

BAKER & MILLER PLLC

ATTORNEYS and COUNSELLORS

2401 PENNSYLVANIA AVENUE, NW
WASHINGTON, DC 20037

TELEPHONE: (202) 663-7820
FACSIMILE: (202) 663-7849

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Direct Dial: (202) 663-7823

William A. Mullins
wmullins@bakerandmiller.com

March 23, 2004

BY HAND DELIVERY

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

210383



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
Third Status Report (Interim)*

Dear Secretary Williams:

Kansas City Southern ("KCS") files this letter and its enclosures consistent with the Surface Transportation Board's ("STB") decision served October 8, 2003 ("Decision No. 10") to keep the Board and interested parties informed respecting KCS's efforts to acquire control of The Texas Mexican Railway Company ("Tex Mex"). Although KCS's next status report is not due until May 3, 2004, recent events have warranted the filing of this interim status report.

As the Board is aware, on September 30, 2003, TFM, S.A. de C.V. ("TFM") repurchased from KCS the shares of Mexrail, the parent company of Tex Mex. As a result of that repurchase, TFM once again became the direct parent company of Mexrail, although KCS, through its indirect ownership of a minority share of Grupo Transportacion Ferroviaria Mexicana, S.A. de C.V. ("Grupo TFM"), TFM's parent company, continues to have an ownership interest in Mexrail and Tex Mex.

Although TFM's repurchase of Mexrail precipitated the Board's decision to hold this proceeding in abeyance, KCS did not request the Board to dismiss this proceeding because there remained a possibility that KCS could acquire control of Tex Mex, either through separate

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negotiations or through its attempts to acquire control of TFM through enforcement of the TFM Acquisition Agreement, whereby Grupo TMM, S.A. and its subsidiaries, TMM Holdings, S.A. de C.V. ("Holdings") and TMM Multimodal, S.A. de C.V. ("Multimodal") (collectively "TMM") had agreed to sell their interests in Grupo TFM to KCS in exchange for cash and stock. KCS has pursued all of its options with respect to the continued viability and enforceability of the TFM Acquisition Agreement and the ability to move forward on the purchase of Mexrail notwithstanding the parties' dispute over the TFM Acquisition Agreement.

One of the options KCS has been pursuing with respect to whether or not the TFM Acquisition Agreement remained viable and enforceable has been arbitration pursuant to the terms of the agreement and the rules and procedures of the AAA International Centre for Dispute Resolution. On March 19, 2004, a panel of arbitrators issued a finding that the TFM Acquisition Agreement remains in force and is binding on KCS and TMM in accordance with its terms. A copy of KCS's March 22, 2004 press release regarding that decision and a copy of the decision itself are enclosed for your information. KCS intends to further update the Board no later than the May 3rd status reporting date and possibly earlier if events so warrant.

Sincerely,



William A. Mullins

cc: Parties of Record

KANSAS CITY SOUTHERN

PRESS RELEASE

CATHEDRAL SQUARE • 427 WEST 12TH STREET • P.O. BOX 219335 • KANSAS CITY, MISSOURI 64121-9335

NYSE SYMBOL: KSU



Date: March 22, 2004

Contact: Warren K. Erdman
warren.k.erdman@kcsr.com

Phone: 816/983-1454

Arbitration Panel Rules in Favor of Kansas City Southern Finding Agreement to Acquire Grupo TFM Still in Force

Kansas City, MO: Kansas City Southern (KCS; NYSE: KSU) announced today that the panel of the AAA International Centre for Dispute Resolution hearing the dispute between KCS and Grupo TMM, S.A. (TMM) issued its interim award on March 19, 2004 finding that the Grupo Transportacion Ferroviaria Mexicana, S.A. de C.V. (Grupo TFM) Acquisition Agreement remains in force and is binding on KCS and TMM in accordance with its terms. Under the Acquisition Agreement, KCS would acquire all of the shares of Grupo TFM. Grupo TFM owns all of the common stock of TFM, S.A. de C.V., Mexico's premier freight railroad.

The dispute arose out of TMM's attempt on August 22, 2003 to terminate the Acquisition Agreement following the vote of its shareholders' against approval of the April 20, 2003 Acquisition Agreement. The arbitration panel concluded that the rejection of the Acquisition Agreement by TMM's shareholders did not authorize TMM's purported termination of the Agreement. KCS and TMM will now move on to the second phase of the arbitration, which will decide the remaining issues, including KCS's remedies and damages.

KCS is a transportation holding company that has railroad investments in the United States, Mexico and Panama. Its primary holding is The Kansas City Southern Railway Company (KCSR). Headquartered in Kansas City, Missouri, KCSR serves customers in the central and south central regions of the U.S. KCS' rail holdings and investments are primary components of a NAFTA Railway system that links the commercial and industrial centers of the United States, Canada and Mexico.

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International Centre for Dispute Resolution

-----X
Kansas City Southern, et. al.,

ICDR No.: 60 T 181 00514 03

Claimants,

- against -

Grupo TMM, S.A., et. al.,

Respondents.
-----X

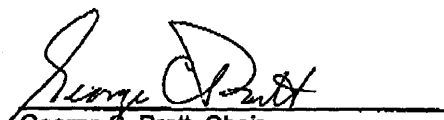
INTERIM AWARD

On February 2-5, 2004, the panel held a hearing on the "discrete threshold issue" (TMM's initial answering statement, part 1): "Did TMM have the ability to terminate the Acquisition Agreement * * * based upon the rejection of that Agreement by TMM's shareholders?" The panel has studied carefully the submissions by the parties, the testimony and exhibits presented at the hearing, and the arguments of counsel, both oral and written. After due deliberation, the panel concludes that the rejection of the Acquisition Agreement by TMM's shareholders in its vote on August 18, 2003, did not authorize TMM's purported termination of that Agreement, dated August 22, 2003. Accordingly, the Acquisition Agreement remains in force and binding on the parties until otherwise terminated according to its terms or by law.

In reaching this conclusion, the panel found it unnecessary to determine whether approval by TMM's shareholders is a "condition" of the Agreement.

There will be a telephone conference call on Wednesday, March 24, 2004 at 5:00 p.m. to discuss, plan, and set a schedule for the remainder of this arbitration, which will be arranged by Andrea Bugbee of the American Arbitration Association.

SO ORDERED: Uniondale, New York
March 19, 2004


George C. Pratt, Chair
For the Panel