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BEFORE THE
SURFACE TRANSPORTATION BOARD



FINANCE DOCKET NO. 34177

IOWA, CHICAGO & EASTERN RAILROAD CORPORATION --
ACQUISITION AND OPERATION EXEMPTION --
LINES OF I&M RAIL LINK, INC. LLC

ENTERED
Office of the Secretary

JUN 14 2002

Part of
Public Record

COMMENTS AND
PETITION TO STAY TRANSACTION, REVOKE EXEMPTION,
AND FOR OTHER RELIEF

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Dated: June 14, 2002

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I. INTRODUCTION

Iowa, Chicago & Eastern Railroad Corporation ("ICE") has filed a verified Notice (the "Notice") invoking the class exemption provisions at 49 C.F.R. § 1150.35 to acquire and operate approximately 1,400 miles of rail lines and incidental trackage rights presently operated by I&M Rail Link LLC ("IMRL") in the states of Illinois, Iowa, Kansas, Missouri, Minnesota, and Wisconsin.

Ag Processing Inc ("AGP" or "Ag Processing") primarily is a processor of soybeans and operates three soybean crushing facilities in Iowa that make extensive use of the IMRL lines, mainly for the transportation of soybean products to eastern markets via the Chicago gateway and, to a lesser extent, via the Minneapolis/St. Paul gateway.

It is AGP's understanding that ICE has been made aware, but has not disclosed or discussed in the Notice, that various agreements and services necessary for it to reach Chicago and to interchange with connections at Minneapolis/St. Paul, formerly available to IMRL, have been cancelled or otherwise may be unavailable to ICE, in part resulting from actions of other railroads in response to the proposed sale of ICE and in part as a function of certain contracts assigned to ICE; and that no arrangements have been made by ICE to replace those agreements or services.

Unless and until ICE is able to negotiate arrangements with connecting carriers to replace the competitively effective switching or other services that had been provided for IMRL at Chicago and Minneapolis/St. Paul on interchange traffic, and is able to reach agreements with the owners of certain trackage accessing Chicago over which IMRL had trackage rights, traffic from Ag Processing's Iowa facilities and from other IMRL origins will not be able to move efficiently to eastern or Canadian markets via ICE. These service curtailments not only will reduce service and competition from IMRL points eastward, but may severely undercut ICE's revenues and viability. In any event, they will transform the subject properties in the hands of ICE into a functionally different and far less usable railroad than when operated by IMRL.

Ag Processing requests the Board to stay the proposed effective date of the transaction not only on account of the service alterations being brought about as a consequence of the proposed sale to ICE, but also in order to examine thoroughly the service prospects of ICE. In order to explore all reasonable means of rectifying the described service alterations, AGP also requests the Board either to revoke the exemption relied upon by ICE or to institute appropriate proceedings to develop the record for the purpose

of determining whether the exemption should be revoked. This approach is identical to the steps taken by the Board when IMRL acquired these same properties. See I&M Rail Link, LLC -- Acquisition and Operation Exemption -- Certain Lines of Soo Line Railroad Company D/B/A Canadian Pacific Railway, STB Finance Docket No. 33326 (February 3, 1997) ("IMRL Stay"). The relief sought by AGP will not permanently bar the transaction from going forward, but will require ICE to use procedures that provide for a more thorough analysis of the resulting service.

II. BACKGROUND

ICE is an indirect non-carrier subsidiary of Dakota, Minnesota & Eastern Railroad Corporation ("DM&E"), a Class II rail carrier operating approximately 1,100 miles of track in Minnesota, South Dakota, Wyoming, Nebraska and Iowa. ICE is projected by the Notice likewise to become a Class II carrier.

The Notice states that¹ --

Pursuant to the Asset Purchase Agreement entered into by IC&E and IMRL, IC&E will acquire IMRL's existing rail lines extending generally between Chicago, Kansas City and Minneapolis/St. Paul, as well as across northern Iowa and southern Minnesota.... IC&E also will acquire via assignment from IMRL approximately 275 miles of incidental trackage rights over line segments of other carriers. A detailed description of the rail lines and incidental trackage rights to be acquired by IC&E is attached here as Exhibit A.

Notice at 3. Also attached to the Notice as Exhibit B is a map of the lines purportedly to be acquired and operated by ICE, showing that those lines extend to Chicago, on the east, and Minneapolis/St. Paul on the north.

¹ Representations of ICE contained in the Notice are substantially similar to or identical with representations contained in a certain Notice of Intent of Iowa, Chicago & Eastern Railroad Corporation to file

Exhibit A to the Notice includes a description of certain "incidental trackage rights" to be acquired by ICE "via assignment from IMRL," including the following rights:

Over the Commuter Rail Division of the Regional Transportation Authority of Northeast Illinois, d/b/a Metra between milepost 40.3 at Pingree Grove, IL and milepost 6.5 at Cragin Junction, IL, a distance of approximately 33.8 miles, as well as over connecting trackage of Soo Line Railroad Company ("Soo") at Spaulding and Franklin Park, IL to reach connections with other carriers.²

The lines of railroad and incidental trackage rights to be acquired by ICE are described in the Notice as if continued service by ICE over those lines and the assigned trackage rights segments is assured unconditionally, and without any disclosure of changes applicable to those properties that will disrupt the flow of all traffic to Chicago and to Minneapolis/St. Paul for interchange. Indeed, far from suggesting any interruption or alteration of service, the Notice states (p. 5) that ICE will benefit "further from its access to major Midwestern rail gateways: Chicago, Kansas City and Minneapolis/St. Paul" and that ICE "will connect with every U.S. Class I railroad, a claim that no other non-Class I railroad may be able to make" (emphasis in text). ICE states that it "will continue service on all of the IMRL Lines now operated by IMRL, and generally will maintain existing service frequency levels." Ibid.³

ICE will not in fact acquire unconditional rights to reach Chicago. Nor will it inherit the same switching arrangements at Chicago or Minneapolis/St. Paul as have en-

Verified Notice of Exemption Pursuant to 49 C.F.R. § 1150.35, filed by ICE in this proceeding on May 23, 2002 ("Notice of Intent").

² The Commuter Rail Division of the Regional Transportation Authority of Northeast Illinois is hereinafter called "METRA".

³ Although the Notice acknowledges that "IMRL currently handles significant volumes of overhead haulage traffic for Class I railroads, several of which have recently indicated to IMRL that such traffic may

abled IMRL to use those gateways for interline connections. The sale of IMRL's interests in the subject properties, including the assignment of trackage rights, is anything but absolute and unconditional. Although the full extent to which those rights are tenuous is unknown to AGP in the absence of access to all relevant written agreements, the Verified Notice of Exemption pursuant to which IMRL acquired the same properties indicates that IMRL's access to Chicago and service at Minneapolis/St. Paul are subject to limitations and agreements with other parties. See Exhibit No. 1 hereto, Verified Notice of Exemption, Finance Docket No. 33326, I&M Rail Link, LLC - Acquisition and Operation Exemption -- Certain Lines of Soo Line Railroad Company d/b/a Canadian Pacific Railway (January 14, 1997) ("IMRL Notice"). Those limitations appear to attach to the assets that ICE seeks to acquire.

The IMRL Notice acknowledges that IMRL is dependent on an assignment of operating rights from CP in order to operate over certain lines owned by METRA necessary to reach Chicago (IMRL Notice at 2); that IMRL's incidental trackage rights to reach Chicago are "subject to all obligations and limitations contained in [CPs] existing agreements with METRA governing such operations and use" (IMRL Notice at 4); and that the "consent of third parties" may be necessary in order for IMRL to implement any assignment to it of trackage rights (IMRL Notice, fn. 2). These contingencies are an integral part of the rail network that ICE proposes to acquire. AGP believes that the terms of these various agreements to which IMRL's properties are subject contain the foundations for some of the significant service alterations, disruptions, and reductions in competition which appear likely to follow from ICE's acquisition of the IMRL lines.

be reduced or diverted to other routes," (Ibid), nowhere in the Notice does ICE acknowledge a similar disruption of originating traffic handled to eastbound interchanges.

Attached to this pleading as Exhibit No. 2 is the Verified Statement of Mr. Terry J. Voss, Senior Vice President of AGP for Transportation. Appended to Exhibit No. 2 are a series of notices served by CP on IMRL in April 2002, canceling, effective at various times between July 2002 and April 2003, certain agreements between CP and IMRL, and also providing notice that the reciprocal switching rates of CP will be increased to \$250 per car at Chicago and Minneapolis/St. Paul. Mr. Voss explains that, to the best of his understanding, the assigned trackage rights over METRA, necessary for access to Chicago, cannot be utilized absent the consent of METRA, which has not yet been obtained. Exhibit No. 2, ¶ 8. Consequently, it appears at this time that ICE cannot access Chicago over METRA, and the Notice contains no indication of how, if at all, ICE may make alternate arrangements by June 28, 2002, the projected consummation date. If ICE does overcome the METRA disability, it may still face disrupted switching at Chicago, just as it certainly will at Minneapolis/St. Paul. The net result of these deviations from the use of the subject properties in the hands of IMRL will be an interruption or curtailment of interchange traffic originating on the present IMRL lines.

A disruption in interchanges at Chicago and Minneapolis/St. Paul will severely and substantially curtail AGP's ability to compete in these markets, as it is likely to do for other shippers similarly reliant on service over IMRL's lines.⁴ Markets lost to competitors are not easily regained.

⁴ AGP has no way to determine how many such shippers may object to this transaction in its present form. It is reasonable to conclude, however, that many IMRL shippers have been lulled erroneously by the Notice into believing that ICE will continue to provide service over the Chicago and Minneapolis/St. Paul gateways on the same terms as did IMRL. The full extent of shipper concern regarding a transfer of the IMRL properties to ICE cannot really be determined unless ICE provides notice to all IMRL shippers of the actual or potential service disruptions related to the acquisition.

There are other palpable consequences of a transfer to ICE of the IMRL properties as those properties will exist in the hands of ICE.

The loss of the IMRL lines as an effective competitive conduit to Chicago and to the Minneapolis/St. Paul gateway will have the effect of reducing service options for AGP on its essential interchange traffic, from IMRL/UP to UP alone. UP's route is decidedly less efficient to the major gateway utilized by AGP.⁵ Presently, AGP's three Iowa soybean processing facilities are, for all practical purposes, served by both IMRL and UP. Exhibit No. 2, ¶ 2. Most of the soybean product traffic generated by those facilities, however, moves over the Chicago gateway via IMRL. The IMRL route to Chicago is shorter from all three AGP origins than is the UP route. From Mason City, the IMRL route is 15 percent shorter than the UP route, and from Sheldon it is 19 percent shorter. AGP will lose competitive rail service over these more efficient routes, and will be left only with service by UP to these essential markets. UP is not presently competitive for this traffic. Exhibit No. 2, ¶¶ 3-5.

Because the proposed sale portends a disruption of service for traffic originating on the IMRL lines and destined to eastern and northern markets, and because the proposed sale already promises to divert purely overhead traffic moving via the IMRL lines,⁶ there is a serious threat to the viability of these lines in the hands of ICE. Attached as Ex. No. 4 are excerpts from the 2001 Annual Report filed by IMRL with the Iowa Depart-

⁵ A review of an IMRL map will disclose that most of the Iowa points served by IMRL do not have UP service and will have no alternative means of reaching destinations or gateways that may be disrupted as a result of the ICE purchase.

⁶ The Notice states: "IMRL currently handles significant volumes of overhead haulage traffic for Class I railroads, several of which have recently indicated to IMRL that such traffic may be reduced or diverted to other routes." Notice at 5-6. Attached as Ex. No. 3 is a recent letter from UP to DM&E notifying it that a certain haulage agreement for UP traffic moving over IMRL lines will be terminated "effective on the date that control of IMRL changes." UP's letter indicates that UP's termination of its haulage agreement is directly related to the ICE acquisition.

ment of Transportation ("IDOT"). These data demonstrate incontrovertibly that the IMRL lines are dependent overwhelmingly on interline and overhead traffic, rather than originating and terminating traffic. In 2001, only 31,817 carloads originated and terminated on IMRL, whereas those lines handled nearly 20,000 cars of overhead traffic, 93,000 cars of originating (but not terminating) traffic, and 107,000 cars of terminating (but not originating) traffic. Admittedly, some portion of the interline (originating or terminating) and overhead traffic may well move via the line's Kansas City gateway. But a substantial portion of that traffic is bound to need continued efficient access on economic terms to Chicago and to the Chicago and Minneapolis/St. Paul gateways if IMRL's properties can be expected to survive in the hands of ICE.

In short, the proposed transaction apparently will result in a restructuring of the manner in which the IMRL lines are to be used, in a disruption of present service patterns and a reduction of competition, and in a threat to the viability of those lines, unless ICE can provide clear assurances that it will in fact overcome by the consummation date of June 28 the conditions that threaten to bring about these changes.

III. ARGUMENT

A. Stay Issues

When IMRL acquired these same rail properties from CP, its Notice of Exemption under 49 C.F.R. § 1150.31 was stayed by Chairman Morgan. IMRL Stay, *supra*. After setting forth the test to determine whether a stay is warranted,⁷ the decision concluded:

⁷ Chairman Morgan's decision recites: "To justify a stay, the petitioner must demonstrate: (1) it has a strong likelihood of prevailing on the merits; (2) it will be irreparably harmed in the absence of a stay; (3) other interested parties will not be substantially harmed by the stay; and (4) the public interest supports

This proceeding involves a transaction that would result in the creation of a new Class II railroad that will be providing service over approximately 1,400 miles of rail lines and that will be affiliated with another Class II railroad.... To enable the Board to make an informed decision on the issues and concerns raised here, the effective date of the exemption will be stayed ... and the parties will be directed to provide us with additional evidence and argument. Although the sort of transactions contemplated by these combined filings have regularly been approved where Class III railroads are involved, the present transaction involves an acquisition by a non-carrier, affiliated with a Class II railroad, that would itself become a Class II railroad by virtue of this acquisition. Under the circumstances present in this case, the transaction requires greater scrutiny.

This transaction replicates the transaction deemed to require "greater scrutiny" in the IMRL Stay. Moreover, there are additional reasons here to stay the transaction and to examine carefully its consequences in order to determine whether the exemption process relied upon by ICE should be revoked. The proposed acquisition apparently will lead to a disruption, perhaps irreparably, of the eastbound and northern flow of traffic from the subject lines. This consequence undercuts the Notice on several grounds.

First, by failing to adequately acknowledge the probability or possibility of these service disruptions, and by positing the acquisition as one that will further access by ICE to the Chicago and Minneapolis/St. Paul gateways over IMRL's present routes, the Notice is misleading.⁸

Second, not only is the use of this particular class exemption suspect where it will create a Class II railroad to be affiliated with another Class II railroad, but the class ex-

granting the stay. Virginia Petroleum Jobbers Assoc. v. FPC, 259 F.2d 921 (D.C. Cir. 1958); Washington Metropolitan Area Transit Comm. v. Holiday Tours, Inc., 559 F.2d 841, 843 (D.C. Cir. 1977)."

⁸ As noted in fn. 5, supra, while the Notice acknowledges an anticipated loss of an undefined volume of overhead traffic, it is silent regarding any possible loss of interline (originating or terminating) traffic.

emption also is inappropriate where the result will be something other than a continuation of service over the lines to be acquired. As the Board stated recently:

The class exemption procedures were adopted to serve shippers and community interests by facilitating continued rail service, on lines that the selling carrier could no longer operate profitably, by new, smaller carriers seeking to provide service more efficiently. See Class Exemption, 1 I.C.C. 2d at 812-13, 817. The procedures are designed to meet the need for expeditious handling of a large number of requests that are rarely opposed. In most instances, the transactions under this proposal will involve resumed continued rail service with no change in operations. Class Exemption, 1 I.C.C. 2d at 811. (Emphasis added.)

Riverview Trenton Railroad Company -- Acquisition and Operation Exemption -- Crown Enterprises, Inc.; Riverview Trenton Railroad Company -- Petition for an Exemption from 49 U.S.C. 10901 to Acquire and Operate a Rail Line in Wayne County, MI, STB Finance Docket No. 33980, et al. (February 15, 2002). Where, as here, the acquisition made subject to the exemption will lead to significant operational changes, the exemption is inappropriate, or, at a minimum, should be stayed for further examination.

Third, disruption of service over the Chicago or Minneapolis/St. Paul gateways will cause immediate and irreparable injury to AGP and possibly other shippers who have not yet spoken up because of the misleading nature of the Notice of Intent and the Notice itself. With the unavailability of eastern and Canadian gateways via IMRL lines, UP will represent the only alternate access to those gateways for AGP, and UP does not offer the effective competition necessary for AGP to meet the competition of other soybean processors. Exhibit No. 2, ¶ 9.

Fourth, on an ongoing basis, the Board has recognized that transactions under 49 U.S.C. § 11323 for approval of control of a rail carrier should not interfere with physical

and economic preservation of gateway access. Major Rail Consolidation Procedures, STB Ex Parte No. 582 (Sub-No. 1) (June 11, 2001). While the Major Rail Consolidation rules apply only to consolidations involving Class I railroads, there is no enunciated reason why Board policy should foster gateway closings as a consequence of Section 11323 proceedings involving Class II railroads. According to the Notice (p. 4), this proceeding is step one in a two-step transaction, the second step of which will be a control application pursuant to Section 11323 that will align ICE with another Class II carrier.

Fifth, with the disruption of service over the eastern and northern gateways of IMRL, which account for the substantial part of AGP's soybean product output at the three IMRL-served Iowa facilities, AGP in effect will experience a reduction in rail competition from two carriers to one carrier.

Collectively, the consequences described above meet the criteria for a stay to even a greater extent than was present in the IMRL Stay. The transaction does not appear to qualify for class exemption treatment so that there is a substantial likelihood of success on the merits; there is irreparable harm; the public interest will be satisfied if the transaction is stayed for further and more detailed examination; and the Notice contains no indication that any parties will be harmed by a stay.

B. Revocation Issues

Revocation has been deemed appropriate where there has been a failure by the applicant to make full disclosure regarding salient conditions of the property to be transferred. Jefferson Terminal Railroad Company -- Acquisition and Operation Exemption -- Crown Enterprises, Inc., STB Finance Docket No. 33950 (March 19, 2001). As discussed above, those grounds exist in this case.

Under 49 U.S.C. § 10502(d), the Board also may revoke an exemption if it finds that regulation of the transaction at issue is necessary to carry out the rail transportation policy of 49 U.S.C. § 10101 ("RTP"). In determining whether regulation is necessary, the analysis focuses on those sections of the RTP related to the underlying statutory section from which the exemption is sought. Missouri Pac. R. Co. -- Aban. Exempt. -- Counties in Oklahoma, 9 I.C.C. 2d 18 (1992).

Here, the class exemption invoked applies to the provisions of 49 U.S.C. § 10901. Subsection (c) of that section provides that the Board may not issue a certificate authorizing the acquisition and operation of rail lines if such activities "are inconsistent with the public convenience and necessity."

The public convenience and necessity standard of Section 10901(c) requires revocation of the exemption for the purpose of fostering a more detailed analysis of the transaction and its ramifications. There is ample reason to believe that, as a result of overhead traffic diversions and the apparent inability of ICE to reach Chicago or to interchange traffic at the Chicago and Minneapolis/St. Paul gateways, ICE will suffer severe reductions in carload traffic and revenues, raising legitimate concerns regarding the viability of the IMRL lines in the hands of ICE. Public convenience and necessity considerations should lead the Board to demand a closer examination of these issues.

Revocation has been regarded as appropriate to address provisions of the RTP. As stated by the Board in Riverview Trenton Railroad Company, *supra*: "* * * we are revoking the exemption pursuant to the standards of 49 U.S.C. 10502(d), specifically, the need to address the rail transportation policy of 49 U.S.C. 10101(2). That provision states, in relevant part, that, in regulating the railroad industry, it is the policy of the

United States Government, while minimizing the need for regulatory control, 'to require fair and expeditious regulatory decisions when regulation is required.'"

Revocation of the exemption relied upon by ICE does not terminate the ability of ICE to acquire the subject properties. It means only that ICE may not do so under the class exemption it has selected. AGP urges the Board either to revoke the exemption at this point and direct ICE to proceed through other provisions, or, at a minimum, to stay the proceeding and permit a reasonable period of time for the development of an adequate record on which to determine if revocation is appropriate at this time.

IV. OTHER CARRIERS

While AGP normally would not attempt to anticipate the response of ICE to the position taken in this petition, the extremely short time frames allowed for responsive pleadings, prior to the proposed transactional effective date of June 28, 2002, suggest that it may be prudent to address at least some of those possibilities at this time.

It may be that ICE will take the position that the service cancellations, reciprocal switching fee increases, and trackage rights difficulties that AGP believes to exist are not the making of ICE and therefore not subject to the transaction presently before the Board. AGP would ask the Board to reject any such position, at least prior to the development of a fuller record.

ICE apparently is proceeding on the basis of an Asset Purchase Agreement ("APA") that includes certain assignments of rights or privileges initially enjoyed by CP and made available by CP to IMRL. Some of those privileges, such as trackage rights over the METRA segment, appear to have been assigned by IMRL to ICE.

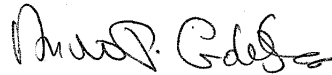
Insofar as most of these conditions are concerned, they seem to have been known to ICE before it entered into the APA, and the actions taken recently by CP therefore should come as no surprise to ICE. CP has made it clear that it has moved to cancel those agreements and to increase its switching charges as a direct result of the "transaction contemplated by the Asset Purchase Agreement ... between I&M Rail Link, LLC ... and the Iowa, Chicago & Eastern Railroad Corporation." Exhibit No. 2, Appendix A. It is not likely that ICE undertook the purchase of 1,400 miles of rail line and trackage rights without having made an investigation of these conditions and without having learned that CP at least arguably was in the position to do what it has done, thereby interfering with the ability of ICE to reach Chicago or to interchange traffic at Chicago and Minneapolis/St. Paul. The consequences of those CP actions triggered by the APA are traceable directly to the proposed acquisition. The fact that CP may not have been required to take those actions, but elected to do so, does not make them any less a product of the acquisition.

AGP believes that the shipping public is entitled to an opportunity to examine the consequences of the actions taken by the applicant. It would be inconsistent with the public convenience and necessity standard of Section 10901 for the Board to allow a potentially disruptive transaction to proceed without considering all possible alternatives. When IMRL acquired the same properties from CP, the Board not only entered a stay, but ultimately considered the Section 10901 exemption with the exemption there invoked for approval of control of IMRL. I&M Rail Link, LLC -- Acquisition and Operation Exemption -- Certain Lines of Soo Line Railroad Company D/B/A Canadian Pacific Railway; Dennis Washington, et al. -- Continuance in Control Exemption -- I&M Rail Link

LLC; Montana Rail Link, Inc. -- Acquisition of Control Exemption -- I&M Rail Link, LLC, STB Finance Docket No. 33326, No. 33327, and No. 33328 (April 2, 1997). In this instance, the Section 10901 exemption likewise must be followed by a control proceeding, although the control proceeding will not be placed forward as an exemption, but as a fully regulated transaction under Section 11323(a)(3). Notice at 4.⁹ The Board should consider whether it is appropriate to analyze the acquisition of IMRL's assets at the same time the Board considers the control of those assets by DM&E.

AGP accordingly urges the Board to stay this transaction for a minimum of 60 days in order to permit development of the record through discovery or other means and in order to allow development of the record.

Respectfully submitted,



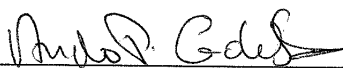
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Attorney for
Ag Processing Inc

⁹ The Notice (Ibid) indicates that the control transaction will be proposed under 49 C.F.R. § 1180.2(c) as a "minor" transaction. AGP believes that the anti-competitive consequences of the total package of line acquisition and change in control may well militate in favor of treating the control proceeding as a "significant" transaction.

CERTIFICATE OF SERVICE

I hereby certify that a copy of the foregoing pleading has been served on William C. Sippel and Thomas J. Litwiler by telecopier and by overnight mail this 14th day of June, 2002, and on all other parties of record by first-class mail, postage prepaid.



Andrew P. Goldstein

s:\mcd\AGP Petition

**I&M RAIL LINK, LLC
- ACQUISITION AND OPERATION EXEMPTION -
CERTAIN LINES OF SOO LINE RAILROAD COMPANY
d/b/a CANADIAN PACIFIC RAILWAY**

VERIFIED NOTICE OF EXEMPTION

PURSUANT TO 49 C.F.R. §§ 1150.31 and 1150.35

FINANCE DOCKET NO. 33326

I&M Rail Link, LLC ("I&M"),¹ pursuant to 49 C.F.R. §§ 1150.31 and 1150.35, files with the Surface Transportation Board (the "Board") this verified notice of exemption ("Notice") from the prior approval requirements of 49 U.S.C. § 10901 to permit I&M to acquire from Soo Line Railroad Company, d/b/a Canadian Pacific Railway ("CPR"), and to operate approximately 1,143 route miles of rail line, as follows:

(A) the "KC Mainline," which is CPR's mainline from Kansas City, MO (milepost 499.2)² northeasterly through Missouri and Iowa to a junction near Sabula, IA (milepost 141.6)³, at the Iowa-Illinois border, including branch lines from Davenport, IA (milepost 0.0) to Eldridge, IA (milepost 9.7) (the "Eldridge Branch") and from Davenport (milepost 0.0) to Albany, IL (milepost 35.0) (the "Nitin Branch")⁴, then from the junction near Sabula (milepost 141.6) both easterly across northern Illinois to Pingree Grove, IL, (milepost 41.9) including a branch line from

¹ I&M will be a new Delaware limited liability company, formed for the purpose of acquiring and operating the Subject Lines, as more fully described in this Notice. I&M will become a class II rail carrier upon consummation of the proposed transaction. I&M will be controlled through ownership by Dennis Washington, and through management by Don Parkinson, Mort Lowenthal, William H. Brodsky, J. Fred Simpson and Thomas J. Walsh, which individuals also control through ownership and management Montana Rail Link, Inc. ("MRL"), a class II rail carrier. This continuance in control of I&M following the consummation of the proposed acquisition transaction is the subject of a separate notice of exemption, which is filed concurrently herewith pursuant to 49 C.F.R. § 1180.2(d)(2) in Finance Docket No. 33327, *Dennis Washington et al - Continuance in Control Exemption - I&M Rail Link, LLC*. In addition, MRL, which will perform certain non-operating activities for I&M, also concurrently has filed for control of I&M in a separate notice of exemption pursuant to 49 C.F.R. § 1180.2(d)(2) in Finance Docket No. 33328, *Montana Rail Link, Inc. - Acquisition of Control Exemption - I&M Rail Link, LLC*.

² Operations into and out of Kansas City are via a Trackage Agreement with the Union Pacific ("UP") from milepost 456.7 at Polo, MO to milepost 494.5 at Birmingham, MO; a joint track agreement with UP from Birmingham (milepost 494.5) to Airline Junction (milepost 499.2); and beyond for approximately .13 miles on a joint CPR/KCS segment to Sheffield, MO. To the extent the assumption by I&M of any of the trackage rights described in this Notice requires the consent of third parties, I&M will take appropriate steps to obtain such consent.

³ Operation on the mainline at Clinton, IA will require assumption of CPR's trackage rights through the UP interlocking at approximately milepost 158.4.

⁴ Operation will be by assumption of CPR's trackage rights via Burlington Northern ("BN").

Davis Junction (milepost 0.0) to Rockford, IL (milepost 12.9)¹ and then beyond to Janesville, WI (milepost 45.8) (the "Janesville Branch"); and

(B) the "Corn Lines," which consist of the rail lines extending from Sabula, IA to Marquette, IA (milepost 98.0),⁴ and then northerly into Minnesota to La Crescent, MN (milepost 160.1); from the junction near Marquette (milepost 0.0), westerly across northern Iowa to a junction at Mason City, IA (milepost 116.7),² and continuing westerly to Sheldon, IA (milepost 253.4); from the junction near Mason City northerly into Minnesota to a junction near Cornus, MN (milepost 123.8); and from a junction near Ramsey, MN (milepost 43.0) westerly across southern Minnesota to Jackson, MN (milepost 149.4),³ including a branch line from Wells, MN (milepost 0.0) to Minnesota Lake, MN (milepost 9.0).

Together, the KC Mainline and the Corn Lines are referred to herein as the "Main System."

In addition to the trackage rights acquired by assignment from CPR for operation on the Nitrin Branch, the Rockford Segment, the Dubuque Segment, the Welcome Segment and the Nora Springs Segment, I&M proposes to acquire from CPR additional incidental trackage rights (i) for certain traffic on 34.9 miles of line from the end of CPR's line at Pingree, IL over certain lines owned by the Commuter Rail Division of the Regional Transportation Authority ("METRA"), over which CPR may assign operating rights, to a connection with the Belt Railway Company of Chicago at Cragin Junction (milepost 7.0) in the Chicago Terminal (the "Chicago System"); (ii) for overhead traffic on 125.8 miles of CPR's trackage, part of which is owned in

¹ By assignment of CPR's trackage rights via BN ("Rockford Segment").

² Operation through Dubuque, IA will involve the assumption of CPR's rights to operate on 1.7 miles of the Chicago, Central and Pacific between connections with the KC Mainline at mileposts 41.0 and 44.0 (the "Dubuque Segment").

³ I&M will assume CPR's trackage rights agreement for operation on the Iowa Northern Railway Company ("IANR") from IANR milepost 219.3 at Plymouth Junction, IA to IANR milepost 210.7 at Nora Springs, Iowa ("Nora Springs Segment").

⁴ Operation from Fairmont, MN (milepost 182.97) to Welcome, MN (milepost 190.28) will be by assumption of CPR's trackage rights on the Union Pacific ("Welcome Segment").

common with BN, from River Junction, MN, (milepost 288.0) to St. Paul, MN, (milepost 407.4), and for overhead traffic from Comus, MN (milepost 123.8) to Rosemount, MN (milepost 150.7) (the "Twin Cities Rights"); and (iii) 78.2 miles of operating rights on certain track owned by the Kansas City Terminal Railroad ("KCT") (together with the Main System, the Chicago System and the Twin Cities Rights, are referred to herein as the "Subject Lines").

In support of this Notice, I&M provides the following information:

a. Full Name and Address of Applicant (49 C.F.R. § 1150.33(a))

I&M Rail Link, LLC
1910 East Kimberly Road
Davenport, IA 52807

b. Name and Address of Applicant's Representative (49 C.F.R. § 1150.33(b))

Mark H. Sidman, Esq.
Weiner, Brodsky, Sidman & Kider, P.C.
1350 New York Avenue, N.W.
Suite 800
Washington, D.C. 20005
(202) 628-2000

c. Statement Regarding Agreement (49 C.F.R. § 1150.33(c))

I&M and CPR expect to reach an agreement governing the proposed transaction that will provide for I&M's acquisition and operation of the Subject Lines, and also cover other essential terms of the transaction. The parties expect to execute this agreement on or after January 15, 1997, and to close the transaction contemplated therein in the first quarter of 1997, prior to the commencement of I&M's operations.

d. Operator of the Property (49 C.F.R. § 1150.33(d))

Following the consummation of the transaction that is the subject of this Notice, I&M will be the operator of the Main System, and also will operate on the Chicago System, the Twin Cities Rights and the Kansas City Joint Facility (as defined below).

e. Summary of the Transaction (49 C.F.R. § 1150.33(e))

This transaction involves the acquisition and operation by I&M of certain rail operating assets and rights, including railroad line, rail facilities, and appurtenances located thereon as described above, from Soo Line Railroad, d/b/a Canadian Pacific Railway, 105 South Fifth Street, Minneapolis, MN 55402. The proposed agreement also provides for I&M's acquisition of certain CPR equipment, including locomotives, freight cars and maintenance-of-way equipment that will enable it to begin operations and provide full service as a common carrier.

I&M also will acquire, through agreements or the assignment of existing CPR rights, incidental trackage rights, as follows: (i) for traffic on the Nitro Branch, the Rockford Segment, the Dubuque Segment, the Welcome Segment and the Nora Springs Segment; (ii) for permitted overhead traffic on the Chicago System, subject to all obligations and limitations contained in CPR's existing agreements with METRA governing such operation and use; (iii) for permitted overhead traffic on the Twin Cities Rights; and (iv) as part of the Kansas City Joint Facility (as defined below).

Further, I&M proposes to acquire CPR's minority (non-controlling) interest in the common stock of KCT (the "KCT Shares"). I&M and CPR will enter into an agreement covering certain rights and obligations attendant to ownership of the KCT Shares, including the right of I&M to operate on certain trackage owned by KCT (the "Kansas City Joint Facility"). In

addition, I&M proposes to acquire all the rights, benefits, privileges and obligations of CPR in that certain contract between Kansas City Southern Railway Company and predecessors of CPR, dated May 1, 1942, including any real estate owned by CPR in the State of Kansas or in the metropolitan area of Kansas City, MO, together with any appurtenances and fixtures of CPR located thereon and affixed thereto, other than certain excluded assets.

As part of the proposed agreement, Soo Line Corporation ("Soo Line"), the parent company of CPR (or an affiliate of Soo Line) will have the option, prior to the closing of the proposed transaction, to acquire up to a one-third interest in I&M, which, as proposed, would allow CPR to appoint two of seven directors to I&M's board of directors.²

f. Map (49 C.F.R. § 1150.33(f))

A map of the Subject Lines is attached hereto as Exhibit A.

g. Certificate of Revenue (49 C.F.R. § 1150.33(g))

A Certificate of Revenue is attached hereto as Exhibit B.

h. Caption Summary (49 C.F.R. § 1150.35(d))

The Caption Summary is attached as Exhibit C.

i. Statement of Service Intentions (49 C.F.R. § 1150.35(b)(1))

Under the proposed transaction, I&M will acquire from CPR a total of approximately 1,143 route miles of main line track and rights in Minnesota, Iowa, Illinois, Kansas, Missouri and Wisconsin, and will operate the Subject Lines as a class II common carrier railroad. Initially, I&M intends to continue operations on the Subject Lines, including the interchange of traffic at all locations and with all carriers, substantially as the lines are operated currently by CPR. I&M will

² In the event that Soo Line or an affiliate exercises its option to acquire shares of I&M, those shares will be placed in an independent voting trust in accordance with 49 C.F.R. Part 1013 at closing. Soo Line and CPR will then seek a declaratory order from the Board that its minority ownership interest does not constitute control of I&M.

operate into the Chicago Terminal District and will interchange with CPR at its Bensonville yard and with other foreign line carriers in Chicago via the Belt Railway of Chicago or the Indiana Harbor Belt. CPR will contract with I&M to block and make up westbound trains for movement via I&M to Kansas City and the Corn Lines.

In the same manner, I&M will contract with CPR to provide initial and final terminal services for its trains that arrive and depart CPR's St. Paul yard, and to provide industrial switching to those industries located on CPR's lines in that terminal. I&M will have direct access to Minnesota Commercial Railroad Company in the Twin Cities Terminal.

Moreover, I&M intends to locate its headquarters in Davenport, Iowa near to its main classification yard and mechanical facilities, which will be concentrated in the Nahant-Muscatine area of the Quad Cities. I&M will have its own car and locomotive shops and intends to perform its own mechanical maintenance, servicing and repair on its fleet of 44 leased high-horsepower and 27 low-horsepower locomotives acquired from CPR, as well as on the approximately 2,000 freight cars it will acquire at startup.

I&M's key operating personnel, including its presumptive president, have decades of experience in the railroad industry, and have either worked on or are familiar with the particular territory I&M will serve, and with the rail lines I&M will acquire. In addition, I&M will hire CPR employees who are familiar with the line. I&M expects that over time, its service experience will be similar to other successful regional railroads in that it will work closely with shippers on the lines to meet individual needs, provide nontraditional solutions to their transportation problems and to offer efficient service at competitive prices. I&M expects generally to expand and improve service on its system, for the benefit of its local communities.

j. **Statement of Labor Impacts**

The transaction is expected to have an overall beneficial impact on employment levels in the states through which the Main System runs. While CPR currently employs 603 people in active service on the lines that comprise the Main System, I&M expects that it initially will employ approximately 606 people in those states, as shown in the chart below:

MAIN SYSTEM EMPLOYMENT IMPACT

	Management & Clerical		Operating		Non-Operating		Total	
	SOG	I&M	SOG	I&M	SOG	I&M	SOG	I&M
Iowa	43	130	160	163	159	161	362	454
Illinois	10	9	59	12	42	22	111	43
Minnesota	--	--	16	12	10	15	26	27
Missouri	9	4	66	52	26	23	101	79
Wisconsin	2	--	1	--	--	3	3	3
TOTAL	64	143	302	239	237	224	603	606

The differences between the figures are attributable to the fact that I&M intends to locate its corporate headquarters on the line, most likely in Iowa, and will perform mechanical repairs at points on the line now performed for CPR elsewhere on CPR's system. CPR does not currently employ as many clerical, data processing and mechanical people at points on the Main System as I&M anticipates its operation will require.

I&M intends voluntarily to recognize the Brotherhood of Locomotive Engineers ("BLE") as the representative of its operating employees and the Brotherhood Maintenance of Way Employees ("BMWE") as the representative of its nonoperating employees. I&M has negotiated collective bargaining agreements with BLE and BMWE to provide for rates of pay, rules and

working conditions applicable to I&M employees, which will be effective upon I&M's operation as a common carrier.

I&M has agreed to give preferential hiring consideration to CPR employees currently employed on the lines and has already sent teams of I&M officials out to describe I&M's operating plans and hiring process to those people who are interested in pursuing opportunities with I&M. In addition, I&M has advertised for qualified, skilled employees in the communities to assure that it has an adequate work force at the start up of its operations.

As I&M's plans to grow the local business on the lines are realized, I&M expects to be able to offer greater employment opportunities to people in the communities it serves.

k. Certificate of Compliance (49 C.F.R. § 1150.35(d))

A copy of this Certificate of Compliance is attached as Exhibit D.

l. Environmental and Historic Documentation

Pursuant to the Interstate Commerce Commission's decision in Ex Parte No. 55 (Sub-No. 22A), *Implementation of Environmental Laws*, 7 I.C.C.2d 807 (1991) ("*Environmental Laws*"), environmental documentation normally need not be prepared for an acquisition that does not involve either the diversion from rail to motor carriage of more than (A) 1,000 rail carloads a year, or (B) an average of 50 rail carloads per mile per year for any part of the affected line (49 C.F.R. § 1105.7(e)(4)) on the one hand, or (A) an increase in rail traffic of at least 100 percent or an increase of at least eight trains per day on any segment of the affected line, (B) an increase in rail yard activity of at least 100 percent, or (C) an increase in truck traffic of more than 10 percent of the average daily traffic or 50 vehicles a day on any affected road segment (49 C.F.R. § 1105.7(e)(5)), on the other hand. See 49 C.F.R. § 1105.6(c)(2).

I&M's freight operations on the Subject Lines will not result in changes in carrier operations that exceed the above-listed thresholds, nor will the acquisition have the "potential for significant environmental impacts." See 49 C.F.R. § 1105.6(d). Therefore, no environmental documentation is required for this verified notice of exemption.

Pursuant to the *Environmental Laws* decision, transactions involving a sale, lease or transfer of rail line for the purpose of continued operation are exempt from the historic reporting requirements of 49 C.F.R. § 1105.8(a) if termination of such operations requires further Board approval and there are no plans to dispose of or alter properties adjacent to the rail line that are 50 or more years old. See 49 C.F.R. § 1105.8(b)(1). Common carrier rail service on the Subject Lines will be continued. I&M has no plans to dispose of or alter the Subject Lines or any adjacent properties that are 50 or more years old. Therefore, a historic report is not required for this filing. See 49 C.F.R. § 1105.8(a) and (b).

Respectfully submitted,


Mark H. Sidman
Jo A. DeRoche
Paul C. Oakley
Rose-Michele Weinryb
Weiner, Brodsky, Sidman & Kider, P.C.
1350 New York Avenue, N.W.
Suite 800
Washington, D.C. 20005
(202) 628-2000

Attorneys for:
I&M Rail Link, LLC

Dated: January 14, 1997

F060690021p000712a1.doc

VERIFICATION

I, Jo A. DeRoche, certify under penalty of perjury that the foregoing is true and correct to the best of my knowledge, information and belief. Further, I certify that I am qualified and authorized to file this Verified Notice of Exemption.

Jo A. DeRoche
Jo A. DeRoche, Esq.

Dated: January 14, 1997.

VERIFIED NOTICE OF EXEMPTION

PURSUANT TO 49 C.F.R. § 1150.35

Finance Docket No. 33326

**I&M RAIL LINK, LLC
- ACQUISITION AND OPERATION EXEMPTION -
CERTAIN LINES OF SOO LINE RAILROAD COMPANY
d/b/a CANADIAN PACIFIC RAILWAY**

EXHIBIT A

MAP OF SUBJECT LINES



Exhibit No. 2

VERIFIED STATEMENT

OF

TERRY J. VOSS

1. My name is Terry J. Voss. I am Senior Vice President, Transportation of Ag Processing Inc ("AGP" or "Ag Processing"). My office is at AGP headquarters in Omaha, NE.

2. AGP primarily is a processor of soybeans. It has three facilities in Iowa that will be impacted by a sale of the assets of I&M Rail Link ("IMRL") to Iowa, Chicago & Eastern Railroad Corporation ("ICE"), proposed to take effect on June 28, 2002. At Emmetsburg, we have a soybean processing plant that is served by IMRL and Union Pacific Railroad Company ("UP"). At Sheldon, we have a similar facility that IMRL serves via switching by UP. At Mason City, our soybean processing facility is served by UP and by Iowa Traction Railroad Company ("IATR"), which essentially is a switching carrier that interchanges with both IMRL and UP.

3. A soybean crushing plant produces two primary products; soybean oil and soybean meal, and must have markets for both in order to operate successfully. A major market for the soybean products produced by AGP's three Iowa processing facilities served by IMRL exists east of Chicago. AGP reaches this eastern market almost entirely via the Chicago gateway. IMRL has been virtually the exclusive carrier to the Chicago

gateway for AGP's soybean meal shipments from the three facilities. In 2001, over 90 percent of all of the Chicago gateway traffic from these AGP locations was tendered to IMRL. Chicago as an eastern gateway accounts for a substantial percentage of the all rail traffic from the three AGP Iowa facilities. (The 2001 shipments were abnormally low due to a five month shut-down of the Mason City facility.) Several hundred cars were tendered by AGP to IMRL in 2001 for movement to Minneapolis/St. Paul as a gateway point to the east or Canada. In all cases, this eastbound and northbound traffic moved fluidly, and was interchanged by IMRL to its connections efficiently and competitively. Switching of inbound IMRL traffic at Minneapolis/St. Paul to carrier connections is provided by Canadian Pacific Railway ("CP"). CP also provides certain services for IMRL traffic destined to Chicago for interchange.

4. From the three Iowa points where AGP has soybean processing facilities served by UP and IMRL, UP's route is shorter to Minneapolis and IMRL's route is shorter to Chicago, as shown on the following table.

Mileage to Chicago and Minneapolis			
<u>From</u>	<u>To</u>	<u>UP Miles</u>	<u>IMRL Miles</u>
Mason City, IA	Minneapolis	148	304
Emmetsburg, IA	Minneapolis	255	380
Sheldon, IA	Minneapolis	223	441
Mason City	Chicago	401	341
Emmetsburg	Chicago	427	417
Sheldon	Chicago	592	478

5. Despite the fact that UP has a decidedly shorter route to Minneapolis/St. Paul from AGP's three facilities, UP is not competitive for traffic over that route. Nor is it competitive for traffic from our three Iowa facilities to Chicago. The only one of the three facilities where UP gets more traffic than IMRL is Sheldon, and that is because UP, which serves the plant exclusively, has a substantial switch charge to reach IMRL. Even at Sheldon, however, more Chicago/Minneapolis/St. Paul gateway traffic moves IMRL than UP by a substantial ratio.

6. I am by no means an expert on the arrangements that exist between IMRL and other carriers for the movement of freight to the Chicago and Minneapolis/St. Paul gateways. However, as a result of my position with AGP, I do have some understandings regarding those arrangements.

7. It is my understanding that, in order for traffic moving via the IMRL route to reach Chicago and the Minneapolis/St. Paul gateway, certain services must be provided to IMRL by others for that traffic or it cannot move in that manner. IMRL acquired these lines from CP. To the best of my understanding, the sale of the lines from CP to IMRL was accompanied by one or more agreements whereby CP agreed to provide certain services, including Minneapolis/St. Paul switching and Chicago terminal services. I also understand that, in order to reach Chicago, IMRL utilizes trackage rights over a track segment in which METRA, a Chicago area commuter agency, has an ownership interest.

8. I have come into possession of a series of letters from CP to IMRL dated April 18, 2002 providing notification of services provided to IMRL by CP that are being cancelled on account of the sale of IMRL's rail line assets to ICE. Copies of those can-

cellation letters are attached as Appendices A through I, effective at various times between July 2002 and April 2003. I further understand that trackage rights necessary to reach Chicago over METRA are not presently available to ICE unless certain agreements are reached between it and METRA. I believe that ICE is aware of all such impediments to the continuation of service as provided by IMRL. As a result of these changes, I believe that traffic moving over the current IMRL lines, designated for sale to ICE, will not be able to reach Chicago for interchange to markets beyond as of June 28, 2002 (the contemplated consummation date) and will not be able to enjoy interchange at Minneapolis/St. Paul with other railroads, unless and until ICE succeeds in negotiating replacement agreements for those being cancelled by CP or puts in place operational and competitively effective arrangements to replace those over METRA. Additionally, it is my understanding that certain rate and marketing arrangements between IMRL and CP are being cancelled by CP, and that CP is increasing its reciprocal switching charges at Chicago and Minneapolis/St. Paul to \$250 per car, as shown on Appendices B and C. It appears that the cost of using the present IMRL lines to reach other carriers at Chicago and Minneapolis/St. Paul will increase even if access is negotiated by ICE.

9. If my understandings are correct, and if ICE does not succeed by June 28 in replacing competitively these service agreements being cancelled by CP or altered by inaccessibility to METRA's lines, then the IMRL lines in the hands of ICE will be unable to move AGP's traffic and other similar traffic to Chicago or Minneapolis/St. Paul for movement to the interline markets. AGP's three Iowa soybean processing facilities presently served by IMRL and UP will, in effect, suffer a reduction in rail service from two carriers to one insofar as eastern traffic is concerned. AGP will find itself totally captive

to UP for this traffic. UP, as indicated above, has decidedly longer and less efficient routes to Chicago and does not offer effective competition, necessary for AGP to meet the competition of other soybean processors with more market-oriented means of reaching the same markets. AGP's ability to ship soybean products to eastern and Canadian markets from these three Iowa facilities will be reduced substantially if we are forced to rely on UP exclusively to reach those markets.

s:\mcd\voss verified statement

I declare under penalty of perjury that the foregoing statement is true and accurate
and that I am authorized to make the same.

A handwritten signature in cursive script, reading "Terry J. Voss", is written over a horizontal line.

Terry J. Voss



**CANADIAN
PACIFIC
RAILWAY**

FJ (Fred) Green
Vice President
Yield and Asset Performance

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Appendix A

Page 1 of 2

Tel (403) 319-7655
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e-mail
fred.green@cpr.ca

April 18, 2002

VIA FACSIMILE FOLLOWED BY OVERNIGHT COURIER

I & M Rail Link, LLC
Attn: President Richard J. Stoeckly
1910 Kimberly Road
Davenport, IA 52807

- Re: 1. Termination of some, and transition to thirty day status of some, agreements between Soo Line Railroad and the I&M Rail Link, LLC
2. Notice of Increase in Reciprocal Switching Rates under Chicago and Twin Cities Terminal Services Agreements

Dear Mr. Stoeckly:

1. The pending closing of the transaction contemplated by the Asset Purchase Agreement ("APA") between I&M Rail Link, LLC ("I&M") and the Iowa, Chicago & Eastern Railroad Corporation ("ICE") has caused Soo Line Railroad Company, d/b/a Canadian Pacific Railway ("CPR") to become concerned about the expectations that ICE may have with respect to the continuation of several of the agreements between I&M and CPR including the following:

1. Chicago Terminal Services Agreement;
2. Twin Cities Terminal Services Agreement;
3. Bensenville TOFC/COFC Facility Agreement;
4. Minneapolis TOFC/COFC Facility Agreement;
5. Marketing Agreement;
6. Division Agreement;
7. Rail Train Use Agreement;
8. Northfield Interchange Agreement; and
9. Kansas City Haulage Agreement.

For each of these agreements, CPR has termination rights upon prior notice to I&M for periods ranging from thirty days to twelve months. However, CPR is concerned that ICE may have the misconception that these agreements shall remain in force through closing without termination.

In order to be sure that ICE has full appreciation for the parties' respective rights with respect to these agreements prior to the closing of the transaction contemplated by the APA, CPR encloses a copy of the termination notices for each of these agreements, except the Kansas City Haulage Agreement, which were sent under separate cover. Although CPR is terminating all but one of these agreements, CPR also offers to continue providing services under the Rail Train Use Agreement beyond its termination date, subject to final termination upon thirty days notice. Also CPR is not terminating the Kansas City Haulage Agreement because, by its own terms, it is currently terminable on thirty days notice. However, the Kansas City Haulage is under review and may yet be terminated in a separate termination notice.

The remaining agreements are simply being terminated. Please note that the Bensenville TOFC/COFC Facility Agreement, the Minneapolis TOFC/COFC Facility Agreement have termination dates of July 17, 2002. Also, with respect to the Northfield Interchange Agreement, the parties never satisfied the conditions for placing the agreement into effect so CPR seeks to terminate the Northfield Interchange Agreement immediately to avoid any confusion.

Please note that, by these termination notices, CPR is not foreclosing the possibility of new agreements with I&M or ICE at market rates. CPR is prepared to negotiate with either I&M or ICE to this end provided that all amounts due from I&M on these agreements are fully paid.

2. Pursuant to Section 7.4 of the Chicago and Twin Cities Terminal Services Agreements, CPR hereby provides notice of the immediate increase in the Reciprocal Switching Rates to \$250 per carload. CPR remains open to negotiation of a possible postponement of this increase but provides this notice of increase since time has passed since our last communication on this issue.

Please contact me if you have any questions.

Sincerely,



Fred Green

cc: William Brodsky (via fax w/enc.)
Francis Dicello, Esq. (via fax w/enc.)



**CANADIAN
PACIFIC
RAILWAY**

J M (Mike) Franczak
General Manager
Interline

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Appendix B

Tel (403) 319-6124
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e-mail
mike_franczak@cpr.ca

April 18, 2002

I & M Rail Link, LLC
Attn: President Richard J. Stoeckly
1910 Kimberly Road
Davenport, IA 52807

Re: Chicago Terminal Services Agreement

Dear Mr. Stoeckly:

Pursuant to § 7.4 of the April 4, 1997 Chicago Terminal Services Agreement between Soo Line Railroad Company, d/b/a Canadian Pacific Railway ("CPR") and I&M Rail Link, LLC ("IMRL"), notice of termination is hereby given. Because § 7.4 of the Agreement allows termination upon 12 months advance written notice, this termination will be effective April 19, 2003.

Also pursuant to § 7.4, notice is hereby given that effective immediately the reciprocal switching charges described in § 1.2(d) of the Agreement are hereby increased to \$250, a level equal to the lowest reciprocal switch charge CPR has with other carriers in the Chicago Terminal district.

Sincerely,

J. M. Franczak
General Manager Interline



**CANADIAN
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J M (Mike) Franczak
General Manager
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Appendix C
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April 18, 2002

I & M Rail Link, LLC
Attn: President Richard J. Stoeckly
1910 Kimberly Road
Davenport, IA 52807

Re: Twin Cities Terminal Services Agreement

Dear Mr. Stoeckly:

Pursuant to § 7.4 of the April 4, 1997 Twin Cities Terminal Services Agreement between Soo Line Railroad Company, d/b/a Canadian Pacific Railway ("CPR") and I&M Rail Link, LLC ("IMRL"), notice of termination is hereby given. Because § 7.4 of the Agreement allows termination upon 12 months advance written notice, this termination will be effective April 19, 2003.

Also pursuant to § 7.4, notice is hereby given that effective immediately the reciprocal switching charges described in § 1.2(d) are hereby increased to \$250, a level equal to the lowest reciprocal switch charge CPR has with other carriers in the Twin Cities Terminal.

Sincerely,

J. M. Franczak
General Manager Interline



**CANADIAN
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J M (Mike) Franczak
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Appendix D
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mike_franczak@cp.ca

April 18, 2002

VIA FACSIMILE FOLLOWED BY OVERNIGHT COURIER

I & M Rail Link, LLC
Attn: President Richard J. Stoeckly
1910 Kimberly Road
Davenport, IA 52807

Re: Bensenville TOFC/COFC Facility Agreement

Dear Mr. Stoeckly:

Pursuant to § 9 of the April 4, 1997 Bensenville TOFC/COFC Facility Agreement between Soo Line Railroad Company, d/b/a Canadian Pacific Railway ("CPR") and I&M Rail Link, LLC ("IMRL"), notice of termination is hereby given. Because § 9 allows termination 90 days after written notice to the other party, this termination is effective July 17, 2002. As of that date, IMRL access to the Bensenville Yard will be terminated.

Sincerely,

J. M. Franczak
General Manager Interline



**CANADIAN
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J M (Mike) Franczak
General Manager
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Appendix E
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April 18, 2002

VIA FACSIMILE FOLLOWED BY OVERNIGHT COURIER

I & M Rail Link, LLC
Attn: President Richard J. Stoeckly
1910 Kimberly Road
Davenport, IA 52807

Re: Minneapolis TOFC/COFC Facility Agreement

Dear Mr. Stoeckly:

Pursuant to § 9 of the April 4, 1997 Minneapolis TOFC/COFC Facility Agreement between Soo Line Railroad Company, d/b/a Canadian Pacific Railway ("CPR") and I&M Rail Link, LLC ("IMRL"), notice of termination is hereby given. Because § 9 allows termination 90 days after written notice to the other party, this termination is effective July 17, 2002. As of that date, IMRL access to Shoreham Yard under the agreement will be terminated.

Sincerely,

J. M. Franczak
General Manager Interline



**CANADIAN
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J M (Mike) Franczak
General Manager
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Appendix F
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mike_franczak@cpr.ca

April 18, 2002

President Richard J. Stoeckly
I & M Rail Link, LLC
1910 Kimberly Road
Davenport, IA 52807

Vice President - Operations
I & M Rail Link, LLC
101 International Way
Missoula, MT 59802

Re: Marketing Agreement

Dear Mr. Stoeckly:

Pursuant to § 7.01 of the April 4, 1997 Marketing Agreement between Soo Line Railroad Company, d/b/a Canadian Pacific Railway ("CPR") and I&M Rail Link, LLC ("IMRL"), notice of termination is hereby given. Because § 7.01 requires six month's advance written notice for termination, this termination will be effective October 17, 2002.

Sincerely,

J. M. Franczak
General Manager Interline



**CANADIAN
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J M (Mike) Franczak
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Appendix G
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April 18, 2002

President Richard J. Stoeckly
I & M Rail Link, LLC
1910 Kimberly Road
Davenport, IA 52807

Re: Division Agreement

Dear Mr. Stoeckly:

Pursuant to Paragraph D of the April 4, 1997 Division Agreement between Soo Line Railroad Company, d/b/a Canadian Pacific Railway ("CPR") and I&M Rail Link, LLC ("IMRL"), notice of termination is hereby given. Because Paragraph D allows for a 60 day advance written notice for termination on the anniversary date of the Agreement, this termination will be effective April 3, 2003. By giving notice at this time, CPR is providing significantly more notice time than is contemplated in the Agreement itself.

Sincerely,

J. M. Franczak
General Manager Interline



**CANADIAN
PACIFIC
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J M (Mike) Franczak
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Appendix H
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April 18, 2002

President Richard J. Stoeckly
I & M Rail Link, LLC
101 International Way
Missoula, MT 59802

Re: Rail Train Use Agreement

Dear Mr. Stoeckly:

Pursuant to § 17.1 of the April 4, 1997 Rail Train Use between Soo Line Railroad Company, d/b/a Canadian Pacific Railway ("CPR") and I&M Rail Link, LLC ("IMRL"), notice of termination is hereby given. Because § 17.1 requires 90 days written notice for termination, this termination is effective July 17, 2002.

Although CPR is terminating the Rail Train Use Agreement, it offers to continue providing services under the terms of the Agreement beyond the termination date subject to termination on thirty days' notice.

Sincerely,

J. M. Franczak
General Manager Interline



**CANADIAN
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J M (Mike) Franczak
General Manager
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Appendix I
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April 18, 2002

I & M Rail Link, LLC
Attn: President Richard J. Stoeckly
101 International Way
Missoula, MT 59802

Re: Northfield Interchange Agreement

Dear Mr. Stoeckly:

Notice of termination is hereby given for the April 4, 1997 Northfield Interchange Agreement between Soo Line Railroad Company, d/b/a Canadian Pacific Railway ("CPR") and I&M Rail Link, LLC ("IMRL"). The Agreement itself provides that it shall only take effect under certain conditions that have not taken place. Although the parties have never taken the necessary steps to put the agreement into effect, CPR seeks to remove any doubt about the agreement's effectiveness. Because the agreement never went into effect and because it contains no specific termination provisions, this termination is effective immediately.

Sincerely,

J. M. Franczak
General Manager Interline

*** TOTAL PAGE.11 ***

*** TOTAL PAGE.12 ***

IAN EVANS
PRESIDENT AND
CHIEF OPERATING OFFICER

UNION PACIFIC RAILROAD COMPANY

1416 DODGE STREET
ROOM 1230
OMAHA, NEBRASKA 68179-1230



June 10, 2002

Mr. Kevin V. Schieffer
President & CEO
Dakota, Minnesota & Eastern Railway Corporation
337 22nd Avenue South
P.O. Box 178
Brookings, SD 57006

Dear Mr. Schieffer:

Pursuant to the provisions of Section 14 of the Haulage Agreement between Clinton, Iowa, and Kansas City, Missouri, between I&M Rail Link, LLC, and Union Pacific Railroad Company dated April 13, 1999, this is to advise you that Union Pacific will exercise its rights to terminate the Haulage Agreement effective on the date that control of IMRL changes.

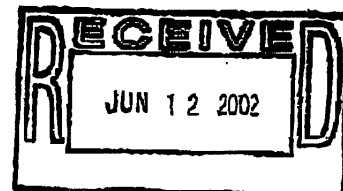
Termination of the Haulage Agreement does not affect any other existing agreements between UP and IMRL (or DM&E), and in particular the Supplemental Agreement dated April 13, 1999, between UP and IMRL.

In order that an orderly transition of haulage trains can take place, we would ask that DM&E provide us with 30 days advance notice of the effective date for change of control of IMRL.

While it will not be possible to keep the Haulage Agreement in place, we do value the relationship between our two companies and look forward to working with DM&E in the future.

Sincerely,

cc: Richard Stoeckly - IMRL
Dennis Duffy - Room 1206
Jim Dolan - Room 830
Mike Kelly - LMO05NR
Jeff Koch - Room 1206
Jack Koraleski - Room 1130
John Rebensdorf - Room 642



Annual Report
For
CLASS II & III RAILROADS

I & M Rail Link, LLC.
(Full Name of Respondent)

to the
Iowa Department of Revenue and Finance
Property Tax Section
Hoover State Office Building Des Moines, Iowa 50319

and the
Iowa Department of Transportation
Planning and Programming Division
Office of Planning Services

800 Lincoln Way
Ames, Iowa 50010

For the Year Ending December 31, 2001

Required by:
Iowa Code Section 327C.38
Iowa Code Chapter 434
Iowa Administrative Code 761-800.4

Commodity		Column A - All Traffic Originating On Your Line			
Description	STCC Code	In Iowa		Total System	
		Carloads	Tons	Carloads	Tons
Farm Products	01	15,184	1,481,405	32,054	3,182,731
Forest Products	08	-	-	-	-
Fresh Fish	09	-	-	-	-
Metallic Ores	10	-	-	-	-
Coal	11	-	-	780	71,924
Crude Petro	13	-	-	-	-
Nonmetallic Metals	14	916	90,636	928	91,020
Ordinance	19	-	-	-	-
Food & Kindred	20	13,821	1,190,389	15,812	1,305,248
Tobacco	21	-	-	-	-
Textile Mill	22	-	-	2	26
Apparel	23	98	1,974	711	13,575
Lumber	24	31	2,177	169	5,488
Furniture	25	-	-	37	496
Pulp & Paper	26	8	98	579	15,635
Printed Matter	27	47	679	58	845
Chemicals	28	4,196	313,348	6,380	502,704
Petroleum	29	2	132	3	153
Rubber	30	9	119	644	11,016
Leather	31	-	-	-	-
Stone	32	1,513	152,280	5,385	534,481
Primary Metal	33	7,559	654,956	8,597	741,522
Fabric Metal	34	-	-	307	6,952
Machinery	35	44	1,751	367	9,226
Electric Machinery	36	142	743	609	3,344
Trans. Equipment	37	131	250	226	2,734
Optic Goods	38	-	-	7	128
Misc. Products	39	-	-	1,020	21,957
Waste & Scrap	40	1,651	137,294	7,218	517,524
Misc. Freight	41	17	343	20	395
Empty Containers	42	346	1,120	3,045	10,241
U.S. Mail	43	-	-	6	111
Freight Forward	44	-	-	-	-
Shipper Assoc.	45	-	-	29	277
Misc. Mixed	46	1,483	27,120	7,734	136,474
Hazardous Materials	49	2	8	2	-
Total Carload		47,200	4,056,822	92,729	7,186,227
Small Freight	47	-	-	-	-
Total C/L & LCL		47,200	4,056,822	92,729	7,186,227

Intermodal trailers and tons are included in freight statistics.

Schedule 700A (Cont'd)
Freight Commodity Statistics - Line Haul Operations

Line No.	Commodity Description	STCC Code	Column B - All Traffic Terminating On Your Line			
			In Iowa		Total System	
			Carloads	Tons	Carloads	Tons
1.	Farm Products	01	4,565	446,824	13,504	1,562,766
2.	Forest Products	08	-	-	-	-
3.	Fresh Fish	09	-	-	-	-
4.	Metallic Ores	10	41	888	41	888
5.	Coal	11	35,244	4,144,065	36,266	4,240,211
6.	Crude Petro	13	-	-	-	-
7.	Nonmetallic Metals	14	206	14,707	320	18,875
8.	Ordnance	19	-	-	-	-
9.	Food & Kindred	20	2,589	210,972	3,857	267,567
10.	Tobacco	21	-	-	-	-
11.	Textile Mill	22	-	-	69	1,485
12.	Apparel	23	32	367	340	4,901
13.	Lumber	24	343	24,896	1,921	131,675
14.	Furniture	25	45	1,561	253	3,816
15.	Pulp & Paper	26	325	21,005	3,388	211,115
16.	Printed Matter	27	-	-	96	2,046
17.	Chemicals	28	8,246	931,360	13,469	1,413,425
18.	Petroleum	29	959	211,526	1,132	221,249
19.	Rubber	30	1	14	406	6,686
20.	Leather	31	-	-	-	-
21.	Stone	32	57	4,517	4,341	427,486
22.	Primary Metal	33	2,090	196,124	3,500	311,953
23.	Fabric Metal	34	8	186	47	1,437
24.	Machinery	35	11	452	63	1,475
25.	Electric Machinery	36	1	66	324	2,933
26.	Trans. Equipment	37	252	3,634	324	5,361
27.	Optic Goods	38	5	59	5	59
28.	Misc. Products	39	2	16	80	784
29.	Waste & Scrap	40	6,338	606,951	10,895	922,873
30.	Misc. Freight	41	9	452	20	660
31.	Empty Containers	42	177	269	3,152	9,526
32.	U.S. Mail	43	-	-	-	-
33.	Freight Forward	44	-	-	71	17,502
34.	Shipper Assoc.	45	-	-	-	-
35.	Misc. Mixed	46	1,353	23,637	6,593	114,464
36.	Hazardous Materials	49	-	-	21	1,421
37.	Total Carload		62,899	6,844,548	106,498	9,904,639
38.	Small Freight	47	-	-	28	599
39.	Total C/L & LCL		62,899	6,844,548	106,526	9,905,238

Intermodal trailers and tons are included in freight statistics.

Schedule 700A (Cont'd)
Freight Commodity Statistics - Line Haul Operations

Line No.	Commodity Description	STCC Code	Column C - Only Traffic Both Originating and Terminating On Your Line			
			In Iowa		Total System	
			Carloads	Tons	Carloads	Tons
1.	Farm Products	01	4,283	419,318	12,732	1,288,162
2.	Forest Products	08	-	-	-	-
3.	Fresh Fish	09	-	-	-	-
4.	Metallic Ores	10	-	-	-	-
5.	Coal	11	-	-	780	71,924
6.	Crude Petro	13	-	-	-	-
7.	Nonmetallic Metal	14	88	8,380	95	8,536
8.	Ordnance	19	-	-	-	-
9.	Food & Kindred	20	493	37,103	899	58,103
10.	Tobacco	21	-	-	-	-
11.	Textile Mill	22	-	-	2	26
12.	Apparel	23	-	-	141	1,954
13.	Lumber	24	-	-	97	2,385
14.	Furniture	25	-	-	18	195
15.	Pulp & Paper	26	-	-	68	3,043
16.	Printed Matter	27	-	-	4	27
17.	Chemicals	28	137	11,665	1,429	125,232
18.	Petroleum	29	-	-	1	21
19.	Rubber	30	-	-	110	1,054
20.	Leather	31	-	-	-	-
21.	Stone	32	-	-	3,741	379,516
22.	Primary Metal	33	1,052	107,793	2,004	187,382
23.	Fabric Metal	34	-	-	10	193
24.	Machinery	35	-	-	32	502
25.	Electric Machinery	36	-	-	254	1,097
26.	Trans. Equipment	37	-	-	140	1,167
27.	Optic Goods	38	-	-	-	-
28.	Misc. Products	39	-	-	27	196
29.	Waste & Scrap	40	1,089	91,647	5,553	400,472
30.	Misc. Freight	41	-	-	-	-
31.	Empty Containers	42	-	-	2,494	8,404
32.	U.S. Mail	43	-	-	-	-
33.	Freight Forward	44	-	-	-	-
34.	Shipper Assoc.	45	-	-	-	-
35.	Misc. Mixed	46	-	-	1,186	20,011
36.	Hazardous Materia	49	-	-	-	-
37.	Total Carload		7,142	675,906	31,817	2,559,602
38.	Small Freight	47	-	-	-	-
39.	Total C/L & LCL		7,142	675,906	31,817	2,559,602

Intermodal trailers and tons are included in freight statistics.

Schedule 700A (Cont'd)
Freight Commodity Statistics - Line Haul Operations

Line No.	Commodity	STCC Code	Column D - Overhead Traffic	
	Description		Carloads	Tons
1.	Farm Products	01	2,591	234,288
2.	Forest Products	08	-	-
3.	Fresh Fish	09	-	-
4.	Metallic Ores	10	38	3,298
5.	Coal	11	301	28,765
6.	Crude Petro	13	-	-
7.	Nonmetallic Metals	14	852	80,821
8.	Ordinance	19	-	-
9.	Food & Kindred	20	6,714	615,892
10.	Tobacco	21	-	-
11.	Textile Mill	22	-	-
12.	Apparel	23	3	54
13.	Lumber	24	1,776	156,522
14.	Furniture	25	-	-
15.	Pulp & Paper	26	3,565	232,852
16.	Printed Matter	27	1	22
17.	Chemicals	28	2,623	249,178
18.	Petroleum	29	242	19,292
19.	Rubber	30	26	317
20.	Leather	31	2	22
21.	Stone	32	304	27,329
22.	Primary Metal	33	146	10,462
23.	Fabric Metal	34	16	1,025
24.	Machinery	35	45	3,232
25.	Electric Machinery	36	5	148
26.	Trans. Equipment	37	140	4,049
27.	Optic Goods	38	-	-
28.	Misc. Products	39	1	13
29.	Waste & Scrap	40	193	12,318
30.	Misc. Freight	41	2	19
31.	Empty Containers	42	293	858
32.	U.S. Mail	43	-	-
33.	Freight Forward	44	1	91
34.	Shipper Assoc.	45	-	-
35.	Misc. Mixed	46	35	710
36.	Hazardous Materials	49	-	-
37.	Total Carload		19,915	1,681,577
38.	Small Freight	47	-	-
39.	Total C/L & LCL		19,915	1,681,577

Intermodal trailers and tons are included in freight statistics.