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January 28, 2004



209966

BY HAND DELIVERY

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

ENTERED
Office of Proceedings
JAN 28 2004
Part of
Public Record

RE: Finance Docket No. 34335
*Keokuk Junction Railway Co.--Feeder Railroad Development Application--
Line Of Toledo, Peoria & Western Railway Corporation Between La Harpe And
Hollis, IL*

Dear Secretary Williams:

One of the issues in this proceeding has been the scope and length of the loan commitment that has been provided to Keokuk Junction Railway Company ("KJRY") by the National City Bank of Michigan/Illinois ("Bank"). Notwithstanding the fact that the rail line and real property at issue in this proceeding is worth significantly less than \$7,000,000, the Bank has given KJRY a loan commitment of \$7,000,000, *see* 8/11/03 Reply of Keokuk Junction Railway Co. to the Motion to Strike of Toledo, Peoria, and Western Railway Corporation ("TP&W"), Exhibit B. Pursuant to the Bank's June 5, 2003 loan commitment letter, KJRY had until January 31, 2004 to close the loan or the loan commitment would expire. Because the Board has not yet ruled on KJRY's feeder line application, it appears unlikely that, assuming the Board were to shortly grant the application, that KJRY would be able to close on the purchase and the loan by January 31, 2004. Accordingly, KJRY requested an extension of the loan commitment timeline and the Bank has agreed to such an extension.

Enclosed with this letter is a new loan commitment letter from the Bank. As the letter makes clear, the Bank has agreed to extend its loan commitment to allow closing by April 30, 2004, subject to the bank's right to further extend that closing date. As a result of this extension, it is clear that KJRY continues to have adequate financing available to purchase TP&W's La Harpe to Hollis line.

Please acknowledge receipt of the original and eleven copies of this filing by date stamping the extra copy of the filing and returning it to the individual making this filing for

Mr. Vernon A. Williams
January 28, 2004
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return to me. By my signature below, I certify that a copy of this filing has been served today on all parties of record by first class mail or by some more expeditious means.

Sincerely,

A handwritten signature in black ink, appearing to read "David C. Reeves", written in a cursive style.

David C. Reeves

cc: Keokuk Junction Railway Co.
All Parties of Record

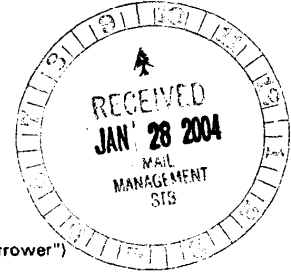
National City

National City Bank of Michigan/Illinois
301 South West Adams Street
Peoria, IL 61602-1500

COMMITMENT LETTER

December 29, 2003

Mr. J. Michael Carr
Chief Financial Officer
Pioneer Railcorp
1318 S. Johnson Rd.
Peoria, IL 61627



Re: Proposed loan by NATIONAL CITY BANK OF MICHIGAN/ILLINOIS, ("Bank") to Pioneer Railcorp ("Borrower")

This is an offer by the Bank to make a loan to the Borrower, subject to the terms, provisions, limitations, and conditions contained herein:

1. **Loan Amount:** \$7,000,000.00
2. **Interest Rate:** Fixed at Bank's cost of funds plus 225 basis points.
3. **Term:** 60 months from date of closing.
4. **Payments:** Monthly principal and interest payments sufficient to fully amortize the loan in ten years.
5. **Security:** First lien on all non-real estate assets acquired from the Toledo Peoria and Western Railway Corporation, as well as a negative pledge on any acquired real estate. Blanket lien on all business assets of the Keokuk Junction Railway, Mississippi Central Railroad and the Alabama Railroad, as well as a negative pledge on all real estate owned by the railroads. Pledge of stock of the Keokuk Junction Railway Corporation, Mississippi Central and Alabama railroads.
6. **Purpose:** Provide acquisition financing for the west end of the Toledo Peoria and Western Railway Corporation.
7. **Guarantor:** Keokuk Junction Railway Corporation.
8. **Other:** Subject to terms and conditions of the Bank's standard loan agreement.
9. **Acceptance of Offer:** This offer must be accepted in writing not later than **March 31, 2004**, and will be deemed accepted only when executed and returned to the Bank's office at 301 S.W. Adams Peoria, IL.
10. **Loan Closing:** This loan shall be closed not later than **April 30, 2004**. The Bank may extend this closing date at its option.
11. **Covenants:** So long as Borrower is indebted to Bank, the Borrower shall:
 - 11.1 Maintain, preserve, and keep its buildings and properties and every part thereof in good repair, working order, and condition and from time to time make all necessary and proper repairs, renewals, replacements, additions, betterments, and improvements thereof, so that at all times, the efficiency thereof shall be fully preserved and maintained.
 - 11.2 Maintain insurance against fire, theft, and other casualty on its insurable real and personal property at full replacement cost from companies acceptable to the Bank against liability on account of damage to persons or property as required under all workmen's compensation laws. Also, Borrower shall maintain any other insurance as may from time to time be reasonably requested by the Bank and shall deliver certified copies of all such insurance policies to the Bank which insurance with respect to real property shall name the Bank as "mortgagee" under a standard loss-payable clause and with respect to personal property shall include a separate lender's loss-payable clause insuring the Bank's security interest or lien in the Borrower's property regardless of any act or neglect of the Borrower. The Borrower shall deliver certified copies of all such insurance policies to the Bank.
 - 11.3 Duly pay and discharge or cause to be paid and discharged all taxes, assessments, and other governmental charges imposed upon it and its properties or any part thereof, or upon the income or profits therefrom, as well as all claims for labor, materials, or supplies, which if unpaid could become a lien or charge upon its property, except such items as are being in good faith appropriately contested and for which the Borrower has provided adequate reserves.
 - 11.4 Carry on and conduct its business in substantially the same manner and in substantially the same areas as such business is now and has previously been carried on, and maintain its legal existence, and comply with all valid and applicable statutes, rules and regulations.
 - 11.5 Maintain a standard, modern system of accounting; deliver to Bank financial reports in form satisfactory to Bank as Bank may request from time to time, including but not limited to: **Annual form 10K and unqualified audit report and quarterly form 10Q with quarterly financial statements** and permit the duly authorized representative(s) of Bank at all reasonable

- times to examine and inspect any of the Borrower's property wherever same may be located.
- 11.6 Borrower shall comply with all applicable federal, state and local laws, ordinances, rules and regulations, including, but not limited to, all environmental laws, ordinances, rules and regulations and shall keep all of its real and personal property or any interest therein (the "Property") free and clear of any liens imposed pursuant to such laws, ordinances, rules and regulations and deliver to Bank such reports and information in form satisfactory to Bank as Bank may request from time to time to establish compliance with this covenant.
 - 11.7 Borrower shall comply with all applicable federal, state and local laws, ordinances, rules and regulations concerning wage payments, minimum wages, overtime laws, and payment of withholding taxes, and deliver to Bank such reports and information in form satisfactory to Bank as Bank may request from time to time to establish compliance with such laws.
 - 11.8 If real or personal property, or both, or any interest therein is mortgaged, conveyed, or assigned or a security interest granted therein by the Borrower to the Bank as security for payment of the Loan:
 - (a) Borrower shall comply with all warranties, covenants and representations of such mortgage, security agreement, conveyance or assignment which warranties, covenants and representations are incorporated by reference herein in their entirety.
12. **Other Terms and Conditions:**
- 12.1 Nothing contained in this Agreement or any exhibit attached hereto or any agreement given pursuant hereto shall be deemed or construed as creating any relationship other than that of borrower and lender. There is no partnership or joint venture between the Bank and Borrower, or between the Bank and any other person and the Bank is not responsible in any way for the debts or obligations of the Borrower or any other person. Nothing in this letter or any attachments makes the Bank a fiduciary for the Borrower or any other person.
 - 12.2 This letter is personal to the parties hereto and is for their sole benefit and is not made for the express or implied benefit of any other person or entity.
 - 12.3 Any appraisals of the Borrower's property or evaluation of the potential profitability of the enterprise to be engaged in by the Borrower in connection with the extension of credit or proposed extension of credit from the Bank to the Borrower, are for the sole benefit of the Bank and do not constitute a representation of the likelihood of financial viability of such enterprise by the Bank to the Borrower.
 - 12.4 This letter, if accepted by the Borrower, constitutes the entire agreement between the Bank and Borrower. Any and all prior, contemporaneous, oral or written agreements, understandings, statements, customs or practices between the Bank and the Borrower pertaining to the transaction herein described are merged herein. No parties have made any representations, warranties or inducements, express or implied, to any other party, except as expressly set forth herein.
 - 12.5 The terms of this letter may not be modified, waived, discharged or terminated orally, except by an instrument in writing signed by Borrower and the Bank.

Accepted and approved this _____ day of _____, 2004.

BORROWER: Pioneer Railcorp

BY: _____
J. Michael Carr
Its Chief Financial Officer

NATIONAL CITY BANK OF MICHIGAN/ILLINOIS

By: _____
Michael A. Zeller
Its: Vice President

Federal Tax Identification #: 37-1191206

The terms of this letter have been reviewed and are approved:

GUARANTOR:

Keokuk Junction Railway Corporation

BY: _____
J. Michael Carr
Its Chief Financial Officer

Commitment Doc (Illinois)