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January 8, 2004

VIA HAND DELIVERY

The Honorable Vernon A. Williams
Secretary
Surface Transportation Board
1925 K Street, N.W.
Washington, D.C. 20423-0001

ENTERED
Office of Proceedings

JAN 09 2004

Part of
Public Record

Re: Finance Docket No. 34438, Huron & Eastern Ry. –
Acquisition and Operation Exemption – Central Michigan Ry.

Dear Mr. Secretary:

On December 3, 2003, Lake State Railway Company ("Lake State") submitted a letter in this docket expressing concerns regarding the November 26, 2003 filing by the Huron & Eastern Railway Company, Inc. ("HESR") in which HESR stated that it intended to acquire and operate substantially all of the railroad lines currently owned by Central Michigan Railway Company ("Central Michigan"). In its prior letter, Lake State explained that it was concerned with the potential impact of the HESR transaction because Lake State's own viability depends upon the use of trackage rights over a five-mile portion of the Central Michigan in North Bay City, Michigan between Kawkawlin, Michigan (MP 57.6) and Bay City, Michigan (MP 1.62), and because of certain market power issues related to the dominant position already held by HESR's parent, RailAmerica, in the mid-Michigan area.

Notwithstanding these concerns, Lake State indicated that it intended to pursue an acceptable commercial agreement with HESR/RailAmerica that would alleviate its concerns regarding the proposed acquisition, but Lake State reserved its rights to seek relief from the Board if and to the extent necessary.

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The purpose of the instant letter is to advise the Board of two significant developments relevant to Lake State's expressed concerns. First, in its Verified Notice of Exemption in this docket dated January 5, 2004, HESR stated that it was "accepting assignment of trackage rights over the lines of CMRY that have been granted to . . . Lake State Railway Company . . ." Id. at 4 and 7 (citing Finance Docket No. 32018, Lake State Ry. – Trackage Rights Exemption – Central Michigan Ry., ICC served February 27, 1992). The cited Notice of Exemption pertains to Lake State's trackage rights over CMR between milepost 1.6, at Bay City, MI, and milepost 57.6, at Kawkawlin, MI, which permit Lake State to bridge unconnected segments of its line and to interchange traffic with CSX Transportation, Inc.

Second, in an "Agreement & Consent" between HESR, Lake State, CMR, and the Detroit & Mackinac Railway Company ("DMR"), executed on January 7, 2004, HESR agreed to assume all of the obligations of CMR under, and agreed to be bound by: (i) the Closing Agreement dated March 27, 1997 among Lake State, Richard L. Van Buskirk, Jr., James George, CMR, DMR, The Straits Corporation, and Charles A. Pinkerton III (the "Closing Agreement"), (ii) the Coordination Agreement dated March 27, 1997 among Lake State, CMR and DMR (the "Coordination Agreement"), and (iii) the First Amended and Restated Trackage Rights Agreement dated March 27, 1997 between Lake State and CMR (the "Trackage Rights Agreement").

The January 7, 2004 Agreement & Consent further resolved issues regarding the disposition and/or utilization of certain equipment that had been subject to joint use by the parties under the terms of the March 27, 1997 Closing Agreement, and resolved certain additional matters as set forth in detail in the Agreement & Consent.

On the basis of these two developments, Lake State hereby informs the Board that the concerns that it expressed in its December 3, 2003 letter have been resolved and that Lake State's December 3, 2003 letter consequently should be regarded as withdrawn.

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Please accept this letter for inclusion in the formal record of this docket.

Respectfully submitted,

A handwritten signature in cursive script that reads "Andrew B. Kolesar III".

Andrew B. Kolesar III
An Attorney for Lake State
Railway Company

cc: Mr. Matthew J. Devine (by first-class mail)
Gary A. Laakso, Esq. (by first-class mail)
Louis E. Gitomer, Esq. (by hand delivery)