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September 1, 2005

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

SEP 1 2005

Part of
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:

Enclosed for filing in the referenced docket please find an original and 10 copies of the Verified Notice of Exemption of Saginaw Bay Southern Railway Company, together with a WordPerfect diskette containing the filing in electronic form. We are also submitting a check in the amount of \$1,500.00 to cover the requested filing fee.

An additional copy of the Notice also is enclosed. Kindly indicate receipt of the filing by time-stamping this extra copy and returning it to the bearer of this letter. Thank you for your consideration in this matter.

FEE RECEIVED

SEP 1 2005

**SURFACE
TRANSPORTATION BOARD**

Enclosures

Sincerely,

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

FILED

SEP 1 - 2005

**SURFACE
TRANSPORTATION BOARD**

BEFORE THE
SURFACE TRANSPORTATION BOARD



SAGINAW BAY SOUTHERN RAILWAY)
COMPANY – ACQUISITION AND)
OPERATION EXEMPTION – RAIL LINE)
OF CSX TRANSPORTATION, INC. IN)
BAY, SAGINAW, GENESEE, AND)
MIDLAND COUNTIES, MI)

Finance Docket No. 34729

FEE RECEIVED

SEP 1 2005

VERIFIED NOTICE OF EXEMPTION SURFACE
TRANSPORTATION BOARD

Saginaw Bay Southern Railway Company (“SBS”), pursuant to 49 C.F.R. Part 1150.31-34, files this Verified Notice of Exemption from the prior approval requirements of 49 U.S.C. § 10901, to permit SBS to acquire from CSX Transportation, Inc. (“CSXT”) and operate a total of approximately 67 route miles of rail line in Bay, Saginaw, Genesee, and Midland Counties, Michigan (the “Line”).

In support hereof, SBS shows as follows:

a. Full Name and Address of Applicant

Saginaw Bay Southern Railway Company
P.O. Box 232
323 Newman Street
East Tawas, MI 48730

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SURFACE
TRANSPORTATION BOARD

b. Name and Address of Applicant's Representative

Andrew B. Kolesar III
Slover & Loftus
1224 Seventeenth Street, N.W.
Washington, D.C. 20036
(202) 347-7170

c. Statement Regarding Agreement

SBS and CSXT are currently negotiating the formal terms to govern the acquisition of the Line that is the subject of this Notice, and expect to complete negotiations by the October 28, 2005 closing date.

d. Operation of the Property

Following the effective date of the exemption noticed hereby, SBS¹ will provide service over the Line through the use of a contract operator; namely, Lake State Railway Company, although only SBS will hold responsibility for providing common carrier rail service over the Line. See, e.g., Finance Docket No. 33995, SF&L Railway, Inc. – Acquisition and Operation Exemption – Toledo, Peoria and Western Railway Corporation Between La Harpe and Peoria, IL (STB served Feb. 7, 2001).

¹ SBS presently is a non-carrier, and is controlled by James George and J&JG Holding Company, which are non-carriers that currently control one rail carrier, i.e., Lake State Railway Company. SBS will become a Class III carrier following consummation of the subject transaction on or after October 28, 2005. The continuance in control of SBS is the subject of a Verified Petition for Exemption filed in Finance Docket No. 34730, James George and J&JG Holding Company – Continuance In Control Exemption – Saginaw Bay Southern Railway Company (Petition for Exemption filed September 1, 2005).

e. Summary of the Transaction

SBS will acquire from CSX Transportation, Inc. ("CSXT") and operate (through the use of its contract operator) a total of approximately 67 route miles of rail line in Bay, Saginaw, Genesee, and Midland Counties, Michigan including the rail line from: Milepost CC 0.0 at the Saginaw station to Milepost CC 26.2 at the Mt. Morris station; from Milepost CB 0.0 at the Saginaw station to Milepost CB 17.37 at the Midland station; from Milepost CBB 0.0 at the Saginaw station to Milepost CBB 16.7 at the Essexville station; from Milepost CBC 0.0 to Milepost CBC 2.0 both at the Saginaw Station; from Milepost CBD 2.2 to Milepost CBD 4.5 both at the Saginaw Station; from Milepost CSF 0.0 to Milepost CSF 0.82 both at the Saginaw Station; and from Milepost CBE 7.72 to Milepost CBE 10.09 both at the Paines Station. In order to effectuate the transaction, SBS will purchase the track along the Line from CSXT and will lease the underlying right-of-way.

It is contemplated that the transaction described herein will be consummated on October 28, 2005. SBS is filing this Notice more than the minimum seven days in advance of that effective date for business reasons associated with the acquisition. See Finance Docket No. 34611, Alabama & Tennessee River Railway, LLC – Lease and Operation Exemption – CSX Transportation, Inc. (STB served December 17, 2004) (providing notice of a lease and operation exemption in which the transaction

would not be consummated until a future date which followed the conclusion of the 60-day labor notice period).

Pursuant to Board regulations, SBS states that CSXT's corporate address is 500 Water Street, Jacksonville, Florida 32202.

f. Map

See Exhibit No. 1.

g. Certificate of Projected Revenue

Pursuant to 49 C.F.R. § 1150.33(g), SBS hereby certifies that its projected revenues do not exceed those that would qualify it as a Class III carrier.

SBS's projected annual revenues, however, will exceed \$5 million. SBS therefore has posted the labor notice, served the labor notice, and certified these actions to the Board pursuant to 49 C.F.R. § 1150.32(e) by filings dated August 19, 2005, as amended August 26, 2005. As indicated supra, this transaction will not be consummated until October 28, 2005; i.e., more than sixty days after SBS's compliance with 49 C.F.R. § 1150.32(e).

h. Environmental and/or Historical Documentation

The proposed transaction qualifies under 49 C.F.R. § 1105.6(c)(2), and as such, no environmental documentation is required. Likewise, inasmuch as the transaction involves the continuation of rail services and SBS has no plans to alter or dispose of any

assets that are fifty years old or older, the transaction does not require a historic report, in accordance with 49 C.F.R. § 1105.8(b).

i. Caption Summary

See Exhibit No. 2.

Respectfully submitted,

SAGINAW BAY SOUTHERN RAILWAY
COMPANY
P.O. Box 232
323 Newman Street
East Tawas, MI 48730

OF COUNSEL:

SLOVER & LOFTUS
1224 17th Street, N.W.
Washington, D.C. 20036

By: Kelvin J. Dowd
Andrew B. Kolesar III *Adm B. Kolesar III*
Slover & Loftus
1224 17th Street, N.W.
Washington, D.C. 20036
(202) 347-7170

Dated: September 1, 2005

Attorneys for Saginaw Bay
Southern Railway Company

VERIFICATION

STATE OF MICHIGAN

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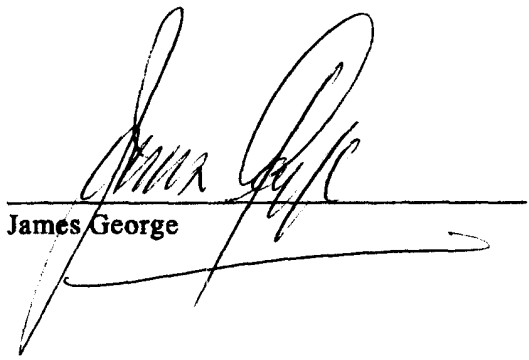
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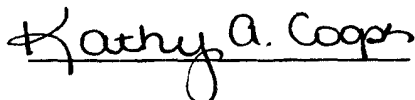
COUNTY OF IOSCO

)

James George, being duly sworn, deposes and says that he is President of
Saginaw Bay Southern Railway Company, that he has read the foregoing Notice and
knows the contents thereof, and that the same are true as stated to the best of his
knowledge, information and belief.


James George

Sworn and subscribed before me
this 18th day of August, 2005

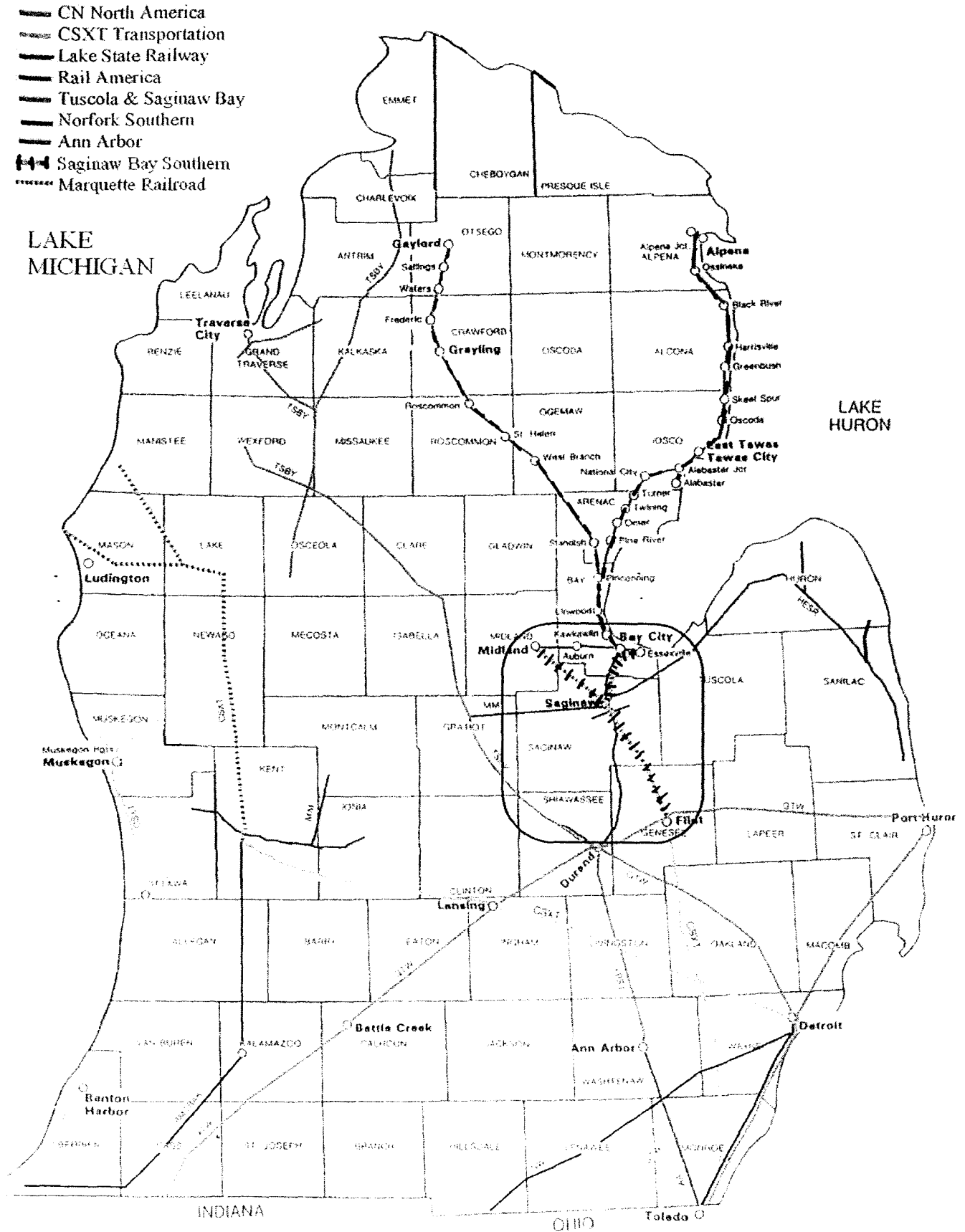
 Notary Public

KATHY A. COOPER

Notary Public, Iosco County, MI

My Commission expires: My Commission Expires Feb. 24, 2008

Exhibit No. 1



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, MICHIGAN**

Saginaw Bay Southern Railway Company (“SBS”) has filed a Verified Notice of Exemption to acquire from CSX Transportation, Inc. and to operate (through the use of its contract operator, Lake State Railway Company) approximately 67 route miles of rail line in Bay, Saginaw, Genesee, and Midland Counties, Michigan, including the rail line from: Milepost CC 0.0 at the Saginaw station to Milepost CC 26.2 at the Mt. Morris station; from Milepost CB 0.0 at the Saginaw station to Milepost CB 17.37 at the Midland station; from Milepost CBB 0.0 at the Saginaw station to Milepost CBB 16.7 at the Essexville station; from Milepost CBC 0.0 to Milepost CBC 2.0 both at the Saginaw Station; from Milepost CBD 2.2 to Milepost CBD 4.5 both at the Saginaw Station; from Milepost CSF 0.0 to Milepost CSF 0.82 both at the Saginaw Station; and from Milepost CBE 7.72 to Milepost CBE 10.09 both at the Paines Station. Comments must be filed with the Board and served on Andrew B. Kolesar III, Slover & Loftus, 1224 Seventeenth Street, N.W., Washington, D.C. 20036 (202) 347-7170. The continuance in control of SBS is the subject of a Verified Petition for Exemption filed in Finance Docket No. 34730, James George and J&JG Holding Company – Continuance In Control Exemption

- Saginaw Bay Southern Railway Company. The subject acquisition transaction will not be consummated before October 28, 2005.

This Notice is filed under 49 C.F.R. Part 1150.31, et seq. If the Notice contains false or misleading information, the exemption is void ab initio. Petitions to revoke the exemption under 49 U.S.C. § 10502(d) may be filed at any time. The filing of a petition to revoke will not automatically stay the transaction.