

FLETCHER & SIPPEL LLC

ATTORNEYS AT LAW

29 North Wacker Drive
Suite 800
Chicago, Illinois 60606-3208

THOMAS J. LITWILER
(312) 252-1508
tlitwiler@fletcher-sippel.com

ENTERED
Office of Proceedings
February 22, 2019
Part of
Public Record

Phone: (312) 252-1500
Fax: (312) 252-2400
www.fletcher-sippel.com

February 21, 2019

VIA FEDERAL EXPRESS

Ms. Cynthia T. Brown
Chief, Section of Administration
Office of Proceedings
Surface Transportation Board
395 E Street, S.W., Room 1034
Washington, DC 20006



Re: **Docket No. FD 36262**
Lake State Railway Company -- Lease Exemption with
Interchange Commitment -- Line of CSX Transportation, Inc.

Dear Ms. Brown:

Enclosed for filing in the above-captioned proceeding are an original and ten copies of the **Verified Notice of Exemption of Lake State Railway Company Pursuant to 49 C.F.R. § 1150.42**, dated February 21, 2019. A check in the amount of \$2,000.00, representing the appropriate fee for this filing, and a compact disc containing the text of the Notice and the *Federal Register* caption summary in MS Word 2010 format are attached.

Certain confidential material related to this filing is being separately submitted to the Board electronically and under seal in accordance with the provisions of 49 C.F.R. §§ 1150.43(h)(1) and 1104.14(a).

If you have any questions regarding this filing, please feel free to contact me.
Thank you for your assistance on this matter.

Respectfully submitted,

Thomas J. Litwiler
Attorney for Lake State Railway Company

TJL:tl

Enclosures

FEE RECEIVED
February 22, 2019
SURFACE
TRANSPORTATION BOARD

FILED
February 22, 2019
SURFACE
TRANSPORTATION BOARD

BEFORE THE
SURFACE TRANSPORTATION BOARD



DOCKET NO. FD 36262

LAKE STATE RAILWAY COMPANY
-- LEASE EXEMPTION WITH INTERCHANGE COMMITMENT --
LINE OF CSX TRANSPORTATION, INC.

**VERIFIED NOTICE OF EXEMPTION
OF
LAKE STATE RAILWAY COMPANY
PURSUANT TO 49 C.F.R. § 1150.42**

Thomas J. Litwiler
Fletcher & Sippel LLC
29 North Wacker Drive
Suite 800
Chicago, Illinois 60606-3208
(312) 252-1500

**ATTORNEY FOR LAKE STATE
RAILWAY COMPANY**

Dated: February 21, 2019

BEFORE THE
SURFACE TRANSPORTATION BOARD

DOCKET NO. FD 36262

LAKE STATE RAILWAY COMPANY
-- LEASE EXEMPTION WITH INTERCHANGE COMMITMENT --
LINE OF CSX TRANSPORTATION, INC.

**VERIFIED NOTICE OF EXEMPTION
OF
LAKE STATE RAILWAY COMPANY
PURSUANT TO 49 C.F.R. § 1150.42**

Pursuant to 49 C.F.R. § 1150.41, et seq., Lake State Railway Company ("LSRC"), a Class III rail carrier whose annual revenues exceed \$5 million, hereby files this Verified Notice of Exemption to lease an approximately 53-mile line of railroad of CSX Transportation, Inc. ("CSXT") from Mount Morris, Michigan (near Flint) to Middle River (Plymouth), Michigan (the "Plymouth Line"). Based on projected revenues for the Plymouth Line, LSRC expects to remain a Class III rail carrier after consummation of the transaction proposed herein.

In accordance with the requirements of 49 C.F.R. § 1150.43, LSRC submits the following information:

Name and Address of Applicant: 49 C.F.R. § 1150.43(a)

The full name and address of the rail carrier applicant herein is as follows:

Lake State Railway Company
750 North Washington Avenue
Saginaw, Michigan 48607
(989) 393-9800

Applicant's Representative: 49 C.F.R. § 1150.43(b)

LSRC's representative to whom correspondence regarding this transaction should be sent is as follows:

Thomas J. Litwiler
Fletcher & Sippel LLC
29 North Wacker Drive
Suite 920
Chicago, Illinois 60606-2832
(312) 252-1500
tlitwiler@fletcher-sippel.com

Statement Concerning Agreement: 49 C.F.R. § 1150.43(c)

LSRC and CSXT will shortly execute a Land and Rail Improvements Lease Agreement and a related Amended and Restated Freight Operating Agreement providing for LSRC's lease and operation of the Plymouth Line.

Operation of the Property: 49 C.F.R. § 1150.43(d)

LSRC will be the operator of the Plymouth Line being leased from CSXT in this proceeding.¹

Summary of the Transaction: 49 C.F.R. § 1150.43(e)

LSRC is a Class III common carrier by rail which owns or operates approximately 300 miles of rail line in the Lower Peninsula of the state of Michigan, extending generally from the Flint area through Saginaw/Bay City/Midland to Gaylord and Alpena. LSRC began operations in 1992. *Lake State Railway Company -- Lease and Operation Exemption -- Detroit and Mackinac Railway Company*, Docket No. FD 32012 (ICC served Feb. 27, 1992); *see also Lake State Railway Company -- Acquisition and Operation Exemption -- Detroit & Mackinac*

¹ CSXT will retain certain overhead trackage rights on the Plymouth Line, as described further below.

Railway Company, Docket No. FD 33372 (STB served Mar. 28, 1997). LSRC's rail system includes the routes formerly operated by Saginaw Bay Southern Railway Company ("SBS"), an LSRC affiliate which in 2005 acquired lines from CSXT extending primarily from Mount Morris (near Flint) to Saginaw. *Saginaw Bay Southern Railway Company -- Acquisition and Operation Exemption -- Rail Line of CSX Transportation, Inc.*, Docket No. FD 34729 (STB served Sep. 27, 2005); *Saginaw Bay Southern Railway Company -- Acquisition and Operation Exemption -- In Saginaw County, MI*, Docket No. FD 34729 (Sub-No. 1) (STB served Jun. 23, 2006). SBS was merged into LSRC in 2012. *Lake State Railway Company -- Intra-Corporate Family Merger Exemption -- Saginaw Bay Southern Railway Company*, Docket No. FD 35561 (STB served Dec. 2, 2011). LSRC is a subsidiary of J&JG Holding Company, Inc., a non-carrier. *See James George and J&JG Holding Company, Inc. -- Continuance in Control Exemption -- Saginaw Bay Southern Railway Company*, Docket No. FD 34730 (STB served Oct. 17, 2005).

CSXT is a Class I common carrier by rail which owns or operates approximately 21,000 miles of rail line in the States of Alabama, Connecticut, Delaware, Florida, Georgia, Illinois, Indiana, Kentucky, Louisiana, Maryland, Massachusetts, Michigan, Mississippi, Missouri, New Jersey, New York, North Carolina, Ohio, Pennsylvania, South Carolina, Tennessee, Virginia and West Virginia, in the District of Columbia, and in the Provinces of Ontario and Quebec in Canada.

Pursuant to the agreements executed by the parties, LSRC will lease and operate CSXT's rail line extending from approximately milepost CC 25.98 at Mount Morris, Michigan to approximately milepost CC 78.9 at Middle River (Plymouth), Michigan, a distance of approximately 52.92 miles. The Plymouth Line connects with LSRC's existing rail system at Mount Morris, and the proposed transaction will serve to extend LSRC's lines southward toward

the Detroit area. Interchange between LSRC and CSXT, which currently occurs at Flint, will be primarily relocated to the Plymouth area, and LSRC will operate over CSXT between Middle River and Plymouth Yard for interchange purposes.

CSXT will retain overhead trackage rights on the portion of the Plymouth Line in Flint extending between McGrew Yard at or near milepost CC 29 and the connection with Grand Trunk Western Railroad Company ("GTW") at or near milepost CC 33. CSXT will utilize those rights in connection with its existing trackage rights over GTW between Flint and Port Huron, Michigan. *See CSX Transportation, Inc. -- Trackage Rights Exemption -- Grand Trunk Western Railroad Company*, Docket No. FD 31386 (ICC served Mar. 27, 1989). LSRC will provide haulage service for CSXT between Flint and Plymouth, and CSXT will separately retain contingent overhead trackage rights on the Plymouth Line between Flint and Middle River that can be exercised by CSXT in the future in lieu of LSRC haulage service upon the occurrence of certain events.

The complete name and address of the entity leasing the Plymouth Line to LSRC is as follows:

CSX Transportation, Inc.
500 Water Street
Jacksonville, Florida 32202

LSRC intends to consummate its lease of the Plymouth Line from CSXT and commence operations on the Plymouth Line on March 29, 2019.

Map: 49 C.F.R. § 1150.43(f)

A map showing the Plymouth Line and the surrounding area is attached as Exhibit A to this Notice.

Certificate of Compliance: 49 C.F.R. § 1150.43(g)

A Certificate of Compliance with the provisions of 49 C.F.R. § 1150.43(g) is attached as Exhibit B to this Notice.

Interchange Commitments: 49 C.F.R. § 1150.43(h)

(i) The agreements between the parties governing LSRC's lease and operation of the Plymouth Line will contain an interchange commitment that assesses LSRC an additional per carload rental fee for traffic that originates or terminates on the Plymouth Line and is not interchanged with CSXT.

(ii) Drafts of the Land and Rail Improvements Lease Agreement and Amended and Restated Freight Operating Agreement to be executed by CSXT and LSRC that contain the interchange commitment are being filed confidentially and in their entirety with the Board in accordance with the provisions of 49 C.F.R. §§ 1150.43(h)(1)(ii) and 1104.14(a).

(iii) A list of shippers that have originated or terminated traffic on the Plymouth Line within the last two calendar years, or do so currently, is being filed confidentially with the Board in accordance with the provisions of 49 C.F.R. §§ 1150.43(h)(1) and 1104.14(a):

(iv) The aggregate number of carloads originated or terminated on the Plymouth Line during the last two calendar years by the shippers identified pursuant to the preceding section is being filed confidentially with the Board in accordance with the provisions of 49 C.F.R. §§ 1150.43(h)(1) and 1104.14(a).

(v) A certification that the notice requirements set forth in 49 C.F.R. § 1150.43(h)(1)(v) have been satisfied is attached hereto as Exhibit C.

(vi) Upon commencement of LSRC's lease and operation of the Plymouth Line, LSRC could (in addition to CSXT) physically interchange with GTW at Flint and Holly, Michigan.²

(vii) An estimate of the difference between the lease price for the Plymouth Line with and without the interchange commitment is being filed confidentially with the Board in accordance with the provisions of 49 C.F.R. §§ 1150.43(h)(1) and 1104.14(a).

Advance Notice: 49 C.F.R. § 1150.42(e)

On January 4, 2019, LSRC posted the 60-day notice of this transaction required by 49 C.F.R. § 1150.42(e) at the workplaces of current CSXT employees on the Plymouth Line and served the notice on the national offices of the labor unions for those employees.³ On January 28, 2019, LSRC certified both actions to the Board.⁴ A copy of the 60-day notice and certification as filed with the Board is attached as Exhibit D to this Notice.

Environmental and Historic Preservation Data: 49 C.F.R. § 1105

Under 49 C.F.R. § 1105.6(c)(2), LSRC's proposed lease and operation of the Plymouth Line does not require preparation of environmental documentation. The proposed

² GTW is an indirect operating subsidiary of Canadian National Railway Company.

³ That notice indicated that the southern limit of the Plymouth Line would be at milepost CC 80.85 in Plymouth. The parties subsequently revised that milepost slightly (to milepost CC 78.9), so that CSXT trains would have sufficient head room at the north end of CSXT's Plymouth Yard to operate without requiring dispatcher authority from LSRC.

⁴ LSRC actually submitted its certification to the Board electronically on January 11, 2019, during the period that the agency had suspended operations as a result of the partial federal government shutdown that began on December 22, 2018. LSRC's certification was docketed as filed on January 28, 2019, the day that the Board resumed operations. *See Filings Submitted or Due to Be Submitted During the Partial Federal Government Shutdown*, Docket No. EP 751 (STB served January 28, 2019).

transaction will not result in significant changes in carrier operations, i.e., changes that exceed the thresholds established in 49 C.F.R. § 1105.7(e)(4) or (5).

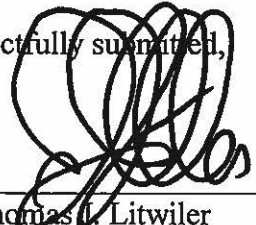
Under 49 C.F.R. § 1105.8(b)(1), LSRC's lease of the Plymouth Line also is excepted from historic preservation reporting requirements. The proposed transaction is for the purpose of continued rail operations. Further Surface Transportation Board approval is required to abandon or discontinue any service and there are no plans to dispose of or alter properties subject to Board jurisdiction that are fifty years old or older.

Caption Summary: 49 C.F.R. § 1150.44

A caption summary in appropriate form is attached as Exhibit E to this Notice.

Respectfully submitted,

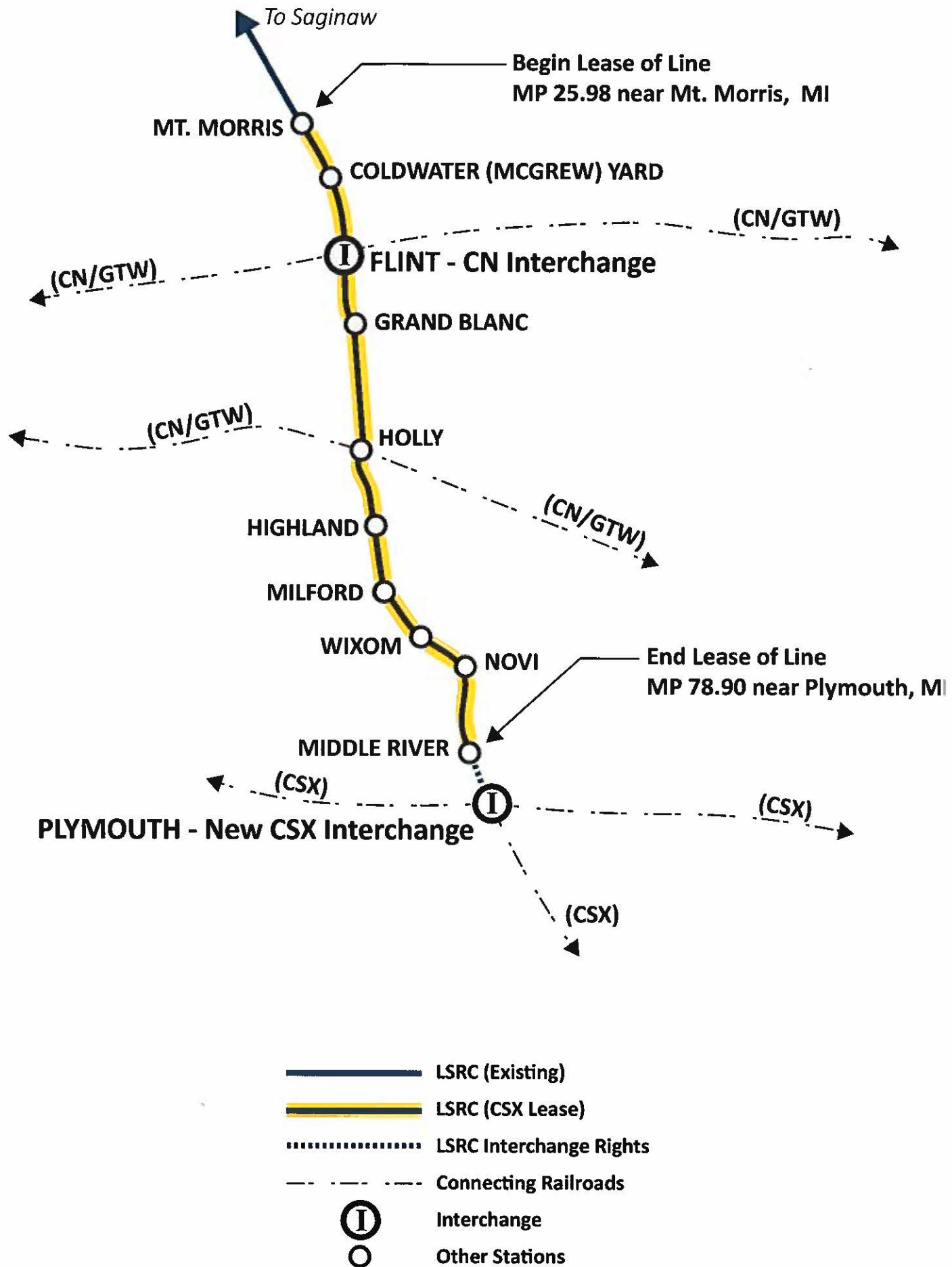
By: _____


Thomas L. Litwiler
Fletcher & Sippel LLC
29 North Wacker Drive
Suite 800
Chicago, Illinois 60606-3208
(312) 252-1500

**ATTORNEY FOR LAKE STATE
RAILWAY COMPANY**

Dated: February 21, 2019

EXHIBIT A



CERTIFICATION

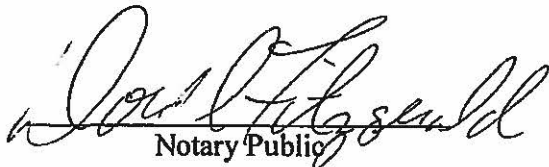
State of Michigan)
)
County of Saginaw) SS:

John A. Rickoff, being duly sworn, hereby certifies that the projected annual rail revenues of Lake State Railway Company as a result of the transaction proposed herein will not result in the creation of a Class II or a Class I rail carrier under the provisions of 49 C.F.R. § 1201 (1-1).



John A. Rickoff
President and Chief Executive Officer

SUBSCRIBED AND SWORN TO
before me this 21 day
of February, 2019.



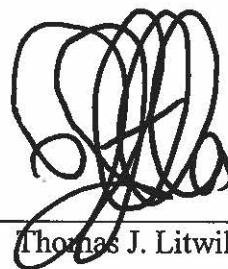
Notary Public

My Commission expires:

DORA D. FITZGERALD
NOTARY PUBLIC, STATE OF MI
COUNTY OF SAGINAW
MY COMMISSION EXPIRES Sep 3, 2020
ACTING IN COUNTY OF

CERTIFICATE OF SERVICE

I hereby certify that on this 21st day of February, 2019, under cover of letter in the form attached hereto and served by first class mail, postage prepaid, notice of the proposed transaction and interchange commitment in Docket No. FD 36262 was provided to shippers that currently use or have used in the prior two calendar years the CSX Transportation, Inc. rail line between Mount Morris and Middle River (Plymouth), Michigan, as listed in the confidential information submitted to the Board pursuant to 49 C.F.R. § 1150.43(h)(iii).

A handwritten signature in black ink, appearing to read "Thomas J. Litwiler", is written over a horizontal line.

Thomas J. Litwiler

[FORM OF SHIPPER NOTICE LETTER]

February 21, 2019

VIA U.S. MAIL

[CONTACT NAME]
[SHIPPER NAME]
[STREET ADDRESS]
[CITY, STATE, ZIP CODE]

Re: **Docket No. FD 36262**
Lake State Railway Company -- Lease Exemption with
Interchange Commitment -- Line of CSX Transportation, Inc.

Dear [CONTACT NAME]:

In accordance with 49 C.F.R. § 1150.43(h)(1)(v), Lake State Railway Company ("LSRC") provides notice that LSRC has reached agreement with CSX Transportation, Inc. ("CSXT") to lease and operate CSXT's rail line extending from approximately milepost CC 25.98 at Mount Morris, Michigan to approximately milepost CC 78.9 at Middle River (Plymouth), Michigan (the "Plymouth Line"). You are receiving this notice as a shipper that has utilized service on the Plymouth Line during the last two years. The lease from CSXT to LSRC will include an interchange commitment under which an additional rental fee is assessed to LSRC for rail traffic originating or terminating on the Plymouth Line that is interchanged with a railroad other than CSXT.

LSRC is today filing a notice of exemption in the above-captioned docket at the Surface Transportation Board for its lease and operation of the Plymouth Line. Please feel free to contact me at the above number or LSRC's Mike Stickel at (989) 274-4171 if you have any questions regarding this notice or need any additional information. Thank you.

Very truly yours,

Thomas J. Litwiler
Attorney for Lake State Railway Company

TJL:tl

cc: Mike Stickel, LSRC

FLETCHER & SIPPEL LLC

ATTORNEYS AT LAW

29 North Wacker Drive
Suite 800
Chicago, Illinois 60606-3208

Phone: (312) 252-1500
Fax: (312) 252-2400
www.fletcher-sippel.com

January 7, 2019

246978

VIA ELECTRONIC FILING

Ms. Cynthia T. Brown
Chief, Section of Administration
Office of Proceedings
Surface Transportation Board
395 E Street, S.W., Room 1034
Washington, DC 20423-0001

ENTERED
Office of Proceedings
January 28, 2019
Part of
Public Record

Re: **Docket No. FD 36262**
Lake State Railway Company -- Lease Exemption with
Interchange Commitment -- Line of CSX Transportation, Inc.

Dear Ms. Brown:

Pursuant to 49 C.F.R. § 1150.42(e), Lake State Railway Company ("LSRC") hereby certifies that on January 4, 2019 the attached Notice was posted at the following workplaces of employees of CSX Transportation, Inc. ("CSXT"):

CSXT Yard Office
1420 East Carpenter Road
Flint, MI 48505

CSXT MOW Building
6301 Bellview Drive
Flint, MI 48505

CSXT Yard Office
250 Church Street
Grand Blanc, MI 48439

CSXT Signals Shop and Office
216 Martha Street
Holly, MI 48442

LSRC also certifies that on January 4, 2019, the attached Notice was served by first class mail, postage prepaid, on the national offices of the labor unions representing CSXT employees on the subject rail line, at the following addresses:

FLETCHER & SIPPEL LLC

Ms. Cynthia T. Brown
January 7, 2019
Page 2

Mr. Dennis R. Pierce
National President
Brotherhood of Locomotive Engineers and Trainmen, IBT
7061 East Pleasant Valley Road
Independence, OH 44131

Mr. John Previsich
President, Transportation Division
International Association of Sheet Metal, Air, Rail &
Transportation Workers
24950 Country Club Road, Suite 340
North Olmsted, OH 44070-5333

Mr. Freddie N. Simpson
President
Brotherhood of Maintenance of Way Employees Division, IBT
41475 Gardenbrook Road
Novi, MI 48375-1328

Mr. Floyd E. Mason
President
Brotherhood of Railroad Signalmen
917 Shenandoah Shores Road
Front Royal, VA 22630

Mr. Richard A. Johnson
General President, Carmen Division
Transportation•Communications Union/IAM
3 Research Place
Rockville, MD 20850

Mr. Lonnie R. Stephenson
International President
International Brotherhood of Electrical Workers
900 Seventh Street, N.W.
Washington, DC 20001

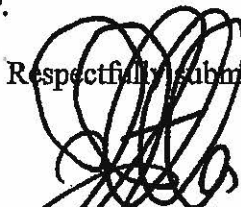
Mr. Robert Martinez, Jr.
International President
International Association of Machinists & Aerospace Workers
9000 Machinists Place
Upper Marlboro, MD 20722

FLETCHER & SIPPEL LLC

Ms. Cynthia T. Brown
January 7, 2019
Page 3

If you have any questions regarding this filing, please feel free to contact me.
Thank you for your assistance on this matter.

Respectfully submitted,

A handwritten signature in black ink, appearing to be 'Thomas J. Litwiler', written over the word 'submitted'.

Thomas J. Litwiler
Attorney for Lake State Railway Company

TJL:tl

Attachment

LAKE STATE RAILWAY COMPANY
750 North Washington Avenue
Saginaw, MI 48607

NOTICE

Pursuant to regulations of the Surface Transportation Board ("STB") at 49 C.F.R. § 1150.42(e), Lake State Railway Company ("LSRC"), a Class III rail carrier, hereby gives notice to employees of CSX Transportation, Inc. ("CSXT") that on or about March 8, 2019, LSRC intends to lease and thereafter operate CSXT's line of railroad extending between approximately CSXT milepost 25.98 at or near Mount Morris, Michigan (existing connection with LSRC) and CSXT milepost 80.85 at or near Plymouth, Michigan, a distance of approximately 54.87 miles. CSXT will retain overhead trackage rights between McGrew Yard and the existing CSXT/Grand Trunk Western Railroad Company connection in Flint, Michigan.

A notice of exemption to authorize the proposed transaction will be filed with the STB on or shortly before February 6, 2019 in Docket No. FD 36262.

As a result of the proposed lease transaction, LSRC expects to have the following employment opportunities in Saginaw and Flint, Michigan:

Transportation/Train Service	-	Six (6) positions
Maintenance of Way	-	Six (6) positions
Maintenance of Way/Track Inspector	-	One (1) position
Maintenance of Equipment/Locomotive Mechanic	-	One (1) position
Maintenance of Equipment/Carman	-	Two (2) positions

Rates of pay are commensurate with short-line railroads in the region. LSRC provides its team members with the following benefits:

- | | |
|-----------------------|--------------------|
| • Medical Insurance | • Paid Time Off |
| • Dental Insurance | • 10 Paid Holidays |
| • Life Insurance | • RRB Benefits |
| • 401K Profit Sharing | |

Candidates will be required to complete LSRC's Application for Employment and the normal employee screening and interview process. LSRC will offer priority hiring consideration to CSXT employees on the subject rail line. Any employment offered is for an indefinite duration and at will and may be terminated at any time with or without notice or cause.

LSRC is an equal opportunity employer and does not discriminate against otherwise qualified applicants on the basis of race, color, creed, religion, ancestry, age, sex, marital status, national origin, disability or handicap, or veteran status.

The LSRC Application for Employment and job descriptions are available at www.lsrc.com/careers.

CSXT employees desiring further information regarding the transaction or employment opportunities with LSRC may contact Michael Davis, LSRC Human Resources Manager, at (989) 393-9819.

SURFACE TRANSPORTATION BOARD

NOTICE OF EXEMPTION

DOCKET NO. FD 36262

LAKE STATE RAILWAY COMPANY
-- LEASE EXEMPTION WITH INTERCHANGE COMMITMENT --
LINE OF CSX TRANSPORTATION, INC.

Lake State Railway Company ("LSRC"), a Class III rail carrier, has filed a Verified Notice of Exemption to lease and operate a line of railroad of CSX Transportation, Inc. ("CSXT") extending from approximately milepost CC 25.98 at Mount Morris, Michigan to milepost CC 78.9 at Middle River (Plymouth), Michigan, a distance of approximately 52.92 miles. The lease transaction includes an interchange commitment. CSXT will retain certain overhead trackage rights on the line within Flint, Michigan and between Flint and Middle River.

LSRC expects to consummate the proposed lease transaction on March 29, 2019.

Comments must be filed with the Board and served on:

Thomas J. Litwiler
Fletcher & Sippel LLC
29 North Wacker Drive
Suite 800
Chicago, Illinois 60606-3208
(312) 252-1500
tlitwiler@fletcher-sippel.com

This Notice is filed under 49 C.F.R. § 1150.41. If the Notice contains false or misleading information, the exemption is void ab initio. Petitions to revoke the exemption under 49 U.S.C. § 10502(d) may be filed at any time. The filing of a petition to revoke will not automatically stay the transaction.

Board decisions and notices are available at www.stb.gov.

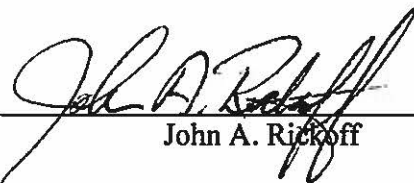
Decided: March __, 2019

By the Board, Scott M. Zimmerman, Acting Director, Office of Proceedings

VERIFICATION

State of Michigan)
) ss:
County of Saginaw)

John A. Rickoff, being duly sworn, deposes and says that he is President and Chief Executive Officer of Lake State Railway Company, that he has read the foregoing Notice of Exemption and knows the facts asserted therein, and that the same are true as stated.



John A. Rickoff

SUBSCRIBED AND SWORN TO
before me this 21 day
of February, 2019.



Notary Public

My Commission expires:

DORA D. FITZGERALD
NOTARY PUBLIC, STATE OF MI
COUNTY OF SAGINAW
MY COMMISSION EXPIRES Sep 3, 2020
ACTING IN COUNTY OF