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September 22, 2003



Via Facsimile and Hand Delivery

The Honorable Vernon A. Williams
Secretary
Surface Transportation Board
1925 K Street, NW
Washington DC 20423

ENTERED
Office of Proceedings

SEP 22 2003

Part of
Public Record

Re: *Kansas City Southern - Control - The Kansas City Southern Railway Company,
Gateway Eastern Railway Company, And The Texas Mexican Railway Company;
Finance Docket No. 34342*

Dear Secretary Williams:

By decision served September 8, 2003, the Surface Transportation Board ("Board") provided an opportunity for parties to comment on the Trustee's request for direction and guidance with respect to the request by TFM, S.A. de C.V. ("TFM") that the Mexrail shares held by the Trustee be returned to TFM pursuant to TFM's repurchase right contained within the Mexrail Stock Purchase Agreement. Kansas City Southern ("KCS") and others provided comment on September 11, 2003. On September 15, 2003, TFM provided additional comment. KCS believes that in the interest of full disclosure the Board should be made aware of the following.

In its September 11 comments, pg. 5, n. 2, TFM informed the Board of KCS's concerns over whether or not the repurchase of the Mexrail shares by TFM would put TFM in violation of its debt covenants. TFM said it would respond to KCS's concerns "shortly" and that KCS had no basis for its concerns. It has been 19 days since KCS first expressed these concerns and 11 days since TFM informed the Board that it would respond to KCS's concerns "shortly." As of this morning, KCS has still not received an answer to its concerns. As the attached letter from Mr. Ronald G. Russ, Executive Vice President and Chief Financial Officer, Kansas City Southern, establishes, KCS has repeatedly requested TFM to provide KCS with an analysis of TFM's debt financial covenants for the time periods ending 30 September 2003, 31 December 2003 and 31 March 2004, including detailed assumptions and financial information. As noted, TFM has not responded to any of these requests.

Hon. Vernon A. Williams
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It may be that TFM would not violate its debt covenants by its repurchase of the Mexrail shares and that KCS's concerns are unwarranted. If so, the return of the Mexrail shares would simply return the parties to the pre-transaction status quo. However, if TFM would violate its debt covenants, it cannot be said that returning Mexrail and thereby control of Tex Mex to a company who would be in violation of its debt covenants would simply be restoring the status quo ante.

Sincerely,



William A. Mullins

Attachment

cc: Chairman Roger Nober
Parties of Record

KANSAS CITY SOUTHERN

CATHEDRAL SQUARE • 427 WEST 12TH STREET • KANSAS CITY, MISSOURI 64105

RONALD G. RUSS
EXECUTIVE VICE PRESIDENT
AND CHIEF FINANCIAL OFFICER



Mario Mohar Ponce
Chief Executive Officer

Jacinto David Marina Cortes
Chief Financial Officer

TFM, S.A. de C.V.
Av. Periferico Sur No. 4829, 4to Piso
Col. Parques del Pedregal
14010 Mexico, D.F.
Mexico

Dear Mario and Jacinto:

Re: TFM, S.A. de C.V. ("TFM") Financial Projections and Debt Covenant Compliance in view of the Repurchase of 51% of Mexrail, Inc.

On Thursday 4 September 2003 I wrote to Mario Mohar expressing KCS's concern that TFM management would not cause a breach of its debt covenants as a result of its repurchase of Mexrail, Inc. shares pursuant to the Stock Purchase Agreement among KCS, Grupo TMM, S.A. and TFM (the "Stock Purchase Agreement"). In this letter we alerted Mario Mohar of our expectation that TFM management should be concerned about their own personal exposure if they knowingly and intentionally caused such a breach of its debt covenants.

On Friday 5 September 2003 I had a telephone conversation with Jacinto Marina where I highlighted KCS's concern that TFM's repurchase of Mexrail shares from KCS pursuant to the Stock Purchase Agreement may violate covenants in the indentures pursuant to which TFM issued its 10.25% Senior Notes due 2007 and its 11.75% Senior Discount Debentures due 2009, as well as covenants in TFM's bank credit facilities and its commercial paper program. This was based on information received on 25 August 2003 in Mexico City from you as Chief Financial Officer of TFM and in your responses to questioning on the rationale why you had not prepared financial projections and forecasts of TFM debt covenant compliance for future financial reporting periods.

On Monday 8 September 2003, I confirmed in a letter to Jacinto Marina my telephone conversation with him of the previous Friday along with a request to provide me as soon as possible with the analysis of TFM's debt financial covenants for the time periods ended 30 September 2003, 31 December 2003 and 31 March 2004, including detailed assumptions and financial information, upon which TFM's conclusions are based.

This was followed by several telephone calls attempting to contact Jacinto Marina on Tuesday 9 September 2003, which were confirmed that same day in an email to Jacinto Marina at both his Grupo TMM S.A. and TFM email addresses.

On Tuesday 9 September 2003 I wrote a second letter to Jacinto Marina requesting the analysis of TFM's debt financial covenants for the time periods ended 30 September 2003, 31 December 2003 and 31 March 2004, including the detailed assumptions and financial information, upon which TFM's conclusions are based. I also included the information that KCS had in its possession which demonstrates that KCS has insufficient information to allay its concerns about the financial consequences of TFM reacquiring 51% of Mexrail, Inc.

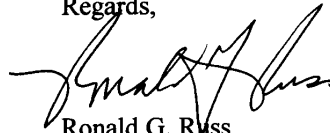
On Thursday 11 September 2003, TFM's legal counsel, Mr. Richard A. Allen, in a letter to the U.S. Surface Transportation Board acknowledged in his Footnote Number 2, ".....KCS has very recently expressed concern to TFM that its repurchase of the Mexrail shares may violate covenants in certain of TFM's loan agreements. TFM intends to respond directly to KCS shortly, but simply notes here that there is no basis for these concerns."

As of the date of this letter, KCS has still not received a satisfactory response to the previous week's request for the analysis of TFM's debt financial covenants for the time periods ended 30 September 2003, 31 December 2003 and 31 March 2004, including detailed assumptions and financial information, upon which TFM's conclusions are based.

To reiterate, KCS is concerned that the management of TFM not cause TFM to breach its covenants under its Yankee Bond indentures, bank credit facilities and commercial paper program and expose it to the liability and expense which could result from such violations. KCS assumes the management of TFM would similarly be concerned about their own personal exposure if they knowingly and intentionally caused such a breach.

Again, if you believe our concern at KCS is misplaced and that the Repurchase of 51% of Mexrail, Inc. will not cause TFM to violate any of its debt covenants, please provide me as soon as possible with the analysis of financial covenants for the time periods ended 30 September 2003, 31 December 2003 and 31 March 2004, including the detailed assumptions and financial information, upon which your conclusions are based.

Regards,

A handwritten signature in black ink, appearing to read "Ronald G. Russ", written over the printed name.

Ronald G. Russ
Executive Vice President and
Chief Financial Officer

cc: Members of the Board of Directors of TFM

Attachments