

Surface Transportation Board

Ex Parte 711 (Sub-No. 1)—Review of Reciprocal Switching

Summary of Ex Parte Meeting held on June 25, 2019 between Mississippi Lime Company ("MLC") and Board Member Oberman

248081

Mississippi Lime Company (MLC) Attendees:

- Bill Ayers, President and CEO, MLC
- Terry Zerr, VP of Operations, MLC
- Elizabeth Wilkerson, Director of Supply Chain, MLC
- Jeff Corrie, Logistics Manager, MLC

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STB Attendees:

- Board Member, Martin Oberman
- Ellen Erichsen, Attorney-Advisor

Meeting Summary:

The meeting began with introductions and MLC thanked the STB Attendees for the opportunity to meet and discuss MLC's rail operations. MLC presented information (See Exhibit-1) including company history, an overall business review, markets served, rail operations, and experience as a captive shipper.

MLC expressed concern over freight rate increases as a captive shipper from 2012 through 2018 from the UP. This is the same period in which the UP was determined by the STB to be revenue adequate and exceeding the cost of capital threshold which should temper the justification for rate increases. MLC believes that reciprocal switching will increase rail competition and allow them to better serve their customers. The proximity of the BNSF mainline tracks to the MLC plant and the use of the BNSF mainline by the UP through the UP's trackage rights were discussed. In addition, the St Louis Railroad Gateway is accessed by six class 1 railroads which has the potential for many competitive opportunities. The question on location and existence of interchanges to enable access to additional railroads was reviewed.

MLC explained the historical rail operations and pending proposed changes to the UP's Ste. Genevieve rail yard due the implementation of Private Empty Car Storage (PECS) charges. MLC shared that the options for implementation and negotiation with the UP continue with both parties expressing both shared and opposing interests with respect to new capital investments, operating costs and operating efficiencies including those published metrics by the UP in

support of their Unified Plan 2020. MLC expressed that the UP is using these metrics and PECS as leverage to force MLC to make a considerable investment in rail storage capacity. MLC is willing to make a reasonable investment to support operational efficiencies to both MLC and the UP in return for other commercial considerations. The operational efficiencies require a higher level of performance on both parties and MLC is concerned that UP has little consequence for its performance with many of the proposed new demurrage and accessorial fees associated with “precision railroading.” MLC asked that the performance of both shippers and railroads be taken into account when proposing new STB rules.

Finally, as part of the proposed changes to the MLC Ste. Genevieve rail operations, MLC expressed that MLC and UP should come to a determination on the classification of the industrial lead that services this location, and that the opportunities and consequences of this designation be understood between MLC and UP. In addition, MLC expressed concern about maintaining service on the full length of the Bismarck lead, which is an extension of the industrial lead that serves the Ste. Genevieve plant. This lead is important to both the UP and MLC and is heavily used on an interim basis when the UP and BNSF rail tracks along the Mississippi River are closed to flooding (as they are currently).

The meeting concluded with each side thanking the other for participating in the meeting.

Exhibit 1:



Discovering what's possible with calcium

Meeting with Surface Transportation Board

June 25, 2019





WHO WE ARE

For over 110 years, Mississippi Lime Company ("MLC") has been producing industrial mineral products from some of the richest limestone reserves in the world and today supplies product globally from over ten facilities.

In 1907, Harry B. Mathews founded Mississippi Lime in Alton, IL along the Mississippi River. Mr. Matthews grew the business from a small sand company in the early days into a world-class producer of high calcium products including calcium oxide, calcium hydroxide, calcium carbonate and precipitated calcium carbonate. Because of his hard work, dedication and commitment, MLC continues to prosper today, through growth and innovation.

Our product purity, focus on customer delight, and reliability of supply help us support a broad array of industries including flue gas treatment, steel, food, chemical production, water treatment, fiberglass, pulp and paper, and construction. Today Mississippi Lime continues to grow and advance, developing new products and markets and helping the world discover what's possible with calcium.





Vision: To be the preferred supplier of calcium-based products and services; respected by our customers, employees, and communities.

Mission: Develop and utilize world-class capabilities to provide innovative solutions with calcium-based products and services to drive sustained economic value.

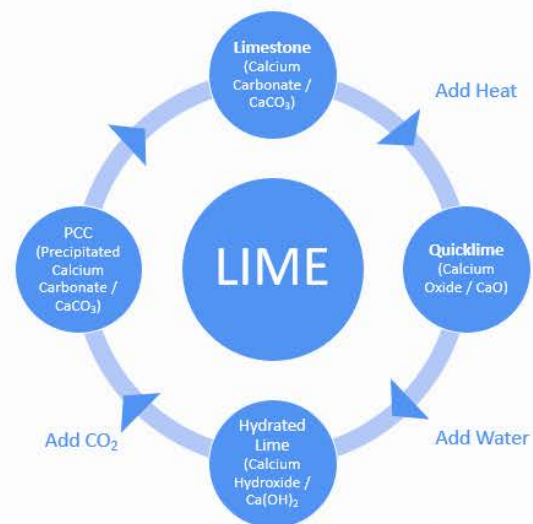


LIME

"Lime" is a catch-all term for the versatile industrial mineral products whose value is based on its calcium content. Lime often refers to quicklime, or calcium oxide, which is one of the oldest and most integral materials in human history. It is produced by calcining or "baking" mined limestone (calcium carbonate) in a kiln mined from the ground. However, lime can also refer to limestone or hydrated lime, a product made by reacting quicklime with water.

Limestone is a naturally occurring mineral rock. Lime is produced from high-calcium limestone deposits that are suitable for a wide range of markets and applications. The purity of this high calcium limestone is what enables it to be such a widely used industrial mineral.

Lime has a multitude of uses. The leading use in the United States is to purify steel. It is also used to neutralize and clean drinking water, refine sugar, reduce power plant emissions, stabilize soil, produce paper, fiberglass, plastics, rubber, and corn tortillas and serves a calcium supplement for food and pharmaceuticals. Lime is an extremely versatile mineral that has been used for centuries.



Mining

Our raw material is high-calcium limestone, which we obtain through mines we own/operate and long-term supply arrangements. We have a reserve base of over 100 years.



Calcining

Calcining limestone into quicklime is the heart of lime production. We operate rotary kilns, preheater kilns, and vertical kilns across three sites offering redundancy of supply.



Hydrating

Quicklime is reacted with water under closely controlled conditions to produce hydrated lime. We are the largest hydrated lime producer in the United States and often a single source supplier.

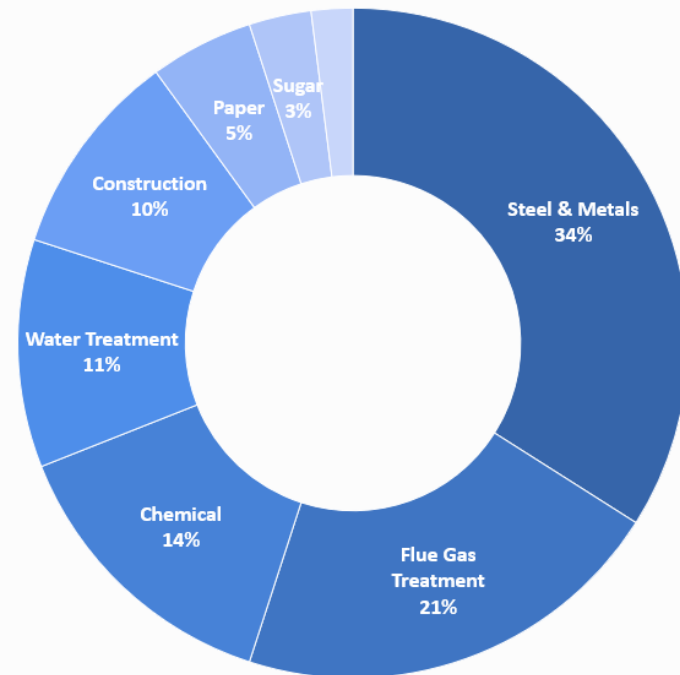


Packing & Shipping

We ship in various bulk and packaged sizes. Our products are delivered by truck, barge, rail, and ocean containers.



LIME MARKETS OF THE U.S.



2017 USGS

Lime is produced in more than 90 countries with the United States being the second largest producer. The United States lime market is a roughly \$3 billion market with 20 million tons of products produced and supplied to a wide range of markets.

MISSISSIPPI LIME KEY MARKETS

We serve a wide range of markets with our diverse product portfolio



CUSTOMER SERVICE & LOGISTICS

Customer Satisfaction is a Core Value

MLC customer service, supply chain, and logistics teams provide one-on-one service and support unmatched in the industry. We provide dedicated customer service representatives for each market and region providing an approach that is individualized and personalized.

RAIL

Largest rail fleet in the industry. We ship in covered hoppers, PD, and tank cars.

TRUCK

We own and operate our own trucking company, MLDS, and work with a broad range of outside carriers. We ship in pneumatic, dump, hopper, van, flatbed, tanker trucks.

BARGE

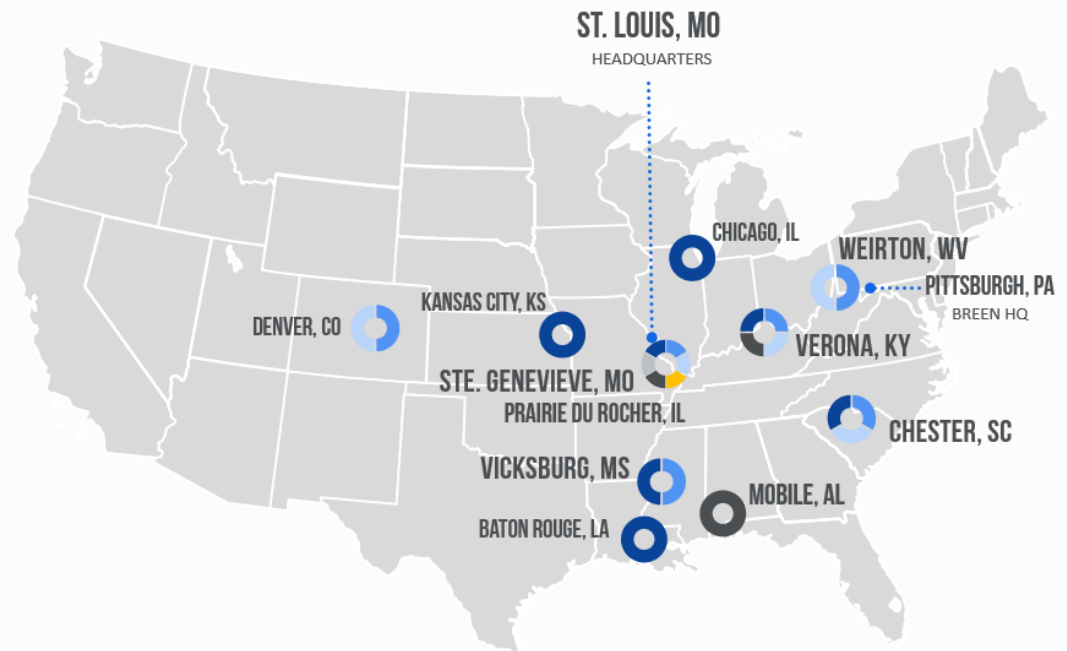
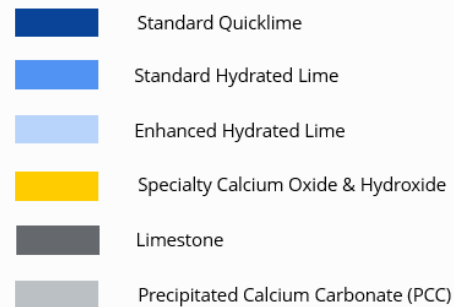
Several of our facilities are located on or nearby river terminals allowing us to ship by barge.



OUR LOCATIONS

Strategically located, diverse supply base

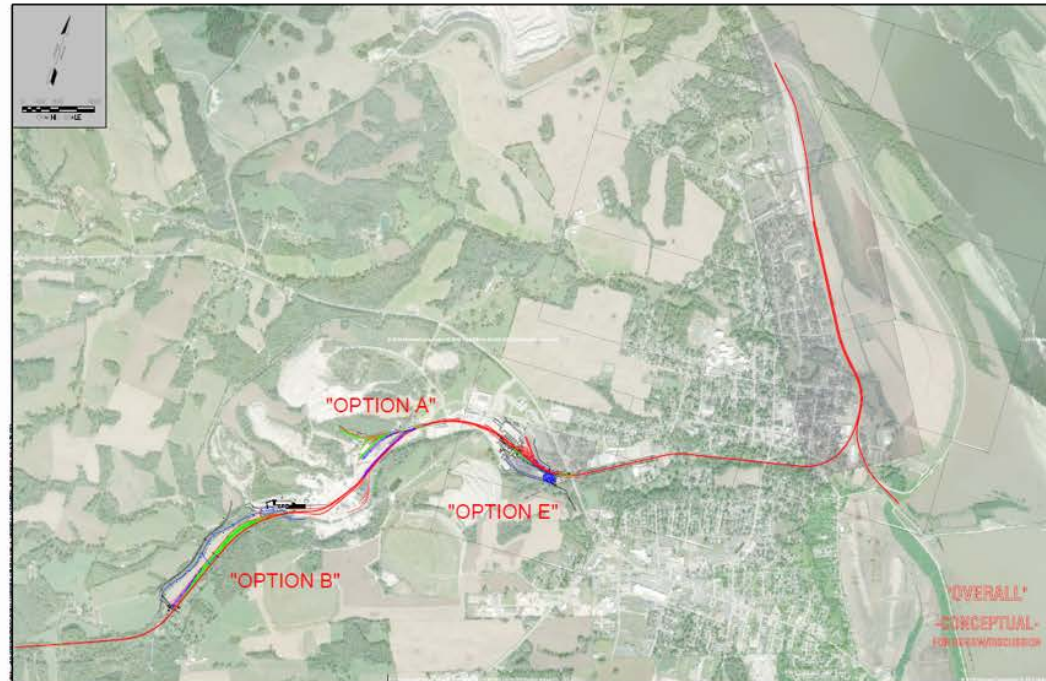
We ship products from ten locations strategically positioned throughout the country to supply a wide range of markets and customers. A broad network and asset base allows us to serve as a single source supplier to major lime users. Our products are shipped in bulk and packaged quantities by truck, rail, barge, and ocean container.



STE. GENEVIEVE RAIL OPERATIONS

Rail shipping data

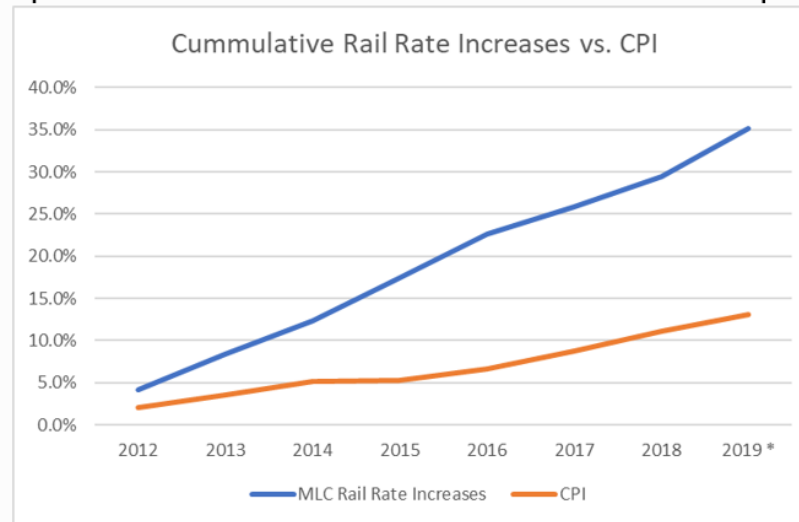
- 11,000 shipments/year
- 1,300 railcars in fleet
- 42 ship to locations
- Multiple loading locations
- 70 car spots in plant
- 286 car spots in UP yard
- 80 spots in St. Louis leased yard
- 22 spots at river terminal



CONCERNS AS A CAPTIVE SHIPPER

Rate increase of 35% over last 8 years given no competition

- Challenges our competitiveness with other lime producers
- Impacts all customers costs and their competitiveness



CONCERNS AS A CAPTIVE SHIPPER

- Private Empty Car Storage (PECS) in UP Ste. Genevieve yard
 - Ongoing negotiations for storage options require MLC investment
 - Without agreement charges would increase over 1000%
- Service performance from UP's 14 switches per week
 - Varying performance – 15% on time within 2 hour window
 - Railcar delivery accuracy also a challenge given mixed fleet
- UP & BNSF interface is inconsistent on UP access to BNSF tracks
- Precision Railroading: UP has made changes in routing to improve their public metrics and negatively impacted shippers
- Bismarck Industrial Lead potential closure - important to maintain for flood relief

FOR STB CONSIDERATION

- Reciprocal Switching
 - To create competitive rail rates to serve our customers
 - Initially with BNSF (UP currently operating on BNSF tracks)
 - St Louis is a gateway to six class 1 railroads
- Reasonable Demurrage and Accessorial Charges
 - Switching performance matters and impacts shippers
 - Accountability on railroads for performance on trip compliance
- Use of UP industrial lead for internal switching for improved efficiency
- Ability to maintain Bismarck lead for Mississippi River flood mitigation