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Part of
Public Record

June 16, 2003

BY HAND

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

208075



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:

I have enclosed for filing in the above-reference docket an original and ten copies of a letter sent today from John H. Rebensdorf, Vice President - Network And Service Planning of Union Pacific, to Kevin V. Schieffer, President & CEO of Dakota, Minnesota & Eastern.

Please date-stamp the enclosed extra copy of this letter and return it to our messenger.

Thank you for your assistance.

Sincerely,

A handwritten signature in black ink, appearing to read "Michael L. Rosenthal".

Michael L. Rosenthal
Attorney for Union Pacific
Railroad Company

Enclosure

cc: William C. Sippel (via facsimile)
All Parties of Record

JOHN H. REBENDORF
Vice President - Network
And Service Planning

UNION PACIFIC RAILROAD COMPANY

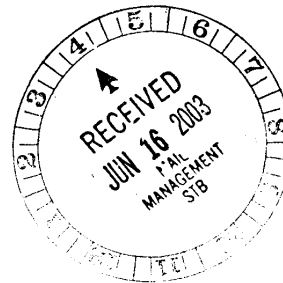


June 16, 2003

1416 Dodge Street
Omaha, Nebraska 68179
(402) 271-4279
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VIA FACSIMILE to (605) 782-1299 and UPS Next Day Air

Mr. Kevin V. Schieffer
President & CEO
Dakota, Minnesota & Eastern Railroad Corporation
140 North Phillips Avenue
Sioux Falls, SD 57104



**RE: Notice of Termination – Overhead Trackage Rights Agreement
(Owatonna)**

Dear Kevin:

This refers to my letter of March 19, 2003, notifying DM&E pursuant to Section 8.1 of the Overhead Trackage Rights Agreement ("OTA") that its use of UP's trackage at Owatonna for movements between that trackage and IC&E trackage constituted "a failure ... to comply with the covenants of the agreement and will permit UP to terminate the agreement as provided in Section 8.1." The 90-day "cure" period provided in the OTA ends on June 17, 2003. To date, we have received no indication that DM&E has cured or intends to cure its failure to comply. Instead, all of DM&E's communications and actions indicate that DM&E intends to continue its unauthorized operations indefinitely.

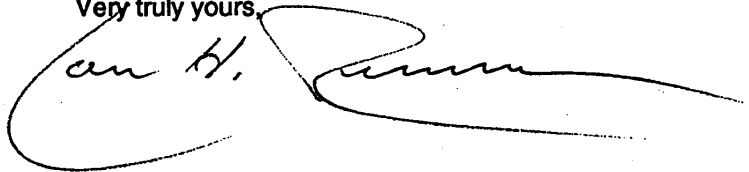
Accordingly, please be advised as follows:

- (1) The Overhead Trackage Rights Agreement dated September 3, 1986, as amended, is terminated as to UP's trackage at Owatonna effective 12:01 AM, June 18, 2003. While UP is entitled under Section 8.1 to terminate the OTA in its entirety, UP has elected, for the present, to limit the termination to Owatonna. UP is not, by this action, waiving its right to terminate the OTA in its entirety and reserves the right to do so at any time at its sole discretion.
- (2) Effective 12:01 AM, June 18, 2003, UP will assume control of dispatching and maintenance for its trackage at the Owatonna Trackage (Milepost 88.6 to 86.1). Operating notices will be furnished in a separate communication. This does not affect IC&E's responsibility to maintain the crossing near MP 87.9 (now consisting of two switches) under prior agreements.

- (3) Following termination of the OTA, UP will permit DM&E to operate over the Owatonna Trackage under the C&NW (UP) – DM&E Detour Agreement dated July 15, 1987 ("Detour Agreement") solely for the bridging of DM&E trains between MP 88.6 and MP 86.1. Movement of DM&E trains or traffic onto or off of UP's trackage at Owatonna at intermediate points (e.g., to and from IC&E owned trackage at Owatonna) is specifically prohibited. The only exception to this prohibition is industry switching at Owatonna consistent with the 1986 Lease of Track Agreement. UP is, for the present, waiving the requirement under Section 3 of the Detour Agreement for DM&E trains at Owatonna to have UP pilots, but it reserves the right to require UP pilots at any time at UP's sole discretion.
- (4) Effective 12:01 AM, June 18, 2003, DM&E and IC&E personnel are not permitted on UP property at Owatonna except (i) DM&E personnel directly involved in the detour operations described in (3) above, (ii) IC&E personnel directly involved in train operations using the UP-IC&E crossing near MP 87.9, (iii) IC&E personnel directly involved in the maintenance of the UP-IC&E crossing near MP 87.9, and (iv) DM&E or IC&E personnel specifically permitted to be on the property by the Superintendent of UP's Twin Cities Service Unit or his designee. Any DM&E or IC&E personnel on UP property in violation of this paragraph are trespassers and are subject to arrest and prosecution.

We are willing to rescind this termination if, prior to 5:00 PM Omaha time, June 17, 2003, DM&E advises me in writing that it has ceased the operations described in the first paragraph of this letter and will not resume such operations without UP's permission or STB action requiring UP to grant such permission.

Very truly yours,

A handwritten signature in black ink, appearing to read "Ken H. [unclear]", with a large, sweeping flourish extending to the right.