

BAKER & MILLER PLLC

ATTORNEYS and COUNSELLORS

2401 PENNSYLVANIA AVENUE, NW
SUITE 300
WASHINGTON, DC 20037

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

William A. Mullins
wmullins@bakerandmiller.com

January 27, 2005

DIRECT DIAL: (202) 663-7823

BY HAND DELIVERY

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

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

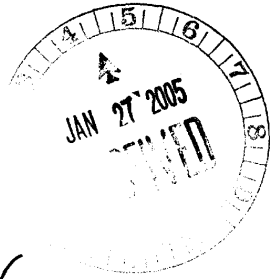
IMMEDIATE ACTION REQUESTED

Dear Secretary Williams:

Keokuk Junction Railway Co. ("KJRY") urgently requests that the Board reconsider its January 24, 2005 decision in this proceeding and set the deadline for closing this sale on February 11 rather than February 25. Shippers need to be able to make service decisions immediately. Meanwhile, Toledo, Peoria and Western Railway Corporation ("TP&W") has reneged on its offer to allow inspection of the Line and has said that it intends to seek still further changes in the terms ordered by the Board three months ago. The public needs a closing deadline that is as soon as possible, at least not later than February 11.

The Board's newly-established February 25 closing deadline does not meet the needs of shippers on the line who TP&W has already deprived of service since at least December 2000. KJRY has made considerable efforts during the course of this proceeding and particularly since the Board's October 28 decision to market its services to these shippers. Those efforts have yielded car orders for next week, when KJRY was to have been able to begin serving the Line. The Board's order delaying closing until February 25 means these shippers will yet again be unable to receive the service they need.

In responding to TP&W's January 13 request for an open-ended postponement of closing on the sale of the La Harpe line, KJRY submitted letters by United Paving & Construction, Colusa Elevator Company, Farmers Elevator of Sciota, Blandinsville Elevator and LaHarpe Elevator. Each of these shippers asked the Board not to delay the January 26 closing deadline.



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Farmers Elevator noted that it had entered a contract with KJRY and had ordered cars for the first week of February. Unfortunately, the Board's January 24 decision took no note that these requests had even been filed. KJRY asks the Board to reconsider its decision in light of that omission and to set a closing date as soon as possible, at least not later than February 15.

Closing by February 11 is also important to meet another shipper need. One of the agricultural shippers who supported KJRY's application has advised that it must decide by mid-February how to move their product. While KJRY believes that the rates it has offered this shipper are better than the competition and the KJRY routing would be much less circuitous, the shipper has told KJRY that it is concerned that the continuing uncertainty about when KJRY will be allowed to close could cost KJRY the opportunity for an additional three years, while increasing transportation costs to the shipper. . Contract rates are an economic necessity for shippers of grain, and this shipper cannot afford the uncertainty of common carrier rates and service. Thus, if closing on the sale does not occur before February 11 this shipper is likely to re-sign with its current carrier. That will mean more expensive, more circuitous service for the shipper, and a loss to KJRY of an important source of revenue for the line. Though the shipper has asked KJRY not to name it, KJRY is authorized to state that this shipper stated its support for KJRY's application in the April 9, 2003 application and continues to seek restoration of service on the La Harpe line.

When the Board extended the previously-established closing deadline, it did so "To facilitate the orderly processing of this proceeding and ensure the orderly transfer of the La Harpe Line." Unfortunately, the Board's order has already had the opposite effect. The Board's January 24 decision has merely emboldened TP&W to create further obstacles to a prompt closing. After receiving the Board's January 24 order and notwithstanding the fact that the Board's order did not require KJRY to "negotiate" over the terms of the Board approved trackage rights agreement, KJRY, in an attempt to resolve a concern that had been orally expressed, wrote to TP&W's General Counsel offering to add a neutral dispatching provision to the trackage rights agreement. KJRY also asked for an earlier closing date and requested that if TP&W would not agree to an earlier closing that KJRY be allowed access to inspect the line the week of January 31. KJRY's letter was written in the spirit of the Board's January 24 direction that the parties "use this time to prepare for the transfer so as to permit a rapid commencement of operations by KJRY." A copy of KJRY's letter is Attachment 1 hereto.

In light of the Board's request for the parties to prepare for closing, TP&W's response to KJRY's letter was stunning. In it, TP&W reneged on its January 13 representation to the Board that in the event the Board granted extra time for closing, TP&W was "willing to allow KJRY to inspect the line during the expected brief postponement so that KJRY can determine what will be required for its track program." TP&W January 13 letter, page 2. Instead, TP&W rejected KJRY's request for an inspection and wrote that "the STB did not require an inspection. Therefore, at this time, TP&W must decline your request for an inspection." TP&W January 26

**KEOKUK JUNCTION RAILWAY CO.
1318 S. JOHANSON ROAD
PEORIA, ILLINOIS 61607
(309) 697-1400**

January 25, 2005

Mr. Scott Williams, Sr. Vice President and General Counsel
Toledo, Peoria & Western Railway Corp.
c/o RailAmerica, Inc.
5300 Broken Sound Blvd., N.W., 2nd Floor
Boca Raton, Florida 33487

RE: TPW Line from LaHarpe to Sommer, Ill.

Dear Scott:

It is my understanding that TP&W will accept the Trackage Rights Agreement offered by KJRY if KJRY agrees to insert something about non-discrimination. Given that the parties have agreed to operate under "yard limit rules", and the fact that TPW dispatches the trackage from Hollis to Collier Yard, we believe such addition is unnecessary. However, as we know of no other outstanding operational issues, KJRY will, in order to resolve this, agree to insert "Trains of the parties hereto shall be given equal dispatch for like trains," provided we can close this transaction, and assume control of the line at 12:01 a.m. Friday, January 28, 2005.

As you probably know, the operational people tentatively agreed to KJRY taking over at 12:01 am Wednesday, January 26, and agreed to meet at 8:00 a.m. to review operational issues with TPW's Mapleton crew. We were geared up to close, and have car orders to fill next week. The Board's order of yesterday directed closing "on or before February 25, 2005". The delay was purely to resolve operational issues so there could be a smooth transition. We have presented an Interchange Agreement to TPW, incorporating the provisions discussed last week. We know of no other issues that would preclude closing on Friday.

We also request that TPW direct BNSF to restore the diamond of Bushnell, Illinois. As you know, the Board directed the parties to "prepare for the transfer so as to permit a rapid commencement of operations by KJRY". It was represented, of course, that BNSF could restore the diamond within 48 hours, but we do not want to put that extraordinary burden on them. If the diamond can be restored within the next two weeks, we will find that acceptable.

Finally, and in the same vein, if TPW is unwilling to close on Friday, we must insist that we be allowed to inspect the line next week, preparatory to restoring service. This is in accord with the Board's Order, and KJRY is willing to enter into a standard right of entry agreement, and provide TPW with a certificate of insurance. This hassle can, of course, be avoided by a simple closing on Friday.

Please respond at your earliest convenience.

Thank you,

Daniel A. LaKemper,
General Counsel.

Attachment 1



RailAmerica, Inc. _____

Corporate Headquarters
5300 Broken Sound Blvd., NW
Boca Raton, Florida 33487
Tel: 561.994.6015
Fax: 561.994.4629

January 26, 2005

Daniel A. LaKemper
General Counsel
Keokuk Junction Railway Co.
1318 S. Johanson Road
Peoria, Illinois 61607

Re: Finance Docket No. 34335, *Keokuk Junction Railway Company—Feeder
Railroad Development Application—Line of Toledo, Peoria and Western Railway
Corporation between La Harpe and Hollis, IL*

Dear Mr. LaKemper:

I am in receipt of your email letter dated January 25, 2005. It appears that the Keokuk Junction Railway Co. ("KJRY") is misrepresenting the Surface Transportation Board's (the "STB") decision of January 24, 2005, and offering in negotiation to the Toledo, Peoria and Western Railway Corp. ("TP&W"), rights that have already been mandated by the STB. TP&W rejects KJRY's offer to close the transaction as proposed by KJRY on January 28, 2005, and TP&W will, instead, adhere to the time frames prescribed by the STB decision.

The STB decision is to "facilitate the orderly processing of this proceeding and ensure the orderly transfer." The delay was not purely to resolve operational issues as KJRY states. In TP&W's experience, the orderly transfer of a rail line requires substantially more than a wire transfer and quitclaim deed, and KJRY had done nothing along those lines before requested by TP&W. It is important for the TP&W and KJRY operational people to continue talking and for KJRY to present TP&W with all agreements necessary for the proposed orderly transfer, and for TP&W to review and comment on those agreements.

TP&W is carefully reviewing the proposed Trackage Rights Agreement to assure that TP&W's service between Mapleton and Hollis will be able to continue without any interruption or delays caused by KJRY purposely or accidentally after transition. TP&W will submit comments to KJRY and the STB well in advance of the STB's February 18, 2005 deadline for TP&W to accept the trackage rights, which are not supposed to "have a significant adverse operational effect on TP&W." TP&W takes the STB's statement in this matter very seriously.

Attachment 2



RailAmerica, Inc. _____

Keokuk Junction Railway Co.

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I also find it interesting that KJRY is asking TP&W to "direct BNSF to restore the diamond of Bushnell, Illinois." First, TP&W does not conduct its business with its railroad partners and competitors, especially one as important as the BNSF, by "directing" them to take any action. Second, KJRY's request contradicts the specific representation made to the STB that KJRY has had discussions with BNSF and BNSF has agreed to restore the those diamonds (See page 3, first full paragraph of the letter KJRY filed at the STB on January 14, 2005). Since you are asking TP&W to proceed in a manner that is offensive to TP&W and to do something that KJRY has already told the STB it has resolved, TP&W will not contact BNSF concerning the diamond at Bushnell.

Although TP&W offered to make an inspection available to KJRY in TP&W's January 13, 2005 filing with the STB, not only did KJRY not accept the offer, but KJRY attacked the motives and integrity of TP&W in the several replies filed with the STB; the STB did not require an inspection. Therefore, at this time, TP&W must decline your request for an inspection.

Finally, I am authorized to offer to close this transaction earlier than the STB's February 25, 2005 deadline, subject to negotiation of a Trackage Rights Agreement that TP&W determines to fully protect its interests, and the wire transfer of \$10,898,068 to TP&W (as detailed in the TP&W pleadings filed with the STB on November 29, 2004). Please contact me to confirm the wire transfer instructions.

Very truly yours,

Scott G. Williams
Senior Vice President
and General Counsel