows to the North line of Section 35, Township 98 North, Range 24 West north of Forest City, except the Titonka Branch Line of railroad beyond the 100 foot right of way at Hayfield Junction, Iowa.
10. The line of railroad in the State of Iowa extending southwesterly from and including Carlisle to and including Indianola.
11. The line of railroad in the State of Missouri extending southwesterly from the Iowa-Missouri State line near Lineville, Iowa to and including Kansas City, Missouri.
12. All right, title and interest of the Rock Island or Trustee in the Iowa Transfer Railroad Company or its properties.

Exhibit B

The following properties, and all lands adjacent thereto:

The line of railroad in Des Moines and West Des Moines, Iowa extending west from the easterly incorporated limits of the city of Des Moines (the north/south centerline of Section 5, Township 78 North, Range 23 West) to the westerly incorporated limits of the city of West Des Moines (the west line of Section 22, Township 78 North, Range 25 West).

1/12/82 Bob Moen

Packer River Terminal, Twin Cities Barge

Subsidies, served by RT

10% to Port Canage

Peavey Smile beyond dredging.

M.P. 14 GTA/Continental Elevators

Duluth - Superior - competitiveness

North Pacific Grain Shovels - merger  
at Portland

Kalamazoo facility Andover unit train



January 12, 1983

JAN 13 Rec'd

To: T. M. Beckley

From: D. J. Boyer *DB*

Re: ~~Rock Island Study~~ - Memorandum  
~~January 10 Meeting with Iowa DOT Representatives,~~  
Ames, Iowa by T. M. Beckley and D. J. Boyer

Attendance: IDOT - Warren Dunham, Director DOT  
Les Holland, Director Rail Division  
C. I. MacGillivray, Director Planning  
& Research

The meeting commenced with a review of Soo Line position by T. M. Beckley elaborating on each of the following points:

- (1) Treatment of the IFG as a separate corporation purchased by a shipper consortium with lease to Soo as operating entity; and pay back of purchase price on basis of car-load volume by Soo to consortium. Annual lease payments by Soo to debt service. Tax benefits pass through to Soo.
- (2) The Rock Island main line Northfield to Kansas City to be outright purchase by Soo or holding company set up as another separate corporation, subsidiary. Financing to be arranged by Soo.
- (3) The rehabilitation program as proposed by Soo with respect to the main line and IFG branch line was discussed. Particular attention was made to the difference between IDOT and Soo estimates of needed rehabilitation work. Primary difference in the amounts of each proposal is the rail in the IDOT proposal estimate. C. I. MacGillivray asked if it was important to Soo for IDOT to restate their estimate of rehabilitation work to clarify. Response by Soo was negative to question at this time. Should it present a future obstacle Soo will get back to IDOT for clarification of their excess estimate over Soo proposed rehabilitation work. The \$15 million available from FRA for rehabilitation work was mentioned here.

T. M. Beckley  
January 12, 1983  
Page Two

- (4) Entry into Kansas City was discussed by T. M. Beckley with mention of problem entry should Soo-CNW jointly acquire Spine Line. T. M. Beckley indicated Soo had met with Milwaukee for preliminary discussions of Soo use of jointly owned yard of KCS-Milw. T. M. Beckley feels that entry can be obtained in exchange for certain concessions to Milwaukee.
- (5) General explanation by T. M. Beckley of negotiations with Rock Island (Trustee's office) and peculiarities of Trustee's style of carrying our negotiations. No mention of dollar amounts was made, but it was clearly set forth that Soo was about to revise its offer and present to the Trustee by next week. Soo would make an effort to structure its offer in attractive terms to the Trustee. The Soo offer would include east to west Des Moines trackage and real estate, even though the trackage provided access to industry with limited car-load volumes. Soo does understand IDOT has encouraged the acquisition of the east to west Rock Island trackage, but not quite certain why IDOT is interested and to what possible future extent. What is the value of east to west Des Moines trackage to IDOT? Is IDOT prepared to reacquire the east to west Des Moines trackage from Soo?

Response by IDOT representatives:

W. Dunham reviewed the political scene in Iowa. The new governor of Iowa will not change the political view of a strong transport system (rail) needed for movement of agricultural products to market.

L. Holland responded for IDOT on the following points:

- (a) The importance of the east to west Rock Island lines through Des Moines rests with the future of Iowa. This line ties 3 major Iowa cities together and may in the future be used for passenger service. Concern by IDOT expressed that CNW acquisition of the line in Des Moines will render the line east and west useless and of scrap value only. The Iowa Railroad will also be put out of business.

T. M. Beckley  
January 12, 1983  
Page Three

- (b) IRFA funds which may become available in near term is approximately \$7 million representing Rock Island real estate tax settlement with various Iowa counties. Question of whether IRFA may legally retain the tax over the objection of local taxing authority remains unresolved. IRFA seems to believe they will prevail.
- (c) IRFA revenue source is fuel tax collection in sum of about \$8 million to date. Tax is contested. Funds are held in escrow by IRFA until legality resolved. IRFA funds are for bonds or direct expenditures.
- (d) Holland raised the question of limited partnership involvement by IDOT for future sale of east to west Des Moines line in order to preserve the trackage and line. IDOT will research this question of commitment. This discussion by Holland was in response to T. M. Beckley (5) above. At this time T. M. Beckley expressed an anticipated proposal by Soo to acquire Rock Island east to west Des Moines trackage for approximately \$6 million and hold for 2 years at which time it would be turned over to IDOT or others for which Soo would be fully reimbursed.
- (e) Holland responded to a question of rehabilitation funds available in Iowa for 1983 and future years. This question arose as a result of notation within the recent publication Iowa Transportation Improvement Program 1983-1988. In this publication the IFG is a candidate for \$6 million in 1983. Holland explained IDOT has \$2 million in the bank and \$4 million would be forthcoming in matching funds from each the railroad and shipper. Holland further offered that there is \$2½ million to be received from the Rock Island Trustee which should be allocated to IFG. Additionally the Iowa legislature has been requested to provide \$3 million in funds for each of the years 1983 and 1984.
- (f) MacGillivray stated he had recently returned from Washington, D.C. where Iowa has been allocated \$2 million of the \$10 million package of 505 Funds provided by Congress.
- (g) MacGillivray stated he wished to ask some questions of Soo which would be useful to IDOT in their search for solutions of assistance to Soo in the east to west Des Moines trackage.

Was the value of the agreed purchase price of the Royal -



T. M. Beckley  
January 12, 1983  
Page Four

Manson line removed as a difference between Soo and CNW offers to Trustee? Yes.

Is Soo rehabilitation work on IFG anticipated via the usual three party IDOT scheme of funding? Yes.

Is Soo offer contingent upon Trustee reservation of trackage and other rights? Not discussed directly with Trustee or his representative. Trustee presumed Soo and CNW "carve outs" to be the same for comparison of offer purposes.

T. M. Beckley alluded to a joint CNW purchase of Spine line earlier, has Soo seriously considered? Not now under consideration. CNW involvement precipitates entry problem in Kansas City with Milwaukee.

Has Soo considered a "Split Sale"? That is, the IFG to CNW and Spine to Soo? No, not considered by Soo for reason of revenue generation from IFG and little from the Spine.

Soo timetable? Trustee must have response soon. T. M. Beckley indicated east to west Des Moines trackage and accompanying real estate is the single item which will permit Soo to make an offer better than CNW, but its value to the Soo is limited. T. M. Beckley indicated he must see the Trustee next week, to which MacGillivray indicated it would be impossible for IDOT to act within that period of time. T. M. Beckley said Soo would accept an indication of intent realizing IDOT cannot make a firm commitment as a public body.

MacGillivray and Holland agreed that IDOT will move as quickly as possible in an attempt to find a solution to the east to west Des Moines trackage.

End of meeting - return to Des Moines.

Upon return to Des Moines, D. J. Boyer called Tom Ferris, Executive Vice President of Iowa Des Moines National Bank. Purpose of call was to determine status of Ferris inquiry of Hubbell family in east to west Des Moines real estate for development. Ferris indicated the matter had been discussed with Hubbell representative and he was interested, but wanted to know more details of specific real estate. D. J. Boyer advised real estate is approximately 300 feet wide and 11 miles in length and should be

T. M. Beckley  
January 12, 1983  
Page Five

viewed not separately but as a potential method of combining real estate on both sides of the trackage which are potential developmental areas. Ferris requested that Soo give notice prior to next visit to arrange a meeting with Hubbell interests.


D. J. Boyer also suggested to Ferris the subject real estate may be a solution to east to west Des Moines traffic as a cross-town highway.

cc: ✓D. M. Cavanaugh  
C. H. Clay  
R. H. Smith  
R. L. Murlowski  
B. D. Olsen  
H. J. Ness  
J. D. Darling

0

January 11, 1983

TO: B. D. Olsen

FROM: J. D. Darling 

RE: Rock Island Study

Attached are three additional changes to Exhibit A of the proposed purchase agreement, adding some trackage near the Iowa Transfer for operating purposes, deleting the Allerton to Seymour segment and defining the East to West Des Moines segment.

JDD/jmz

Att. (1)

cc: S. M. Mrosak



## ROCK ISLAND STUDY

### Additional Changes to Exhibit A of the Proposed Purchase Agreement

Item 3, Exhibit A should be changed to read ". . . as providing sufficient access to and interchange with the Iowa Transfer Railway Company Yard, including the ~~the~~ segment of eastbound main line and all trackage southerly thereof between the east line of South East 16th Street and the east line of South East 6th Street, and not including any other part of the Davenport to Council Bluffs main line of railroad in Des Moines . . ."

Item 6, pertaining to the Allerton-Seymour, Iowa segment, should be deleted.

A new tentative item describing the limits of our potential interest in the East to West Des Moines segment should be included. A description, such as the following, should be adequate: "The line of railroad in Des Moines and West Des Moines, Iowa extending west from the easterly incorporated limits of the City of Des Moines (the north-south center line of Section 5 Township 78 North Range 23 West) to the westerly incorporated limits of the City of West Des Moines (the west line of Section 22 Township 78 Range 25 West).

January 11, 1983

TO: D. M. Cavanaugh

FROM: J. D. Darling 

RE: ~~Rock Island Study - Implementation Plan~~

A ~~meeting~~ was held at 10:30 a.m. on Monday, ~~January 10, 1983~~, in the Third Floor Conference Room with G. H. Barker, C. C. Leary, W. B. Peterson, C. J. Chotkowski, T. M. Flethcer, H. J. Ness and myself in attendance.

The ~~topic of a high rail inspection trip~~ was again discussed. This is particularly critical for Engineering and would also be very useful for Transportation. However, it was agreed that we would progress development and implementation of the operating plan on the assumption that a high rail inspection would not be made until shortly before takeover.

In this regard, ~~I have been requested to accompany Dave Nelson on an inspection trip between Tuesday, January 18, 1983 and Friday, January 21, 1983.~~ Tentatively, I would fly back from Kansas City that Friday and Dave would work his way home over the weekend.

Train simulations, incorporating only timetable speed restrictions, have been run by Tom Fletcher. These indicate that it may be difficult to operate between Shoreham and Iowa Falls in a single tour of duty. The likely recommendation is to operate between Iowa Falls and Northfield and Northfield and Shoreham. As well as appearing to best satisfy the operating requirements, this would also simplify labor negotiations.

Otherwise, Iowa Falls and Trenton appear to be the likely crew terminals between Shoreham and Kansas City. The ~~Transportation Department will finalize the operating plan by January 31, 1983.~~ This will put us on course for a 180 day implementation schedule culminating in operation by the end of June, 1983.

A ~~PERT chart of the implementation schedule~~ has been prepared by Tom Fletcher and ~~accepted by the group.~~ A specific critical path has not been identified, due to the indefinite time frames for labor negotiation aspects. The chart does indicate the weeks in which other tasks may be undertaken and when they must be undertaken. The operating plan mentioned above is one of the initial key steps.

D. M. Cavanaugh  
Page Two  
January 11, 1983

There are two other general areas of activity that should also take place by January 31, 1983, if subsequent steps are not to be delayed when the operating plan is presented. These are in the areas of labor agreements and executive direction.

Draft agreements for train and enginemen have been prepared by Mike Logan, John Benz and Don Hegquist. Cliff Leary is reviewing these agreements and will furnish comments to you by January 24, 1983.

The Engineering and Mechanical Departments will begin review of their agreements as well. This is not anticipated as being as rigorous as with train and enginemen, but some aspects hinge on the executive direction discussed below.

The group would like to know the corporate structure of the proposed acquisition. In particular, would the properties be operated by a subsidiary, as opposed to being owned by a subsidiary and leased to the Soo Line, or operated by the Soo Line under contract. One area this might effect is labor agreements covering maintenance of locomotives.

A related question is how various aspects of the work will be distributed. Presumably, General Office functions will not be duplicated whereas field functions will be essentially as they are on the Soo Line with the same degree of centralization. Waybilling is one specific area of interest.

Also, the direction and timing of the implementation of labor agreements is needed. Some of the questions are with whom would we negotiate and who would we hire.

One final item is the question of contracting recently retired personnel, such as Al Durtsche, Harry Ellefson or Mike Logan, to coordinate implementation of the operating plan.

I have been requested to request from the Trustee information concerning maintenance-of-way equipment, maintenance-of-way inventory, personnel rosters (at least to the end of operations), labor agreements and a copy of the Uniform Code of Operating Rules.

The revised traffic projections do not materially vary from the previous estimates. The Accounting Department will complete updating their chart of cars originating and terminating at main line points to reflect the Iowa Falls Gateway traffic this week.





Iowa Department  
of Transportation

January 11, 1982

Rock Island

✓  
JAN 1 - Rec'd

Hello Tom -

I thought that you would like to have a copy of the Report of the Governor's Blue Ribbon Transportation Task Force for your general information and files which could be of real interest to you if Soo Line is successful in its bid to the Rock Island.

Les and I appreciated your hospitality Monday.

Sincerely,

A handwritten signature in cursive script, appearing to read 'Harvey Sims'.

Harvey Sims

cc: Dennis Cavanaugh with enclosure

January 11, 1983

To: TM Beckley

From: D.J. Boyer

Re: RI Study - Memorandum

January 10 Meeting with Iowa DOT Representatives, Ames, Iowa  
by TM Beckley and D.J. Boyer

Attendance: IDOT - Warren Dunham, Director DOT  
Les Hollenb, Director Rail Division  
C.I. Mac Gillivray, Director Planning & Research

The meeting commenced with a review of Soo Line position  
by TM Beckley elaborating on each of the following points.

- (1) Treatment of the IFC as a separate corporation purchased by a  
Shippers Consortium with lease to Soo as operating entity; and  
pay back of purchase price on basis of carload volume by  
Soo to consortium. Annual lease payments by Soo to debt  
service. Tax benefits pass through to Soo.
  - (2) The RI Main line Northfield to Kansas City to be outright  
purchase by Soo or holding company set up as another  
separate corporation, subsidiary. Financing to be arranged  
by Soo.
  - (3) The rehabilitation program as proposed by Soo with  
respect to the Main line and IFC branch line was  
discussed. Particular attention was made to the  
difference between IDOT and Soo estimates of  
needed rehab work. Primary difference in the amounts  
of each proposal is the rail in the IDOT proposal  
estimate. C.I. MacG. asked if it was important to  
Soo for IDOT to restate their estimate of  
rehab work to clarify. Response by Soo was  
negative to question at this time. Should it  
present a future obstacle Soo will get back  
to IDOT for clarification of their excess  
estimate over Soo proposed rehab work. >
- The \$15 mil available from FRA for rehab work  
was mentioned here.

Page 2

- (4) Entry into KC was discussed by TMB with mentions of problems entry should Soo-CNW jointly acquire Spine line. TMB indicated Soo had met with Miles for preliminary discussions of Soo use of jointly owned yard of KCS-Miles. TMB feels that entry could be obtained in exchange for <sup>concessions</sup> concessions to Miles.
- (5) General explanation by TMB of negotiations with RI (Trustee office) and peculiarities of Trustee style of carrying out negotiations. No mention of dollar amounts was made, but it was clearly set forth that Soo was about to revise its offer and present to the Trustee by next week. Soo would make an effort to structure its offer in ~~an~~ attractive terms to the Trustee. The Soo offer would include E-W Des Moines trackage and RE, even though the trackage provided access to industry with limited car load volumes. Soo does understand IDOT has encouraged the acquisition of the E-W RI trackage, but not quite certain why IDOT is interested and to what possible future extent. What is the value of E-W Des Moines trackage to IDOT? Is IDOT prepared to reacquire the E-W DM trackage from Soo?

Response by IDOT representatives:

W. Durham reviewed the political scene in Iowa. The new governor of Iowa will not change the political view of a strong transport system (rail) needed for movement of agricultural product to market.

L. Holland responded for IDOT on the following points:

- (a) The importance of the E-W RI line through Des Moines rests with the future of Iowa. This line ties 3 major Iowa cities together and may in the future be used for passenger services. Concern by IDOT expressed that CNW acquisition of the line in Des Moines will render the line E and W useless and of scrap value only. The Iowa RR will also be put out of business.



- (b) IRFA funds which may become available in near term is approximately \$7 million representing RI RE tax settlement with various Iowa counties. Question of whether IRFA may legally retain the tax <sup>unresolved</sup> the objection of local taxing authority remains. IRFA seems to believe they will prevail.
- (c) IRFA revenue source is fuel tax collection in sum of about \$8 million to date. Tax is contested. Funds are held in escrow by IRFA until legality resolved. IRFA funds are for bonds or direct expenditures.
- (d) Holland raised the question of limited partnership involvement by IDOT for future sale of E-W DM line in order to preserve the trackage and line. IDOT will research this question of commitment. This discussion by Holland was in response to TMB (5) above. At this time TMB expressed an anticipated proposal by Soo to acquire RI E-W DM trackage for approximately \$6 million and hold for 2 years at which time it would be turned over to IDOT or others, for which Soo would be fully reimbursed.
- (e) Holland responded to a question of what funds available in Iowa for 1983 and future years. This question arose as a result of notation within the recent publication Iowa Transportation Improvement Program 1983-1988. In this publication the IFG is a candidate for \$6 million in 1983. Holland explained IDOT has \$2 million in the bank and \$4 million would be forthcoming in matching funds from each the Railroad and Shippers. Holland further offered that there is \$2 1/2 million to be received from the RI Trustee which should be allocated to IFG. Additionally the Iowa legislature has been requested to provide \$3 million in funds for each of the years 1983 and 1984.

Page 4

(f) Mac Gillivray stated he had ~~just~~ <sup>recently</sup> returned from Washington DC where IDOT had been allocated \$2 million of the \$10 million package of 505 Funds ~~recently~~ provided by Congress.

(g) Mac Gillivray stated he wished to ask some questions of Soo which would be useful to IDOT in their search for solutions of ~~securities~~ <sup>to Soo</sup> in the E-W DM franchise.

Was the value of the agreed purchase price of the Royal-Manson line removed as a difference between ~~between~~ Soo and CNW offers to Trustee? yes.

Is Soo rehab work on IFG anticipated via the usual three party IDOT scheme of funding? yes.

Is Soo offer contingent upon Trustee reservation of trackage and other rights? Not discussed directly with Trustee or his representative. Trustee presumed Soo and CNW "Carve outs" to be the same for comparison of offer purposes.

TMB alluded to a joint CNW purchase of Spine line earlier, has Soo seriously considered? Not now under consideration. CNW involvement precipitates entry problem in KC with Miles.

Has Soo considered a "Split Sale"? That is the IFG to CNW and Spine to Soo? No not considered by Soo for reasons of revenue generation from IFG and little from the Spine.

Soo timetable? Trustee must have response soon. TMB indicated E-W DM trackage and accompanying RE is the single item which will permit Soo to make an offer better than CNW, but the value to the Soo is limited. TMB indicated he must see the Trustee next week, to which Mac Gillivray indicated it would be impossible for IDOT to act



Page 5

within that period of time. TMB said Sao would accept an indication of intent realizing IDOT cannot make a firm commitment as a public body.

MacGillivray and Halland agreed that IDOT will move as quickly as possible in an attempt to find a solution to the E-W DM trackage.

End of meeting - return to Des Moines.

CC See Mrs. Buckley

Upon return to Des Moines DDB called Tom Ferris, Exec VP of Iowa Des Moines National Bank. Purpose of call was to determine status of Ferris inquiry of Hubbell family in E-W DM RE for development. Ferris indicated the matter had been discussed with Hubbell representative and he was interested, but wanted to know more details of specific RE. DDB advised RE is approximately 300 feet wide and 11 miles in length and should be viewed not separately but as a potential method of combining RE on both sides of the trackage which are potential developmental areas. Ferris requested that Sao give notice prior to next visit to arrange a meeting with Hubbell interests.

DDB also suggested to Ferris the <sup>subject</sup> RE may be a solution to E-W Des Moines traffic as a ~~highway~~ cross-town highway.



1-10-83

Ames, Ia

Iowa DOT

TMB

(1) Review of Soo position

(a) IFG

(b) Spine Line - Entry to V.C.

(c) Financing by Soo plus 15 mil FRA rehab

(d) E-W Des Moines line

Value to IDOT?

Can Soo dispose of RE to IDOT?

(e) Understanding with IDOT as to IFG rehab work planned by Soo as compared with IDOT estimates or FRA proposals, which are in excess of Soo proposed rehab.

Dunham

(1) Review political situation Iowa. Terry Branstad new governor. No change in political views.

Holland

(1) Importance of E-W Des Moines line to future Iowa.

(2) IRPA - Funds available? RE Tax from Trustee. (9 mil)

(3) Htd Partnership involvement by IDOT for future sale in order to preserve the line.

(TMB) Soo could acquire and hold for 6 mil and turn over 2 yrs to IDOT or others and be reimbursed.

(4) 6 mil allocated in plan (2 mil in bank, 2 mil shippers, 2 mil carrier) 2 1/2 mil from Trustee 3/3 allocated to IFG

3 mil asking of Iowa legs 1983 and 1984 each.

(5) Class II standards 24 mil. est by IDOT. Difference is mostly rail.

(6) Fed - Congress 10 mil SOS Funds of which 2 mil to Iowa - RI branch lines.

(7) IRFA - 8 mil fuel tax for bonds or direct expenditures.

IMCB

(1) Royal - Manning & carve out and difference between Soo & CNW? yes

(2) Is Soo rehab work anticipated via 3 party IDOT scheme? yes

(3) Is Soo offer contingent upon Trustee reservation of rts? Not discussed with Trustee. Soo planned on elevator RZ, but was consultant.

(4) H. CNW purchase? Miles some interest in run through rts. to KC. CNW may want rts. At Des Moines.

(5) Trustee split sale? Gateway to CNW & Spine to Soo? No - Not considered by Soo.

(6) Soo purchase E-W DM and be taken out in 2 yrs. and by TMB to IWC & Soo participation. TMB indicated DM RE is the item which may best give Soo the edge in offer. Soo to Trustee next week. IWC - next week impossible.

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

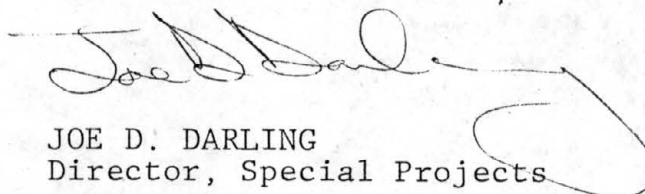
Dear Mr. Bannon:

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

ITINERARY FOR  
THOMAS M. BECKLEY & DAVID J. BOYER  
MPLS.-DES MOINES-RETURN

Monday  
January 10

Minneapolis to Des Moines

Flight: Ozark/673  
Departure: 8:00 a.m.  
Arrival: 8:47 a.m.  
Stops: None  
Food: None

Reservation of car by Hertz  
to be picked up at airport  
upon arrival.

Meeting with Iowa Department of Transportation

Time: 10:00 a.m.  
Place: Iowa Department of Transportation  
Ames, Iowa

Attending the meeting will be:

Warren Dunham, Director, Iowa DOT  
Les Holland, Director, Iowa DOT  
C. I. "Ian" MacGillivray, Director,  
Planning & Research, Iowa DOT

Des Moines to Minneapolis

Flight: Ozark/668  
Departure: 4:05 p.m.  
Arrival: 4:51 p.m.  
Stops: None  
Food: None

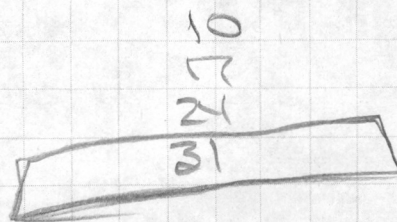


10/83 CHC, GHB, CCL, WBP, HTN, TMF, JSD

Lower Falls, Trenton

Northfield likely

DHC - retired people



TRRB -

3250 → 3000 mi/mo guarantee

Memo to DMC - 240h

Alternatives -

Operations - 3/80

Organization - Soon - Corporate structure

Implementation - Soon

Track equipment - Soon Inventory

Check Labor Agreements

January 10, 1983

TO: G. H. Barker

FROM: J. D. Darling *JDD*

RE: Rock Island Study - FRA Loan Application

Please refer to B. D. Olsen's letters of December 29, 1982 and January 5, 1983, of which you received copies.

It is anticipated that there will not be an extensive requirement for the commitment of Mechanical Department resources in the preparation of this application.

I have reviewed the items that are related to the Mechanical Department and commented on each of them with our perspective to date. We will need a narrative on our future maintenance plans and two exhibits. I would appreciate any insight on other items which you feel we may require.

Commentary

Section 258.7, Form and Content of Application

(4)(vii) Effect on energy consumption. We will attempt to state the effect on energy consumption, based on computer train operation simulations before and after track rehabilitation.

(5) Category of Project. Section 258.27(b)(4) pertains to equipment rebuilding. No equipment rebuilding is currently anticipated as necessary as part of the project.

(10)(iii)(A) Equipment Maintenance Plans. A narrative statement detailing management's program to maintain equipment, based on the current Soo 5-year plan and the Rock Island acquisition traffic projections, will be required.

Section 258.9 Required Exhibits

- (b) Exhibit B(1) - Locomotive Units Out of Service  
Exhibit B(2) - Freight Cars Out of Service

These exhibits will be required. Among other things, they should help to confirm our plan to start operations with our existing fleet of locomotives and freight cars, augmented by shipper leased covered hopper cars.

G. H. Barker  
Page Two  
January 10, 1983

(h) Exhibit H - Equipment Proposed to be Rehabilitated

- (1) - Locomotives
- (2) - Freight Cars or Other Equipment

None proposed to be rehabilitated as part of the project.

(10)(iv) Plans for Rationalization of Marginal Services.

(10)(v) Facilities Susceptible to Consolidation or Coordination.

(11) Other Appropriate Information.

No significant Mechanical Department facilities, such as car or locomotive back shops, are involved in the proposed acquisition. You may wish to comment on any changes or consolidations in facilities as the development of your implementation plan indicates.

JDD/jmz

cc: D. M. Cavanaugh  
B. D. Olsen  
W. B. Peterson  
C. C. Leary  
J. C. Miller



Soo Line Railroad Company



8  
Soo Line Building  
Box 530  
Minneapolis, Minnesota 55440  
(612) 332-1261

January 10, 1983

Mr. Les Holland  
Director  
Department of Transportation  
State of Iowa  
800 Lincoln Way  
Ames, Iowa 50010

Dear Mr. Holland:

Per your conversation with Mr. D. M. Cavanaugh of Thursday, January 6, 1983, enclosed please find one (1) 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.

Sincerely,

*Jean M. Zacharias*

JEAN M. ZACHARIAS  
Secretary

JMZ

Encl. (1)

Rock Island  
Acquisition

Minneapolis, Minnesota

January 7, 1983

PERSONAL & CONFIDENTIAL

To: Mr. D. M. Cavanaugh

Fr: D. J. Hegquist

*DJ Hegquist*

Subject - Schedule Revisions Progress Report

The committee commenced working on the Rock Island Schedules for Engineers and Trainmen on November 22, 1982. The Schedule for Engineers was completed on December 15 and the Schedule for Trainmen was completed on December 16, 1982.

The Soo Trainmen's Schedule was not completed as you were previously advised in our letter of October 7, 1982. When we started working on the Engineers' Schedule December 20, 1982, we found additional revisions were necessary. The revisions have been made, and the Schedule was completed on January 4, 1983.

The Soo Engineers' Schedule is approximately 85% completed. The Schedule will not be completed until John Benz returns some time in February.

I am presently reviewing the Hearing Officers Handbook Of Investigation Procedures. Colleen Gormley has agreed to meet with me in connection with the possible upgrading of this manual. If you have any objections, please advise.

The committee has the preliminary groundwork for the Safety Rules revision which includes correspondence from the three (3) Division Superintendents. Their recommendations will be reviewed for consideration and adoption.

DJH:ar

January 7, 1983

TO: G. H. Barker  
C. C. Leary  
W. B. Peterson  
C. J. Chotkowski  
T. M. Fletcher  
H. J. Ness  
J. D. Darling ✓

FROM: D. M. Cavanaugh *DMC*

RE: Rock Island Study

Please arrange to attend a meeting at 10:30 a.m. on Monday, January 10, 1983 in the Third Floor Conference Room. The purpose of this meeting will be to discuss progress on our Rock Island implementation plan.

JDD/jmz



8

January 7, 1983

TO: B. D. Olsen

FROM: J. D. Darling JDD/188

RE: Rock Island Study

In the next revision of the proposed purchase agreement, Item No. 4 of Exhibit A should read "Township 89 North" instead of "Township 98 North".

I was also wondering if it would be appropriate to include a clause requiring the Trustee to convey all maps, titles, deeds, contracts, leases, etc. with the property.

JDD/jmz

January 7, 1983

CONFIDENTIAL

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

FROM: J. D. Darling *JDD*

RE: Rock Island Study - Minutes of Meeting

Regarding the meeting held at 3:00 p.m. on Wednesday, January 5, 1983, on the progress of our study to acquire a portion of the Rock Island lines.

Mr. Olsen will revise our purchase offer to the Trustee to allow the Trustee \$100 per revenue line haul carload in excess of 75,000 carloads each year during the five years immediately succeeding the closing date, payable on or about February 1st each year.

Provisions will also be made for the inclusion of the East to West Des Moines properties, at an as of yet unspecified amount.

In addition, Mr. Olsen will draft a summary agreement, based on the BN agreement to acquire the former Milwaukee Bayard line, which may be used to solicit participation of shippers and the Omaha Bank for Cooperatives for the acquisition of the Iowa Falls Gateway lines.

Mr. Murlowski will review the BN agreement with Deloitte Haskins and Sells to determine if the general arrangements qualify for off balance sheet accounting and retention of investment tax credit and accelerated cost recovery system tax benefits to the Soo Line or a holding company.

Rock Island Study - Minutes of Meeting  
Page Two  
January 7, 1983

Mr. Beckley will contact Karl Ziebarth, of the MKT, with reference to their experience with Gordon Fay.

Mr. Beckley will draft a response to Mr. Wolf of the CNW indicating that we do not see how joint operation with the CNW would permit us to participate in the acquisition, but as we are aware of their desire to shorten their main line to Kansas City, we would consider discussing trackage rights for the CNW after acquisition.

Mr. Beckley and Mr. Boyer will arrange to meet with Warren Dunham, Director of the Iowa DOT, to determine the extent of the commitment that the DOT is willing to make to acquire the East to West Des Moines segment as their financing becomes available.

Mr. Olsen mentioned that work had begun on the FRA loan application with a February 15, 1983 deadline for a rough draft.

Mr. Cavanaugh mentioned that work had also begun on an implementation plan to be completed within 180 days.

JDD/jmz



TMB - Mtg 1/6/83 10am

(1) RNCNW exemption Certificate

(2) CNW - \$12 mil cash \$72 mil offer - terms unknown

(3) I-DOT - ? Des Moines RE

Next week meeting - ok with I-DOT

Hubbell family interest - call Iowa Des Moines

Bank for Coops - call for up date

(4) Gordon Fay - touch base with Kety to see results of Fay involvement in negotiations.

(5) Soo offer may take these proportions

\$52 mil + \$6 mil for Des Moines RE = \$58 mil.

\$100 per car no cap over 5 yrs over 75th ch/year.  
Pay interest on outstanding debt.

1/5/88 CHC, BDO, RLS, DMC, RLM, LHO, ~~DD~~, TMB

\$52,000,000 Cash

# \_\_\_\_\_ for Des Moines

\$100 per car annually for carloads  
over 75,000 in or about

February 1, each year.

Down Falls Inc lease



January 5, 1983

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: UP/MP/WP Merger

We are advised by communication from UP counsel that the above consolidation was carried out on December 22, 1982 following denial of a request for a stay submitted to the U.S. Supreme Court. It is intended that the Western Pacific will be merged into the Union Pacific but that the MoPac will remain a separate entity. The WP merger is expected to happen soon but has not yet occurred.

We are also advised that the Denver & Rio Grande has already commenced operations between Pueblo, Colorado and Kansas City, Missouri and that negotiations are under way to establish the terms of a permanent agreement. In the description of UP counsel, there are no differences of substance on any matter except the permanent compensation terms.

The Katy is also scheduled to commence operations between Omaha and Kansas City on January 3, 1983. The Katy and UP/MP have reached agreement on joint operations except for the issue of permanent compensation.

Considerably more wrangling is apparently going on between Southern Pacific and the merger applicants. However, SP has now advised of its intent to commence operations between Kansas City and St. Louis on January 6, 1983. I doubt this means SP is giving up its appeal of the merger decision, but it is probable that the Rio Grande and Katy will discontinue their appeals upon reaching a final agreement, if they have not already done so.

BDO/sjp

cc: C. H. Peterson



1/4/83 CS Stoffer

Reorganizing plan Jan 1983

Derailment at Watona at MILW

underpass, one girder down,

abutments cracked, car down

on track

~~WSP~~

1/4/83 RI Study

CHC

Unions

Others

BOK

Frick

Edrington

Richmond - Discounts

BDO - Discounts

Frick - industry sources  
compared to Wyoming

Y  
January 3, 1983

TO: R. H. Smith

FROM: J. D. Darling JDD 1/8

RE: Rock Island Study

Attached are some additional updates to Iowa Railroad Company  
Freight Tariff ICC IRRC 3000-A.

JDD/jmz

Att. (1)



## The Soo Looks South

The principal traffic flows on the Soo Line Railroad have been from western Canada via border connections in western North Dakota, northwestern Minnesota and Duluth/Superior to the Twin Cities and Chicago. The Soo is also an important originator of grain in North Dakota and western Minnesota. In recent years, export/import container traffic to and from eastern Canada via Sault Ste. Marie has become increasingly important. Prior to the cessation of operations by the Rock Island Railroad, Soo Line interchanged approximately one train-load of mixed freight per day at St. Paul for southbound movement.

The Soo Line today is a financially solid, well-maintained regional railroad, 4500 miles in length, serving seven states from Chicago, Illinois and Sault Ste. Marie, Michigan to eastern Montana. Soo Line has a long established relationship with Canadian Pacific Limited, a diversified Canadian transportation company and an important traffic connection. Soo Line stock is traded on the New York Stock Exchange and Canadian Pacific owns approximately 55% of the outstanding shares.

Although Soo's traditional traffic flows have been for the most part not oriented to the South or Southwest, this is not the first time that the Soo Line has considered expanding its rail system to Des Moines and points south. In the middle 60s, Soo Line actively studied merger with the Chicago Great Western, which had lines radiating from Oelwein

to Chicago, Des Moines, Kansas City and the Twin Cities. However, the Soo Line had recently come through a merger of its own and had not built up sufficient financial strength to make the proposal attractive. The Chicago and North Western subsequently acquired the Chicago Great Western and today much of the CGW has been abandoned.

In the last two decades, Soo's financial strength has grown steadily to the point where it can consider acquisition of the Rock Island Twin City to Kansas City line without impairing its financial security. Soo's interest in this line has been long and carefully considered. Traffic flows north and south have never been strong as compared with the predominant east-west movement of freight traffic in the United States. The fact that the Rock Island had tried for many years to achieve financial stability and ultimately failed was also a factor in making our evaluation as thorough and as careful as it could be. Today the Soo Line stands ready to move south in partnership with Iowa farmers and other shippers and to establish good rail service in central Iowa.

#### Proposed Soo Operations

The Soo Line will provide daily through service between Kansas City and Minneapolis and beyond. Additional trains handling predominantly corn and soybean traffic originating in Iowa, including the Des Moines area, will be operated when necessary.

The Soo Line also plans to provide industry switching and interchange with other carriers in Des Moines seven days

a week.

Indianola service is anticipated two or three times weekly.

Acquisition of the East Des Moines-West Des Moines segment would not alter the current plans, but would require the operation of additional switch crews with service tailored to the needs of the shippers along this segment.