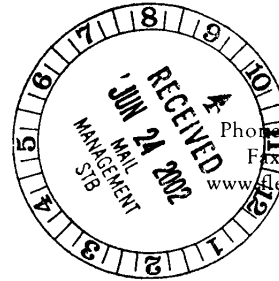


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June 22, 2002

205679

VIA FACSIMILE AND FEDERAL EXPRESS

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

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 **Reply of Iowa, Chicago & Eastern Railroad Corporation to Petitions for Stay**, dated June 22, 2002. A diskette containing the text of the Reply in WordPerfect format is included as well.

Iowa, Chicago & Eastern Railroad Corporation ("IC&E") respectfully requests leave to file the enclosed reply one business day late. Under 49 C.F.R. § 1150.35(f) and the Board's notice issued herein on June 12, 2002, IC&E's reply to requests for stay was due on June 21, 2002 -- seven days before IC&E's exemption is to become effective. Given the very short time periods involved, we were not able to transmit the enclosed reply to the Board yesterday. IC&E has informed the Board in a letter filed concurrently herewith of its commitment not to consummate the proposed transaction before July 26, 2002 or further order of the Board. Because the Board will thus not need to issue a decision on the requests for stay by June 28, 2002, IC&E believes that the late filing of the enclosed reply should not prejudice the Board or any party.

One extra copy of the Reply 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.

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FLETCHER & SIPPEL LLC

Mr. Vernon A. Williams
June 22, 2002
Page 2

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

Respectfully submitted,



William C. Sippel
Attorney for Iowa, Chicago & Eastern
Railroad Corporation

WCS:tjl

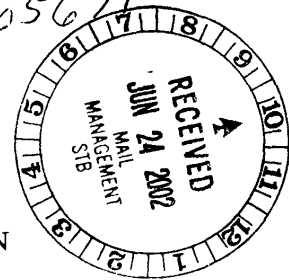
Enclosures

cc: Parties on Certificate of Service

ORIGINAL

BEFORE THE
SURFACE TRANSPORTATION BOARD

205679



FINANCE DOCKET NO. 34177

IOWA, CHICAGO & EASTERN RAILROAD CORPORATION
-- ACQUISITION AND OPERATION EXEMPTION --
LINES OF I&M RAIL LINK, LLC

**REPLY OF IOWA, CHICAGO & EASTERN RAILROAD
CORPORATION TO PETITIONS FOR STAY**

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**ATTORNEYS FOR IOWA, CHICAGO &
EASTERN RAILROAD CORPORATION**

Dated: June 22, 2002

BEFORE THE
SURFACE TRANSPORTATION BOARD

FINANCE DOCKET NO. 34177

IOWA, CHICAGO & EASTERN RAILROAD CORPORATION
-- ACQUISITION AND OPERATION EXEMPTION --
LINES OF I&M RAIL LINK, LLC



**REPLY OF IOWA, CHICAGO & EASTERN RAILROAD
CORPORATION TO PETITIONS FOR STAY**

Iowa, Chicago & Eastern Railroad Corporation ("IC&E") hereby submits this reply to the petitions for stay filed herein by Ag Processing Inc. ("AGP"), Iowa Traction Railroad Company ("IATR"), the so-called Cooperating Labor Organizations ("CLO") and Iowa Department of Transportation ("Iowa DOT").¹ IC&E's proposed acquisition of the rail lines of I&M Rail Link, LLC ("IMRL") represents the best -- and likely last -- opportunity to preserve economically viable, financially stable, competitive rail service to local shippers on the IMRL system. The extensive stays requested by the petitioners would terminate IC&E's ability to complete the IMRL acquisition -- a development that would in turn jeopardize IMRL's own future. A more limited stay of this proceeding would materially impact start-up economics, interfere with service transition, and significantly disrupt the comprehensive employee hiring process and operational start-up planning that has occurred to date, harming IMRL employees, upper Midwest shippers, and the prospects for a successful initiation of IC&E service.

Some of the petitioners express good faith concerns because they lack details as to the financial structure or condition of IC&E. But they fail to recognize the irony of their obvious

¹ This filing also responds to certain "comments" filed by other parties. IC&E reserves the right to further respond to the petitions to revoke of AGP and CLO within the appropriate reply periods.

lack of knowledge about the financial structure or condition of the IMRL. There seems to be a false sense of security in expecting that the status quo will or could continue. Petitioners no doubt recognize that IMRL has been in serious financial default for years, but they appear to incorrectly assume that the patience exhibited by the senior creditors of IMRL thus far is limitless. That is not the case. The status quo is not the financial alternative to a successful IC&E acquisition. The IMRL property was put up for sale as an alternative to bankruptcy. From the outset the senior creditors of IMRL have emphasized that this is the last best attempt to resolve the critical defaults which they have absorbed for years. Verified Statement of Kevin V. Schieffer, attached hereto as Exhibit 1 ("Schieffer V.S."), at 1. They have unequivocally emphasized throughout this process that in the event that the APA with IC&E (which expires in late July) does not close successfully, they will immediately proceed to acceleration of the outstanding debt of IMRL. As recently as this week, it has been reconfirmed that the IC&E transaction is the last attempt of the senior creditors to avoid loan acceleration proceedings. Schieffer V.S. at 1-2. Such action would almost inevitability lead to bankruptcy. Accordingly, there is no "status quo" option for IMRL if this transaction is thwarted by regulatory delay. The comments seeking to stay this transaction obviously do not recognize this fundamental fact. We believe if there were a fuller understanding of IMRL's financial alternative to this transaction, petitioners would be far more concerned about the uncertainties if the IC&E acquisition does not close.

Neither the public interest nor governing Board regulations and precedent allows for the result that petitioners would have the Board impose. IC&E's use of the 49 C.F.R. § 1150.35 class exemption procedures here is entirely appropriate, and there is no basis for revocation or stay of IC&E's exemption. Indeed, the seeming position adopted by several parties

that "significant" transactions involving the creation of new Class II carriers must automatically be stayed and investigated further would simply write 49 C.F.R. § 1150.35 out of existence. While several similarly-sized transactions may have been temporarily stayed in the past, the Board has since adopted advance notice regulations intended specifically to supplant the need for such stays. 49 C.F.R. § 1150.32(e); see Acq. of R. Lines Under 49 U.S.C. 10901 & 10902 -- Advance Notice, 2 S.T.B. 592, 601 (1997).² IC&E has complied scrupulously with both the letter and the spirit of those regulations. And in none of those prior stayed transactions did the agency find any basis to revoke or investigate the class exemption obtained by the applicant. IC&E's proposed transaction should be allowed to proceed.

A. IC&E Will Be a Strong, Viable Carrier Able to Provide a Secure Future for the IMRL Lines

IMRL acquired approximately 1400 route miles of rail line and incidental trackage rights (the "IMRL Lines") from Soo Line Railroad Company, d/b/a Canadian Pacific Railway ("CP") in 1997. I&M Rail Link, LLC -- Acq. & Oper. Exem. -- Canadian Pacific Ry., 2 S.T.B. 167 (1997) ("IMRL Acquisition"), aff'd sub nom. City of Ottumwa v. STB, 153 F.3d 879 (8th Cir. 1998). The IMRL Lines extend generally from Chicago to Kansas City and Minneapolis/St. Paul, as well as across northern Iowa and southern Minnesota. CP retains a minority, one-third ownership interest in IMRL, which is controlled by Dennis R. Washington (who also controls Montana Rail Link, Inc. ("MRL"), a Class II rail carrier operating in Montana, Idaho and Washington).

² Citing New England Central Railroad, Inc. -- Acquisition and Operation Exemption -- Lines Between East Alburgh, VT and New London, CT, Finance Docket No. 32432 (ICC served December 9, 1994); Indiana & Ohio Railway Company -- Acquisition Exemption -- Lines of Grand Trunk Western Railroad, Inc., Finance Docket No. 33180 (STB served February 3, 1997); and I&M Rail Link, LLC -- Acq. & Oper. Exem. -- Canadian Pacific Ry., 2 S.T.B. 167 (1997).

As the Board knows, IMRL has struggled financially since beginning operations in 1997. It has not made principal or interest payments on its debt since at least November, 2000, and its existing debt load is far in excess of that to be assumed by IC&E. In 2001, IMRL incurred a loss after fixed charges of over \$16 million. Verified Statement of Robert O. Brownell ("Brownell V.S."), attached hereto as Exhibit 2, at 2 and Attachment A. IMRL's extreme financial difficulties even led to significant delinquency -- in amounts exceeding \$4.5 million -- to MRL, its sister corporation, under an administrative services agreement between the two companies. In February, 2002, MRL sought to cancel that agreement, under which (among other things) MRL provides nearly all of IMRL's dispatching services. See MRL-IMRL correspondence attached hereto as Exhibit 3. Just this week, IMRL's other owner declared IMRL to be in "the zone of insolvency" and called into question IMRL's continued ability to operate on trackage rights into the Chicago terminal. See CP-IMRL correspondence attached hereto as Exhibit 4.

After several years spent seeking a resolution to IMRL's financial difficulties, IMRL's senior lenders and equity holders agreed to pursue a sale of IMRL's assets as an alternative to entering bankruptcy. The senior lenders have made clear that the existing shareholders of IMRL had rejected all creditor offers to settle the outstanding debt. The shareholders' own restructuring proposal to the banks was based on a proposed Federal Railroad Administration low-interest loan, and was rejected by the creditors because insufficient private financial commitments required the banks to absorb too much loss on their loan. Schieffer V.S. at 1. As a consequence of this failure, the parties put the company up for sale. On February 4, 2002, after extensive negotiations, IC&E executed an Asset Purchase Agreement ("APA") with IMRL for acquisition of the IMRL Lines. Under the agreement between the parties, if IC&E's

acquisition of the IMRL Lines is not completed by late July, 2002, the APA terminates, in large part reflecting the understandable fatigue of the senior creditors in their attempt to resolve this matter. Brownell V.S. at 14; Schieffer V.S. at 1-2.

In contrast to the financial struggles and uncertainty that have plagued IMRL in recent years, IC&E offers a dramatically more promising future. As Robert O. Brownell, IC&E's President, explains in his attached verified statement, IC&E will provide competitive, efficient rail service, tailored to the needs of local shippers on the IMRL Lines, with experienced, knowledgeable employees and an economically realistic operating and business plan. IC&E will have a debt load estimated at one-half that currently borne by IMRL. Brownell V.S. at 2. IC&E will thus have a substantially greater ability to direct its resources to the needs and health of the railroad itself, rather than to interest payments. Such financial flexibility also should help IC&E deal more effectively with unexpected setbacks, such as the Mississippi River flooding that has previously affected IMRL.

IC&E will replace IMRL's existing locomotive fleet with a substantially more modern and reliable fleet of SD40-2, GP40-2 and GP-38 locomotives. Most of the SD40-2s are already positioned for service along the IMRL Lines, while the GP40-2s and GP-38s are coming on-line as they are released by the contractor that is performing overhaul work on the units. Brownell V.S. at 2-3. The new IC&E motive power will have significantly reduced maintenance and fuel costs, and their increased reliability and availability will allow significant train performance improvements. At the same time, the lease rates for IC&E's newer locomotives are significantly lower than those currently paid by IMRL to MRL on the leased portion of its engine fleet. The overall result is that IC&E's locomotive ownership, operation and maintenance expenses are expected to be less than half of IMRL's, even while the performance and reliability

of the locomotive fleet is greatly improved. Brownell V.S. at 3. Apart from the obvious contribution to IC&E's financial viability, this significant investment in motive power will improve the consistency and efficiency of the rail service that IC&E is able to provide to its local customer base.

AGP and IATR have raised concerns about the diversion of overhead haulage traffic handled for Union Pacific Railroad Company ("UP") on the IMRL Lines. In IC&E's view, the UP haulage agreement is detrimental to on-line IMRL shippers and not economically significant relative to the intense capital costs associated with the traffic volumes and loads. In fact, IC&E earlier sought a renegotiation of the contract with UP that would allow for better planning and coordination with IMRL on-line customer traffic, and reducing the significant and unpredictable service disruptions it caused for IMRL local traffic. In IC&E's view, the current UP haulage agreement is based on flawed assumptions and would need to be renegotiated to make it compatible with on-line operations and future capital needs. Through no fault of UP's, the scheduling of this traffic is not predictable and the flow is not predictable. That creates serious problems for a contract hauler. Brownell V.S. at 5.

Independent of the IC&E acquisition, the UP-IMRL haulage arrangement has been in trouble for some time. The recent notice of termination of the haulage agreement simply effectuates UP intentions that have been clear since before the IC&E-IMRL transaction was announced. Brownell V.S. at 6 and Appendix C (UP notice letter to IMRL, prior to IC&E acquisition announcement, citing failed service standards as cause for termination). The UP haulage traffic is marginal, at best, to IMRL, and while IC&E will continue to try to secure such business on a remunerative basis, none of the existing UP haulage traffic has ever been included in IC&E's financial modeling or relied upon for a successful business plan for the IMRL Lines.

Brownell V.S. at 6. As noted by Mr. Brownell, IC&E does not disagree with UP's decision under the circumstances. IC&E honestly explained to UP that its business plan did not include continuation of prioritizing this traffic without a better planning mechanism that reduced on-line customer service interruptions.

Ultimately, handling the UP haulage traffic often forced IMRL to handle local traffic generated by its own on-line shippers on what was essentially a "second-class" basis. Brownell V.S. at 4-5. Far from harming IMRL's customers, the absence of the existing UP haulage traffic will allow IC&E to better focus on the transportation needs of its own customers, and to conduct rail operations that prioritize their service requirements rather than high volume, low margin contract haulage traffic that by its nature is unpredictable and highly susceptible to diversion.

The same is true with respect to IMRL's intermodal traffic, which IC&E has always believed in most instances was unprofitable for IMRL. Brownell V.S. at 6-7. Given the short-distance markets in which IMRL operates, and high terminal access fees and operating costs faced by IMRL, intermodal is simply not a business that makes sense for IMRL today. IC&E has never included continuing intermodal operations in its business plan for the IMRL Lines. Brownell V.S. at 7.³ Once again, the focus will be on IC&E's on-line customers who depend on rail service to meet their transportation needs.

The service plan for IC&E on-line local customers (as IC&E indicated in its notice of exemption) will be essentially identical to that offered today by IMRL. Mr. Brownell provides a detailed break-down of IC&E's train assignments, and notes that operations will be

³ Given this reorientation away from unprofitable intermodal traffic, CP's recent cancellation of agreements allowing IMRL to utilize CP intermodal facilities at Chicago and the Twin Cities will not adversely affect IC&E. Brownell V.S. at 7-8. CP's cancellation of certain other agreements with IMRL is discussed further below.

conducted and overseen by an IC&E workforce and line management comprised almost entirely of former IMRL employees and officers. Brownell V.S. at 4, 11 and Attachment B. The results of IC&E's careful and comprehensive hiring process are discussed further below, but the point here is that IC&E has worked hard to assure that operational transition of the IMRL Lines to a new owner is achieved with as little disruption as possible -- a goal best achieved with the IMRL employees who know the lines and territories best.

IC&E expects it will continue to operate into Chicago via an assignment of a CP-IMRL trackage rights agreement under which CP admitted IMRL to the rail line between Pingree Grove, Illinois and Chicago (Cragin), Illinois owned by the Commuter Rail Division of the Regional Transportation Authority of Northeast Illinois, d/b/a Metra. There are also other potential routing options that are not part of the present transaction. As the Board is aware, Metra has recently objected to assignment of that agreement and indicated that it will not admit IC&E to the Metra line. See Comments of Metra, dated June 19, 2002. This has been an unexpected development, and one which IC&E is seeking to resolve. While IC&E disagrees with Metra's interpretation of its ability to withhold consent, it desires to resolve this recent issue amicably. In any event, IC&E does not intend to consummate the IMRL transaction until and unless it is assured of viable access to the Chicago terminal, either through agreement with Metra, a determination of IC&E's rights under the assigned trackage rights agreement, or arrangements with other rail carriers to reach Chicago. Brownell V.S. at 16. IC&E has separately filed a letter with the Board today indicating its commitment not to proceed with the transaction until resolution of the Chicago access issue and further notification to the Board.

Several parties also have raised concerns regarding CP's recent notice of termination of several agreements with IMRL. While IC&E cannot know the precise reasons for

CP's issuance of the notices, CP is currently a partial owner of IMRL and the fact that termination of CP's ownership interest might prompt reconsideration of agreements entered into in connection with that ownership is not particularly surprising.⁴ None of those cancellations, however, will have a material adverse effect on IC&E's operations or financial viability. Brownell V.S. at 7-9.

Most significantly, CP will continue to provide terminal services for IC&E at Chicago and Minneapolis/St. Paul at least through April, 2003, and CP has indicated its willingness to enter into new agreements covering those services. Brownell V.S. at 7. IC&E also has met with terminal railroads in Chicago and the Twin Cities, who have indicated their desire and ability to provide interchange, intermediate switching and other terminal services for IC&E at those locations. See Brownell V.S., Attachments D and E (letters from The Belt Railway Company of Chicago and Minnesota Commercial Railway Company).⁵ It would be neither realistic nor reasonable to expect that IC&E enter into agreements now for changes that may or may not occur nearly a year later. Instead, IC&E has independently confirmed that it will have viable, competitive options for terminal services at Chicago and Minneapolis/St. Paul if any change should be necessary. IC&E shippers will face no disruption in the movement and handling of their traffic through the Chicago and Twin Cities terminals.

As Mr. Brownell explains in detail, CP's cancellation of several other, more ancillary agreements with IMRL similarly will not impact IC&E or its ability to provide

⁴ Given the unlikelihood that, in the absence of the proposed IC&E acquisition, IMRL can or would remain in existence in its present form with CP's ownership interest intact, the termination of these agreement may be inevitable. We also note CP's apparent concern with amounts due to CP from IMRL under the agreements -- highlighting again the difficult financial situation in which IMRL currently finds itself. See AGP Comments, Voss V.S., Appendix A at 2.

⁵ Indeed, Minnesota Commercial believes that it can provide improved terminal services for IC&E at reduced cost. Brownell V.S., Attachment E.

competitive, cost-effective rail service to its customers. Brownell V.S. at 7-9. Contrary to the suggestion of AGP, it is not IC&E's position that, because these cancellations "are not the making of ICE" (AGP Comments at 14), IC&E does not have to responsibly address the effect, if any, of those actions in this proceeding. To the contrary, IC&E has done just that, and shown that CP's cancellations will burden neither IC&E nor its shippers. The only possible exception may be CP's decision to increase reciprocal switching rates in Chicago and the Twin Cities -- a decision which CP's April 18, 2002 letter makes clear is not connected to the IC&E acquisition transaction, and which has been under discussion between CP and IMRL for some time. AGP Comments, Voss V.S., Appendix A at 2. While IC&E would obviously have preferred that CP not impose an increase, the new reciprocal switching rate (\$250/car) is equal to the lowest rate CP has with any other carriers in those terminals and does not appear uncompetitive. Brownell V.S. at 9.⁶ While the tone and distribution of the CP cancellations may raise legitimate questions as to their objective, their effect is not consequential to this transaction.

We are not unsympathetic to the anxieties that AGP may feel -- IC&E will be the fourth carrier to provide rail service on the IMRL Lines in the last 17 years, not counting an abortive attempt by CP to sell many of the lines to Southern Pacific in 1990. See Rio Grande Ind., Inc. -- Pur. & Track. -- Soo Line R. Co., 6 I.C.C.2d 854 (1990). Yet it is clear that preservation of the IMRL "status quo" will not be possible, and that in the absence of the proposed IC&E transaction the future of the IMRL Lines is less certain than ever. Indeed, many shippers recognize that those who seek to avoid this transaction are really motivated by fear of competition and protecting their own status quo. This transaction definitely is intended to

⁶ Again, given that, without a sale to IC&E, IMRL would not likely continue in existence in its current form, a readjustment of CP's reciprocal switching rates in Chicago and the Twin Cities to a prevailing market level could not likely be forestalled in any event.

accomplish substantially more than IC&E stepping in to maintain the "status quo." IC&E will significantly improve competition, market access, and the viability of operations and traffic on the IMRL Lines. It will sharpen the focus on meeting the transportation needs of local on-line shippers, and offer more secure long-term prospects for the retention and successful operation of this important component of the upper Midwestern rail system.

B. Impacts of the IC&E Transaction on IMRL Employees Have Been Minimized, and Many IMRL Employees Will Benefit from the Transaction

Consistent with the strengthening of the IMRL Lines will be a significant improvement in the security and position of many existing IMRL employees. We are puzzled by the claim of the Cooperating Labor Organizations⁷ that they need discovery to determine the "effects, if any, the transaction may have upon the employees represented by them on IMRL" and to determine the "actual nature of the transaction." CLO Stay Petition at 7-8. They can only be in the dark about these items if they have neglected completely to talk with their members over the last three months. That is not the real reason that the normal recitation of serious, specific employee harms arising from a transaction is missing from the CLO's pleadings.⁸ It is because such employee impacts are largely absent in the proposed IC&E transaction -- perhaps to a greater extent than in any similar transaction in recent memory. IMRL's labor unions may view the proposed transaction as harmful to their own interests, but the effect on their members will be largely positive.

⁷ Brotherhood of Locomotive Engineers, Brotherhood of Maintenance of Way Employes, Brotherhood of Railroad Signalmen, International Association of Machinists, International Brotherhood of Electrical Workers and Transportation•Communications International Union.

⁸ The most damaging claim CLO could muster is that "IMRL employees will be rendered jobless by the sale of their employer and their future employment by the Applicant is solely at that entity's whim and discretion." CLO Stay Petition at 4. As discussed below, IC&E's "whim and discretion" has resulted in job offers to the vast majority of interested IMRL employees, in nearly every instance at higher wage rates than currently paid by IMRL.

On February 25, 2002, IC&E posted and served the so-called "60-day notice" required by 49 C.F.R. § 1150.32(e), outlining for IMRL employees the then-expected employment opportunities for them on IC&E. Since that time, IC&E has engaged in a comprehensive and wide-ranging informational, recruiting and hiring campaign among IMRL's workforce. As Mr. Brownell explains, IC&E has conducted numerous town hall and departmental meetings across the IMRL system. Mr. Brownell himself has participated in 59 such meetings since March 1, 2002, and with his staff officers has conducted over 350 half-hour interviews with all transportation department applicants, from train and engine (T&E) crew members to customer service representatives to operating managers and officers. Brownell V.S. at 11-12. Similarly extensive town hall, departmental and individual one-on-one meetings were held with employees in all other departments. All of those meetings were conducted by IC&E executive officers at the level of department head or higher. Every employee on the IMRL was afforded the opportunity to participate in both town hall and one-on-one meetings. Well over 90% (estimated at 96%) of those employees have taken advantage of that opportunity. An extraordinary amount of time and resources were dedicated to this effort from the outset, and it has been extremely beneficial for all involved. Brownell V.S. at 11.

The result of this careful process has gone beyond what we believe even the Board hoped for in adopting the 60-day notice requirement in 1997. Not only have IMRL employees had timely, detailed information regarding hiring and employment on IC&E, but their input has been solicited and considered at every step along the way. CLO has attached to its petition to revoke an April 12, 2002 memorandum to prospective IC&E operating department (transportation, engineering and mechanical) employees that exemplifies IC&E's policy and approach, and is highly recommended reading. CLO Revocation Petition, Ex. 1. That

memorandum, issued well over two months before the contemplated closing, provides detailed information on many subjects, speaks frankly about issues in a number of other areas, discusses various options that will or may be available to IC&E employees, and directly requests that IMRL employees provide their thoughts and suggestions on a range of questions, either through e-mail or further meetings with IC&E officials. The result is that, beyond just receiving the timely information they need to make educated employment decisions, IMRL employees have been active participants in the hiring process and in much of IC&E's decision-making regarding hiring and employment matters. If the Cooperating Labor Organizations are not aware of this, it can only be because they have not been on the property since March 1st.

The outcome of that hiring process has been equally impressive. Nearly all IMRL employees who were interested in employment with IC&E have been extended job offers. As Mr. Brownell explains with respect to the transportation department, IMRL currently has 244 active T&E employees, plus a number of additional T&E employees in training or on inactive status due to injury, and 34 customer service and crew-calling employees. IC&E has extended employment offers to 276 IMRL transportation employees, and is experiencing a very high acceptance rate. Brownell V.S. at 10. There are but four (4) IMRL T&E employees who have expressed an interest in employment with IC&E who will not be offered positions. All but five of IMRL's current transportation staff officers have received offers for management positions on IC&E, and the remaining five have been offered other positions as final staffing decisions are being made. The numbers are nearly as favorable in the engineering and mechanical departments, with the only noteworthy headcount reduction occurring among seasonal/temporary maintenance-of-way workers. All told, 95% of interested, active, full-time employees have been offered jobs on IC&E. Brownell V.S. at 13.

Virtually no IMRL employees hired by IC&E will receive a cut in pay, and as Mr. Brownell explains the vast majority will experience a significant salary increase. Wage rates for local and yard train crews, for example, will increase by 8-11%, while road train crews will see a 5.5%-7.5% increase. Extra board crews will receive at least current IMRL rates. Rates of pay will similarly increase for mechanical and engineering positions. These improvements are obviously significant to IMRL employees and are, IC&E believes, one reason why IC&E has been able to successfully retain many IMRL employees. Brownell V.S. at 11-12 and Attachment F.

IC&E's workforce will choose its own healthcare plan from among (1) the existing IMRL plan; (2) the proposed plan between Dakota, Minnesota & Eastern Railroad Corporation ("DM&E"), IC&E's sister company, and the United Transportation Union; or (3) the "enhanced" plan in effect for non-union employees on DM&E. Brownell V.S. at 12. IMRL employees hired by IC&E will generally retain their existing years of service credit for seniority and vacation, and will have several options regarding the handling of accrued vacation pay at IMRL. IMRL employees required to relocate in connection with their positions with IC&E receive an allowance to cover expenses related to the move. Brownell V.S. at 12.

IC&E does not pretend that a transaction like that proposed here will have no effect on any involved employees. But IC&E has worked hard to make the transition as smooth and transparent as possible, and to provide good-paying jobs with competitive benefits to as many IMRL employees as possible. IC&E's success in that effort may be unprecedented for a start-up transaction of this size and character. At the same time, IMRL employees can look forward to a financially viable and stable employer that can offer greater job security well into the future.

C. None of the Criteria for Stay of the Proposed Transaction Have Been Met

To be entitled to a stay of an exemption, a petitioner establish that: 1) petitioner is likely to prevail on the merits of its revocation petition;⁹ 2) petitioner has demonstrated it will suffer irreparable harm if the stay is not granted; 3) the issuance of the stay will not seriously harm other parties; and 4) public interest supports the issuance of the stay. Washington Metro. Area Transit Comm'n v. Holiday Tours, Inc., 559 F.2d 841, 843 (D.C. Cir. 1977). The burden of persuasion on each of these elements lies squarely with the parties seeking the extraordinary relief of a stay. Canal Authority of Fla. v. Callaway, 489 F.2d 567, 573 (5th Cir. 1974). None of the petitioners has demonstrated that any of these criteria are met in the present case.

1. Harm to IC&E, IMRL and the Public Interest

The sixty-day stays sought by AGP and IATR, and stays of undefined length sought by CLO and Iowa DOT, could have potentially devastating consequences, not just for IC&E but for the customers and employees of IMRL and the upper Midwest region as a whole. Under the Asset Purchase Agreement between IC&E and IMRL, IC&E must consummate acquisition of the IMRL Lines by July 30, 2002. An extension of that deadline is unlikely. IMRL's senior lenders have indicated that, if the IC&E transaction is not completed, IMRL will not continue to function under its current debt holiday. Schieffer V.S. at 1.

None of the stays entered in the past cases cited by the petitioners so clearly and directly jeopardized the underlying transaction, or implicated the continued ability of the incumbent carrier to provide rail service. This case is uniquely distinguished by the fact that

⁹ Iowa DOT has not in fact sought revocation of IC&E's exemption herein, and indeed has expressly indicated that it takes no position on the merits of the proposed IC&E transaction. Iowa DOT Statement at 3. IATR similarly has not sought -- or addressed the criteria for -- revocation and instead seeks "investigation," referring to regulations addressing individual, rather than class, exemptions. IATR Petition at 5 (citing 49 C.F.R. § 1121.4(c)(1)).

IMRL today is a highly vulnerable property with few options available, and because an extended stay of this proceeding would obliterate the last and best chance to avoid bankruptcy.

At the very least, IMRL would be thrown back into the pit, facing huge overdue and now accelerated principal and interest obligations and a future of extremely limited duration. Under the circumstances, IMRL's continued ability to rely on services provided by MRL would be extremely uncertain, as would its ability to continue to operate into Chicago. See supra at ___ and Exhibits 3-4. The same would be true for IMRL's ability to attract and retain quality, long-term oriented managers and employees. The ultimate result for the employees, shippers and communities dependent on IMRL cannot be known for certain, but the only question regarding the harm those parties will experience is how great its magnitude will be.

IC&E and its parent have obviously invested significant time and resources in the proposed IMRL transaction, and would face significant financial ramifications if the transaction was terminated as a result of an STB stay. Shippers, vendors, equipment suppliers and others would be at risk. Even if the transaction is able to proceed, the burdens on all parties that would be caused by the disruption and uncertainty of an extended stay would be significant. IC&E has carefully planned and prepared for the start-up of operations; the extensive hiring process is nearly completed; IC&E has leased locomotives and has actually staged many of them on the IMRL Lines as of this date. IC&E and its affiliate, Cedar American Rail Holdings, Inc., have leased office space in Davenport, Iowa and purchased a new office building in Sioux Falls, South Dakota. They have equipped those offices with the equipment necessary to operate, manage and dispatch the IMRL Lines. IMRL employees are making relocation plans and in some instances have already purchased new homes at their new location. *Brownell V.S.* at 13.

Many IMRL shippers -- including particularly grain shippers on IMRL's so-called "Corn Lines" -- support IC&E's proposed acquisition of the IMRL Lines. See statements attached hereto as Exhibit 5. They and all other IMRL shippers will lose access to the modernized locomotive fleet, increased operational reliability and renewed focus on local service that IC&E will provide. Many IMRL employees stand to receive a significant pay raise once they begin work with IC&E, and ironically would be denied that and the other benefits IC&E will offer if the stay sought by their current labor unions is granted. And IMRL itself would face the obviously difficult task of "holding it together" while its fate is subjected to delay and uncertainty. A most obvious immediate concern would be the potential loss of the leased freight car fleet in the event of a debt acceleration. Once lost, that would be very difficult to regain even by a new carrier. A greater concern is the loss of qualified employees, many of whom have left IMRL in the past because of its uncertain future.

The proposed IC&E transaction presents the ideal opportunity to address one of the thankfully few major question marks in the national rail system. But as the experience with the Bangor & Aroostook System in Maine over the last eight months demonstrates, such transactions are not immune to uncertainty and delay and can all too quickly be replaced by bankruptcy proceedings -- with all of the cost and disruption attendant thereto. For better or worse, the stakes here are high, and the Board needs to assure that its decision with respect to stay satisfies the clear public interest in the continuance of viable, sustainable rail service on the IMRL Lines.

2. Likelihood of Success on the Merits

None of the parties seeking stay and revocation have demonstrated that they are likely to prevail on the merits of their revocation requests. AGP and IATR have raised concerns

regarding IC&E's ability to reach and handle traffic through the Chicago and Twin Cities terminals, but as discussed extensively above IC&E will have access to willing, able terminal service providers in both locations, and will not consummate the transaction before its ability to operate into Chicago -- via Metra or otherwise -- is confirmed. While petitioners also purport to question IC&E's financial viability, the evidence of record demonstrates that IC&E will be an economic viable and sustainable carrier with a realistic business plan and a clear strategy for avoiding many of the difficulties against which IMRL has struggled. There can be no doubt, at the very least, that IC&E will be substantially more financially viable than IMRL is today.¹⁰

AGP and IATR claim that, essentially, the proposed transaction is "too big" to be accomplished under the time frames of 49 C.F.R. § 1150.35, and that the normal class exemption process should be unavailable because IC&E will be a Class II carrier affiliated with another Class II carrier (DM&E). In support, both cite and rely heavily on the supposedly analogous stay entered by the Chairman in the initial IMRL acquisition proceeding in 1997. AGP Comments at 9-10; IATR Petition at 3, 6 (both citing I&M Rail Link, LLC -- Acquisition and Operation Exemption -- Certain Lines of Soo Line Railroad Company, d/b/a Canadian Pacific Railway, Finance Docket No. 33326 (STB served February 3, 1997)). The circumstances in this case are dramatically different. Staying the CP sale to IMRL carried with it no financial threats to continued rail viability. Even without the imperatives present in this case, the stay proved none

¹⁰ IATR asserts that the Board should require audited financial statements and other similar data from IC&E before allowing the exemption to go into effect. Such information, of course, is not required by the relevant class exemption regulations and -- particularly given the other evidence IC&E has submitted here regarding its viability -- is neither necessary nor appropriate under governing case law. E.g., Meridian Southern Railway, LLC -- Acquisition and Operation -- Line of Kansas City Southern Railway Company, Finance Docket No. 33854 (STB served August 29, 2000).

of the claims inevitably asserted by those seeking delays. Petitioners in this case who rely on the past stay simply ignore the clear, ultimate disposition of issues in the 1997 case.

(1) The revocation petitioners argue that the 49 CFR 1150.31 class exemption does not embrace a transaction that contemplates the creation of a new Class II railroad that will be affiliated with an existing Class II railroad. We disagree. The class exemption regulations explicitly encompass transactions that involve the creation of Class II railroads. In fact, the class exemption has been used in connection with the creation of Class II railroads, including at least one Class II railroad that was affiliated with an existing Class II railroad.

...
(2) The revocation petitioners argue that the 49 CFR 1150.31 class exemption does not embrace a transaction of the size of the I&M acquisition transaction. We disagree. The class exemption has already been used in connection with an even larger transaction. [] Nothing in the class exemption or in the decision adopting it supports the petitioners' argument.

IMRL Acquisition, 2 S.T.B. at 178-179 (footnotes and citations omitted).

Given these clear holdings regarding the applicability of the 49 C.F.R. § 1150.35 class exemption, it cannot logically be argued that simply because a transaction involves creation of a "large" Class II carrier affiliated with another Class II carrier, it must be stayed and thus removed from the applicable timing provisions of 49 C.F.R. § 1150.35. But that is precisely what AGP and IATR would appear to propose. Such a position is weakened even further by the Board's adoption, since IMRL Acquisition, of the 60-day advance notice provision of 49 C.F.R. § 1150.32.(e), which was specifically intended to provide employees with timely hiring and job information and avoid the confusion and uncertainty that had often led to stays in the past (including in the IMRL Acquisition proceeding). Acq. of R. Lines Under 49 U.S.C. 10901 & 10902 -- Advance Notice, 2 S.T.B. 592, 601 (1997). As discussed above, IC&E has complied enthusiastically with the letter and intent of that regulation.

The revocation arguments of the Cooperating Labor Organizations are based almost entirely on the notion that: 1) IC&E is not acquiring the assets of IMRL but instead is obtaining "control" of IMRL as a carrier; 2) DM&E, as the ultimate parent of IC&E, is the "real party in interest" and must join in the request to acquire "control" of IMRL; and 3) this transaction is thus subject to 49 U.S.C. § 11323(a)(3). CLO Stay Petition at 3 and CLO Revocation Petition at 3-17 (citing and relying extensively on U.S. v. Marshall Transport, 322 U.S. 21 (1944) and Fox Valley & Western Ltd. -- Exempt., Acq. and Oper., 9 I.C.C.2d 209 (1992), aff'd sub nom. Fox Valley & Western Ltd. v. ICC, 15 F.3d 641 (7th Cir. 1994)).

If these arguments sound familiar, they should -- the Board and its predecessor have expressly rejected identical claims from rail labor no fewer than five times in the last eight years, including three cases with circumstances identical to those here. New England Central Railroad, Inc. -- Acquisition and Operation Exemption -- Lines Between East Alburgh, VT and New London, CT, Finance Docket No. 32432 (ICC served December 9, 1994) ("NECR") at 23-24, aff'd sub nom. Brotherhood of R. Signalmen v. ICC, 63 F.3d 638 (7th Cir. 1995); The Bay Line Railroad, L.L.C. -- Acquisition and Operation Exemption -- Rail Lines of Atlanta & St. Andrews Bay Railroad Company, Finance Docket No. 32435 (ICC served March 31, 1995) ("Bay Line") at 11-12; Akron Barberton Cluster Railway Company -- Acquisition and Operation Exemption -- Certain Lines of Consolidated Rail Corporation, Finance Docket No. 32537 (ICC served January 12, 1996) ("ABC") at 4; see IMRL Acquisition, 2 S.T.B. at 174-175; Georgia & Florida Railroad Co., Inc. -- Acquisition, Lease and Operation Exemption -- Norfolk Southern Railway Company, Finance Docket No. 32680 (STB served March 18, 1996) ("G&F") at 2-3.

As the ICC explained in NECR:

The Allied Rail Unions' reliance on the argument that NECR is acquiring an entire carrier as dispositive of the issue of the

application of section 11343 necessarily involves the presumption that RailTex is the acquiring entity. Relying on the recent Fox Valley decision, petitioners argue that a noncarrier acquisition of an entire carrier would fall under section 11343. . . . Fox Valley involved the acquisition of two carriers. The present proceeding, on the other hand, involves the acquisition of only one carrier. Thus, the Allied Rail Unions' argument would extend Fox Valley to cover acquisition of a single carrier, creating a presumption that whenever a "noncarrier" subsidiary of an entity that is not a carrier, but that control carriers, seeks to purchase an entire rail line, the subsidiary is necessarily one and the same as the parent. This presumption would conflict with all of the line sale case precedent.

NECR at 24; see also NECR stay decision (ICC served December 22, 1994) at 2-3. CLO's effort here to collapse an accepted two-step process into one step would similarly "conflict with all of the line sale case precedent," as the Board has specifically held:

UTU's reliance on Marshall Transport and Fox Valley is misplaced. Although the requirement for "control" remains as broadly defined as in Marshall Transport, reviewing courts have since recognized that the authorization process need not be unitary. Prospective carriers and their owners have adopted a two-step process for obtaining control -- the acquisition transaction and the continuance in control transaction. This procedure has been used many times in the past and has been used by [applicants] here. This two-step process has been consistently upheld on judicial review.

G&F at 3.¹¹

The only possible distinction between the instant transaction and NECR, Bay Line and ABC is that the ultimate parent here (DM&E) is a carrier, while the parent in the prior cases was a non-carrier that controlled other carriers. (Thus, in the prior cases, rail labor claimed the transaction was subject to 49 U.S.C. § 11323(a)(5), while here they claim it is subject to 49 U.S.C. § 11323(a)(3)). Yet that is a distinction without a difference, as the STB has consistently

¹¹ We note that the comments of Iowa DOT are largely predicated on a view that IC&E's acquisition of the IMRL Lines and DM&E's control of IC&E must be considered as a single transaction, rather than through the accepted two-step process. As this uniform precedent indicates, that position is inconsistent with governing law.

recognized. See, e.g., IMRL Acquisition, 2 S.T.B. at 175 ("[T]he use of the 49 CFR 1150.31 class exemption for the acquisition of rail lines by independently operated noncarrier affiliates of existing carriers or of holding companies controlling carriers was consistently upheld by the Commission." (emphasis added)).

That leaves CLO to make a more traditional "alter ego" argument, which CLO does here in only the most cursory manner. CLO Revocation Petition at 18-19. The reasons for that are obvious. Under the alter ego test, the Board considers 1) whether the noncarrier subsidiary was created to purchase the line for legitimate and substantial business reasons (e.g., insulation from financial risk, preservation of service, or time constraints) and not solely to avoid labor protection; and 2) whether the indicia of independence establish that the noncarrier subsidiary is sufficiently independent of its parent or affiliated carriers. Mountain Laurel Railroad Company -- Acquisition and Operation Exemption -- Consolidated Rail Corporation, Finance Docket No. 31974 (STB served May 15, 1998) ("Mountain Laurel") at 10.

Here, of course, the legitimate and substantial business reasons for creating IC&E to acquire the IMRL Lines could not be plainer: to insulate DM&E from the financial risk associated with a troubled operation that has turned over three times in a decade and a half. Brownell V.S. at 1. Nor could avoidance of labor protection even possibly have been a rational consideration or concern here. If DM&E had acquired the IMRL Lines directly pursuant to 49 U.S.C. § 10902, labor protection still would not have applied. ICC Termination Act of 1995, Pub. L. No. 104-88, 109 Stat. 803, § 327; see Dakota, Minnesota & Eastern Railroad Corporation -- Acquisition and Operation -- Colony Line Segment of Union Pacific Railroad Company, Finance Docket No. 32864 (STB served April 25, 1996).

It is also clear here that IC&E has sufficient indicia of independence from DM&E. IC&E will operate its own trains with its own locomotives, cars and employees, will have its own operating management, will hold out to provide service in its own name, and will be responsible for the risks and financial obligations arising from its continuing operations. *Brownell V.S.* at 1. DM&E will guarantee certain acquisition and start-up debt of IC&E, and it is anticipated that after common control DM&E and IC&E will share certain upper management officers and will coordinate their operations and equipment fleets. *Brownell V.S.* at 1. As the Board knows, such arrangements are common among affiliated carriers and do not in any way detract from the financial and operational independence of IC&E. See, e.g., *Mountain Laurel* at 14-17. CLO has shown no basis for revoking IC&E's exemption.

3. Harm to Petitioners

As discussed above, the IMRL employees to be hired by IC&E will significantly benefit from consummation of the proposed transaction. Denying a stay will not harm the labor unions that purport to represent those employees' interests. Similarly, AGP and IATR will not be harmed by denial of a stay given that, upon consummation, IC&E will be able not only to maintain but to significantly improve the reliability and stability of the rail service on which those customers rely.

We note that several entities, including Iowa DOT and the U.S. Department of Transportation, have raised concerns regarding the "downstream" effects of potential DM&E traffic (including coal from the Powder River Basin) that they assert may move over the rail lines of IC&E. Denial of a stay will result in no harm to these parties, since any necessary consideration of such issues will take place in the control case that DM&E will shortly initiate in Finance Docket No. 34178, Dakota, Minnesota & Eastern Railroad Corporation and

Cedar American Rail Holdings, Inc. -- Control -- Iowa, Chicago & Eastern Railroad Corporation. While the rail lines of DM&E and IMRL/IC&E intersect at Owatonna, Minnesota, the carriers cannot currently interchange traffic there. Any direct interchange of traffic between DM&E and IC&E could only take place after completion of the proceedings in Finance Docket No. 34178. Any "downstream" effects relating to DM&E-IC&E traffic movements are related solely to that proceeding, and are not appropriate for consideration here.

WHEREFORE, IC&E respectfully requests that the petitions for stay of IC&E's exemption herein be denied.

Respectfully submitted,

By: 
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**ATTORNEYS FOR IOWA, CHICAGO &
EASTERN RAILROAD CORPORATION**

Dated: June 22, 2002

**VERIFIED STATEMENT
OF
KEVIN V. SCHIEFFER**

My name is Kevin V. Schieffer. I am President and Chief Executive Officer of Cedar American Rail Holdings, Inc., and its affiliate, Dakota, Minnesota & Eastern Railroad Corporation. Prior to the election of Bob Brownell, I previously served as President of the Iowa, Chicago & Eastern Railroad Corporation ("IC&E"). In those capacities, I was intimately involved in the negotiations that led to the February 4, 2002 Asset Purchase Agreement between I&M Rail Link, LLC ("IMRL") and IC&E.

Financing. I was initially contacted by IMRL seeking our interest in acquiring the company. In initial discussions with IMRL and its agents and senior creditors, it was explained to me that the sale process they were undertaking was an alternative to bankruptcy. The senior creditors of IMRL have been unequivocal on that point throughout this process. They have exhausted all options, and patience. In the event that the APA with IC&E (which expires in late July) does not close successfully, they will immediately proceed to acceleration of the outstanding debt of IMRL. Anyone remotely familiar with the details of the current IMRL financial situation will recognize that such action would inevitability and quickly lead to bankruptcy. At the very outset of this process, it was made clear that the existing shareholders of IMRL had made a restructuring proposal to the banks, based almost exclusively on a proposed Federal Railroad Administration low-interest loan. That proposal was rejected by IMRL's senior creditors just prior to placing the property for sale.

As recently as this week, IMRL senior creditors have reconfirmed to me in clear language that the IC&E transaction is and will be the last attempt by the senior creditors to avoid loan acceleration proceedings. There is no "status quo" option. The creditors have struggled

long and hard to find an equitable solution to this troubled property. We have worked with them and IMRL to develop an acceptable package that maintains and, in our view, enhances this property's long-term benefits.

Kansas City Southern. I was also surprised to see the statement filed by The Kansas City Southern Railway Company ("KCS"). I have placed various calls to its CEO and offered at least twice to travel to Kansas City to meet on any issues of concern. For reasons I fully understood, a hectic schedule did not allow that to happen but I did not sense any particular sense of urgency or concern over timing from KCS. Subsequent to the second failed attempt to schedule a meeting, I sent a follow-up letter verifying our continued interest in meeting to discuss significant issues (attached hereto as Attachment A). In the meantime, I noted that I would ask the appropriate IC&E marketing and operating personnel to contact their counterparts on KCS. They subsequently did that on numerous occasions, and reported back on very friendly, constructive meetings. Indeed, we have worked with KCS directly on marketing a major customer on our shared systems. We appreciate KCS's concerns and share them. Obviously, there is a communication disconnect somewhere, and we hope to resolve that immediately and have again placed calls in an attempt to do so. But fundamentally, the interests of KCS and IC&E, in my view, are logically aligned and the transaction at hand will have no impact on the logic of that combination.

We are and remain committed to aggressively pursue partnerships with connecting carriers, including the valued relationship with KCS.

DM&E

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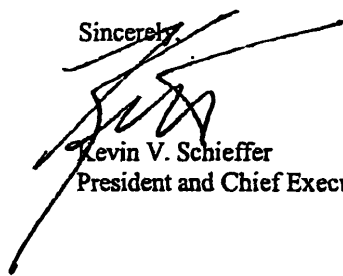
April 24, 2002

Mr. Michael Haverty
Chairman, President and CEO
Kansas City Southern
114 West 11th Street
Kansas City, MO 64105

Dear Mike:

Sorry we were unable to get together on my recent trip to Kansas City. I wanted to follow-up on our earlier discussion. For the time being, I will encourage my Marketing and Operations officers get in touch with their counterparts at KCS. I do not know when I will be back in the Kansas City area, but I am frequently in the Twin Cities, D.C., and New York areas. If ever our schedules can hook up in the future, do not hesitate to call.

Sincerely,


Kevin V. Schieffer
President and Chief Executive Officer

KVS/cld (j:\kvs\word\mhaverty.doc)

**VERIFIED STATEMENT
OF
ROBERT O. BROWNELL**

My name is Robert O. Brownell. I am President of Iowa, Chicago & Eastern Railroad Corporation ("IC&E"). I was recently hired to oversee and manage the planning for IC&E's acquisition and operation of the lines of I&M Rail Link LLC ("IMRL"). In my 38-year railroad career, I have served in various positions with the New York Central Railroad, Penn Central, Chicago and North Western Railroad and Union Pacific Railroad. The purpose of this statement is to address the speculative and unfounded concerns raised by certain parties in filings with the Board regarding IC&E and the proposed transaction.

First, let me address any misconceptions about IC&E. IC&E is a wholly-owned subsidiary of Cedar American Rail Holdings, Inc. which itself is a wholly-owned subsidiary of Dakota, Minnesota & Eastern Railroad Corporation ("DM&E"). IC&E was formed in 2001 to acquire and operate the lines of IMRL. IC&E was formed for the purpose of insulating DM&E from the financial risks associated with operation of rail lines that have had three owners in the past 17 years. IC&E will operate its own trains with its own locomotives, cars and employees, will have its own operating management, will hold out and provide service in its own name, and will be responsible for the risks and financial obligations arising from its continuing operations. DM&E has agreed to guarantee certain acquisition and start-up debt of IC&E. Following common control, it is anticipated that DM&E and IC&E will share certain upper management officers and will coordinate their operations and equipment fleets. But, IC&E will continue to be financially and operationally independent of DM&E.

Second, financing for the proposed transaction is not uncertain. Work continues on finalizing the financing arrangements. As discussed in the Notice of Exemption, the proposed

transaction received a strong positive response from the financial markets, and IC&E selected Toronto Dominion Bank to provide senior secured debt financing for the acquisition and for IC&E's working capital needs. Toronto Dominion is currently engaged in a syndication of the debt. We do not anticipate any problem in completing financing for the transaction, so long as the regulatory process does not create undue uncertainty.

Third, there should be no doubt that IC&E will be a financially viable operation. IC&E's business plan for operation of these lines has been subjected to intense scrutiny and due diligence by the lenders, shareholders and equity investors. That perhaps provides the best assurance that IC&E will be financially viable. But, there are other reasons. It is well known in the industry that IMRL has experienced financial difficulty. Attached as Attachment A is a copy of Schedule 210, Results of Operations from IMRL's Annual Report to the Iowa Department of Transportation for 2001. The report shows that while IMRL had modest net income for the year, after application of fixed charges it sustained a loss of over \$16,000,000. We understand that IMRL has not made any principal or interest payments on its debt since at least November of 2000, a situation which resulted in the company being put up for auction in early 2001 and leading to the proposed transaction.

In operating these lines, IC&E will have several important advantages over IMRL. First, IC&E will not be saddled with IMRL's heavy debt burden. IC&E's debt will be less than half of IMRL's current debt, reflecting (i) the substantially lower purchase price for these lines than IMRL paid to purchase these lines from Canadian Pacific ("CP") in 1997, and (ii) a strong equity commitment by IC&E investors.

Another important advantage is that IC&E will have substantially lower equipment costs. IC&E will replace the entire IMRL locomotive fleet with a substantially more

modern and reliable fleet of SD40-2, GP40-2 and GP-38 locomotives. Most of the SD40-2s are already positioned for service along the IMRL Lines, while the GP40-2s and GP-38s are coming on-line as they are released by the contractor that is performing overhaul work on the units. Objective industry equipment statistics demonstrate significantly reduced maintenance and fuel costs with these locomotives, and their increased reliability and availability will allow smoother and more reliable operations. This fleet has been reviewed and compared by current IMRL mechanical officers who will be working for IC&E. All agree that this will be a substantial operational improvement and cost savings. At the same time, the lease rates for IC&E's locomotives are far lower than those currently paid by IMRL on the leased portion of its locomotive fleet, which is leased from IMRL affiliates including Montana Rail Link. The overall result is that IC&E's locomotive ownership, operation and maintenance expenses are expected to be less than half of IMRL's even while the performance and reliability of the locomotive fleet is greatly improved.

IC&E's business plan also does not include continued handling of certain marginal overhead traffic from other railroads, discussed below, currently handled by IMRL. The phase-out of this traffic will reduce operating costs by increasing available capacity, reducing switching costs, equipment fees and joint facility expenses. None of this is local IMRL traffic, and all of it will move to the customer via more cost effective routes. These advantages all help to ensure that IC&E will be a viable enterprise, and will greatly enhance service to on-line customers.

Fourth, IC&E's service plan for providing service to its customers is sound. It will be familiar to IC&E's shippers. In preparing IC&E's service plan, we closely examined IMRL's current service plan and found it to be well tailored to the transportation needs of

IMRL's customers. With two exceptions, IC&E's service will be the same as IMRL's current service. Yard jobs, locals and through freights will be exactly the same as on IMRL today. The two exceptions are certain haulage trains which are not included in IC&E's service plan and certain intermodal traffic which is expected to be phased out. Attached as Attachment B is a list of the train assignments to be operated by IC&E. We know IC&E's service plan will work not only because it is a sound plan based on our experience, but because it works on IMRL today.

The principal change from IMRL's service plan is the elimination of certain haulage trains currently handled by IMRL. Under a haulage arrangement with Union Pacific Railroad ("UP"), IMRL today handles UP trains between the connection with UP's east-west main line at Clinton, Iowa and a connection with UP at Kansas City. IMRL's route provides a shortcut for UP between Clinton and Kansas City in lieu of UP operating its trains over a more circuitous route over its own lines via Nevada, Iowa. Under the current haulage arrangement, the UP trains are operated by IMRL as unscheduled trains. IMRL must have crews available to handle the trains on four hours' notice. In order to meet performance standards specified in the contract, the UP haulage trains must have priority over IMRL's on-line customers and virtually everything else on the railroad. UP haulage trains are very long trains. Between Clinton and Kansas City, IMRL's line is generally single track with a mixture of CTC, ABS and dark territory and with passing sidings approximately every 10-25 miles. The standard length of sidings on this line is approximately 5,800 feet. It is my understanding from discussions with current IMRL employees that all or virtually all of the UP haulage trains exceed this length – and that some are as long as 7,900 feet. In order to try to meet the schedules for these haulage trains, IMRL must keep its own trains off of this critical mainline whenever a UP haulage train shows up – often without significant advance notice. In some cases, this means holding IMRL trains in

yards beyond their expected departure time to allow the UP trains to pass through. In other cases, a shorter IMRL train must take to the siding and wait on the UP train. In some cases where IMRL has built its own train in excess of 5,800 feet, an unanticipated UP haulage train's arrival has required IMRL to break up an IMRL train to get it out of the way and then rebuild it once the UP haulage train has passed. Such requirements obviously have an adverse effect on IMRL's operations for local customers, increasing switching, crew and fuel costs and delaying IMRL's own trains.

Prior to my being hired as IC&E's President, my predecessor had been in discussions with UP in an effort to minimize operational service degradation impacts for IC&E customers and to improve service on this line. Since accepting this position, I have participated in those discussions. UP's position in our view is a reasonable one. While we welcome the opportunity to handle this traffic, the challenge is to find a way to provide better service at a lower cost than UP can achieve on its own line, while preserving strong service levels that allows IC&E to grow its own own-line business opportunities. For example, we anticipate significant potential for new traffic growth on this line, primarily through increased grain originations to be interchanged with KCS. Since the February purchase agreement, our marketing representatives have worked with KCS to realize significant increases to that existing traffic base. We are hopeful to develop similar revenue growth successes in this corridor by being able to provide better service. We believe that will provide greater long-term stability than reliance on overhead or contract haulage traffic that is highly susceptible to diversion.

Although the UP haulage arrangement accounts for a significant volume of IMRL traffic, the traffic moves over IMRL at very low haulage rates, probably due to the fact that UP can handle this traffic via its own lines. The result is that these trains are marginally profitable at

best. Their absence (at least under the terms of the existing contract) will improve service capacity for existing customers without material adverse financial impacts to the company.

We are aware that for some time – before there was any transaction with IC&E – UP had threatened to terminate the haulage arrangement due to IMRL's failure to consistently meet specified performance standards. Attached as Attachment C is a copy of correspondence from August, 2001 between UP and IMRL on the subject. On June 10, 2002, UP advised IC&E that it intends to terminate the haulage arrangement.

IC&E has never included these haulage trains in its financial modeling, both because of their susceptibility to diversion and because of their extremely marginal financial justification. This is primarily due to low-margin revenue and major service disruptions for IC&E local traffic. Accordingly, UP's notice of termination will have no adverse effect on IC&E. In fact, the absence of these trains will allow IC&E to operate a more scheduled, on-time railroad with fewer disruptions. IC&E has advised UP that it is willing to work with UP on a new haulage arrangement that would continue to make this shortcut route available to UP, but with operational adjustments that reduce the disruptive impacts this traffic has for IC&E customers.

The other principal difference between IC&E's service plan and IMRL's current service relates to intermodal service. IMRL today handles intermodal traffic in its trains between Minneapolis and Kansas City and between Chicago and Kansas City, utilizing the intermodal terminal facilities of third parties at Minneapolis and Chicago. CP has now elected to terminate use of its intermodal facilities at Chicago and the Twin Cities. The reality is that the economics of the traffic simply do not justify continuation of this service. Given the relatively short-haul nature of IMRL's route structure, it is extremely difficult to handle such traffic profitably.

Competition from over-the-road motor carriers and from other railroads with shorter and faster routes and more frequent service make it very difficult to compete at profitable levels. Moreover, IMRL does not have its own trailers or containers or its own intermodal terminal facilities at Chicago and Minneapolis and must pay others for such equipment and services. Operating trains to and from the Twin Cities and to and from Chicago also entails payment of trackage rights fees to access these markets because IMRL does not have its own lines into these terminals. For all of these reasons, IC&E's business plan does not contemplate continuation of these trains.

The recent notice received by IMRL from CP of CP's intent to terminate certain agreements with IMRL will not adversely affect IC&E's service plan or have a material effect on IC&E's revenues. CP recently gave notice that it was exercising its right to terminate eight agreements with IMRL and was reviewing a ninth. A copy of the CP notice is attached to the filing by Ag Processing ("AGP"). AGP expressed concern that termination of these agreements could interfere with IC&E's ability to provide service or access certain terminals. In fact, none of the agreements to be terminated by CP involve trackage rights or other rights that would interfere with IC&E's ability to provide service or access to any markets or active interchanges with any carrier.

CP's notice of termination of its agreements for IMRL's use of CP's terminal facilities at Chicago and the Twin Cities will not adversely affect IC&E. In both cases, termination is not effective until April, 2003. Thus, IC&E will continue to have access to CP's terminal services until that time. Moreover, as CP's notice indicates, CP has not foreclosed the possibility of new terminal service agreements with IC&E at both locations. In the meantime, the Belt Railway of Chicago ("BRC") has expressed interest in providing terminal services to

IC&E at Chicago. Attached as Attachment D is a copy of a letter from BRC confirming its interest. Similarly, the Minnesota Commercial Railway ("MC") has expressed interest in providing terminal services to IC&E in the Twin Cities. Attached as Attachment E is a copy of a letter from the MC. Ten months is more than sufficient time to negotiate a new agreement with CP or arrange for alternative terminal services at both locations. Termination of these agreements will not adversely affect IC&E.

Similarly, cancellation of the agreements for IMRL's use of CP's intermodal facilities at Chicago and the Twin Cities is not a problem for IC&E. As discussed above, this traffic is not profitable under current circumstances. Should market conditions or the economics of handling intermodal traffic change, alternative third-party intermodal facilities are available to IC&E at both locations.

Termination of CP's Rail Train Use Agreement with IMRL will not affect IC&E. Equipment for handling rail is available from third-party sources, including the DM&E.

CP's termination of its interchange agreement with IMRL at Northfield, Minnesota will have no adverse impact on IC&E. IMRL currently does not operate north of Faribault, Minnesota, so no traffic moves via that interchange today. At least initially, IC&E also does not plan to operate north of Faribault, and our business plan does not include any revenue from any interchange of traffic at Northfield. Over the long run, IC&E may seek to restore service north of Faribault. I do not foresee any problem in negotiating an interchange agreement with CP at that time.

Termination of the Marketing Agreement and the Division Agreement between CP and IMRL will also not adversely affect IC&E. It is my understanding that the Marketing Agreement, which grants CP the power to market and price IC&E's services, is not utilized much

any more. While we remain open to entering into mutually-beneficial marketing arrangements with all of our connections, generally we prefer to market our services ourselves. Although CP's reasons for terminating its Division Agreement with IMRL are not clear, such termination is also not expected to be a problem for IC&E. The current divisions with CP will remain in effect until April, 2003. Thereafter, there will continue to be many mutually beneficial traffic opportunities available to IC&E and CP. Such opportunities provide the incentive for both railroads to work things out. Negotiation of divisions is a common railroad pricing activity. Ten months is more than enough time to negotiate new divisions with CP.

Although CP has not made a decision to terminate its Kansas City Haulage Agreement with IMRL under which IMRL handles certain CP automotive traffic between Minneapolis and Kansas City, should CP decide to cancel it, it would not adversely affect IC&E. IMRL's route between Minneapolis and Kansas City is highly circuitous relative to competing rail routes. We understand that CP has asked IMRL to reduce IMRL's revenue contribution on this traffic by as much as 25% and to assume greater liability for the lading while in the possession of IMRL. The train which carries this traffic remains in IC&E's service plan. However, IC&E did not include any revenue from this traffic in its business plan.

Finally, CP's cancellation of contract reciprocal switching rates with IMRL in favor of "market rates" will not have a significant impact on IC&E. Although any railroad would naturally prefer lower switching rates, the new reciprocal switching rate (\$250/car) is equal to the lowest rate CP has with any other carrier in those terminals and is not uncompetitive. Termination of these agreements by CP will not have a material adverse effect on and will not affect the financial viability of IC&E.

Contrary to the assertions of rail labor, the acquisition and operation of IMRL lines by IC&E will not have any significant effect on employment. The process of hiring employees to manage and operate IC&E is nearly complete. According to the latest data we have from IMRL, IMRL has 244 "active" train and engine (T&E) employees (i.e., available for work) plus additional employees in training or temporarily out of work due to injury. IC&E has made offers to 276 IMRL T&E employees. Although responses to these offers have not yet been received from all candidates, we are experiencing a very high acceptance rate. All of IMRL's current transportation officers have received offers for management positions except for five who were offered an hourly position. Of all IMRL's T&E employees who have expressed interest in employment with IC&E, only four (4) have not been offered employment with IC&E. Although, as discussed above, IC&E expects to operate fewer trains than IMRL, IC&E is extending offers to IMRL employees in training and those on leave. Currently, IMRL is tight on crews and T&E employees have been asking for more time off and need more training time. Hiring the additional people will give us greater flexibility and allow for more time off and improved safety training opportunities for IC&E's crews.

In order to assemble its workforce, IC&E conducted an extensive series of meetings and interviews with IMRL employees. Town hall meetings (open to all IMRL departments) were conducted in Mason City, Iowa; Prairie Du Chien, Wisconsin; Savanna, Illinois; Davenport and Ottumwa, Iowa; and Kansas City, Missouri. Department meetings were held with all departments at appropriate locations. For example, I held 4 department meetings with MRL dispatching employees at Missoula, Montana and 37 department meetings with T&E employees at Kansas City, Missouri; Moline and Savanna, Illinois; Prairie Du Chien, Wisconsin and Mason City, Ottumwa and Davenport, Iowa. Nineteen department meetings were held with

IMRL's mechanical employees in Ottumwa, Davenport and Mason City where IMRL has employees in the mechanical department. Twelve department meetings were held with IMRL engineering (maintenance of way) employees. Similar meetings were held with accounting and marketing employees. I personally participated in 59 department and town hall meetings with IMRL employees since March 1, 2002.

Similarly, departmental, and in some cases individual one-on-one, meetings were held with employees in all other departments. All of those meetings were conducted by IC&E executive officers at the level of Department Head or higher. Every employee on the IMRL was afforded the opportunity for participating in both Town Hall and one-on-one meetings. Well over 90% (estimated at 96%) of those employees have taken advantage of that opportunity. An extraordinary amount of time and resources were dedicated to this effort from the outset, and it has been extremely beneficial for all involved. The result of this outreach effort is that IC&E overwhelmingly will be operated and managed by former IMRL employees who know the railroad, its customers and its operating characteristics, and who have been active participants in helping to formulate the business plan and blueprint for the future.

Employment with IC&E will not come at the expense of pay rates or benefits. Indeed, many IMRL employees will be better off. Attached as Attachment F is a list of T&E positions for IC&E which also shows the difference in pay rates between IMRL and IC&E. Customer service employees will also receive a pay increase from \$11.44 to \$13.67 per hour. Mechanical, engineering and accounting employees will also receive a pay increase. In fact, pay rates at IC&E, across the board, will be higher than on IMRL. Generally, the only exception is in those few instances where a former IMRL employee who occupied a position at IMRL that does not exist on IC&E, e.g., assistant roadmaster or assistant trainmaster, hires into a lower-

rated position on IC&E, i.e., foreman. For many IMRL employees, this will be the first pay increase in many years, which may help to explain the high acceptance rate we are experiencing. With respect to benefits, we have given all IC&E employees (all hourly and salaried employees who accept positions) the right to vote on which health care plan they would like the company to have: the current IMRL package, the current DM&E or so-called "enhanced" package (which includes a 401k match of funds and three personal leave days) or the current DM&E-United Transportation Union package. A majority vote of all IC&E employees will determine which package will be adopted. Former IMRL employees are also being given a choice of how to handle vacation time accrued in IMRL service. IMRL employees who hire on with IC&E will retain their seniority for both vacation and job preservation purposes. IMRL employees required to relocate in connection with their positions with IC&E will receive an allowance for moving expenses.

I estimate that my staff officers and I personally conducted over 350 individual interviews (generally about 30 minutes each in length) with IMRL transportation department employees alone, including about 280 T&E employees, about 40 customer service employees and about 30 transportation officers. Other departments have had similar meetings. When all hiring has been completed, I expect that IC&E will have offered jobs to a total of 566 current IMRL employees. The single significant headcount reduction involves temporary IMRL maintenance-of-way employees who currently perform seasonal capital projects and are generally laid off during the winter months. IC&E will not use seasonal employees and will perform capital maintenance projects with full-time engineering employees and outside contractors if necessary. Not counting those seasonal workers, there are a total of 32 active IMRL employees across all departments who expressed an interest in employment with IC&E

but were not extended offers. That means that 95% of all interested IMRL employees will be employed by IC&E. This is not a transaction that will disproportionately affect employees.

Finally, for the record, IC&E will adopt all current IMRL tariffs. All existing transportation contracts with shippers will be assigned to and assumed by IC&E. All existing IMRL trackage rights and other joint facility agreements with other railroads that are assignable, including those cited by UP in its comments, will be assigned to and assumed by IC&E. No distinction was intended in the Notice of Exemption regarding the rights to be assigned to IC&E.

The Board must not stay this transaction. As I am sure the Board knows, intense planning and carefully controlled implementation is critical to an orderly transition of operations from one railroad to another. IC&E and IMRL employees have spent hundreds of hours working out the sequence of tasks and events needed to assure a smooth transition. In this case, this includes close coordination not only with IMRL, but with Montana Rail Link and The Washington Group for the phased transfer of dispatching of IMRL's lines from Missoula, Montana to the new dispatching center in Sioux Falls. IC&E locomotives have been positioned at various locations on IMRL's lines to be ready for commencement of operations. Personnel have been advised where they need to be. In some cases, employees have moved their families to a new location to be ready to go to work. We have been in regular contact with the AAR regarding the timing of notice to the railroad industry of the changes in reporting marks and routings. A smooth, problem-free start-up of operations depends on having a significant number of things come together at the right time and in the right sequence. A stay of any duration disrupts this planning and risks service and other problems at start-up. It would also necessarily cause IC&E to incur additional, likely significantly additional, costs.

A stay extending beyond July 25, 2002 would likely terminate the transaction. Under the Asset Purchase Agreement ("APA") between IC&E and IMRL, the transaction must close no later than July 30, 2002 or, by its terms, the APA terminates. It is my understanding that this deadline was set in response to pressure from IMRL's lenders to complete the transaction expeditiously. We have no assurance that any extension of this deadline can be accomplished.

IC&E's acquisition and operation of IMRL's lines must be allowed to proceed. It promises to provide competitive, efficient rail service, tailored to the needs of local shippers on the IMRL Lines, with experienced, knowledgeable employees and an economically realistic operating and business plan. It represents the best, perhaps last, opportunity to preserve these lines intact. IC&E's plan for providing service is sound and has been proven in practice on IMRL. The transaction will not have an adverse impact on employment. Financing of the transaction is nearing completion and steps have been taken and issues addressed that assure that IC&E will be a viable operation. I strongly urge the Board to deny the petitions for stay.

The comments filed by The Kansas City Southern Railway Company ("KCS") expressing surprise that IC&E "had not yet fully addressed the concerns of KCS" is surprising to us. We have had several meetings with KCS's marketing and operating departments, and each time received favorable reactions, with no significant concerns raised. When I came into this position, I was aware that my predecessor had attempted several times to arrange a meeting with KCS's Chief Executive Officer, but because of his understandably busy schedule, those efforts were unsuccessful. I personally met with KCS's Chief Operating Officer. Our meetings with KCS have been constructive and professional. Each time the importance to IC&E of a positive

relationship with KCS was emphasized. To my knowledge, our interests are logically aligned and there are no material operational concerns.

IC&E has offered to meet with virtually every connecting railroad to discuss existing and potential new opportunities. Most of those offers have resulted in on-site meetings and ongoing dialog. We have developed and strengthened rail relationships, and will continue to do so with all interested parties.

Concerning Metra, I would like to address the status of IC&E's discussions with Metra, the commuter rail authority in Chicago, regarding IC&E's assumption of IMRL's existing trackage rights over Metra-owned trackage between Pingree Grove, Illinois and Cragin Junction (Chicago). Beginning in April, we tried to schedule a meeting with Metra to review our operating plans and address any concerns Metra had. Attached as Attachment G is a copy of a letter from IC&E's counsel to Metra's counsel following up on an earlier telephone conversation seeking to set up such a meeting. In the meantime, it is my understanding that IMRL had several meetings with Metra to, among other things, discuss the proposed transaction. At no time were any concerns raised. Metra was finally able to meet with us on June 12, 2002. At that meeting, Metra for the first time advised us that it had some concerns but declined to identify what they were. It was not until a week later on June 19 that Metra advised us of its concerns and that until such concerns were resolved, Metra would block any attempt to assign IMRL's trackage rights to IC&E and would not allow operation of IC&E's trains over Metra trackage. Metra's objections were, frankly, unexpected. We had no reason to believe that Metra had any concerns until literally a few days ago. We do not agree that Metra has any legal right to block assignment of IMRL's trackage rights to IC&E. However, negotiations with Metra are continuing. Either the issues with Metra will be resolved, or the rights of the parties will be judicially determined, or

we will put in place alternative arrangements for the movement of IC&E traffic to Chicago until these issues are resolved. At that time, we will advise the Board. We will not close the transaction until IC&E access to Chicago is assured.

ATTACHMENT A

Schedule 210
Results of Operations

Line No.	Items	Total System
RAILWAY OPERATING ITEMS		
1.	Freight Originating and Terminating Revenue	\$ 97,210,840
2.	Overhead Freight Revenue	30,807,439
3.	Switching	(6,035,565)
4.	Demurrage	1,937,174
5.	Car Repair	1,642,874
6.	Storage	1,043,340
7.	Car Hire Income (Gross; Include Car Hire Expense on Line 11)	5,000,000
8.	Passenger	-
9.	Other Railway Operating Revenue	333,253
10.	Total Railway Operating Revenues (Total Lines 1-9)	\$ 131,939,356
11.	Total Railway Operating Expenses	(127,461,221)
12.	Net Revenue From Railway Operations (Line 10 minus Line 11)	\$ 4,478,135
OTHER INCOME & EXPENSES		
13.	Revenue From Property Used In Other Than Carrier Operations	\$ 503,218
14.	Dividend Income	-
15.	Interest Income	203,509
16.	Income From Affiliated Companies	-
17.	Miscellaneous Income Unrelated to Railway Operations	47,788
18.	Total Other Gross Income (Total Lines 13-17)	\$ 754,515
19.	Miscellaneous Expenses Unrelated to Railway Operations	-
20.	Total Net Income From Other Sources (Line 18 minus Line 19)	\$ 754,515
21.	Total Income Available for Fixed Charges (Total Lines 12 & 20)	\$ 5,232,649
FIXED CHARGES		
22.	Interest Expense	\$ 21,346,614
23.	Income After Fixed Charges (Line 21 Minus 22)	\$ (16,113,965)

Schedule 210
Results of Operations (Cont'd)

Line No.	Items	Total System
UNUSUAL OR INFREQUENT ITEMS		
24.	Unusual or Infrequent Items (Debit) Credit	\$ -
25.	Income (Loss) From Continuing Operations (Before Income Taxes) (Total Lines 23 & 24)	\$ (16,113,965)
PROVISION FOR INCOME TAXES		
26.	Federal Income Taxes	\$ 1,253,878
27.	State Income Taxes	358,251
28.	Other Income Taxes	-
29.	Provisions for Deferring Income Taxes	-
30.	Total Provisions For Income Taxes (Total Lines 26-29)	1,612,129
31.	Net Income (Loss) From Continuing Operations (Line 25 minus Line 30)	\$ (17,726,093)
EXTRAORDINARY ITEMS & ACCOUNTING CHANGES		
32.	Gain (Loss) on Extraordinary Items (Net of Applicable Taxes of \$)	\$ -
33.	Cumulative Effect of Changes in Accounting Principles (Net of Applicable Income Taxes of \$)	-
34.	Net Income (Loss) (Total Lines 31-33)	\$ (17,726,093)
RECONCILIATION OF NET RAILWAY OPERATING INCOME		
35.	Net Revenues from Railway Operations (From Line 12)	\$ 4,478,135
36.	Total Provisions For Income Taxes (From Line 30)	1,612,129
37.	Income From Lease of Road and Equipment	503,218
38.	Rent for Leased Roads	-
39.	Rent for Leased Equipment (1)	2,548,535
40.	Net Railway Operating Income (Line 35 - 36 - 37 + 38 + 39)	\$ 4,911,323.53
41.	Ton Miles Revenue Freight (Same as Schedule 400, Line 10, System Column)	6,960,643,280

(1) Consistent with the 2000 Assessment, I&M Rail Link is reporting Rent for Leased Equipment net of the depreciation that would have been paid had the equipment been owned by I & M.

IC&E
TRAIN & ENGINE SERVICE
ASSIGNMENTS

Yard Engines:**Mason City**

880 0630 Daily ex. Sun & Mon
882 1430 Daily ex. Fri & Sat
Ex As Needed

Muscatine

830 0759 Daily ex. Sat & Sun
831 0730 Daily ex. Sun & Mon
832 1530 Daily ex. Fri & Sat
833 1559 Daily ex. Thu & Fri
835 Relief Daily ex. Tues & Wed
EX As Needed

Davenport/Nahant

820 0759 Daily ex. Sat & Sun
821 1559 Daily ex. Thu & Fri
822 2359 Daily ex. Tue & Wed
823 Relief Daily ex. Mon & Tue
827 1500 Daily ex. Sun
Ex As Needed

W. Davenport

810 0759 Daily ex. Sat & Sun
811 1559 Daily ex. Thu & Fri
812 2359 Daily ex. Wed & Thu
813 Relief Daily ex. Mon & Tue
824 0800 Daily ex. Sat & Sun
Ex As Needed

Kansas City

The current allotment of Joint Agency Jobs
is 9 Engineers and 10 Foreman/Switchmen
On 13 assignments

Wayfreights/Locals:**Kansas City**

901 0700 Daily ex. Sun & Mon

902 1500 Daily ex. Fri & Sat
Ex As Needed

Ottumwa

930 1000 Daily ex. Fri

Nahant/W. Davenport

909 Var Daily ex. Wed & Thu
910 1000 Daily ex. Sun
914 0600 Daily ex. Fri & Sat
918 1500 Daily ex. Mon
919 0600 Daily ex. Sun
921 1700 Daily ex. Tue
Ex As Needed

Clinton

915 0600 Daily ex. Sun

Savanna

924 0600 Daily ex. Sun
Ex As Needed

Rockford

920 0630 Daily ex. Sat
922 0630 Daily ex. Sun

Marquette

954 0800 Mon, Wed & Fri
960 0700 Daily ex. Sun
962 1900 Daily ex. Sat
964 0900 Daily ex. Sat

Mason City

940 2200 Sun, Tue & Thu
944 1900 Daily ex. Fri & Sat
954 1000 Sun, Tue & Thu
Ex As Needed

Wells

948 0700 Daily ex. Sat & Sun
950 1900 Daily ex. Sat & Sun

Austin

952 0800 Daily ex. Sat & Sun

Through Freights:

#98	Nahant – Shoreham Cottage Grove Loads & Intermodal	DE Sat
#99	Shoreham – Kansas City CP Haulage & Intermodal	DE Mon
#111	Bensenville – Kansas City Manifest & Intermodal	Daily
#112	Kansas City – Bensenville Intermodal, Autos for St Paul and manifest traffic	Daily
#232	Kansas City – St. Paul Manifest traffic out of Jt. Agency for Nahant, Dubuque and St Paul	Daily
#233	St. Paul – Kansas City Manifest traffic out of St Paul	Daily
#240	Kansas City – Nahant Run thru from KCS	Tri Weekly
#241	Nahant – Kansas City Run thru to KCS	Tri Weekly
#263	Chicago BRC – Nahant Manifest out of BRC	Daily
#264	Nahant – Chicago BRC Manifest to the BRC	Daily

M. F. KELLY
Vice President - Northern Region
(402) 551-6800
Fax (402) 551-5945

UNION PACIFIC RAILROAD COMPANY



Mailing Address:
1418 Dodge Street
MC/UMRBNR
Omaha, NE 68170-1000

TRACON
Asst. Vice President
Northern Region
(402) 551-5900
Fax (402) 551-5945

ATTACHMENT C

August 2, 2001

VIA FACSIMILE - 319-344-7700

Mr. Richard J. Stoeckly
President & CEO
I&M Rail Link, LLC.
1910 East Kimberly Road
Davenport, Iowa 52807-2033

Re: Notification of Inadequate Performance of Haulage Services

Dear Mr. Stoeckly:

This has reference to our Haulage Agreement dated April 13, 1999 (the "Haulage Agreement"), pursuant to which I&M Rail Link provides Haulage Services to UP between Kansas City and Clinton, Iowa.

Pursuant to Table "A" to the Haulage Agreement, this letter will serve as notification to I&M that I&M's service performance against standard for all trains providing Haulage Services has fallen below eighty percent (80%) for a period of four consecutive months (April, 2001 through July, 2001). If service is not restored to levels over eighty percent (80%) on average within sixty (60) days, (1) UP will be released from any obligations to I&M under the Haulage Agreement, and (2) I&M must within 30 days refund to UP the remaining amount of any loans made by UP to I&M for capacity improvements, plus interest.

Should you have any questions, please call me.

Sincerely,

Thomas F. Jacobi
AVP - Operations
Northern Region

cc: John Rebensdorf
Mike Scoggins
Bryce Bump

THE BELT RAILWAY COMPANY OF CHICAGO

6900 South Central Avenue - Bedford Park, Illinois 60638-8397

George A. LaValley
General Manager Transportation



Phone: 708/496-4056
Fax: 708/496-4135

June 20, 2002

Robert O. (Bob) Brownell
President
Iowa Chicago & Eastern Railroad Company
337 22nd Ave. South
P.O.B 178
Brookings, S.D. 57006

Dear Bob,

The Belt-Railway Company Of Chicago (BRC) is actively pursuing new business and opportunities with "all railway companies and the industrial community". We currently have the capacity to grow our intermediate traffic by 30% to 40%. Our interest with the (IC&E) Railway Company is to investigate any new business opportunities that will aid in accomplishing our philosophy.

If you have any questions, please give me a call at (708) 496-4056 or contact Victor Bell (Marketing) at (708) 496-2305.

Look forward to your comments or thoughts relative to any new opportunities.

Regards,

George A. LaValley / gal
General Manager Transportation

Cc: VMB
RP

Minnesota Commercial Railway

14047 Petronella Drive, Suite 201,

Libertyville, Ill 60048

John W. Gohmann, Chairman, President

847-549-0486, fax 847-549-0485

ATTACHMENT E

June 20, 2002

Mr. Robert Brownell, Chief Executive Officer,
Iowa, Chicago and Eastern RR.

Dear Bob:

This is just to confirm that our company is willing to provide terminal services and interchange of your trains in the Twin Cities, Minnesota Terminal. Minnesota Commercial operates around the clock, 7 days a week, and, we interchange with virtually every carrier serving the Twin Cities at least once per day, if not more in some cases.

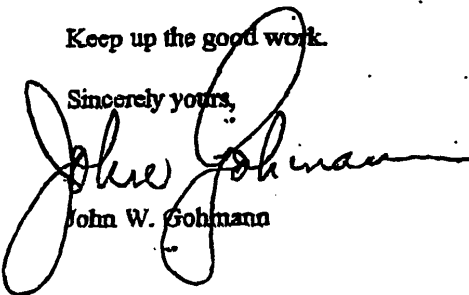
We believe this can constitute a service improvement for the customers of your railroad. Not only will our charges be, overall, lower than what other carriers have been charging IMRL, or, propose to charge you, but, the physical location of our railroad and our "scheduled" car service we believe can reduce terminal dwell time and there is opportunity for other service improvements in conjunction with other carriers. We also have the facilities to service, fuel and sand your locomotives and a mechanical locomotive and car staff well experienced and qualified to do some running repairs to equipment.

We all look forward to working with you and your own experience of at least 35 years in various middle and upper management positions with several Class I carriers, and, we all look forward to working with every agt ICE as you undertake this new endeavor. Your own personal experiences and vast knowledge of both road and terminals serviced by ICE, when you worked for CNW and UP, make you an excellent leader for ICE as it begins operations.

Please contact me as the progress with the STB continues. Contrary to what appears to be some rather unsubstantiated fears which others appear to be voicing with the STB, I believe you have done exhaustive evaluation of the IMRL property and that under your leadership, the former IMRL property can be operated profitably and more efficiently. We at the "Commercial" look forward to making that happen.

Keep up the good work.

Sincerely yours,


John W. Gohmann

 Efficient, competitive and caring rail service and industrial development as the Twin Cities "neutral" switching carrier and By-Commercial Transload of Minnesota, our Subsidiary

TRAIN & ENGINE SERVICE EMPLOYEES:**Local/Work Train Rate:** Based on a 10-hour day, overtime to accrue after 10 hours

	Current	Proposed	% Change
Engineer	\$166.44	\$180.00	+8.1%
Switch Foreman	\$145.00	\$160.00	+10.3%
Switchman	\$135.00	\$150.00	+10.0%

Yard Rate: Based on an 8-hour day, overtime to accrue after 8 hours

	Current	Proposed	% Change
Engineer	\$137.67	\$150.00	+8.9%
Switch Foreman	\$126.26	\$140.00	+10.9%
Switchman	\$119.35	\$130.00	+8.9%

Thru Freight Rates: (Based on the same flat rate and groupings currently existing on the IMRL)**Group I***

	Current	Proposed	% Change
Engineer	\$217.00	\$229.00	+5.5%
Asst. Engineer	\$202.00	\$214.00	+5.9%

Group II**

	Current	Proposed	% Change
Engineer	\$185.00	\$198.00	+7.0%
Asst. Engineer	\$170.00	\$183.00	+7.6%

* The following runs are considered as a Group I Through Freight:

Davenport/Muscatine-Bensenville
 Davenport/Muscatine-Chicago BRC
 Chicago-Marquette
 Mason City-Marquette & Return
 Ottumwa-Kansas City
 Clinton-Ottumwa

** The following runs are considered as a Group II Through Freight:

Davenport/Muscatine-Marquette
Davenport-Ottumwa
Marquette-St Paul
Mason City-Dubuque
Mason City-Jackson
Liberty-Ottumwa
Savanna-Chicago BRC

Guaranteed Extraboards:

We are working on a detailed agreement which will include guaranteed extraboard. At a minimum, they will be guaranteed at current rates as follows:

Engineer/Asst. Engineer	\$1377.25/pay period
Switch Foreman/Switchman	\$1193.62/pay period

ATTACHMENT G

FLETCHER & SIPPEL LLC

Two Prudential Plaza, Suite 3125
180 North Stetson Avenue
Chicago, Illinois 60601-6721

William C. Sippel
(312) 540-9451
wsippel@fletcher-sippel.com

Phone: (312) 540-0500
Fax: (312) 540-9098
www.fletcher-sippel.com

May 6, 2002

Michael C. Noland, Esq.
General Counsel
Metra
547 West Jackson Boulevard
Chicago, Illinois 60606

Re: **Proposed Meeting**

Dear Mr. Noland:

This will follow up on our telephone discussion on April 5, 2002 regarding Dakota, Minnesota & Eastern Railroad's interest in meeting with Metra to discuss the proposed acquisition of I&M Rail Link by DM&E's affiliate, Iowa, Chicago & Eastern Railroad Corporation. At the time, you indicated that Metra was about to have a board meeting and that after that you would provide us with some dates for a meeting with the appropriate Metra personnel.

As the transaction is scheduled to close in less than 60 days, please let me know if Metra is interested in such a meeting and, if so, what dates might work for such a meeting.

Thank you.

Very truly yours,



William C. Sippel

WCS/pj

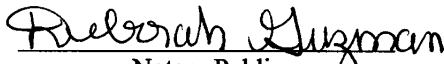
VERIFICATION

State of Illinois)
)
County of Cook) SS:

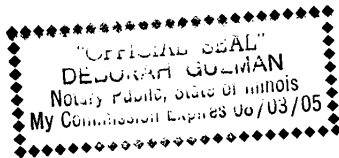
Robert O. Brownell, being duly sworn, deposes and says that he is President of Iowa, Chicago & Eastern Railroad Corporation, that he has read the foregoing statement and knows the facts asserted therein, and that the same are true as stated.


Robert O. Brownell

SUBSCRIBED AND SWORN TO
before me this 19th day
of June, 2002.


Notary Public

My Commission expires:





MONTANA RAIL LINK, INC.
101 INTERNATIONAL WAY
POST OFFICE BOX 10390
MISSOULA, MONTANA 59808-4390
(406) 533-1600

February 21, 2002

Richard J. Stoeckly
President, I&M Rail Link, LLC
1910 East Kimberly Road
Davenport, Iowa 52807-2033

Dear Mr. Stoeckly:

The recent announcement concerning the asset purchase of IMRL necessitates that MRL place IMRL on notice that MRL intends to discontinue providing services under the MRL-IMRL Administrative Services Agreement of April 4, 1997. The agreement requires 60 days notice of termination meaning that all services will terminate at midnight on April 23, 2002.

MRL's notice is predicated on the concern that IMRL's announcement of its sale will motivate the MRL dispatchers presently dedicated to IMRL's duties to seek employment elsewhere in anticipation of a termination of our agreement by the purchasers of IMRL assets. The same phenomena may also exist in the accounting and purchasing functions.

The matter is compounded by the failure of IMRL to pay past due charges in the amount of approximately \$4,640,000. The present day uncertainty regarding payment of this amount is unacceptable to MRL.

If IMRL and its successor entity is desirous of retaining MRL's services, an acceptable agreement in writing must be in place which provide for immediate payment of all of MRL's past due accounts and a further agreement acceptable to MRL which will allow MRL to fund potential retention agreements in order to retain a sufficient working pool of dispatchers and key accounting personnel. MRL will expect a hold harmless agreement if it is unable to retain sufficient dispatchers.

Please inform the necessary parties of this notice of termination. If negotiations are going to take place to reinstate this contract, please immediately contact the undersigned.

Yours truly,

A handwritten signature in dark ink, appearing to read 'Daniel K. Watts'.

Daniel K. Watts

HL 1 132



**CANADIAN
PACIFIC
RAILWAY**

1200 Jorie Boulevard, Suite 225
Oak Brook IL 60523

June 19, 2002

VIA FACSIMILE & COURIER

Richard J. Stoeckly
I&M Rail Link, LLC
1910 East Kimberly Road
Davenport, IA 42807

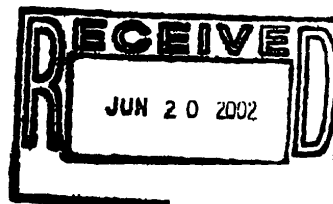
Re: Demand for Adequate Assurance of Performance

Dear Mr. Stoeckly:

Soo Line Railroad Company, d/b/a Canadian Pacific Railway (CPR) is concerned that I&M Rail Link, LLC (IMRL), being in the zone of insolvency, will not be capable of performing its obligations under the Chicago Trackage Rights Agreement dated April 4, 1997 ("1997 Agreement"). Moreover, CPR has no evidence that IMRL's proposed successor is financially capable of performing the obligations it would have if the 1997 Agreement were assigned. The purpose of this letter is to request adequate assurance of the ability of IMRL or its successor to perform under the 1997 Agreement. Absent receipt of adequate and acceptable assurance, CPR must consider that IMRL has repudiated the 1997 Agreement.

The 1997 Agreement between CPR and IMRL specifically requires IMRL to pay CPR a pro-rata share of capital expenses based on the formulae in the underlying METRA Agreement. In turn, under Section 7 of the METRA Agreement, added by way of a May 27, 1993 amendment, CPR and its third-party admittees are required to participate in the Capital Projects necessary for the "rehabilitation, replacement, renewal, modernization or expansion of the facilities or equipment." Under the agreements, METRA turns first to CPR for capital contributions, and CPR then obtains reimbursement from IMRL for IMRL's share of the expenditures.

Recently, on May 23, 2002, I again informed IMRL about METRA's proposed capital expenditures for the year 2002. Though CPR has consistently told METRA that the project has limited benefits to freight operations, METRA has indicated that it will pursue participation by CPR. Should METRA be successful in those efforts, IMRL's contractual obligations require its participation, which, given IMRL's use of the track subject to the improvement, will likely reach \$5 million.



June 19, 2002

2.

When this item was discussed at a June 3, 2002 meeting between IMRL and CPR, IMRL's reaction to METRA's most recent request for capital gave CPR cause for concern. IMRL's statement, that it would likely be unable to participate financially up to the full amount of the \$5 million, exposes CPR to unacceptable liability for expenses related to Capital Projects that are the sole responsibility of IMRL.

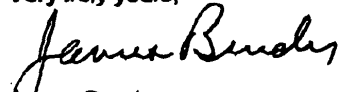
Please provide CPR with adequate assurance that IMRL will perform its obligations under the 1997 Agreement, specifically, the payment to CPR of up to \$5 million for the capital improvements that METRA has requested. Adequate assurance of IMRL's ability to meet the capital requirements under the 1997 Agreement must take the form of a demonstration of creditworthiness of IMRL or its successor acceptable to CPR in its sole discretion, or a third-party guarantee or letter of credit, issued by a creditworthy entity acceptable to CPR, for the benefit of CPR in the amount of \$5 million.

Given IMRL's insolvency and that its proposed successor, ICE, has already indicated to the Surface Transportation Board that it plans on assuming the 1997 Agreement (among others) at a closing set for June 28, 2002, this demand for assurance is reasonable and necessary. Because of the rapidly changing financial situation involving IMRL, we must insist that IMRL *immediately* notify CPR of its intent to comply with CPR's request and that the instrument for the assurance of IMRL's performance be in place by June 27, 2002.

If we do not receive an adequate assurance of performance by June 27, CPR must conclude that IMRL has repudiated the 1997 Agreement. CPR will proceed with all available contractual and regulatory remedies, including, without limitation, withholding written consent to any assignment of the agreement.

Thank you for your attention to this matter. We look forward to your prompt response.

Very truly yours,


James Bender

cc: Frank Dicello, Esq.
William Gantous
William Tuttle
James Bertrand
Phil Ireland
Cindy Pratt

**FARMERS COOPERATIVE ASSOCIATION**

105 Jackson Street
P.O. Box 228
Jackson, MN 56143

Phone (800) 864-3847 or (507) 847-4160 • Fax (507) 847-2521 • E-mail: fca@rconnect.com

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

**FINANCE DOCKET NO. 34178
DAKOTA, MINNESOTA & EASTERN RAILROAD CORPORATION
AND CEDAR AMERICAN RAIL HOLDINGS, INC. -- CONTROL --
IOWA, CHICAGO & EASTERN RAILROAD CORPORATION**

**VERIFIED STATEMENT
OF
LARRY D. OLSEN**

My name is Larry D. Olsen. I am Assistant General Manager and Grain Merchandising Manager for Farmers Cooperative Association of Jackson, Minnesota ("Farmers Co-op"). I am responsible for all of the logistics associated with the Co-op's business, including researching markets for the Co-op's grain, buying and selling grain, arranging for inbound and outbound transportation. I have served in my present position for 17 years. I have been employed by Farmers Co-op for more than 30 years.

Farmers Co-op is a farmer-owned cooperative serving south-central Minnesota and northern Iowa. Farmers Co-op is a full-service cooperative which provides grain storage, feed and supply services, chemicals such as fertilizers, petroleum products, seed cleaning and corn drying. Farmers Co-op has annual sales of approximately \$50 million.

The Co-op currently operates four facilities in our service area. The main hub, and the only one of our facilities served by rail, is in Jackson, Minnesota on a line of I&M Rail

Fertilizer
(800) 864-3832
(507) 847-2252
Fax (507) 847-5048

Feed Mill
(800) 864-3831
(507) 847-5882
Fax (507) 847-5883

Sherburn
(507) 764-5451
Fax (507) 764-8451

Spirit Lake
(712) 336-2281

Trimont
(800) 657-3211
(507) 639-2031
Fax (507) 639-2051

Equal Opportunity Employer

Link, LLC ("IMRL"). The Jackson facility is served exclusively by IMRL. The facility has the capacity to store 3 million bushels of grain and the capability to load multi-car shipments of 25 rail cars. Ninety-eight percent of our outbound grain is shipped by rail. In a typical year, we ship or receive approximately 2,500-3,000 carloads to and from our Jackson facility. The majority of our outbound corn is shipped to the poultry markets in Arkansas and Oklahoma. The majority of our outbound soybeans is shipped to Chicago for rail movement to markets beyond. The availability of reliable, efficient and competitive rail service is extremely important to us.

Farmers Co-op strongly supports the proposed acquisition of IMRL's lines by the Iowa, Chicago & Eastern Railroad Corporation ("IC&E"). To be sure, we have had a good working relationship with IMRL since IMRL acquired these lines in 1997. We like the way they do business and we have been satisfied with the rail service that they have provided to us. However, we are aware that IMRL has experienced financial difficulties for some time. Given the Co-op's strong dependency on rail service, we are concerned about the long-term viability and competitiveness of IMRL service to our facility.

Representatives of IC&E have met with us to discuss their plans and philosophy for operating these lines. We believe that IC&E will be successful in operating these lines. We understand that IC&E expects to retain many of the current IMRL employees and managers who are familiar with the territory and our rail service needs. This helps to assure continuity during the transition and beyond. Keeping these lines under local management and control is also important. We like having our phone calls returned promptly. We like being treated as an important customer. We also understand that IC&E plans to significantly upgrade the existing IMRL locomotive fleet which will also help assure consistency of service. Finally, we believe

that IC&E will bring a renewed focus to the particular needs of its local customers -- such as Farmers Co-op -- which originate and terminate traffic on its lines.

Farmers Co-op also supports the consolidation of IC&E under common control with the Dakota, Minnesota & Eastern Railroad Corporation ("DM&E"). Given the wholly end-to-end nature of the existing DM&E system and the proposed IC&E system, combining DM&E and IC&E under common control will not result in any reduction in competition in any market in which we participate. Rather, IC&E's consolidation with DM&E will, we believe, promote more competitive rail service. We look forward to enhanced car supply, particularly for covered hoppers, resulting from the combined DM&E-IC&E car fleet. Because the primary wheat harvest on DM&E's lines in South Dakota (July and early August) occurs at a different time than the primary corn and soybean harvest in our service area (generally September and October), a combined DM&E-IC&E system means a larger fleet of covered hoppers from which to meet our needs. We also anticipate that IC&E's access to the greater capital resources of the combined system will mean a more consistent capital expenditure program on these lines.

A look at a rail map of our region shows that Jackson, Minnesota is encircled by lines of the Union Pacific Railroad ("UP"). Reliable and competitive rail service to our facility in Jackson is critical to keeping Farmers Co-op competitive with our competitors located on UP lines in our service area.

The proposed acquisition and control transaction will, we believe, secure the long-term viability of these lines, result in improved service and reliability and help keep us competitive in our markets. Farmers Co-op strongly supports favorable and timely Board consideration of both transactions.

I, Larry D. Olsen, declare under penalty of perjury under the laws of the United States that the foregoing is true and correct, and that I am qualified and authorized to file this statement.


[Signature]

Dated: June 13, 2002



EXHIBIT 5-B

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P.O. Box 68
Truman, MN 56088
Office: 507-776-2831
Fax: 507-776-2871
www.wfsag.com

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

FINANCE DOCKET NO. 34178
DAKOTA, MINNESOTA & EASTERN RAILROAD CORPORATION
AND CEDAR AMERICAN RAIL HOLDINGS, INC. -- CONTROL --
IOWA, CHICAGO & EASTERN RAILROAD CORPORATION

**VERIFIED STATEMENT
OF
TOM E. MANLEY**

My name is Tom E. Manley. I am Grain Department Manager for Watsonwan Farm Service Company ("WFS"). My responsibilities include determining the price of the grain we buy, negotiating contracts to sell the grain, arranging for transportation and evaluating and recommending improvements to the Company's grain-related facilities. I have been employed by WFS and a predecessor L.H. Grain Company for 32 years.

WFS is the largest farmer-owned cooperative in Minnesota with annual sales of approximately \$200 million. The Company owns and operates facilities at 25 locations in southern Minnesota. These include elevators, feed mills, petroleum, propane and bulk fuel facilities, and agronomy plants (providing fertilizers and chemicals). However, the majority of our business is the buying and selling of locally-grown corn and soybeans. In a typical year, WFS handles 60 million bushels of grain.

Working for Farmers' Success

Six of our facilities -- Welcome, Winnebago, Delevan, Easton, Wells and Minnesota Lake, Minnesota -- are located on and served by I&M Rail Link LLC ("IMRL"). FIVE_ of these are served exclusively by IMRL. We also have a facility at New Richland, Minnesota served by the Dakota, Minnesota & Eastern Railroad Corporation ("DM&E"), as well as facilities on the Union Pacific Railroad. Our facility at Welcome, Minnesota is our largest facility and has the ability to ship 100 and 110-car trains. In a typical year, WFS ships approximately 5,000 carloads over IMRL, primarily corn moving via Kansas City to the poultry markets in Arkansas and soybeans moving to Chicago for markets beyond. The availability of secure, efficient and competitive rail service is extremely important to WFS and to our competitiveness within our markets.

WFS strongly supports the proposed acquisition of IMRL's lines by IC&E. We believe this transaction will be good for us and other similarly-situated shippers. IMRL is a customer-oriented railroad and their service plan meets our needs. However, we have for some time been aware that IMRL has been experiencing financial difficulty. As a company heavily dependent on IMRL rail service, we are concerned with the long-term viability and competitiveness of IMRL's operations as presented constituted. Having survived the bankruptcy of the Milwaukee Road (which formerly operated the IMRL lines) in the 1970s, we cannot afford another rail bankruptcy or a collapse or deterioration of service.

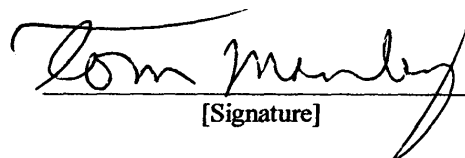
WFS is confident that IC&E will bring stability, consistency and a renewed focus on the importance of competitive regional railroad service. We believe they will be successful. Representatives of IC&E met with us to review their plans and objectives. We are pleased that IC&E expects to retain most of the current IMRL employees and managers who are familiar with this territory and its rail service needs. IC&E has indicated that it plans to maintain the existing

service levels provided by IMRL, and we expect that over time, IC&E will be able to improve the quality and reliability of that service. We especially endorse IC&E's plan to replace IMRL's locomotive fleet with better locomotives. During the winter of 2000-2001, we are aware that IMRL experienced numerous locomotive failures. There were times when the train could not make it from Mason City, Iowa to WELLS, MINNESOTA because all of the locomotives failed enroute. Operating with a more modern and reliable locomotive fleet will pay dividends in enhanced car supply through better turnaround times and improved overall transit times through the ability to make connections at the gateways.

We understand that in connection with the proposed IC&E acquisition, DM&E will seek approval from the STB to be commonly controlled with IC&E. WFS supports the operation of IC&E and DM&E under common control. The combination of the two railroads will not result in any reduction in competition in any market we are aware of. Rather, we expect that such combination will enhance competition. The transaction has the potential to open up additional markets for us, particularly markets in the Pacific Northwest and California via westbound routes of the DM&E and Burlington Northern and Santa Fe Railway ("BNSF"). We are aware that DM&E has experience with loading 110-car trains on its line for interchange with BNSF. We look forward to working with IC&E and DM&E on trainload movements to these new markets out of our Welcome, Minnesota facility.

Finally, we support consolidation of IC&E under common control with DM&E because we like the way DM&E does business. They are very responsive and interested in working with smaller elevators which cannot load 100-car trains. That is exactly the philosophy and approach we want for our smaller facilities on the IMRL lines. We also expect to benefit from having access to the larger car fleet of the combined system.

WFS strongly supports both transactions and urges the Board to approve both without delay.


[Signature]

Dated: June 18, 2002

VERIFIED STATEMENT
OF
RANDALL M. RIEKE
ON BEHALF OF
SOUTHERN GRAINBELT SHIPPERS ASSOCIATION

I, Randall Rieke, on behalf of the Southern Grainbelt Shippers Association, submit the following statement in support of the proposed acquisition of the I & M Rail Link's ("IMRL") rail lines by the Iowa, Chicago, & Eastern Railroad Corporation ("IC&E") as well as the proposed common control of IC&E and the Dakota, Minnesota & Eastern Railroad Company ("DM&E").

Southern Grainbelt Shippers Association, directly and indirectly, represent thousands of agricultural, commercial and industrial users of rail services in Southern Minnesota who are dependent upon existing rail infrastructure (*see* Exhibit A attached hereto and made a part hereof). As part of its efforts, Southern Grainbelt Shippers Association takes an active interest in all transportation matters that affect the region.

Southern Grainbelt Shippers Association strongly supports the proposed acquisition of IMRL's rail lines by IC&E. The Surface Transportation Board's ("STB") authorization of said acquisition is integral to the maintenance and improvement of the overall existing rail infrastructure in Southern Minnesota. The businesses, communities and consumers in Southern Minnesota will be direct beneficiaries of such improved rail transportation services.

That benefit is demonstrated by the dramatic impact on market access for commodities and products bought and sold in the Southern Minnesota area. On the one hand, market access afforded by maintenance and improvement of the overall existing rail infrastructure generates substantially more favorable prices for products produced; on the other, costs of goods purchased is reduced on account of efficiencies in delivery.

Providing an improved rail infrastructure that is more reliable and efficient ensures greater prosperity for the businesses, communities and consumers of Southern Minnesota. Insurance of a secure future for the IMRL rail lines correlates to greater prosperity for the businesses, communities and consumers in Southern Minnesota. The proposed acquisition of the IMRL lines by IC&E will ensure the long-term viability of a critical component of the transportation infrastructure of Southern Minnesota.

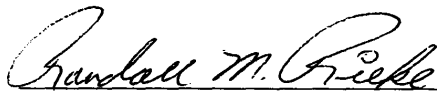
Southern Grainbelt Shippers Association encourages the STB to allow the acquisition by IC&E of the IMRL lines as soon as possible. It is important for our community that the current uncertainty regarding the IMRL lines be eliminated, and that the service opportunities and improvements offered by IC&E be achieved as quickly as possible.

Likewise, and for the same reasons of reliability, efficiency and improvement, we support the common control of IC&E and DM&E.

We believe that the proposed acquisition and control transaction will secure the long-term position of the IMRL rail lines as viable and competitive components of Southern Minnesota's transportation infrastructure. Southern Grainbelt Shippers Association encourages the STB's favorable and timely consideration of both transactions.

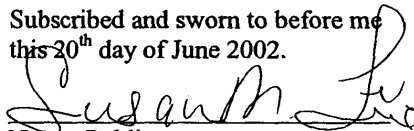
I, Randall M. Rieke, declare under penalty of perjury under the laws of the United States that the foregoing statement is true and correct, and that I am qualified and authorized to file this statement.

Dated: June 20, 2002



RANDALL M. RIEKE
Secretary/Treasurer for
Southern Grainbelt Shippers Association

Subscribed and sworn to before me
this 20th day of June 2002.


Notary Public



NULIB:103584.1

EXHIBIT A

**Southern Grainbelt Shippers Association
Membership List**

All American Co-op
P.O. Box 148
Center Ave #1
Eyota, MN 55934
Alvin Resoft

Assoc. Milk Prod. Inc.
P.O. Box 98
312 Center Street
Dick Wuttke

Briggs Business Comm.
P.O. Box 75021
St. Paul, MN 55175
Peter A. Briggs

Cargill Inc.
200 N. Riverfront Dr
Mankato, MN 56001
Bruce Carlson

Cenex Harvest States
P.O. Box 476
Hartland, MN 56042
Don Pederson

Cenex Harvest States
120 West Lincoln
Tyler, MN 56178
Cory Evans

Cenex Harvest States
P.O. Box 64796
St. Paul, MN 55164-0796
Dan Mack

Amiret Grain Company
P.O. Box 46
Amiret, MN 56112
Shannon Christianson

Balaton Elevator Co.
P.O. Box 147
Balaton, MN 56115

Brown County Ag Co.
P.O. Box 325
Highway 14 E
Sleepy Eye, MN 56085
Dean Christenson

Cashman Fertilizer & Feed
P.O. Box 556
280 Bridge Street
Owatonna, MN 55060
Jack Cashman

Cenex Harvest States
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Larry Laber

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Janesville, MN 56048
Tim Donelan

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Mankato, MN 56002
David Pope

Archer Daniels Midland Co.
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3rd & Harper
Mankato, MN 56001
John McGowan

Bornhoft Concrete Inc.
Rr 1, Box 49
Tyler, MN 56178
John Bornhoft

Brown Printing Co.
P.O. Box 1549
2300 Brown Ave.
Waseca, MN 56093-0571
Jim Kozan

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Tracy, MN 56175
Ron Beens

Cenex Harvest States
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Tracy, MN 56175
Bob Anderson

Cenex Harvest States
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St. Paul, MN 64089
Larry Holst

Central Trading & Recycling
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New Richland, MN 56072
Terry Pooley

Del Monte Foods, Inc.
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Sleepy Eye, MN 56085
Jim Knetsch

Energy Economics
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Dodge Center, MN 55927
Mark Donaldson

Farmers Co-operative of Hanska
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Hanska, MN 56041-0006
Randall Rieke

Farmers Plant Food Inc.
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Clyde Knudson

Gopher State Scrap & Metal
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Mankato, MN 56001
Pat Daley

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Chuck Piper

Greenway Co-op
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Mike Kuhlmann

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Doug Lueders

Greenway Co-op 135 West Front
Street
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Scott Feller

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Mike Moen

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Claremont, MN 55924
Joe Winkels

Harvestland Co-op
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Morgan, MN 56266
George Dunn

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Springfield, MN 56087
Gordy Jensen

Hi Yield Products
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Jan Reed

Interstate Mills, LLC.
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Northfield, MN 55057

Knight Seed Co. Inc.
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151 West 126th Street
Burnsville, MN 55337

Lake Benton Farmers Elevator
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Lake Benton, MN 56149

Lewiston Feed & Produce Co.
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105 Main Street E.
Lewiston, MN 55952

Lin's Used Iron & Metal
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Dodge Center, MN 55927

Mathiowetz Construction Co.
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Brian Mathiowetz

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Dan Blaisdell

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Gordon Woelfel

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New Ulm, MN 56073
Dick Seeboth

Midwest Manufacturing
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Ted Basacker

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Minneapolis, MN 55415
Bob Zelenka

MN Regional Railroads Assoc.
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Suite 450
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John Apitz

MN Agri-Growth Council
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St. Paul, MN 55102-1130
Myron Just

MNDOT
Kelly Anex
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St. Paul, MN 55155
Al Vogel

Northern Con-Ag Inc.
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Joe Egan

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Daniel Peterson

Rochester Iron & Metal Recyc.
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New Ulm, MN 56073
Steve Rentz

Tri-State Grease & Tallow Co.
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New Ulm, MN 56073

Winona County Farm Bureau
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220 East Main Street
Lewiston, MN 55952

New Ulm Quartzite Quarries
RR #5 P.O. Box 21
New Ulm, MN 56073
Jeff Carlstrom

Ochs Brick Co.
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Springfield, MN 56087
Phil Weller

Pillsbury Company
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MS 22R2
Minneapolis, MN 55402-1464
Tom A. Jones

Sanborn Farmers Elevator
P.O. Box 67
Sanborn, MN 56083
Thomas Arndorfer

Sleepy Eye Farmers Elevator Co.
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27875 County Rd. 27
Sleepy Eye, MN 56085
Carlin Johnson

Watonwan Farm Service
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New Richland, MN 56072
Mike McNeil

New Ulm Steel & Recycling
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New Ulm, MN 56073
Walt Luneberg

Owatonna Concrete Products
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Dave Seykora

Progressive Ag Center
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St. Charles, MN 55972
Todd Stockdale

Seneca Foods Corp.
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Rochester, MN 55903
Brad Duncanson

Tamarack Meterials
1638 3rd Ave. S.E.
Rochester, MN 55904
Jim Holman

Winona River and Rail
1000 East 3rd Street
Winona, MN 55987
Jeff Kuhn

VERIFIED STATEMENT
of
Daniel R. Sabin
on behalf of
Iowa Northern Railway Company

My name is Daniel R. Sabin, and I am the President of the Iowa Northern Railway Company. The Iowa Northern Railway Company (IANR) is a common carrier railroad which operates over 146 miles within the state of Iowa. We have a direct connection with I&M Rail Link (IMRL), at Nora Springs (Nora Jct.), Iowa as well as a limited interchange with Dakota Minnesota and Eastern Railroad (DM&E) at Manly, Iowa.

As part of its efforts, Iowa Northern Railway is very concerned regarding all transportation matters that affect the region.

There are currently over 75 shippers, including many shippers on I&M Rail Link who depend on Iowa Northern's relationship with IMRL to deliver corn and soybeans to the major processors at Cedar Rapids, Iowa. During the past year, Iowa Northern Railway Company handled nearly 25,000 revenue cars along our line, of which 6,651 originated on I&M Rail Link. The availability of reliable, competitive, through rail service is important to these companies and, in turn, to the economic health of the region. By handling the traffic from IMRL, Iowa Northern Railway reaches a level of economies of scale in unit costs to hold grain rates down for the benefit of our own on-line shippers as well as those shippers located along I&M Rail Link.

Iowa Northern Railway Company strongly supports the proposed acquisition of IMRL's lines by the Iowa, Chicago & Eastern Railroad Corporation ("IC&E"). We are comfortable with the Dakota, Minnesota & Eastern Railroad's management and believe that they will bring a great deal to the table in stabilizing the economic arena of the IMRL's market area. In addition, STB authority for this proposed transaction, with common control, will allow Iowa Northern to access the massive origins of business available not only in the IC&E, but also the DM&E, through a friendly, unlimited connection through IC&E.

The future growth opportunities for an alliance between Iowa Northern and IC&E/DM&E are considerable. Iowa Department of Agriculture statistics for 2000 indicate that in the 19 Iowa counties that Iowa Northern drew corn from in that year, over 400 million bushels or 114,433 equivalent carloads of corn are produced.

When the considerable county production that could be gained by additional throughput reloads and the additional Minnesota and South Dakota counties are considered, there is a total of 875.75 million bushels of corn produced, or more than 250,000 equivalent carloads of corn production.

IANR currently provides a small proportion of the corn necessary for producers to grind at the major corn processing plants in Cedar Rapids. Trucks and other rail carriers provide the remaining 50,000+ carloads of the corn delivered to these growing processors. With additional volumes of corn required for ethanol production, the Cedar Rapids market will continually

demand much greater supplies of corn. Grain shippers with access to good through service, equipment and competitive rates to Cedar Rapids will be more likely to maintain or increase survivability in the world economic markets. Bid prices for corn along IANR, IC&E and DM&E can be much stronger than before. This level of growth potential to our company and to our shippers has not been available under current or previous owners of IMRL. We believe that DM&E/IC&E will be more responsive to the marketplace and allow substantial traffic growth. A direct, unencumbered alliance between the consolidated DM&E/IC&E with IANR is simply an exercise in connecting a substantial origin of corn to massive consumers at Cedar Rapids.

Secure Future for IMRL Lines, Iowa Northern, and the Shippers

- * IC&E will bring stability, commitment and a renewed local focus to this key component of our regional transportation network. The IMRL rail lines have not prospered under any of their many prior owners, and the long-term viability and competitiveness of IMRL operations as presently constituted is tenuous at best. IMRL has not been responsive enough to consistent market opportunities that the shippers on IMRL and IANR deserve. Market share growth has not been apparent under IMRL and previous owners. The proposed IC&E acquisition represents a promising opportunity for the retention and improvement of these lines and economic growth for IANR and the farmers and elevators along our lines.
- * We believe the proposed acquisition of the IMRL lines by IC&E will ensure the long-term viability of this critical component of Iowa and Minnesota's transportation infrastructure.
- * We have met with representatives of IC&E, and believe that their plans, resources and commitment offer a secure future for the IMRL lines. We are comfortable that they will go much farther in working positively with short line railroads for their mutual benefit.
- * IC&E understands the importance of the agricultural-related commodities that will form the core of its traffic base, and we expect that IC&E will work closely with Iowa Northern to provide grain shippers the kind of innovative and flexible service that is disappearing on other railroads. The relationship will provide more reasonable demands on elevators as to train size, infrastructure investments and market expectations. The friendly connection between IC&E, DM&E and IANR will work toward the shorter haul markets, as well as other new markets to reduce trucks handling grain to state markets.
- * Like its affiliate DM&E, we expect that IC&E will make a success of these largely rural, granger-oriented rail lines written off by so many others. The new owners will be able to increase rail market share for the benefit of reducing highway deterioration and build sooner costs faced by the Federal, State, County and Municipal governments.

- * We understand that IC&E will retain many of the current IMRL employees and managers who are familiar with this territory and its rail service needs.
- * We believe that IC&E will have the financial wherewithal, managerial experience and marketing strategy necessary to successfully operate the IMRL lines.
- * Compared to IMRL, IC&E should have better capital resources and corporate support, allowing it to make the investments and improvements necessary for the long-term competitiveness of these rail lines.

Service Improvements/Consistency

- * IC&E intends to replace IMRL's old and unreliable locomotive fleet with updated, more efficient motive power. This should substantially improve the quality and consistency of the rail service that shippers in our area depend upon. This will certainly improve service reliability and efficiency.
- * IC&E should bring a more consistent capital expenditure program to the IMRL lines, avoiding the "up-and-down" nature of recent capital expenditures and enhancing IC&E's ability to provide reliable rail service from year to year.

The Iowa Northern Railway Company encourages the Surface Transportation Board to allow IC&E's acquisition of the IMRL lines to go forward as soon as possible. We look forward to a new era for these rail lines, which are a vital part of our future ability to survive, as well as thrive. It is certainly critical to our local and regional economy.

We understand that, in connection with the proposed IC&E acquisition, the Dakota, Minnesota & Eastern Railroad Company ("DM&E") will seek approval from the STB to be commonly controlled with IC&E. As stated above, Iowa Northern finds substantial benefit to this common control and urges the STB to approve this pro-competitive transaction as well. Given the wholly end-to-end nature of the existing DM&E rail system and the proposed IC&E rail system, there are obviously [OR we can foresee] no issues of competitive harm arising from common control.

The proposed acquisition and control transactions will, we believe, secure the long-term position of the IMRL rail lines as viable and competitive components of this region's transportation network. Most importantly, it allows Iowa Northern Railway Company and opportunity to look for an aggressive, progressive partnership with a much larger, much more creative and much stronger connection than we could ever have with IMRL. Iowa Northern Railway Company encourages the Board's favorable and timely consideration of both transactions.

I, Daniel R. Sabin, declare under penalty of perjury under the laws of the United States that the foregoing is true and correct, and that I am qualified and authorized to file this statement.

A handwritten signature in black ink, appearing to read "Daniel R. Sabin", is written over a horizontal line.

Dated: June 12, 2002



VERIFIED STATEMENT
of
Dan Mack
on behalf of
CHS Cooperatives

My name is Dan Mack. I am the Vice President-Transportation for CHS Cooperatives in St. Paul, Minnesota. In my position, I am responsible for rail transportation for CHS's grain and processing business lines. I have held my current position since July, 2000, and have been employed by CHS Cooperatives in various capacities since 1998. Prior to joining CHS Cooperatives, I worked for Canadian Pacific Railway in the area of grain Marketing.

CHS Cooperatives is a handler, trader and processor of grain and grain products. CHS Cooperatives trades grain from various origins on the I& M Rail Link and are currently constructing a soybean processing facility in Fairmont, MN which will be served by I& M Rail Link. In addition, CHS Cooperatives ships a significant amount of volume originating on other railroads which routes via I&M to its final destination. The availability of secure, efficient and competitive rail service is extremely important to CHS Cooperatives, and to our competitiveness within our markets.

CHS Cooperatives supports the proposed acquisition of IMRL's lines by the Iowa, Chicago & Eastern Railroad Corporation ("IC&E").

- CHS feel IC&E can provide the necessary stability to the IMRL property so as to serve its customers rail transportation needs into the future.
- CHS has confidence in IC&E management and financial backing to be able to enhance and grow the IMRL market base and maintain its competitiveness.
- IC& E will maintain a competitive presence in the geographic area currently served by IMRL.

CHS Cooperatives thus urges the Surface Transportation Board to allow IC&E's acquisition of the IMRL lines to proceed as expeditiously as possible.

We understand that, in connection with the proposed IC&E acquisition, the Dakota, Minnesota & Eastern Railroad Company ("DM&E") will seek approval from the STB to be commonly controlled with IC&E. CHS Cooperatives believe this is a desirable and beneficial transaction, and urges its approval by the STB as well.

- Combining the two entities will allow for efficiencies to be gained which are not available to the IMRL alone today. Some of these would be sharing of resources, be it equipment, management expertise or labor.
- DM&E is a proven railroad with a history of success. CHS Cooperatives either owns assets or has strong business relationships with those that own assets on DM&E. CHS feels there will be value to those shippers by providing them with more market access and interchange options.
- The combination of the two railroads will provide for the diversification, primarily for their grain based business where production variability is often an issue.

The proposed acquisition and control transactions will, we believe, secure the long-term position of the IMRL rail lines as viable and competitive components of the national rail network. CHS Cooperatives encourages the Board's favorable and timely consideration of both transactions.

I, Dean Mack, declare under penalty of perjury under the laws of the United States that the foregoing is true and correct, and that I am qualified and authorized to file this statement.

Dean Mack

Dated: June 3, 2002

Minnesota Grain and Feed Association



Since 1907

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Surface Transportation Board
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Finance Docket No. 34177
Iowa, Chicago & Eastern Railroad Corporation – Acquisition and Operation Exemption – Lines of I&M Rail Link, LLC

Finance Docket No. 34178
Dakota, Minnesota & Eastern Railroad Corporation and Cedar American Rail Holdings, Inc. – Control – Iowa, Chicago & Eastern Railroad Corporation

Verified Statement

of

Robert Zelenka

on behalf of

the Minnesota Grain and Feed Association

My name is Robert Zelenka, Executive Director of the Minnesota Grain and Feed Association (MGFA). The MGFA is a voluntary non-profit association, consisting of nearly 400 cooperative and independent country grain elevators operating in Minnesota. We have several members who are currently served by the DM&E Railroad and I&M Rail Link and continued reliable rail service is essential to their livelihood.

On behalf of our membership, the Minnesota Grain and Feed Association strongly supports the proposed acquisition of the I&M Rail Link lines in Minnesota. Our members have been very comfortable with the level of service received from the DM&E and we are confident that the expanded IC&E will function in a similar efficient manner. We were pleased to hear the IC&E plan to retain many of the current personnel familiar with the region. In particular, we want to encourage retention of the Mason City office staff, who have demonstrated excellent service as I&M Rail Link employees.

The MGFA would also like to go on record in support of the DM&E proposal to be commonly controlled with the IC&E. The gain in efficiency should be very advantageous for the railroad and its customers.

I was personally involved in the sometimes contentious rehabilitation of the I&MRL line from Alden to Jackson over 20 years ago and I know first hand what reliable rail service has meant to this region since then. This proposal offers the best chance for continued efficient and reliable service by a provider that has proven its ability as a good operator. Again, on behalf of the MGFA, I encourage your support of this initiative.

I, Robert Zelenka, declare under penalty of perjury under the laws of the United States of America that the foregoing is true and correct, and that I am qualified and authorized to file this statement.

Dated: June 6, 2002



SOUTH DAKOTA FARM BUREAU



June 18, 2002

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

Reference: STB Finance Docket No. 34177

The South Dakota Farm Bureau Federation (SDFB) represents a membership of 10,900 farmers, ranchers and rural families.

SDFB strongly urges the Surface Transportation Board to approve the I & M Rail Link by the Dakota, Minnesota & Eastern Railroad (DM&E). This acquisition would benefit agriculture in our state by increasing competitive opportunities for the states ag producers.

Ag producers in our state will be allowed market access that is not possible today. Increasing market opportunities will result in increased net farm income. This acquisition represents a true recommitment to improved and increased rail opportunities.

SDFB also urges you to resist any stay petitions that may be filed in this matter. A timely approval is important to S.D. agriculture, all South Dakota rail users, our rural communities along the line and the state as a whole.

Thank you for your consideration.

Sincerely,



Richard Kjerstad
President
South Dakota Farm Bureau

cc: William C. Sippel, Fletcher & Sippel LLC

CERTIFICATE OF SERVICE

I hereby certify that on this 22nd day of June, 2002, a copy of the foregoing **Reply of Iowa, Chicago & Eastern Railroad Corporation to Petitions for Stay** was served by facsimile and overnight delivery upon:

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and by first-class mail, postage prepaid, upon:

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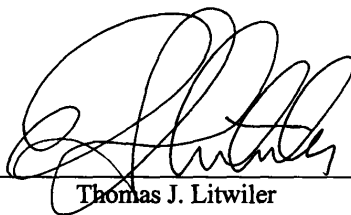
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