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June 28, 2002

VIA FEDERAL EXPRESS

Mr. Vernon A. Williams
Secretary
Surface Transportation Board
1925 K Street, N.W., Room 700
Washington, DC 20006

205769



Re: **Finance Docket No. 34177**
Iowa, Chicago & Eastern Railroad Corporation -- Acquisition
and Operation Exemption -- Lines of I&M Rail Link, LLC

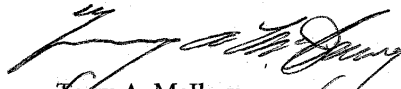
Dear Secretary Williams:

Enclosed for filing in the above-captioned proceeding are an original and ten copies of the Verified Statement of Thomas E. McGraw of the Bank of Montreal, dated June 28, 2002.

One extra copy of the Statement and this letter also are enclosed. Please date-stamp those items to show receipt of this filing and return them to me in the provided envelope.

If you have any questions regarding this filing, please feel free to contact me. Thank you for your assistance on this matter.

Respectfully submitted,


Terry A. McIlroy
Attorney for Bank of Montreal

Enclosures

cc: Parties on Certificate of Service

ENTERED
Office of Proceedings

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Part of
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Bank of Montreal

HOUSTON AGENCY

700 Louisiana Street Suite 4400
Houston, Texas 77002 (713) 223-4400

FINANCE DOCKET NO. 34177
IOWA, CHICAGO & EASTERN RAILROAD CORPORATION --
ACQUISITION AND OPERATION EXEMPTION --
LINES OF I&M RAIL LINK LLC

ENTERED
Office of Proceedings

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VERIFIED STATEMENT
OF
THOMAS E. MCGRAW

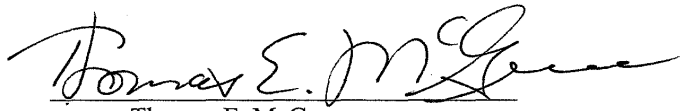


My name is Thomas E. McGraw. I am Vice President for the Bank of Montreal, which serves as administration agent for a group of financial institutions who are the principal creditors of I&M Rail Link LLC ("IMRL"). I am the person at Bank of Montreal charged with managing its relationship with IMRL and performing the function of administrative agent for the other financial institutions involved in this credit. IMRL has for some time faced challenges in developing and maintaining a revenue base sufficient to support its needs and has explored a variety of options to meet this challenge. Ultimately, it was concluded that a sale of IMRL's assets or an internal capitalization were the only viable alternatives. In order to give IMRL an opportunity to dispose of its assets or recapitalize in an orderly way, the senior lending group acquiesced in a moratorium on payments of principal and interest on its debt commencing in October, 2000. The sale process was extensive and time consuming and ultimately resulted in the selection of the Iowa, Chicago & Eastern proposal as the alternative to be pursued. Ultimately, this resulted in an asset purchase agreement being entered into between IC&E and IMRL. I am advised that this proposal was unanimously approved by the Board of Directors of

Bank of Montreal

IMRL. In order to permit the transaction to be consummated, the senior lending group agreed to accept substantially less than they were owed in full satisfaction of their obligations, and the senior lenders have been waiting now for many months for the transaction to be consummated. When that transaction is consummated, it should enable IMRL to discharge all of its obligations to unaffiliated third parties other than its obligations to senior lenders, and the senior lenders have agreed to accept a discounted payment to enable the transaction to be consummated and to assure an orderly transition of IMRL's business to IC&E in a way that will not disrupt service to its customers. If the transaction cannot be consummated on a timely basis, then the full amount of the senior lenders' debt will remain owing and the senior lenders will be required to reconvene to consider alternative legal remedies. Continued maintenance of the status quo is not an option for the lenders if the IC&E transaction does not close.

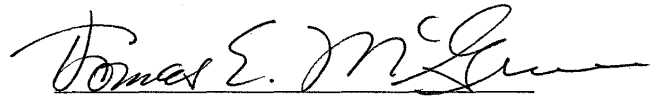
I believe the consummation of the IC&E transaction will result in an orderly and non-disruptive transition of IMRL's business such that this property will continue to meet the needs of its service territory. The IC&E transaction is the best alternative available in this distressed situation, and we urge the Board to allow the transaction to close as soon as possible. Further delay will seriously jeopardize a fair resolution to a very complex problem.


Thomas E. McGraw

Bank of Montreal

VERIFICATION

Thomas E. McGraw, under penalty of perjury, declares and verifies that he is Vice President of Bank of Montreal, that he has read the foregoing statement and knows the facts asserted therein, that said facts are true as stated, and that he is qualified and authorized to file the foregoing statement.

A handwritten signature in black ink, appearing to read "Thomas E. McGraw", written over a horizontal line.

Thomas E. McGraw

Dated: June 28, 2002

CERTIFICATE OF SERVICE

I hereby certify that on this 1st day of July, 2002, a copy of the foregoing **Verified**

Statement of Thomas E. McGraw was served by first-class mail, postage prepaid, upon:

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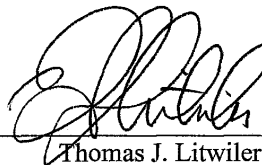
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