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March 30, 2006

BY HAND DELIVERY

Honorable Vernon A. Williams
Secretary
Surface Transportation Board
1925 K Street, N.W., Room 711
Washington, D.C. 20423-0001

ENTERED
Office of Proceedings

MAR 30 2006

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Public Record



Re: Finance Docket No. 34729, Saginaw Bay Southern
Railway Company – Acquisition and Operation Exemption
– Rail Line of CSX Transportation, Inc. in Bay, Saginaw,
Genesee, and Midland Counties, MI

Dear Secretary Williams:

On March 16, 2006, Huron & Eastern Railway Company, Inc. (“HESR”) filed a petition for show cause order in the above-referenced proceeding. Therein, HESR complained that Saginaw Bay Southern Railway Company (“SBS”) currently is operating over a portion of HESR’s line between Saginaw and Plaines, Michigan without STB authorization. In addition, HESR argued that SBS should be obligated to maintain HESR’s line.

The purpose of this letter is to advise the Board that SBS first became aware of this issue in mid-February 2006. At that time, SBS learned that its October 28, 2005 agreement with CSX Transportation, Inc. (“CSXT”) did not include – but should have included – a reference to certain HESR trackage over which CSXT operated prior to October 28, 2005 pursuant to an April 2, 1878 agreement between CSXT and HESR’s predecessors. CSXT and SBS subsequently agreed to the assignment of CSXT’s rights thereunder. It is SBS’s understanding that, given the original date of the relevant agreement, this assignment does not require STB approval. Nevertheless, if the Board determines that additional authorization is required with respect to SBS’s operations over the HESR line, SBS will submit any necessary materials.

The Hon. Vernon A. Williams

March 30, 2006

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Significantly, however, SBS notes that – to the extent that HESR seeks relief with regarding to issues associated with maintenance responsibility – HESR is improperly asking the Board to intervene in contractual matters between the parties.

Thank you for your consideration in this matter.

Sincerely,

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

Andrew B. Kolesar III
An Attorney for Saginaw Bay
Southern Railway Company

cc: Thomas J. Litwiler, Esq.