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DID# 0102021005

August 28, 2002

VIA FEDERAL EXPRESS

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

ENTERED
Office of Proceedings

AUG 29 2002

Part of
Public Record



206130

Re: **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**

Dear Secretary Williams:

Enclosed for filing in the above-captioned proceeding are an original and ten copies of a **Verified Notice of Exemption Pursuant to 49 C.F.R. § 1180.2(d)(7)**, dated August 28, 2002. A check in the amount of \$900.00, representing the appropriate fee for this filing, is attached.

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

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

Respectfully submitted,

FEE RECEIVED

AUG 29 2002

William C. Sippel
William C. Sippel
Attorney for Dakota, Minnesota & Eastern
Railroad Corporation

WCS:tjl
SURFACE
TRANSPORTATION BOARD

Enclosures

FILED

AUG 29 2002

SURFACE
TRANSPORTATION BOARD

ORIGINAL

BEFORE THE
SURFACE TRANSPORTATION BOARD

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



VERIFIED NOTICE OF EXEMPTION
PURSUANT TO 49 C.F.R. § 1180.2(d)(7)

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Thomas J. Litwiler
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180 North Stetson Avenue
Chicago, Illinois 60601-6721
(312) 540-0500

**ATTORNEYS FOR DAKOTA, MINNESOTA &
EASTERN RAILROAD CORPORATION**

Dated: August 28, 2002

BEFORE THE
SURFACE TRANSPORTATION BOARD

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



VERIFIED NOTICE OF EXEMPTION
PURSUANT TO 49 C.F.R. § 1180.2(d)(7)

Dakota, Minnesota & Eastern Railroad Corporation ("DM&E"), a common carrier by rail, hereby files this verified notice of exemption under 49 C.F.R. § 1180.2(d)(7) for the acquisition of overhead trackage rights over lines of railroad of Iowa, Chicago & Eastern Railroad Corporation ("IC&E") between Owatonna, Minnesota and Mason City, Iowa and Iowa Northern Railway Company ("IANR") between Plymouth Junction, Iowa and Nora Springs, Iowa. The proposed trackage rights are related to Finance Docket No. 34178, Dakota, Minnesota & Eastern Railroad Corporation and Cedar American Rail Holdings, Inc. -- Control -- Iowa, Chicago & Eastern Railroad Corporation, in which DM&E is filing simultaneously herewith an application pursuant to 49 U.S.C. §§ 11323-11325 and 49 C.F.R. § 1180.2(c) to acquire control of IC&E.

In accordance with the requirements of 49 C.F.R. § 1180.4(g), DM&E submits the following information:

Description of the Proposed Transaction: 49 C.F.R. § 1180.6(a)(1)(i)

DM&E is a Class II common carrier by rail which operates approximately 1100 miles of trackage in the states of Minnesota, South Dakota, Wyoming, Nebraska and Iowa. See

Dakota, Minnesota & Eastern Railroad Corporation -- Acquisition and Operation Exemption -- Chicago and North Western Transportation Company, Finance Docket No. 30889 (ICC served September 8, 1986); 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). DM&E currently possesses overhead trackage rights on a rail line of Union Pacific Railroad Company ("UP") between a connection with DM&E's own line at Hartland, Minnesota and Mason City, Iowa. DM&E's use of those trackage rights is restricted to interchanging traffic with UP at Mason City and interchanging limited categories of traffic with Cedar River Railroad Company ("CEDR") at Glenville, Minnesota and IANR at Manly, Iowa.

IC&E is a Class II common carrier by rail which operates approximately 1400 miles of trackage in the states of Iowa, Illinois, Kansas, Missouri, Minnesota and Wisconsin. IC&E began rail operations on July 30, 2002 after acquiring the rail lines of I&M Rail Link, LLC ("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). IC&E was formed as an indirect, non-carrier subsidiary of DM&E, but upon IC&E's acquisition of the IMRL rail lines its stock was placed in an independent voting trust. The lines of DM&E and IC&E cross at Owatonna, Minnesota. DM&E and IC&E are currently unable, however, to connect or interchange traffic there due to restrictions on DM&E's route through Owatonna over a short, isolated "island" segment of UP-owned track.

IANR is a Class III common carrier by rail which operates approximately 140 miles of rail line between Cedar Rapids and Manly, Iowa. See Iowa Northern Railway Company -- Exemption -- Operations, Finance Docket No. 30473 (ICC served June 5, 1984).

IC&E currently possesses overhead trackage rights on IANR's line between Plymouth Junction and Nora Springs, Iowa, providing a connection between IC&E's east-west Marquette-Mason City-Sheldon line across northern Iowa and IC&E's north-south line between Mason City and Comus, Minnesota. Pursuant to the existing trackage rights agreement between IC&E and IANR, IC&E may admit, subject to IANR's approval, additional parties onto IANR's Plymouth Junction-Nora Springs line.

Concurrently herewith, DM&E and its subsidiary, Cedar American Rail Holdings, Inc., have filed an application in Finance Docket No. 34178 to obtain control of IC&E. In connection with that application, DM&E also has sought terminal trackage rights pursuant to 49 U.S.C. § 11102 over UP's isolated line segment in Owatonna so as to allow a direct connection between DM&E and IC&E at that location. Finance Docket No. 34178 (Sub-No. 1), Dakota, Minnesota & Eastern Railroad Corporation -- Terminal Trackage Rights -- Line of Union Pacific Railroad Company.

Pursuant to a written Trackage Rights Agreement to be entered into between DM&E and IC&E, DM&E proposes to acquire overhead trackage rights over IC&E's line of railroad from the connection with DM&E at Milepost 101.9 in Owatonna, Minnesota through a milepost equation where Milepost 72.5=Milepost 43.0 at Ramsey, Minnesota to Milepost 0.0 in Mason City, Iowa, a distance of approximately 72.4 miles. The proposed trackage rights would allow DM&E to interchange traffic with IC&E at Austin, Minnesota and Mason City, with UP at Mason City, with CEDR at Lyle, Minnesota, and with IANR at Plymouth Junction, Iowa.

Pursuant to a separate written Agreement to be entered into between DM&E, IC&E and IANR, DM&E proposes to acquire overhead trackage rights as a third-party admittee of IC&E on IANR's line of railroad from Milepost 219.5 (milepost 7.4 on IC&E's Ramsey-

Mason City line) at Plymouth Junction, Iowa to Milepost 210.7 at Nora Springs, Iowa, a distance of approximately 8.8 miles. The proposed trackage rights over IANR will allow DM&E to deliver eastbound trains directly to IC&E at Nora Springs, avoiding runaround movements that would be necessary if such DM&E trains operated into IC&E's Mason City yard. DM&E also will be able to interchange traffic with IANR at Nora Springs if convenient as an alternative to interchange at Plymouth Junction.

The full name and address of the applicant carrier herein is as follows:

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

Any questions concerning this Notice should be sent to DM&E's representative at the following address:

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

Proposed Time Schedule for Consummation: 49 C.F.R. § 1180.6(a)(1)(ii)

DM&E intends to consummate the proposed trackage rights transactions upon the effectiveness of Board decisions granting the applications in Finance Docket No. 34178 and Finance Docket No. 34178 (Sub-No. 1).

Purpose Sought to Be Accomplished: 49 C.F.R. § 1180.6(a)(1)(iii)

The proposed trackage rights will allow DM&E and IC&E to effectively and efficiently interchange traffic at Mason City, where IC&E has extensive yard facilities, and at

Nora Springs. Similarly, the trackage rights also will allow DM&E to directly interchange traffic on an unrestricted basis with CEDR and IANR. By operating via trackage rights over IC&E's line between Owatonna and Mason City rather than via DM&E's existing trackage rights over UP's line between Hartland and Mason City, DM&E also will avoid paying trackage rights fees to a rail carrier outside of its corporate family.

States in Which Applicant's Property is Located: 49 C.F.R. § 1180.6(a)(5)

DM&E owns or operates over rail property in the states of South Dakota, Minnesota, Wyoming, Nebraska and Iowa.

Map - Exhibit 1: 49 C.F.R. § 1180.6(a)(6)

A map of the rail lines over which DM&E proposes to acquire trackage rights is attached hereto as Exhibit 1.

Agreement - Exhibit 2: 49 C.F.R. § 1180.6(a)(7)(ii)

A draft of the proposed Trackage Rights Agreement to be entered into by DM&E and IC&E is attached hereto as Exhibit 2A. A draft of the Agreement to be entered into by DM&E, IC&E and IANR is attached hereto as Exhibit 2B. Copies of the final, executed versions of these agreements will be filed with the Board within ten days of execution, pursuant to 49 C.F.R. § 1180.6(a)(7)(ii).

Labor Protective Conditions: 49 C.F.R. § 1180.4(g)(1)(i)

As a condition to this exemption, DM&E agrees to imposition of the employee protective conditions established in Norfolk and Western Ry. Co. -- Trackage Rights -- BN, 354 I.C.C. 605 (1978), as modified in Mendocino Coast Ry. Inc. -- Lease and Operate, 360 I.C.C. 653 (1980).

Caption Summary: 49 C.F.R. § 1180.4(g)(2)(i)

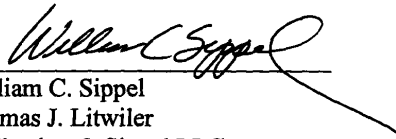
A caption summary of this transaction suitable for publication in the *Federal Register* is attached hereto as Exhibit 3.

Environmental and Historic Preservation Matters: 49 C.F.R. § 1180.4(g)(3)

Under 49 C.F.R. § 1105.6(c)(4), the proposed acquisition of trackage rights by DM&E is exempt from environmental reporting requirements.

Under 49 C.F.R. § 1105.8(b)(3), the proposed acquisition of trackage rights by DM&E also is exempt from historic preservation reporting requirements. The proposed trackage rights will not substantially change the level of maintenance of any railroad property.

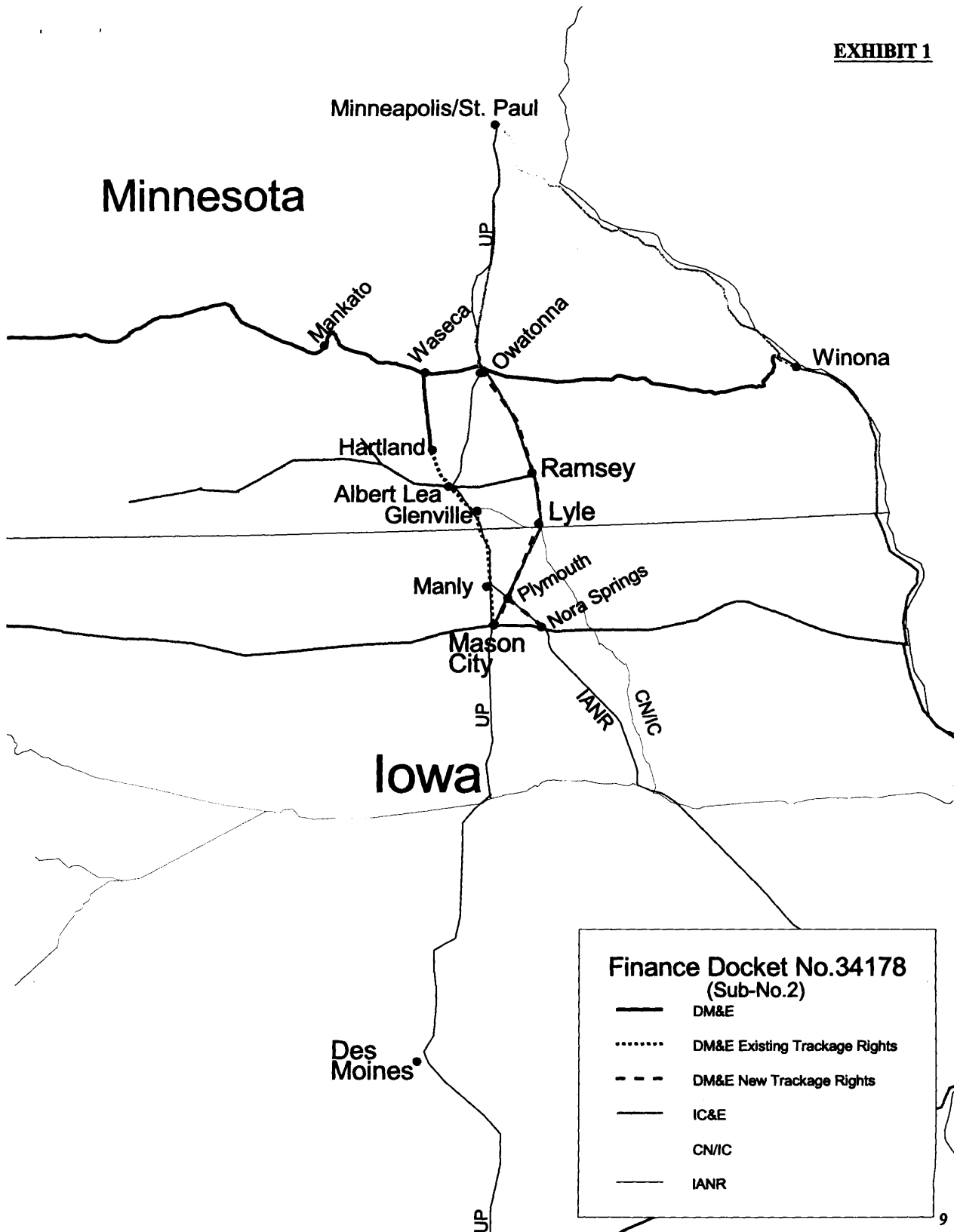
Respectfully submitted,

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

**ATTORNEYS FOR DAKOTA, MINNESOTA &
EASTERN RAILROAD CORPORATION**

Dated: August 28, 2002

EXHIBIT 1



DRAFT

TRACKAGE RIGHTS AGREEMENT

This TRACKAGE RIGHTS AGREEMENT ("Agreement") is made and entered into this __ day of _____, 2002, by and between IOWA, CHICAGO & EASTERN RAILROAD CORPORATION, a Delaware corporation ("Owner") and DAKOTA, MINNESOTA & EASTERN RAILROAD CORPORATION, a Delaware corporation ("User"), Owner and User being sometimes referred to herein individually as Party and collectively as "Parties."

W I T N E S S E T H:

WHEREAS, Owner owns, controls and operates a line of railroad that extends from Milepost 101.9 at Owatonna, Minnesota through a milepost equation where Milepost 72.5=Milepost 43.0 at Ramsey, Minnesota to Milepost 0.0 at Mason City, Iowa, a distance of approximately 72.4 miles, all as more particularly shown on Exhibit A hereto (the "Subject Line");

WHEREAS, User owns, controls, operates or uses a line of railroad that traverses the State of Minnesota and crosses the Subject Line at Owatonna, Minnesota;

WHEREAS, Owner desires to grant overhead trackage rights over the Subject Line to User and User desires to obtain overhead trackage rights over the Subject Line from Owner, on the terms and conditions set forth below;

WHEREAS, Owner possesses overhead trackage rights over a rail line of Iowa Northern Railway Company ("IANR") between Plymouth Junction and Nora Springs, Iowa (the "IANR Line") pursuant to an Agreement dated as of September 27, 1990 between IANR and predecessor of Owner (the "IANR Agreement"); and

WHEREAS, pursuant to the terms of the IANR Agreement and with the approval of IANR, Owner has admitted User to use of the IANR Line as a third party trackage rights tenant;

NOW, THEREFORE, in consideration of the premises and mutual undertakings set forth herein, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Parties agree as follows:

SECTION 1. GRANT OF RIGHTS

1.1. Subject Line. The Subject Line includes all of Owner's track, track connections, signals, switches and related facilities and appurtenances located thereon, as such track, track connections, signals, switches and related facilities and appurtenances are from time to time added to, modified or removed at the sole discretion of Owner.

1.2. Grant of Right. Subject to the terms and conditions set forth in this Agreement, Owner hereby grants to User the nonexclusive right to operate freight trains, locomotives, cars and equipment with its own crews in both directions over the Subject Line for the limited purposes of (i) interchanging loaded and empty rail cars with the Cedar River Railroad Company ("CEDR") at Lyle, Minnesota; (ii) interchanging loaded and empty rail cars with the Iowa Northern Railway Company ("IANR") at Plymouth Junction, Iowa; (iii) entering and exiting the Subject Line at Plymouth Junction, Iowa; (iv) interchanging loaded and empty rail cars with the Union Pacific Railroad Company ("UP") at Mason City, Iowa; and (v) interchanging loaded and empty rail cars with Owner at Austin, Minnesota and Mason City, Iowa. User's use of the Subject Line shall be in common with Owner and any other user of the Subject Line, and Owner's right to use the Subject Line shall not be diminished by this Agreement. Owner shall retain the right to grant to other persons rights of any nature in the Subject Line.

1.3. Restrictions. User's use of the Subject Line shall be subject to the following limitations:

(a) User shall not set out, pick up, store equipment, make or break-up trains, service equipment or cars, or switch or otherwise serve industries upon all or any part of the Subject Line; provided, that this section 1.3(a) shall not prohibit User from taking such actions as are necessary for the handling of locomotives, cabooses or cars bad ordered en route.

(b) User shall not serve any industry, team or house track now existing or located at any time in the future on or connected to the Subject Line;

(c) User shall not permit or admit, without prior permission in writing from Owner (which permission may be withheld by Owner in its sole discretion), any third party to the use of all or any part of the Subject Line, nor under the guise of doing its own business, make any haulage arrangement or other commercial agreement to handle as its own over the Subject Line the trains, locomotives, cabooses or cars of any third party which in the normal course of business would not be considered as trains, locomotives, cabooses or cars of User; *provided*, however, that the foregoing shall not prevent User, pursuant to a run-through agreement with any railroad, or a *bona fide* equipment lease, from using the locomotives and cabooses of another railroad as its own under this Agreement; and

(d) User shall not enter or exit the Subject Line at any points other than Owatonna, Austin and Lyle, Minnesota and Plymouth Junction and Mason City, Iowa as shown on Exhibit A hereto (the "Permitted Entry/Exit Points").

SECTION 2. CONSTRUCTION, REPAIR, MAINTENANCE, ADDITIONS TO, OPERATION AND CONTROL OF THE LINES

2.1. Construction and Removal. Owner shall have exclusive direction and control of decisions regarding the construction, maintenance, repair, renewal, addition, modification and/or

removal of signals, switches, facilities and appurtenances on the Subject Line. Owner may make any additions, modifications or removals to or along the Subject Line that it deems necessary or desirable for the safe, efficient and economical use of that facility, and such additions or modifications shall become part of the Subject Line upon completion of construction; *provided*, that any such change shall not materially interfere with User's right to use the Subject Line as contemplated by Section 1 hereof.

2.2. Management. Owner shall have exclusive direction and control of the Subject Line and shall have the right to change the management of and operations on and over the Subject Line as in its judgment may be necessary, expedient or proper for the operation of the Subject Line provided, however, that the trains, locomotives, cars, and equipment of User, Owner, and any other present or future user of the Subject Line or any portion thereof, shall be operated without prejudice or partiality to either party and in such manner as will afford the most economical and efficient manner of movement of all traffic thereover.

2.3. Maintenance. Owner shall keep and maintain the Subject Line in reasonably good condition for the use contemplated herein, but Owner does not guarantee the condition of the Subject Line or that operations thereover will not be interrupted. Owner shall take all reasonable steps to ensure that any interruptions will be kept to a minimum. Owner shall employ and/or contract with all persons necessary to operate, maintain, repair and renew the Subject Line. Owner shall be bound to use only reasonable and customary care, skill and diligence in the operation, maintenance, repair, renewal and management of the Subject Line. User will not, by reason of Owner's performing, or failing or neglecting to perform, any operation, maintenance, repair, renewal or management of the Subject Line, have or make against Owner any claim or

demand for loss, damage, destruction, injury or death whatsoever resulting from Owner's performance, failure or neglect, except as otherwise expressly provided herein.

2.4. Equipment. User, at its expense, shall install and maintain upon its trains, locomotives, cabooses and cars operated on and over the Subject Line, such equipment or devices as may now or in the future be necessary or appropriate, in the reasonable judgment of Owner and consistent with Owner's requirements for its own equipment for operation of trains over the Subject Line. Owner shall consult with User prior to the adoption of new communication or signaling systems to be employed on the Subject Line that have not theretofore been generally adopted in the railroad industry.

2.5. Interruption of Service. Owner does not guarantee the condition of the Subject Line or that operations thereover will not be interrupted. User shall not have or make any claim against the Owner for loss or damage of any kind resulting from interruption or delay of train operations. If Owner intends to remove track that will result in a maintenance outage of more than twelve (12) hours in one day, Owner shall provide User with at least seven (7) days prior written notice of such intended maintenance outage. The notice shall contain the expected duration of the maintenance outage.

2.6. Supplies. User shall be responsible for furnishing, at its own expenses, all labor, fuel and train supplies necessary for the operation of its trains over the Subject Line.

2.7. Operating Rules. The operations of User over the Subject Line shall at all times be in accordance with the rules, instructions and restrictions of Owner. Such rules, instructions and restrictions shall be reasonable, just and fair among all parties using the Subject Line and shall not unjustly discriminate against any of them. Owner shall provide User with a copy of its rules and instructions at User's expense and provide User with prior, written notice of any

changes in such rules or instructions. These rules and instructions shall include, but not be limited to, operating rules, time tables, special instructions, bulletins, general orders and authoritative directions of train dispatchers and operating officers.

2.8. Car Hire. User shall be responsible for all mileage allowances and car hire charges accruing on cars in trains operated by User over the Subject Line under this Agreement, and User shall report and pay the allowances and charges directly to the owners of such cars.

2.9. Qualification of Employees. All employees of User who operate trains on the Subject Line shall be required to qualify for entry onto the Subject Line by passing periodic examinations on the rules of Owner, provided that, with respect to such examinations, Owner shall qualify one or more of User's supervisory officers who will then examine and certify to Owner the qualification of User's employees. In addition to examination, Owner may: (i) condition qualification of User's employees under this provision upon the completion of a reasonable number of trips over the Subject Line piloted by a qualified employee of Owner; and (ii) require that any such qualification trip be repeated if the subject User's employee has not made a trip over the Subject Line within a reasonable period of time. Pending qualification of User's employees, Owner shall furnish a pilot or pilots, at the expense of User, to facilitate the operation of User's trains as contemplated in this Agreement. For purposes of allocation of liability under Section 4 of this Agreement only, any employee of Owner acting as a pilot for User, or deadheading for that purpose, will be considered an employee of User.

2.10. Violation of Operating Rules. If any employee of User, in the opinion of Owner, neglects, refuses or fails to abide by Owner's rules, instructions or restrictions governing the operation of User's trains over the Subject Line, Owner shall in writing so notify User. Owner shall have the right to require User to withhold any such employee from service over the Subject

Line pending the result of a formal investigation of the alleged neglect, refusal or failure. After the notice is given to User, Owner and User shall promptly hold a joint investigation, in which each of the Parties shall bear its own expenses for its own employees and witnesses. Notice of such investigation to User employee to be investigated shall be given by officers of User, but failure to give proper notice shall not bar Owner from restricting the subject User employee from the Subject Line. The investigation shall be conducted in accordance with the standards and procedures set forth in any collective bargaining agreement between User and its employees. If, in the reasonable judgment of Owner, the result of such investigation warrant restriction of the investigated employee from operating on the Subject Line, Owner shall furnish User with a written explanation of its basis for restriction of the investigated employee, and such employee shall be restricted by User from operating on the Subject Line; provided, however, that if the restriction is appealed in accordance with the procedures provided by the Railway Labor Act, Owner agrees to be bound by and comply with the decision of the arbitrator.

2.11. Removal of Cars. User shall promptly repair and remove any of its cars, cabooses or locomotives bad ordered en route on the Subject Line that User sets out on the Subject Line. If User fails promptly to repair and remove such cars, or, if User so requests, Owner may, at the User's expense, furnish required labor and material to perform light repairs required to make such bad ordered equipment safe and lawful for movement. Billing for this work shall be at rates prescribed in the Field and Office Manuals of the Interchange Rules of the Association of American Railroads ("Interchange Rules"). Owner shall prepare and submit billing directly to and collect from the car owner for car owner responsibility items called for by the Interchange Rules, and shall prepare and submit billing to and collect from User for handling line responsibility items under the Interchange Rules. If Owner performs repairs to User's equipment

other than freight cars, Owner shall prepare and submit billing directly to and collect from User. In the event that the Association of American Railroads ("AAR") discontinues the issuance of rates for the repair of foreign cars, Owner shall be entitled to market rates for such repairs.

2.12. Construction and Maintenance of User Improvements. During the term of this Agreement, User may request that improvements, betterments or other upgrading, including but not limited to track rehabilitation, new switches, power conversion of switches, signals, communications, etc., be performed on the Subject Line. Unless Owner determines that such improvement or upgrading would interfere with its operations, Owner will take appropriate steps to undertake such improvement or upgrading; provided, that (i) User shall bear all cost and expense in connection with such projects, (ii) User shall bear any ongoing incremental costs resulting from such projects (including, without limitation, increased maintenance costs), and (iii) Owner shall have the option, but not the obligation, to furnish all labor and materials required in connection with such projects, at its normal rates and additives.

2.13. Additions, Betterments and Alterations. Owner, from time to time, may make such changes in, additions and betterments to, and retirements from the Subject Line as shall, in its judgment, be necessary or desirable for the economical or safe operation thereof or as shall be required by any law, rule, regulation or ordinance promulgated by any governmental body having jurisdiction. In the event that User utilizes and/or benefits from such changes, additions, betterments or retirements, User shall pay one-half (1/2) of the cost incurred by Owner in connection therewith.

SECTION 3. COMPENSATION AND BILLING

3.1 Base Charge. For utilization of the trackage rights granted under the terms of this Agreement, User shall pay to Owner a trackage rights fee (the "Fee") equal to thirty cents (\$0.30)

per car mile, as adjusted pursuant to Section 3.2 hereof, for each car, locomotive and caboose unit handled by User over all or any portion of the Subject Line pursuant to this Agreement. For purposes of computing the Fee, the mileage between Owatonna and Lyle, Minnesota shall be deemed to be forty-four (44) miles, the mileage between Owatonna, Minnesota and Plymouth Junction, Iowa shall be deemed to be sixty-five (65) miles, and the mileage between Owatonna, Minnesota and Mason City, Iowa shall be deemed to be seventy-two (72) miles. User will pay Owner a sum computed by multiplying: (i) the Fee, as may be revised in accordance with Section 3.2 hereof by (ii) the number of cars, locomotive and caboose units handled by User with its own crews and power over the Subject Line by (iii) the miles of the Subject Line used. Each locomotive and caboose, for the purpose of this Agreement, shall be counted as one car. User will furnish to Owner, in care of its Joint Facility Manager, at the end of each month, a statement of the number of cars, including locomotive and caboose units, operated over the Subject Line during the immediately preceding month.

3.2 Adjustment of Fee. The Fee shall be subject to change to reflect any increases or decreases in labor, material and other costs as hereinafter provided:

(a) The Fee shall be revised upward and downward each year, beginning with the bill rendered during the month of January, 2004, to compensate for 80% of the increase or decrease in the cost of labor and material, excluding fuel, as reflected in the Annual Indexes of Charge-Out Prices and Wage Rates (1977=100), included in "AAR Railroad Cost Indexes" and supplements thereto, issued by the Association of American Railroads. In making such determination, the final "Material prices, wage rates and supplements combined (excluding fuel)" indexes for the Western District shall be used. The Fee shall be revised by calculating the percent of increase or decrease in the index of the year to be revised (2003 Index for the first

annual adjustment) as related to the index for the previous year (2002 Index for the first annual adjustment) and by applying that percent to the Fee.

(b) By way of example, assuming "A" to be the "Material prices, wage rates and supplements combined (excluding fuel)" final index figure for 2002; "B" to be the "Material prices, wage rates and supplements combined (excluding fuel)" final index figure for 2003; "C" to be the Fee; "D" to be the percent of increase or decrease; and "E" to be the adjusted revised percentage of increase or decrease, the revised Fee stated herein would be revised by the following formula:

(1) $\frac{B - A}{A} = D$

(2) $D \times 80\% =$

(3) $(C \times E) + C = \text{revised Fee, effective January 1 of the year being revised.}$

(d) In the event the base for the Annual Indexes of Charge-Out Prices and Wage Rates issued by the Association of American Railroads shall be changed from the year 1977, appropriate revision shall be made. If the Association of American Railroads or any successor organization discontinues publication of the Annual Indexes of Charge-Out Prices and Wage Rates, an appropriate substitute for determining the percentage of increase or decrease shall be negotiated by the parties hereto. In the absence of agreement, the parties shall submit the matter to binding arbitration as outlined in Section 8 hereof.

(e) At the option of either party hereto, the compensation provided for in Section 3.1 and this Section 3.2 shall be open for renegotiation every five (5) years from the Commencement Date, as hereinafter defined. In the event the parties fail to reach agreement upon such negotiation, such failure shall not constitute a breach of this Agreement, and the

parties shall continue to be bound by the terms of compensation provided in said Sections 3.1 and 3.2 until the matter is settled or submitted to binding arbitration as outlined in Section 8 hereof.

3.3. Billing and Payment. Within thirty (30) days of the end of each month, Owner shall render to User an invoice for the Fee incurred during such month. Invoices shall be payable within sixty (60) days after receipt. All disputes concerning the Fee shall be resolved in accordance with Section 8 hereof. During the pendency of any dispute, User shall continue to pay Owner's invoices for the Fee (and for other charges under this Agreement) on a timely basis.

3.4. Access to Records. The records of each Party pertaining to this Agreement shall be open to inspection by representatives of the other Party at the expense of the inspecting Party, upon reasonable prior written notice, during regular office hours.

3.5. Default. In the event of default by either Party in making any payment called for by this Agreement, or in fulfilling any other term of this Agreement, the complaining Party will notify the other Party in writing that it considers that Party to be in default, giving full explanation of the amount or nature of the default. If such default is not resolved to the satisfaction of the complaining Party within thirty (30) days after the notice is mailed, the complaining Party may institute the appropriate legal or equitable action. Waiver of a default in any given instance or any similar instances shall not be construed as a waiver in any other instance. Failure of a Party to enforce its remedies in any one instance or any similar instances shall not constitute a waiver of the right to enforce its remedies in any other instance.

SECTION 4. LIABILITY

Except as provided otherwise in Section 2 hereof, the responsibility and liability between the Parties for: (i) any personal injury or death of any person (including employees of the Parties

and third parties), (ii) any real or personal property damage of any person (including, without limitation, the Subject Line and other property of the Parties and third parties), (iii) any damage or destruction to the environment (including, without limitation, land, air, water, wildlife and vegetation), (iv) any claims of third parties for damages, and (v) all cleanup and remediation expenses, court costs, litigation expenses and attorneys' and consultants' fees resulting from the use of the Subject Line by either Party as described herein, all of which (and all costs, judgments and expenses incurred in connection therewith) are collectively referred to as a "Loss", shall be allocated as follows:

(a) If a Loss arises in connection with an incident involving a train, rail car and/or locomotive of Owner or User (the "Involved Party") without the direct involvement of a train, rail car and/or locomotive of the other party, then the Involved Party shall be solely responsible for all Loss in connection therewith (whether such Loss is suffered by either Party hereto or by a third party), even if caused partially or completely by the other Party. In any instance in which a Loss is caused by a derailment, collision or otherwise involving the train, rail car or locomotive of only one of the Parties, the other Party's train, rail car or locomotive shall not be deemed to have "direct involvement" with such incident by virtue of being in close proximity to the train, rail car or locomotive that derails, collides or otherwise causes Loss.

(b) If a Loss arises in connection with an incident in which the trains, rail cars and/or locomotives of both Owner and User are directly involved (whether or not trains, rail cars or locomotives of third parties are involved), then: (i) each Party shall be solely responsible for any Loss to its own employees, trains, locomotives, rail cars and equipment in its own account including lading, and (ii) each Party shall bear one-half (1/2) of any Loss to the Subject Line and

any Loss sustained by third parties, regardless of the proportionate responsibility between them as to the cause of the Loss.

(c) If a Loss arises in connection with the performance of this Agreement, and such Loss does not arise out of an incident directly involving the train, rail car or locomotive of one or both of the Parties hereto, each Party shall assume and bear all responsibility for Loss to its own employees and property (and lading in rail cars in its account), and any Loss incurred by third parties shall be borne by the Parties on the basis of comparative fault.

(d) Whenever any Loss is assumed by or apportioned to a Party hereto under the foregoing provisions, that Party shall forever protect, defend, indemnify, and hold harmless the other Party and its parent corporation, subsidiaries and affiliates, and all of their respective directors, shareholders, officers, agents, and employees from and against that liability, cost and expense assumed by that Party or apportioned to it, regardless of whether caused in whole or in part by the fault, failure, negligence, misconduct, nonfeasance, or misfeasance of the indemnitee or its directors, shareholders, officers, agents, or employees.

(e) In every case of death or injury suffered by an employee of either Owner or User, when compensation to such employee or employee's dependents is required to be paid under any workmen's compensation, occupational disease, employers' liability or other law, and either of said Parties, under the provisions of this Agreement, is required to pay said compensation, if such compensation is required to be paid in installments over a period of time, such Party shall not be released from paying any such future installments by reason of the expiration or other termination of this Agreement prior to any of the respective dates upon which any such future installments are to be paid.

(f) For purposes of determining liability, pilots furnished by Owner to User pursuant to this Agreement shall be considered as the employees of User while such pilots are on board or getting on or off trains of User.

(g) For the purpose of determining liability associated with construction, maintenance, repair and renewal of improvements as provided in Section 2.12, all work performed by Owner shall be deemed performed for the sole benefit of User, and User shall be fully liable for all cost and expense of any Loss resulting from, arising out of, incidental to or occurring in connection with said construction, maintenance, repair and renewal except when such Loss is caused by the sole negligence of Owner. User shall protect, indemnify, and save harmless Owner and its parent corporation, subsidiaries and affiliates, and all of their respective directors, officers, shareholders, agents and employees from and against any and all cost, expense and liability for which User is responsible.

(h) Notwithstanding any provision to the contrary herein, neither Party shall be obligated to indemnify the other Party (the "Indemnitee") for punitive damages to the extent such damages are awarded based upon the act or omission of one or more of the officers, shareholders, directors, employees or agents of the Indemnitee.

4.2. Settlements. If both Parties hereto are liable under this Agreement for any Loss, and the same is compromised and settled by voluntary payment of money or valuable consideration by one of the Parties, the settling Party shall obtain a valid and enforceable release from liability for both of the Parties, and their respective corporate parents, subsidiaries and affiliated companies, and all of their respective directors, officers, agents, shareholders and employees. Neither Party may make any such compromise or settlement in excess of \$5,000 without prior, written authority of the other Party having liability, but any settlement made by

one Party in consideration of \$5,000 or less will be a settlement releasing all liability of both Parties and shall be binding upon both Parties.

4.3. Joinder in Defense of Claims. If a lawsuit is commenced against either Party hereto for or on account of any Loss for which the other Party would be solely or jointly liable under this Agreement, the party sued shall give the other Party timely written notice of such suit, and thereupon the Party so notified shall assume or join in the defense thereof, and if the Party so notified is liable therefore under this Agreement, such Party shall indemnify the Party sued from all Loss in accordance with the liability allocation set forth in this Agreement. Neither Party will be bound by any judgment against the other Party unless it is notified and has reasonable opportunity to assume or join in the defense of the action.

4.4. Wrecks and Re-Railing. If trains, locomotives or cars of User are wrecked or derailed on the Subject Line, Owner shall pick up and remove said equipment, and User shall bear the cost of such service (except to the extent that the allocation of liability in this Agreement provides otherwise), except that if Owner does not have the necessary personnel or equipment, User may furnish both as required, at its own expense; provided, however, that in the case of a minor derailment where the derailed equipment can be promptly rerailed by rerailers or blocking by User's employees, then in such event User may, at its sole expense, rerail such equipment unless Owner's supervisory employees direct otherwise. Prior to Owner taking any of the actions set forth in this subsection, Owner shall, to the extent practicable, consult with User regarding the potential action to be taken.

SECTION 5. INSURANCE

5.1. Policy Requirements. User shall carry, at its own cost, railroad and general liability insurance with a combined single limit of at least twenty million dollars (\$20,000,000)

per occurrence with an annual aggregate of not less than twenty million dollars (\$20,000,000), on a claims made basis, which shall provide coverage for personal injury, bodily injury, death, property damage, Federal Employers Liability Act liability and bill of lading and foreign rolling stock liability, with respect to all operations of User on the Subject Line, and which shall include blanket contractual coverage. Such insurance policy(ies) shall name Owner as an additional insured. The self-insured retention under the insurance policy required hereunder shall not exceed one million dollars (\$1,000,000). Nothing in this Section 5 shall be construed as limiting User's liability to Owner under this Agreement.

5.2 Acceptable Carriers. The insurance policies obtained by User in fulfillment of its obligations under this Section 5 shall be issued only by insurance companies that are licensed and authorized to do business in the State of Minnesota and that have a rating in the latest edition of "Bests Key Rating Guide" of "A" or better, or another comparable rating reasonably acceptable to Owner. Certificates of insurance evidencing the issuance of all insurance required hereunder, and guaranteeing at least thirty (30) days' prior notice to Owner of cancellation, non-renewal or modification of said insurance, shall be delivered to Owner prior to commencement of operations by User on the Subject Line, and in the case of new or renewal policies replacing any policies expiring during the term hereof, no later than thirty (30) days before the expiration dates of such policies.

5.3. Termination. If User fails to maintain the levels of insurance coverage required under this Agreement, Owner may, at its discretion, immediately terminate this Agreement. In the event of a termination pursuant to this Section 5.3, User shall (i) file with the Surface Transportation Board ("Board"), within thirty (30) days following receipt of written notice of termination in accordance with this Section 5.3, an application or petition for exemption to

discontinue its trackage rights hereunder, and (ii) take no position before the Board that is inconsistent with the discontinuance of its trackage rights hereunder.

SECTION 6. GOVERNMENTAL APPROVAL

User shall, at its own expense, initiate and prosecute the necessary application for approval, or exemption from approval, from any governmental agency having jurisdiction to approve User's operations over the Subject Line in accordance with the terms of this Agreement. Owner, at its own expense, shall assist and support User in making such application and shall furnish such information and execute, deliver and file such instrument or instruments in writing as may be necessary and appropriate to obtain such approval or exemption. In the event approval or exemption is denied or is granted subject to conditions not acceptable to either Party, this Agreement shall be void.

SECTION 7. ABANDONMENT OF SUBJECT LINE

Notwithstanding the provisions of Section 10.2 of this Agreement, Owner may abandon the Subject Line during the term of this Agreement upon giving User not less than one hundred twenty (120) days' notice of Owner's intent to abandon or to file to obtain regulatory approval for abandonment if such regulatory approval is required. User may during such 120-day period notify Owner that User wishes to acquire the Subject Line, whereupon the parties shall conduct good faith negotiations for sale of the Subject Line to User at its then net liquidation value, less the value of improvements made at User's expense. User also hereby expressly reserves the right pursuant to 49 U.S.C. Section 10904 to acquire the Subject Line. If User does not elect to acquire the Subject Line by purchase or pursuant to Section 10904, User will not interfere with Owner's actions to obtain and exercise authority to abandon and, in the event regulatory authority is required for User to discontinue its own operations over the Subject Line, User will seek such

regulatory authority at the same time that Owner seeks regulatory authority to abandon the Subject Line. If abandonment and discontinuance are authorized, Owner and User will each exercise the abandonment and discontinuance authority within thirty (30) days from the date they are authorized to do so, unless the parties agree otherwise. This Agreement shall terminate and be of no further force and effect upon discontinuance of operations by User as provided herein, or upon acquisition of the Subject Line by User, except that termination of this Agreement shall not relieve or release either party to this Agreement from any obligations assumed or from any liability which may have arisen or been incurred prior to said termination. As used herein, Subject Line means the entire Subject Line or any portion or portions thereof.

SECTION 8. ARBITRATION

Any irreconcilable dispute arising between the Parties with respect to this Agreement shall be settled through binding arbitration by a sole, disinterested arbitrator to be selected jointly by the Parties. If the Parties fail to select such arbitrator within twenty (20) days after demand for arbitration is made by either Party, then they shall have the American Arbitration Association ("AAA") select an arbitrator within five (5) days of the date of request to the AAA for the appointment of an arbitrator. User and Owner shall each submit in writing to the arbitrator so selected (a) such written material as they wish to submit and (b) a final offer for resolution of the dispute. The arbitrator will be directed to choose either the User's final offer or Owner's final offer as the resolution of the dispute. Procedures to be followed by the arbitrator shall be as jointly directed by User and Owner or, in the absence of such joint direction, by the arbitrator in his or her discretion. The determination of the arbitrator shall be set forth in writing and will be conclusive and binding on User and Owner as a determination of the dispute. Until the arbitrator shall issue the final decision or award upon any question submitted for arbitration, performance

under the Agreement shall continue in the manner and form existing prior to the rise of such question. Each Party shall forthwith comply with said final decision or award immediately upon receipt. The fees and expenses of the arbitrator will be payable by the Party whose final offer is not chosen by the arbitrator. Any arbitration pursuant to this Agreement shall take place in Minneapolis, Minnesota or such other location as the Parties may agree.

SECTION 9. IANR LINE OPERATIONS

9.1. Charges. User shall pay to Owner all charges and other expenses incurred by Owner under the IANR Agreement arising from or in connection with User's use of and train operations upon the IANR Line. The provisions of Section 3.3 of this Agreement shall govern the billing and payment of such charges and expenses.

9.2. Liability. As between Owner and User, the provisions of Section 4 of this Agreement shall govern the allocation of responsibility and liability for any Loss arising from or in connection with User's use of and train operations upon the IANR Line.

SECTION 10. OTHER CONSIDERATIONS

10.1. Assignment. This Agreement shall be binding upon and insure to the benefit of the Parties, their respective successors and permitted assigns. Neither Party may transfer or assign this Agreement, or any of its rights, interests or obligations hereunder, to any successor without obtaining the prior, written consent of the non-transferring Party, which consent shall not be unreasonably withheld. Notwithstanding the foregoing, the consent of the non-transferring Party will not be required for an assignment or transfer of this Agreement in connection with a sale or lease of all or substantially all of the transferring Party's rail lines.

10.2. Effective Date. This Agreement shall be effective on the date User first commences operation over the Subject Line pursuant to this Agreement, after having received all

necessary approval, or exemption therefrom, from any governmental agency having jurisdiction to approve this Agreement and the operations to be carried out hereunder (the "Commencement Date"), except that if no operation by User on the Subject Line occurs within two (2) years after the last dated signature on this Agreement, Owner shall have the right to terminate this Agreement upon written notice to User. Once activated by the commencement of operations as above indicated, this Agreement shall remain in effect for a term of thirty (30) years, and thereafter until terminated by User at any time by giving not less than sixty (60) days' written notice of its intention to do so.

10.3. Notices. All notices, demands and other communications to be given or delivered by reason of the provisions of this Agreement shall be in writing and shall be deemed to have been given when personally delivered, delivered by express courier, delivered by United States mail (by registered or certified mail, return receipt requested), or by such other method as the Parties agree. Notices, demands and communications will, unless another address is specified in writing, be sent to the address indicated below:

If to Owner: Iowa, Chicago & Eastern Railroad Corporation
2435 East Kimberly Road
Bettendorf, Iowa 52722
Attention: President

If to User: Dakota, Minnesota & Eastern Railroad Corporation
337 22nd Avenue South
P.O. Box 178
Brookings, South Dakota 57006
Attention: President

10.4. Severability. Whenever possible, each provision of this Agreement shall be interpreted in such manner as to be effective and valid under applicable law, but if any provision of this Agreement is held to be prohibited by or invalid under applicable law, such provision

shall be ineffective only to the extent of such prohibition or invalidity, without prohibiting or invalidating the remainder of such provision or the remaining provisions of this Agreement.

10.5. No Strict Construction. The language used in this Agreement shall be deemed to be the language chosen by the Parties to express their mutual intent, and no rule of strict construction shall be applied against any Party.

10.6. Amendment and Waiver. Any provision of this Agreement may be amended or waived only in writing signed by both of the Parties. No waiver of any provision hereunder or of any breach or default thereof shall extend to or effect in any way any other provision or prior or subsequent breach or default.

10.7. Entire Agreement. This Agreement constitutes the entire agreement among the Parties and supersedes any prior understandings, agreements or representations by or among the Parties, written or oral, to the extent they have related in any way to the subject matter hereof.

10.8. No Third-Party Beneficiaries. Except as expressly provided herein, this Agreement shall not confer any rights or remedies upon any party other than the Parties and their respective successors and permitted assigns.

10.9. Counterparts. This Agreement may be executed in one or more counterparts, each of which shall be deemed an original but all of which together will constitute one and the same instrument.

10.10. Governing Law. All matters relating to the interpretation, construction, validity and enforcement of this Agreement shall be governed by and construed in accordance with the domestic laws of the State of Minnesota, without giving effect to any choice or conflict of laws provision or rule (whether of the State of Minnesota or any other jurisdiction) that would cause the application of laws of any jurisdiction other than the State of Minnesota.

IN WITNESS WHEREOF, the Parties hereto have caused this Agreement to be duly
executed on the date first written hereinabove.

IOWA, CHICAGO & EASTERN RAILROAD CORPORATION

By: _____

Its: _____

DAKOTA, MINNESOTA & EASTERN RAILROAD CORPORATION

By: _____

Its: _____

DRAFT

AGREEMENT

This AGREEMENT ("Agreement") is made and entered into this __ day of _____, 2002, by and between IOWA NORTHERN RAILWAY COMPANY ("IANR"), IOWA, CHICAGO & EASTERN RAILROAD CORPORATION ("IC&E") and DAKOTA, MINNESOTA & EASTERN RAILROAD CORPORATION ("DM&E"), IANR, IC&E and DM&E sometimes referred to herein collectively as the "Parties."

WITNESSETH:

WHEREAS, IANR and IC&E are parties to that certain "Agreement to Grant Soo Line Trackage Rights Over IANR Between Plymouth (Plymouth Jct.) and Nora Springs (Nora Jct.), Iowa," dated September 27, 1990, by and between IANR and Soo Line Railroad Company, predecessor in interest of IC&E (the "Trackage Rights Agreement"), pursuant to which IC&E possesses limited, overhead trackage rights over a line of railroad of IANR extending between IANR milepost 210.7 at Nora Springs, Iowa and IANR milepost 219.5 at Plymouth Junction, Iowa (the "Line");

WHEREAS, pursuant to Section 8 of the Trackage Rights Agreement, IC&E has the right to admit third parties to the use of the Line, on such terms and conditions as IANR may deem proper;

WHEREAS, IC&E desires to admit DM&E to use of the Line, and DM&E desires to be so admitted to use of the Line; and

WHEREAS, IANR is agreeable to the admittance of DM&E by IC&E as a third party user of the Line, on the terms and conditions set forth below.

NOW, THEREFORE, in consideration of the premises and mutual undertakings set forth herein, the Parties agree as follows:

SECTION 1. Pursuant to Section 8 of the Trackage Rights Agreement, DM&E is admitted to use of the Line and is granted the right to operate its trains, engines and cars upon and over the Line in overhead or bridge service, provided, however, that DM&E shall not be allowed any use of the Line not allowed to IC&E under the Trackage Rights Agreement. Without limiting the foregoing, DM&E shall not perform any local freight service whatsoever at any point on the Line. DM&E and IANR may interchange traffic at Nora Springs subject to further agreement between DM&E and IANR.

SECTION 2. For any and all purposes under the Trackage Rights Agreement, including without limitation the payment of compensation pursuant to Section 2 of the Trackage Rights Agreement and the allocation of liability pursuant to Sections 13-21 of the Trackage Rights Agreement, the trains, engines, locomotives, cars, cabooses, equipment, property, crews, employees, officers and operations of DM&E shall be considered as the trains, engines, locomotives, cars, cabooses, equipment, property, crews, employees, officers and operations of IC&E. IC&E shall be solely and directly responsible and liable to IANR (as provided in the Trackage Rights Agreement) for any expense, cost, charge, loss or damage arising from or in connection with DM&E's operations upon and over the Line, as if such operations had been the operations of IC&E.

SECTION 3. In conducting operations upon and over the Line, DM&E shall comply in all respects with the requirements and restrictions of the Trackage Rights Agreement regarding train operations.

SECTION 4. The records of DM&E, insofar as they relate to matters covered by this Agreement or the Trackage Rights Agreement, shall be open at all reasonable times for inspection by the properly authorized representatives of IANR.

SECTION 5. DM&E shall not be considered a party to the Trackage Rights Agreement, nor a third-party beneficiary thereof, and, except as provided herein, shall not assert against IANR the rights of IC&E under the Trackage Rights Agreement.

SECTION 6. This Agreement shall become effective as of the date first above written, and shall continue for a term equal to the term of the Trackage Rights Agreement, as provided in Section 25 of the Trackage Rights Agreement.

SECTION 7. DM&E shall not assign this Agreement, or any interest hereunder, to any third party without the prior written consent of IANR, which shall not be unreasonably withheld. Subject thereto, this Agreement shall bind and inure to the benefit of the successors and assigns of IANR, IC&E and DM&E.

SECTION 8. The provisions of this Agreement shall be construed and interpreted in accordance with the laws of the State of Iowa, including for the purposes of choice of law, as though all acts and omissions related to this Agreement occurred in that state.

IN WITNESS WHEREOF, the Parties hereto have caused this Agreement to be duly
executed on the date first written hereinabove.

IOWA NORTHERN RAILWAY COMPANY

By: _____

Its: _____

IOWA, CHICAGO & EASTERN RAILROAD CORPORATION

By: _____

Its: _____

DAKOTA, MINNESOTA & EASTERN RAILROAD CORPORATION

By: _____

Its: _____

EXHIBIT 3
CAPTION SUMMARY

SURFACE TRANSPORTATION BOARD

NOTICE OF EXEMPTION

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

Iowa, Chicago & Eastern Railroad Corporation ("IC&E") has agreed to grant overhead trackage rights to Dakota, Minnesota & Eastern Railroad Company ("DM&E") over IC&E's line of railroad between milepost 101.9 at Owatonna, Minnesota and milepost 0.0 at Mason City, Iowa (through a milepost equation at Ramsey, Minnesota where milepost 72.5=milepost 43.0), a distance of approximately 72.4 miles, and Iowa Northern Railway Company ("IANR") has agreed to grant overhead trackage rights to DM&E over IANR's line of railroad between milepost 219.5 at Plymouth Junction, Iowa and milepost 210.7 at Nora Springs, Iowa, a distance of approximately 8.8 miles. The total distance of the trackage rights to be obtained by DM&E is approximately 81.2 miles.

The proposed trackage rights are related to Finance Docket No. 34178, Dakota, Minnesota & Eastern Railroad Corporation and Cedar American Rail Holdings, Inc. -- Control -- Iowa, Chicago & Eastern Railroad Corporation, in which DM&E has filed an application pursuant to 49 U.S.C. §§ 11323-11325 and 49 C.F.R. § 1180.2(c) to obtain control of IC&E. The trackage rights are anticipated to become effective upon the effective date of any Board decision granting the application in Finance Docket No. 34178.

This Notice is filed under 49 C.F.R. § 1180.2(d)(7). Petitions to revoke the exemption under 49 U.S.C. § 10502(d) may be filed at any time. The filing of a petition to revoke will not automatically stay the transaction.

Dated: September __, 2002

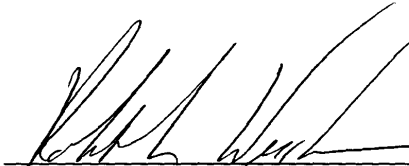
By the Board

Vernon A. Williams
Secretary

VERIFICATION

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

Robert L. Wessler, being duly sworn, deposes and says that he is Chief Transportation Officer of Dakota, Minnesota & Eastern Railroad Corporation, that he has read the foregoing Notice of Exemption and knows the facts asserted therein, that said facts are true as stated, and that he is qualified and authorized to file the foregoing Notice of Exemption.



Robert L. Wessler

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



Notary Public

My Commission expires: 6-2-05

