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OPPENHEIMER WOLFF & DONNELLY

Two Prudential Plaza
45th Floor
180 North Stetson Avenue
Chicago, IL 60601-6710

(312) 616-1800
FAX (312) 616-5800

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VIA HAND DELIVERY

Mr. Vernon A. Williams
Secretary
Surface Transportation Board
1925 K Street, N.W., Room 715
Washington, DC 20423-0001

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SURFACE
TRANSPORTATION BOARD

Re: **Finance Docket No. 33388**
CSX Corporation and CSX Transportation, Inc.,
Norfolk Southern Corporation and Norfolk
Southern Railway Company -- Control and
Operating Leases/Agreements -- Conrail Inc.
and Consolidated Rail Corporation

Finance Docket No. 33388 (Sub-No. 62) ←
Illinois Central Railroad Company --
Purchase -- Line of CSX Transportation, Inc.

Dear Secretary Williams:

Enclosed for filing with the Board in the above-captioned proceeding are an original and twenty-five copies of the **Responsive Application of Illinois Central Railroad Company (IC-5)** and the **Evidence in Support of Conditions and Responsive Application (IC-6)**, both dated October 21, 1997. A computer diskette containing the text of IC-5, IC-6 and the accompanying verified statements in WordPerfect 5.1 format and a check in the amount of \$4700, representing the appropriate fee for this filing, also are enclosed.

I have also enclosed herewith an extra copy of IC-5, IC-6 and this transmittal letter. I would request that you date-stamp those copies to show receipt of this filing and return them to me in the provided envelope.

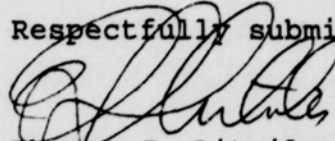
Copies of IC-5 have been served on the various governmental entities and personnel designated in 49 C.F.R. § 1180.4(c)(5). Copies of both IC-5 and IC-6 have been served on all designated parties of record in this proceeding, as shown on the certificate of service.

OPPENHEIMER WOLFF & DONNELLY

Mr. Vernon A. Williams
October 21, 1997
Page 2

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

Respectfully submitted,



Thomas J. Litwiler
Attorney for Illinois Central
Railroad Company

TJL:tl

Enclosures

cc: Parties on Certificates of Service

182914

ORIGINAL

BEFORE THE
SURFACE TRANSPORTATION BOARD

FINANCE DOCKET NO. 33388

CSX CORPORATION AND CSX TRANSPORTATION, INC., NORFOLK
SOUTHERN CORPORATION AND NORFOLK SOUTHERN RAILWAY COMPANY
-- CONTROL AND OPERATING LEASES/AGREEMENTS --
CONRAIL INC. AND CONSOLIDATED RAIL CORPORATION

FINANCE DOCKET NO. 33388 (SUB-NO. 62)

ILLINOIS CENTRAL RAILROAD COMPANY
-- PURCHASE --
LINE OF CSX TRANSPORTATION, INC.

RESPONSIVE APPLICATION OF
ILLINOIS CENTRAL RAILROAD COMPANY

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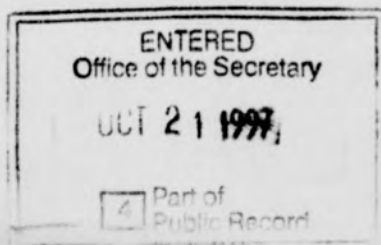
OCT 21 1997

SURFACE
TRANSPORTATION BOARD

Ronald A. Lane
Myles L. Tobin
Illinois Central Railroad Company
455 North Cityfront Plaza Drive
Chicago, IL 60611-5504
(312) 755-7621

William C. Sippel
Thomas J. Litwiler
Oppenheimer Wolff & Donnelly
Two Prudential Plaza, 45th Floor
180 North Stetson Avenue
Chicago, Illinois 60601
(312) 616-1800

**ATTORNEYS FOR ILLINOIS CENTRAL
RAILROAD COMPANY**



Dated: October 21, 1997

BEFORE THE
SURFACE TRANSPORTATION BOARD

FINANCE DOCKET NO. 33388

CSX CORPORATION AND CSX TRANSPORTATION, INC., NORFOLK
SOUTHERN CORPORATION AND NORFOLK SOUTHERN RAILWAY COMPANY
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Ronald A. Lane
Myles L. Tobin
Illinois Central Railroad Company
455 North Cityfront Plaza Drive
Chicago, IL 60611-5504
(312) 755-7621

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Two Prudential Plaza, 45th Floor
180 North Stetson Avenue
Chicago, Illinois 60601
(312) 616-1800

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RAILROAD COMPANY**

Dated: October 21, 1997

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BEFORE THE
SURFACE TRANSPORTATION BOARD

FINANCE DOCKET NO. 33388

CSX CORPORATION AND CSX TRANSPORTATION, INC., NORFOLK
SOUTHERN CORPORATION AND NORFOLK SOUTHERN RAILWAY COMPANY
-- CONTROL AND OPERATING LEASES/AGREEMENTS --
CONRAIL INC. AND CONSOLIDATED RAIL CORPORATION

FINANCE DOCKET NO. 33388 (SUB-NO. 62)

ILLINOIS CENTRAL RAILROAD COMPANY
-- PURCHASE --
LINE OF CSX TRANSPORTATION, INC.

RESPONSIVE APPLICATION OF
ILLINOIS CENTRAL RAILROAD COMPANY

Illinois Central Railroad Company ("IC") hereby submits this Application, pursuant to 49 U.S.C. §§ 11323-11325 and the Railroad Consolidation Procedures, 49 C.F.R. Part 1180, Subpart A, for approval and authorization of IC's acquisition of a line of railroad of CSX Transportation, Inc. ("CSXT") in Memphis, Tennessee. This Application is responsive to the Primary Application filed herein by CSX Corporation ("CSXC"), CSXT, Norfolk Southern Corporation ("NSC"), Norfolk Southern Railway Company ("NSR"), Conrail, Inc. ("CRI") and Consolidated Rail Corporation ("CRC")¹ seeking authority for common control of Conrail by CSXC and NSC and the division of CRC's assets between

¹ CSXC and CSXT are referred to collectively herein as "CSX." NSC and NSR are referred to collectively herein as "NS." CRI and CRC are referred to collectively herein as "Conrail." CSX, NS and Conrail are referred to collectively herein as the "Primary Applicants."

CSXT and NSR. IC hereby requests that the rail line purchase proposed by IC herein be imposed as a condition upon any approval of the Primary Application.

STATUTORY FRAMEWORK

IC's proposed rail line acquisition is subject to prior review and authorization by the Board pursuant to 49 U.S.C. § 11323(a)(2). The statutory criteria for regulatory consideration of the proposed transaction are provided in 49 U.S.C. §§ 11323-11325. Section 11324(d) states:

(d) In a proceeding under this section which does not involve the merger or control of at least two Class I railroads, as defined by the Board, the Board shall approve such an application unless it finds that --

- (1) as a result of the transaction, there is likely to be substantial lessening of competition, creation of a monopoly or restraint of trade in freight surface transportation in any region of the United States; and
- (2) the anticompetitive effects of the transaction outweigh the public interest in meeting significant transportation needs.

The transaction contemplated by this Responsive Application does not involve the merger or control of two or more Class I railroads, and thus is subject to the provisions of 49 U.S.C. § 11324(d). 49 C.F.R. § 1180.2 further classifies transactions under 49 U.S.C. § 11324(d) as significant or minor.

A significant transaction is of regional or national transportation significance. See 49 U.S.C. § 11325(a)(2), (c). A transaction is not significant if it "clearly will not have any anticompetitive effects." 49 C.F.R. § 1180.2(b)(1); see RR. Consol. Proced. -- Def. of Significant Transactions, 9 I.C.C.2d 1198 (1993).

Here, IC seeks to acquire an approximately 2-mile line of railroad in a single metropolitan area. As is explained further below, IC already operates on the involved line pursuant to trackage rights, and upon purchase of the line IC will grant back to CSXT trackage rights to continue its existing operations. The proposed acquisition is necessary to preserve the continued efficiency and competitiveness of IC's service, but will not result in significant changes in existing operational patterns or have any adverse impact on CSXT. The transaction clearly will have no anticompetitive effects, and thus is properly classified as a minor transaction. The Board and its predecessor have previously found many times that comparable line sales between carriers are minor transactions, particularly where the selling carrier will continue to operate over the involved line. E.g., Consolidated Rail Corporation -- Purchase, Lease and Operation -- CSX Transportation, Inc. -- Rail Lines in Jefferson and Indiana Counties, PA, Finance Docket No. 32544 (ICC served August 19, 1994 and December 5, 1994); Wisconsin Central Ltd. -- Purchase -- Chicago and North Western Transportation Company Line Between

South Itasca and Cameron, WI, Finance Docket No. 51880 (ICC served June 19, 1991 and November 5, 1991).²

While IC's proposed line acquisition is a minor transaction, IC retains the burden of proof to submit sufficient evidence to justify granting IC's responsive application. See, e.g., Decision No. 33, at 4. Such evidence is provided herein and in the accompanying verified statements.

SECTION 1180.6(a)

IDENTIFICATION OF APPLICANT AND PERSONS TO WHOM CORRESPONDENCE WITH RESPECT TO THIS APPLICATION SHOULD BE ADDRESSED

Applicant Illinois Central Railroad Company is a Class I railroad operating approximately 2600 route miles of rail lines in six midwestern and south central states. IC controls the Waterloo Railway Company ("WLO"), an applicant carrier which owns rail property in the state of Mississippi and which is operated by IC.³ IC also owns non-controlling stock interests in several switching and terminal railroads.⁴

² Given the extremely limited scope of IC's proposed acquisition, under normal circumstances it would almost certainly qualify as an exempt transaction under 49 U.S.C. § 10502(a). The Board has previously noted in this proceeding, however, that it would be "difficult or improbable" to find that a condition sought in a responsive application was exempt. Decision No. 40 at 3, n.6.

³ See Waterloo Railroad Company and Illinois Central Gulf Railroad Company -- Exemption -- Exchange of Properties, Finance Docket No. 30716 (ICC served September 3, 1985).

⁴ IC owns non-controlling stock interests in The Belt Railway Company of Chicago, the Mississippi Export Railroad Company, the Paducah & Illinois Railroad Company, the Peoria & Pekin Union Railway Company ("P&PU") and the Terminal Railroad Association of St. Louis. The Interstate Commerce Commission has previously
(continued . . .)

IC is a wholly-owned subsidiary of Illinois Central Corporation ("IC Corp."), a non-carrier holding company. IC Corp. was formed as a Delaware corporation in 1989 to acquire IC, which had been spun off from IC Industries, Inc. (now Whitman Corporation) the year before. See Notice of Exemption -- Issuance of Securities and Assumption of Liabilities -- Illinois Central Railroad Company, Finance Docket No. 31468 (ICC served September 18, 1989); IC Industries, Inc., et al. -- Securities Notice of Exemption Under 49 CFR 1175, Finance Docket No. 31231 (ICC served September 30, 1988 and May 3, 1989).

In mid-1996, IC Corp. acquired control of the Chicago, Central & Pacific Railroad Company ("CC&P") and the Cedar River Railroad Company ("CRRC") through purchase of the stock of CCP Holdings, Inc. ("Holdings"), CC&P/CRRC's parent. See Illinois Central Corporation and Illinois Central Railroad Company -- Control -- CCP Holdings, Inc., Chicago, Central & Pacific Railroad Company and Cedar River Railroad Company, Finance Docket No. 32858 (STB served May 14, 1996), on reopening (STB served November 13, 1996). Applicant carrier CC&P is a Class II rail

(continued . . .)

interpreted the phrase "applicant carriers" not to include carriers such as these in which applicants have non-controlling common stock interests of 50% or less, and the Board has reached a similar conclusion in this proceeding. See Rio Grande Industries, Inc. -- Purchase and Trackage Rights -- Chicago, Missouri & Western Railway Company Between St. Louis, MO and Chicago, IL, Finance Docket No. 31522 (ICC served August 18, 1989) at 3; Decision No. 36 at 2-3. The Commission specifically examined the relationship between IC and P&PU and concluded that IC does not control P&PU. Illinois Central Railroad Company -- Reacquisition and Control Exemption -- Peoria and Pekin Union Railway Company, Finance Docket No. 31542 (ICC served December 29, 1989).

carrier which owns and operates approximately 724 miles of rail line between Chicago, Illinois on the east and Sioux City, Iowa and Council Bluffs, Iowa/Omaha, Nebraska on the west. CC&P purchased the Chicago-Sioux City/Omaha line (formerly IC's Iowa Division) from IC and began operations in 1985. Chicago, Central & Pacific Railroad Company -- Purchase (Portion), Trackage Rights, and Securities Exemption, Finance Docket No. 30663 (ICC served December 24, 1985).

Applicant carrier CRRC is a Class III rail carrier which owns or operates approximately 102 miles of rail lines between Waterloo, Iowa and Glenville, Minnesota. CRRC was formed in 1991 to acquire the Waterloo-Albert Lea, Minnesota line from the defunct Cedar Valley Railroad Company ("CVAR").⁵ See Cedar River Railroad Company -- Acquisition and Operation Exemption -- Certain Lines of Cedar Valley Railroad Company, Finance Docket No. 31958 (ICC served November 26, 1991).

The business address of the Applicant is listed below:

Illinois Central Railroad Company
455 North Cityfront Plaza Drive
20th Floor
Chicago, IL 60611-5504
(312) 755-7500

⁵ CRRC was initially formed as a subsidiary of CC&P. See Chicago, Central & Pacific Railroad Company -- Control Exemption -- Cedar River Railroad Company, Finance Docket No. 31959 (ICC served December 5, 1991). As a result of a 1992 corporate restructuring, CRRC became a wholly-owned subsidiary of Holdings and a sister company to CC&P. Donald R. Wood, Jr., CCP Holdings, Inc., Chicago, Central & Pacific Railroad Company and Cedar River Railroad Company -- Corporate Family Exemption, Finance Docket No. 32373 (ICC served November 8, 1993).

Applicant's counsel to whom correspondence with respect to this Application should be addressed are listed below:

Ronald A. Lane
Myles L. Tobin
Illinois Central Railroad Company
455 North Cityfront Plaza Drive
Chicago, Illinois 60611-5504
(312) 755-7621

William C. Sippel
O, penheimer Wolf & Donnelly
Two Prudential Plaza, 45th Floor
180 North Stetson Avenue
Chicago, Illinois 60601
(312) 616-1800

SECTION 1180.6(a)(1)(i)
SUMMARY OF THE PROPOSED TRANSACTION

In this Responsive Application, IC seeks Board approval for IC's purchase of CSXT's line of railroad extending from Leewood to Aulon in Memphis, Tennessee, a distance of approximately 2 miles (hereinafter, the "Leewood-Aulon Line"). IC currently operates via trackage rights over the Leewood-Aulon Line, which connects with IC's Chicago-New Orleans main line at either end and forms an essential link for nearly all north-south traffic moving on IC's rail system. Union Pacific Railroad Company ("UP") also operates over the Leewood-Aulon Line pursuant to an arrangement with CSXT.

Upon its acquisition of the Leewood-Aulon Line IC would grant back trackage rights to CSXT over the line on terms and conditions substantially similar to those governing IC's existing trackage rights on the line. IC and CSXT would each retain their existing rights to serve local shippers and

industries located on the Leewood-Aulon Line. IC similarly would allow UP to continue its current usage of the line.

SECTION 1180.6(a)(1)(ii)

**PROPOSED TIME SCHEDULE FOR
CONSUMMATION OF TRANSACTION**

IC will consummate the proposed acquisition of CSXT's Leewood-Aulon Line promptly upon the effective date of a final order of the Board approving the Primary Application and this Application and Primary Applicants' consummation of the transaction proposed in the Primary Application. The grant-back of trackage rights to CSXT (and UP) on the Leewood-Aulon Line would be effective at the same time.

SECTION 1180.6(a)(1)(iii)

**PURPOSE SOUGHT TO BE
ACCOMPLISHED BY THE PROPOSED TRANSACTION**

The purpose for the condition sought by the Responsive Applicant herein is to mitigate specific adverse impacts on existing competition and the adequacy of transportation service that will result from CSXT's acquisition of certain Conrail lines (to be held by an entity known as New York Central Lines LLC, or "NYC"). IC's purchase of the Leewood-Aulon Line and assumption of dispatching responsibilities on that line will remove the inefficient and anti-competitive stranglehold that CSXT now has on IC's operations in the Memphis area -- and in turn on IC's entire system. That stranglehold will only grow stronger and its effects on competition and efficient transportation service more harmful when CSXT acquires the NYC lines and begins to compete

directly with IC for certain traffic, and in particular the large volume of traffic currently moving in IC-Conrail joint-line service via the Effingham, Illinois gateway. The ability of CSXT to control and constrain a vital link in IC's mainline and the incentive and opportunity CSXT will have to utilize that chokehold to render IC's service non-competitive -- no matter what IC's inherent service efficiencies might otherwise be -- is plainly anti-competitive and contrary to the public interest. In addition, it threatens the efficiency and adequacy of rail transportation service which has not only been IC's hallmark, but which is so plainly and desperately needed in this country now. The condition proposed herein will remedy this harm, while preserving CSXT's operating capabilities in Memphis and in no way detracting from the benefits which CSXT anticipates as a result of the transaction proposed in the Primary Application.

The double-track Leewood-Aulon Line forms an integral part of IC's main line between Chicago and New Orleans. All traffic moving on IC's core north-south trunk must traverse it in order to pass through Memphis.⁶ IC is by far the predominant user of the Leewood-Aulon Line, accounting for over 28 trains a day and over three-quarters of the total traffic on the line. In contrast, the line is at best a secondary one for CSXT, located at the end of a long CSXT route from Nashville and used primarily

⁶ IC's Riverfront Line, a single-tracked line through downtown Memphis with grade crossings nearly every city block, is utilized only by Amtrak. A 1995 agreement with the City of Memphis, which owns the underlying right-of-way of the line, prohibits freight operations on the line except in emergencies.

for switching and the transfer of interchange traffic to other carriers in Memphis. Nor is the line of any particular importance in the context of the Conrail merger proceeding. While Memphis serves as one of several gateways to western carriers for CSXT, CSXT predicts only a modest, 2.3 train/day growth in traffic (to 12.4 trains a day) on its Nashville-Memphis line and no significant changes in its Memphis terminal as a result of the Conrail transaction. CSX/NS-20, Vol. 3A at 212-213, 457.⁷

Despite CSXT's plainly subordinate use of the Leewood-Aulon Line, the peripheral nature of that line to CSXT and the contrasting vital importance of the line to IC, CSXT maintains and dispatches the line. Until December, 1996, dispatching on the line was handled by a CSXT operator based in a cabin at Leewood. At that time, the operator's position was abolished and control of the line was transferred to CSXT's centralized dispatching center in Jacksonville, Florida. Since then, CSXT has consistently caused significant interference with and delays to IC's through train movements on the Leewood-Aulon Line. CSXT trains are held at length on the line, and yard movements at CSXT's Leewood Yard are often allowed to foul the line. Repeated calls to CSXT dispatchers in Jacksonville are unaddressed and often even unanswered. Unlike the former Leewood operator, who was familiar with the territory and worked closely with the

⁷ On a gross tonnage basis, traffic on the western half of CSXT's Nashville-Memphis line is predicted to grow by only 8% post-acquisition. CSX/NS-20, Vol. 3A at 457.

involved parties, the Jacksonville dispatchers are distant and relatively unconcerned with the Memphis "outpost." The result has been severe disruptions to IC's operations in Memphis, as explained more fully in the Verified Statement of John D. McPherson, IC's Senior Vice President - Operations, submitted herewith.

Such problems raise a significant public interest issue given the pending transaction proposed in the Primary Application. IC currently moves 100,000 cars a year to and from the Northeast on a joint-line routing with Conrail via Effingham, Illinois. Post-transaction, IC's joint-line routings will compete with new single-line NSR and CSXT routings through the Southeast for such traffic. IC is confident that it can compete for such traffic, and has entered into an agreement with NSR providing for the continued availability of IC-NSR joint-line routings (via the IC-NSR interchange at Tolono, Illinois) for traffic to the Northeast. CSXT refused to enter into such an agreement.

IC believes that it is most efficient carrier for much of the traffic moving between the south central United States and the Northeast, and that IC-NSR joint-line service can provide effective competition to CSXT single-line routings (as well as single-line NSR routings) -- but only if IC's service remains available and accessible to shippers. The chokehold which CSXT has on IC's system at Memphis will enable it to undermine IC's efficiency and competitiveness, and the merger will provide it added incentive to do so.

The proposed condition will assure that IC can continue to provide efficient operation and offer effective competition for traffic to and from the Northeast. IC's dispatching of the Leewood-Aulon Line will reflect both the centrality and importance of that segment to IC's system and IC's self-interest in keeping the operations of all carriers on the line coordinated and fluid. If necessary, IC will return control of the line to local operators until such time as a feasible plan for centralized dispatching of the line can be arranged. CSXT (and UP) will retain all existing rights to operate on the line, and will benefit from attentive and knowledgeable dispatching, rather than absentee control from Jacksonville.

Together with IC's requested competitive routing condition, the proposed purchase of the Leewood-Aulon Line will ameliorate the potential adverse effects of the Conrail transaction on competition and the adequacy of transportation service through a narrowly-tailored remedy, while preserving CSXT's operating rights in Memphis and not depriving the Primary Applicants of any of the benefits arising from the Conrail transaction.

SECTION 1180.6(a)(1)(iv)

**THE NATURE AND AMOUNT OF NEW
SECURITIES AND OTHER FINANCIAL ARRANGEMENTS**

The line acquisition sought in this transaction will not involve the issuance of any new securities by IC or its parent. Upon a granting of this Application, the purchase price

for the Leewood-Aulon Line will be negotiated by the parties or, barring agreement, determined by the Board.

SECTION 1180.6(a)(2)

PUBLIC INTEREST JUSTIFICATIONS

(i) Effect of the Proposed Transaction on Competition.

The proposed transaction is pro-competitive and clearly in the public interest. It will assure that efficient IC joint-line routings via Effingham and Tolono, Illinois -- insulated from intentional or negligent interference and disruption by CSXT at Memphis -- will remain available competitive options to single-line CSXT or NS service. At the same time, it will simply allow IC the opportunity to compete, without guaranteeing or subsidizing a single carload of traffic.

The proposed purchase of the Leewood-Aulon Line will not result in harm to the essential services of any carrier and will not result in a reduction of competition at any point.

(ii) Financial Considerations.

The financial consideration for the proposed transaction involves payment of a purchase price for the Leewood-Aulon Line as negotiated between IC and CSXT. IC is ready and willing to take all steps necessary to negotiate reasonable compensation for the purchase of the Leewood-Aulon Line. If the parties were unable to agree, however, the purchase price would be determined by the Board.

The proposed transactions will result in substantial operating economies for IC in the Memphis area, including

reductions in lost equipment utilization, fuel expenses, car hire expenses, crew expenses, crew fatigue and delayed shipments and increases in on-time performance and operating efficiency. IC has not attempted to quantify these benefits.

(iii) **Effect of Increase in Total Fixed Charges Resulting from the Transaction.**

IC's acquisition of the Leewood-Aulon Line from CSXT is not expected to result in any increase in the fixed charges of IC. The purchase price for the Leewood-Aulon Line will be paid from current assets or cash. IC does not anticipate that it will incur any added debt in connection with the transaction.

(iv) **Effect of Transaction Upon the Adequacy of Transportation Service to the Public.**

The proposed transaction will substantially promote the adequacy of transportation services to the public by restoring fluidity to rail operations within the Memphis terminal, preserving the continued efficiency and competitiveness of IC's trunk line operations between Chicago and New Orleans, and assuring that rail line capacity is available and utilized in the most productive way possible in a time of historic congestion. The transaction also will assure that IC's efficient routings to Conrail territory via Effingham remain available to compete with the new single-line routes contemplated by the Primary Application.

CSXT (and UP) will retain the right to conduct all existing rail operations. No shipper will lose access to any rail service as a result of the proposed purchase, since IC and

CSXT will continue to provide local service on the Leewood-Aulon Line as they do today. The transaction will have no adverse impact on the continuation of essential transportation services by IC, CSXT, UP or any other carrier. No diversions of traffic from other carriers are anticipated. If anything, the transaction will assure the preservation and continued viability of efficient and essential transportation services on IC's lines.

(v) Effect of Transaction on Employees.

Upon acquisition of the Leewood-Aulon Line, IC anticipates that it would create one new position to handle signal maintenance duties on the line. Maintenance-of-way activities on the line would be performed by existing IC track crews in Memphis, which is a major IC employment center. No changes are anticipated in IC's train operations, and thus the proposed transaction should have no effect on IC's train and engine employees.

Particularly in light of the severe operating difficulties which have arisen since CSXT transferred dispatching control over the Leewood-Aulon Line from the local operator at Leewood to Jacksonville, Florida, IC will consider restoring a full-time local operator in Memphis to oversee operations on the Leewood-Aulon Line until such time as centralized dispatching of the line can be effectively and fairly implemented. Such action would result in the creation of four new operator positions on IC in Memphis.

Although IC does not expect any adverse effect on its employees as a result of the proposed acquisition, IC agrees that the appropriate level of labor protection for the transaction is that set forth in New York Dock Ry. -- Control -- Brooklyn Eastern Term. Dist., 360 I.C.C. 60 (1979), as clarified by Wilmington Term. R. Inc. -- Pur. & Lease, CSX Transp., Inc., 6 I.C.C.2d 799 (1990), modified, 7 I.C.C.2d 60 (1990), aff'd sub nom. Railway Labor Executives' Ass'n v. ICC, 930 F.2d 511 (6th Cir. 1991). No employee protection agreements have been reached as of the date of this Application.

(vi) Inclusion of Other Railroads in the Territory.

Inclusion is not a relevant consideration in this Application because the proposed transaction, which consists of the purchase of approximately 2 miles of rail line, does not involve the merger or control of at least two Class I railroads. See 49 U.S.C. § 11324(b)(2) and (d). Nonetheless, the proposed transaction will not result in harm to the essential services provided by any carrier. Since only positive competitive impacts are anticipated and essential services are not endangered, there is no legal or factual basis for ordering the inclusion of any carrier in the proposed transaction. and, therefore, there is no basis for ordering the inclusion of any carrier in the transaction.

SECTION 1180.6(a)(3)

OTHER SUPPORTING INFORMATION

Submitted with this Application are the Verified Statements of Donald H. Skelton, IC's Senior Vice President - Marketing and Sales, and John D. McPherson, IC's Senior Vice President - Operations.

SECTION 1180.6(a)(4)

OPINION OF COUNSEL

An opinion of counsel is attached to this Application.

SECTION 1180.6(a)(5)

STATES WHERE APPLICANTS OWN PROPERTY

IC owns and operates railroad property in the states of Illinois, Kentucky, Tennessee, Mississippi, Louisiana and Alabama.

Applicant carrier CC&P owns and operates railroad property in the states of Iowa, Illinois and Nebraska. Applicant carrier CRRC owns and operates railroad property in the states of Iowa and Minnesota. Applicant carrier WLO owns railroad property entirely within the state of Mississippi.

SECTION 1180.6(a)(6)

MAPS - EXHIBITS 1A, 1B, 1C and 1D

Maps depicting the rail lines of IC and its affiliates are attached as Exhibits 1A and 1B. A map showing the various rail lines in the greater Memphis area and a more detailed map of

the vicinity of the Leewood-Aulon Line are attached as Exhibits 1C and 1D.

SECTION 1180.6(a)(7)(i)

DESCRIPTION OF THE TRANSACTION

IC seeks to purchase CSXT's line of railroad in Memphis, Tennessee extending between CSXT milepost F-371.4 at Leewood and CSXT milepost F-373.4 at Aulon, a distance of approximately 2 miles.⁸ IC currently operates over the Leewood-Aulon Line pursuant to trackage rights granted in an Agreement dated January 22, 1907 between IC, The Yazoo and Mississippi Valley Railroad Company (an IC predecessor), Louisville and Nashville Railroad Company and Nashville, Chattanooga and St. Louis Railway Company (both predecessors of CSXT) and various amendments to that Agreement. At Leewood the Leewood-Aulon Line connects with IC trackage extending to Woodstock, Tennessee and eventually Chicago. At Aulon the line connects with IC trackage extending to East Junction and through Johnston Yard to West Junction. Connection is made at East Junction with IC's Granada District to Jackson, Mississippi and New Orleans and at West Junction with IC's Yazoo District to those same destinations.

Together with the adjoining IC line segments, the Leewood-Aulon Line serves as a belt line around downtown Memphis utilized by all IC road trains through Memphis and numerous IC switching and local train assignments as well. The line is an

⁸ Under IC's own milepost designation system, Leewood is IC milepost 387.9, while Aulon is IC milepost 390.0.

integral link in IC's primary Chicago-New Orleans route, and IC is by far its largest user. CSXT utilizes the Leewood-Aulon Line to transfer trains and traffic between Leewood Yard, CSXT's principal Memphis terminal facility located just east of Leewood, and connections with other rail carriers in Memphis west of Aulon. Union Pacific Railroad Company ("UP") also possesses trackage rights on the line for the limited purpose of handling interchange traffic to and from CSXT's Leewood Yard. Together, the traffic of CSXT and UP constitutes less than one-fourth of the total traffic handled on the Leewood-Aulon Line. Through a variety of agreements (many of which are amendments to the initial 1907 agreement), local service to industries and shippers on the Leewood-Aulon Line is provided by either CSXT or IC, with certain shippers open to service (generally via reciprocal switching) from both carriers.

Upon purchase of the Leewood-Aulon Line, IC will assume dispatching and maintenance responsibilities on the line from CSXT. Basic operating patterns on the line are not anticipated to change, although the fluidity and coordination of existing train operations will improve with the advent of fair and attentive dispatching of the line by IC. IC will grant back to CSXT trackage rights on the Leewood-Aulon Line sufficient to allow CSXT to continue all operations which it conducts on the line today. No change in the current allocation of local service to industries on the Leewood-Aulon Line between CSXT and IC is contemplated. The terms and conditions of CSXT's trackage rights will be substantially similar to those governing IC's trackage

rights over the Leewood-Aulon Line pursuant to the 1907 Agreement.⁹ UP, the only other current tenant of the Leewood-Aulon Line, would also be allowed to continue its operations, with its trains counted as trains of CSXT for purposes of the agreement between CSXT and IC (as they are today).

The significant proposed terms and conditions of the acquisition are described in the draft form of Purchase and Sale Agreement submitted with this Application as Exhibit 2A.

SECTION 1180.6(a)(7)(ii)

AGREEMENT - EXHIBIT 2

A draft Purchase and Sale Agreement containing the significant terms for IC's proposed acquisition of the Leewood-Aulon Line is submitted with this Application as Exhibit 2. That agreement and an appended letter agreement also provide for the grant-back of trackage rights on the line to CSXT. It is IC's intention that CSXT's trackage rights on the Leewood-Aulon Line would be subject to substantially the same contractual terms and conditions now applicable to IC's trackage rights on the line.

The purchase price for the Leewood-Aulon Line would be negotiated between IC and CSXT or, in the absence of agreement, determined by the Board as necessary.

⁹ Indeed, CSXT today possesses trackage rights on IC's line south of Aulon pursuant to the same 1907 Agreement governing IC's trackage rights on the Leewood-Aulon Line. The proposed transaction would simply expand the coverage of the 1907 Agreement to encompass CSXT's trackage rights operations on the Leewood-Aulon Line.

SECTION 1180.6(a)(7)(iii)

INFORMATION REGARDING THE CONSOLIDATED ENTITY

The transaction for which approval is sought in this Application does not involve a consolidation or merger. Accordingly, this subsection is not applicable.

SECTION 1180.6(a)(7)(iv)

COURT ORDER

This subsection is not applicable to this Application, because neither a trustee, receiver, assignee, nor personal representative of IC is an Applicant herein.

SECTION 1180.6(a)(7)(v)

PROPERTY INVOLVED IN THE PROPOSED TRANSACTION

IC seeks to acquire a short line of railroad of CSXT in Memphis, Tennessee. The proposed transaction does not involve any property of IC or of applicants carriers CC&P, CRRC or WLO, although IC currently operates over the line sought to be acquired pursuant to trackage rights. The property of CSXT involved in the proposed transaction is more fully described in the Description of the Transaction, pp. 18-20, supra and in the following section, and is depicted on Exhibits 1C and 1D. The property included in the proposed transaction does not include all of the property of CSXT.

SECTION 1180.6(a)(7)(vi)

**PRINCIPAL ROUTES, TERMINI, POINTS OF
INTERCHANGE AND MILEAGE OF THE INVOLVED LINES**

IC owns or operates approximately 2624 route miles of rail lines, which includes approximately 2217 route miles of main line and approximately 407 route miles of branch line. Historically known as "The Mainline of Mid-America," IC's principal route extends down the spine of the nation between Chicago, Illinois and New Orleans, Louisiana. The Leewood-Aulon Line sits nearly at the mid-point of this route, and is an essential link for nearly all of IC's north-south traffic. Secondary IC main lines extend to Peoria and East St. Louis, Illinois, Mobile, Alabama and Baton Rouge, Louisiana.

IC's general corporate headquarters are located in downtown Chicago, while operating headquarters and numerous administrative personnel are based in suburban Homewood. IC's major locomotive and freight car repair facilities are located at Woodcrest Shops and Markham, respectively, in Homewood. In Memphis, IC's major terminal facility is Johnston Yard, located southwest of the Leewood-Aulon Line. Other principal IC terminals are located at Chicago (Markham, Glenn and Moyers Intermodal Terminal), Champaign, Centralia and Decatur, Illinois; Jackson, Mississippi; and New Orleans and Baton Rouge, Louisiana. IC's major interchange points are at Chicago, Peoria, East St. Louis and Effingham, Illinois; Memphis, Tennessee; Mobile, Alabama; and New Orleans, Louisiana.

Applicant carrier CC&P owns and operates approximately 724 route miles of rail lines, which includes approximately 630 route miles of main line and approximately 94 route miles of branch line. CC&P's principal routes extend from Chicago, Illinois to Omaha, Nebraska/Council Bluffs, Iowa and from Fort Dodge, Iowa (on the Chicago-Omaha line) to Sioux City, Iowa. Branch lines (all in Iowa) extend from Manchester to Cedar Rapids; from Cedar Rapids to Shaver; from Marion Jct. to Marion; from Waterloo to East Waterloo; from Waterloo to Aladdin; from Hampton to Steamboat Rock (crossing the Chicago-Omaha line at Macy); and from Ida Grove Junction to Ida Grove. CC&P also operates between Chicago and Plaines (Joliet), Illinois pursuant to trackage rights on IC. CC&P's major terminals are located at Council Bluffs, Sioux City, Fort Dodge, Waterloo, Cedar Rapids and Dubuque, Iowa and Chicago (Hawthorne), Illinois. CC&P interchanges traffic with other rail carriers at each of these locations, and also at Iowa Falls, Iowa and Rockford, Illinois.

CRRC owns or operates approximately 102 route miles of rail lines between Waterloo, Iowa and Glenville, Minnesota, including short branches to Stacyville and Waverly, Iowa. CRRC's principal yard facilities are located at Waterloo. CRRC interchanges traffic with CC&P at Waterloo, and with other carriers at Charles City, Iowa and Glenville and Lyle, Minnesota. Applicant carrier WLO owns approximately 11.5 miles of rail line between W.V. Junction and Bruce Junction, Mississippi. WLO connects with IC at W.V. Junction and with the Mississippi & Skuna Valley Railroad Company at Bruce Junction.

The Leewood-Aulon Line which is the subject of this Responsive Application extends from IC milepost 387.9 at Leewood to IC milepost 390.0 at Aulon, a distance of approximately 2 miles in Memphis, Tennessee. The Leewood-Aulon Line is double-tracked and currently dispatched by CSXT using Traffic Control System ("TCS"). It connects at Leewood with IC-owned trackage extending north to Woodstock, and at Aulon with IC-owned trackage extending south and southwest to East Junction and the entrance to IC's Johnston Yard. Together with these segments, the Leewood-Aulon Line forms a belt line around Memphis which handles substantially all of IC's north-south traffic through the city.

Further information regarding the Leewood-Aulon Line is contained in the Operating Plan attached hereto as Exhibit 15 and the Verified Statement of John D. McPherson.

SECTION 1180.6(a)(7)(vii)

GOVERNMENTAL FINANCIAL ASSISTANCE

This subsection is applicable to this Application, because no governmental financial assistance is involved in the proposed transaction.

SECTION 1180.6(a)(8)

ENVIRONMENTAL DATA

On October 1, 1997, after consultation with the Board's Section of Environmental Analysis, IC filed a Verified Statement of No Significant Impact (IC-4). As explained therein and elsewhere in this Application, IC currently operates trains over the Leewood-Aulon Line pursuant to trackage rights. IC's

acquisition of the Leewood-Aulon Line would result in a transfer of dispatching and maintenance on the line to IC and change the nature of IC's legal interest from operating rights to ownership, but should not cause any significant change in the trains and traffic that move over that line. The proposed transaction will thus not result in reasonably foreseeable changes in carrier operations that will exceed the thresholds established in 49 C.F.R. § 1105.7(e)(4) or (5). See IC-4 at 2, 3-4. Under 49 C.F.R. § 1105.8(b)(1) and (3), the proposed transaction also is exempt from historic preservation reporting requirements. Accordingly, no energy or environmental documentation is necessary with respect to the Application.

SECTION 1180.8(b)

OPERATING PLAN/MINOR - EXHIBIT 15

Operational information as specified in 49 C.F.R. § 1180.8(b) is contained in Exhibit 15 hereto and the accompanying verified statement of John D. McPherson.

WHEREFORE, IC respectfully requests that the Board accept this Application for consideration and authorize the acquisition of CSXT's Leewood-Aulon Line in Memphis, Tennessee as proposed herein.

Respectfully submitted,

By: 

Ronald A. Lane

Myles L. Tobin

Illinois Central Railroad Company
455 North Cityfront Plaza Drive
Chicago, IL 60611-5504
(312) 755-7621

William C. Sippel

Thomas J. Litwiler

Oppenheimer Wolff & Donnelly
Two Prudential Plaza, 45th Floor
180 North Stetson Avenue
Chicago, Illinois 60601
(312) 616-1800

**ATTORNEYS FOR ILLINOIS CENTRAL
RAILROAD COMPANY**

Dated: October 21, 1997

SECTION 1180.4(c)(2)(i)

**SIGNATURES, OATHS, AND CERTIFICATIONS
OF APPLICANT'S EXECUTIVE OFFICERS**

VERIFICATION

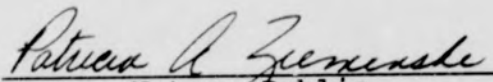
State of Illinois)
) SS:
County of Cook)

E. Hunter Harrison, being duly sworn, deposes and says that he is President and Chief Executive Officer of Illinois Central Railroad Company, applicant herein; that he has been duly authorized and designated by Illinois Central Railroad Company to sign, verify and file the foregoing application with the Surface Transportation Board; that he has examined all of the statements contained in said application; that he has knowledge of the matters set forth therein insofar as those matters relate to Illinois Central Railroad Company; and that all such statements made and matters set forth therein with respect to Illinois Central Railroad Company are true and correct to the best of his knowledge, information and belief.



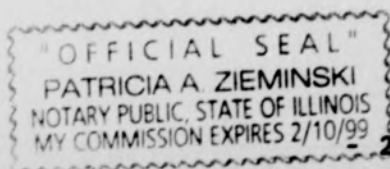
E. Hunter Harrison

SUBSCRIBED AND SWORN to
before me this ____ day
of October, 1997.



Notary Public

My Commission expires:



CERTIFICATION

State of Illinois)
) SS:
County of Cook)

I, Karen A. McCarthy, am Assistant Secretary of Illinois Central Railroad Company, and I hereby certify that E. Hunter Harrison is President and Chief Executive Officer of Illinois Central Railroad Company and is duly authorized and designated to sign, verify and file the foregoing Application on behalf of Illinois Central Railroad Company.

Karen A. McCarthy

SUBSCRIBED AND SWORN to
before me this ____ day
of October, 1997.

Patricia A. Ziemiński
Notary Public

My Commission expires:



VERIFICATION

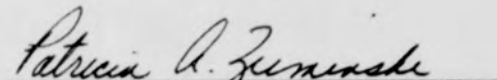
State of Illinois)
) SS:
County of Cook)

E. Hunter Harrison, being duly sworn, deposes and says that he is President and Chief Executive Officer of Illinois Central Corporation, applicant herein; that he has been duly authorized and designated by Illinois Central Corporation to sign, verify and file the foregoing application with the Surface Transportation Board; that he has examined all of the statements contained in said application; that he has knowledge of the matters set forth therein insofar as those matters relate to Illinois Central Corporation; and that all such statements made and matters set forth therein with respect to Illinois Central Corporation are true and correct to the best of his knowledge, information and belief.

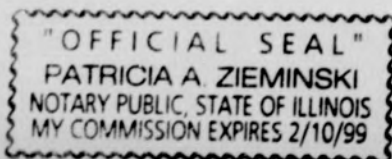


E. Hunter Harrison

SUBSCRIBED AND SWORN to
before me this ____ day
of October, 1997.


Notary Public

My Commission expires:



CERTIFICATION

State of Illinois)
) SS:
County of Cook)

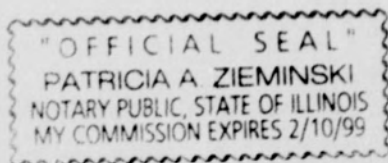
I, Karen A. McCarthy, am Assistant Secretary of Illinois Central Corporation, and I hereby certify that E. Hunter Harrison is President and Chief Executive Officer of Illinois Central Corporation and is duly authorized and designated to sign, verify and file the foregoing Application on behalf of Illinois Central Corporation.

Karen A. McCarthy

SUBSCRIBED AND SWORN to
before me this day
of October, 1997.

Patricia A. Zieminski
Notary Public

My Commission expires:



**Illinois
Central**



Myles L. Tobin
Associate General Counsel

SECTION 1180.6(a)(4)

Illinois Central Railroad
455 North Cityfront Plaza Drive
Chicago, Illinois 60611-5504

312 755-7621
312 755-7669 Fax

OPINION OF COUNSEL

October 20, 1997

Surface Transportation Board
1925 K Street, N.W.
Washington, D.C. 20423-0001

Re: *Finance Docket No. 33388(Sub-No. 62)*
Illinois Central Railroad Company -- Purchase --
Line of CSX Transportation, Inc.

Ladies and Gentlemen:

As counsel for Applicant, Illinois Central Railroad Company, I have examined the accompanying Application for authority under 49 U.S.C. § 11323, et. seq.

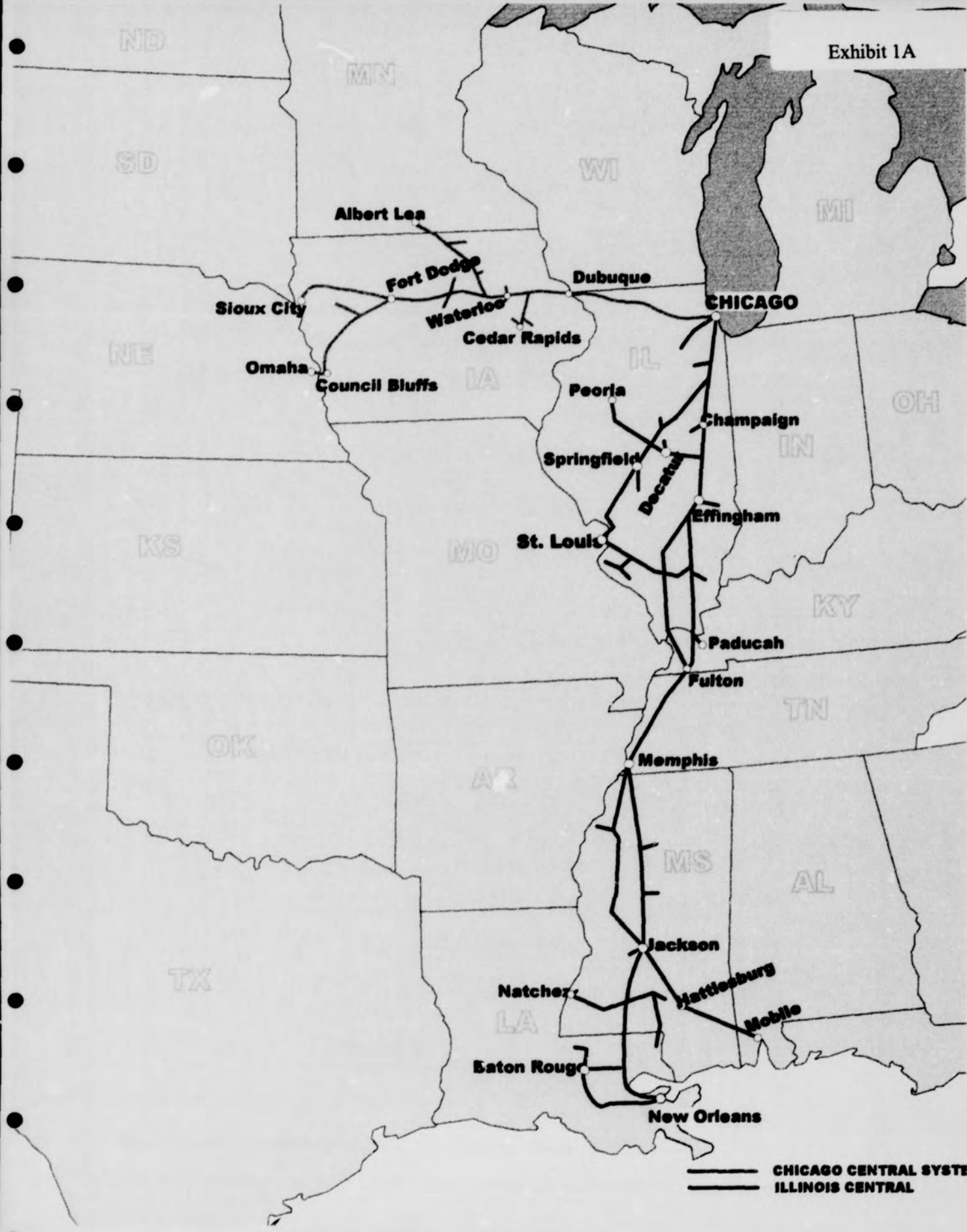
I am of the opinion that the transaction described in that Application meets the requirements of the law, is within the corporate powers of the above-referenced Applicant, and will be legally authorized and valid if approved by the Surface Transportation Board.



Respectfully submitted,

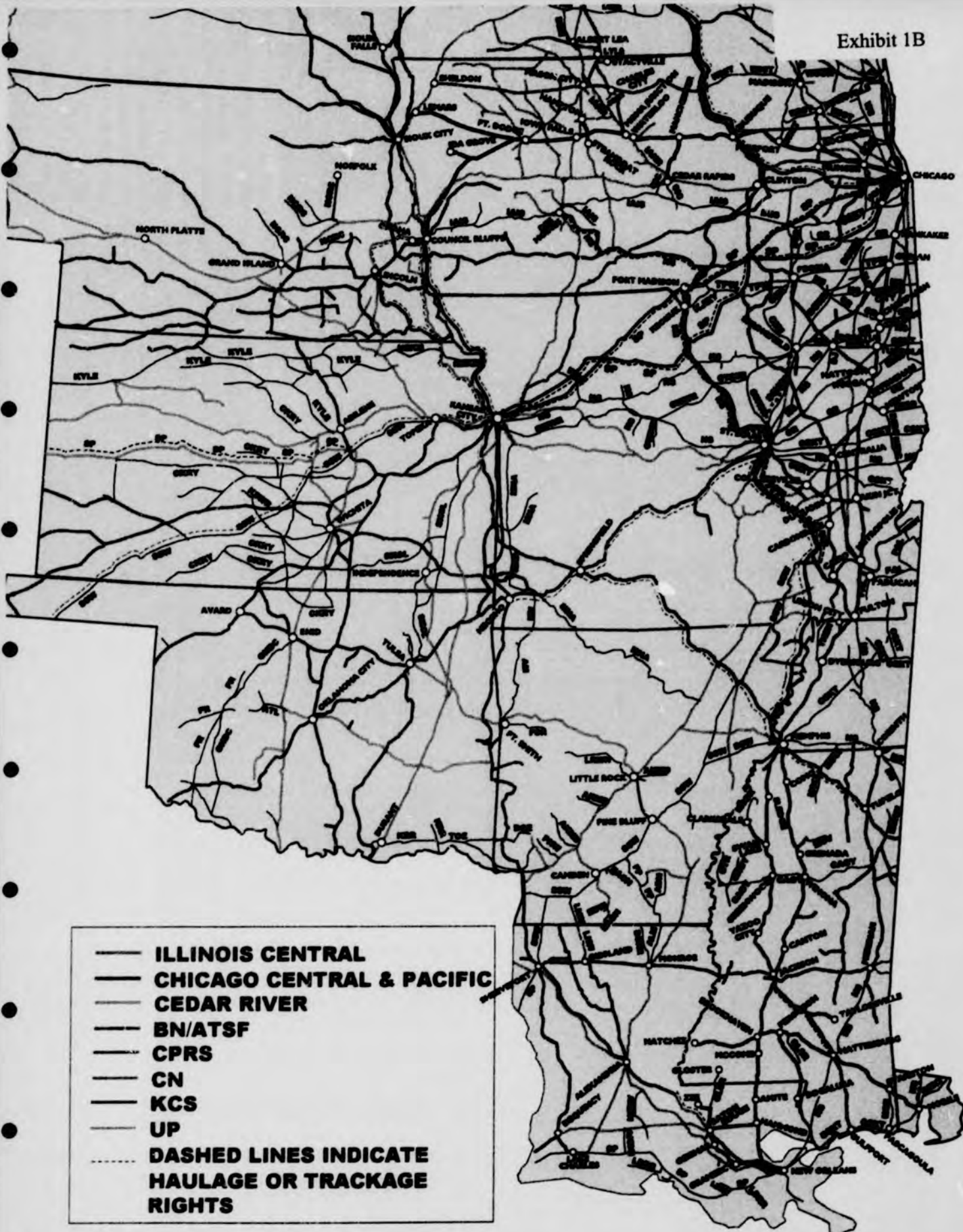
Myles L. Tobin
Associate General Counsel

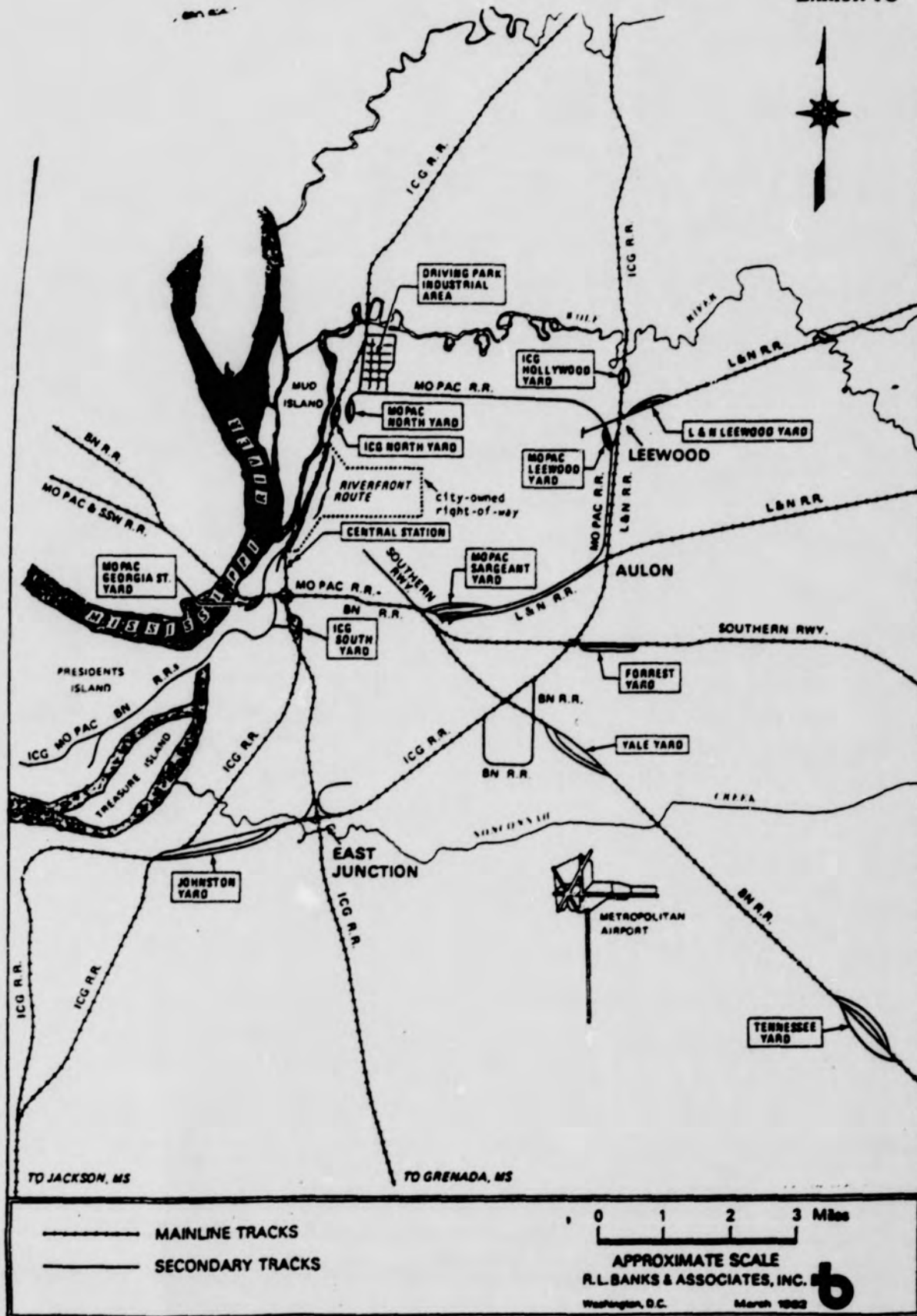
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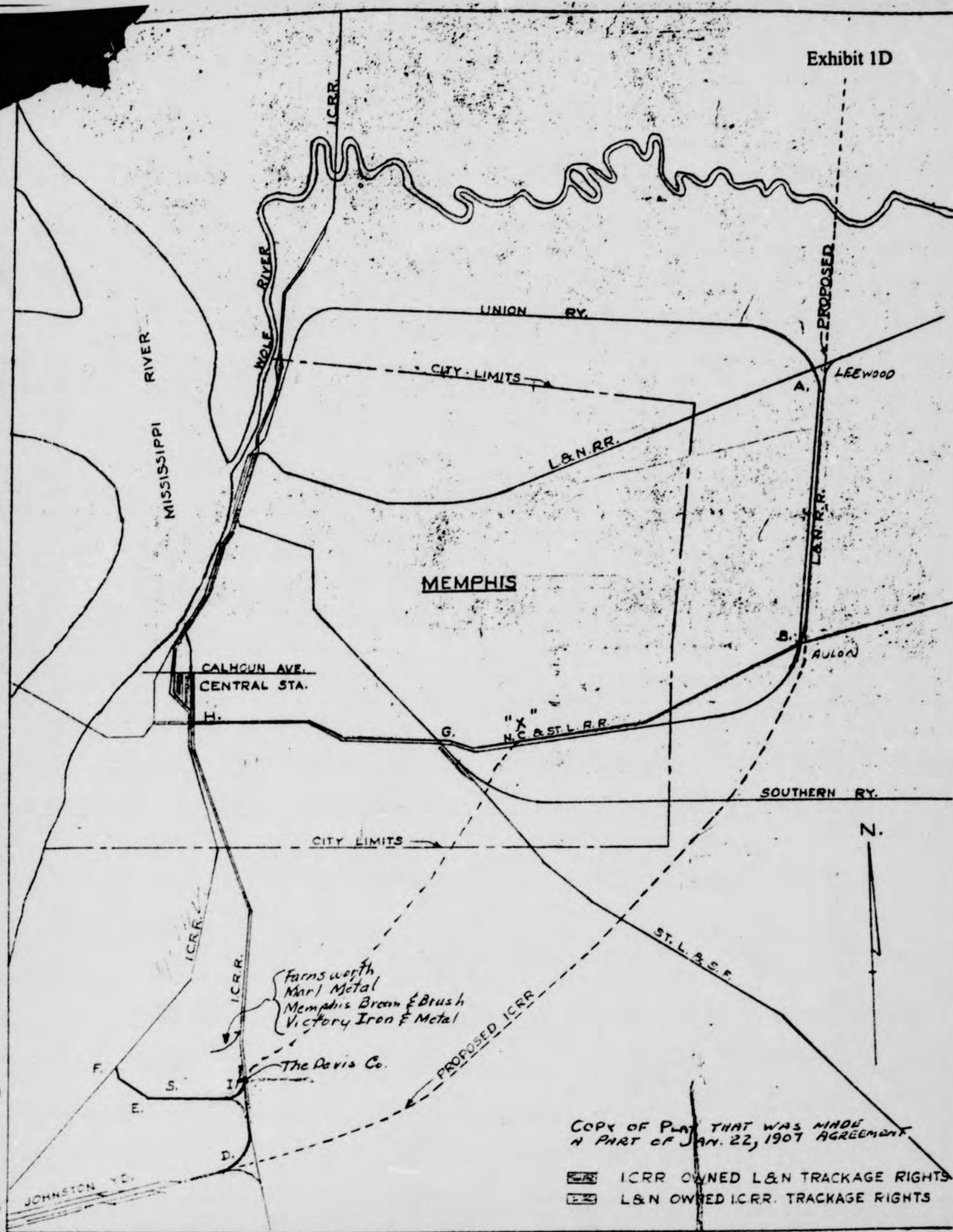
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 CHICAGO CENTRAL SYSTEM
 ILLINOIS CENTRAL







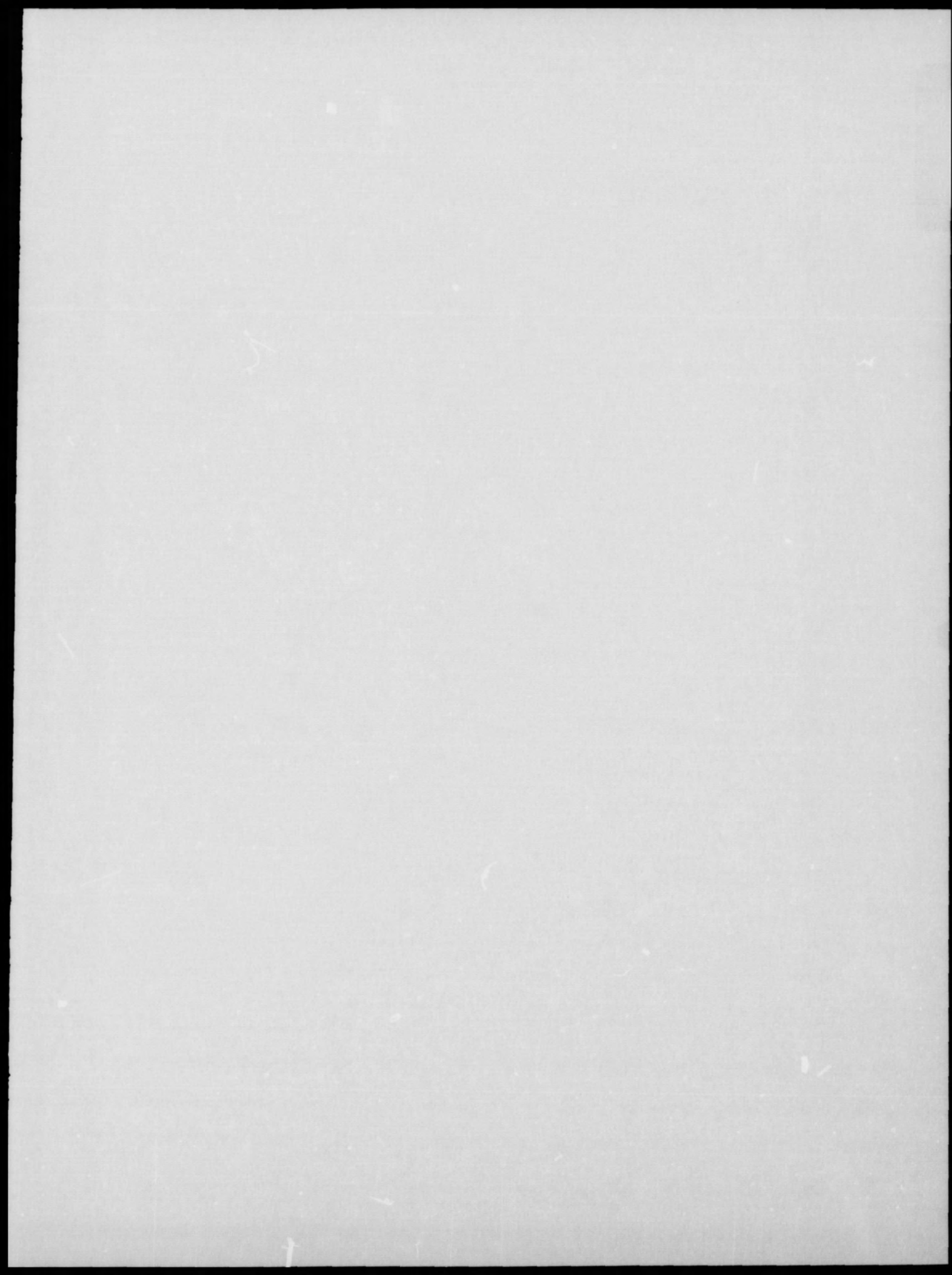


Exhibit 2

DRAFT

**CERTAIN
PRINCIPAL TERMS OF PROPOSED
PURCHASE AND SALE AGREEMENT**

Between

CSX TRANSPORTATION, INC.

and

ILLINOIS CENTRAL RAILROAD COMPANY

Dated

Exhibit 2
DRAFT
PURCHASE AND SALE AGREEMENT
CONTAINING CERTAIN PRINCIPAL TERMS

Illinois Central Railroad Company ("IC" or "Purchaser"), an Illinois corporation, and CSX Transportation, Inc. ("CSXT" or "Seller"), a Virginia corporation, agree as follows:

SECTION 1. PURCHASE AND SALE OF ASSETS

§ 1.1 General. Under the terms and subject to the conditions contained in this Agreement, Seller agrees to sell and transfer to Purchaser, and Purchaser agrees to purchase on an "as is, where is" basis, on the Closing Date all of the Seller's rights, title and interest in and to the line of railroad located on Seller's Nashville Division, Memphis Subdivision beginning at Milepost F-371.4 at Leewood and extending to Milepost F-373.4 at Aulon, all in the City of Memphis, Tennessee, including all right-of-way, side track, industry track, yard track and all related fixtures, signals and appurtenances (the "Assets").

SECTION 2. EXCLUSION OF ASSETS

§ 2.1 Contracts. The Assets do not include any rights under contracts not assumed by Purchaser under this Agreement and all records of Seller relating to such contracts.

§ 2.2 Claims and litigation. The Assets do not include rights under claims and litigation or settlements of such claims and litigation by or against Seller.

SECTION 3. PURCHASE PRICE

§ 3.1 Amount of Cash Purchase Price. The purchase price ("Purchase Price") for the Assets is \$_____ in cash ("Cash Purchase Price").

§ 3.2 Payment of Cash Purchase Price. The Cash Purchase Price, as adjusted, shall be paid at the Closing by wire transfer of immediately available funds to one or more bank accounts designated by Seller prior to the Closing or, at the Seller's sole election, by one or more cashier's checks.

SECTION 4. TAX ALLOCATION AND LEASE INCOME

§ 4.1 Proration of taxes. The Cash Purchase Price shall be adjusted for current real and personal property taxes affecting the Assets, which shall be prorated over the applicable period by Seller and Purchaser. If the tax bill for the year in which the Closing occurs or any prior year has not been received at the Closing Date and the tax amount cannot otherwise be definitely ascertained, allocations shall be made on the basis of the prior year's taxes. Any refund of such taxes applicable to the period prior to Closing shall be the property of and sent to Seller, and any refunds applicable to the period after Closing shall be the property of and sent to Purchaser.

§ 4.2 Lease rentals and license income. Lease rentals and license income (which is not already by its terms calculated on a per diem basis) shall be prorated to the Closing Date and the amount due Purchaser, if any, paid within 30 days after Closing.

SECTION 5. ASSUMPTION OF LIABILITIES AND OBLIGATIONS

§ 5.1 Liabilities to be assumed. As of the Closing, Purchaser agrees to assume, discharge and pay in accordance with their respective terms and to become responsible for the liabilities and obligations of the Seller under all executory contracts relating to the Assets expressly assumed by Purchaser as listed on Exhibit 1, to the extent those liabilities and obligations accrue after the Closing.

SECTION 6. REPRESENTATIONS AND WARRANTIES

§ 6.1 Disclaimer of representations and warranties. THE SALE AND PURCHASE AND THE OTHER TRANSACTIONS CONTEMPLATED BY THIS AGREEMENT SHALL BE WITHOUT REPRESENTATION OR WARRANTY OF ANY KIND BY THE SELLER, EXCEPT FOR THE REPRESENTATIONS AND WARRANTIES OF THE SELLER SET FORTH IN SECTIONS 6.2 AND 6.3 BELOW. WITHOUT LIMITING THE GENERALITY OF THE PRECEDING SENTENCE, THE SELLER DISCLAIMS ANY REPRESENTATION OR WARRANTY, EXPRESS OR IMPLIED, OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE WITH RESPECT TO THE ASSETS, AND AVERS THAT SUCH ASSETS ARE BEING SOLD "AS IS, WHERE IS." All instruments of transfer may, but shall not be required to, negate all express or implied representations or warranties (except those contained in this Agreement).

§ 6.2 General representations and warranties of Seller. Seller represents and warrants to Purchaser as follows:

- (a) Seller is a validly organized and existing Virginia corporation, in good standing. Seller has full corporate power and authority to conduct its business as such business is now being conducted and to own and operate its properties.
- (b) All necessary corporate action of Seller required in connection with the execution and delivery of this Agreement and the consummation of the transactions contemplated by this Agreement has been authorized and obtained. Subject to the effectiveness of the approval by the Surface Transportation Board, (i) Seller has obtained all necessary governmental authorizations and approvals (or waivers of such authorizations or approvals) required in connection with this Agreement, and (ii) this Agreement constitutes the valid and binding obligation of Seller enforceable against Seller in accordance with its terms, except as such enforcement may be limited by applicable bankruptcy, insolvency, moratorium or similar laws affecting rights of creditors generally and general principles of equity.
- (c) Except as set forth on Exhibit 3, the sale of the Assets and the consummation of the other transactions contemplated by this Agreement will not result in any breach of or default under, violate the conditions of, or accelerate any obligation under, any material agreement, mortgage, lease, deed, order, law, judgment or rule to which Seller is a party or by which it is bound.
- (d) No agent, broker or other person acting pursuant to the authority or direction of Seller is entitled to any commission or finder's fee in connection with the transactions contemplated by this Agreement for which Purchaser is or may become liable.
- (e) Except as set forth on Exhibit 2, there are no actions, suits, or proceedings pending or, to the knowledge of Seller, threatened against Seller or its properties in any court or before any federal, state, local or other governmental agency which, if decided adversely to the Seller, would prohibit the execution, delivery and performance of this Agreement by the Seller or would materially adversely affect the Assets or the business currently conducted with the Assets.
- (f) Seller will remove prior to Closing all liens, security interests or other encumbrances, except for permitted encumbrances, if placed or caused to be placed on the Assets.

(g) Seller is not a party to any indenture, security, contract or other agreement or subject to any judgment, order, writ or decree which would (A) impose any materially adverse condition upon Purchaser, the Assets or the operation of the Assets or result in the loss of any material rights currently possessed or used by Seller or otherwise materially adversely affect or materially restrict the Assets or the operation of the Assets as a result of the sale of the Assets to Purchaser as contemplated by this Agreement or (B) materially adversely affect Purchaser's ability to conduct the operations of the Assets following Closing as currently conducted.

§ 6.3 Environmental representations and warranties of Seller. Seller represents and warrants as follows, except as set forth on Exhibit 3:

(a) There are no actions, suits or proceedings pending or, to the knowledge of Seller, threatened against Seller with respect to the Assets in any court or before any federal, state, local or other governmental agency under any environmental law.

(b) To the knowledge of Seller, Seller is in material compliance with all applicable environmental laws with respect to the Assets.

(c) Seller has received no written notice from any governmental agency having authority (including, without limitation, any federal, state or local governmental agency) (A) that it has been identified by the United States Environmental Protection Agency as a potentially responsible party under CERCLA with respect to a site included within the Assets listed on the National Priorities List (40 CFR Part 300 Appendix B (1990)); (B) that any hazardous substance has been discovered on a site included within the Assets; or (C) that any site included within the Assets is the subject of any ongoing or ordered remedial investigation, removal or other response action pursuant to any environmental law.

(d) Except with respect to matters which would not materially adversely affect the assets, or materially adversely affect Purchaser's ability to operate the Assets as currently operated or impose any material cost upon Purchaser following the Closing, to Seller's knowledge, (A) no portion of the Assets has been used for the handling, storage, disposal or processing of hazardous substances except in material compliance with applicable environmental laws, (B) no underground storage tanks for hazardous substances are located in, on or about the Assets, (C) the Assets do not contain asbestos, urea formaldehyde foam insulation or transformers or other equipment containing polychlorinated biphenyls, and (D) there have been no releases of hazardous substances in, on, under or from the Assets except in material compliance with environmental laws.

§ 6.4 Representations and warranties by Purchaser. Purchaser represents and warrants to Seller as follows:

- (a) Purchaser is a validly organized and existing Delaware corporation, in good standing. Purchaser has full corporate power and authority to conduct its business as such business is now being conducted and to own and operate its properties.
- (b) All necessary corporate action of Purchaser required in connection with the execution and delivery of this Agreement and the consummation of the transactions contemplated by this Agreement has been authorized and obtained. Subject to the effectiveness of the approval by the Surface Transportation Board and any applicable requirements under the HSR Act, (i) Purchaser has obtained all necessary governmental authorizations and approvals (or waivers of such authorizations or approvals) required in connection with this Agreement, and (ii) this Agreement constitutes the valid and binding obligation of Purchaser enforceable against Purchaser in accordance with its terms, except as enforcement may be limited by applicable bankruptcy, insolvency, moratorium or similar laws affecting rights of creditors generally and general principles of equity.
- (c) The purchase of the Assets and the consummation of the transactions contemplated by this Agreement will not result in any breach of or default under, violate the conditions of or accelerate any obligation under Purchaser's certificate of incorporation, bylaws or any material agreement, mortgage, lease, deed, order, law, judgment or rule to which Purchaser is a party or by which it is bound.
- (d) No agent, broker or other person acting pursuant to the authority or direction of Purchaser is entitled to any commission or finder's fee in connection with the transactions contemplated by this Agreement for which Seller are or may become liable.
- (e) There are no actions, suits or proceedings pending or, to the knowledge of Purchaser, threatened against Purchaser in any court or before any federal, state, local or other governmental agency which, if decided adversely to the Purchaser, would prohibit the execution, delivery and performance of this Agreement by Purchaser.
- (f) Purchaser has sufficient funds or committed lines of credit to consummate the transactions contemplated by this Agreement.

§ 6.5 Survival. The representations and warranties contained in this Agreement shall survive the Closing and any termination of this Agreement and shall remain in full force and effect for two years after the Closing.

§ 6.6 Condition of Assets. Except as specifically provided in this Section 6, neither Seller nor Purchaser makes, and each expressly disclaims, any representation or warranty regarding the condition of the Assets, including any hazardous substances or any other conditions, whether or not hazardous, affecting the surface or subsurface (including groundwater) thereof.

SECTION 7. CONDITIONS TO THE CLOSING

§ 7.1 Obligation of Purchaser to close. The obligation of Purchaser to effect the closing of the transactions contemplated by this Agreement is subject to the satisfaction at or prior to the Closing of the following conditions:

- (a) The representations and warranties of Seller contained in Section 6 of this Agreement shall have been true in all material respects when made and at the time of Closing as if those representations and warranties had been made at that time.
- (b) Seller shall have performed and complied in all material respects with all agreements and conditions required by this Agreement to be performed or complied with by Seller prior to or at the Closing.
- (c) The Surface Transportation Board shall have approved or exempted the transactions contemplated by this Agreement under the ICC Termination Act of 1995.
- (d) Between the date of this Agreement and the Closing, no unrepaired physical loss or damage shall have occurred to the Assets resulting in a shut-down of any material portion of the operation of the Assets as of the Closing.
- (e) The transactions contemplated by this Agreement to whatever extent necessary shall have been performed pursuant to proper and requisite action taken by Seller under applicable law.
- (f) There shall not have been instituted or threatened on or before Closing, any action proceeding before any court or governmental agency or body or by a public authority to restrict or prohibit the acquisition by Seller of the Assets.

The satisfaction of any of the conditions set forth in this subsection may be waived by Purchaser in writing delivered at or prior to the Closing.

§ 7.2 Obligation of Seller to close. The obligation of Seller to effect the transactions contemplated by this Agreement is subject to the satisfaction prior to or at the Closing of the following conditions:

- (a) The representations and warranties of Purchaser set forth in Section 6 of this Agreement shall have been true in all material respects when made and at the time of the Closing as if those representations and warranties had been made at that time.
- (b) Purchaser shall have performed and complied in all material respects with all agreements and conditions required by this Agreement to be performed or complied with by Purchaser prior to or at the Closing.
- (c) The Surface Transportation Board shall have approved or exempted the transactions contemplated by this Agreement under the ICC Termination Act of 1995.
- (d) The transactions contemplated by this Agreement to whatever extent necessary shall have been performed pursuant to proper and requisite action taken by Purchaser under applicable law.
- (e) There shall not have been instituted or threatened on or before Closing, any action proceeding before any court or governmental agency or body or by a public authority to restrict or prohibit the acquisition by Purchaser of the Assets.

The satisfaction of any condition set forth in this subsection may be waived by Seller in writing delivered at or prior to the Closing.

SECTION 8. CLOSING

§ 8.1 Place of closing. The closing of the transactions contemplated by this Agreement ("Closing") shall take place at Illinois Central Railroad Company, NBC Tower, 455 North Cityfront Plaza Drive, Chicago, Illinois 60611-5504.

§ 8.2 Time of closing. The Closing shall take place not later than the 10th business day following the date on which an order by the Surface Transportation Board approving the acquisition of the Assets by Purchaser has become final or the date on which an exemption from approval by the Surface

Transportation Board becomes effective. The date on which the Closing occurs is referred to in this Agreement as the "Closing Date."

§ 8.3 Deliveries by Seller at closing. Seller shall deliver to Purchaser such quit claim deeds in recordable form for a railroad bill of sale and other transfer documents required to transfer the Assets to Purchaser consistent with this Agreement.

SECTION 9. BOOKS AND RECORDS

§ 9.1 Access to books and records.

(a) Prior to Closing, Seller will permit employees and agents of Purchaser (including consultants), during normal business hours and on reasonable notice, to have access to Seller's properties for the purpose of inspecting the Assets and to inspect and copy contracts, books, agreements, plans, reports and other records reflecting or reasonably relating to the Assets.

SECTION 10. INDEMNIFICATION

§ 10.1 Purchaser's indemnification. Purchaser shall defend, indemnify and hold harmless the Seller from and against all claims, losses, costs and expenses (including attorneys' fees and expenses) which arise out of or are based on (i) the ownership or operation of the Assets after the Closing, (ii) any material misrepresentation or material breach of warranty by Purchaser, (iii) all liabilities of Seller assumed by Purchaser pursuant to this Agreement, and (iv) any breach of an environmental law or the placement of any hazardous substance in, on, about or under the Assets at any time after the Closing.

§ 10.2 Seller's indemnification. Seller shall defend, indemnify and hold harmless Purchaser from and against all claims, losses, costs and expenses (including attorneys' fees and expenses) which arise out of or are based on (i) the ownership or operation of the Assets by Seller prior to the Closing, (ii) any material misrepresentation or material breach of warranty by Seller, (iii) all liabilities of Seller that are not assumed by Purchaser pursuant to this Agreement and (iv) any breach of an environmental law or the existence of any hazardous substance in, on, about or under the Assets at any time prior to the Closing.

All claims, losses, costs, and expenses giving rise to any indemnification hereunder, the underlying facts of which have arisen in part prior to the Closing and in part on or after the Closing, shall be reasonably apportioned between Seller and Purchaser.

SECTION 11. MISCELLANEOUS

§ 11.1 Choice of law. The provisions of this Agreement shall be construed and interpreted in accordance with the laws of the State of Tennessee, including for the purposes of choice of law, as though all acts and omissions related to this Agreement occurred in that State.

§ 11.2 Counterparts. This Agreement may be executed in two or more original counterparts, each of which shall for all purposes be considered an original of this Agreement.

§ 11.3 Successors and assigns. This Agreement shall be binding upon, and inure to the benefit of the respective successors and assigns of the parties.

§ 11.4 Notice. All notices given pursuant to this Agreement shall be delivered by hand, sent by United States registered or certified mail, postage prepaid, delivered by recognized express mail or overnight courier service, or delivered by electronic facsimile with a confirmation copy delivered by any of the preceding methods, addressed as follows (or to another address or person as a party may specify on notice to the other):

(a) If to Seller:

with copies to:

(b) If to Purchaser:

Illinois Central Railroad Company
17641 Ashland Avenue
Homewood, Illinois 60430-1345
Attention: Mr. Lou W. Krause, Director - Contracts

with copies to:

Illinois Central Railroad Company
455 North Cityfront Plaza Drive
Chicago, Illinois 60611-5504
Attention: Myles L. Tobin, Esq.,
Associate General Counsel

SECTION 12. TRACKAGE RIGHTS

§ 12.1 Grant of Trackage Rights. Simultaneous with the Closing, Purchaser agrees to grant to Seller trackage rights on the Assets on the same terms and conditions governing Purchaser's trackage rights on the Assets pursuant to that certain agreement dated January 22, 1907 (the "1907 Agreement") between Purchaser, The Yazoo and Mississippi Valley Railroad Company (predecessor of Purchaser), Louisville and Nashville Railroad Company (predecessor of Seller) and Nashville, Chattanooga and St. Louis Railway Company (predecessor of Seller). It is the intent of the parties that the transactions otherwise contemplated by this Agreement and the grant of trackage rights contemplated by this Section 12 will not diminish the rights of Seller and its tenants to operate trains and provide local service on the Assets as such rights existed immediately prior to the Closing, provided, however, that Purchaser shall control and dispatch the Assets after the Closing. The parties will negotiate in good faith to execute a trackage rights agreement, amendment to the 1907 Agreement or other agreement which effectuates the purposes of this Paragraph 12.

Dated as of _____, 1998.

CSX Transportation, Inc.

By: _____

Illinois Central Railroad Company

By: _____

DRAFT

File: 67-508

October 20, 1997

Mr. G. L. Nichols
Executive Vice President and Chief Operating Officer
CSX Transportation
500 Water Street
Jacksonville, FL 32202

Dear Mr. Nichols:

Please refer to agreement dated January 22, 1907, as supplemented between our predecessor railroads covering the joint use of tracks, interlocking and switching in Memphis, Tennessee.

As Illinois Central Railroad Company (IC) has purchased that portion of the joint tracks covered under the January 22, 1907 agreement, as supplemented (Agreement), formerly owned by the Louisville and Nashville Railroad Company (L&N), IC is agreeable to amending the Agreement to provide that all rights and privileges previously granted by L&N to IC, IC will grant to CSX Transportation.

IC will maintain and dispatch that portion of the joint tracks and shall bill CSX its proportion as provided for in the Agreement. A new rental base of \$ will be used in billing CSX its portion of rental, which is the purchase price of that portion of the joint tracks.

If this meets with your approval and understanding, please execute both copies of this letter agreement in the space provided below and then return a fully executed copy to me with the further understanding that the January 22, 1907 agreement, as supplemented and as further supplemented hereby shall remain in force and effect.

Sincerely,

Approved and Accepted:

CSX Transportation

By _____
Executive Vice President and
Chief Operating Officer



OPERATING PLAN - MINOR

Under 49 C.F.R. § 1180.8(b), Responsive Applicant Illinois Central Railroad Company ("IC") must discuss any significant changes in patterns or types of service expected to result from the proposed transaction. IC's acquisition of the Leewood-Aulon Line in Memphis, Tennessee from CSX Transportation, Inc. ("CSXT") and assumption of dispatching responsibilities on that line will substantially improve the coordination and fluidity of train movements in the area. Because IC already operates over the Leewood-Aulon Line pursuant to trackage rights, however, and because CSXT would retain operating rights on the line in the event of the line's sale to IC, the proposed transaction will not result in any significant changes in the volume or nature of operations on the Leewood-Aulon Line.

1. Operating Patterns

IC is today the predominant user of the Leewood-Aulon Line, which constitutes a vital link in IC's core north-south main line between Chicago and New Orleans. IC operates approximately 28 trains a day over the Leewood-Aulon Line. These trains include local switching assignments as well as literally every type of through train that IC operates. CSXT, which owns and dispatches the line, nonetheless uses the line substantially less than IC. Its operations on the Leewood-Aulon Line are largely restricted to movements between Leewood Yard, CSXT's principal Memphis yard facility located just east of Leewood, and interchanges with other rail carriers in Memphis west of the

Leewood-Aulon Line. Together with its tenant, Union Pacific Railroad Company ("UP"), CSXT operates approximately twelve trains/day over the Leewood-Aulon Line.

No changes in these basic operating patterns are expected when IC acquires the Leewood-Aulon Line. CSXT and its tenant UP will receive trackage rights to continue their existing operations on the line. The proposed Conrail transaction will result in negligible increases in CSXT's traffic into Memphis, amounting to no more than 2% of the total traffic now handled on the Leewood-Aulon Line. For IC, the Leewood-Aulon Line will continue of necessity to handle all IC freight trains moving through Memphis. IC does not anticipate that the proposed transaction will result in any increase in the number of trains which IC already operates over the Leewood-Aulon Line pursuant to its existing trackage rights.

2. Impacts on Commuter or Passenger Operations

There are currently no commuter or rail passenger trains which operate over the Leewood-Aulon Line, and no such operations are anticipated in the future. Thus, commuter and rail passenger service will not be impacted by the proposed acquisition.

3. Operating Economies

IC anticipates that significant operating economies will follow IC's acquisition of the Leewood-Aulon Line. IC will assume dispatching for the line, and will likely dispatch the line from its central dispatching center in Homewood, Illinois.

If necessary, IC would also consider restoring the local operator at Leewood to control the line. In either event, IC's knowledgeable, dedicated and attentive dispatching will improve coordination of rail operations in the Memphis area and significantly reduce, if not eliminate, the number of IC trains now delayed for hours at a time because of CSXT interference on the Leewood-Aulon Line. IC has not sought to precisely quantify the benefits resulting from these improvements, but they include enhanced on-time performance and asset utilization, reductions in crew, fuel and other operational expenses, and facilitation of IC's innovative Turnaround Service, which allows operating personnel to return to their home terminal every night.

4. Abandonments and Discontinuances

No abandonments of rail lines or discontinuances of rail service are contemplated in connection with IC's proposed acquisition of the Leewood-Aulon Line.

CERTIFICATE OF SERVICE

I hereby certify that on this 21st day of October, 1997, a copy of the foregoing **Responsive Application of Illinois Central Railroad Company (IC-5)** was served by first class mail, postage prepaid, upon the following parties designated in 49 C.F.R. § 1180.4(c)(5):

Honorable Terry E. Branstad
Governor
State of Iowa
State Capitol Building
Des Moines, Iowa 50319

Honorable James Edgar
Governor
State of Illinois
Capitol Building, Room 207
Springfield, Illinois 62706

Honorable E. Benjamin Nelson
Governor
State of Nebraska
P.O. Box 94848
Lincoln, NE 68509-4848

Honorable Arne H. Carlson
Governor
State of Minnesota
State Capitol, Room 130
Saint Paul, Minnesota 55155

Honorable Paul E. Patton
Governor
Commonwealth of Kentucky
700 Capitol Avenue, Room 100
Frankfort, Kentucky 40601

Honorable Donald Sundquist
Governor
State of Tennessee
State Capitol Building
Nashville, Tennessee 37243-0001

Honorable Kirk Fordice
Governor
State of Mississippi
P.O. Box 139
Jackson, Mississippi 39205

Honorable Murphy J. Foster, Jr.
Governor
State of Louisiana
P.O. Box 94004
Baton Rouge, Louisiana 70804-9004

Honorable Fob James, Jr.
Governor
State of Alabama
600 Dexter Avenue
Montgomery, Alabama 36130-2751

Mr. Dan Miller
Chairman
Illinois Commerce Commission
527 East Capitol Avenue
P.O. Box 19280
Springfield, Illinois 62794-9280

Mr. Rod Johnson
Chairman
Nebraska Public Service Commission
P.O. Box 94927
Lincoln, Nebraska 68509-4927

Mr. Joel Jacobs
Chairman
Minnesota Public Utilities Commission
121 East 7th Place, Suite 350
Saint Paul, Minnesota 55101

Mr. William A. Bailey
Chairman
Kentucky Railroad Commission
304 Madison Street
Frankfort, Kentucky 40601

Mr. H. Lynn Greer, Jr.
Chairman
Tennessee Regulatory Authority
460 James Robertson Parkway
Nashville, Tennessee 37243-0505

Mr. Nielsen Cochran
Chairman
Mississippi Public Service Commission
P.O. Box 1174
Jackson, Mississippi 39215-1174

Mr. Lawrence C. St. Blanc
Secretary
Louisiana Public Service Commission
P.O. Box 91154
Baton Rouge, Louisiana 70821-9154

Mr. Jim Sullivan
President
Alabama Public Service Commission
100 North Union Street
Montgomery, Alabama 36104

Mr. Darrel Rensink
Director
Iowa Department of Transportation
800 Lincoln Way
Ames, Iowa 50010

Mr. Kirk Brown
Secretary
Illinois Department of Transportation
2300 South Dirksen Parkway, Room 300
Springfield, Illinois 62764

Mr. Allan L. Abbott
Director and State Engineer
Nebraska Department of Roads
P.O. Box 94759
Lincoln, Nebraska 68509-4759

Mr. James M. Denn
Commissioner
Minnesota Department of Transportation
395 John Ireland Boulevard
Saint Paul, Minnesota 55155

Mr. James C. Codell, III
Secretary
Kentucky Transportation Cabinet
501 High Street, Room 1002
Frankfort, Kentucky 40622

Mr. J. Bruce Saltsman, Sr.
Commissioner
Tennessee Department of Transportation
700 James K. Polk Building
505 Deaderick Street
Nashville, Tennessee 37243-0349

Mr. Robert L. Robinson, Ph.D.
Executive Director
Mississippi Department of Transportation
P.O. Box 1850
Jackson, Mississippi 39215-1850

Mr. Frank M. Denton
Secretary
Louisiana Department of Transportation
and Development
P.O. Box 94245
Baton Rouge, Louisiana 70804-9245

Mr. James F. Butts
Director
Alabama Department of Transportation
1409 Coliseum Boulevard
Montgomery, Alabama 36130

Mr. Rodney E. Slater
Secretary of Transportation
c/o Docket Clerk, Office of Chief Counsel
Federal Railroad Administration
400 Seventh Street, S.W., Room 8201
Washington, DC 20590

Mr. Roger W. Fones
Chief, Transportation, Energy and
Agriculture Section
Antitrust Division
U.S. Department of Justice
325 Seventh Street, N.W., Room 500
Washington, DC 20530

Honorable Robert Pitofsky
Chairman
Federal Trade Commission
Sixth Street & Pennsylvania Avenue, N.W.
Washington, DC 20580

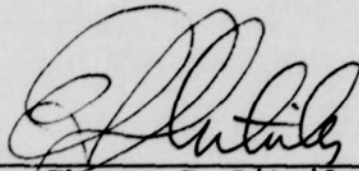
by hand delivery upon the Primary Applicants herein, as follows:

Dennis G. Lyons, Esq.
Arnold & Porter
555 12th Street, N.W.
Washington, DC 20004-1202

Richard A. Allen, Esq.
Zuckert, Scoutt & Rasenberger, L.L.P.
888 Seventeenth Street, N.W.
Suite 600
Washington, DC 20006-3939

Paul A. Cunningham, Esq.
Harkins Cunningham
1300 Nineteenth Street, N.W.
Suite 600
Washington, DC 20036

and by first class mail, postage prepaid, upon all designated parties of record appearing on the Surface Transportation Board's official service list in this proceeding, served August 19, 1997 and revised on October 7, 1997.



Thomas J. Litwiler