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August 28, 2002

VIA FEDERAL EXPRESS

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

206127



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

Dear Secretary Williams:

Enclosed for filing in the above-captioned proceeding are an original and ten copies of a **Railroad Control Application (DME-2)** and a **Petition for Establishment of Procedural Schedule (DME-3)**, both dated August 28, 2002. A check in the amount of \$5,800, representing the appropriate fee for this filing, is attached.

One extra copy of the Application, the Petition and this letter also are enclosed. I would request that you date-stamp those items to show receipt of this filing and return them to me in the provided envelope.

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

Respectfully submitted,

FILED

AUG 29 2002

TRANSPORTATION BOARD

WCS:tjl

Enclosures

cc: Parties on Certificate of Service


William C. Sippel
Attorney for Dakota, Minnesota & Eastern
Railroad Corporation and Cedar American
Rail Holdings, Inc.

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SURFACE
TRANSPORTATION BOARD

ORIGINAL
DME-2

BEFORE THE
SURFACE TRANSPORTATION BOARD

FINANCE DOCKET NO. 34178

DAKOTA, MINNESOTA & EASTERN RAILROAD CORPORATION
AND CEDAR AMERICAN RAIL HOLDINGS, INC.
-- CONTROL --
IOWA, CHICAGO & EASTERN RAILROAD CORPORATION



RAILROAD CONTROL APPLICATION

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RAILROAD CORPORATION AND CEDAR
AMERICAN RAIL HOLDINGS, INC.**

Dated: August 28, 2002

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BEFORE THE
SURFACE TRANSPORTATION BOARD

FINANCE DOCKET NO. 34178

DAKOTA, MINNESOTA & EASTERN RAILROAD CORPORATION
AND CEDAR AMERICAN RAIL HOLDINGS, INC.

-- CONTROL --

IOWA, CHICAGO & EASTERN RAILROAD CORPORATION

RAILROAD CONTROL APPLICATION

Dakota, Minnesota & Eastern Railroad Corporation ("DM&E"), Cedar American Rail Holdings, Inc. ("Holdings") and Iowa, Chicago & Eastern Railroad Corporation ("IC&E") (collectively, "Applicants") hereby submit this Application, pursuant to 49 U.S.C. §§ 11323-11325 and the Railroad Consolidation Procedures, 49 C.F.R. Part 1180, Subpart A, for approval and authorization of DM&E's acquisition of indirect control of IC&E through ownership of IC&E's stock by Holdings, an intermediate holding company and non-carrier subsidiary of DM&E. The stock of IC&E currently is held in an independent voting trust pending Board action on this Application.

As explained herein, the proposed transaction will create a strong, secure regional rail system in the Upper Midwest with an enhanced ability to compete with Class I railroads and to offer competitive, efficient rail service to its customers. Shippers on both DM&E and IC&E will have new, independent routing and service options and single-system access to significant new markets and gateways. Shippers also will benefit from a larger, coordinated car fleet and improved equipment utilization. At the same time, both railroads will continue to focus on the individualized needs of their respective shipper bases, avoiding a rote "one size fits all" approach to shippers' transportation and service needs. After many years of doubt and concern regarding the viability of

the rail lines now owned by IC&E, the proposed common control of DM&E and IC&E will solidify the return of those lines as a stable, reliable and essential component of the regional rail network in the north central United States. And the transaction is completely "end-to-end" in nature -- it cannot and will not result in any reduction in competition in any market.

The following related application and notice of exemption are being filed concurrently with this Application:

- (1) In Finance Docket No. 34178 (Sub-No. 1), Dakota, Minnesota & Eastern Railroad Corporation -- Terminal Trackage Rights -- Union Pacific Railroad Company, DM&E has sought to obtain terminal trackage rights pursuant to 49 U.S.C. § 11102 over a short segment of Union Pacific Railroad Company ("UP") track in Owatonna, Minnesota to establish a connection between DM&E and IC&E. DM&E already operates via trackage rights over the isolated UP-owned track segment, which forms an integral part of DM&E's east-west main line, has not been used by UP for over fifteen years, and crosses an IC&E line at grade at Owatonna. Anti-competitive restrictions in the existing UP trackage rights agreement, however, currently preclude any meaningful interchange between DM&E and IC&E at Owatonna. A grant of terminal trackage rights is necessary to permit a connection between DM&E and IC&E and to allow the parties, shippers and the public to realize many of the benefits described in this Application.
- (2) In Finance Docket No. 34178 (Sub-No. 2), Dakota, Minnesota & Eastern Railroad Corporation -- Trackage Rights Exemption -- Iowa, Chicago & Eastern Railroad Corporation and Iowa Northern Railway Company,

DM&E has filed a notice of exemption pursuant to 49 C.F.R. § 1180.2(d)(7) to obtain overhead trackage rights on IC&E's line between Owatonna and Mason City, Iowa and on a line of Iowa Northern Railway Company ("IANR") between Plymouth Junction and Nora Springs, Iowa. The proposed trackage rights will facilitate the effective movement of trains and interchange of traffic between DM&E and IC&E, expand routing and service options with other rail carriers, and reduce trackage rights fees paid to UP in connection with DM&E's existing route to Mason City.

Consummation of the exempt trackage rights transactions in Finance Docket No. 34178 (Sub-No. 2) is contingent on approval of this Application and the request for terminal trackage rights in Finance Docket No. 34178 (Sub-No. 1). Thus, although the notice of exemption will become effective prior to the effective date of a Board decision on this Application and the terminal trackage rights application, Applicants intend to consummate all of the related transactions on the same date.

In accordance with the Petition to Establish Procedural Schedule (DME-3) filed herewith, Applicants respectfully request that the Board issue a final decision on this Application by January 3, 2003, to be effective no later than January 15, 2003.

**STATUTORY FRAMEWORK AND
CLASSIFICATION AS "MINOR" TRANSACTION**

The indirect control of IC&E, an existing rail carrier, by DM&E, another existing rail carrier, is subject to prior review and authorization by the Board pursuant to 49 U.S.C. § 11323(a)(3). The statutory criteria for regulatory consideration of the proposed common control are provided in 49 U.S.C. § 11323-11325. Section 11324(d) states:

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

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

49 U.S.C. § 11324(d).

The transaction contemplated by this Application does not involve the control or merger of two or more Class I railroads, and thus is governed by the standards of Section 11324(d). Moreover, as is more fully explained below, the proposed control transaction clearly will not have any anticompetitive effects. Thus, this is a "minor" transaction under the relevant Board criteria. See 49 C.F.R. § 1180.2(a), (b) and (c); RR. Consolidation Proced. -- Def. of Significant Transactions, 9 I.C.C.2d 1198 (1993).

An overview of the proposed control transaction confirms its limited and minor nature. DM&E and IC&E serve no common industries today, and do not currently interchange traffic at any location. Both are Class II regional railroads serving largely granger areas of the Upper Midwest. Along with the local elevators that form the core of their shipper base, DM&E and IC&E face intense competition from the large Class I rail systems that surround them. A combination of DM&E and IC&E will assure the preservation and strengthening of efficient, competitive rail service for shippers of all kinds on both railroads. Shippers on DM&E, for example, will for the first time have independent, single-system access to the major rail gateways of

Chicago and Kansas City. Shippers on IC&E will be part of a stable, secure rail system, with truly neutral access to every Class I railroad in the nation, for the first time in many years, if ever. New transportation markets and sourcing options will be available or possible in a number of areas. At the same time, there will be no reduction in existing rail-to-rail competition at any point or in any market.

The proposed DM&E-IC&E control transaction is entirely end-to-end in nature. Shippers and receivers on IC&E and DM&E lines will see their routing options expanded, rather than contracted, as a result of the proposed common control. Accordingly, this Application has been prepared in accordance with the Railroad Consolidation Procedures applicable to minor transactions. 49 C.F.R. § 1180.2(c).

In accordance with the Railroad Consolidation Procedures, Applicants submit the following information:

SECTION 1180.6(a)

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

Applicant Dakota, Minnesota & Eastern Railroad Corporation is a Class II common carrier by rail operating approximately 1100 route miles of rail lines in five north central and western states. DM&E began rail operations in 1986 following the acquisition of a secondary east-west line of the Chicago & North Western Transportation Company ("CNW," a predecessor of UP) across South Dakota and southern Minnesota. Dakota, Minnesota & Eastern Railroad Corporation -- Acquisition and Operation Exemption -- Chicago and North Western Transportation Company, Finance Docket No. 30889 (ICC served September 8, 1986). DM&E later acquired another CNW line extending from Colony (Bentonite), Wyoming to Chadron,

Nebraska and connecting with DM&E's original east-west line at Rapid City, South Dakota. 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). The Board has recently given final approval to a proposal by DM&E to extend its rail line further westward into the Powder River Basin of northeastern Wyoming in order to serve the coalfields there. Dakota, MN & Eastern R. -- Construction -- Powder River Basin, 3 S.T.B. 847 (1998); Dakota, Minnesota & Eastern Railroad Corporation Construction into the Powder River Basin, Finance Docket No. 33407 (STB served January 30, 2002).

Applicant Cedar American Rail Holdings, Inc. is a non-carrier, intermediate holding company and a wholly-owned subsidiary of DM&E. Holdings is the beneficial owner of all of the outstanding common stock of IC&E, which is currently held in an independent voting trust pending the outcome of this control proceeding. Holdings was formed as a Delaware corporation in 2001 in contemplation of transactions involving the rail assets of I&M Rail Link, LLC ("IMRL"). While it is anticipated that Holdings will essentially function as a holding corporation for DM&E and IC&E -- with certain shared executive management personnel, coordinated marketing functions and various administrative services provided for both railroads by Holdings -- DM&E's existing capital structure did not easily allow the creation of a holding company in the normal corporate chain position above DM&E. Holdings thus was created as a subsidiary of DM&E, and technically is positioned in the corporate chain between DM&E and IC&E.¹

¹ Given this corporate arrangement, upon consummation of the proposed transaction herein Holdings will directly control only one rail carrier (IC&E) rather than two (DM&E and IC&E). It thus might be argued that Holdings does not itself require authority under 49 U.S.C. § 11323(a)(3) in connection with the proposed common control transaction. Given the clear "holding company" role that Holdings is intended to play in the common executive management and other coordinated aspects of the DM&E-IC&E combination, Holdings has been included as an Applicant in this proceeding.

IC&E is a Class II common carrier by rail which operates approximately 1400 miles of trackage in six upper Midwestern states. IC&E began rail operations on July 30, 2002 after acquiring the rail lines of IMRL. See Iowa, Chicago & Eastern Railroad Corporation -- Acquisition and Operation Exemption -- Lines of I&M Rail Link, LLC, Finance Docket No. 34177 (STB served June 12, 2002 and July 22, 2002). IMRL had acquired the same rail lines in 1997 from Soo Line Railroad Company, d/b/a Canadian Pacific Railway, a Class I railroad. See 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). IC&E was formed in 2001 as an indirect, non-carrier subsidiary of DM&E (and a direct subsidiary of Holdings) for the purpose of acquiring the IMRL rail lines. Prior to consummation of the acquisition transaction in Finance Docket No. 34177, Holdings placed all of the stock of IC&E into an independent voting trust, with Bankers Trust Company, N.A. of Des Moines, Iowa serving as voting trustee. IC&E owns a non-controlling stock interest in the Kansas City Terminal Railway Company ("KCT"), a switching and terminal carrier in Kansas City, Missouri and Kansas City, Kansas.²

The full name and business address of each Applicant herein is as follows:

Dakota, Minnesota & Eastern Railroad Corporation
337 22nd Avenue South
P.O. Box 178
Brookings, South Dakota 57006
(605) 697-2400

² The Board and its predecessor have previously determined that switching and terminal railroads, such as KCT, in which applicants have non-controlling common stock interests of 50% or less are not "applicant carriers" under 49 C.F.R. § 1180.3(b). E.g., Rio Grande Industries, Inc. -- Purchase and Trackage Rights -- Chicago, Missouri & Western Railway Company Between St. Louis, MO and Chicago, IL, Finance Docket No. 31522 (ICC served August 18, 1989) at 3.

Cedar American Rail Holdings, Inc.
140 North Phillips Avenue
P.O. Box 1260
Sioux Falls, South Dakota 57107
(605) 782-1200

Iowa, Chicago & Eastern Railroad Corporation
2435 East Kimberly Road
Suite 45
Bettendorf, Iowa 52722
(563) 441-7520

Applicants' counsel to whom correspondence with respect to this Application should
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SECTION 1180.6(a)(1)(i)

SUMMARY OF THE PROPOSED TRANSACTION

DM&E proposes to acquire indirect control of IC&E through dissolution of the voting trust in which IC&E's stock is currently held and distribution of that stock to Holdings, DM&E's wholly-owned subsidiary. See Description of Proposed Transaction, infra. Once control is consummated, Holdings will oversee the management of and coordination of operations on the DM&E-IC&E system and will perform marketing and administrative services for both railroads.

DM&E and IC&E will remain separate entities, however, conducting their own operations with their own employees and responsible for their own transportation, mechanical and engineering functions.

SECTION 1180.6(a)(1)(ii)

**PROPOSED TIME SCHEDULE FOR
CONSUMMATION OF TRANSACTION**

DM&E proposes to consummate control of IC&E (through termination of the existing IC&E voting trust and Holdings' reacquisition of direct control over the stock of IC&E) as soon as a Board decision approving this Application and authorizing the proposed control transaction has become effective. Applicants request that the Board adopt the proposed procedural schedule set forth in the accompanying Petition to Establish Procedural Schedule, for the reasons stated therein, and issue a decision in this proceeding to be effective no later than January 31, 2003.

SECTION 1180.6(a)(1)(iii)

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

The purpose of the proposed common control of DM&E and IC&E is discussed in detail in the attached verified statement of Kevin V. Schieffer. The transaction will position both rail carriers to more effectively serve their customers and to more effectively compete with Class I railroads, motor carriers and barge transportation in the mid-American transportation market. Common control will provide shippers and receivers on DM&E and IC&E with new routing options and more efficient and competitive single-system service. For DM&E, the proposed transaction is a culmination of its long-standing efforts to gain independent, competitive access to major markets and gateways for DM&E's customers. DM&E grain shippers thus will enjoy for the first time direct, single-system service to the major rail gateways of Chicago and Kansas City, and

neutral interline access to significant long-haul destination markets in the south-central United States.

The transaction also is intended to assure that IC&E will be a competitive and viable rail carrier, despite the serious financial difficulties that have plagued prior operators of the rail lines that IC&E now owns. The proposed transaction will strengthen the combined DM&E-IC&E system and improve both its operating and financial performance. IC&E grain shippers will themselves gain potential new routes to the Pacific Northwest, while grain receivers on IC&E's lines and elsewhere in Iowa will be assured continued reliable, independent and long-term access to grain from origins not only on IC&E's so-called "Corn Lines" but on DM&E's lines in southern Minnesota and South Dakota. All customers will benefit from the better equipment coordination and utilization, improved service patterns and other operating efficiencies made possible by common control.

Finally, the transaction assures that DM&E will continue to have neutral eastern routings for coal movements from the Powder River Basin in Wyoming, should DM&E proceed to construct its recently-approved line into the PRB. As the Board is aware, DM&E's operating plan for the PRB project incorporated significant interchanges to IMRL (now IC&E) at Owatonna, Minnesota and to Soo Line Railroad Company, d/b/a Canadian Pacific Railway ("CP") at Minnesota City, Minnesota. Should either of those interchange partners come under the control of a party already serving the PRB, the competitive and economic underpinnings of DM&E's PRB project could be significantly compromised. The proposed common control of DM&E and IC&E ensures that, as the PRB project goes forward, the routing options previously presented to the Board will remain viable and in place.

SECTION 1180.6(a)(1)(iv)

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

The proposed common control of DM&E and IC&E will not entail the issuance of any new securities by any of the Applicants. IC&E was formed as a non-carrier subsidiary of Holdings (and an indirect subsidiary of DM&E), and its stock is currently held in an independent voting trust pending completion of this proceeding. Through Holdings, DM&E has previously made certain equity contributions to its indirect subsidiary IC&E. Such contributions were funded with proceeds from a broader refinancing of existing DM&E debt in which DM&E borrowed on a subordinated basis and issued preferred stock. DM&E and Holdings also provided guarantees for the debt incurred by IC&E in connection with its acquisition of the IMRL rail lines.³

SECTION 1180.6(a)(2)

PUBLIC INTEREST JUSTIFICATIONS

(i) Effect of Proposed Transaction on Competition.

The proposed end-to-end combination of DM&E and IC&E under common control clearly will have no adverse impact on competition. See Verified Statement of Charles E. Lamberton. DM&E and IC&E serve no common industries today, and no shipper will lose competitive rail service or access to any existing routing options as a result of the transaction.

To the contrary, common control of DM&E and IC&E will enhance competition and provide improved service and routing options for shippers on DM&E and IC&E lines. Shippers on DM&E will benefit from new single-system rail access to the major gateways of

³ Applicants note that the ICC Termination Act of 1995, Pub. L. No. 104-88, 109 Stat. 803, repealed Section 11301 of the Interstate Commerce Act, former 49 U.S.C. § 11301, which gave the Interstate Commerce Commission jurisdiction over the issuance of securities and assumption of liabilities by rail carriers and (in selected instances) their holding companies.

Chicago and Kansas City, as well as to the longer river shipping season at Mississippi River ports south of Winona. Grain shippers on DM&E will benefit from new single-system routes to major grain processing plants on IC&E, and new independent joint-line routes to processors elsewhere in Iowa, such as on IANR in Cedar Rapids. Grain shippers on IC&E will benefit from having access to potential routes for the movement of corn and soybeans to the Pacific Northwest for export. Grain shippers on both IC&E and DM&E also will benefit from having access to a combined, coordinated system fleet of over 6100 covered hopper cars.

Grain receivers on IC&E in Iowa, Illinois and Missouri will have single-system access to grain produced in Minnesota and South Dakota, and thus more options and greater security in meeting their raw material needs. IC&E's largest customer, a steel manufacturing firm near Davenport, Iowa, will have single-system service for inbound scrap that currently originates on the DM&E but must be interchanged to an intermediate carrier for interchange to IC&E.

Shippers on both railroads will benefit from improved car supply from access to the larger car fleet of the combined system, and from faster transit times and improved operating efficiency. See also the attached Verified Statement of Kevin V. Schieffer. Finally, the larger and more diversified traffic base and greater financial resources of the combined DM&E-IC&E system will provide a more stable and reliable environment for shippers on both railroads.

(ii) **Financial Considerations.**

Applicants anticipate that, as a result of the proposed common control of DM&E and IC&E, approximately 9850 carloads of traffic will be diverted to the combined DM&E/IC&E system annually, generating annual revenues of approximately \$8.1 million. These diversions primarily represent extensions of haul on existing DM&E traffic resulting from shippers favoring the new single-system service offerings of the combined DM&E-IC&E. Thus, for example,

Applicants anticipate that DM&E-originated traffic that is today interchanged to UP or CP for movement to or through the Chicago and Kansas City gateways will, after consummation of common control, move via DM&E-IC&E single-system, long-haul routings to those gateways.

Applicants also have identified certain short to medium-distance motor carrier movements of grain in southern Minnesota and northern Iowa that could potentially be converted to rail movement on the DM&E-IC&E system following consummation of the proposed transaction. Traffic increases resulting from common control are outlined more fully in the attached verified statements of Lynn A. Anderson and Charles E. Lamberton.

In addition to these revenue increases, Applicants expect that consummation of the proposed transaction will result in certain operating efficiencies and savings, particularly with respect to coordinated management and distribution of the combined DM&E-IC&E car and locomotive fleets. These efficiencies are discussed further in Applicants' Operating Plan, attached hereto as Exhibit 15. While Applicants have not attempted to quantify the precise value of these benefits, they clearly will further strengthen the combined DM&E-IC&E rail system and facilitate its ability to provide effective, competitive and stable rail service to shippers in the upper Midwest.

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

The transactions involving IC&E will result in an increase in DM&E's annual fixed charges of approximately \$1.8 million. This represents the interest expense on the money that DM&E borrowed to make its equity contributions (through Holdings) to IC&E. This slight rise in fixed charges will not have any adverse effect on DM&E's operations or financial position. DM&E's interest obligations are well within the company's anticipated income and cash flow, even before taking into account any additional earnings that will be generated by common control. Indeed, as a result of DM&E's broader refinancing of its debt (of which the equity contribution

financing was just one part), DM&E's current annual principal and interest payments are lower than was previously the case.

The proposed control transaction will not result in any increase in IC&E's total fixed charges.

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

The proposed transaction will improve the adequacy of transportation service to the public by offering new routing options and improved service to shippers and receivers on IC&E and DM&E. No customer will lose any competitive rail service options as a result of the transaction. Indeed, a combined DM&E-IC&E system will be stronger, financially and operationally, than either carrier could be separately, and thus will be better able to compete with other railroads, motor carriers and barges in providing effective and efficient service to the shipper public. In particular, the transaction will help assure the preservation and viability of the IC&E rail lines, which have seen four owners in the past seventeen years and presented serious financial challenges for prior operators.

Common control will have no adverse impact on the continuation of essential transportation services by DM&E, IC&E or any other carrier. Diversions of traffic from other rail carriers will be minimal, and indeed miniscule when compared to those carriers' overall traffic base. See verified statements of Lynn A. Anderson and Charles E. Lamberton, attached hereto.

(v) **Effect of Transaction on Employees.**

Applicants do not anticipate that any existing DM&E or IC&E employees will be adversely affected by the proposed control transaction. Upon consummation, it is expected that certain IC&E management officials at IC&E's Bettendorf, Iowa headquarters will relocate to Holdings' offices in Sioux Falls, South Dakota. No other relocations, and no dismissal or

displacements of any kind, are contemplated in connection with the common control of DM&E and IC&E.

The applicable level of labor protection for the control transaction proposed herein is that set forth in New York Dock Ry. -- Control -- Brooklyn Eastern Term. Dist., 360 I.C.C. 60 (1979). No employee protection agreements have been reached as of the date of this Application, and none are anticipated.

(vi) **Inclusion of Other Railroads in the Territory.**

Inclusion is not a relevant consideration in this proceeding because the common control proposed herein does not involve the merger or control of at least two Class I railroads. Cf. 49 U.S.C. § 11324(b)(2). Even so, the proposed transaction will not result in harm to essential services provided by any carrier and, therefore, there is no basis for ordering the inclusion of any other carrier in the transaction.

SECTION 1180.6(a)(3)

OTHER SUPPORTING INFORMATION

The verified statements of Kevin V. Schieffer, DM&E's President and Chief Executive Officer, Charles E. Lamberton, PhD, Professor at South Dakota State University, and Lynn A. Anderson, DM&E's Vice President of Marketing, are submitted with this Application. Also included herewith are statements of support for the proposed control transaction from approximately 20 shippers located on the lines of both IC&E and DM&E. Simultaneously with this Application, DM&E is submitting in Finance Docket No. 34178 (Sub-No. 1), Dakota, Minnesota & Eastern Railroad Corporation -- Terminal Trackage Rights -- Line of Union Pacific Railroad Company at Owatonna, MN an application pursuant to 49 U.S.C. § 11102 to obtain terminal trackage rights over a short segment of UP track in Owatonna, Minnesota. Such terminal

trackage rights are key to many of the competitive and service benefits of the proposed DM&E-IC&E common control application discussed in this Application.

SECTION 1180.6(a)(4)

OPINION OF COUNSEL

An opinion of counsel is attached to this Application.

SECTION 1180.6(a)(5)

STATES WHERE APPLICANTS OWN PROPERTY

DM&E owns and/or operates railroad property in South Dakota, Minnesota, Wyoming, Nebraska and Iowa.

IC&E owns and/or operates railroad property in Iowa, Minnesota, Illinois, Missouri, Wisconsin and Kansas.

Holdings is an intermediate non-carrier holding company which does not own or operate any railroad property.

SECTION 1180.6(a)(6)

MAP - EXHIBIT 1

A map depicting the lines of DM&E and IC&E, other rail lines in the territory and the principal geographic points in the region is attached as Exhibit 1. A detailed map showing the service territory of IC&E and DM&E in northern Iowa and southern Minnesota is provided as Figure 1 in the verified statement of Charles E. Lamberton, attached hereto.

SECTION 1180.6(a)(7)(i)

DESCRIPTION OF THE TRANSACTION

IC&E was formed in September, 2001 as a non-carrier subsidiary of Holdings (and an indirect subsidiary of DM&E) for the purpose of acquiring the rail lines of IMRL. On February 4, 2002, IC&E entered into an Asset Purchase Agreement with IMRL, and on July 29, 2002 IC&E consummated its acquisition of the IMRL rail lines and began operations (effective as of 12:01 a.m. on July 30th) as a rail common carrier. Immediately prior to the consummation of the IMRL acquisition transaction, Holdings placed the stock of IC&E into an independent voting trust, with Bankers Trust Company, N.A. of Des Moines, Iowa as the voting trustee. This avoided any unlawful premature control of IC&E by DM&E, which, as an existing rail carrier, requires authority from the Board pursuant to 49 U.S.C. § 11323(a)(3) before it can control another rail carrier. Once DM&E obtains authority to control IC&E, the voting trust will be dissolved and the trust stock distributed to Holdings. As a result of the transaction, IC&E will become a wholly-owned and controlled subsidiary of Holdings. Through Holdings, DM&E will obtain indirect control of IC&E.

After consummation of common control, it is anticipated that certain management, administrative and financial functions for both IC&E and DM&E will be performed by Holdings officials and personnel at Holdings' Sioux Falls, South Dakota offices. Holdings will provide integrated marketing services for both railroads, and also will oversee the coordination of operations on the combined system. Local operating headquarters for IC&E, however, will remain in Bettendorf, Iowa, while DM&E's local operations will remain based in Brookings, South Dakota. IC&E and DM&E will each continue to perform their own transportation, mechanical and engineering functions, and will remain focused on the particularized needs of its own shippers and

employees. Although, as indicated above, Holdings sits in the middle of -- rather than atop -- the DM&E corporate chain, it will act as a traditional holding company overseeing the distinct but coordinated operations of IC&E and DM&E.

SECTION 1180.6(a)(7)(ii)

AGREEMENT - EXHIBIT 2

No new agreement or agreements are proposed to be entered into in connection with the proposed common control transaction. Holdings already is the beneficial owner of the stock of IC&E, which is being held in an independent voting trust pending Board action on this Application. If common control is approved, the existing voting trust will be terminated and Holdings (and, indirectly, DM&E) will assume control of IC&E.

SECTION 1180.6(a)(7)(iii)

INFORMATION REGARDING THE CONSOLIDATED ENTITY

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

SECTION 1180.6(a)(7)(iv)

COURT ORDER

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

SECTION 1180.6(a)(7)(v)

PROPERTY INVOLVED IN THE PROPOSED TRANSACTION

The property involved in the proposed transaction is all of the property of IC&E. The involved property is described more fully in the following section.

SECTION 1180.6(a)(7)(vi)

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

IC&E owns or operates approximately 1397 route miles of rail lines, which include approximately 786 route miles of main lines and approximately 611 route miles of secondary or branch lines. IC&E's principal routes extend from Chicago, Illinois to Sabula Junction, Iowa, and from there both south to Kansas City, Missouri and north to Minneapolis/St. Paul, Minnesota. Significant secondary routes -- often referred to as the "Corn Lines" -- extend across southern Minnesota from Ramsey to Jackson and across northern Iowa from Marquette to Sheldon. Branch lines extend from Davis Junction, Illinois through Rockford, Illinois and Beloit, Wisconsin to Janesville, Wisconsin; from Mason City, Iowa to Comus, Minnesota; from Wells to Minnesota Lake, Minnesota; from Davenport, Iowa to Albany, Illinois (via local trackage rights on The Burlington Northern and Santa Fe Railway Company ("BNSF")); and from Davenport to Eldridge, Iowa. IC&E has overhead trackage rights over other railroads at a number of locations, including over CP between River Junction and Merriam Park, Minnesota and between Comus and Rosemount, Minnesota; over IANR between Nora Springs and Plymouth Junction, Iowa (connecting two IC&E line segments); and over the Commuter Rail Division of the Regional Transportation Authority, d/b/a Metra, between Pingree Grove, Illinois and Cragin Junction in Chicago.⁴

IC&E's major terminal facility is Nahant Yard, located just south of Davenport, Iowa. Other significant IC&E yards are located at Ottumwa, Muscatine, Marquette, Mason City

⁴ Pending further negotiations with Metra and CP regarding these permanent rights, IC&E will shortly commence operations into Chicago via the Pingree Grove-Cragin Junction line pursuant to a temporary detour agreement with Metra. In the interim, IC&E traffic to and from the Chicago terminal currently has been handled via haulage arrangements with several other rail carriers.

and West Davenport, Iowa and Savanna and Davis Junction, Illinois. In Kansas City, Missouri, IC&E is a partial owner of the Kansas City Terminal Railway Company and also a joint owner with The Kansas City Southern Railway Company of the so-called "Joint Agency" yard facility. IC&E's corporate and operating headquarters is in Bettendorf, Iowa, and maintenance and repair work for IC&E locomotives and cars is performed primarily at Nahant Yard.

IC&E interchanges traffic with other rail carriers at the following locations:

The Belt Railway Company of Chicago: Cragin Junction/Clearing, Illinois

The Burlington Northern and Santa Fe Railway Company: East Moline and Moline, Illinois; Bettendorf and Ottumwa, Iowa; Minneapolis/St. Paul, Minnesota; Kansas City, Missouri

Cedar River Railroad Company: Charles City, Iowa; Lyle, Minnesota

Chicago, Central & Pacific Railroad Company: Dubuque, Iowa; Rockford, Illinois

Chillicothe-Brunswick Railway Maintenance Authority: Chillicothe, Missouri

Elgin, Joliet & Eastern Railway Company: Spaulding, Illinois

Illinois RailNet, Inc.: Davis Junction, Illinois

Indiana Harbor Belt Railroad Company: Franklin Park, Illinois

Iowa Interstate Railroad Ltd.: Rock Island, Illinois; Davenport, Iowa

Iowa Northern Railway Company: Nora Springs and Plymouth Junction, Iowa

Iowa Traction Railroad Company: Mason City, Iowa

The Kansas City Southern Railway Company: Kansas City, Missouri

Minnesota Commercial Railway Company: Minneapolis/St. Paul, Minnesota

Norfolk Southern Railway Company: Birmingham and Kansas City, Missouri

Soo Line Railroad Company, d/b/a Canadian Pacific Railway: Bensenville, Illinois; Minneapolis/St. Paul, Northfield and River Junction, Minnesota

Union Pacific Railroad Company: Clinton, Emmetsburg, Mason City and Sheldon, Iowa; Minneapolis/St. Paul, Minnesota; Kansas City, Missouri; Janesville, Wisconsin

Wisconsin & Southern Railway Company: Janesville, Wisconsin

Through intermediate switching services provided by The Belt Railway Company of Chicago, Indiana Harbor Belt Railroad Company and CP, IC&E also interchanges with all major line-haul carriers at Chicago.

DM&E owns or operates approximately 1103 route miles of rail lines, which include approximately 720 route miles of main lines and approximately 383 route miles of branch lines. DM&E's principal route extends from Colony (Bentonite), Wyoming through Rapid City, South Dakota to Winona, Minnesota. Branch lines extend from Rapid City to Crawford and Chadron, Nebraska; from Blunt to Onida, South Dakota; from Wolsey to Aberdeen, South Dakota (via trackage rights on BNSF); from Redfield to Mansfield, South Dakota; and from Waseca to Hartland, Minnesota and then via trackage rights on UP to Mason City, Iowa. DM&E also has a currently inactive branch line extending from Huron to Yale, South Dakota, and currently inactive trackage rights on BNSF extending from Yale to Watertown, South Dakota.

In addition to the trackage rights mentioned in the preceding paragraph, DM&E also operates via trackage rights over CP between Minnesota City and Winona, Minnesota and on trackage rights over short, isolated segments of UP-owned trackage in Mankato, Owatonna and Winona, Minnesota.

DM&E's principal yard and terminal facilities are located at Waseca and Tracy, Minnesota and Huron, Pierre and Rapid City, South Dakota. DM&E interchanges traffic with UP at Winona and Mankato, Minnesota and at Mason City, Iowa; with CP at Minnesota City, Minnesota; with BNSF at Wolsey, Aberdeen and Redfield, South Dakota and Crawford, Nebraska;

and with Nebkota Railway, Inc. at Chadron, Nebraska. DM&E also can conduct limited, restricted interchange with Cedar River Railroad Company ("CEDR") at Glenville, Minnesota and IANR at Manly, Iowa via DM&E's overhead trackage rights on UP's Hartland-Mason City line. Although the lines of DM&E and IC&E cross at grade and connect in Owatonna, Minnesota, DM&E and IC&E cannot interchange at that location due to "paper barrier" restrictions on DM&E's trackage rights on the UP-owned "island" trackage through Owatonna.⁵

DM&E's corporate and operating headquarters is located in Brookings, South Dakota, and maintenance and repair work for DM&E locomotives and cars is performed at Huron, South Dakota.

SECTION 1180.6(a)(7)(vii)

GOVERNMENT FINANCIAL ASSISTANCE

No governmental financial assistance is involved in the proposed control transaction.

SECTION 1180.6(a)(8)

ENVIRONMENTAL DATA

Under 49 C.F.R. § 1105.6(c)(2)(i), the proposed control transaction is exempt from environmental reporting requirements. The proposed transaction will not result in significant changes in carrier operations, i.e., changes that exceed the thresholds established in 49 C.F.R. § 1105.7(e)(4) or (5). As indicated in the Operating Plan attached hereto as Exhibit 15, common control will result in a minor increase -- no more than several trains per week -- in traffic over

⁵ DM&E's overhead trackage rights on UP's Hartland-Mason City line do not allow DM&E to interchange with IC&E at Albert Lea, Minnesota or Mason City, points where IC&E-owned lines connect with UP's line. Similarly, IC&E's overhead traffic rights on CP's River Junction-Twin Cities line do not allow IC&E to interchange with DM&E at Minnesota City or Winona, Minnesota, where DM&E-owned lines or routes connect with CP's line.

IC&E's rail line between Owatonna, Minnesota and Mason City, Iowa. This will be offset by a roughly corresponding decrease in train operations over DM&E's Waseca-Hartland, Minnesota line and UP's Hartland-Mason City, Iowa line (including the busy UP "Spine Line" route between Albert Lea, Minnesota and Mason City). Anticipated traffic increases elsewhere on the combined DM&E-IC&E system can and will be handled in existing scheduled train movements.

Under 49 C.F.R. § 1105.8(b)(1) and (3), the proposed transaction also is exempt from historic preservation reporting requirements. Rail operations will continue after DM&E's consummation of control of IC&E, and further Surface Transportation Board approval will be required to abandon any service. There are no plans to dispose of or alter properties subject to Board jurisdiction that are fifty years old or older. Moreover, the common control of DM&E and IC&E through stock ownership will not substantially change the level of maintenance of railroad property.

Accordingly, no Environmental or Historic Report accompanies this Application.

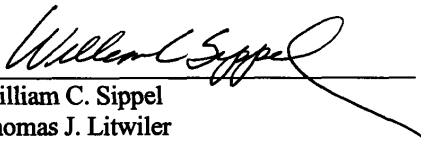
SECTION 1180.8(b)

OPERATING PLAN/MINOR - EXHIBIT 15

Operational data, prepared in accordance with 49 C.F.R. § 1180.8(b), is attached hereto as Exhibit 15.

WHEREFORE, Applicants respectfully request that the Board accept this Application for consideration and authorize the control transaction proposed herein.

Respectfully submitted,

By: 
William C. Sippel
Thomas J. Litwiler
Fletcher & Sippel LLC
Two Prudential Plaza, Suite 3125
180 North Stetson Avenue
Chicago, Illinois 60601-6721
(312) 540-0500

David L. Knudson
Scott B. Anderson
Davenport, Evans, Hurwitz &
Smith, L.L.P.
206 West 14th Street
Sioux Falls, South Dakota 57104
(605) 336-2880

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

**ATTORNEYS FOR
DAKOTA, MINNESOTA & EASTERN
RAILROAD CORPORATION AND CEDAR
AMERICAN RAIL HOLDINGS, INC.**

Dated: August 28, 2002

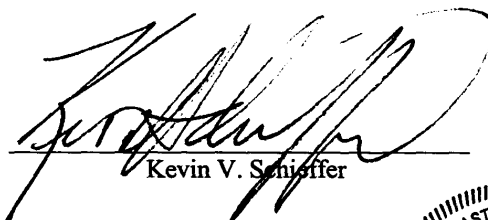
SECTION 1180.4(c)(2)(i)

**SIGNATURES, OATHS AND CERTIFICATIONS
OF APPLICANTS' EXECUTIVE OFFICERS**

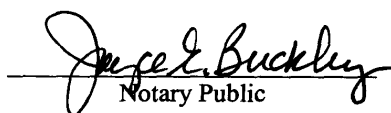
VERIFICATION

State of South Dakota)
)
County of Brookings) SS:

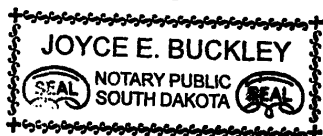
Kevin V. Schieffer, being duly sworn, deposes and says that he is President and Chief Executive Officer of Dakota, Minnesota & Eastern Railroad Corporation, applicant herein; that he has been duly authorized and designated by Dakota, Minnesota & Eastern Railroad Corporation to sign, verify and file the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


Kevin V. Schieffer

SUBSCRIBED AND SWORN TO
before me this 21st day
of August, 2002.


Notary Public

My Commission expires: 5-5-08



CERTIFICATION

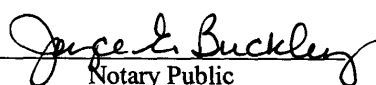
State of South Dakota)
)
County of Brookings) SS:

I, Lynn A. Anderson, am Corporate Secretary of Dakota, Minnesota & Eastern Railroad Corporation, and I hereby certify that Kevin V. Schieffer is President and Chief Executive Officer of Dakota, Minnesota & Eastern Railroad Corporation and is duly authorized and designated to sign, verify and file the foregoing application on behalf of Dakota, Minnesota & Eastern Railroad Corporation.



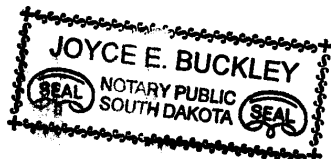


SUBSCRIBED AND SWORN TO
before me this 21st day
of August, 2002.



Notary Public

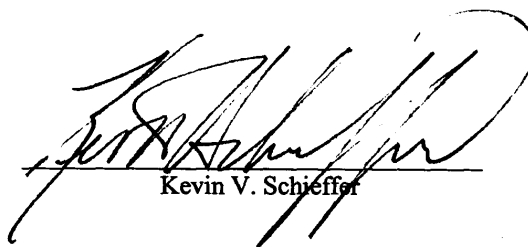
My Commission expires: 5-5-08



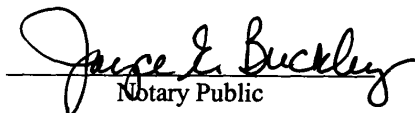
VERIFICATION

State of South Dakota)
)
County of Brookings) SS:

Kevin V. Schieffer, being duly sworn, deposes and says that he is President of Cedar American Rail Holdings, Inc., applicant herein; that he has been duly authorized and designated by Cedar American Rail Holdings, Inc. to sign, verify and file the foregoing application with the Surface Transportation Board; that he has examined all of the statements contained in said application; that he has knowledge of the matters set forth therein insofar as those matters relate to Cedar American Rail Holdings, Inc.; and that all such statements made and matters set forth therein with respect to Cedar American Rail Holdings, Inc. are true and correct to the best of his knowledge, information and belief.


Kevin V. Schieffer

SUBSCRIBED AND SWORN TO
before me this 21st day
of August, 2002.


Notary Public

My Commission expires: 5-5-08

CERTIFICATION

State of South Dakota)
)
County of Brookings) SS:

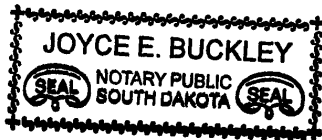
I, Kurt V. Feaster, am Secretary of Cedar American Rail Holdings, Inc., and I hereby certify that Kevin V. Schieffer is President of Cedar American Rail Holdings, Inc. and is duly authorized and designated to sign, verify and file the foregoing application on behalf of Cedar American Rail Holdings, Inc.

Kurt V. Feaster

SUBSCRIBED AND SWORN TO
before me this 25th day
of August, 2002.

Joyce E. Buckley
Notary Public

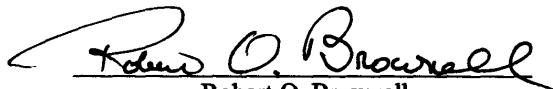
My Commission expires: 5-5-08



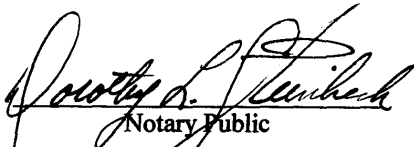
VERIFICATION

State of Iowa)
) SS:
County of Scott)

Robert O. Brownell, being duly sworn, deposes and says that he is President of Iowa, Chicago & Eastern Railroad Corporation, applicant herein; that he has been duly authorized and designated by Iowa, Chicago & Eastern Railroad Corporation to sign, verify and file the foregoing application with the Surface Transportation Board; that he has examined all of the statements contained in said application; that he has knowledge of the matters set forth therein insofar as those matters relate to Iowa, Chicago & Eastern Railroad Corporation; and that all such statements made and matters set forth therein with respect to Iowa, Chicago & Eastern Railroad Corporation are true and correct to the best of his knowledge, information and belief.


Robert O. Brownell

SUBSCRIBED AND SWORN TO
before me this 22 day
of August, 2002.


Notary Public
My Commission expires:

DOROTHY L. STEINBECK
Notary Public, State of Iowa
No. 189394
Commission Expires March 26, 2003

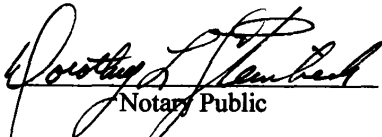
CERTIFICATION

State of Iowa)
) SS:
County of Scott)

I, Steven O. Scharnweber, am Secretary of Iowa, Chicago & Eastern Railroad Corporation, and I hereby certify that Robert O. Brownell is President of Iowa, Chicago & Eastern Railroad Corporation and is duly authorized and designated to sign, verify and file the foregoing application on behalf of Iowa, Chicago & Eastern Railroad Corporation.


Steven O. Scharnweber

SUBSCRIBED AND SWORN TO
before me this 22 day
of August, 2002.


Notary Public

My Commission expires:

DOROTHY L. STEINBECK
Notary Public, State of Iowa
No. 189394
Commission Expires March 26, 2003

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www.fletcher-sippel.com

SECTION 1180.6(a)(4)

OPINION OF COUNSEL

August 28, 2002

Surface Transportation Board
1925 K Street, N.W., Room 700
Washington, DC 20006

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

Ladies and Gentlemen:

As counsel for Applicants Dakota, Minnesota & Eastern Railroad Corporation and Cedar American Rail Holdings, Inc., I have examined the accompanying Application for authority under 49 U.S.C. § 11323, et seq.

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

Respectfully submitted,



William C. Sippel
Attorney for Dakota, Minnesota & Eastern
Railroad Corporation and Cedar American
Rail Holdings, Inc.

WCS/pj

OPERATING PLAN - MINOR

Under 49 C.F.R. § 1180.8(b), Applicants must discuss any significant changes in patterns or types of service expected to result from the proposed transaction. Consistent with the minor nature of the proposed transaction and the completely non-overlapping nature of the rail lines of IC&E and DM&E, and as discussed herein, Applicants anticipate only limited changes in operations once common control of DM&E and IC&E is consummated.

The current and proposed patterns of service on the involved lines are as follows:

PATTERNS OF SERVICE

1. Current Operations

A. IC&E

IC&E currently owns or operates approximately 1397 route miles of rail lines, consisting of approximately 786 route miles of main lines and approximately 611 route miles of secondary or branch lines. IC&E's principal routes extend from Chicago through Sabula Junction, Iowa and the Quad Cities to Kansas City; from Chicago through Sabula Junction and Marquette, Iowa to Minneapolis/St. Paul; from Marquette through Mason City to Sheldon, Iowa and from Ramsey to Jackson, Minnesota (the so-called "Corn Lines"); from Mason City, Iowa through Ramsey and Owatonna, Minnesota to Comus, Minnesota¹; and from Davis Junction, Illinois through Rockford, Illinois and Beloit, Wisconsin to Janesville, Wisconsin. See Map Exhibit 1 to this Application. Several portions of IC&E's routes consist of trackage rights over other carriers, including Pingree Grove, Illinois to Chicago; River Junction, Minnesota to Minneapolis/St. Paul; and lines in the Quad Cities area.

¹ The Mason City-Comus route is currently in service only as far north as Faribault, Minnesota. IC&E's line from Faribault to Comus, as well as IC&E's trackage rights over Soo Line Railroad Company, d/b/a Canadian Pacific Railway ("CP") from Comus to Rosemount, Minnesota, are not currently in use.

IC&E's principal terminal is located at Davenport (Nahant), Iowa; other terminals are located at Ottumwa, Muscatine, Marquette and Mason City, Iowa and Savanna and Davis Junction, Illinois. The principal interchange points between IC&E and other railroads are located at Chicago, Kansas City, Minneapolis/St. Paul, Clinton and Ottumwa, Iowa and the Quad Cities. IC&E does not currently interchange traffic with DM&E, and has no means to directly do so. While the lines of IC&E and DM&E cross at grade at Owatonna, Minnesota, paper barrier restrictions on DM&E (discussed further below) currently preclude any meaningful connection or exchange of traffic at that location. DM&E operates on overhead trackage rights through or to Albert Lea, Minnesota and Mason City, Iowa, both points served by IC&E; similarly, IC&E operates on overhead trackage rights through Winona and Minnesota City, Minnesota, both points served by DM&E. In all four of these instances, no interchange is possible because of the limited, overhead nature of the trackage rights held by either IC&E or DM&E at these locations.²

IC&E operates ten daily scheduled manifest through trains between significant termini on its system, encompassing a train in each direction between the following points:

Chicago (Bensenville) - Kansas City
St. Paul - Kansas City
Kansas City - Davenport (Nahant)
Chicago (Clearing) - Davenport (Nahant)³
Marquette - Mason City

² In actuality, neither DM&E nor IC&E would be able to interchange with the other at Winona -- IC&E because it operates through Winona on overhead trackage rights, DM&E because of further paper barrier restrictions that apply at this location.

³ IC&E expects to begin train operations on August 29, 2002 over the line of the Commuter Rail Division of the Regional Transportation Authority ("Metra") between Pingree Grove and Chicago (Cragin Junction), Illinois pursuant to a temporary detour agreement with Metra and pending further negotiations over IC&E's permanent trackage rights on that line. IC&E will continue to move some traffic to and from Chicago via existing temporary haulage arrangements with other rail carriers. In addition to CP's Bensenville Yard and Clearing Yard (owned by The Belt Railway Company of Chicago), some of these haulage trains have operated to and from Indiana Harbor Belt Railroad Company's Blue Island Yard.

Other significant IC&E through train operations include:

- * A dedicated automobile train six days per week in each direction between St. Paul and Kansas City/Davenport (Nahant).
- * Approximately one daily, loaded coal train between interchanges with BNSF at Ottumwa, Iowa or UP at Clinton, Iowa and on-line power plants at Bettendorf, Fruitland and Muscatine, Iowa
- * 2-4 dedicated grain trains per week between Mason City and Kansas City for interchange to The Kansas City Southern Railway Company ("KCS") and delivery to poultry feeders in Arkansas and Mississippi
- * 3-4 "bypass" trains per week in each direction between Davenport (Nahant) and Kansas City. These trains are pre-blocked for direct interchange to and from KCS without yarding at Kansas City.
- * 5-10 "extra" grain trains per week (depending on the season) between the Corn Lines and Chicago, Kansas City or local points on IC&E.

IC&E operates the following local train assignments, which service on-line industries, conduct interchanges with other rail carriers and act as feeders to IC&E's scheduled manifest through trains:

Kansas City - Polo, Missouri (A.M. & P.M., 5 days/week)
Ottumwa, Iowa (6 days/week)
Davenport (Nahant)-East Moline, Illinois-Eldridge, Iowa (6 days/week)
Davenport (Nahant)-Bettendorf-Clinton, Iowa (daily)
Davenport (Nahant)-Savanna, Illinois (daily)
Davenport (Nahant)-Montpelier, Iowa/IPSCO (A.M. & P.M., daily)
Clinton, Iowa (6 days/week)
Savanna-Davis Junction-Spaulding, Illinois (6 days/week)
Davis Junction-Rockford, Illinois-Beloit, Wisconsin-Janesville, Wisconsin (6 days/week)
Savanna, Illinois-Dubuque, Iowa (6 days/week)
Marquette-Lansing-Clayton, Iowa (6 days/week)
Marquette, Iowa (6 days/week)
Marquette-Dubuque, Iowa (6 days/week)
Marquette-Mason City, Iowa (6 days/week)
Mason City-Spencer, Iowa (6 days/week)
Spencer-Sheldon, Iowa (5 days/week)
Mason City, Iowa-Austin, Minnesota (5 days/week)
Austin-Wells, Minnesota (5 days/week)

Wells-Jackson, Minnesota (5 days/week)
Austin-Owatonna-Faribault, Minnesota (3 days/week)

IC&E also has four daily⁴ switch engine assignments at both Nahant Yard and West Davenport Yard in Davenport, Iowa;⁵ four daily switch engine assignments at Muscatine, Iowa; five daily switch engine assignments at Knoche Yard (also known as the "Joint Agency") in Kansas City; and two daily switch engine assignments at Mason City, Iowa.

B. DM&E

DM&E owns or operates approximately 1103 route miles of rail lines, consisting of approximately 720 route miles of main line and approximately 383 route miles of branch lines. DM&E's main line extends from Colony/Bentonite, Wyoming through Rapid City, South Dakota to Winona, Minnesota. Branch lines extend off of this main stem to reach Crawford and Chadron, Nebraska; Onida, South Dakota; Aberdeen and Mansfield, South Dakota; and Hartland, Minnesota. See Map Exhibit 1 to this Application. DM&E operates on overhead trackage rights over UP between Hartland and Mason City, Iowa in order to interchange traffic with UP at Mason City. Via the UP Hartland-Mason City trackage rights, DM&E also can conduct tightly restricted interchange with Cedar River Railroad Company ("CEDR", a subsidiary of Canadian National) at Glenville, Minnesota and with Iowa Northern Railway Company ("IANR") at Manly, Iowa. DM&E cannot conduct interchange with IC&E at Albert Lea, Minnesota or Mason City, two locations where IC&E-owned lines cross the UP Hartland-Mason City line over which DM&E has trackage rights.

⁴ "Daily" in this context means assignments that are scheduled to operate five, six or seven days per week.

⁵ West Davenport Yard handles mostly local traffic for industries in the Quad Cities area, while Nahant Yard handles switching and classification of IC&E through traffic as well as some local industry work.

Several short, integral segments of DM&E's Rapid City-Winona main line -- in Mankato, Owatonna and Winona -- continue to be owned by UP, the successor to the railroad from which DM&E acquired its initial lines in 1986. At Owatonna, DM&E conducts all rail operations over this isolated "island" segment pursuant to trackage rights. That retained "island" serves no functional or operational purpose for UP -- UP has no track connections to its retained 2.4-mile segment (which is part of DM&E's main line through the city) and would have difficulty conducting operations on the segment even if wanted to. The retained segments and related DM&E trackage rights, however, are the basis for paper barriers dating from DM&E's inception in 1986 that limit DM&E's ability to interchange with carriers other than UP. Thus, at Owatonna, while the lines of DM&E and IC&E cross at grade and a physical connection exists, DM&E's existing trackage rights on the UP-owned island through Owatonna (on which the IC&E crossing is located) prohibit any meaningful interchange of traffic between DM&E and IC&E.

In addition to the interchanges mentioned above, DM&E also interchanges traffic with UP at Winona and Mankato, Minnesota; with CP at Minnesota City, Minnesota; with BNSF at Crawford, Nebraska and Aberdeen, Redfield and Wolsey/Huron, South Dakota; and with Nebkota Railway, Inc. at Chadron, Nebraska. DM&E's principal terminals are located at Waseca and Tracy, Minnesota and Huron, Pierre and Rapid City, South Dakota.

DM&E currently operates a daily scheduled through train in each direction along the length of its main line between Belle Fourche, South Dakota and Winona, Minnesota. DM&E has regularly scheduled local train assignments based in Rochester, Minnesota (working east to Winona 2-3 days per week and west to Waseca 2-3 days per week); in Tracy, Minnesota (working

to Waseca and back six days per week);⁶ in Brookings, South Dakota (working east to Tracy and west to Huron, South Dakota six days per week); in Rapid City, South Dakota (working south to Crawford, Nebraska and, as needed, Chadron, Nebraska 2-3 times per week); and in Belle Fourche, South Dakota (working west to Bentonite (Colony), Wyoming six days per week). A local freight assignment based in Waseca, Minnesota provides service between two and six days per week (depending on traffic demand) on DM&E's line between Waseca and Hartland, Minnesota, and will continue on as needed to Mason City via trackage rights on UP to interchange traffic with UP. To the extent that DM&E has any traffic for its restricted interchanges with CEDR at Glenville and IANR at Manly, this traffic will be handled in DM&E's Waseca-based local freight as well.

DM&E operates two daily scheduled switching assignments at its yards in Waseca and Huron, and two scheduled switching assignments 5-6 days per week at its yard in Rapid City. The pattern and frequency of other trains operations on DM&E vary with the seasonal and annual harvest fluctuations for the agricultural commodities that DM&E handles. Unit grain train "extras" and local trains to disperse and collect covered hopper cars from elevators along DM&E's lines are called as necessary. Especially during seasonal peaks, these non-scheduled trains will outnumber scheduled trains on DM&E's lines. DM&E serves a primarily wheat-producing territory in South Dakota, and a primarily corn and soybean-growing area in southern Minnesota. Grain trains generally move eastward on DM&E's line to interchanges at Mankato, Mason City or Minnesota City or to Mississippi River barge terminals. While corn and soybean traffic moves to these locations as well, significant volumes of this traffic also move west to the Pacific Northwest via interchange with the BNSF at Wolsey, South Dakota.

⁶ When needed on a seasonal basis, DM&E also will operate a local New Ulm-Waseca turn up to six days per week. New Ulm is located between Waseca and Tracy.

2. Operations After Consummation of the Proposed Transaction

Operating changes following common control of DM&E and IC&E are expected to be minimal. Operations on DM&E and IC&E will continue as at present except that some of DM&E's existing overhead train movements on UP's line between Hartland, Minnesota and Mason City, Iowa will be shifted to IC&E's parallel rail line between Owatonna, Minnesota and Mason City. As indicated above, DM&E currently operates local train assignments from DM&E's Waseca yard south on the DM&E-owned line to Hartland, Minnesota and then via UP trackage rights to Mason City. These trains operate two to six days per week, and interchange traffic with UP at Mason City and (on a restricted basis) with CEDR and IANR at Glenville and Manly, respectively.

Pursuant to the terminal trackage rights which are the subject of the application filed herewith in Finance Docket No. 34178 (Sub-No. 1) and the trackage rights which are the subject of the notice of exemption filed herewith in Finance Docket No. 34178 (Sub-No. 2), these existing train assignments will now be able to operate eastward from Waseca to Owatonna, Minnesota on DM&E's main line, and then south on IC&E's line from Owatonna to Mason City. DM&E will interchange traffic with UP at Mason City as before, but now also will be able -- for the first time -- to directly interchange traffic with IC&E at Mason City.⁷ The new operating pattern also will permit DM&E to conduct direct unrestricted interchange with CEDR and IANR at Lyle, Minnesota and Plymouth Junction, Iowa, respectively.⁸ The new trackage rights on IC&E's Owatonna-Mason City line will supplement rather than supplant DM&E's existing trackage rights on UP's Hartland-

⁷ DM&E and IC&E also can interchange traffic at Austin, Minnesota, an intermediate point on IC&E's Owatonna-Mason City line that has some yard track facilities. DM&E and IC&E do not currently intend to conduct interchange at Owatonna, where existing track configurations would not easily accommodate interchange operations.

⁸ As explained further below, DM&E also is obtaining related overhead trackage rights over IANR's line between Plymouth Junction and Nora Springs, Iowa. DM&E thus may also conduct interchange with IANR at Nora Springs.

Mason City line, and DM&E expects that it will continue to operate on the UP trackage rights route as operating conditions warrant. DM&E also will continue to provide local rail service as needed on its rail line between Waseca and Hartland.

The net result of this new operating alternative will be to slightly decrease the amount of traffic moving over DM&E's Waseca-Hartland line and UP's Hartland-Mason City line, and to slightly increase the amount of traffic moving over DM&E's Waseca-Owatonna line and IC&E's Owatonna-Mason City line. A portion of DM&E's existing trackage rights route on UP -- from Albert Lea, Minnesota to Mason City -- is on UP's busy "Spine Line" between the Twin Cities and Kansas City, and DM&E believes that the removal of as many of its trains as possible from that congested UP corridor will be beneficial for both parties. Operating to Mason City via IC&E's line rather than UP's line will not affect transit times or existing DM&E crew assignments, and will not by itself require any changes in service frequency or schedules.

As discussed in the Application and in the verified statements of Lynn A. Anderson and Charles E. Lamberton, Applicants expect DM&E-IC&E common control to generate approximately 9850 additional carloads of traffic on the combined system annually, an increase of approximately 4.4% over existing traffic levels. Applicants expect that nearly all of this additional traffic can be handled in existing DM&E and IC&E schedule train service. Because all of this new traffic will be interchanged between DM&E and IC&E, DM&E's existing Waseca-Mason City local train assignment, which in the past has operated anywhere from two to six days per week, may more commonly operate in the upper end of that range. Particularly during grain season, DM&E and IC&E also may operate extra grain trains over the Owatonna gateway. These trains would likely operate via DM&E's new trackage rights on IC&E to Plymouth Junction, Iowa, and then via DM&E's new trackage rights on IANR to Nora Springs, Iowa, where the train would be

interchanged to IC&E. This route has the advantage of bypassing Mason City and placing the train in an eastbound direction on IC&E's Mason City-Marquette line at Nora Springs, and thus ready for movement to the Chicago or Kansas City gateways or other destinations. Trains that move south on IC&E's line from Owatonna directly into IC&E's Mason City yard end up facing west on IC&E's east-west line across northern Iowa, and require additional switching before they can move eastward to Marquette and points beyond.

Existing IC&E service on the Owatonna-Mason City (a daily local turn from Mason City to Austin and a 3 day/week turn from Austin through Owatonna to Faribault, plus occasional extra grain trains) will not be adversely affected by the proposed DM&E trackage rights operations on the line. In connection with the proposed common control, IC&E plans within the next year to upgrade the Austin-Owatonna segment of its Owatonna-Mason City line. That segment is currently in poor condition, with track speeds generally limited to 10 miles per hour. The contemplated \$3 million rehabilitation project will increase maximum speeds to 25 miles per hour and will benefit the train operations of both DM&E and IC&E.

No other changes in operations are contemplated as a result of the proposed DM&E-IC&E common control.

EXISTING AND PROPOSED DENSITY

2001 density data for DM&E and IMRL (IC&E's predecessor) are attached as Appendices A and B. The only line on which the proposed control transaction would result in new joint line operations by DM&E and IC&E is IC&E's line between Mason City and Owatonna. In 2001, that line handled 2.46 million gross ton miles per route mile ("GTM") on the segment between Mason City and Ramsey, Minnesota, and 0.06 million GTM on the segment north of Ramsey. Following consummation of common control of DM&E and IC&E, this line is expected

to handle 5.05 million GTM on the segment between Mason City and Ramsey and 2.71 million GTM on the segment north of Ramsey.

The only line over which DM&E and IC&E jointly operate today is a short segment of CPR main line between Minnesota City and Winona, Minnesota. Both DM&E and IC&E operate on this segment pursuant to overhead trackage rights. Traffic density on this CP line is not expected to increase as a result of the proposed control transaction.

IMPACTS ON COMMUTER AND PASSENGER OPERATIONS

The proposed control transaction will not result in any adverse impact on commuter or other passenger service. No Amtrak, commuter or other passenger service is conducted over any portion of the lines owned by DM&E and IC&E. Amtrak currently operates two daily intercity passenger trains (one in each direction) over CP's rail line between River Junction, Minnesota and the Twin Cities. IC&E operates on this CP line pursuant to overhead trackage rights, and DM&E also has trackage rights on a short segment of the line between Minnesota City and Winona, Minnesota. The proposed control transaction will result in no increase in DM&E/IC&E traffic or train operations on this CP line.

IC&E's primary route into Chicago is via trackage rights over a Metra rail line between Pingree Grove and Cragin Junction, Illinois.⁹ Metra, the Chicago commuter rail authority, operates approximately 58 commuter trains each weekday (fewer on weekends) over all or a portion of the Cragin Junction-Pingree Grove line, and IC&E's existing operational schedule calls for a total of six daily train movements over the line. As a result of the DM&E-IC&E common control transaction, approximately 7,000 new annual carloads of traffic -- or 19 cars per day -- will

⁹ As indicated above, IC&E expects to shortly begin operations over Metra's line to and from Chicago pursuant to a temporary detour agreement with Metra pending further negotiations with Metra and CP.

be added to IC&E's operations to and from the Chicago terminal. This minor additional traffic can easily be handled in IC&E's existing train schedules, and will not have any adverse impact on Metra commuter operations on the Pingree Grove-Cragin Junction line. In addition, the small amount of new traffic that IC&E will be handling into the Chicago gateway will in all instances be diverted from existing UP and CP routes into Chicago -- routes which themselves have extensive Metra commuter operations (and, in some instances, Amtrak operations as well).

OPERATING ECONOMIES

The proposed common control of DM&E and IC&E is an entirely end-to-end transaction, and does not involve the elimination or rationalization of duplicative lines, terminals, yards or other unnecessary facilities. Nonetheless, the transaction presents significant opportunities to realize operating economies and efficiencies, particularly with respect to locomotive and car fleet management. Applicants have not attempted to precisely quantify these benefits, which (especially with respect to equipment utilization) may vary greatly from year to year depending on agricultural conditions. Yet it is clear that a combined DM&E-IC&E rail system will have a greater ability to meet the transportation needs of its customers in a cost-effective and efficient manner.

Data on the existing DM&E and IC&E car fleets is attached as Appendix C. Both fleets show the unique importance of agricultural commodities to both IC&E and DM&E. Coordinated management and dispatching of this combined car fleet will allow DM&E and IC&E to better assure that equipment is available when and where it is needed most. For example, the primary wheat transportation season on DM&E's lines in South Dakota is in July and early August, while the primary corn and soybean transportation season on IC&E's lines across northern Iowa and southern Minnesota is during September and October. In years with large harvests and strained transportation capacity, a combined DM&E-IC&E will have larger

equipment resources and an enhanced capacity to respond to the particularized needs of shippers throughout the rail system. DM&E and IC&E have no means to effectively coordinate their car fleets today, since they cannot directly move cars between each other. Repositioning a DM&E car on IC&E (or vice versa) requires interchanging the empty car to a third carrier (most likely CP or UP) and paying a transportation charge for the movement. Upon common control and approval of the related terminal trackage rights application, Applicants can manage the combined car fleet for the mutual benefit of shippers on both IC&E and DM&E.

Data on the current locomotive fleets of DM&E and IC&E is attached as Appendix D. Here again, a combined DM&E-IC&E will be better able to match motive power needs with motive power supply, and to ensure that shippers' transportation needs are met without wasting money on redundant locomotives or unnecessary short-term locomotive leases with third parties.

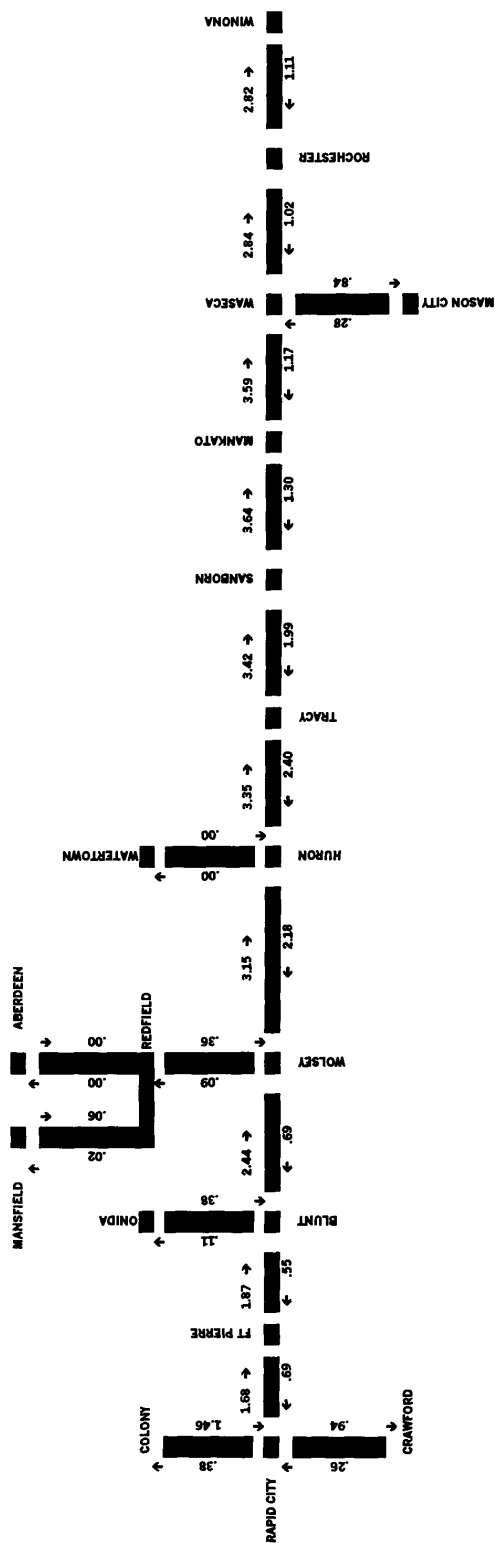
Applicants anticipate other benefits as a result of common control, including increased purchasing power arising from a consolidated procurement function, the cross-adoption of "best practices" on IC&E and DM&E, cost efficiencies from coordinated rail service and improved transit times, and a potential reduction in trackage rights fees paid to UP for operations over UP's Hartland-Mason City line. See also Verified Statement of Kevin V. Schieffer, attached hereto.

ANTICIPATED DISCONTINUANCES OR ABANDONMENTS

No abandonments or discontinuances are anticipated in connection with or as a result of the proposed transaction. As indicated above, certain overhead DM&E train operations between Waseca, Minnesota and Mason City, Iowa that currently move in part over DM&E's Waseca-Hartland, Minnesota line may be rerouted in whole or in part via Owatonna and IC&E's

line to Mason City. DM&E will continue, however, to provide service to local shippers on the Hartland line out of Waseca, and has no plans to abandon or downgrade service on the line.

DM&E/IC&E OPERATING PLAN APPENDIX A



**DM&E/IC&E OPERATING PLAN
APPENDIX B**

**Gross Ton Miles
2001
By Line Segment (excluding UP Haulage)**

<u>Segment</u>	<u>Station</u>	<u>Miles</u>	<u>Gross TONS</u>	<u>Gross Ton Miles</u>	<u>Gross Ton Miles/Miles</u>	<u># of Miles</u>
A	Chicago Clearing to Pingree Grove	2,607,396	6,876,811	187,696,450	4,080,358	46
B	Pingree Grove to Davis Jct	4,693,363	7,035,567	329,577,587	8,673,094	38
C	Davis Jct to Sabula	6,078,895	7,274,827	427,119,680	6,779,677	63
D	Sabula to Clinton	2,837,012	12,376,838	206,591,379	12,152,434	17
E	Clinton to Muscatine	10,488,390	15,602,703	733,424,571	12,023,354	61
F	Muscatine to Seymour	23,258,668	14,497,615	1,655,426,580	12,636,844	131
G	Seymour to Polo	16,910,446	11,361,455	1,182,937,512	11,159,788	106
H	Polo to Kansas City	6,571,644	11,832,835	462,520,346	8,565,192	54
I	Davis Jct to Janesville	154,320	488,675	12,715,489	282,566	45
J	Davenport to Eldridge	5,945	50,826	478,552	47,855	10
K	Davenport to Albany	73,803	372,933	5,754,220	169,242	34
L	Samoa to Marquette	12,457,211	9,736,437	914,315,854	9,329,754	98
M	Marquette to River Junction	4,446,811	4,820,106	301,974,252	4,793,242	63
N	Marquette to Mason City	7,503,835	6,212,262	605,897,372	5,178,610	117
O	Mason City to Sheldon	2,227,159	2,576,866	179,458,238	1,309,914	137
P	Mason City to Ramsey	1,325,680	2,704,651	105,739,380	2,459,055	43
Q	Ramsey to Northfield	45,116	306,377	3,641,877	61,727	59
R	Ramsey to Jackson	1,544,982	1,993,639	123,525,592	1,165,336	106
S	Wells to Minnesota Lake	9,315	87,184	750,473	83,386	9
T	Davenport to Silvis	182	30,429	30,429	30,429	1
V	River Junction to Minneapolis IMS	8,299,834	4,519,141	549,266,709	3,951,559	139
		<u>111,540,007</u>	<u>120,758,177</u>	<u>7,988,842,542</u>	<u>104,933,416</u>	<u>1377</u>

DM&E/IC&E OPERATING PLAN
APPENDIX C

Dakota, Minnesota & Eastern Railroad Corporation
Freight Car Fleet

<u>Type</u>	<u>Number</u>
Covered hoppers (grain and grain products)	3086
Covered hoppers (bentonite clay)	688
Covered hoppers (cement)	325
Open top hoppers	246
Boxcars	368
Gondolas	200
Flatcars	12
Company material cars	87
<u>Total:</u>	5012

Iowa, Chicago & Eastern Railroad Corporation
Freight Car Fleet

<u>Type</u>	<u>Number</u>
Covered hoppers (grain and grain products)	2071
Covered hoppers (cement)	100
Open top hoppers	118
Boxcars	140
Gondolas	697
Bulkhead flatcars	51
Company material cars	120
<u>Total:</u>	3297

DM&E/IC&E OPERATING PLAN
APPENDIX D

Dakota, Minnesota & Eastern Railroad Corporation
Locomotive Fleet

<u>Type</u>	<u>Number</u>
SD40-3	36
SD40-2	11
SD-10	1
GP40-3	7
GP-38	6
<u>Total:</u>	61

Iowa, Chicago & Eastern Railroad Corporation
Locomotive Fleet

<u>Type</u>	<u>Number</u>	<u>Notes</u>
SD40-2	60	Six-twelve month lease
GP40-2	25	Currently being delivered
GP-38	4	Leased from DM&E
SD40-3	3	From IMRL
SW1200Gondolas	5	From IMRL; to be disposed
GP-7	1	From IMRL; to be disposed
GP-9	18	From IMRL, to be disposed
SD-9	7	From IMRL, to be disposed
SD-40	18	From IMRL, to be disposed
SD-45	2	From IMRL, to be disposed
<u>Total:</u>	143	

**VERIFIED STATEMENT
OF
KEVIN V. SCHIEFFER**

My name is Kevin V. Schieffer. I am President and Chief Executive Officer of Dakota, Minnesota & Eastern Railroad Corporation ("DM&E"), and have served in that capacity since 1996. I am also President and Chief Executive Officer of DM&E's wholly-owned subsidiary, Cedar American Rail Holdings, Inc. ("Cedar American"), and have served in that capacity since Cedar American's inception earlier this year.

Through a variety of positions, I have been intimately involved with the creation and development of DM&E and its affiliates for approximately 20 years. While working for South Dakota Senator Larry Pressler from 1982 to 1991, I became familiar with the line that is now the DM&E when in 1983 the line's former owner, the Chicago and North Western Transportation Company ("C&NW"), sought to abandon a 170-mile segment of the line in western South Dakota. At the direction of the Senator, I worked closely with shippers and towns along the line who were opposed to the abandonment, and took an active role at the former Interstate Commerce Commission ("ICC") in working to prevent the abandonment. After a favorable ICC ruling, we negotiated a cooperative agreement with the C&NW to develop a short-line railroad to purchase and operate the lines C&NW did not want as an alternative to abandonment. On the Senator's behalf, I remained active in assisting DM&E on a variety of issues during its start-up years, particularly relating to the C&NW relationship and fundamental DM&E viability concerns. In that capacity, I was very familiar with major strategic concerns and goals of the DM&E.

From 1991 until 1993 I served as U.S. Attorney for the District of South Dakota. In 1993 I founded a law firm in Sioux Falls, South Dakota and DM&E soon became one of the

firm's clients. That relationship evolved into my becoming general counsel for DM&E. I continued in that position until 1996, when I was named President & CEO of DM&E. While serving as DM&E's legal counsel, I led negotiations with C&NW in 1993 that resulted in a restructuring of DM&E, and renegotiated a car supply agreement that allowed DM&E to create its own independent fleet of freight cars. In 1995 I led negotiations with C&NW's successor, Union Pacific Railroad Company ("UP"), for the successful acquisition by DM&E of the 203-mile "Colony Line" in western South Dakota, Nebraska and Wyoming.

As President of DM&E, I was heavily involved with the strategic planning and negotiations in DM&E's first (and unsuccessful) attempt to acquire the lines that today comprise the Iowa, Chicago & Eastern Railroad Corporation ("IC&E"). In the course of those efforts, I negotiated with officials of I&M Rail Link, LLC ("IMRL") for various access and trackage rights over and marketing arrangements with IMRL, and initiated what were ultimately unsuccessful acquisition talks with IMRL in late 1999/early 2000. In February, 2001, we received a formal invitation to participate in a bidding process relative to the sale of IMRL. I directed and was intimately involved with putting together the package that ultimately led to the acquisition of IMRL's assets by IC&E, a transaction which closed on July 29, 2002. In all of the capacities outlined above (with the exception of my service as U.S. Attorney), I was intimately involved in the development of and long term strategic planning for DM&E. The purpose of this statement is to provide background to the Board as to the considerations that went into the IMRL acquisition, and plans for the combined entities once common control is granted.

To comprehend fully where we are today, it is important to understand DM&E's history. DM&E began operations in September of 1986, when it acquired approximately 1000 miles of lines from C&NW. Since that time, DM&E has experienced significant growth.

Carloadings have grown from a little over 40,000 in the first full year of operation to over 65,000 in 2001. Revenues have grown from a little over \$23,000,000 in 1987 to over \$60,000,000 in 2001. Employment on DM&E has increased from 130 to 350 people. Whereas DM&E had no freight cars of its own during its first years of operation, it currently has a fleet of over 5,000 cars. DM&E's locomotive fleet has grown from 37 to 65 units, which are newer and higher horsepower locomotives. The tonnage handled over the railroad has more than doubled in the past 15 years. The DM&E itself has invested over \$130 million in capital projects on its trackage infrastructure, including over \$25 million to replace 94 miles of old 72-pound jointed rail with new 115-pound continuous welded rail between Pierre and Wessington, South Dakota in 1996. DM&E's customers have likewise invested tens of millions of dollars in facilities that allow them to use or expand their usage of DM&E's rail services. These customer investments have included expanding loading tracks, adding storage facilities, adding scales, increasing the speed of loading systems, as well as building new fertilizer facilities and corn and soybean processing plants. These substantial long-term investments by DM&E's customers have been made in response to DM&E's own investments in its infrastructure, locomotives and rolling stock, coupled with its service improvements and marketing initiatives -- all of which have demonstrated DM&E's commitment to providing cost effective, competitive transportation service to its customers.

Like many short-line railroads, DM&E was created as a step-child to the former Class I owner of its lines. From its early infancy, DM&E's goal has been to develop greater independence and expand competitive market opportunities for our customers. When we first began operations, we were closely tied to C&NW through a series of restrictive agreements that included: (a) DM&E being almost totally dependent on C&NW for freight car supply and being

required to utilize C&NW rail cars for a very large percentage of DM&E originations; (b) C&NW retaining ownership of "rail islands" anywhere the track sold to DM&E intersected with foreign carriers that were viewed by C&NW as competitors (such as at Owatonna, Minnesota); (c) C&NW retaining ownership of the "Colony Line", which originated a substantial portion of DM&E's traffic thus leaving DM&E extremely dependent on C&NW for originations as well as terminations; and (d) C&NW prohibiting interchange with other rail carriers at common point terminals (such as Mason City, Iowa and Winona, Minnesota). From the beginning of its existence, DM&E has worked to eliminate these barriers and become more competitive and better able to provide expanded market opportunities for its customers. We have found creative ways to gradually increase limited competitive alternatives. These include achieving successful access to barge services on the Mississippi River in the late 1980s, opening up a limited interchange at Minnesota City, Minnesota with the Canadian Pacific Railway in the early 1990s, acquiring the Colony Line from UP in the mid-1990s, and gradually building our own independent car fleet from zero to over 5,000 cars today. The IC&E control case is, in essence, largely a continuation of DM&E's longstanding strategy of seeking additional competitive alternatives and greater market independence.

We believe this case presents a unique opportunity for the Board to significantly advance rail competition throughout the upper Midwest. It will allow for the transformation of a formerly completely dependent railroad into a truly viable, competitive origin to destination rail system. The 1996 acquisition of the Colony Line transformed DM&E from an "overhead" carrier to an originating carrier. That acquisition was very successful for DM&E, and included benefits not initially anticipated or easily quantifiable. For example, simply knowing when trains will arrive or being able to reliably plan with the customer for movements to be made days

or weeks in advance has greatly improved service and efficiency. Notwithstanding the benefits of the Colony acquisition, however, DM&E remained fundamentally a "feeder line" railroad -- dependent on Class Is to get to the ultimate termination or gateway. The common control of DM&E and IC&E will transform that "feeder line" into a true "origin to destination" carrier, with the ability to provide more meaningful competition throughout the combined service area of both railroads.

The combination of DM&E and IC&E will create a railroad system of approximately 2,500 route miles operating throughout nine Midwestern states (Iowa, South Dakota, Nebraska, Wyoming, Minnesota, Illinois, Wisconsin, Missouri and Kansas). The combined DM&E and IC&E will be large enough to be an effective and competitive force through its expanded service region. Historically, the trend in the past twenty years has been for regional and short-line railroads to spin-off from their Class I "parents" as an alternative to abandonment. This combination will actually provide new competition vis-a-vis the ever-shrinking number of Class I railroads by bringing together two strategically positioned major regional railroads whose geography and product mix complement each other and provide unique opportunities for customers on each line.

Critical to this concept of enhanced competition for both systems after common control is the terminal trackage rights application seeking trackage rights over certain UP terminal trackage at Owatonna, Minnesota. For a variety of reasons, it is important to immediately eliminate the "paper barrier" currently in place restricting DM&E's use of the existing connection between the two railroads at Owatonna. The terminal trackage rights appear to us to be the simplest and most efficient means of establishing a direct connection and interchange between DM&E and IC&E. It also would make possible -- via the trackage rights

over IC&E contemplated in the related notice of exemption -- the establishment of direct unrestricted interchanges between DM&E and Cedar River Railroad Company (a subsidiary of Canadian National) at Lyle, Minnesota and with the Iowa Northern Railway at Plymouth Junction/Nora Springs, Iowa. Not only would this enhance competition immediately, but it would also achieve that result in the most efficient and least obtrusive manner for the railroads and the affected community of Owatonna. While DM&E has received authority to build a new connection at Owatonna as part of its Powder River Basin construction project, that authority requires further subdividing the community of Owatonna. As both DM&E and the community of Owatonna earlier represented to the Board -- and as the Board's Section of Environmental Analysis expressly determined -- utilizing the existing connection would be far preferable to building several miles of connecting track in other developed areas of that community. The requested competitive relief at Owatonna, if granted by the Board, would obviate the need for construction of new lines in Owatonna in the future, and immediately enhance rail competition today.

DM&E has for many years had an ongoing strategic interest in the lines that now constitute IC&E. Contrary to what some may believe, that interest predates and is independent of DM&E's plan to construct a rail line into the Powder River Basin in Wyoming (the "PRB Project"). To be sure, the proposed transaction will protect and ensure the competitive and marketing benefits to be derived from the PRB Project. But DM&E's interest in the IC&E lines developed from a freestanding desire to reach new markets and develop enhanced competitive independence for a significant new rail carrier in the Midwest. This combination does for existing DM&E customers and IC&E customers the same thing it does for future utility customers following PRB Project implementation: It gives them (a) new access to new markets

not available to them today (e.g., DM&E grain to Iowa processors and the potential for IC&E grain movements to the Pacific Northwest); (b) additional competitive rail routings from which to choose; (c) faster service through seamless operation from origin to destination (rather than limited "feeder line service" or an "overhead connection"); (d) improved service reliability and greater predictability because of coordinated operations and open communication/information (e.g., daily operational changes, and advance planning ability); and (e) new marketing opportunities that can be efficiently accomplished with a single system move that can be an effective alternative to Class Is, and the ability for direct decision-making in negotiations. The list goes on. But the point is that this combination makes sense for the customers of the two railroads as they exist today, independent of future projects.

DM&E has long sought additional market reach for its customers -- particularly into Chicago. When CP announced its intentions to spin off part of its lines in 1996, DM&E worked aggressively to put together a competitive package because of the strategic importance we placed on creating new competitive alternatives and greater marketing flexibility for our customers. While that effort was unsuccessful then, the analyses and diligence work involved convinced us of the correctness of this approach and the competitive strength that the combination of these systems working together would achieve throughout the Midwest. Following our failed initial attempt to acquire this line, we approached the successful bidders (IMRL) shortly after their operational start-up in the late 1990s to explore various partnering opportunities. The primary focus of those discussions was on grain and other existing traffic. Future coal traffic opportunities were also developed.

IMRL was early identified in our PRB application and subsequent submissions to the STB. It was then and always has been an important connection for the PRB Project. Indeed,

part of our application then consisted of seeking construction authority to build a connection in Owatonna for the specific purpose of interchanging traffic between DM&E and IMRL. But then, as now, it is impossible to estimate with reasonable certainty what the ultimate traffic flows may be, as is the case with most other connections where PRB traffic is expected to flow north or south off of the east-west DM&E mainline. Whatever those traffic opportunities are to be, we do not anticipate that they would be materially impacted by IC&E's acquisition of the IMRL lines or the common control of IC&E and DM&E. The original modeling done on the PRB Project contemplated an agreed upon power of attorney authority for DM&E to quote rates over the IMRL, and trackage rights that would have allowed DM&E to run on IMRL tracks. Any additional control provided by ownership or common control would not materially change the degree of flexibility and marketing authority we initially assumed relative to the PRB Project in our initial PRB planning as set forth before the STB. In short, while the PRB Project economics may be enhanced by common control due to capturing added linehaul revenue, the traffic flows resulting from the PRB Project (on or off the IC&E line) are not expected to be materially affected by either IC&E's acquisition of the IMRL lines or the common control of IC&E and DM&E.

Operating these lines under common control will help provide new and seamless service for existing customers on both DM&E and IC&E to get to new markets they cannot reach today. Today, on a map, DM&E and IC&E routes intersect at Winona, Minnesota City, Owatonna and Albert Lea, Minnesota and Mason City, Iowa, but the two railroads do not interchange traffic at any location. One reason for this is because of anti-competitive paper barriers that have been in place since the initial 1986 DM&E acquisition. Opening a direct connection between DM&E and IC&E with the ability to directly interchange traffic without

restrictions, as sought in the related terminal trackage rights application, would provide new opportunities for shippers on both railroads. For example, IC&E customers would for the first time have competitive access not only to terminations on the DM&E, but potentially to the Pacific Northwest export markets and elsewhere. For DM&E customers, they would for the first time have effective direct access to key grain processing facilities on the IC&E line, and to the important Chicago and Kansas City gateway markets.

Common control of these lines will also allow for significant benefits to be realized through more efficient fleet management of the combined freight car and locomotive fleets. DM&E's current freight car fleet is 5,012 cars. IC&E's freight car fleet is 3,297 cars. DM&E's locomotive fleet today consists of 61 units. IC&E's permanent locomotive fleet is expected to consist of 92 units. Both the freight car and locomotive fleets consist of a variety of specialty and specific purpose units and others that can serve multiple purposes. As summarized below, the combined entity would have a considerably larger fleet to manage:

5,012 DM&E Cars	61 DM&E Locomotives
<u>3,297 IC&E Cars</u>	<u>92 IC&E Locomotives (planned)</u>
8,309 Combined Cars	153 Combined Locomotives

This greater critical mass for both freight cars and locomotives provides much more flexibility and efficiency given the close proximity of these two railroads. Because of different harvest season peaks and commodity mixes experienced by the two railroads, that efficiency can be maximized through the efficient common control of both railroads.

The proposed transaction is distinguished from many common control cases in that while there are significant public benefits from the combination, there will be no reduction in competition whatsoever. No rail shippers will lose service as a result of common control. No

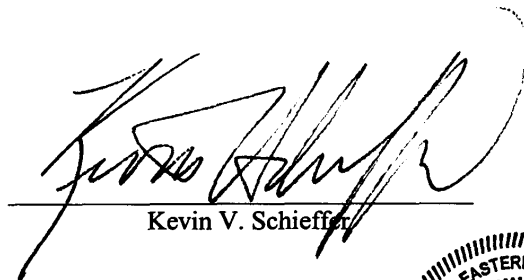
shipper will experience any reduction in competition in or to any market. We are aware of no case where, on the combined system, any customer on either the IC&E or the DM&E is disadvantaged as a result of common control. The vast majority will see **increased** competition. If a shipper affected by the transaction has any concerns with the transaction, we are more than willing to meet with them to address those concerns. For example, we have had discussions, and plan to meet in the next few weeks, with representatives of Mid American Energy, the operator of electric power plants on IC&E at Fruitland and Bettendorf, Iowa to discuss the proposed transaction and certain concerns they have expressed to us. As a result of the ongoing productive dialog between us, I expect that we will be able to address their concerns to their satisfaction.

We are confident that the Board will find this transaction to be overwhelmingly pro-competitive, and that it has tremendous potential to enhance competition throughout the Midwest. We are hopeful the Board will act swiftly to ensure these benefits are realized as soon as practicable.

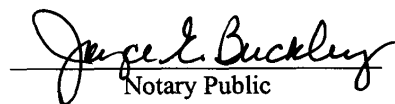
VERIFICATION

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County of Brookings) SS:

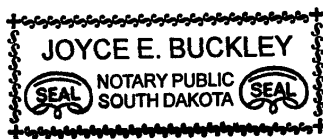
Kevin V. Schieffer, being duly sworn, deposes and says that he is President and Chief Executive Officer of Dakota, Minnesota & Eastern Railroad Corporation, that he has read the foregoing statement and knows the facts asserted therein, and that the same are true as stated.


Kevin V. Schieffer

SUBSCRIBED AND SWORN TO
before me this 21st day
of August, 2002.


Notary Public

My Commission expires: 5-5-08



**VERIFIED STATEMENT
OF
LYNN A. ANDERSON**

My name is Lynn A. Anderson. I am Vice President Marketing and Corporate Secretary of the Dakota, Minnesota & Eastern Railroad Corporation ("DM&E"). My primary duties include the marketing, pricing, and sales areas of the DM&E. I have over 31 years of experience in the railroad industry, including over 15 years with the Chicago and North Western Transportation Company in a variety of marketing and pricing positions, including General Manager-Grain Marketing and Pricing. I was directly involved in the formation of the DM&E, which began operations on September 5, 1986. I am a graduate of Iowa State University and a past President of the Minnesota Regional Railroad Association. I am a registered practitioner before the Surface Transportation Board. I also serve on several boards, including the South Dakota Chamber of Commerce and Industry, Brookings Municipal Utilities, Brookings Industrial Development Committee, and the South Dakota State University College of Engineering Economic Development Task Force.

I performed an analysis of the impact upon traffic routings that would result from the common control of the DM&E and the Iowa, Chicago & Eastern Railroad ("IC&E"). My analysis focused on the diversion of rail traffic to the combined DM&E/IC&E system. I did not attempt to address changes in rail origin/destination patterns or economic growth considerations. The results of my traffic diversion study were provided to Dr. Charles E. Lamberton for his analysis of the effect of the control transaction on competition.

METHODOLOGY

In conducting the diversion analysis, I utilized 100% waybill data which detailed all traffic for the year 2001 for the DM&E and for I & M Rail Link LLC ("IMRL"), the former

operator of IC&E's lines. The data were subdivided by commodity, Standard Transportation Commodity Code ("STCC"), origin/destination pair, and route. Utilizing this 100% waybill data, I was able to perform a movement-by-movement analysis of the likely traffic diversions to the combined system. My conclusions are based upon my many years of experience as chief marketing officer with the DM&E and as a senior marketing officer for the Chicago & North Western Transportation Company. In my capacity in these positions, I have solicited and competed for this traffic for many years, and have become familiar with the traffic patterns of shipments moving through the territory encompassed by the combined DM&E/IC&E system.

A summary of DM&E and IMRL carloads for year 2001 is attached as Schedule 1. The DM&E carloads in Schedule 1 reflect all movements to, from or via DM&E in year 2001. For the IMRL, the figures in Schedule 1 reflect all year 2001 carloads excluding intermodal and haulage traffic. Due to circumstances which have occurred since year 2001, I believe that the exclusion of this traffic results in a base level of traffic which more accurately represents the traffic IC&E is likely to move. Specifically, with respect to intermodal traffic, on April 18, 2002, the Canadian Pacific Railroad ("CPRS") advised IMRL that it would no longer provide intermodal terminal services to IMRL at Chicago and Minneapolis-St. Paul, effective July 17, 2002. On June 26, 2002, IMRL advised its shippers that it would no longer provide intermodal service. In fact, IMRL had ceased handling intermodal traffic by the time of the sale of its assets to IC&E on July 29, 2002. I am advised that IC&E has no present plans to reinstate this service. Accordingly, the 28,260 intermodal carloads which IMRL moved in 2001 are not included in the base traffic.

With respect to haulage traffic, the circumstances are somewhat similar. In 2001, IMRL hauled 8,855 carloads for CPRS and 131,048 carloads for Union Pacific Railroad ("UP").

The CPRS haulage contract with IMRL, which was assigned to IC&E as part of the sale transaction, is terminable upon 30 days notice. CPRS's proposed contract terms for haulage movements in 2003 and beyond were uneconomic for IMRL and would be uneconomic for IC&E. As such, it is not anticipated that the haulage service for CPRS will continue in 2003 or thereafter. Similarly, over a year ago, UP advised IMRL that it was not satisfied with the service or economics of its haulage arrangements with IMRL for haulage of UP cars between Clinton, Iowa and Kansas City, Missouri. In June of 2002, UP notified IMRL and IC&E that the agreements for haulage of UP cars between Clinton and Kansas City and between Clinton and Chicago would be terminated effective with the sale of assets to IC&E. Accordingly, I excluded the CPRS and UP haulage carloads from the base level of traffic used in my analysis.

ASSUMPTIONS

In performing the traffic diversion analysis, I relied on the following assumptions:

1. The terminal trackage rights application in Finance Docket No. 34178 (Sub-No. 1) would be granted, thus establishing a direct connection between DM&E and IC&E at Owatonna, Minnesota.
2. Traffic originating on DM&E which moves via CPRS or UP to or beyond Chicago, or via UP to or beyond Kansas City, could potentially be diverted to the IC&E.
3. Traffic originating on DM&E and terminating at UP, CPRS, Burlington Northern Santa Fe ("BNSF") or Canadian National ("CN") local points is not likely to be divertible, as the market power of these carriers would prevent them from being short-hauled.
4. DM&E traffic that terminates at Winona, Mason City and Mankato is delivered to UP-locally served industries, and therefore would not be divertible onto IC&E.

5. DM&E westbound traffic would not be diverted onto IC&E as such a diversion would be substantially out of route and therefore illogical.

6. IC&E traffic originating or terminating in the western United States or Canada would not be divertible onto DM&E due to the circuitous nature of the potential routing.

RESULTS

The total traffic interchanged by DM&E and IMRL, on a carrier-by-carrier basis, is attached hereto as Schedules 2 and 3. The overall rail diversion projections are summarized in Schedule 4 attached hereto. I estimate that the combined DM&E/IC&E system will be able to attract approximately \$6 million of additional rail freight revenue as a result of offering improved, single-system service. Of the \$6 million, approximately \$4.3 million would be diverted from the CP totaling 6,124 carloads¹ and \$1.7 million would be diverted from the UP totaling 1,722 carloads. I believe this diversion is likely to occur over a three-year period.²

Finally, DM&E/IC&E will provide grain producers in DM&E territory with single system access to Iowa, Illinois and Missouri processors, Mississippi River barge loading facilities, as well as the gateways of Kansas City and Chicago. As a result, I believe that over a

¹ It should be noted that 549 carloads received by DM&E from CPRS in 2001 were Illinois coal delivered to CPRS at Chicago by the Canadian National and delivered to a power plant at Rochester, Minnesota by the DM&E. Due to a combination of warm weather and the power plant purchasing its power off of the electrical transmission grid, in lieu of producing the power itself, this traffic has dwindled to 9 carloads through July of 2002.

² Although DM&E interchanged traffic in 2001 with BNSF and CN, my analysis predicts no diversion of any traffic from either BNSF or CN. Except for a relative handful of cars (less than 50), all of DM&E's traffic with BNSF is westbound or southbound traffic interchanged at Aberdeen, Wolsey, Huron or Redfield, South Dakota or Crawford, Nebraska. The availability of routes via IC&E would have no bearing on this traffic. Similarly, the traffic currently moving from DM&E to CN moves via Glenville, Minnesota to a point on Cedar River Railroad (a wholly owned subsidiary of CN). This traffic would not be divertible to any IC&E routing. Finally, no traffic in DM&E's account was interchanged to the Iowa Northern at Manly, Iowa in 2001, and consequently, no diversions to IC&E would be anticipated.

three-year period, DM&E can potentially attract up to 2,000 carloads of grain annually which are currently moving via long haul motor carriers. This potential traffic would be converted into short haul truck traffic moving to DM&E for rail movement beyond on the combined DM&E/IC&E system. These diversions from motor carriers could generate up to \$2,000,000 in additional annual revenue for the combined system.

SCHEDULE 1

Carloads Handled by DM&E and IMRL - 2001

<u>STCC</u>	<u>Commodity Description</u>	<u>DM&E</u>	<u>IMRL</u>
		<u>Carloads</u> <u>2001</u>	<u>Carloads</u> <u>2001*</u>
01	Farm products	30,232	37,247
10	Metallic ores	-	44
11	Coal	1,210	36,576
14	Nonmetallic minerals	4,849	1,820
20	Food or kindred products	8,450	23,312
24	Lumber or wood products	2,215	3,239
26	Pulp, paper or allied products	856	6,955
28	Chemicals or allied products	2,064	19,376
29	Petroleum or coal products	15	1,325
32	Clay, concrete, glass or stone products	13,555	6,155
33	Primary metal products	549	9,790
34	Fabricated metal products	-	31
35	Machinery	4	357
36	Electrical machinery	-	14
37	Transportation equipment	5	772
40	Waste or scrap materials	736	12,725
41	Miscellaneous freight	119	28
44	Freight forwarded traffic	-	-
48	Waste hazardous materials	-	18
49	Hazardous materials**	512	-
	Totals	<u>65,371</u>	<u>159,784</u>

* Excluding Intermodal and Haulage traffic

** IMRL did not separately identify the 9991 hazardous materials shipments moved in 2001. That traffic is included in the foregoing carload figures.

SCHEDULE 2
DM&E TRAFFIC BY INTERCHANGE RAILROAD - 2001

<u>RR</u>	<u>FWD</u>	<u>REC</u>	<u>OVERHEAD</u>	<u>Totals</u>
BNSF	21,902	592	-	22,494
CN	326	43	-	369
CPRS	8,555	2,508	-	11,063
UP	<u>22,850</u>	<u>2,541</u>	<u>2,937</u>	<u>28,328</u>
	<u>53,633</u>	<u>5,684</u>	<u>2,937</u>	<u>62,254*</u>

* Does not include local movements on DM&E.

Note: In 2001, DM&E interchanged 166 cars (133 FWD and 33 REC) with Nebkota Railway, Inc. ("Nebkota") via the interchange at Chadron, Nebraska. Nebkota is not a participant in the Interline Settlement System and, accordingly, the movements via Nebkota are shown in DM&E's traffic data as "local" movements and, therefore, are not included in the totals shown above. The availability of IC&E routes would have no bearing on this traffic.

SCHEDULE 3
IMRL TRAFFIC BY INTERCHANGE RAILROAD - 2001

<u>RR</u>	<u>FWD</u>	<u>REC</u>	<u>Totals</u>
BNSF	3,801	20,516	24,317
CIC	-	-	0
CN	3,072	2,344	5,416
CPRS	5,067	6,794	11,861
CSS	20	230	250
CSXT	6,721	2,858	9,579
EJE	569	1,047	1,616
GWR	131	25	156
IAIS	831	1,219	2,050
IANR	6,060	49	6,109
IATR	-	24	24
IHB	203	21	224
KCS	9,783	4,190	13,973
NS	3,284	1,270	4,554
TCWR	818	265	1,083
UP	5,582	24,034	29,616
WC	1,406	619	2,025
WSOR	69	-	69
	<u>47,417</u>	<u>65,505</u>	<u>112,922*#</u>

* Does not include local movements on IMRL.

In 2001, IMRL also handled 19,415 cars of overhead traffic between other railroads which are not included in the above totals.

SCHEDULE 4

DM&E Diversion Traffic Summary by Carrier*

Carrier	Traffic segment	Carloads	Revenue
CPRS	Fwd traffic between Minnesota City & Chicago	5,095	
	Fwd traffic between Minnesota City & River Jct	<u>138</u>	
	Fwd subtotal:	5,233	\$3,782,300
	Rec traffic between Chicago & Minnesota City	882	
	Rec traffic between River Jct & Minnesota City	<u>9</u>	
	Rec subtotal:	891	\$566,900
	CPRS total:	6,124	\$4,349,200
CPRS 2001 totals (Source: 2001 Annual Report):		2,423,000	\$3,497,000,000
Diversion traffic as a percent of CPRS totals:		0.25%	0.12%
UPRR	Fwd traffic between Winona & Chicago	594	
	Fwd traffic between Mason City & ESTLouis	156	
	Fwd traffic between Mason City & Chicago	14	
	Fwd traffic between Mason City & Kansas City	<u>529</u>	
	Fwd subtotal:	1,293	\$1,258,200
	Rec traffic between Chicago & Winona	417	
	Rec traffic between Kansas City & Mason City	2	
	Rec traffic between Clinton & Mason City	<u>10</u>	
	Rec subtotal:	429	\$488,200
	UPRR total:	1,722	\$1,746,400
UPRR 2001 totals (Source: 2001 Annual Report):		8,916,000	\$10,391,000,000
Diversion traffic as a percent of UPRR totals:		0.02%	0.02%

* Based upon year 2001 traffic figures. Diversion projected to occur over a 3 year period following consummation of common control.

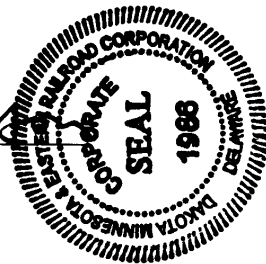
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County of Brookings) SS:

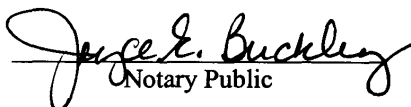
Lynn A. Anderson, being duly sworn, deposes and says that he is Vice President - Marketing and Corporate Secretary of Dakota, Minnesota & Eastern Railroad Corporation, that he has read the foregoing statement and knows the facts asserted therein, and that the same are true as stated.



Lynn A. Anderson

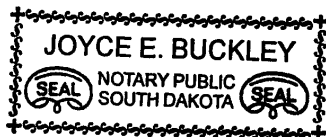


SUBSCRIBED AND SWORN TO
before me this 21st day
of August, 2002.



Notary Public

My Commission expires: 5-5-08



**VERIFIED STATEMENT
OF
CHARLES E. LAMBERTON, PhD**

**Professor of Economics
South Dakota State University**

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I. Qualifications

My name is Charles E. Lamberton. Since 1974, I have been Professor of Economics at South Dakota State University. My educational background includes an undergraduate degree in accounting from the University of Minnesota and a doctoral degree in economics and mathematics from Iowa State University.

During my years at South Dakota State University, I have completed many studies of South Dakota's transportation system, focusing on issues in grain transportation, rail service, and the role of state government in the rail system. For more than twenty years I served as the South Dakota member on the North Central Transportation Research Consortium of the United States Department of Agriculture (USDA). Some of my work for the USDA includes the economic analysis included in a six volume study of branchline feasibility, estimation of the economic impacts of the restructuring of the South Dakota rail system, and analysis of the economic evolution of grain marketing patterns in response to changes in the transportation system.

I provided the economic analysis of the competitive impact of railroad rate contracts on grain shippers at the request of the Interstate Commerce Commission ("ICC") in Ex Parte No. 387 (Sub-No. 959), Contract Rate Competitive Impact Report -- Grain Shippers -- Report to Congress. In 1998, I was a principal analyst of the impacts on the economies of Wyoming, South Dakota and Minnesota of the proposed extension of the Dakota, Minnesota & Eastern Railroad lines into Wyoming's Powder River Basin.

I have authored numerous articles and consulting reports on rail economics and policy. My background and qualifications are presented in more detail in Attachment One.

II. Summary

As described in the foregoing Application, Dakota, Minnesota & Eastern Railroad Corporation ("DM&E"), its wholly-owned subsidiary Cedar American Rail Holdings, Inc. ("Cedar American") and Holdings' wholly-owned subsidiary Iowa, Chicago & Eastern Railroad Corporation ("IC&E") have applied for authority for DM&E and IC&E to operate under common control. Prior to its purchase of all of the rail assets of I & M Rail Link LLC ("IMRL") and commencement of operations, IC&E's stock was placed in a voting trust pending the Board's authorization of common control. At the request of the DM&E and IC&E, I performed an economic assessment of the impacts of the proposed control transaction, with particular emphasis on the impacts on competition. I reached the following conclusions:

1. Consolidation of the DM&E and IC&E will provide economic benefits to shippers located on both the DM&E and IC&E. These shippers will have increased single system service and fewer interchanges for traffic moving beyond the DM&E/IC&E system, especially via Chicago and Kansas City. Shippers will realize faster, more reliable, lower cost service, access to a greater number of rail gateways and improved car supply. Additionally, the larger and more diversified traffic base and greater financial resources of the combined system will provide a more stable and reliable environment for shippers on both railroads.

2. The consolidation of DM&E and IC&E will enable these carriers to reduce costs through more efficient equipment utilization and elimination of interchange costs, and to apply competitive pressure on the much larger railroads in the region to also provide better service to shippers at lower costs.

3. The transaction will have no horizontal impacts on competition because the rail systems for the two companies are essentially end-to-end.

4. The transaction will have no vertical anti-competitive impacts.

5. The transaction will not threaten the economic viability or competitive effectiveness of other railroads, because the revenue impacts on other railroads will be either minor or non-existent.

6. Because the transaction provides benefits without imposing costs from reduced competition, it is in the public interest.

III. Background

The following is a brief description of the DM&E and the IC&E. Their lines are shown on Exhibit A in the common control application. Carload traffic data for DM&E and for IC&E are shown in Table 1. The traffic data are drawn from the 2001 100% waybill data for DM&E and the 2001 100% waybill data for IMRL, the former operator of IC&E's lines, adjusted for the differences between IC&E and IMRL base traffic.

TABLE 1

Carloads Handled by DM&E and IMRL - 2001

STCC	Commodity Description	DM&E	IMRL
		Carloads	Carloads
		2001	2001*
01	Farm products	30,232	37,247
10	Metallic ores	-	44
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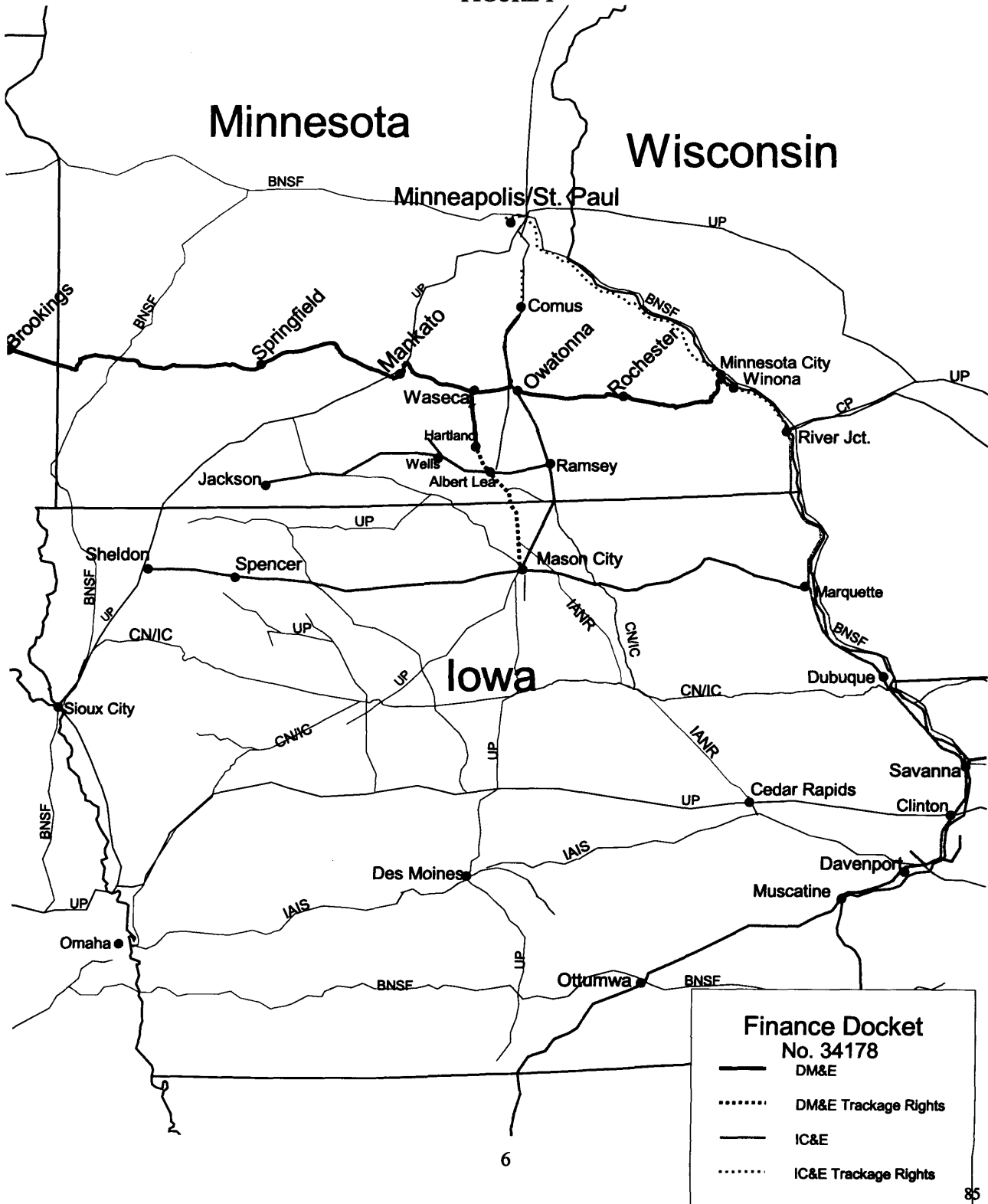
* Excluding Intermodal and Haulage traffic

** IMRL did not separately identify the 9991 hazardous materials shipments moved in 2001. That traffic is included in the foregoing carload figures.

A. DM&E System

The DM&E is a Class II regional railroad which owns and operates lines in South Dakota, Minnesota, Iowa, Wyoming and Nebraska. It began operations in 1986 on approximately 1,000 miles of lines formerly owned by the Chicago & NorthWestern Transportation Company ("CNW"). As shown in Exhibit A to the Application, DM&E's main line runs east/west from the Mississippi River at Winona, across southern Minnesota and central South Dakota to Rapid City at the base of the Black Hills. It also operates a branch line between Wolsey and Aberdeen (including the branch from Redfield to Mansfield, South Dakota), a branch line between Blunt and Onida, South Dakota and a branch line between Waseca, Minnesota and Mason City, Iowa largely via trackage rights over a line of the Union Pacific Railroad ("UP"). In 1996, it acquired 200 miles of north/south track from Colony (Bentonite), Wyoming, through Rapid City to Crawford and Chadron, Nebraska. The DM&E interchanges traffic with UP at Mankato and Winona, Minnesota, and Mason City, Iowa, the Canadian Pacific ("CPRS") at Minnesota City, Minnesota, and, the Burlington Northern Santa Fe ("BNSF") at Crawford, Nebraska, and Wolsey, Huron, Redfield and Aberdeen, South Dakota. It also has an interchange with the Nebkota Railway at Chadron, Nebraska and restricted interchanges with the Cedar River Railroad (a subsidiary of Canadian National or "CN") at Glenville, Minnesota and with the Iowa Northern Railroad ("IANR") at Manly, Iowa. Figure 1 is a map of the lines of DM&E and IC&E in southern Minnesota and northern Iowa.

FIGURE 1



Although the lines of DM&E and IC&E intersect at Owatonna, Albert Lea, Minnesota City and Winona, Minnesota and Mason City, Iowa, DM&E and IC&E do not interchange any traffic at those locations. DM&E operates through Owatonna via overhead trackage rights over UP and the trackage rights agreement with UP restricts DM&E's ability to directly interchange traffic with IC&E.¹

Similarly, DM&E and IC&E do not interchange any traffic with each other at Minnesota City or Winona, Minnesota where their lines or operations also intersect. DM&E operates only into UP's yard at Winona via overhead trackage rights over CPRS and UP. IC&E operates through Minnesota City and Winona on overhead trackage rights over CPRS between River Junction and the Twin Cities. Although DM&E and IC&E operate over the same line of CPRS between Minnesota City and Winona, IC&E's trackage rights agreement with CPRS prohibits the direct interchange of traffic with DM&E at any location along the line.

DM&E and IC&E lines also intersect at Albert Lea, Minnesota and Mason City, Iowa. However, DM&E reaches Mason City through Albert Lea via overhead trackage rights over UP between Hartland, Minnesota and Mason City and the trackage rights

¹ Under the UP/DM&E agreements pertaining to use of UP trackage at Owatonna, DM&E may not directly interchange traffic with any carrier other than UP except through UP (even though UP does not conduct any operations on the line). DM&E may only interchange traffic with IC&E which originates or terminates at industries in Owatonna along the UP track operated by DM&E or which originates or terminates at industries served by IC&E in Owatonna which are open to reciprocal switching. No such industries currently exist.

agreement with UP prohibits the direct interchange of traffic with IC&E at Albert Lea and Mason City.²

As shown on Table 1, the DM&E moved 65,371 carloads of traffic in 2001. The majority of its traffic is eastbound and concentrated in a few commodity groups. Farm products constituted over 46% of its traffic and food and kindred products were an additional 13%. Another 18,404 carloads, representing 28% of the total, were nonmetallic minerals and clay, concrete, glass or stone products primarily originating on the western end of the DM&E main line. These four commodity groups made up 57,086 carloads, or 87%, of DM&E's 2001 traffic.

B. IC&E System

The IC&E operates approximately 1,385 miles of rail lines serving southern Minnesota, eastern and northern Iowa, northern Illinois, southern Wisconsin and northwestern Missouri. The IC&E rail lines were originally part of the Milwaukee Road system, which in 1985 was merged into the Soo Line Railroad, which later became a wholly-owned subsidiary of CPRS. In 1997, Soo Line sold the lines to IMRL. IC&E acquired the lines from IMRL on July 29, 2002.

In 2001, the IMRL rail lines (purchased by IC&E) moved 159,784 carloads of traffic (excluding intermodal and haulage traffic). As with the DM&E, a significant share of this traffic was farm and food products (60,559 carloads or 38%). However, the traffic mix of the combined DM&E/IC&E operation will be more diversified than that of

² The trackage rights agreement only allows DM&E to interchange with UP at Mason City as well as restricted interchange with the Cedar River and Iowa Northern Railroads at Glenville, Minnesota and Manly, Iowa, respectively.

either railroad prior to combination. Products such as coal, paper, chemicals, metal products, and scrap made up 53% of IC&E traffic in 2001 and only 8% of DM&E traffic, thus providing greater traffic diversification for the combined DM&E/IC&E system.

As discussed in the verified statement of Mr. Lynn A. Anderson, DM&E's Vice President-Marketing, IMRL discontinued the handling of intermodal traffic prior to the sale of its lines to IC&E. IC&E currently does not handle intermodal traffic. Additionally, in 2001, IMRL handled overhead haulage traffic for UP and CPRS. In June, UP advised IMRL and IC&E that it would terminate the haulage agreement effective with the sale of lines to IC&E. It is not anticipated that CPRS haulage services will continue beyond year 2002. Accordingly, the 2001 IMRL (now IC&E) traffic data does not include this intermodal or haulage traffic.

IV. Benefits of DM&E/IC&E Combination

The consolidation of the IC&E and DM&E is entirely an end-to-end joining of the two systems. Therefore, it will provide shippers and receivers with more single system routings and fewer rail interchanges for traffic moving beyond the DM&E/IC&E system. As the Board has recognized in past decisions, fewer interchanges result in faster, more reliable service at lower cost creating more competitive and efficient regional and national transportation systems.

Shippers of primarily eastbound DM&E originating traffic will benefit significantly from the combination. Commodities originating on the DM&E will have single system access to primary destinations at Chicago and Kansas City and beyond, as well as the longer river shipping season at the Mississippi River ports south of Winona.

Grain shippers in Minnesota and South Dakota will have single system service to grain processors in Iowa, Illinois, Missouri and alternative river ports in eastern Iowa. They will have single system access to interchanges for grain moving to Chicago or Kansas City and beyond to the east or Gulf Coast. The resulting reduction in shipping costs will enhance shippers' ability to reach competitive markets and increase profitability for grain producers in Minnesota and South Dakota.

IC&E shippers and receivers will also benefit from the DM&E/IC&E combination with improved service and better access to traffic originating on the DM&E. Grain processors on the IC&E in Iowa, Illinois and Missouri will have single system access to grain produced in Minnesota and South Dakota. IC&E's largest customer, a steel-manufacturing firm near Davenport, Iowa, will have single system service for inbound scrap that currently originates on the DM&E (and moves via CPRS as an intermediate carrier).

V. Traffic Diversion Analysis

The DM&E performed an analysis of the traffic that the DM&E believes would be attracted to the combined system's route following consummation of the control transaction. The results are summarized in Table 2 below. The only two railroads that are expected to experience any traffic diversions resulting from the DM&E/IC&E consolidation are CPRS and UP. In markets in which transactions are voluntary, any diversion of traffic would be as a result of lower cost and/or improved service to the shippers diverting traffic, and an improvement in the efficiency of the national transportation system.

TABLE 2

**DM&E Diversion Traffic
Summary by Carrier***

Carrier	Traffic segment	Carloads	Revenue
CPRS	Fwd traffic between Minnesota City & Chicago	5,095	
	Fwd traffic between Minnesota City & River Jct	<u>138</u>	
	Fwd subtotal:	5,233	\$3,782,300
	Rec traffic between Chicago & Minnesota City	882	
	Rec traffic between River Jct & Minnesota City	<u>9</u>	
	Rec subtotal:	891	\$566,900
	CPRS total:	6,124	\$4,349,200
CPRS 2001 totals (Source: 2001 Annual Report):		2,423,000	\$3,497,000,000
Diversion traffic as a percent of CPRS totals:		0.25%	0.12%
UPRR	Fwd traffic between Winona & Chicago	594	
	Fwd traffic between Mason City & ESTLouis	156	
	Fwd traffic between Mason City & Chicago	14	
	Fwd traffic between Mason City & Kansas City	<u>529</u>	
	Fwd subtotal:	1,293	\$1,258,200
	Rec traffic between Chicago & Winona	417	
	Rec traffic between Kansas City & Mason City	2	
	Rec traffic between Clinton & Mason City	<u>10</u>	
	Rec subtotal:	429	\$488,200
	UPRR total:	1,722	\$1,746,400
UPRR 2001 totals (Source: 2001 Annual Report):		8,916,000	\$10,391,000,000
Diversion traffic as a percent of UPRR totals:		0.02%	0.02%

* Based upon year 2001 traffic figures. Diversion projected to occur over a 3 year period following consummation of common control.

A. DM&E Traffic

DM&E currently forwards to, and receives traffic from the CPRS at Minnesota City (near Winona), Minnesota. It interchanges traffic with the UP at Mankato and Winona, Minnesota, and Mason City, Iowa.

1. CPRS Potential Traffic Diversion

In 2001, DM&E forwarded 8,555 carloads to the CPRS at Minnesota City. Of this total, DM&E estimates that 5,233 carloads can potentially be diverted from CPRS to the combined DM&E/IC&E system. Eighty-five percent of the potentially divertible forwarded traffic is grain for Chicago and beyond. The remainder is divided between food products and wood products.

DM&E received 2,508 carloads from the CPRS at Minnesota City in 2001. DM&E estimates that 891 carloads are potentially divertible to DM&E/IC&E. The vast majority of the divertible received traffic (549 carloads) is Illinois coal delivered to the CPRS at Chicago by the Canadian National ("CN") and delivered to a power plant at Rochester, Minnesota, by the DM&E. As discussed in Mr. Anderson's statement, this traffic has dwindled to almost zero in 2002 due to a combination of warm weather and the plant purchasing power off of the electrical transmission power grid, in lieu of producing the power itself.

The total potential diversion of traffic from the CPRS is estimated to be 6,124 carloads constituting a loss of approximately \$4.3 million of annual revenue to CPRS. This represents a .0025 share of the CPRS's reported carload traffic in 2001, and a .0012 share of its reported transportation revenue.

2. UP Potential Traffic Diversion

In 2001, DM&E forwarded 22,850 carloads to the UP. Of this total, DM&E estimates that 1,293 carloads are potentially divertible to the DM&E/IC&E system, almost equally at Winona and Mason City. The 594 potentially divertible carloads forwarded at Winona are primarily grain for Chicago and beyond. Of the 699 potentially divertible carloads forwarded at Mason City, 529 (76%) were bound for Kansas City or beyond. They consist of 207 carloads of wheat and 322 carloads of crushed glass.

The DM&E received 2,541 carloads from the UP in 2001, with 429 of them being potentially divertible (417 of them at Winona). These consist primarily of paper and fertilizer with 319 carloads of paper delivered by the DM&E to a printing plant in Waseca, Minnesota.

The total potential diversion of traffic from the UP is estimated to be 1,722 carloads, accounting for approximately \$1.7 million of UP revenue. This represents .0002 shares of both UP's reported carload traffic and transportation revenue in 2001.

B. IC&E Traffic

As also discussed in the verified statement of Mr. Anderson, it is not anticipated that any IC&E traffic will be diverted from other carriers onto the DM&E. His analysis of current routing configurations concludes that existing routings are both competitive and logical and, as such, are likely to remain unchanged.

C. Motor Carrier Traffic

The combination of DM&E and IC&E will provide grain producers in the DM&E-served territory with single system access to Iowa, Illinois and Missouri

processors, Mississippi River barge facilities, as well as the gateways of Kansas City and Chicago, which would be of substantial economic benefit to grain shippers and receivers alike. Consequently, this single system service access has the potential to divert up to 2,000 carloads of grain annually to DM&E via short haul trucking in lieu of the current long haul trucking of this product. As Mr. Anderson states, these diversions from motor carriers could generate up to \$2,000,000 in additional annual revenue for the combined system.

VI. Competitive Analysis

Active competition among transportation firms, when carried out within the regulatory and legal boundaries which protect public safety and contractual arrangements, provides significant benefits to customers and the general public. In the railroad industry, competition forces firms to reduce costs and prices while enhancing service to shippers.

Railroad consolidations have the potential to enhance the degree of competition among railroads. A particular consolidation may increase the operating efficiency of the combined railroad through the realization of economies of scope or scale. Such economies can reduce operating costs through the more efficient utilization of equipment. A consolidation resulting in greater operating efficiency can, in turn, increase competition in the industry, as other firms must reduce their costs to remain competitive with the newly combined entity. Competing firms may therefore oppose an efficiency enhancing consolidation in an attempt to reduce the competitive pressures that they face.

Any particular railroad consolidation also has the potential to reduce the level of competition with consequential adverse effects upon shippers. The analysis of such potential negative impacts is often performed by considering horizontal merger and vertical merger issues.

Consequently, in its rail merger decisions over the past two decades, the STB (and its predecessor, the ICC) generally have considered both the horizontal and vertical effects of rail consolidations. My analysis of the competitive impacts of the proposed acquisition and control of the IC&E by DM&E considers these same issues.

Horizontal mergers are those combinations involving two firms which are direct competitors prior to the consolidation. Such mergers directly eliminate one competitor from the market. The loss of a competitive firm can reduce the amount of competition among sources of rail transportation service or a loss of competitive routing for shippers.

Vertical mergers involve the combination of two firms which have a supplier/customer relationship prior to the consolidation. Such mergers can potentially injure customers by eliminating actual or potential supplier competitors. Customer injury can appear in the form of enhanced monopolistic pricing power or a reduction in the ability of actual or potential third party railroads to survive as competitors to the newly created rail combination. To the extent that an end-to-end railroad consolidation reduces the ability of other railroads to compete for interchange traffic, the consolidation may create such monopoly pricing power with a direct negative impact upon shippers, or may threaten the survivability of other carriers with indirect negative effects upon shippers.

A. Horizontal Merger Competitive Issues

Horizontal competitive issues can arise where the consolidation involves two firms which are active competitors for the same traffic prior to the consolidation. Such issues can be analyzed as either the loss of alternative sources of service or the loss of alternative route competition.

1. Potential Loss of Source of Service Competition

As described above, on a map, lines of the DM&E and IC&E intersect at five locations: Owatonna, Albert Lea, Minnesota City and Winona, Minnesota, and Mason City, Iowa. However, DM&E and IC&E do not serve any common industries at any location.

The DM&E operates via overhead trackage rights over UP through Albert Lea and is contractually prohibited from serving any shippers located there. Thus, there are no common DM&E and IC&E shippers at Albert Lea. Similarly, DM&E operates via overhead trackage rights over UP to Mason City, Iowa. DM&E does not have any of its own facilities at Mason City and does not have the right to serve any shippers there. Under its trackage rights agreement with UP, DM&E only has the right to operate to and from the UP yard at Mason City for the purpose of interchanging traffic with UP. There are no common DM&E and IC&E shippers at Mason City. Therefore, shippers in Albert Lea and Mason City will not lose any competitive rail alternatives as a result of the DM&E/IC&E combination.

While both the DM&E and IC&E serve shippers in Owatonna, they do not serve any common shippers. The consolidation of DM&E and IC&E will therefore not reduce

competition for rail traffic at Owatonna, but will offer shippers served by either DM&E or IC&E access to improved single system routing via the combined DM&E and IC&E.

As discussed above, D&ME and IC&E both operate between Minnesota City and Winona, Minnesota via overhead trackage rights over CPRS. However, IC&E is contractually prohibited from serving any shippers along the CPRS line. Thus, there are no common DM&E and IC&E shippers at Minnesota City or Winona.

Since the consolidation is entirely an end-to-end combination and the two railroads do not serve any common industries or origin and destination pairs, the combination will not result in any reduction in competitive rail alternatives for any shippers.

2. Potential Loss of Route Competition

The DM&E and the IC&E are end-to-end railroads that simply do not compete for traffic. Because they do not currently compete for traffic, the transaction cannot reduce competition between them.

As the map in Figure 1 shows, "on paper" the two railroads have parallel east-west lines for approximately 100 miles in southern Minnesota. The DM&E line extends generally between Owatonna and Walnut Grove and also parallels U.S. Highway 14. The IC&E line extends between Ramsey and Jackson and parallels I-90. The distance between the two lines ranges from approximately 30 to 50 miles.

However, the two lines do not compete for grain traffic. The region between the two lines is also served by a diagonal UP rail line extending from Sioux City, Iowa, to

Minneapolis through Mankato. Both the IC&E and the DM&E lines currently (and will in the future) compete for grain traffic directly and solely with the multi-car grain loading facilities on the UP as well as with an extensive network of motor carriers. The UP line, in particular, effectively acts as an economic barrier, with DM&E competing with UP for traffic originating at grain producers north of the UP line, and with IC&E competing with UP for traffic originating at grain producers south of the UP line as well as with an extensive network of motor carriers.³

The consolidation of the DM&E and IC&E will not reduce the number of rail competitors serving shippers in this region. Therefore, there will not be any loss of route competition. In fact, by providing improved single system service to Chicago and Kansas City, the combined DM&E/IC&E will increase the degree of competition for grain traffic in this region to the benefit of its shippers and growers.

In addition, the parallel east/west nature of US 14 and I-90, and the relatively short trucking distance to the Mississippi River, Minneapolis, and numerous agricultural processing plants in the region, also ensure that the combination will result in no meaningful loss of route competition.

B. Vertical Merger Competitive Issues

Vertical competitive issues can arise when the consolidation involves firms which are vertically related prior to the merger, with one firm performing as a supplier to the second firm. The competitive issues can be considered in the form of the creation of

³ The vast majority of grain traffic on the DM&E line segment originates between Mankato and Walnut Grove, and the vast majority of grain traffic on the IC&E line segment originates west of Albert Lea, with the UP line situated between those two segments.

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³ The vast majority of grain traffic on the DM&E line segment originates between Mankato and Walnut Grove, and the vast majority of grain traffic on the IC&E line segment originates west of Albert Lea, with the UP line situated between those two segments.

monopolistic pricing power or the ability of the newly combined system to control and route traffic in sufficient amount to threaten the survivability of competitors.

1. Potential for Increased Monopolistic Pricing Power

All shippers and receivers on the DM&E and IC&E will have the same routing alternatives which were available prior to the combination. Therefore, the combination will not enhance the ability of the combined railroad to increase prices.

The DM&E/IC&E combined system will still face stiff price and service competition from UP, CPRS, BNSF, Chicago Central & Pacific (a wholly-owned subsidiary of CN), as well as relatively low cost highway alternatives. In fact, the new DM&E/IC&E combined system will enhance price and service competition, and reduce any potential current monopolistic pricing power in this region.

Therefore, the consolidation will not create any increase in monopolistic pricing power.

2. Potential Loss of Competitor Railroads

As shown in the diversion analysis above, the only two railroads from which traffic may be diverted are the CPRS and UP. The potential losses to each of these carriers are miniscule relative to their reported operations and revenues. The DM&E/IC&E combination provides no threat to the survivability of either railroad.

Since the consolidation is an end-to-end combination, other regional railroads in the area will face the same competition from the DM&E/IC&E combination that they

currently face from either the DM&E or IC&E. The combination will have no effect on their ability to continue to operate.

VII. Conclusions

1. Consolidation of the DM&E and IC&E will provide economic benefits to shippers located on both the DM&E and IC&E. These shippers will have increased single system service and fewer interchanges for traffic moving beyond the DM&E/IC&E system, especially via Chicago and Kansas City. Shippers will realize faster, more reliable, lower cost service, access to a greater number of rail gateways and improved car supply. Additionally, the greater financial resources of the DM&E/IC&E system will provide a much more stable and reliable environment for shippers.

2. The consolidation of DM&E and IC&E will enable these carriers to reduce costs through more efficient equipment utilization and elimination of interchange costs, and to apply competitive pressure on the much larger railroads in the region to also provide better service to shippers at lower costs.

3. The transaction will have no horizontal impacts on competition because the rail systems for the two companies are essentially end-to-end.

4. The transaction will have no vertical anti-competitive impacts.

5. The transaction will not threaten the economic viability or competitive effectiveness of other railroads, because the revenue impacts on other railroads will be either minor or non-existent.

6. Because the transaction provides benefits without imposing costs from reduced competition, it is in the public interest.

ATTACHMENT ONE: EXPERIENCE OF CHARLES E. LAMBERTON, PHD

RESUME

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Professor of Economics
South Dakota State University

ADDRESS

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521 - 8th Street
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605-692-1314

EDUCATION

Iowa State University
Graduate College
Doctor of Philosophy Degree, March 1975.
Major in Economics (College of Science and Humanities)
Minor in Mathematics
Dissertation: Localized Technical Progress in a Dynamic
Theory of the Firm
Major Professors: Dr. Harvey E. Lapan and Dr. James
Stephenson
NDEA Fellow, Spring 1970
National Science Foundation Fellow, Sept. 1970, - Aug. 1973.
Graduate Teaching Assistant in Economic Theory and Money and
Banking

University of Minnesota
School of Business
Bachelor of Business Administration Degree, March 1960.
Major in Accounting
Freshman Academic Scholar Award
Post Baccalaureate Work (1961-1965)
Institute of Technology: Thirty-five credits in
Mathematics
College of Arts and Sciences: Twenty-four credits in
Scandinavian Languages

University of Wyoming
Graduate College
Master of Science Degree, January 1970
Major in Economics (College of Commerce and Industry)
Thesis: Revenue Sharing and Its Implications for
Wyoming
Graduate Teaching Assistant

PROFESSIONAL EXPERIENCE

1974 to Present

Position: Assistant, Associate (1978), and Professor
(1984) of Economics, South Dakota State
University

Member, SDSU Graduate Council (1983-86, 89-92)
Member, SDSU Graduate Faculty
Director, Economics Graduate Studies
Member, M.S. Industrial Management Committee

Responsibilities: Teaching Graduate and Undergraduate
courses in the Economics, Business, and Industrial Management
Programs including: Economic Theory, Mathematical Economics,
Money and Banking, Business Finance, Managerial Economics,
Production/Operations Management, and Accounting.

Supervision of Graduate Student Thesis Research.

Principal Investigator for Research Projects of the South
Dakota Agricultural Experiment Station, U.S. Department of
Transportation, U.S. Department of Agriculture, S.D. Department
of Transportation including transportation research grants for
\$250,000. (See attached Research and Publication list.)

Member of North Central Regional Grain Transportation
Research Committee.

Member of Ad Hoc Committee on the Future of Graduate Study
at SDSU, 1996.

Member of North Central Regional Research Committee on Rural
Financial Markets.

Member, Task Force on Financial Resources for South Dakota
State University, North Central Association Accreditation Self-
Study, 1989.

Member, Search Committee for Vice President of Academic
Affairs, 1984-85.

1973 to 1974

Position: Adjunct Assistant Professor
University of Wyoming

Responsibilities: Teaching courses in Economic Theory
and Money and Banking.

1970 to 1973

Position: Instructor of Economics
Iowa State University

Responsibilities: Part-time Teaching in Economic
Theory and Money and Banking as a Graduate Student.

Research on the Impact of Highway Construction on Small
Communities for Iowa State Highway Commission.

1962 to 1968

Position: Accountant, Supervisor of Commission
Accounting and Investment Research Analyst, Life Insurance and
Mutual Fund Management Company

Responsibilities: General Ledger Accounting. Hiring
and Salary decisions in Commission Accounting Section.
Disbursement of Commission Compensation to three thousand Life
Insurance Agents. Collection, Analysis and Reporting of
Investment Research Data.

1960 to 1962

Position: Intelligence Analyst, U.S. Army

Responsibilities: Analysis and Interpretation of
Military Intelligence Information including Electronic and
Defector Reports as a Member of an Intelligence Detachment
responsible for East Germany.

1993 to Present

Member (President): Brookings Municipal Utilities Board
of Directors

1999 to Present

Member: Board of Directors; Midwest Card Services, Inc.

RESEARCH AND PUBLICATIONS

"A Pilot Study to Investigate Efficient Grain Transportation and Marketing Systems for South Dakota." United State Department of Transportation, Office of University Research Report No. DOT-OS-50229, 1976.

"State and Local Industrial Tax Exemption Programs: Comments." Southern Economic Journal, April 1976.

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"Revenue Sharing and Its Implications for Wyoming." University of Wyoming (unpublished) 1970.

"Localized Technical Progress and the Theory of the Firm." Department of Economics, South Dakota State University, January 1979.

"The South Dakota Grain Marketing System." Bulletin 654, Agricultural Experiment Station, South Dakota State University, January 1978.

"A Historical Perspective of South Dakota Grain Transportation and the Outlook for the Future." Bulletin 655, Agricultural Experiment Station, South Dakota State University, February 1978.

"Railroad Abandonment in South Dakota," Agricultural Experiment Station, South Dakota State University, February 1978.

"Travel and Tourism in South Dakota: Summer 1977," Department of Economics, South Dakota State University, June 1978.

"Lifeline Utility Rates in South Dakota," Department of Economics, South Dakota State University, September 1978.

"Branchline Abandonment," TB55, Agricultural Experiment Station, South Dakota State University, March 1980.

"South Dakota Grain Production: Yesterday and Tomorrow," B676, Agricultural Experiment Station, South Dakota State University, April 1981.

"South Dakota Agricultural Transportation Outlook for the 1980's," Department of Economics, South Dakota State University, April 1981.

"The New Owners," Farm and Home Research, Agricultural Experiment Station, South Dakota State University, July 1980.

"The Problem for Rail Users," What Does South Dakota Do Now About Railroads?, S.D. Ag Unity Group, August 1980.

"South Dakota's System and Traffic," What Does South Dakota Do Now About Railroads?, S.D. Ag Unit Group, August 1980.

"Financial Support for Operating South Dakota's Railroads," What Does South Dakota Do Now About Railroads?, S.D. Ag Unity Group, August 1980.

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"Branchline Economic Feasibility Analysis," Vols. I-VI, Department of Economics, South Dakota State University and Economics & Statistics Service, U.S. Department of Agriculture, December 1980. (With Rail Management Services, Inc.)

"Wentworth Cooperative Terminal, Inc, Feasibility Analysis," Department of Economics, South Dakota State University, June 1981

"South Dakota Agricultural Transportation Outlook for the 1980's," Cooperative Extension Service Economics Newsletter No. 162 & 163, Department of Economics, South Dakota State University, May 7 & 21, 1981.

"South Dakota Agricultural Trucking and Highways," Cooperative Extension Service Economics Newsletter No. 164 & 165, Department of Economics, South Dakota State University, June 4 & 18, 1981.

"The Role of State Government in Rural Rail Systems," Proceedings of Grain Plains Agricultural Council, Garden City, Kansas, June 1981.

"State Government Policies in Great Plains Rail Restructuring," Cooperative Extension Service Economics Newsletter No. 174, Department of Economics, South Dakota State University, November 5, 1981.

"Restructuring a Rail System: South Dakota's Experience from 1976-81," B688 Agricultural Experiment Station, South Dakota State University, May 1983.

"Grain Marketing Patterns from Southeastern South Dakota: 1981," Department of Economics, South Dakota State University, 1983.

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Dakota State University, January 25, 1985.

"Factors Determining of Demand for Nursing Home Service,"
Quarterly Review of Economics and Business, Vol. 26, No. 4,
Winter, 1986, (with W. Ellingson and K. Spear).

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University, April 1985.

"State Rail Analysis," South Dakota Farm and Home Research,
Agricultural Experiment Station, South Dakota State University,
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Dakota State University, January 30, 1987.

"South Dakota's Grain Transportation System," South Dakota's
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South Dakota State University, December 1987.

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No. 959). Interstate Commerce Commission, Washington, D.C., 1987.

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Dakota State University, Economics Research Report 91-10, 1992.

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Department of Economics, South Dakota State University, Economics
Research Report 92-5, June 1992.

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Department of Economics, South Dakota State University, Dec 1995

"South Dakota Banks in Good Shape and Ready to Serve
Agriculture," South Dakota Farm & Home Research, Vol 47, No 2,
May 1996.

Economies of Scale and Scope in South Dakota's Independent
Rural Banks. Dept of Economics, SDSU, January 1999.

CONSULTING EXPERIENCE

Economic loss appraisal and testimony in Circuit Court, District Court, and Tribal Court for more than fifty cases of personal injury, wrongful death, divorce, and breach of contract. Defendant's critique of plaintiff loss appraisals. Valuation of assets. Analysis of retirement and employment benefits.

Economic evaluation and testimony before the South Dakota Banking Commission on applications for approval of bank branches.

Market analyses, feasibility studies for banks, grain terminals, and oilseed processing plants, and tax structure analysis for meat packing corporation and South Dakota Rural Electric Association.

Examples of consulting reports:

Congregate Living Facility Feasibility Analysis. United Retirement Center, Brookings, SD. April 1999.

Economic Impacts of the DM & E Railroad Coal Line Project on South Dakota. Dakota, Minnesota and Eastern Railroad, Brookings, South Dakota, June 1998.

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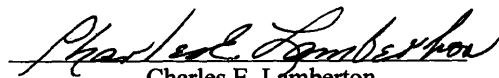
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MEMBERSHIPS

American Economics Association
Midwest Economics Association
National Association of Forensic Economics
American Law and Economics Association
Board of Directors, Brookings Municipal Utilities
Board of Directors, Midwest Card Services, Inc.

VERIFICATION

Charles E. Lamberton, PhD, under penalty of perjury, declares and verifies that he has read the foregoing statement and knows the facts asserted therein, and that the same are true as stated.


Charles E. Lamberton

SHIPPER AND OTHER SUPPORT STATEMENTS

Ag Processing

Agfirst Farmers Cooperative

CHS Cooperatives

City of Jackson, Minnesota

Farmers Cooperative Association

Greater Huron Development Corporation

Harrold Grain Co., LLC

IPSCO Steel Inc.

Iowa Northern Railway Company

Iowa Traction Railroad Company

Minnesota Grain and Feed Association

National Farmers Union

Oahe Grain Corporation

South Dakota Farm Bureau

South Dakota Farmers Union

South Dakota Grain & Feed Association

South Dakota Soybean Processors

Southern Grainbelt Shippers Association

Watonwan Farm Service Company

Wisconsin & Southern Railroad Company

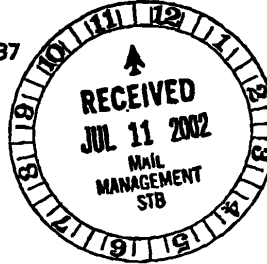
AGPR-2

LAWRENCE W. BIERLEIN
DOUGLAS M. CANTER
JOHN M. CUTLER, JR.
ANDREW P. GOLDSTEIN
STEVEN J. KALISH
RICHARD D. LIEBERMAN
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July 11, 2002



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OF COUNSEL
KAREN R. O'BRIEN

Mr. Vernon A. Williams
Secretary
Surface Transportation Board
1925 K Street, N.W., Room 700
Washington, DC 20423-0001

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

Dear Secretary Williams:

On June 14, 2002, Ag Processing Inc. ("AGP") filed a petition to stay and revoke the exemption of Iowa, Chicago & Eastern Railroad Corporation ("IC&E") in the above-captioned proceeding. Our primary concern was over IC&E access to Chicago. Since that time, IC&E has satisfied us (a) that they have acquired such access rights over a Metra line by virtue of assignment of an agreement with Canadian Pacific Railway ("CPR") and (b) that they have worked out excellent alternative access rights from Canadian National/Illinois Central and Iowa Interstate to all connecting rail carriers in Chicago if for any reason there are problems enforcing the rights under the CPR agreement admitting IC&E to the Metra line. IC&E also has satisfactorily addressed all other concerns raised.

Accordingly, this is to formally notify the Board that we withdraw our "Comments and Petition to Stay Transaction, Revoke Exemption, and for Other Relief," dated June 14, 2002, and hereby fully support both the IC&E acquisition of IMRI's assets (Finance Docket No. 34177) and the forthcoming common control of IC&E and DM&E (Finance Docket No. 34178). In regard to the common control case, it should be noted that such combination will significantly improve competition in our service region by providing a new competitive access route to the Pacific Northwest.

We urge the Board to approve these transactions as soon as possible. Thank you for your consideration.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Andrew P. Goldstein".

Andrew P. Goldstein
Attorney for Ag Processing Inc

cc: All Parties



P.O. Box 127
204 1st Street So.
Brookings, SD 57006
888-692-6216

August 20, 2002

Mr. Vernon A. Williams
Secretary
Surface Transportation Board
1925 K Street, N.W., Room 700
Washington, D.C. 20423-0001

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

Dear Secretary Williams:

Agfirst Farmers Cooperative has grain-loading facilities in Aurora and Brookings, South Dakota; both located on the DM&E Railroad. Rail service is vitally important to our operations, and we have a strong interest in the preservation and promotion of competitive, efficient rail service in our area.

I am writing on behalf of Agfirst Farmers Cooperative to express our unqualified support for the proposed common control of Iowa, Chicago & Eastern Railroad Corporation ("IC&E") and the Dakota, Minnesota & Eastern Railroad Corporation ("DM&E"). We believe this transaction will benefit the rail transportation system in this part of the State of South Dakota, and encourage the Board to approve the transactions in an expeditious manner.

I 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.

Very truly yours,



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, Dan 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.

Dan Mack

Dated: June 18, 2002

**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

GREATER
PHONE 605-352-0363

HURON

DEVELOPMENT CORPORATION
375 DAKOTA AVENUE S., SUITE 102 • HURON, SOUTH DAKOTA 57350

August 23, 2002

Mr. Vernon A. Williams
Secretary
Surface Transportation Board
1925 K Street NW, Room 700
Washington, DC 20423-0001

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

Dear Secretary Williams:

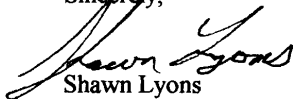
On behalf of the City of Huron, South Dakota, I would like to take this opportunity to encourage the Surface Transportation Board to approve the proposed common control of the I&M Rail Link by the Dakota, Minnesota & Eastern (DM&E) Railroad. The acquisition of this rail link is critical to the ability of the DM&E to move forward in the overall expansion of the Powder River Basin Project, which was approved by your board earlier this year.

The Powder River Basin Project, and how it relates to the I&M acquisition, is critical to future of so many communities along the DM&E line. Huron is no exception to this theory. Huron certainly stands much to gain when the DM&E Maintenance Operations Center finally becomes a reality in our community; however the benefits are vast throughout the communities served by the expansion project. The economic development that will ensue due to the overall DM&E Powder River Basin Project remains a top priority for the communities along this line.

The acquisition of the I&M rail link by the DM&E and now the proposed common control gives them an ability to become a first-class railroad. This project also creates better shipping opportunities for ag producers and other commodities of the existing two railroads.

Again, Secretary Williams, I would hope that the STB act expeditiously in its approval of the proposed common control by the DM&E. It is critical this project be allowed to move forward. Thank you for your consideration.

Sincerely,



Shawn Lyons
GHDC Executive Director

Harrold Grain Co., LLC

210 W. 1st St.
P.O. Box 66
Harrold, SD 57536



Phone: 605-875-3278
800-626-1554
Fax: 605-875-3576
E-mail: hgrain@sullybuttes.net

August 20, 2002

Mr. Vernon A. Williams
Secretary
Surface Transportation Board
1925 K Street, N.W., Room 700
Washington, D.C. 20423-0001

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

Dear Secretary Williams:

Harrold Grain Company, LLC wishes to go on record expressing support for the proposed common control of Iowa, Chicago & Eastern Railroad Corporation ("IC&E") and the Dakota, Minnesota & Eastern Railroad Corporation ("DM&E").

Harrold Grain originates over 1000 carloads of grain and grain products annually on the DM&E. Located at Harrold South Dakota, Harrold Grain depends on efficient, competitive rail service to be able to compete in various markets all over America.

We believe that the combination of the IC&E and the DM&E will provide us with enhanced rail options, especially over Chicago and Kansas City. This is an extremely important issue for us, and we would encourage the early approval of this common control issue.

I 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.

Very truly yours,

Dale A. Vinyard
Harrold Grain Co., LLC

VERIFIED STATEMENT

of

David M. Otte

on behalf of

IPSCO STEEL INC.

My name is David M. Otte, Transportation Manager for IPSCO Steel Inc. in Montpelier, IA. In my position, I am responsible for all transportation related functions for both inbound and outbound movements for this facility including rail, barge and motor carrier. I have held this position with IPSCO Steel Inc. since September of 1995. Prior to my employment at IPSCO Steel Inc., I have held various Operational, Management and Marketing positions with Leaseway Warehousing, the EJ&E Railway, Inland Steel, Alternative Transportation Systems and the Burlington Northern Railroad.

IPSCO Steel Inc. is a manufacturer of hot rolled steel coil and discrete plate. Our facility in Montpelier, IA employs approximately 400 employees and an additional 200 subcontractors. This facility has an annual production capacity of approximately 1,000,000 NT. IPSCO Steel Inc. is currently served by I&M Rail Link (IMRL). We ship approximately 70% of our total production and receive approximately 90% of our inbound raw material (scrap iron) by rail. Much of our finished product is shipped almost exclusively by rail to several other IPSCO divisional facilities throughout the United States and Canada. Reliable, efficient and competitive rail service is critical to IPSCO Steel Inc. in maintaining a competitive edge in our markets.

IPSCO Steel Inc. strongly supports the proposed acquisition of IMRL's Lines by the Iowa, Chicago & Eastern Railroad Corporation (IC&E).

The IMRL rail lines have been controlled by many different parties over the years, including a change in ownership just prior to our start up in May of 1997. We understand that the IMRL has struggled financially since their inception and believe that the proposed acquisition will ensure a financially sound and long term rail provider.

We have met with representatives of IC&E and believe that their plans and resources will ensure the future of these lines.

It is our understanding that the IC&E will retain many of the current employees and managers of the IMRL ensuring continuity in service to our Montpelier facility.

We expect the IC&E to bring additional capital resources and management expertise to ensure continued and improved service over the existing IMRL lines.

IC&E plans to upgrade the existing IMRL locomotive fleet for improved, more consistent service.

IC&E will commit to existing equipment requirements for IPSCO's service and will continue to meet our expanding equipment requirements.

The IC&E has agreed to service parameters previously established by previous owners of this property when we first started operations.

IPSCO Steel Inc. thus urges the Surface Transportation Board to allow IC&E's acquisition of the IMRL lines to proceed as expeditiously as possible. We are looking forward to the new ownership and refocused management of these lines in addition to a mutually beneficial relationship with the IC&E.

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. IPSCO Steel Inc. believes this is also a desirable transaction and urges its approval by the STB as well.

The combination of the DM&E and IC&E will offer IPSCO Steel more competitive single line service from various raw material sources and to some customers.

Combining the fleets of both carriers will enhance productivity and reduce costs helping to ensure long term profitability and ultimate success for the combined franchise.

Given the end-to-end nature of the existing DM&E system and the proposed IC&E system, there should be no issues of competitive harm expressed by any shippers arising from the requested common control.

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

I, David M. Otte, 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.

David M. Otte

Dates: July 3, 2002



Marcil Carpenter

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

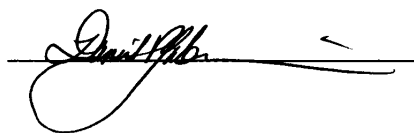
- * IC&E intends to replace IMRL's old and unreliable locomotive fleet with updated, more efficient motive power. This should substantially improve the quality and consistency of the rail service that shippers in our area depend upon. This will certainly improve service reliability and efficiency.
- * 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

LAW OFFICE
THOMAS F. McFARLAND, P.C.
208 SOUTH LA SALLE STREET - SUITE 1890
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THOMAS F. McFARLAND

July 11, 2002

By UPS overnight mail

Vernon A. Williams, Secretary
Surface Transportation Board
Case Control Unit, Suite 713
1925 K Street, N.W.
Washington, DC 20423-0001

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

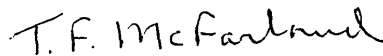
Dear Mr. Williams:

On June 14, 2002, Iowa Traction Railroad Company (IATR) filed a Petition for Stay and Investigation of Proposed Exemption (Petition) in the above proceeding.

The interest of IATR in this matter has now been satisfied. Consequently, IATR hereby withdraws the Petition. IATR hereby supports issuance of an exemption in this matter and for common control in a related docket.

Ten copies accompany the original of this filing. All parties are being served.

Very truly yours,



Thomas F. McFarland
*Attorney for Iowa Traction
Railroad Company*

TMcF:kl:enc:d:\wp8.0\867\lstrsb2

cc: William C. Sippel, *by fax to (312) 540-9098 & mail*
All parties of record, *by mail*

-1-

Minnesota Grain and Feed Association



Since 1907

OFFICERS:

Lyle Hovland
President
Farmer Director
Rothsay Farmers Co-op
Box 248
Rothsay, MN 56579

Dave Estrem
Vice-President
Farmer Director
Cannon Valley Co-op
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Northfield, MN 55057

Wes Cole
Secretary
Farmer Director
Farmers Co-op Elevator Co.
Box 59
Hanley Falls, MN 56245

Larry Olsen
Treasurer
Assistant Manager
Farmers Co-op Assn.
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Roger O. Larson
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EXECUTIVE DIRECTOR

Bob Zelenka

Mr. Vernon A. Williams
Secretary
Surface Transportation Board
1925 K Street NW, Room 700
Washington, DC 20423-0001

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



**NATIONAL
FARMERS
UNION**

**VERIFIED STATEMENT
of**

**David J. Frederickson
On behalf of
National Farmers Union**

My name is David Frederickson, and I am the president of the National Farmer Union, a general farm organization representing the interests of approximately 300,000 family farmers and ranchers in the United States. A significant percentage of our members operated farms and ranches in the geographic area served by the I & M Rail Link (IMRL) in southern Minnesota and northern Iowa.

For farmers in this part of the Midwest, rail transportation availability and cost are critical elements in determining the farm-gate prices received by grain producers and the total level of income derived from their farming operations.

On behalf of our members, the National Farmers Union supports the proposed acquisition of the Iowa & Minnesota Rail Link lines by the Iowa, Chicago & Eastern Railroad Corporation (IC&E).

The lack of financial success experienced by the current and prior IMRL owners raises serious doubts among our members as to the long-term viability of this rail line. If the IMRL should fail, producers, local warehousemen and merchandisers will experience both a loss of service as well as a reduction in effective market competition in the area. Similar experiences in recent years strongly suggest that producers will bear a disproportionate burden in the market rationalization of the remaining transportation alternatives through higher total transportation costs and reduced timeliness in meeting shipping schedules and market needs.

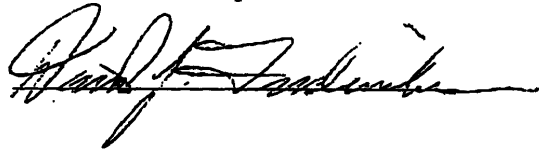
It is our understanding that the IC&E plans to establish a consistent capital investment program for the railroad that will enhance its reliability and efficiency. We believe the successful completion of the acquisition of the IMRL by the IC&E will provide the capital resources and commitment necessary to ensure the viability of this important part of the grain transportation system.

We are also aware that in addition to the proposed acquisition identified above, the Dakota, Minnesota & Eastern Railroad Company (DM&E) will seek approval from the Surface Transportation Board to be commonly controlled by the IC&E.

The coordination of activities and resources that can be obtained by common IC&E control of the two regional rail lines should further improve the levels of service provided throughout their service area. We do not foresee any disadvantages to our members from this arrangement and believe this will also result in increased market competition among all available carriers resulting in a general improvement in commodity transportation efficiency and reduced costs to producers.

In conclusion, the National Farmers Union encourages a positive and timely response by the Surface Transportation Board to both transactions.

I, David J. Frederickson, 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 dark ink, appearing to read "David J. Frederickson", written over a horizontal line.

Dated: June 28, 2002

Oahe Grain Corporation

Box 244

Onida, South Dakota 57564

Phone: (605) 258-2811 • 800-658-3654

Fax: (605) 258-2286

August 19, 2002

Mr. Vernon A. Williams
Secretary
Surface Transportation Board
1925 K Street, N.W., Room 700
Washington, D.C. 20423-0001

Finance Docket No. 34178

Dakota, Minnesota & Eastern Railroad Corporation and Cedar American Rail Holdings, Inc.-Control-
Iowa, Chicago & Eastern Railroad Corporation

Dear Secretary Williams:

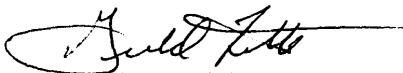
I am writing on behalf of Oahe Grain Corporation to express our support for the proposed common control of Iowa, Chicago & Eastern Railroad Corporation ("IC&E") and the Dakota, Minnesota & Eastern Railroad Corporation ("DM&E"). We believe this transaction will benefit not only Oahe Grain Corporation, but rail transportation throughout the Midwest. We encourage the Board to approve the transaction as soon as possible.

Oahe Grain Corporation is located at Onida, South Dakota. We ship grain raised in central South Dakota from our facility served by the DM&E to destinations all over the United States. Rail service is vitally important to our operations, and we have a strong interest in the preservation and promotion of competitive, efficient rail service.

Oahe Grain Corporation believes that the combination of the IC&E and the DM&E will greatly enhance our marketing options by providing seamless transportation services to both Kansas City and Chicago, which will improve our competitive position in the nation wide market place.

I 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.

Very Truly Yours,



Gerald Freudenthal
Manager of Oahe Grain Corporation

SOUTH DAKOTA FARM BUREAU



August 23, 2002

Mr. Vernon A. Williams
Secretary
Surface Transportation Board
1925 K Street NW, Room 700
Washington, D.C. 20423-0001

copy

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

Dear Secretary Williams:

I am writing on behalf of South Dakota Farm Bureau to express our support for the proposed common control of Iowa, Chicago & Eastern Railroad Corporation ("IC&E") and the Dakota, Minnesota & Eastern Railroad Corporation ("DM&E"). We believe this transaction will benefit both South Dakota Farm Bureau and the rail transportation system in the Upper Midwest, and encourage the Board to approve the transactions in an expeditious manner.

South Dakota Farm Bureau is located on the IC&E at Huron, South Dakota, and with a membership of over 11,000 families. Previously, our rail service was provided by I&M Rail Link, LLC whose assets were recently acquired by IC&E. Rail Service is vitally important to our operations and we have a strong interest in the preservation and promotion of competitive, efficient rail service on the IC&E lines.

SDFB believes that the proposed affiliation of IC&E and DM&E will be in the public interest, will enhance the stability of both carriers, and will present unique opportunities to strengthen market opportunities and improve rail service for shippers on both IC&E and DM&E. We particularly look forward to the improved equipment availability and utilization that will result from coordination of a combined DM&E-IC&E car fleet. Because the primary wheat transportation season on DM&E's lines in South Dakota is in July and early August, while the primary corn and soybean transportation season on IC&E's lines across northern Iowa and southern Minnesota is during September and October, a combined DM&E-IC&E will have an enhanced capacity to provide equipment where and when it is most needed.

Mr. Vernon A. Williams
August 23, 2002
Page 2

DM&E has significant experience in handling grain and grain products over relatively light density lines in a manner that is both profitable and efficient – experience that should benefit similarly-situated shippers on IC&E's lines. Together, IC&E and DM&E will form an effective regional rail system with the resources and focus needed to meet the transportation service needs of the Upper Midwest.

I 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.

Very truly yours,

Richard Kjerstad
President
South Dakota Farm Bureau

South Dakota Farmers Union

1410 Dakota Avenue South • PO Box 1388
Huron, South Dakota 57350
Tel (605) 352-6761 • Fax (605) 352-6768 • E-mail: sdfu@sdfu.org

VERIFIED STATEMENT

of
Dennis Wiese
on behalf of
South Dakota Farmers Union

My name is Dennis Wiese and I am president of the South Dakota Farmers Union, a general farm and ranch organization representing the interests of approximately 12,000 rural South Dakota families. While we have virtually no members residing and farming in the region served by the Iowa and Minnesota Rail Link (IMRL), the vast majority of our members are in the service area of the Dakota, Minnesota and Eastern (DM&E) Railroad.

It is a historic fact that South Dakota agricultural producers have routinely received some of the lowest average grain prices paid anywhere in the United States. These low prices are also reflected in generally lower loan rates available to farmers through the U.S. Department of Agriculture's Commodity Credit Corporation (CCC). The most significant factor affecting variations in farm gate grain prices is transportation availability.

The members of the South Dakota Farmers Union strongly support the proposed acquisition of the IMRL lines by the Iowa, Chicago & Eastern Railroad Corporation (IC&E).

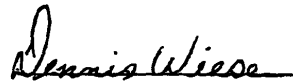
Our primary interest in supporting this proposed acquisition involves our concern for the future viability of the DM&E Railroad and the need to provide a greater degree of competition in the transportation marketplace.

As we see it, the acquisition of the IMRL may be crucial to the DM&E expansion project. If the acquisition does not happen and if the expansion project does not happen, we would have serious concerns about the survival of the DM&E. The loss of the DM&E would constitute a body blow for South Dakota agriculture. Producers and grain shippers across the broad, east-west, central region of the state would be left with two choices—either ship by truck all the way to terminal markets or ship by truck to fast-loading facilities to the south in Nebraska or north almost to North Dakota.

It seems clear that the acquisition would enhance the competitiveness of both the DM&E and the IMRL. Allowing this railroad to forge links between eastern Wyoming, the Twin Cities, Chicago and Kansas City would not make them a transcontinental railroad. It would give them a better opportunity to compete with the Burlington Northern-Santa Fe and Union Pacific/Southern Pacific conglomerates.

Our Farmers Union organizational motto here in South Dakota has been: "The Greatest Good for the Greatest Number." We think that slogan definitely applies to the IMRL acquisition and to completion of the overall DM&E project.

I, Dennis Wiese, 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.



Dated: July 3, 2002

SOUTH DAKOTA
GRAIN & FEED

ASSOCIATION

August 19, 2002

Mr. Vernon A. Williams
Secretary
Surface Transportation Board
1925 K Street, N.W., Room 700
Washington, D.C. 20423-0001

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

Dear Secretary Williams:

I am writing on behalf of South Dakota Grain & Feed Association (SDGF) which is made up approximately 150 grain elevators and grain related businesses. We wish to express our support for the proposed common control of Iowa, Chicago & Eastern Railroad Corporation ("IC&E") and the Dakota, Minnesota & Eastern Railroad Corporation ("DM&E"). We believe this transaction will benefit both our members and the rail transportation system in the state of South Dakota and the upper midwest and encourage the Board to approve the transactions in an expeditious manner.

Our members are located on the DM&E across South Dakota, and transport large quantities of wheat, corn, soybeans and fertilizer. Rail service is vitally important to our operations and we have a strong interest in the preservation and promotion of competitive, efficient rail service on the IC&E lines.

The SDGF believes that the proposed affiliation of IC&E and DM&E will be in the public interest, will enhance the stability of both carriers, and will present unique opportunities to strengthen market opportunities and improve rail service for shippers on both IC&E and DM&E. We particularly look forward to additional markets for our goods and the improved equipment availability and utilization that will result from coordination of a combined DM&E-IC&E car fleet. Because the primary wheat transportation season on DM&E's lines in South Dakota is in July and early August, while the primary corn and soybean transportation season on IC&E's lines across northern Iowa and southern Minnesota is during September and October, a combined DM&E-IC&E will have an enhanced capacity to provide equipment where and when it is most needed.

Mr. Vernon A. Williams

August __, 2002

Page 2

The DM&E has significant experience in handling grain and grain products over relatively light density lines in a manner that is both profitable and efficient -- experience that should benefit similarly-situated shippers on IC&E's lines. Together, IC&E and DM&E will form an effective regional rail system with the resources and focus needed to meet the transportation service needs of the Upper Midwest.

I 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.

Sincerely yours,

SOUTH DAKOTA GRAIN & FEED ASSOCIATION



Carl G. Anderson, Executive Secretary



August 19, 2002

Mr. Vernon A. Williams
Secretary
Surface Transportation Board
1925 K Street, N.W., Room 700
Washington, D.C. 20423-0001

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

Dear Secretary Williams:

South Dakota Soybean Processors, Inc (SDSP) would like to take this opportunity to express our support for the proposed common control of Iowa, Chicago & Eastern Railroad Corporation ("IC&E") and the Dakota, Minnesota & Eastern Railroad Corporation ("DM&E"), and encourage the Board to approve the transactions in an expeditious manner.

SDSP has a major facility located on the DM&E at Volga, South Dakota, and produces and ships over 3000 carloads of various processed soybean products throughout the continental United States. Competitive Rail service is vitally important to our operations at Volga, and we have a strong interest in the preservation and promotion of competitive, efficient rail service.

SDSP believes that the proposed affiliation of IC&E and DM&E will be in the public interest, will enhance the stability of both carriers, and will present new opportunities to strengthen market opportunities and improve equipment utilization.

I 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.

Very truly yours,



P.O. Box 500 • 100 Caspian Avenue, Volga, SD 57071 • Phone 605-627-9240 FAX 605-627-5869

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.

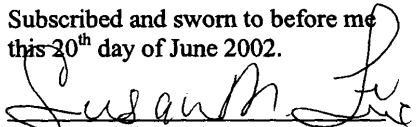
I, Randall M. Rieke, declare under penalty of perjury under the laws of the United States that the foregoing statement is true and correct, and that I am qualified and authorized to file this statement.

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
P.O. Box 69
988 Riverview Drive
Winona, MN 55987-0096
Larry Laber

Cenex Harvest States
Rr 1 Box 214
Janesville, MN 56048
Tim Donelan

Cenex Harvest States
2020 S. Riverfront Drive
Mankato, MN 56002
David Pope

Archer Daniels Midland Co.
P.O. Box 728
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

Cenex / Land O Lakes
1249 South Street
Tracy, MN 56175
Ron Beens

Cenex Harvest States
P.O. Box 1098
Tracy, MN 56175
Bob Anderson

Cenex Harvest States
P.O. Box 64089
St. Paul, MN 64089
Larry Holst

Central Trading & Recycling
P.O. Box 218
New Richland, MN 56072
Terry Pooley

Del Monte Foods, Inc.
P.O. Box 407
Highway 14 W.
Sleepy Eye, MN 56085
Jim Knetsch

Farmers Plant Food Inc.
P.O. Box 6
Verdi, MN 56179
Clyde Knudson

Greenway Co-op
320 Byron Ave.
Byron, MN 55920
Mike Kuhlmann

Greenway Co-op
P.O. Box 85
New Richland, MN 56072
Mike Moen

Harvestland Co-op
P.O. Box 148
Springfield, MN 56087
Gordy Jensen

Knight Seed Co. Inc.
P.O. Box 989
151 West 126th Street
Burnsville, MN 55337

Lin's Used Iron & Metal
Depot
P.O. Box 623
420 5th Ave S.E.
Dodge Center, MN 55927

Meadowland Farmers Co-op
P.O. Box 338
Lamberton, MN 56152
Gordon Woelfel

MN Grain & Feed Assoc.
852 Grain Exchange
400 South 4th Street
Minneapolis, MN 55415
Bob Zelenka

Energy Economics
109 South Street S.E.
Dodge Center, MN 55927
Mark Donaldson

Gopher State Scrap & Metal
3401 3rd Ave.
Mankato, MN 56001
Pat Daley

Greenway Co-op
101 South Teal St. Box C
Janesville, MN 56048
Doug Lueders

Greenway Corp.
P.O. Box 275
Claremont, MN 55924
Joe Winkels

Hi Yield Products
P.O. Box 506
Hartland, MN 56042
Jan Reed

Lake Benton Farmers Elevator
P.O. Box 309
Lake Benton, MN 56149

Mathiowetz Construction Co.
30676 Country Road 24
Sleepy Eye, MN 56085
Brian Mathiowetz

Mid-America Brokerage Co.
1602 South Washington St.
New Ulm, MN 56073
Dick Seeboth

MN Regional Railroads Assoc.
145 University Ave. W.
Suite 450
St. Paul, MN 55103-2044
John Apitz

Farmers Co-operative of Hanska
P.O. Box 6
Hanska, MN 56041-0006
Randall Rieke

Greenway Co-op
850 East Front Street
Winona, MN 55987
Chuck Piper

Greenway Co-op 135 West Front
Street
Claremont, MN 55924
Scott Feller

Harvestland Co-op
P.O. Box 278
Morgan, MN 56266
George Dunn

Interstate Mills, LLC.
P.O. Box 200
Northfield, MN 55057

Lewiston Feed & Produce Co.
P.O. Box 309
105 Main Street E.
Lewiston, MN 55952

McNeilus Steel Co.
P.O. Box 429
Dodge Center, MN 55927
Dan Blaisdell

Midwest Manufacturing
6765 Highway 14 E.
Rochester, MN 55904
Ted Basacker

MN Agri-Growth Council
408 Saint Peter Street
Suite 20 Skyway
St. Paul, MN 55102-1130
Myron Just

MNDOT
Kelly Anex
Suite 925 Trans Bldg.
St. Paul, MN 55155
Al Vogel

Northern Con-Ag Inc.
3131 Fernbrook Lane
Suite 121
Plymouth, MN 55447
Joe Egan

Peterson Grain & Brokerage
Co.
9116 13th Street S.W.
Meriden, MN 56093-6707
Daniel Peterson

Rochester Iron & Metal Recyc.
1950 3rd Ave. S.E.
Rochester, MN 55904
Gene Jennings

Sioux Valley Ready Mix
P.O. Box 70
1716 N. Front Street
New Ulm, MN 56073
Steve Rentz

Tri-State Grease & Tallow Co.
P.O. Box 792
1220 South Valley St.
New Ulm, MN 56073

Winona County Farm Bureau
P.O. Box 189
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.
801 East Rock Street
Springfield, MN 56087
Phil Weller

Pillsbury Company
200 South 6th Street
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.
P.O. Box 429
27875 County Rd. 27
Sleepy Eye, MN 56085
Carlin Johnson

Watonwan Farm Service
P.O. Box 456
New Richland, MN 56072
Mike McNeil

New Ulm Steel & Recycling
P.O. Box 3
218 19th South Street
New Ulm, MN 56073
Walt Luneberg

Owatonna Concrete Products
P.O. Box 294
Owatonna, MN 55060
Dave Seykora

Progressive Ag Center
P.O. Box 636
942 Wabasha Ave.
St. Charles, MN 55972
Todd Stockdale

Seneca Foods Corp.
P.O. Box 9
1217 3rd Ave. S.E.
Rochester, MN 55903
Brad Duncanson

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

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



233 West Ciro Street
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 Watonwan 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.

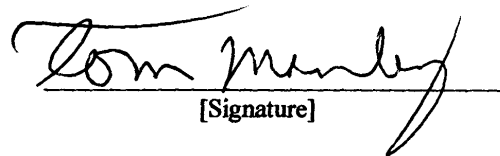
WFS is confident that IC&E will bring stability, consistency and a renewed focus on the importance of competitive regional railroad service. We believe they will be successful. Representatives of IC&E met with us to review their plans and objectives. We are pleased that IC&E expects to retain most of 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



Wisconsin & Southern Railroad Co.

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

**VERIFIED STATEMENT
OF
WILLIAM GARDNER
On behalf of
WISCONSIN AND SOUTHERN RAILROAD CO.**

My name is William Gardner, and I am the President and CEO for the Wisconsin & Southern Railroad Company (WSOR). Wisconsin & Southern Railroad corporate office is located in Milwaukee, WI, has 600 plus route miles, a customer base of 175 businesses, services 19 counties in the lower 1/3 of the State of Wisconsin and handles approximately 50,000 carloads annually. We provide direct access for shippers via the Chicago, IL gateway connecting with all major railroads via the Belt Railway of Chicago and connections with other railroads in the State. WSOR currently handles approximately 300 carloads with the IMRL annually. As a part of its efforts, Wisconsin & Southern Railroad takes an active and serious interest in all transportation matters that affect the State and the railroad.

Wisconsin & Southern Railroad understands that Iowa, Chicago & Eastern Railroad Corporation (IC&E") is requesting authority to acquire the IMRL's lines and urges the STB to move forward in an expeditious manner to consummate the transaction. Also the Dakota, Minnesota & Eastern Railroad Company ("DME") will seek approval from the STB to be commonly controlled with IC&E. We strongly support this application, as the combined company will create a rail network that offers significant opportunities for service improvements and efficiencies.

I would also like to respond to an issue raised by the Wisconsin Department of Transportation ("WISDOT") in this proceeding. WSOR operates via trackage rights over certain lines of the IMRL at Janesville, Wisconsin. The trackage rights allow WSOR to operationally tie together several WSOR lines radiating from Janesville. WISDOT in its comments to the Board

expressed concern over whether IC&E would honor WSOR's trackage rights agreements and would continue to interchange traffic with WSOR at Janesville. IC&E has confirmed to WSOR that the agreements between WSOR and IMRL will be assigned to IC&E as part of IC&E's acquisition of IMRL's lines and that WSOR's trackage rights operations and interchange at Janesville will not be adversely affected by the proposed transaction. WSOR is satisfied that this is not an issue and has so advised WISDOT. WSOR fully supports the proposed transaction.

I William Gardner, declare under penalty of perjury under the laws of the United States that foregoing is true and correct to the best of my knowledge. Further I certify that I am qualified and authorized to file this verified statement.

Executed on July 8, 2002.

A handwritten signature in cursive script, reading "William E. Gardner", is written over a horizontal line.

William Gardner
President & CEO

CERTIFICATE OF SERVICE

I hereby certify that on this 28th day of August, 2002, a copy of the foregoing **Railroad Control Application** was served by first class mail, postage prepaid, upon all parties designated in 49 C.F.R. § 1180(c)(5), namely:

- (i) The Governor, the Public Service Commission and the Department of Transportation of Illinois, Iowa, Minnesota, Missouri, Nebraska, South Dakota, Wisconsin and Wyoming, being each of the states in which any part of the real properties of the Applicants is situated;
- (ii) The Secretary of the United States Department of Transportation (Docket Clerk, Office of Chief Counsel, Federal Railroad Administration, 400 7th Street, S.W., Washington, DC 20590);
- (iii) The Attorney General of the United States;
- (iv) The Federal Trade Commission; and
- (v) All parties of record in Finance Docket No. 34178.



Thomas J. Litwiler