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November 8, 2003

VIA FEDERAL EXPRESS

Mr. Vernon A. Williams
Secretary
Surface Transportation Board
1925 K Street, N.W., Room 700
Washington, DC 20006

Re: **Docket No. 42080**
Minnesota Northern Railroad, Inc. v.
Canadian National Railway Company



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Office of Proceedings

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Public Record

Dear Secretary Williams:

Enclosed for filing in the above-captioned proceeding are an original and ten copies of the **Reply Statement of Canadian National Railway Company**, dated November 8, 2003.

One extra copy of the Reply Statement and this letter also are enclosed. I would request that you date-stamp those items to show receipt of this filing and return them to me in the provided envelope.

Please feel free to contact me should any questions arise regarding this filing. Thank you for your assistance on this matter. Kind regards.

Respectfully submitted,

Thomas J. Litwiler
Attorney for Canadian National
Railway Company

TJL:tl

Enclosures

cc: Thomas F. McFarland, Esq.

ORIGINAL

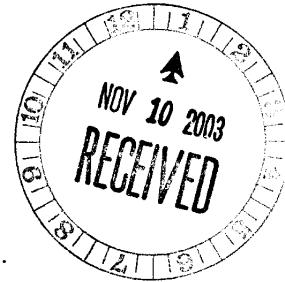
BEFORE THE
SURFACE TRANSPORTATION BOARD

DOCKET NO. 42080

MINNESOTA NORTHERN RAILROAD, INC.

v.

CANADIAN NATIONAL RAILWAY COMPANY



REPLY STATEMENT OF
CANADIAN NATIONAL RAILWAY COMPANY

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**ATTORNEYS FOR CANADIAN NATIONAL
RAILWAY COMPANY**

Dated: November 8, 2003

BEFORE THE
SURFACE TRANSPORTATION BOARD

DOCKET NO. 42080

MINNESOTA NORTHERN RAILROAD, INC.
v.
CANADIAN NATIONAL RAILWAY COMPANY

**REPLY STATEMENT OF
CANADIAN NATIONAL RAILWAY COMPANY**

Pursuant to the scheduling orders served in this proceeding on July 25, 2003 and October 31, 2003, Canadian National Railway Company ("CN") hereby files this reply to the opening statement of complainant Minnesota Northern Railroad, Inc. ("MNN"). MNN wants to establish for its own benefit a rail connection and interchange with CN at Warroad, Minnesota, and asks the Board to impose all of the expenses associated with such an arrangement solely on CN. Consistent with statutory requirements and agency precedent, CN has worked with MNN to develop the rail traffic to make such an interchange viable, and has been continually willing to share with MNN the cost and risk of the requested Warroad connection. Indeed, if the traffic projections proffered by MNN are even remotely accurate, MNN would, under the arrangement proposed by CN, entirely recoup its share of expenses from CN within three years. CN's response to MNN's request for an interchange has been more than reasonable and plainly satisfies the statutory interchange obligations of rail carriers under 49 U.S.C. §§ 10742 and 11103. MNN may prefer that CN bear all of the cost to install an interchange connection that MNN might or might not ever use, but the law does not place such one-sided obligations on rail carriers.

MNN predicates its case on an assertion that CN has unilaterally terminated an existing interchange with MNN at Warroad by removing the facilities that allowed such an interchange there, and thus that CN is solely responsible for putting such facilities back. Yet there has never been a CN-MNN interchange at Warroad. There is not, and never has been, an interchange agreement between MNN and CN providing for such an interchange. No traffic has ever been interchanged between CN and MNN at Warroad, and there are no existing rates or routes that would apply to such traffic. Traffic between points on the lines of CN and MNN moves over an established through route via another gateway. And there were no existing, functional facilities at Warroad for the physical movement of traffic between the lines of CN and MNN. Whether before or after the actions of CN about which MNN now complains, creating an interchange between the carriers at Warroad would have required a significant investment in a new switch connection.

Neither is this a matter, as MNN's predicate suggests, of CN's refusal to interchange. CN takes its statutory interchange obligations seriously. In fulfilling those duties, however, the governing statutes do not require that one of the interchanging carriers bear all of the business risks of establishing an interchange, but instead that both carriers reach a negotiated arrangement to share those burdens. CN remains willing to do so. As the record demonstrates, CN has made repeated good faith offers to MNN and believes a negotiated solution, without Board intervention, can and appropriately should be reached, a result the Board and the ICC before it have long preferred.

BACKGROUND

Warroad is located on a 45-mile segment of CN's Winnipeg, Manitoba-Thunder Bay, Ontario line that extends across the U.S.-Canada border into Minnesota. Warroad also is a

station on one of the lines acquired by MNN in 1996 from the former Burlington Northern Railroad Company ("BN"). Along CN's single-track main line through Warroad was an approximately 3900-foot siding, referred to by the parties in this proceeding as the "transfer track," that was connected at its east and west ends to the CN main line. Another switch off of the transfer track connected to the BN line. Verified Statement of Don O. Cariati, attached hereto at Tab A ("Cariati V.S."), at 1-2.

Although at one time there had apparently been an active interchange between CN and BN at Warroad, it had been many years -- beyond the memory of anyone involved in this proceeding -- since any interline traffic had moved via Warroad. Verified Statement of Mitch Romano, attached hereto at Tab B ("Romano V.S."), at 3. The parties agree that no interchange has occurred since at least 1996, when MNN acquired the BN lines in the area. Romano V.S. at 3; Complainant's Opening Statement, Tab 2, Verified Statement of George LaPray ("LaPray V.S."), at 3-4. It seems likely, however, that the interchange had been closed long before even then. To both parties' knowledge no interchange agreement existed between CN and BN; all that either CN or MNN has been able to locate is a draft 1978 agreement that was apparently never finalized or executed by the parties. Romano V.S. at 3; LaPray V.S. at 3 and Appendix GL-2. MNN indicates that it obtained a copy of that draft from The Burlington Northern and Santa Fe Railway Company ("BNSF"), BN's successor, only recently, LaPray V.S. at 3, so apparently there was no assignment of that document to MNN as a purportedly effective interchange agreement in the 1996 BN-MNN sale transaction. CN believes it likely that CN-BN traffic to and from the lines now owned by MNN moved via a CN-BN interchange at Emerson, Manitoba and through Crookston, Minnesota -- the same route (with BNSF as an intermediate carrier) used for CN-MNN traffic today. Romano V.S. at 3.

After MNN acquired its rail lines from BN in 1996, it interchanged traffic with BNSF at Crookston and with Soo Line Railroad Company, d/b/a Canadian Pacific Railway ("CPR") at Thief River Falls, Minnesota. Romano V.S. at 2; LaPray V.S. at 2, 4. MNN did not seek or enter into an interchange agreement with CN for a Warroad interchange, and did not interchange traffic with CN there. LaPray V.S. at 3, 4. (It is unclear, in fact, whether MNN would have the contractual right under any "paper barriers" arising from its 1996 acquisition transaction with BN to interchange traffic with CN at Warroad. Romano V.S. at 4.) Traffic between CN and MNN (about 400 cars annually) has been handled on a CN-Emerson-BNSF-Crookston-MNN routing, without complaint from shippers. Romano V.S. at 3; LaPray V.S. at 7.

In the meantime, the long-dormant switches from CN's main line to the transfer track at Warroad had deteriorated and ceased to be operational or safe, and had been partially removed as necessary. Cariati V.S. at 2-3. Although remaining in place, the transfer track served no function or purpose for CN and was not accessible from the main line. When CN undertook a rail-relaying project on the CN main line through Warroad in 2001, the remaining components of the east and west switches to the transfer track were removed. Cariati V.S. at 4. As Mr. Cariati explains, the only real options at that time were removal of the remaining non-operational switch components or complete replacement or overhaul of one of the main line switches at significant cost (in the area of \$150,000). Retaining the old switch components in place would have been counterproductive and hazardous, since those components were not functional or safe for the physical movement of cars to or from the transfer track in any event. Cariati V.S. at 3-4, 5.

At that time, CN itself contacted MNN to discuss whether sufficient traffic would be available to justify installing new switches at Warroad for the interchange of traffic. While

MNN was interested in creating such an interchange, it was unable to provide assurances or obtain commitments from its customers regarding traffic volumes. CN thus proceeded to "straight" the former switches at Warroad (i.e., remove the remaining switch components and install normal rail), while making clear that CN was ready and willing to work with MNN to develop an interchange at Warroad as traffic volumes might warrant in the future. Romano V.S. at 4-5 and Exhibits 1-2. As Mr. Cariati explains, installing a new switch connection for interchange purposes at Warroad now will not entail significantly different costs than installing a new switch for such purposes in conjunction with the 2001 rail-relaying project would have. Cariati V.S. at 5. CN's removal of the deteriorated and non-functional switch components at Warroad in 2001 thus resulted in no prejudice to MNN, since the relevant interchange issues remain exactly the same: whether sufficient traffic would move via Warroad to justify the expense of new interchange facilities that would be required there, and how CN and MNN would share in the cost of such facilities.

Since 2001, CN has worked diligently and cooperatively with MNN to facilitate its desire for the creation of a Warroad interchange. As Mr. Romano explains at length, CN has developed rates for potential Warroad interchange traffic that MNN found extremely attractive and believed could generate significant traffic from MNN customers. While MNN has been unable to obtain any firm traffic commitments or contracts from those customers, CN has proposed arrangements under which MNN would initially pay for half (\$75,000) of the cost of installing interchange facilities at Warroad, but would then be refunded the entirety of that contribution over three years if traffic volumes via Warroad are anywhere near what MNN is confident they will be. Romano V.S. at 5-8 and Exhibit 10, 19 and 21 (successive CN offers to refund MNN's contribution if a minimum threshold of cars -- lowered in CN's most recent offer

to 600 cars/year -- use the interchange); compare Romano V.S., Exhibit 9 (MNN statement that 1000+ cars of Warroad interchange traffic expected from Cenex Harvest States alone); LaPray V.S. at 7-9 (claiming 2165 cars/year would move via Warroad). Even at significantly lower traffic volumes than MNN projected, CN is willing to assume half of the capital costs for effectuating a Warroad interchange. Romano V.S. at 7. Thus, while CN is concerned about spending significant and scarce capital resources on an interchange if that interchange would not likely handle sufficient traffic, CN has never sought to obstruct or impede the development of the interchange at Warroad that MNN desires. Indeed, CN's actions indicate the exact opposite intent; it only asked in return that MNN reasonably share some of the risk should little, if any, traffic materialize, an outcome CN has reasonable grounds to fear.

CN believed that the collaborative discussions between CN and MNN had been viewed as productive by both parties, and earlier this year it appeared that an agreement providing for a Warroad interchange was close at hand. Romano V.S. at 8-11. Abruptly, however, MNN terminated those discussions and commenced this action at the Board. The reasons for this sudden change in position and approach by MNN remain unclear to CN. On its own initiative, CN recently sought again to reach a collaborative arrangement with MNN, but without success. Romano V.S. at 11 and Exhibits 19-21.

DISCUSSION

Under 49 U.S.C. § 10742, a rail carrier must provide "reasonable, proper, and equal facilities that are within its power to provide for the interchange of traffic between . . . its respective line and a connecting line of another rail carrier" Under 49 U.S.C. § 11103(a)(3), a rail carrier shall construct a switch connection to a lateral branch line of railroad upon request of the branch line owner if (among other things) the connection "will furnish sufficient business

to justify its construction and maintenance." CN specifically acknowledges here its affirmative duty under these statutory provisions to work cooperatively with MNN in the development of a Warroad interchange, and confirms its continued willingness and intention to pursue such matters with MNN to any reasonable conclusion. CN's actions to date demonstrate that it has complied plainly and fully with its statutory interchange obligations as a rail carrier.

In construing the "reasonable interchange" requirement of Section 10742, the Board and its predecessor have repeatedly -- and often sternly -- stressed that interchange arrangements are primarily the subject of consultation and agreement between the rail carrier parties, with the agency loath to intervene in such matters until and unless absolutely necessary. E.g., Norfolk Southern Railway Company -- Petition for Declaratory Order -- Interchange with Reading Blue Mountain & Northern Railroad Company, Docket No. 42078 (STB served April 29, 2003). More broadly, the agency has explained that interchange arrangements should take into account the mutual benefits provided to the parties and not place undue burden on one carrier or the other. E.g., New York, C. & St. L. R. Co. v. New York Central R. Co., 314 I.C.C. 344, 345 (1961). Here, MNN has claimed repeatedly that it will benefit significantly from a CN interchange at Warroad and that achieving such an interchange is "the most important single thing" that MNN can do for itself and its shippers.. LaPray V.S. at 3-4, 10. Yet MNN demands at the same time that CN construct the facilities to allow such an interchange at CN's sole expense, without any assurance that the connection will be used in the future or result in any benefit to CN. It is difficult to see how such a demand is consistent with the purpose and consistent agency interpretation of Section 10742.

CN's approach has been to pursue an arrangement that would equitably share the costs, risks and benefits of a new Warroad interchange, accommodate MNN's particular position

and needs, and help develop the rail traffic that would make such an interchange viable. CN's primary objective is that enough traffic be available to justify the substantial investment required for a Warroad interchange. CN's concerns in this regard are not unreasonable: (1) it is not clear whether BNSF-MNN "paper barriers" exist that may preclude a MNN-CN interchange at Warroad; (2) MNN has been unsuccessful despite apparently extensive efforts in obtaining firm shipper commitments to utilize a Warroad interchange; and (3) MNN and its shippers might simply use the availability of a CN/Warroad interchange to force BNSF and CP to lower their rates on MNN interline traffic, leaving that traffic to move as it always has in the past. Romano V.S. at 4, 7, 9-10.

MNN, of course, believes that significant volumes of traffic would flow via a Warroad interchange with CN, LaPray V.S. at 7-9, but there has been no assurance or commitment from MNN's shippers that this will occur. In these circumstances, it would have been irresponsible for CN not to ask CN should bear the sole risk should such traffic fail to develop -- that is, bear the sole burden of expending significant capital resources on what might be an unused or unproductive interchange facility. CN is simply asking that MNN be "on the hook" -- along with CN -- for the traffic projections that MNN is itself advancing and that form the justification for the Warroad interchange that MNN is requesting. Indeed, MNN ends up entirely "off of the hook" if it is correct about traffic volumes via Warroad, since over three years its entire contribution to the cost of a new switch connection would be returned to it. Romano V.S. at 8.

Ironically, what CN seeks from MNN -- reasonable assurance that a significant investment at Warroad will generate some kind of benefit -- is precisely what MNN sought from its own shippers when considering MNN's own potential investment in a Warroad interchange.

See Romano V.S. at 8-9 and Exhibit 14 (MNN January 28, 2003 letter to Cenex Harvest States seeking the shipper's "frank and honest assessment" of whether it would use a Warroad interchange before MNN makes any "substantial investment" in or "enter[s] into any long term commitments over the CN Warroad interchange."). MNN did not produce any response from Cenex Harvest States in discovery, and has not indicated whether such a response (if any) had anything to do with its later abrupt termination of negotiations with CN. But it is not persuasive for MNN to argue that CN violates Section 10742 by tying an investment in interchange facilities to the likelihood of traffic using the interchange when MNN has done the same thing itself.

MNN's only asserted justification for its one-sided position in this proceeding is that MNN and CN had an existing interchange at Warroad which CN effectively destroyed when it removed the remainder of the non-operable switch components from CN's main line as part of the rail relay program in 2001. Yet as outlined above and more fully detailed in the accompanying statements of key CN personnel, there is no factual basis supporting these allegations. MNN and CN have never interchanged traffic at Warroad, have no rates or routes for doing so, have no interchange agreement for Warroad, and currently move traffic between each other's lines via another established through route. It has been many years, perhaps decades, since the prior physical connection between the CN and BN lines at Warroad was utilized. And there was no existing functional switch connection from the CN main line to the transfer track and MNN's line in 2001 when CN undertook its rail-relaying project through Warroad. Cariati V.S. at 3-5. MNN argues that CN should bear the full expense of reinstating the status quo at Warroad, but MNN entirely misconceives what the status quo was. A CN-MNN interchange at Warroad was no more established or possible before 2001 than it is

now.¹ If an interchange is to be created at Warroad now, it should be through the collaborative efforts of MNN and CN fulfilling their joint statutory obligations under Section 10742.

MNN claims that there is an existing CN-MNN interchange at Warroad because CN continues to "hold itself out" in a number of railway informational publications to interchange traffic at Warroad. As Mr. Romano points out, this is a misleading argument: CN has never shown a CN-MNN interchange in any of the publications that MNN cites. Careful review of the publications attached to Mr. LaPray's statement shows simply a reference to an obsolete CN-BN interchange at Warroad. Romano V.S. at 11. Clerical revisions of such lists are often overlooked; BNSF itself continued to show a BN-CP interchange at Thief River Falls and a BN-CN interchange at Warroad long after the 1996 sale of BN's lines at those locations to MNN. Romano V.S. at 12 and Exhibit 22. Particularly given MNN's knowledge that it had no interchange agreement or applicable rates or routes for a CN/Warroad routing, that CN-MNN traffic moved over other established routes, and that the former switch connections at Warroad were removed or non-functional, an outdated listing that does not even reference MNN cannot create an interchange where none exists.²

¹ In fact, as Mr. Romano explains, prior to 2001 when MNN was owned by RailAmerica, MNN plainly understood that neither a CN-MNN interchange nor adequate track connections existed at Warroad, and that establishment of interchange facilities at Warroad would require a sharing of capital costs by both parties. Romano V.S. at 3-4.

² MNN's argument that CN has improperly failed to "embargo" the Warroad interchange (Opening Statement at 1, LaPray V.S. at 5-6) is similarly unavailing, given that there was nothing moving via Warroad to embargo and that the AAR's embargo rules cannot be used "as a permanent measure to control traffic" or to "control the routing of traffic to or via any particular gateway or railroad" in any event. LaPray V.S., Appendix GL-13 (AAR Circular TD-1, §II(A)(1) and (3)). Nor was there some requirement that the transfer track siding at Warroad be "lawfully abandoned." LaPray V.S. at 6; see 49 U.S.C. § 10906. MNN claims that these factors created a "reasonable expectation" that MNN's rather transparent tender of a single car of traffic at Warroad for "interchange" to CN in June, 2001 would be accepted. LaPray V.S. at 5-6. That supposedly "reasonable expectation," however, simply ignored the facts -- all well-known at the time to MNN -- that there was no interchange agreement, no applicable rates and no intact rail route for such a movement. After accomplishing its meager purpose, the car apparently was moved to its destination via the normal routing.

Ultimately, what MNN seeks here is for CN to construct a new switch connection from CN's main line and create an interchange with MNN based only on what has been the unsupported hope that sufficient traffic would materialize. Under 49 U.S.C. § 11103(a), however, CN is entitled to require that a new interchange connection at Warroad "will furnish sufficient business to justify its construction and maintenance," and such considerations are equally relevant to the agency's adjudication of switch connection issues under Section 10742. See, e.g., Missouri Pac. R. Co. v. Louisiana & A. Ry. Co., 332 I.C.C. 569, 581 (1968) ("[T]here is no showing that the expense which would be incurred by the L&A [for a new switch connection] would be justified by the amount of traffic which would move."); Wisconsin Power & Light Co. v. Chicago & N.W. Ry. Co., 220 I.C.C. 475, 480 (1937) (switch connection ordered where "the available business warrants its construction."); J.W. Hilliard Co. v. Great Northern Ry. Co., 190 I.C.C. 201, 203 (1932) ("While the establishment of this connection would probably benefit complainant, the record does not demonstrate that the service rendered by defendants is inadequate or that the volume of traffic is sufficient at this time to justify necessary costs of construction."). CN's inclusion of a similar consideration in its negotiations with MNN for a new Warroad interchange is not and cannot be a violation of the obligations imposed on rail carriers like CN by Section 10742.

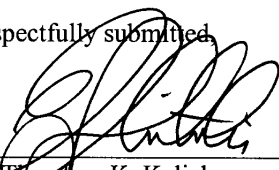
CONCLUSION

MNN seeks a Board determination that CN must bear the entire cost of constructing a switch connection and providing a CN-MNN interchange at Warroad. MNN does not otherwise request that the Board prescribe terms for an interchange arrangement between CN and MNN, and CN does not seek approval of the specific proposals it has made to MNN for such an interchange. CN believes such matters can be successfully concluded after completion of this

case, and CN pledges to continue to work diligently and in good faith with MNN to establish a Warroad interchange on reasonable terms. It is sufficient for the Board simply to find that, under Section 10742 and the circumstances here, CN cannot and should not be required to bear the costs of such a connection in their entirety and without any realistic assurance of a commensurate benefit. The predicate of MNN's complaint calling for a contrary result is simply wrong, and with that roadblock removed, there is no reason why CN and MNN should not be able to reach a mutually-acceptable arrangement for interchange at Warroad without further intervention of the Board.

WHEREFORE, CN respectfully requests that MNN's complaint be dismissed.

Respectfully submitted,

By: 

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**ATTORNEYS FOR CANADIAN NATIONAL
RAILWAY COMPANY**

Dated: November 8, 2003

**VERIFIED STATEMENT
OF
DON O. CARIATI**

My name is Don O. Cariati. I am the General Supervisor Engineering for the Lakehead Zone, Western Canada Region of Canadian National Railway Company ("CN"), with offices at Symington Yard in Winnipeg, Manitoba, Canada. I am responsible for the planning and execution of track and signal maintenance on the Lakehead Zone, which is a territory of some 1012 route miles of CN track in the provinces of Manitoba and Ontario in Canada and the state of Minnesota in the United States. As part of this role, I work with the zone's track and signal supervisors to identify track and signal components which require repair, replacement or retirement. More broadly, I oversee all safety, budget, asset utilization, service and people matters in the engineering area as they pertain to train operations in my territory.

I have more than twenty years of engineering-related experience in the railroad industry, beginning as a summertime worker on CN track gang extras while I was still a student. I joined CN on a full-time basis in 1985 as an Assistant Engineer Construction, and since that time have held various positions throughout the engineering department, including Turnout Assembly Plant Supervisor, Assistant Technical Services Engineer, Design Engineer Bridges, Maintenance Engineer, Track Supervisor, System Process Engineer and Assistant District Engineer. I assumed my present position in 1999. I am a 1985 graduate of Queen's University in Kingston, Ontario, Canada, with a degree in Civil Engineering.

The 45-mile segment of the Lakehead Zone in Minnesota is known as the Sprague Subdivision and is part of CN's line between Winnipeg, Manitoba and Thunder Bay, Ontario. The Sprague Subdivision passes through Warroad, Minnesota, a location also reached by a rail line now owned by Minnesota Northern Railroad, Inc. ("MNN") and previously owned by the

Burlington Northern Railroad Company ("BN"). I am very familiar with CN's tracks and facilities at Warroad, and have been directly involved as the primary CN engineering contact in responding to MNN's request to reestablish a physical track connection and interchange with CN at Warroad.

CN's route through Warroad consists of a single main-line track. An approximately 3800-foot out-of-service, disconnected siding that the parties have generally referred to as the "transfer track" lies to the south of the CN main line. The transfer track was at one time connected to the CN main line via switches at both its east and west ends. Another switch in the transfer track itself leads to MNN's line. To my knowledge, the transfer track has not been in service in recent memory, and it is not used or needed by CN in conducting its rail operations through Warroad. The transfer track had apparently been used by BN and CN for interchange at some point, but my understanding is that CN has never interchanged traffic with MNN at Warroad and has no agreement or arrangement to do so.

While the switches between the transfer track and the CN main line remained in place long after use of the transfer track terminated, they were seriously deteriorated and no longer functional or complete. The components of track switches are subject to intense pressure, impacts and wear from passing trains, particularly at the "frog" where the running (inside) rails of the straight and diverging routes intersect and manganese hardened steel inserts guide the flanges of car wheels to the appropriate track. Over time the frog wears due to this impact on higher-density main lines and even with appropriate maintenance presents significant derailment and safety risks if not eventually replaced. Even where (as at Warroad) a switch is no longer actually used to access the connecting siding, the wheels of all cars on the main line continue to pass over the frog and cause wear on the frog's components. The same is true with the switch

"points," the movable portion of the rails in a switch that shift from side to side when the switch is thrown to route trains onto the appropriate track.

At Warroad, the frog and other components of the east switch between the main line and the transfer track were largely removed in 1995. The frog was replaced by a normal piece of rail connecting with the main line rail on either side of the frog location, and the switch points remained in place as part of the main line route. The switch points, switch stand and other remaining portions of the switch were removed in early 2001.

The unused west switch at Warroad was subject to particular wear and deterioration since it was awkwardly located within an elevated curve on CN's line, increasing the forces and impacts to which the switch was subjected by passing trains. The west switch was spiked and eventually clamped in the closed position (that is, in a permanent position for the main line) to prevent the deteriorated switch points from opening or shifting under a train and causing a derailment. The worn frog in the west switch was eventually removed in 1995 and replaced by a straight rail. At that point, the west switch had essentially become simply a section of the CN main line itself, and longer functioned as a true "switch" used to reach a siding or other diverging track.

Indeed, even if the frog had not been removed, the deteriorated west switch had long been insufficiently safe or functional to be used as an "active" switch to reach the transfer track on any continual basis. It may have been physically possible to unclamp and unspike the switch, throw the switch for the diverging route to the transfer track, and move a few cars a limited number of times at slow speed over the switch. But returning the west switch to service to handle a sustained volume of traffic to and from the transfer track (with repeated alignment of

the switch between the straight and diverging routes) would have been inherently unsafe and functionally prohibitive without a complete overhaul or replacement of the switch.

CN finally removed the remaining components of the west switch in 2001 as part of a rail relaying program on the Sprague Subdivision. Because the program utilized 136-pound rail and the west switch was composed of 132-pound rail, retaining what remained of the switch would have required "step-down rails" at either end of the switch between the different weight (and thus different size) rail in the main line and the switch. While such step-downs can be accomplished in siding and spur trackage through the use of relatively simple "compromise joints," CN system-wide policy prohibits for safety reasons the use of compromise joints in main lines with traffic volumes over 10 million gross tons annually or authorized speeds over 25 miles per hour (both of which criteria cover the Sprague Subdivision). In those instances, specially-fabricated transition rails must be utilized for steps-down at a significantly higher expense.

This point, however, is almost entirely irrelevant -- since the deteriorated west switch no longer provided any functional or safe means to access the transfer track before the rail relay project, there would have been absolutely no reason to retain the switch as part of the project. A complete overhaul or replacement of the switch would have been required in any event to allow the movement of traffic between CN and MNN via the transfer track at Warroad, and there would have been no benefit to either MNN or CN from leaving the old switch in place in 2001. Conversely, retention of the switch in its then-existing form and condition would have caused significant safety concerns and maintenance issues for CN.

In light of these facts, I believe that the position taken by MNN in its opening statement (which I have been provided and have reviewed) is based on a fundamentally flawed premise: that it was CN's removal of the remaining components of the west switch in 2001 that

now prevents MNN and CN from being able to interchange traffic at Warroad. MNN essentially argues that CN must solely bear all the costs of constructing an interchange connection to MNN at Warroad in order to restore the status quo that CN supposedly destroyed. But the existence of a functional physical connection between CN and MNN at Warroad was most decidedly not the status quo in 2001, or any other time in the recent past. Interchange of traffic between MNN and CN at Warroad would not have been possible before the 2001 CN rail relaying program without a complete replacement of the former west switch to the transfer track, and it is not possible now without the installation of such a switch.

I made just this point in an internal e-mail to Mike Keating and other CN personnel on February 24, 2001, attached hereto as Exhibit 1. As can be seen, this was my judgment before CN contacted MNN in early March, 2001 about the rail relaying program. Thus, CN's notice to MNN in May, 2001 that it would "straight" the Warroad switches did not result, as MNN argues, in closing the interchange over MNN's March 30, 2001 objection, since there simply was not a functional interchange at Warroad at that time to begin with.

I note in this regard that there is no meaningful difference between the cost of installing a new switch to allow a CN-MNN connection today, and the cost of replacing (or completely overhauling) the west switch to allow a CN-MNN connection in 2001. In either instance I believe the cost for such an interchange connection is approximately US \$150,000 in 2001 dollars. Whatever portion of those costs MNN agrees or is required to assume, it has not been prejudiced by CN removing the old west switch at Warroad.

< Date: Saturday, 24 February 2001 12:49pm CT >
To: Mike.Keating, "retirements"
Cc: Elso.Kok, Curtis.Joyce, Gerry.Weber, Gary.Delaney
From: Don.Cariati
Subject: Track Retirements

Mike,

Please, add the following switches which we need to remove by the middle of this year as we are in the midst of a new rail relay program through the town of Warroad Minnesota. The switches are the following:

East switch Warroad
West switch Warroad

We run into a lot of road blocks each time we try to remove these switches because the word always comes back that we might need these switches in the event that we have a customer at Marvin Windows. First comment would be if we do have a customer at Marvin window, there is no way we would be able to use the existing switches because they need a total over haul if we were to need them on a continuous basis. Secondly since we are butting up against these switches with 136 pound rail, we will need to do some major stepping down of rail to get to the 116 pound which exists in the switches today.

Either way, I have to straight rail through the two switches because of the rail match problem. The switches are partly gone now and have been that way previous to my existence on the territory. Therefore please add these two switches to the removal list.

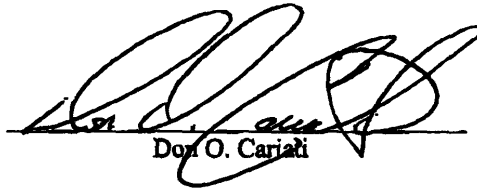
I'm sure from a marketing stand point the answer will be no. However, as I have stated if we want to start using these switches again we will need a couple of new switches any way. Please get back to me as soon as possible.

Thanks.

Don

VERIFICATION

Don O. Cariati, under penalty of perjury of the laws of the United States, declares and verifies that he is General Supervisor Engineering of Canadian National Railway Company, that he has read the foregoing statement and knows the facts asserted therein, and that the same are true as stated.



Don O. Cariati

11/08/03

Dated: November 8, 2003

**VERIFIED STATEMENT
OF
MITCH ROMANO**

My name is Mitch Romano. I am an Account Manager for the Western Canada Region of Canadian National Railway Company ("CN"), with offices in Thunder Bay, Ontario, Canada. In that position, which is part of CN's marketing department, I am responsible for serving CN's customer base and developing new business opportunities for CN at the local and regional sales level. I have held my current position for four years.

I have twenty-seven years of experience with CN in the transportation, operations and marketing departments. I began my permanent career with CN in 1977, and was employed as a conductor, yard coordinator and switchman before being promoted to several transportation officer positions, including trainmaster, transportation manager (assistant to the regional superintendent), and project manager for the rationalization of CN rail lines in the province of Alberta. Beginning in 1991, I held a variety of senior management positions in the operations area, including Superintendent - Northern Alberta division; Manager - Service Integrity; Manager - Regional and System Operations Control Center; Manager - Potash Operations; Manager - Winter Operations; and Project Manager for the development and implementation of a system-wide scheduled railroad process at CN. I moved into the marketing area in 1999.

I am extremely familiar with CN's long-standing efforts to reach an equitable arrangement with Minnesota Northern Railroad, Inc. ("MNN") for the establishment of a CN-MNN interchange at Warroad, Minnesota, and have been the principal CN contact with MNN on that matter. Warroad is located on CN's rail line between Winnipeg, Manitoba and Thunder Bay (specifically on a short segment of that line that crosses the Canada-U.S. border into the state of Minnesota) and is within the area of my responsibility in my current position. MNN is a

short-line railroad created in 1996 when it acquired several branch lines in northwestern Minnesota from the Burlington Northern Railroad Company ("BN," now The Burlington Northern and Santa Fe Railway Company ("BNSF")). MNN interchanges traffic with BNSF at Crookston, Minnesota and with Canadian Pacific Railway (Soo Line Railroad Company) at Thief River Falls, Minnesota. An MNN line also reaches Warroad, where a long-dormant physical connection existed between BN and CN.

Since early 2001, CN has worked diligently on a number of fronts with MNN to identify the physical facilities and rail traffic that would be necessary to make a new interchange between MNN and CN at Warroad viable. On a number of occasions MNN appeared to respond positively to these efforts, and it seemed to me and others at CN that a collaborative implementation of a new interchange was within sight. Ultimately, however, MNN abandoned those discussions, refused to contribute anything toward the substantial expense -- in the area of US\$150,000 -- of creating a MNN-CN interchange connection at Warroad, and elected to bring this proceeding at the STB. CN remains willing and available to reach a negotiated, even-handed arrangement for a Warroad interchange, and continues to believe that such an arrangement is well within the reach of the parties. What CN is not willing to do is bear all of the significant costs of creating a new interchange at Warroad for MNN's benefit while assuming all of the significant risk that no rail traffic will ever move via such an interchange.

I have read the opening statement filed by MNN and MNN's repeated contention that CN has somehow refused to honor an existing interchange arrangement and obligation with MNN at Warroad. That position is inconsistent with the relevant facts here. CN and MNN have never interchanged traffic with each other at Warroad. There is no interchange agreement between CN and MNN providing for a Warroad interchange, and never has been. To my

knowledge, there are no existing CN rates, routes, divisions or the like that apply to or could be used for a MNN-Warroad-CN routing. Traffic between points on CN's lines and points on MNN's lines moves on a long-established routing via Emerson, Manitoba and Crookston, Minnesota in conjunction with BNSF. The moderate volume of existing CN-MNN interline traffic is effectively handled via this route, which largely parallels a hypothetical CN-Warroad-MNN route. While difficult to confirm, I believe the Crookston gateway was similarly used by CN and BN prior to 1996 for traffic moving to and from the lines now owned by MNN. CN-MNN traffic movements continue to follow that long-standing pattern.

Indeed, it is not clear that traffic moved over the former BN-CN connection at Warroad at any time in what might be considered the "modern era." The parties agree that no traffic has moved via Warroad since at least 1996, and that historically a paper interchange at Warroad did exist between BN and CN (or their predecessors). Yet neither party has been able to locate any binding interchange agreement that previously was in place between BN and CN with respect to Warroad. All that both CN and MNN found was a 1978 draft of a Warroad interchange agreement between BN and CN that apparently was never finalized or executed by the parties. While I do not have a basis to assert that no traffic has moved via a Warroad connection since 1978, if Warroad had been an active interchange point between BN and CN during the period since then I would have expected there to be an executed, binding agreement covering such operations. At the very least, Warroad has not served as an interchange point in the modern memory of anyone at MNN or CN involved in this matter.

I note in this regard that from 1996 to 2000 (during the period it was owned by RailAmerica) MNN itself should have plainly understood that there was no existing CN-MNN interchange in Warroad. In 1999 and 2000 MNN and CN had discussed the possible opening of

a Warroad interchange, and MNN sought traffic commitments from its shippers that would support MNN's contribution to the cost of constructing an interchange switch connection at Warroad. When MNN was unable to procure such traffic commitments, it dropped the matter. At no point in that process did MNN contend that a CN-MNN interchange at Warroad already existed, that there were adequate track connections at Warroad to permit such an interchange, or that CN was obliged to construct such connections at CN's sole expense.

I also note that it is unclear to us whether BNSF, as the railroad that spun off MNN's rail lines, would permit MNN to interchange traffic with CN at Warroad even if an operational interchange connection existed. We believe that the 1996 MNN sale transaction may have included so-called "paper barriers" that purport to prevent MNN from (or penalize MNN for) interchanging traffic to railroads other than BNSF. I have raised this issue with MNN, and CN has asked MNN to provide written confirmation that BNSF would not try to prevent the direct interchange of traffic between MNN and CN at Warroad as a purported contractual violation. To my knowledge, MNN to date has not done so. MNN certainly may feel that such interchange is allowed under its contracts with BNSF. For obvious reasons, however, CN does not wish to become a stalking horse in intramural contractual matters between MNN and BNSF.

Even with this background, I believe that CN has responded conscientiously, thoroughly and creatively to MNN's expressions of interest in establishing an interchange with CN at Warroad. Indeed, CN essentially prompted this entire matter by providing advance notice to MNN that the dilapidated switch to the former interchange track at Warroad would be removed as part of a rail-relaying project on CN's main line. See MNN March 30, 2001 letter attached as Exhibit 1. As Don Cariati, CN's General Supervisor Engineering in this area, explains in his separate statement, MNN's claim of the improper "removal" of this long unused

switch masks the essential reality that, even if left in place, the switch (and certain other necessary and related infrastructure) would have to have been entirely replaced or reconstructed at considerable expense to physically allow safe interchange operations between MNN and CN. Nonetheless, CN made clear its desire to discuss "any proposed business which would support the capital expenditure necessary for the re-installation of the switch(s)." See CN May 30, 2001 letter attached as Exhibit 2.

Since that time, I and others at CN have worked diligently with MNN to develop the trackage and traffic arrangements that would allow the establishment of a MNN-CN interchange at Warroad. CN's primary concern in this process was that CN not expend significant amounts of scarce capital funds on an interchange connection that would serve little or no rail traffic. Our discussions with MNN throughout 2002 focused on a workable cost-sharing plan for the capital expenses and reasonable assurances that adequate traffic would be available to support such expenses. As part of those efforts, MNN asked CN to provide rates for MNN-Warroad-CN movements that MNN could use to solicit traffic projections and commitments from its shippers. In particular, MNN was interested in rates for grain movements off of MNN's line to the so-called "Twin Ports" of Duluth, Minnesota and Superior, Wisconsin and to certain points beyond, such as Chicago. I provided such rates to George LaPray of MNN in an e-mail on June 5, 2002. See attached Exhibit 3. The next day George acknowledged receipt of the rates and indicated that "[t]his is exactly what I needed to go with to our shippers." See attached Exhibit 4.

I subsequently met with George and one of MNN's owners in Duluth on June 24, 2002 to discuss these matters in detail. My understanding from those discussions was that MNN was pleased with the rates that CN had developed and was willing to undertake some kind of

cost-sharing arrangement for interchange facilities at Warroad. In a July 15, 2002 letter to me, George explained that:

The bottom line on rates is as we advised in Duluth, that the rates CN has quoted us are of great interest to MNN's grain shippers, these rates would we believe make CN routing the preferred outlet for the vast majority of bulk grain originating on MNN's Warroad subdivision. Indeed Elevator Managers have advised us that they feel these rates would likely draw grain to MNN loading stations which is now moving to station on CPRS and to a lesser extent BNSF.

See attached Exhibit 5. I note in this regard that a number of CN personnel made a significant effort to develop these rates in a manner that was both compensatory for CN and competitive for the traffic that MNN was pursuing. Certainly, we could have set these rates at a higher level to discourage any possibility of Warroad interchange traffic, had that been our intent. But that was not our intent, either then or now. CN has worked hard to accommodate, not forestall, a MNN-CN Warroad interchange on reasonable terms.

In this same letter, George also discussed cost-sharing arrangements for reinstalling the interchange switch connection at Warroad:

We need to know what CN's position is regarding these switches, is one adequate, or does CN require two, if two are required who will bear the cost of the second switch which MNN views as not required for its operations? What is the total cost CN will assess for reinstalling a switch to access the MNN interchange track at Warroad? Does there exist from CN's perspective, a threshold annual number of cars per annum that would justify CN bearing all or part of the cost of restoring the interchange at Warroad? Would CN consider some sort of per car charge to allow MNN to pay for the cost of the switch on a usage basis?

In a July 16, 2002 e-mail letter, I responded to George's questions, provided the anticipated cost for the interchange switch connection, and outlined potential volume commitments for traffic via

a new interchange. I also noted that "[i]t is out position that we will work with you to the mutual benefit of both railroads and the shippers." See attached Exhibit 6.

In an August 20, 2002 e-mail to George, I reiterated the need to develop volume projections and commitments for traffic that would move via a potential Warroad interchange, so that CN could determine whether to retain the so-called "Transfer Track" at Warroad that would be utilized for holding interchange cars. See attached Exhibit 7. I note that CN has in fact left this track in place (disconnected from the CN main line) throughout the course of this matter.

In a September 4, 2002 e-mail to me, George forwarded an e-mail from Cenex Harvest States (the largest relevant shipper on MNN's lines) describing their potential use of a MNN-Warroad-CN routing under the rates CN had provided. See attached Exhibit 8. Cenex Harvest States did not, however, offer any actual volume commitment or contract, and CN's grain marketing department subsequently confirmed that Cenex Harvest States was not willing to do so. (MNN itself later confirmed this as well, in a November 20, 2002 letter "advising that Harvest States will not commit to Warroad routing in the form of a rail transportation contract." See attached Exhibit 9.) While this was a setback, we continued our discussions with MNN, which continued to believe and assert that significant traffic would move via Warroad if a MNN-CN interchange were opened there.

On December 9, 2002, CN made a formal proposal to MNN regarding a Warroad interchange. See attached Exhibit 10. Under that proposal, CN and MNN would each pay for half of the cost of installing an interchange switch connection at Warroad. If more than 800 cars moved via the new interchange in any of the first three years, CN would refund to MNN for each such year one-third of MNN's contribution to installation costs. If less than 400 cars per year moved via the new interchange during the first three years after its installation, MNN would pay

a per car penalty to CN for the shortfall. This arrangement protected CN from expending capital resources on an under-utilized switch connection, and favored MNN if traffic flows via the new interchange were in the volumes MNN anticipated. Indeed, MNN represented that "[t]here is every reason to believe that 1,000 carloads of grain per year or more would move over the Warroad interchange upon its reopening." MNN November 20, 2002 letter, Exhibit 9. If those traffic projections were anywhere close to realistic, MNN would pay nothing for the new interchange -- its entire upfront contribution would, over the course of three years, be returned.

MNN's response to CN's proposal was positive. In a December 23, 2002 letter, MNN indicated that it "is interested in the proposal contained in your letter of December 9." MNN indicated, however, that "if MNN is to guarantee a minimum traffic level at Warroad for three years as proposed, the rates over Warroad quoted to MNN by your company must also be guaranteed for the same three-year-period." MNN asked CN to "advise whether your company would guarantee the [previously quoted] rate levels for three years in exchange for the proposed three-year minimum guarantee of traffic." See attached Exhibit 11. In a January 21, 2003 letter, CN indicated that the quoted rates would remain constant for two years and would be subject to a slight 2% increase in the third year. See attached Exhibit 12.

MNN responding further on January 30, 2003, indicating that MNN "remains quite interested in CN's proposal" and posing a number of additional questions regarding the terms and conditions that would apply to the rates quoted by CN. That letter concluded by thanking CN "for your cooperation in bringing this matter close to final resolution." See attached Exhibit 13.

At the same time, MNN again approached Cenex Harvest States about their interest in utilizing a Warroad interchange. CN's counsel has forwarded to me a January 28,

2003 letter from MNN to Cenex Harvest States that was produced by MNN in discovery. See attached Exhibit 14. That letter outlined again MNN's extremely favorable view of the rates quoted by CN, and its belief that a significant volume of Cenex Harvest States traffic would move via a Warroad routing. Most significantly, however, MNN explained that:

The reopening of the Warroad interchange will involve a substantial investment on the part of Minnesota Northern, as well as commit us to certain volume requirements. We are not unwilling to undertake this investment if it will provide MNN's shippers with a real benefit. We would hope that such an investment would help to place our grain shippers at an advantage allowing them to increase their drawing area and produce an overall increase in MNN grain shipments. Prior to MNN's entering into any long term commitments over the CN Warroad interchange, we solicit Cenex Harvest States' frank and honest assessment as to the value (if any) of access to CN's quoted rates and routing would provide CHS' facilities located on MNN.

This language seems to confirm what I had previously understood from my discussions with MNN: that MNN believed a cost-sharing arrangement for installation of necessary rail facilities and associated minimum traffic volume guarantees were a viable and reasonable way to address MNN's desire for a CN interchange at Warroad. Indeed, MNN is seeking here from Cenex Harvest States exactly what CN seeks from MNN -- some reasonable assurance that significant capital resources will not be spent on a wasteful or unnecessary project with no resultant gain.

I also note in this regard another portion of MNN's letter to Cenex Harvest States that says that "We [MNN] also fully realize that the very act of opening up MNN stations to lower cost CN routing may result in BNSF and/or CP adjusting their rate structures to meet the competition, thus negating any advantage CN now offers." This scenario suggested by MNN itself demonstrates again, I believe, why CN has acted entirely reasonably in asking MNN to bear a portion of the cost of new Warroad interchange facilities and provide some assurance regarding minimum traffic movements via a Warroad interchange. Otherwise, MNN and its

shippers could utilize the new interchange and routes -- provided at the significant, sole expense of CN -- simply to compel BNSF and CP to lower their rates, depriving the new interchange of any traffic. Such a result benefits only MNN and its shippers, with no corresponding burden -- and burdens only CN, with no corresponding benefit.

CN responded to the various additional questions posed by MNN's January 30th letter in early April. See attached Exhibit 15. While I regret the delay, we followed-up with MNN's George LaPray, who indicated on April 15, 2003 that CN had addressed all of his questions and that he appreciated our response. See Exhibit 15.

In the meantime, however, MNN suddenly elected simply to pull the plug on our long-standing negotiations. In an April 11, 2003 letter from MNN's counsel, MNN claimed that "CN is not interested in an equitable solution to the Warroad situation" and demanded that CN bear the full cost of installing interchange facilities at Warroad. See attached Exhibit 16. After CN asked what MNN's response was to the requested information provided in early April (see attached Exhibit 17), MNN again rather abruptly indicated that negotiations were over and that MNN would seek relief at the STB if CN did not bear all of the expenses for interchange facilities at Warroad. See MNN April 23, 2003 letter attached as Exhibit 18. That letter indicated that "you well know" that the proposal in CN's December 9, 2002 letter "that MNN would pay 50 percent of the costs of replacing the switch is not acceptable" -- even though such a cost-sharing arrangement was exactly what CN and MNN had been discussing and contemplating in the months both before and after CN's December 9th proposal. MNN proposed no alternate terms of any kind with respect to cost-sharing or minimum traffic volumes, and simply insisted that CN assume all of the costs of a Warroad interchange with no traffic assurances of any kind. It remains unclear to me what caused this abrupt and wholesale reversal

of MNN's negotiating position just as the parties seemed to be reaching final resolution of the matters before them.

CN tried one more time, sending a modified offer on its own initiative to MNN on August 28, 2003 that revised a number of terms in MNN's favor. In response, MNN for the first time offered to bear a minimal portion of the cost for installing interchange facilities at Warroad, but otherwise largely rejected CN's offer again. CN sent a further revised offer to MNN on September 29, 2003, to which MNN has not formally responded. See attached Exhibits 19, 20 and 21.

As this extensive recitation of the discussions between CN and MNN shows, I believe that CN has consistently and diligently acted in a good faith manner in seeking a reasonable and fair accommodation of MNN's desire to institute an interchange with CN at Warroad. For much of the recent period, MNN seemed to think so as well. CN's basic proposals for a Warroad interchange will remain available to MNN even should the STB rule in CN's favor here.

I would note two final matters. First, MNN argues extensively that CN is "holding out" to conduct interchange with MNN at Warroad because such an interchange is allegedly shown in a number of industry publications such as the Official Railway Guide, the Official Railway Equipment Register and the Open and Prepay Station List. I believe this is a misleading argument, for none of those publications show or have ever shown a "CN-MNN" interchange at Warroad that I am aware of. To my knowledge, no other publications have ever shown such an interchange either. The publications cited by MNN instead show an outdated "CN-BN" interchange at Warroad, an obsolete listing that has not been applicable since BN sold its line to Warroad to MNN in 1996. While the preferred course would certainly be to remove

such obsolete references in a more timely manner, I note that CN is not alone in this regard -- as late as 2000, BNSF itself continued to show a BN-CP interchange at Thief River Falls and a BN-CN interchange at Warroad, even though BNSF had ceased serving both locations four years earlier upon the MNN line sale transaction and even though BNSF had revised its listing to reflect the new BNSF-MNN interchange at Crookston. See attached Exhibit 22.

MNN also refers to two recent occasions when CN marketing personnel contacted MNN about potential CN-MNN traffic movements via a possible Warroad routing. While the confusion in these circumstances was largely caused by MNN's own representations to the CN caller regarding Warroad, I think these calls also reconfirm what I discussed above: that CN stands ready to implement and encourage -- not impede -- traffic movements via a CN-MNN interchange at Warroad, provided such an interchange can be established on reasonable and mutually-beneficial terms.



Minnesota Northern Railroad

PO Box 705

Crookston, MN 56716

Phone: 218.281.4704 FAX: 218.281.4705

30 March, 2001

Mr. Robert Smit
Manager Interline Marketing
Canadian National Railway
935 de La Gauchetiere Street West, 10th Floor
PO Box 8100
Montreal QC H3C 3N4

Dear Mr Smit:

Reference recent conversation between Janet Walpole of CN Marketing and Tom Kotnour, Minnesota Northern Railroad's (MNN) President, concerning interchange track at Warroad, Minnesota.

Janet contacted us regarding an upcoming track relay project involving CN's line through Warroad. The absence of any interchange traffic between CN and MNN at this location had apparently raised questions at CN regarding leaving your main line switches in place accessing the interchange track.

Minnesota Northern Railroad was purchased by the current owners late in 2000. MNN's previous owners had apparently made no attempts to develop traffic over the Warroad interchange. Be assured that a Canadian National interchange at Warroad plays a vital strategic role in Minnesota Northern's future plans. We consider a CN interchange to be essential to the long term viability of our Warroad subdivision.

One of the MNN's largest shippers, with multiple MNN served facilities, is Strata Corporation (Bradshaw Aggregates), who are currently developing an entirely new quarry several miles north of Roosevelt, Minnesota. Roosevelt is located on CN's Sprague subdivision approximately 13 miles east of Warroad. Intended markets for production from this quarry are Northwestern Minnesota and Eastern North Dakota. Strata Corporation has indicated, to us, a willingness to build a rail line from the quarry site to the CN main line at Roosevelt provided that either: 1, satisfactory arrangements can be made for CN movement of quarry product from Roosevelt to Warroad; or 2, MNN is able to secure trackage rights over CN between Warroad and Roosevelt for the purpose of serving the Strata Corporation quarry.

While the Strata Corporation Roosevelt quarry looms large in MNN's plans for future traffic development we believe other opportunities for traffic development over the Warroad interchange also exist. We are currently handling CN originated fertilizer and grain to MNN destinations which could easily be handled via direct interchange at Warroad. Additionally, the Minnesota Northern is currently looking at two non agricultural movements, the first is an inbound movement to Marvin Windows at Warroad, and the second is a movement originating at Thief River Falls, MN. Both will best be served through a CN junction at Warroad.

Page 2
Mr. Robert Smit
Canadian National Railway
30 March 2001

In conclusion, continuing the CN-MNN interchange at Warroad, MN is of critical importance to Minnesota Northern Railroad. We understand the CN's desire to control costs associated with main line switches suggest that it might be possible to eliminate the current west switch associated with the current interchange track arrangement.

We would be pleased to discuss this further with you or anyone from Canadian National.

Sincerely,

George LaPray
General Manager

cc: M. Romano, CN Marketing, Thunder Bay, ON

ROMANO V.S.
EXHIBIT 2



Canadian National

Interline Management

CN
277 Front Street West
Suite 703
Toronto, Ontario, Canada
M5V 2X7
Telephone: (416) 217-6788
Facsimile: (416) 217-6173

Date: 30 May 2001

G. A. LaPray
General Manager
Minnesota Northern Railroad
P. O. Box 705
Crookston, MN 56716

VIA FAX

Dear Mr. LaPray

This is in response to your letter regarding the interchange track at Warroad, Minnesota. As you are aware, CN will be relaying rail with 136# steel through Warroad in the near future.

As there is no current business moving via this route and no firm commitment from any shipper to do so, after careful consideration, CN has decided to straighten the two switches at Warroad.

Having said that, CN is not closing the door to handling interchange traffic via this location. We look forward to discussing any proposed business which would support the capital expenditure necessary for the re-installation of the switch(s).

A handwritten signature in dark ink, appearing to read 'D. N. Wilson', is written over a horizontal line.

D. N. Wilson
Director, Interline Management

CC: M. Romano, Account Manager, Thunder Bay, ON

**ROMANO V.S.
EXHIBIT 3**

----- Forwarded by Mitch Romano/ROMANO02/CNR/CA on 11/06/03 09:53 PM -----

Mitch Romano
06/05/02 02:12 PM

To: Mnn@rrv.net
cc:

Subject: CN

George,

Per your request for rates from Warroad, MN to:
Rates quoted below are with the assumption that there was a means to exchange
cars at Warroad and are subject to all applicable tariffs.

Chicago, IL \$993
Duluth/Superior \$588
Decatur, IL \$1443
Springfield, IL \$1498

These rates are in railroad cars and quoted in US funds, good for 60 days.

Mitch Romano
----- Forwarded by Mitch Romano/ROMANO02/CNR/CA on 06/05/2002
03:12 PM -----

Mitch Romano
05/23/2002 11:21 AM

To: mnn@rrv.net
cc:

Subject: CN

George,

Mitch Romano
CN Account Manager
807-475-6738
807-626-3439 cell
807-577-4281 fax
mitch.romano@cn.ca

Thunder Bay Ontario Canada

**ROMANO V.S.
EXHIBIT 4**

----- Forwarded by Mitch Romano/ROMANO02/CNR/CA on 11/05/03 11:13 PM -----

"George LaPray" <mnn@rrv.net>
06/06/02 03:21 PM

To: <Mitch.Romano@cn.ca>
cc:

Subject: Warroad rates

Mitch:

This acknowledges receipt of your email of the 5th containing CN rates ex MNN Warroad.

This is exactly what I needed to go with to our shippers.

I will let you know the response we get.

Thanks

George LaPray
Minn Northern RR



ROMANO V.S.
EXHIBIT 5

Minnesota Northern Railroad

**PO Box 705
Crookston MN 56716
Phone: 218.281.4704
FAX: 218.281.4705
Email: mnn@rrv.net**

15 July 2002

Mr. Mitch Romano,
Account Manager Marketing
Canadian National Railways
1825 Broadway Ave
Vickers Heights
Thunder Bay ON P0T 2Z0
Via e-mail: mitch.romano@cn.ca

This references our meeting in Duluth of 24 June 2002 and subsequent discussion concerning establishment/reestablishment of a CN – MNN interchange at Warroad, Minnesota.

Grain Rates

As we discussed carload rates on grain which you quoted in your 5 June 2002 email namely:

Warroad - Chicago	\$993 (US)
Warroad - Duluth/Superior	\$588 (US)
Warroad - Decatur IL	\$1443 (US)
Warroad - Springfield IL	\$1498 (US)

It was our understanding in discussing these rates with you that they applied to either single or multi-car shipments and in either CN, MNN or private equipment, good for 60 days.

We requested that you determine which grain elevators at Duluth/Superior were open to reciprocal switching with CN, DWP, WC. You advised via e-mail on 3 July 2002 that there would be an additional BNSF switch charge of \$207.00 to move cars from CN to Harvest States elevator in Superior.

The AGP Cap 6 elevator, and Cargill Elevator B in Duluth are switched directly by both BNSF and CPRS, we have been led to believe that these industries were open to reciprocal switch with WC, is this still the case now that CN has absorbed WC?

Since there is only one flour mill left in Chicago that receives wheat by rail (ADM used to be on CR) our interest in Chicago rates was largely on shipments for beyond moving Rule 11. I assume that no switch charges apply to affect interchange to another carrier, please advise if otherwise.

The bottom line on rates is as we advised in Duluth, that the rates CN has quoted us are of great interest to MNN's grain shippers, these rates would we believe make CN routing the preferred outlet for the vast majority of bulk grain originating on MNN's Warroad subdivision. Indeed

Elevator Managers have advised us that they feel these rates would likely draw grain to MNN loading stations which is now moving to stations on CPRS and to a lesser extent BNSF.

Warroad Interchange – track layout

Again, as discussed in Duluth, MNN needs to know the charge CN will levy to reinstall the interchange switch or switches at Warroad. From MNN's perspective only a single switch on CN's mainline is required to permit interchange of equipment. We understand that from CN's operations perspective installation of two switches (allowing access from mainline to interchange track from either east or west) would likely be preferable. We need to know what CN's position is regarding these switches, is one adequate, or does CN require two, if two are required who will bear the cost of the second switch which MNN views as not required for its operations?

What is the total cost CN will assess for reinstalling a switch to access the MNN interchange track at Warroad? Does there exist from CN's perspective, a threshold annual number of cars per annum that would justify CN bearing all or part of the cost of restoring the interchange at Warroad? Would CN consider some sort of per car charge to allow MNN to pay for the cost of the switch on a usage basis?

Regarding the interchange track, as we discussed MNN would be willing to assume all responsibility for maintenance on this track, provided a nominally priced lease with CN can be agreed to. Would the scenario outlined be acceptable to Canadian National?

Prior to the June floods affecting agricultural production along MNN's Warroad Subdivision we felt that based on the rates CN quoted we could easily interchange 1500 cars per year to CN at Warroad. Quite frankly, the natural disaster that has hit this area makes such a figure now look much more difficult to obtain. Irregardless of temporary traffic losses due to curtailed production related to weather, Minnesota Northern views a Warroad interchange with CN as the most important single thing we can do to better serve our shippers and grow long term traffic.

We look forward to hearing from Canadian National on these subjects.

Sincerely,

George LaPray
General Manager



1825 Broadway Avenue
Thunder Bay Ontario
P0T 2Z0

Mr. George LaPray
General Manager
Minnesota Northern Railroad
PO BOX 705
Crookston MN 56716
Email : mnn@rrv.net

Reference your letter of July 15, 2002.

The rates you have mentioned are correct and other than the Harvest facility in Duluth/Superior please use \$300.00 as the reciprocal switch charge for all other destinations in Duluth/Superior. All agreements in place by the WC would now apply to CN.

You can use the rates we quoted for Chicago as Rule 11 with no additional charge from CN.

The current charge for the installation of one mainline turnout is \$151,800 CDN funds. Additional costs to upgrade the siding for these volumes and ensure the integrity of the CTC signal circuit are \$90,000.00 (+/- 15%). These costs will remain constant until May 1, 2003.

It will cost CN approx. \$20,000 annually in switch maintenance, which CN will absorb. I concur that should we require a second switch, CN will also absorb that cost. I believe we can come to agreement on a nominal lease price should you wish to upgrade and maintain the exchange track at the accepted standards.

I would like to see a minimum of 250 cars per annum (10 shipments of 25 car blocks) with a target goal of the 1000+ cars per annum you identify as potential. It is our position that we will work with you to the mutual benefit of both railroads and the shippers.

I look forward to reviewing the feedback from your customers once received and going forward with this potential opportunity.

Please call if you have any questions.

Mitch Romano
CN
807-475-6738

**ROMANO V.S.
EXHIBIT 7**

----- Forwarded by Mitch Romano/ROMANO02/CNR/CA on 10/16/2002 04:00 PM -----

Mitch Romano

08/20/2002 04:43 PM

To: "George LaPray" <mn@rrv.net>
cc: Joan Hardy/HARDY/CNR/CA@CNR
Subject: Re: WarroadLink

Hi George,

Per our conversation yesterday, CN is still reviewing lifting the rail siding at Warroad MN and removing the siding from operation on a permanent basis. Before a final decision is made on this, we are delaying short term in order to give you further time to determine the potential business opportunity should Warroad be opened to exchange traffic between our two railroads. You stated that Cenex Harvest State is very interested and I look forward to hearing more from them and you on this subject.

It is important that decisions be made soon in order for me to present an internal CN business case to protect the siding should it be warranted.

Looking forward to your feedback,
thanks.

Mitch Romano

**ROMANO V.S.
EXHIBIT 8**

----- Forwarded by Mitch Romano/ROMANO02/CNR/CA on 10/16/2002 03:27 PM -----

Mitch Romano

09/04/2002 04:16 PM

To: "George LaPray" <mnn@rrv.net>
cc:
Subject: Re: Fw: Rail movement [Link](#)

Hi George,

In Todd's letter he refers to access to Duluth/Superior. Is this the only destination and if not what percentage of their traffic to they project into Duluth / Superior ?

Mitch

"George LaPray" <mnn@rrv.net>

09/04/2002 01:45 PM

To: "Mitch Romano CN Thunder Bay" <Mitch.Romano@cn.ca>
cc:
Subject: Fw: Rail movement

Per the attachement received from Todd Oster, Manager Cenex Harvest States "Salol Elevators" Todd anticipates 2.6 million bu in current year (greatly reduced volume account flooding) and 5.2 million bu next year weather permitting.

Thus we are looking at roughly 765 cars originating this year and 1520 cars next year. Based on rates CN has quoted we expect that 80% of originated grain from Salol elevators would route via Warroad and CN thus 612 cars for this year would be our projection for 2002 and 1216 cars next year.

George LaPray
General Manager
Minnesota Northern RR

----- Original Message -----

From: [Lee Lautt](#)
To: [George LaPray](#)
Sent: Tuesday, September 03, 2002 3:20 PM
Subject: Fw: Rail movement

----- Original Message -----

From: [Todd Oster](#)
To: [mnnll@rrv.net](#)
Sent: Tuesday, September 03, 2002 10:34 AM
Subject: Rail movement

To: George @ MNN

From: Todd Oster

Re: Rail movement

George, sorry this took so long in the making, but due to flood and continued late summer rains it's been hard to get a handle on amount of bushels out in the country.

This year, September thru August of 2003 I'm budgeting 2.6 million bushels will move through the Salol Elevators, the majority of this being Spring Wheat. If Mother Nature is good to us in the spring of 2003 the following year should bring close to 5.2 million bushels of grain our way. About 95% on the average will go out by rail.

If CN and MNN were to open the gate to the east of us, at Warroad MN, this could also allow for 40 plus cars of Fertilizer to enter via this route.

As you know basis levels control movement and direction of grain, but this would give all of us a great opportunity to gain access to Dul/Sup.

I hope this is helpful in the planning process.

Todd Oster
General Manager
Salol Elevators

LAW OFFICE
THOMAS F. MCFARLAND, PC.
208 SOUTH LASALLE STREET - SUITE 1890
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TELEPHONE (312) 236-0204
FAX (312) 201-9695
mcfarland@aol.com

THOMAS F. MCFARLAND

November 20, 2002

By fax to 312-755-7669

Richard A. Verkler, Esq.
Canadian National - Illinois Central
Law-Chicago
455 North Cityfront Plaza Drive
Chicago, IL 60611-5504

By fax to 312-540-9098

T.J. Litwiler
Fletcher & Sippel, LLC
Two Prudential Plaza, Suite 3125
180 North Stetson
Chicago, IL 60601

Re: Warroad, MN

Gentlemen:

Please refer to my letter to you of September 27 about a MNN-CN interchange at Warroad, MN, copy attached for ready reference.

After your receipt of that letter, Mr. Mitch Romano of CN contacted MNN personnel. Mr. Romano left the impression that CN would not be willing to reinstall the switch connection at Warroad unless (1) Harvest States would commit to use the interchange for a substantial amount of traffic, and (2) MNN would pay the cost of reinstallation of the switch.

I am hereby advising that Harvest States will not commit to Warroad routing in the form of a rail transportation contract. However, on the basis of the rates that CN has quoted from Warroad to Duluth-Superior, Warroad would be by far the preferred routing for a large percentage of Harvest States's substantial volume of traffic. There is every reason to believe that 1,000 carloads of grain per year or more would move over the Warroad interchange upon its reopening.

Moreover, there is substantial additional traffic that would move over Warroad. Attached is a listing of MNN traffic from or to CN origins and destinations in 2001 and for the first 10 months of 2002. CN could substantially increase its length of haul and revenues on that traffic by reopening the Warroad interchange, especially on the significant sugar traffic to Chicago and beyond. MNN is in a position to influence the routing of all of that MNN-CN traffic via Warroad. The overriding point is that reopening the Warroad interchange would make good business sense for CN notwithstanding the absence of a contractual commitment by Harvest States.

THOMAS F. MCFARLAND

Messrs. Verkler & Litwiler
November 20, 2002
Page 2

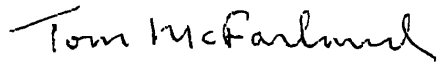
I am also advising that MNN is not willing to pay the cost of reinstallation of the switch at Warroad. That is based on simple fairness. CN removed the switch at Warroad after having been specifically advised by George LaPray of MNN that the CN interchange at Warroad "plays a vital strategic role in Minnesota Northern's future plans" and "(is) essential to the long term viability of our Warroad subdivision" (letter dated March 30, 2001 to CN Interline Marketing Manager Robert Smit).

Based on the foregoing, I am requesting that CN agree to reinstall the switch connection at Warroad at its own cost, whereupon MNN would immediately take action to influence the movement of substantial new traffic via Warroad routing.

However, if CN is unwilling to reinstall the switch, I ask that you so advise me promptly, and take steps to eliminate the BNSF (MNN)-CN Warroad interchange from several rail industry publications. It should not be necessary for MNN to demonstrate the absence of interchange capability by routing traffic for interchange to CN at Warroad, but MNN is prepared to do so if necessary.

Please advise promptly.

Very truly yours,



Thomas F. McFarland
Attorney for Minnesota Northern
Railroad, Inc.

TMcF:kl:enc:d:\wp8.0\821\lrravjl2

cc: George LaPray



Richard A. Verder
General Solicitor

Canadian National/Illinois Central Railroad
455 N. Cityfront Plaza Drive
Chicago, Illinois 60611-5317
Telephone: (312) 755-7654
Fax: (312) 755-7669
Internet: Rick.Verder@CN.CA

ROMANO V.S.
EXHIBIT 10

December 9, 2002

Thomas F. McFarland, Esq.
208 South LaSalle Street, Suite 1890
Chicago, Illinois 60604-0204

Re: Warroad, MN

Dear Mr. McFarland:

Please be advised that we are in receipt of your November 20, 2002 letter regarding the installation of a switch to provide interchange between the Canadian National Railway (CN) and Minnesota Northern Railroad (MNN) at Warroad, Minnesota. This letter responds to MNN's demand that CN install that switch at no cost to MNN and without any traffic guarantees from either MNN or MNN's on-line shippers.

As you know, Section 10742 of the Interstate Commerce Act, 42 U.S.C. § 10742, provides that U.S. rail carriers are required to provide "reasonable, proper and equal facilities" for the interchange of traffic with other rail carriers. Section 11103 of the Act makes clear that rail carriers are only obligated to provide switch connections on "reasonable conditions" and if the connection "will furnish sufficient business to justify its construction and maintenance." 42 U.S.C. § 11103(a). Section 11103 also makes clear that in the event a lateral branch line owner can demonstrate that a proposed connection will furnish sufficient business to justify the construction of a switch connection, the carrier from whom the connection is sought is entitled to be compensated for costs incurred in constructing and maintaining the same. 42 U.S.C. § 11103(b). In construing Section 10742, the Interstate Commerce Commission has stressed that interchange arrangements should take into account the material benefits provided to the parties and not place undue burdens on one carrier or another. See, e.g., New York C & St. L.R. Co. v. New York Central R. Co., 314 I.C.C. 344 (1961).

Your November 20, 2002, letter states that "Warroad would be by far the preferred routing for a large percentage of Harvest State's substantial volume of traffic" and that "there is every reason to believe that 1000 carloads of grain per year or more would move over the Warroad interchange upon its reopening." CN took the liberty of contacting Harvest States to confirm the accuracy of these statements and was told a much different story.

Thomas F. McFarland, Esq.
December 9, 2002
Page 2

According to Dan Mack of Harvest States, most of the grain shipped over MNN is routed to Chicago and beyond via the BNSF and CP, and most of the traffic shipped over CP is sent to CP-served destinations. Mr. Mack was therefore skeptical as to how much need there was for a third railroad option. After discussing the issue with his regional manager, Mr. Mack advised us that while Harvest States would like to see CN service made available as a possible alternative to the other two railroads, the company was unwilling to offer any assurance to CN that it would actually ship traffic over the proposed Warroad interchange. Given Mr. Mack's comments, CN has no reason to believe that any amount of traffic will be interchanged by MNN to CN over a Warroad connection.

CN has grave doubts as to whether installation of a switch connection at Warroad will furnish sufficient business to justify its construction and maintenance, and, accordingly, whether it has any obligation under 42 U.S.C. § 11103 to install a switch at all. However, it is willing to resolve this matter on terms which address MNN's desire to minimize or eliminate any contribution to the cost of constructing a switch. Our proposal is as follows:

CN will install a switch at Warroad at an estimated cost of \$150,000 with MNN paying 50% of those costs in advance. MNN will guarantee that a minimum of 400 cars per year will be interchanged from MNN to CN via Warroad in each of the three years immediately following the installation of the switch.

In the event the 400-car minimum is not met, MNN would pay CN \$500 for each car short of the minimum for that year. In the event traffic shipped to CN is greater than 800 cars over any one of the three one-year periods, CN will rebate to MNN 1/3 of MNN's investment in the switch, with a potential rebate of 100% of MNN's investment should the 800-car threshold be reached in each of the three years. In the event MNN interchanges more than 500 but less than 800 cars to CN during any of the three one-year periods, MNN will neither be required to pay any shortfall nor entitled to receive any rebate for the year in question.

CN and MNN would further agree to share ongoing maintenance on an equal basis.

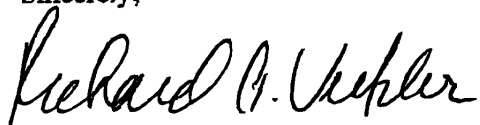
It appears from the tone of your letter that MNN is all but convinced that it will be able to interchange at least 1,000 carloads of grain a year to CN if only a switch were installed at Warroad. Assuming your client is correct, MNN will recoup 100% of its investment in

Thomas F. McFarland, Esq.
December 9, 2002
Page 3

three short years under the formula we are now proposing. CN believes this proposal is reasonable and fully consistent with its obligations under 42 U.S.C. § 10742 and § 11103.

Please do not hesitate to contact me should you have any questions or comments regarding the above.

Sincerely,

A handwritten signature in black ink, reading "Richard B. Uehler". The signature is written in a cursive style with a large, stylized "R" and "U".

LAW OFFICE
THOMAS F. MCFARLAND, PC.
208 SOUTH LA SALLE STREET - SUITE 1890
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TELEPHONE (312) 236-0204
FAX (312) 201-0685
mcfarland@aol.com

THOMAS F. MCFARLAND

December 23, 2002

By fax to 312-755-7669
w/confirmation by mail

Richard A. Verkler, Esq.
Canadian National - Illinois Central
Law-Chicago
455 North Cityfront Plaza Drive
Chicago, IL 60611-5504

Re: Warrond, MN

Dear Mr. Verkler:

Minnesota Northern Railroad (MNN) is interested in the proposal contained in your letter to me of December 9. However, if MNN is to guarantee a minimum traffic level at Warrond for three years as proposed, the rates over Warrond quoted to MNN by your company must also be guaranteed for the same three-year period. Those rates were quoted in a June 5, 2002 e-mail sent to Mitch Romano of your company to MNN as follows:

Warrond, MN to:

Chicago	\$993 per car (US)
Duluth-Superior	\$588 per car (US)
Decatur, IL	\$1433 per car (US)
Springfield, IL	\$1498 per car (US)

Please advise whether your company would guarantee the above rate levels for three years in exchange for the proposed three-year minimum guarantee of traffic.

Very truly yours,

Tom McFarland

Thomas F. McFarland
Attorney for Minnesota Northern
Railroad, Inc.

TMcF:kl:wp8.0(82)Urran3

cc: George LaPray



Canadian National
435 North Dearborn Street
Chicago, Illinois 60611-4517
Telephone: (312) 795-7884
Fax: (312) 795-5488
Internet: www.cn.com

ROMANO V.S.
EXHIBIT 12

January 21, 2003

Thomas F. McFarland, Esq.
208 South LaSalle Street, Suite 1890
Chicago, IL 60604-0204

Re: Warroad, MN

Dear Mr. McFarland:

This will respond to your December 23, 2002 letter regarding a three year rate guarantee for traffic interchanged to CN at Warroad, Minnesota.

CN will agree to maintain the rates set forth below for two years effective April 1, 2003, with a 2% increase for the third year effective April 1, 2005. These rates a) will not be subject to a fuel surcharge during the first two year period, b) exclude applicable switch charges at destination(s) as well as applicable detention, loading and unloading charges, c) will be subject to tariff 9000, d) are expressed in terms of U.S. dollars per railroad car, e) are good until March 31, 2003, and f) are subject to execution by the parties of a separate written agreement covering the construction and maintenance of the Warroad switch.

Rates from Warroad, MN to:

Chicago, IL	\$993
Duluth/Superior	\$488
Decatur, IL	\$1443
Springfield, IL	\$1498

Switch charges at the following locations are as follows:

Duluth/Superior:	Not exceeding \$300/car
Chicago:	Not exceeding \$600/car

All other terms discussed in our December 9, 2002 proposal remain applicable.

Please advise me whether these terms are acceptable to your client.

Sincerely,

Richard A. Verkler

MMN 7

Law Office
THOMAS F. MCFARLAND, P.C.
208 SOUTH LA SALLE STREET, SUITE 1290
CHICAGO, ILLINOIS 60604-1194
TELEPHONE (312) 236-0204
FAX (312) 201-9695
mcfarland@aol.com

THOMAS F. MCFARLAND

January 30, 2003

By fax to 312-755-7669
w/confirmation by mail

Richard A. Verkler, Esq.
Canadian National/Illinois Central
Law-Chicago
455 North Cityfront Plaza Drive
Chicago, IL 60611-5504

Re: Warroad, MN

Dear Richard:

Thanks for your letter of January 23 about the above subject. Minnesota Northern remains quite interested in CN's proposal. We have a few questions regarding terms and conditions associated with the quoted rates:

- (1) would the quoted rates apply to all grains in bulk, i.e., wheat, barley, oats, soybeans, canola, flax, etc.?
- (2) would CN agree to rates lower than those quoted for multiple-car shipments, such as 5-car, 10-car or 25-car units and, if so, what would the multiple-car rates be to each of the four destinations?
- (3) would CN agree to supply freight cars for grain loading on Minnesota Northern and, if so, would CN agree to car-hire relief on CN cars loaded on Minnesota Northern?
- (4) would CN agree to rates lower than those quoted for shipments in shipper-furnished cars and/or in cars furnished by Minnesota Northern and, if so, what would the rate differentials be?
- (5) would CN agree to publish joint through rates on grain from Minnesota Northern origins, with a junction settlement for Minnesota Northern, or agree to have Minnesota Northern publish joint through rates on grain to the four CN destinations, with a junction settlement for CN? (joint through rates would greatly simplify billing matters for grain shippers);

THOMAS F. McFARLAND

Richard A. Verkler
January 30, 2003
Page 2

- (6) are the terms and conditions in your responses to the foregoing questions consistent with terms and conditions that apply to grain shipments from other CN origins?

In conjunction with formulating responses to the above questions, it would be advantageous to put a responsible party at CN's pricing-marketing area in direct contact with a responsible representative of Minnesota Northern. Mr. Mitch Romano of CN at Thunder Bay has been quite helpful in progressing the matter to the present point, but the detailed pricing inquiries above appear to be beyond Mr. Romano's expertise. I suggest that a knowledgeable CN pricing-marketing representative make direct contact with Mr. George LaPray, General Manager of Minnesota Northern, to resolve any questions associated with the above inquiries. Mr. LaPray's telephone number is 218-281-4704.

I thank you for your cooperation in bringing this matter close to final resolution.

Very truly yours,

Tom McFarland

Thomas F. McFarland
Attorney for Minnesota Northern
Railroad, Inc.

TMcF:M:wp2.0421/4/03

cc: George LaPray, by fax to 218-281-4705



Minnesota Northern Railroad, Inc.

PO Box 705

Crookston, MN 56716

Phone: 218.281.4704 Fax: 218.281.4705

28 January 2003

Mr. Dan Mack,
Director of Transportation
CHS Cooperatives
PO Box 64089
St. Paul, MN 55164-0089

Dear Mr. Mack:

Minnesota Northern Railroad is a Class III common carrier railroad providing service to a number of Harvest States controlled or affiliated grain origination facilities in Northwest Minnesota. At the present time MNN interchanges all such originated grain to either Canadian Pacific (Soo Line) at Thief River Falls, MN or BNSF at Crookston, MN.

We have a third interchange location with Canadian National Railway at Warroad, MN however this location has been inactive for a number of years. We have been actively attempting to reopen this interchange for several years. In connection with our interest in this subject we have solicited CN for rates on bulk grain from MNN origins to various CN destinations. CN has quoted us rates which appear to be very attractive, substantially less than charges for comparable movements via BNSF, or CP; for rate details please see our attached letter dated July 23, 2002 addressed to Linda Barclay, CHS Merchandiser serving facilities in MNN's service area. As a matter of interest CN has reduced the Duluth-Superior rate quoted in our 7/23/02 letter by \$100.00 per car and has guaranteed the quoted rates for two years from 4/1/2003 with a possible 2% increase in the third year.

Based on CN's dramatically lower rate structure, we felt that a preponderance of available CHS controlled bulk grain traffic originating on MNN would move via CN when destinations permitted. In a letter dated December 9, 2002 from Richard Verkler General Solicitor for CN/IC and addressed to MNN's attorney CN stated:

"CN took the liberty of contacting Harvest States.....According to Dan Mack of Harvest States, most of the grain shipped over MNN is routed to Chicago and beyond via the BNSF and CP, and most of the traffic shipped over CP is sent to CP-served destinations. Mr. Mack was skeptical as to how much need there was for a third railroad option. After discussing the issue with his regional manager. Mr. Mack advised us that while Harvest States would like to see CN service made available as a possible alternative to the other two railroads, the company was unwilling to offer any assurance to CN that it would actually ship traffic over the proposed Warroad interchange. Given Mr. Mack's comments, CN has no reason to believe that any amount of traffic would be interchanged by MNN to CN over a Warroad connection."

Mr. Dan Mack
January 28, 2003
Page 2

Minnesota Northern has never even considered broaching the subject of volume commitments or guarantees with its shippers regarding potential CN interchange traffic. We had assumed that given CN's rates, a not insubstantial volume of bulk grain traffic would flow to the lowest cost routing (CN). We also fully realize that the very act of opening up MNN stations to lower cost CN routing may result in BNSF and/or CP adjusting their rate structures to meet the competition, thus negating any advantage CN now offers.

The reopening of the Warroad interchange will involve a substantial investment on the part of Minnesota Northern, as well as commit us to certain volume requirements. We are not unwilling to undertake this investment if it will provide MNN's shippers with a real benefit. We would hope that such an investment would help to place our grain shippers at an advantage allowing them to increase their drawing area and produce an overall increase in MNN grain shipments. Prior to MNN's entering into any long term commitments over the CN Warroad interchange, we solicit Cenex Harvest States' frank and honest assessment as to the value (if any) of access to CN's quoted rates and routing would provide CHS' facilities located on MNN. We are cognizant of the possibility that CHS may have arrangements or commitments with other carriers which might affect CHS' view of the relative attractiveness of CN's quoted rates. We will treat your response in complete confidence.

We look forward to your reply or further discussion on this matter.

Sincerely,

George LaPray
General Manager

cc: Linda Barclay, CHS Inver Grove

----- Forwarded by Mitch Romano/ROMANO02/CNR/CA on 11/05/03 11:17 PM -----

"George LaPray" <mnn@rrv.net>
04/15/03 01:32 PM

To: <Mitch.Romano@cn.ca>
cc:

Subject: Re: Rail movement

Greeting Mitch:

Yes, I believe that Regina has addressed all of our questions.

We appreciate the response.

George LaPray
Minnesota Northern RR

----- Original Message -----

From: <Mitch.Romano@cn.ca>
To: "George LaPray" <mnn@rrv.net>
Sent: Monday, April 14, 2003 4:30 PM
Subject: Re: Rail movement

>
> Hi George,
>
> I am following up on CN's response of April 8, 2003 by Regina Gregg of our
> Chicago office to the MNN.
> Does this answer all your questions ? Regina and I can be available this week
> to clarify any remaining questions you may have.
>
> Let me know please. I have copied Regina's email to you below.
>
> thanks
> Mitch Romano
> CN
> 807-475-6738
>
> -----
> -----
> -----

>
> Hi George:
>
> Wanted to get back in touch with you to answer some of your questions.
>
> 1. Can all whole grains apply or just wheat?
> We have no problem with allowing wheat, barley, oats, canola and
> soybeans.
> 2. Are these rates meant to be for single or multi car shipments?
> We attempted to quote very aggressive rates, and they can apply on
> singles or multis provided
> the interchange track can accommodate the shipment.

> 3. Equipment. Rates were quoted under the assumption that CN equipment would
> be used. We haven't discussed per diem relief with our equipment group, and I don't know
> about your equipment supply, but I'm sure the first question asked would
> be whether such an
> agreement can be reciprocal. How do you feel about that?
>
> As far as a differential for private cars running at zero mileage, we can
> quote rates with a differential
> to Decatur, IL but not to the gateways, ie, Duluth/Superior and Chicago.
> 4. Are rates meant to be published as Rule 11 or joint line rates? We will be
> happy to publish joint line rates if that works best.
>
> As a recap, these are the rates that have been quoted:
>
> Origin: Warroad, MN (interchange with MNN)
> Destination: Chicago, IL when for beyond: \$993 per car (US) CN Equipment
> Duluth/Superior when for beyond: \$588 per car (US) CN Equipment
> Decatur, IL \$1443 per car (US) CN Equipment
> \$1268 per car (US) Private Cars, zero mileage allowance
>
>
> CN has agreed to hold these rates for a period of two years, with a 2% increase
> at the start of the third year. Not subject to fuel surcharge Tariff CN 7400
> Series.
>
> Above rates do not include absorption of reciprocal switching charges at
> destination. If you want to terminate traffic
> at Duluth/Superior, switching charges could add approximately \$300 per car, in
> Chicago reciprocal switching
> charges could add approximately \$600 per car, and in Decatur \$390 per car.
>
> If you have any questions regarding the above, please let me know. My
> telephone number is 402-891-0970.
> Look forward to hearing from you George.
>
> Regina

FROM IC RAILROAD LAW DEPT

(FRI) 07.11'03 13:29/ST. 13:2

ROMANO V.S.
EXHIBIT 16

LAW OFFICE
THOMAS F. MCFARLAND, PC.
208 SOUTH LA SALLE STREET - SUITE 1890
CHICAGO, ILLINOIS 60604-1194
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FAX (312) 201-9695
mcfarland@aol.com

THOMAS F. MCFARLAND

April 11, 2003

By fax to 312-255-7669
w/confirmation by mail

Richard A. Verkler, Esq.
Canadian National/Illinois Central
Law-Chicago
455 North Cityfront Plaza Drive
Chicago, IL 60611-5504

Re: Warroad, MN

Dear Richard:

This refers to my letter to you of January 30, my follow-up telephone call in March concerning your failure to answer that letter, and extensive prior correspondence on the above subject. My January 30 letter remains unanswered more than 60 days after it was sent.

In light of CN's failure to respond to that letter, and CN's failure to address the issues regarding removal of the switch at Warroad with any sense of urgency since I brought this matter to CN's attention nearly two years ago, Minnesota Northern has reasonably concluded that CN is not interested in an equitable solution to the Warroad situation.

Minnesota Northern placed CN on notice of its intent to use the switch for interchange of traffic before CN removed the switch. In view of that fact, Minnesota Northern reasonably expects CN to replace the switch and related interchange facilities at Warroad at CN's own expense. That is what would be fair as a matter of equity.

As you well know, this matter has been under discussion for a very long extended period of time. With that in mind, Minnesota Northern has instructed me to go to the STB for resolution of the issues if you do not advise me by April 25 that CN agrees to replace the switch and related interchange facilities at Warroad at its own expense.

Very truly yours,

Tom McFarland

Thomas F. McFarland
Attorney for Minnesota Northern
Railroad, Inc.

TMcF:hl-vp&D&R11Warroad

cc: George LaPray

600 2 0296#

1120 MAY 01

LT6L 55L 2TE 19:60 0002.82 MAY 57

0002 60 N00

FROM IC RAILROAD LAW DEPT

(FRI) 07.11'03 13:30/ST. 13:25

ROMANO V.S.
EXHIBIT 17



Canadian National Railway Company
225 North LaSalle Street, Suite 1800
Chicago, Illinois 60601-5377
Telephone: (312) 755-7654
Fax: (312) 755-7655
Internet: Rick.Verkler@cn.ca

April 17, 2003

Thomas F. McFarland, Esq.
208 South LaSalle Street, Suite 1800
Chicago, IL 60604-0204

Re: Warroad, MN

Dear Mr. McFarland:

I understand that one of our account managers responded to the questions raised in your January 30, 2003 letter in an email sent to George LaPray and that those questions have now been addressed to Mr. LaPray's satisfaction.

I would appreciate it if you would advise me whether the terms outlined in our December 9, 2003 and January 21, 2003 letters and recent email to Mr. LaPray are acceptable to your client. If they are, we can begin negotiating the terms of written interchange and interlocking agreements.

Sincerely,

Richard A. Verkler

cc: Joan Hardy

500 2 819E8

IC LAW DEPT

APR 24 2003 09:35 212 755 7917 58

FROM IC RAILROAD LAW DEPT

(FRI) 07.11'03 13:30/ST. 13:25/Y

ROMANO V.S.
EXHIBIT 18

LAW OFFICE
THOMAS F. MCFARLAND, PC.
208 SOUTH LASALLE STREET - SUITE 1250
CHICAGO, ILLINOIS 60604-1194
TELEPHONE (312) 236-0204
FAX (312) 281-9695
mcfarland@bol.com

THOMAS F. MCFARLAND

April 23, 2003

By fax to 312-745-7669
w/confirmation by mail

Richard A. Verkler, Esq.
Canadian National/Illinois Central
Law-Chicago
455 North Cityfront Plaza Drive
Chicago, IL 60611-3504

Re: Warrond, MN

Dear Richard:

This refers to your letter to me dated April 17, received today.

As you well know from my letter to you of April 11, which was faxed to you on that date and mailed, the provision in your letter of December 9 that MNN would pay 50 percent of the costs of replacing the switch is not acceptable. As made clear in my letter of April 11 inasmuch as CN was put on notice before it removed the switch that MNN intended to use the switch, it is fair and equitable that CN pay the entire cost of replacing the switch and related interchange facilities. If you don't think that is fair and equitable, we will let the STB decide the matter.

My April 11 letter also made clear that I would prepare a complaint for filing with the STB if CN did not advise me by April 25 that it would bear the entire cost of replacing the switch and related interchange facilities. The April 25 date sounds.

Very truly yours,

Tom McFarland

Thomas F. McFarland
Attorney for Minnesota Northern
Railroad, Inc.

TMcF:M-wp80621/wrrond



Law

ROMANO V.S.
EXHIBIT 19

Theodore K. Kalick
Senior U.S. Regulatory Counsel

601 Pennsylvania Ave., N.W.
Suite 500, North Building
Washington, D.C. 20004
T 202-347-7840
F 202-347-8237
theodore.kalick@cn.ca

BY UPS OVERNIGHT

Thomas F. McFarland, Esq.
208 South LaSalle Street, Suite 1890
Chicago, IL 60604-1194

Re: STB Docket No. 42080, *Minnesota
Northern R.R. v. Canadian National
Railway Company*

Dear Tom:

With our exchange of discovery information to occur next week and the subsequent time and expense of litigation before the STB to ensue thereafter, CN would like to approach MNN again to see if we could settle this matter.

As you know, in an effort to resolve this matter in a way that addressed MNN's concerns over contributing to the cost of constructing a new switch connection at Warroad, MN, CN offered MNN on December 9, 2002, as clarified on January 21, 2003, favorable rates for traffic interchanged with CN at Warroad, and incentives for MNN to fully recover its 50-percent share (estimated at \$75,000) of the costs of the new switch within three years. Specifically, CN provided that, should MNN interchange with CN more than 800 cars at Warroad in any of the first three years following the installation of the switch (including cars currently moving in three-line CN-BNSF-MNN service that MNN indicated could be diverted to two-line CN-MNN service via Warroad), the Company would return to MNN in that year 1/3 of its contribution, and therefore all of its contribution should MNN interchange that amount of traffic in each of those years. MNN itself noted that this level of traffic should be readily obtainable, pointing out that "there is every reason to believe that 1000 carloads of grain per year or more would move over the Warroad interchange upon its reopening."

To protect CN, however, against its reasonable concerns that sufficient traffic via the interchange would not develop to justify its investment in the switch, the Company asked MNN to guarantee that a minimum of 400 cars per year would be interchanged from MNN to CN at Warroad in each of the first three years immediately following the switch's installation, and to pay CN \$500 for each car short of the minimum for each of those years.

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While CN and MNN ultimately disagreed over whether the law requires CN to fully bear the up-front expense of constructing and maintaining a new switch connection at Warroad, MNN never countered or had unanswered concerns as to the specific rates, terms, and conditions of the CN proposal that was designed to bridge this disagreement. (In fact, CN appeared to have answered satisfactorily MNN's December 23 and January 30 questions on the specifics of the proposal). Nonetheless, in an effort to resolve this matter, CN offers the following modifications to its December 9 proposal: (1) a reduction in the above-described threshold triggering CN's 1/3 re-payment of MNN's up-front contribution of the switch costs from 800 cars in any of the first three years following installation of the switch to 700 cars in any of those years; and (2) a reduction in the above-described MNN per-car payment to CN for traffic shortfalls below the 400-car per year minimum from \$500 per car to \$300 per car.

CN continues to believe that it is in our respective company's interests to resolve this matter. I look forward to your response.

Best regards,

Ted

Theodore K. Kalick

LAW OFFICE
THOMAS F. MCFARLAND, P.C.
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TELEPHONE (312) 236-0204
FAX (312) 201-9695
mcfarland@aol.com

THOMAS F. MCFARLAND

September 5, 2003

By UPS overnight mail.
(Monday delivery)

Theodore K. Kalick
Canadian National Railway Company
601 Pennsylvania Avenue, N.W.
Suite 500 North Building
Washington, DC 20004

Re: Docket No. 42080, *Minnesota Northern Railroad, Inc. v. Canadian National Railway Company*

Dear Ted:

Thanks for the settlement offer contained in your letter to me of August 28, 2003.

Minnesota Northern does not accept that offer.

As a counteroffer, Minnesota Northern offers the following:

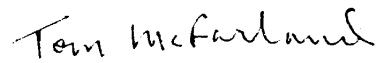
- (1) MNN would lease the transfer track for a nominal amount
- (2) MNN would rehabilitate the transfer track to at least FRA Class 1 condition and thereafter maintain that track to at least that condition
- (3) MNN would contribute 15 percent of the cost of restoring the west switch between the transfer track and the main track, based on the restoration cost quoted in Mr. Verkler's letter to me December 9, 2002 (i.e., 15 percent of \$150,000, or \$22,500).

THOMAS F. MCFARLAND

Theodore K. Kalick
September 5, 2003
Page 2

Please advise.

Very truly yours,

A handwritten signature in cursive script that reads "Tom McFarland".

Thomas F. McFarland
*Attorney for Minnesota Northern
Railroad, Inc.*

TMcF:kl:wp8.0\952\ltrikk1

cc: T.J. Litwiler
George LaPray



Law

Theodore K. Kalick
Senior U.S. Regulatory Counsel

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ROMANO V.S.
EXHIBIT 21

September 29, 2003

BY UPS OVERNIGHT

Thomas F. McFarland, Esq.
208 South LaSalle Street, Suite 1890
Chicago, IL 60604-1112

Re: STB Docket No. 42080, *Minnesota Northern R.R.*
v. Canadian National Ry.

Dear Tom:

Thank you for your letter of September 5, 2003, in response to our second settlement offer of August 28, 2003, modifying our initial offer of December 9, 2002. In response, CN offers the following:

1. A reduction in MNN's minimum car guarantees, as identified in CN's initial and modified settlement offers, from 400 cars for each of the first three years after installation of the switch to 300 cars for each of those years. CN's previous offer on August 28 reducing the per car penalty should traffic guarantees not be reached from \$500 per car to \$300 per car remains.
2. A further reduction of the traffic threshold triggering CN's 1/3 re-payment of MNN's contributed share of the costs from 700 cars in any of the first three years after installation of the switch to 600 cars in any of those years. The costs that MNN has now offered to contribute (per your September 5 letter) that would be subject to a full or partial re-payment include \$22,500 US for the costs of the switch and the costs to replace up to 600 transfer track ties (estimated by CN if all are replaced at \$37,338 US), or a total amount of \$59,838.

3. CN rates from Warroad, MN, after exchange with MNN, to:

Chicago, IL, when for beyond:	\$1,043 per car (US), CN equipment
Duluth/Superior, when for beyond:	\$617 per car (US), CN equipment
Decatur, IL	\$1,515 per car (US), CN equipment
	\$1,331 per car (US) Private Cars, zero mileage
Springfield, IL	\$1,573 per car (US), CN equipment

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CN will hold these rates for a period of two years, with a 3% surcharge at the start of the third year. Rates not subject to fuel surcharge Tariff CN 7400 Series. Rates do not include absorption of reciprocal switching charges at destination.

4. A MNN-BN written agreement giving MNN long-term authorization to route traffic directly to and from CN, if MNN chooses, in order to eliminate any exclusivity and/or remove any restrictions that may now prevent MNN from conducting business with CN. Should other railroads hold enforceable restrictions on the MNN, MNN shall similarly obtain the release of those restrictions as well.

Please advise.

Sincerely,

A handwritten signature in dark ink, appearing to read 'Ted'.

Theodore K. Kalick
Senior US Regulatory Counsel

See Page ii for Canadian and State Commission Numbers and Cancellations

THE OFFICIAL RAILWAY EQUIPMENT REGISTER®

**FREIGHT CONNECTIONS &
FREIGHT CARS OPERATED
BY THE RAILROADS
AND PRIVATE CAR COMPANIES
OF NORTH AMERICA**

Vol. 116, No. 1

July 2000

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and the Surface Transportation Board. The STB filing is in compliance with
provisions of the ICC Termination Act of 1995.

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10 Lake Drive, Hightstown, NJ 08520-5397

THE BURLINGTON NORTHERN AND SANTA FE RAILWAY COMPANY — Continued

Line No.	A.A.R. Mech. Desig.	DESCRIPTION	A.A.R. Car Type Code	NUMBERS	DIMENSIONS												CAPACITY	
					INSIDE			OUTSIDE						DOORS			Cubic Feet Level Full	GRL Lbs. (000)
					Length	Width	Height	Length	Width		Height from Rail	Side		Width of Opening	Height of Opening			
									At Eaves or Top of Sides or Platform	Extreme Width		To Extreme Width	To Eaves or Top of Sides or Platform			To Extreme Height		
See Explanation Pages for Abbreviations & Symbols					ft. in.	ft. in.	ft. in.	ft. in.	ft. in.	ft. in.	ft. in.	ft. in.	ft. in.	ft. in.	ft. in.	ft. in.		
SLSF																		
2316	LC	Special, 20" Cush. Underfr., 50K	C	L077	700047, 700063	51 6	9 4	10 5	59 5	10 2	10 8	13 5	14 7	15	10 6	10	4856	220
2317	XLI	Box, Insulated, 20" Cush. Underfr., Dual Air-Pac Bkhd., 50K	C	A445	700100 - 700299	52 4	9 4	10 6	60 1	10	10 8	13 5	14 8	15 1	10 6	10	5159	220
2318	XLI	Box, Insulated, 20" Cush. Underfr., Dual Air-Pac Bkhd., 50K	C	A445	700100, 700105	51 6	9 4	10 5	59 5	10 2	10 8	13 5	14 7	15	10 6	10	4856	220
					700111, 700117, 700119													
2319	LC	Special Box, 20" Cush. Underfr., 50K	C	L077	700150, 700185	52 4	9 4	10 6	60 1	10	10 8	13 5	14 8	15 1	10 6	10	5159	220
					700186, 700196													
2320	RB	Refrig., 20" Cush. Underfr., 50K	C	R400	700170	52 4	9 4	10 6	60 1	10	10 8	13 5	14 8	15 1	10 6	10	5159	220
SPS																		
2321	FM	Flat		F201	36006	41 5	9 6		45 5		10 5	3 7	3 9	5 2			220	
MISC. EQUIPMENT																		
2322		Misc.			NONE													
Total																		

TANK EQUIPMENT

Cars are marked "ATSF", "BN", "CBO", "FW & D", "GN", "NP", "SFLC", "SFLC", "SFLC" "SFLC" or "SPS" and are numbered and classified as follows:

Line No.	A.A.R. Mech. Desig.	CLASS	DESCRIPTION	A.A.R. Car Type Code	NUMBERS	CAPACITY			Line No.	A.A.R. Mech. Desig.	CLASS	DESCRIPTION	A.A.R. Car Type Code	NUMBERS	CAPACITY		
						Rated Gals. (00)	GRL Lbs. (000)	No. of Cars							Rated Gals. (00)	GRL Lbs. (000)	No. of Cars
			See Explanation Pages for Abbreviations & Symbols									See Explanation Pages for Abbreviations & Symbols					
			ATSF									BN					
1	T		Tank	T104	98000 - 98006		220	2	13	T		Tank	T107	974046		263	
2	T		Tank, For Reference to Tariff Showing Gallonage of Tank Cars See Explanation Page	T104	98007 - 98013		220	3	14	T		Tank	T107	974047		263	
												Tank	T107	974048 - 974049		263	
												Tank	T106	974362		263	
3	T		Tank	T104	98019 - 98052		220	2	17	T		Tank, Oil, 16 Heater Coils	T106	974304 - 974330		263	
4	T		Tank, For Reference to Tariff Showing Gallonage of Tank Cars See Explanation Page	T105	98400 - 98524		220	124	18	T		Tank	T106	974342 - 974348		263	
												Tank	T107	974350		263	
												Tank	T107	974352		263	
5	T		Tank, For Reference to Tariff Showing Gallonage of Tank Cars See Explanation Page	T107	98600 - 98749		263	149	21	T		Tank	T107	974353 - 974355		263	
												Tank	T107	974357 - 974360		263	
												Tank	T107	974361 - 974367		263	
												Tank, Oil, 16 Heater Coils	T107	974368 - 974369		263	
6	T		Tank	T107	875000 - 875034		263	32				GN					
7	T		Tank	T107	875035 - 875064		263	47	25	T		Tank, Oil, 16 Heater Coils	T106	100000 - 100049		263	
8	T		Tank	T108	875105 - 875134		263	30				MISC. EQUIPMENT					
9	T		Tank	T107	974000 - 974008		263	3	26			Misc.		NONE			
10	T		Tank	T107	974013 - 974014		263	2									
11	T		Tank	T107	974015		263	1									
12	T		Tank, 16 Heater Coils	T107	974021 - 974045		263	12									
Total																	
Grand Total																	

Note 1 — Work Equipment cars "Account 57" which are occasionally used in revenue service.

Note 2 — Request for lightweight of cars should be addressed to Manager-Property Accounting, Topeka, KS.

Bills for repairs to cars lettered A.T.S.F., S.F.R.C., and T.P.W. should be sent to Manager Disbursement Accounting, Topeka, KS. Assoc. of American Railroads Rules should govern in the rendition of bills.

Note 3 — Cars are equipped with removable containers of 145 cu. ft. capacity, lightweight 2,350 pounds, length 7 ft., width 4 ft. 3 in., height 6 ft. 5 in., 13,500 pounds load limit and containers of 11 cu. ft. capacity, lightweight 235 lbs., length 3 ft., width 2 ft. 6 in., height 1 ft. 6 in., 4,000 pounds load limit and containers varying in size from 30 cu. ft. to 359 cu. ft. capacity, lightweight per declaration on governing bill of lading. Distance between container spacers at ends of car 41 ft. 2 in.

Note 4 — Cars are equipped with 30 tie-down winch and chain assemblies and removable 3-section canopy, lightweight of canopies and chains per declaration on governing bill of lading. For handling foundry sand, castings and parts. Cars are also equipped with removable containers of 145 cu. ft. capacity, lightweight 2,350 pounds, length 7 ft., width 4 ft. 3 in., height 6 ft. 5 in., 13,500 pounds load limit and containers 11 cu. ft. capacity, lightweight 235 lbs., length 3 ft., width 2 ft. 6 in., height 1 ft. 6 in., 4,000 lbs. load limit and containers varying in size from 30 cu. ft. to 359 cu. ft. capacity, lightweight per declaration on governing bill of lading.

Request for disposition for damaged and/or bad order cars should be directed to Manager Damaged Equipment FAX: (817)352-7257.

FREIGHT CONNECTIONS AND JUNCTION POINTS

Acadiana Railway Company (AKDN)

Crowley, LA

Alabama Gulf Coast Railroad (AGR)

Magnolia, AL

Alameda Belt Line (ABL)

Alameda, CA

Alaska Railroad Corporation (ARR)

Seattle, WA

Albany & Eastern Railroad Company (AERC)

Albany, OR

Altamont Railroad Co. (AL)

Clear Creek Jct., CA

Alton & Southern Railway (ALS)

E. St. Louis, IL

Madison, IL

Mitchell, IL

St. Louis, MO

Apache Railway Co. (APA)

Holbrook, AZ

Appomattox County Railroad Inc. (APNC)

Abia, IA

Arizona & California RR (ARZC)

Cadiz, CA

Matthie, AZ

Phoenix, AZ

Arizona Central Railroad Inc. (AZCR)

Drake, AZ

Arkansas and Missouri Railroad (AM)

Monett, MO

Austin Area Terminal Railroad (AUAR)

Elgin, TX

McNeil, TX

Bad Water Line (BDW)

Bonneville, WY

Ballard Terminal Railroad Co. (BDTL)

Seattle, WA (Operating Jct. Only)

Baltimore & Ohio Chicago Terminal (BOCT)

Chicago, IL

Mc Cook, IL

BC Rail (BCOL)

North Vancouver, BC

Belt Railway Company of Chicago (BRC)

Chicago, IL

Clearing, IL (Operating Jct. Only)

BHP Nevada Railroad Company (BHP)

Shafter, NV

Birmingham Southern Railroad (BS)

Birmingham, AL

Blue Mountain Railroad Inc. (BLMR)

Pulman, WA

Wakula, WA

Brownsville & Rio Grande (BRG)

Port of Brownsville, TX

Burlington Junction Railway (BJRY)

Burlington, IA

Mt. Pleasant, IA (Operating Jct. Only)

Carnegie Prairie Railroad Company (CSP)

Arrow, ID

Carnegie Prairie Railroad Company (CSP)

Ayer, WA (Operating Jct. Only)

Lewiston, ID

Riparian, WA

Canadian National Railways (CN)

Blue Island, IL (Operating Jct. Only)

Brownsville, BC

Chicago, IL

Chicago, IL (Operating Jct. Only)

Conith, IL (Operating Jct. Only)

Detroit, MI

Emerson, MB

Glen Yard, IL (Operating Jct. Only)

Harvey, IL (Operating Jct. Only)

Noyes, MN

New Westminster, BC

Superior, WI

Vancouver, BC

Warroad, MN

Winnipeg, MB

Canadian Pacific Railway (CPRS)

Aberdeen, MN

Ardoch, ND

Bemidji, MN

Bismarck, ND

Carlton, MN

Carrington, ND

Chicago, IL

Cloquet, MN

Canadian Pacific Railway (CPRS)

Coutts, AB

Detroit Lakes, MN

Devils Lake, ND

Duluth DMIR, MN

Emerson, MB

Eskine, MN

Forest River, ND

Huntingdon, BC

Kansas City, KS

Kansas City, MO

La Crosse, WI

Lansford, ND

Minneapolis, MN

Minnesota Tran, MN

Minot, ND

New Westminster, BC

Noonan, ND

Northtown, MN (Operating Jct. Only)

Noyes, MN

Oakes, ND

Rogers, ND

St. Paul, MN

Sumas, WA

Superior, WI

Sweet Grass, MT

Thief River Falls, MN

Valley City, ND

Vancouver, BC

VERIFICATION

Mitch Romano, under penalty of perjury of the laws of the United States, declares and verifies that he is Account Manager of Canadian National Railway Company, that he has read the foregoing statement and knows the facts asserted therein, and that the same are true as stated.

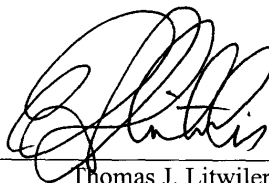

Mitch Romano

Dated: November 6, 2003

CERTIFICATE OF SERVICE

I hereby certify that on this 8th day of November, 2003, a copy of the foregoing
Reply Statement of Canadian National Railway Company was served by overnight delivery
upon:

Thomas F. McFarland, Esq.
Thomas F. McFarland, P.C.
208 South LaSalle Street
Suite 1890
Chicago, Illinois 60604-1194



Thomas J. Litwiler