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June 27, 2018

By e-filing

Ms. Cynthia T. Brown, Chief
Section of Administration
Office of Proceedings
Surface Transportation Board
395 E Street, S.W.
Washington, DC 20024

Re: Docket No. AB-33 (Sub-No. 327X), *Union Pacific Railroad Company --
Abandonment and Discontinuance of Service Exemption -- in Cerro Gordo
County, IA*

Dear Ms. Brown:

The date for filing OFAs in the above proceeding is no later than July 2, 2018. This is to provide notice to the Board and to Union Pacific Railroad Company (UP) that M&StL Group LLC (M&StL) will not file an OFA to purchase the rail line involved in this proceeding. M&StL has asked that I include the comments set out below in explanation for its decision.

M&StL's decision not to go forward with an OFA does not mean that M&StL no longer desires to acquire, rehabilitate, and successfully operate the involved rail line in the public interest. M&StL would have restored the rail line's historical connections to Class I rail carriers, and would have provided reliable rail service to the prospective shipper who voiced support for the proposed rail service, and to other shippers who would have been actively solicited by M&StL to locate along the line. In M&StL's view, that is the overriding goal of the OFA statute.

Instead, M&StL cannot go forward because it would be cost-prohibitive to purchase the line in view of a Board regulation that provides that an offer by a recreational Trails Group to purchase the line at a price many times higher than the intrinsic value of the line would establish the purchase price of the line. The reason for that regulation is to ensure that the rail carrier receives the "constitutional minimum value" of the line. But here UP will receive a huge windfall many times more than fair value. UP spent nothing on the line in the past 30 years, to the point that UP itself acknowledges that the track materials in the line have a significant negative value. Yet UP will receive a seven-figure purchase price without having spent a dime on track maintenance. In addition, it is the City of Mason City, Iowa, not a Trail Group, who is funding this purchase.

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The foregoing indicates that the purpose of the OFA statute is being circumvented by arrangements such as this whereby the City, UP, and the Trail Group conspire to prevent restoration of needed rail service. In M&StL's view, the Board should reconsider the regulations governing OFAs and requests for trail use.

Respectfully submitted,

A handwritten signature in dark ink that reads "Tom McFarland". The signature is written in a cursive, slightly slanted style.

Thomas F. McFarland
Attorney for M&StL Group, LLC

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cc: Jeremy M. Berman, Esq., Attorney for UP, jmberman@up.com
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