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February 2, 2004



BY HAND DELIVERY

The Honorable Vernon A. Williams
Secretary
Surface Transportation Board
1925 K Street, NW
Washington, DC 20423-0001

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Office of Proceedings

FEB 02 2004

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 - Second Status Report*

Dear Secretary Williams:

By decision served October 8, 2003 ("Decision No. 10"), the Surface Transportation Board ("STB" or "Board") suspended the procedural schedule that the Board had adopted in Decision No. 2 pending a resolution of the uncertainties that surround the efforts of Kansas City Southern ("KCS") to acquire control of The Texas Mexican Railway Company ("Tex Mex"). To keep the Board and interested parties informed respecting KCS's efforts to resolve the uncertainties, the Board directed KCS to "file a status report detailing new developments (if any) on the first business day of November 2003, and then as events warrant, but in no event later than the first business day of every third month thereafter." KCS filed its first report on November 3, 2003 and hereby files this second report in accordance with Decision No. 10 to inform the Board and interested parties of the status of KCS's efforts to acquire control of Tex Mex.

As the Board is aware, on September 30, 2003, TFM, S.A. de C.V. ("TFM") repurchased the shares of Mexrail that KCS had previously purchased and had placed in an independent voting trust pending regulatory approval of KCS's plan to acquire control of Tex Mex.¹ There has been no change with respect to those Mexrail shares since the repurchase. KCS, through two

¹ Prior to KCS's purchase of 51% of the Mexrail shares, TFM owned 100% of the shares of Mexrail, which in turn owned 100% of the shares of Tex Mex. The repurchase of the Mexrail shares by TFM caused TFM to once again be the 100% owner of the Mexrail shares.

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The Honorable Vernon A. Williams

February 2, 2004

Page 2

corporate chains, has a 46.6% economic ownership of Grupo Transportacion Ferroviaria Mexicana, S.A. de C.V. ("Grupo TFM"), which owns 80% of the shares of TFM. Thus, KCS continues to indirectly have an ownership interest in Mexrail and Tex Mex.

KCS continues to pursue its legal options against Grupo TMM, S.A. and its subsidiaries, TMM Holdings, S.A. de C.V. ("Holdings") and TMM Multimodal, S.A. de C.V. ("Multimodal"), (all are collectively referred to as "TMM") regarding both the continued validity of and the enforceability of the agreements between KCS and TMM whereby TMM has agreed to sell its interests in Grupo TFM in exchange for cash and stock. If KCS is successful in efforts to enforce those agreements, KCS will acquire control of TFM and thereby control of Mexrail and Tex Mex. The various proceedings remain pending and arbitration over a portion of the dispute begins today.

As was noted in the November 3, 2003 status report, Grupo TFM has approached KCS to discuss reselling Mexrail's shares to KCS in a transaction that would be substantially similar to the previous Mexrail/KCS transaction and would be completely separate and apart from any actions related to KCS's efforts to acquire control of TFM. The parties have exchanged oral proposals and continued their discussions, but agreement has not been reached. If KCS and Grupo TFM reach an agreement, KCS would request the Board to reinstitute the procedural schedule, possibly with a short time period for additional comments and replies. At this time, however, KCS cannot yet suggest that the Board should lift its suspension of the procedural schedule.

Sincerely,



William A. Mullins

cc: Parties of Record