



General Railway Corporation
dba

Iowa Northwestern Railroad

4814 Douglas St. Omaha, NE 68132
V (402) 558-0553 Cell (712) 574-9800
john@ianwrr.com

214580

17 May 2006
VIA: Fed Ex

Hon. Vernon A. Williams
Secretary
Surface Transportation Board
Mercury Building, #711
1925 K Street, N.W.
Washington, DC 20423-0001



Re: General Railway Corporation, dba Iowa Northwestern Railroad
Finance Docket No. 34867, Exemption for Acquisition of Railroad in
Osceola and Dickinson Counties, Iowa

Dear Secretary Williams:

Enclosed for filing are the original and ten copies of a Notice for Exemption for the purchase of a line of railroad in Northwest Iowa. Also enclosed is our check in the amount of \$1,500 per the current schedule of filing fees.

Please time-stamp the extra copy of this letter to indicate receipt and return it to me in the stamped, self-addressed envelope provided for your convenience.

Respectfully


John F. Larkin
President

Enclosures
FD 34867

cc: Cray Huff Law Firm
Dickinson-Osceola Railroad Association
Cooperative Elevator Association
Iowa Central Railroad

FEE RECEIVED

MAY 19 2006

SURFACE
TRANSPORTATION BOARD

FILED

MAY 19 2006

SURFACE
TRANSPORTATION BOARD

BEFORE THE
SURFACE TRANSPORTATION BOARD
WASHINGTON, D.C.



General Railway Corporation—)
)
Exemption - Purchase —Line of DORA) Finance Docket No. 34867
(Dickinson Osceola Railroad Association))
Between IANW MP 215.00 (UP MP 79.34)
at a point west of Superior, IA and MP)
252.3 (UP MP 116.55), a point west of)
Allendorf, IA.)

NOTICE OF EXEMPTION

- (a) The full name and address of the applicant:¹

General Railway Corporation
dba Iowa Northwestern Railroad Company
4814 Douglas St.
Omaha, NE 68132

- (b) The name, address and telephone number of the representative of the applicant who should receive correspondence:

John Larkin
General Railway Corporation
4814 Douglas St.
Omaha, NE 68132

and

Daniel L. Hartnett
Attorney at Law
Crary, Huff, Inkster, Sheehan, Ringgenberg, Harnett & Storm, P.C.
614 Pierce St.
Sioux City, IA 51101
(712) 277-4561

¹ DORA purchased the line from Union Pacific Railroad (UP) (successor through merger to Chicago & Northwestern Railroad) on 4 April 2001. General Railway Corporation (GRC) will operate the railroad as the Iowa Northwestern Railroad Company.

- (c) A statement that an agreement has been reached or details about when an agreement will be reached:

A Sale and Repurchase Agreement ("Agreement") was entered into between GRC and DORA on 3 March 2001. Under the Agreement, GRC acquired the line from DORA for \$375,000.00. A copy of the Agreement is attached hereto at Exhibit "D".

- (d) The operator of the property:

GRC was designated as the operator under the initial filing of FD 34037. Under STB Docket No. AB-1067-1-X GRC was granted the authority to discontinue operations over the railroad from MP 235.25 near Lake Park, Iowa to the end of the line at MP 252.3 just west of Allendorf, Iowa. GRC remains the operator of the line between MP 215.00 (designated as Mackenzie Junction near Superior, Iowa) and MP 235.25.

- (e) A brief summary of the proposed transaction, including:

- (1) The name and the address of the railroad transferring the subject property:

Union Pacific Railroad sold the line to the Dickinson Osceola Railroad Association ("DORA") as noted under STB docket number FD 34008. Under FD 34037, GRC filed a notice of exemption to operate the rail line and stipulated that it had reached an agreement with DORA to transfer ownership of the line to GRC from DORA "in the near future."

DORA's address is:

Dickinson Osceola Railroad Association
300 Seventh St.
Sibley, IA 51249

(2) The proposed time schedule for consummation of the transaction:

The line was purchased from the Union Pacific Railroad by DORA on the 4th of April 2001. Ownership of the line was transferred to GRC by DORA on the 1st of November 2001, pursuant to the Agreement and by quitclaim deed (Exhibit "C"). The purchase price of \$375,000 was sent directly to Union Pacific Railroad on the 3rd of April 2001 at the request of DORA.

Under the Agreement, it was GRC's responsibility to obtain permission from this Board to acquire and operate the line. Because of mistake and inadvertence, GRC obtained authority to operate the line but did not obtain authority to acquire it. GRC was unaware that an acquisition exemption under 49 CFR 1150.31 et seq. was necessary for it to acquire ownership of the line until notified by the Board in its April 10, 2006 Decision ("Decision") at Docket No. AB 1067-1-X.

Since the assumption of operations on the line in 2001, GRC has made diligent efforts to operate the line in an industrious manner. However, as found by the Board in its Decision:

No traffic has moved over the line since December 22, 2003, due to an embargo placed by Union Pacific Railroad Company ("UP") at its interchange with IANW (Iowa Northwestern Railway) at Superior, Iowa. IANW states the UP embargo has been modified and extended three times since the initial embargo in December, 2003, and remains in effect. Also, according to IANW, there has no overhead traffic since the line became stub-ended in 1993. Prior to the embargo, there was only one shipper on the line, CEA (Cooperative Elevator Association) with a grain load-out facility in Ocheyedon, Iowa.² CEA originated 150, 100 and 225 cars of grain in 2001, 2002, and 2003, respectively, and received 34, 39 and 68 cars in each of those respective years.

² This reference is to the portion of the line between MP 235.25 and MP 252.3 which was the subject of IANW's Petition for Exemption under AB 1067-1-X. One other shipper, Farmers Exchange Cooperative, received fertilizer on the remaining portion of the line that was not subject to abandonment under AB 1067-1-X.

According to IANW, 150 cars spotted for CEA service were ordered returned by the lessor of the cars in 2002 and a second set of 150 cars were again ordered returned in 2003 because of low utilization of the equipment, effectively ending outbound shipments for the Ocheyedan location.

Given these circumstances, GRC submits that this exemption notice is distinguishable from this Board's decision in *The Land Conservancy of Seattle and King County - Acquisition and Operation Exemption - the Burlington Northern and Santa Fe Railway Company*, 1997 WL 591837 (S.T.B.). Here, GRC and DORA entered into a bona fide transaction for the sale of a line. It was GRC's intent, as borne out by its actions over the last five years, to operate the line rather than seek its immediate abandonment. GRC has been frustrated in its efforts to operate the line by the UP embargo, the absence of any overhead traffic and the absence of any meaningful demand for shipments on the line.

Because failing to file the STB Finance Document for ownership was an inadvertent oversight, and the STB was aware of the intent on the part of both DORA and GRC to transfer the ownership to GRC as noted in FD 34037 where the STB decision reads, in part "GRC further states that ownership of the line is expected to be transferred to GRC from DORA in the near future.", GRC requests that the effective date of the ownership be 1 November 2001 or as soon thereafter as possible.

(3) The mileposts of the subject property, including any branch lines:

GRC has acquired the property between current Milepost 215.00 at a point west of Superior, IA and Milepost 252.30 (at a point west of Allendorf, IA) (UP Milepost 79.34 to 116.55).

There are no branch lines of the track being acquired.

(4) The total route miles being operated:

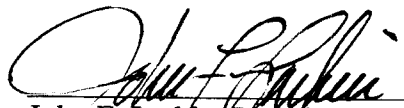
Total route miles purchased: Approximately 37.21 miles.

Under STB Docket No. AB-1067-1-X GRC was granted the authority to discontinue operations over the railroad from MP 235.25 near Lake Park, Iowa to the end of the line at MP 252.3 just west of Allendorf, Iowa. The remaining miles being operated are between Mackenzie Junction (MP 215.00 near Superior, Iowa) and MP 235.25, a distance of 20.25 miles .

- (f) A map that clearly indicates the area to be served, including origins, termini, stations, cities, counties and states: See Exhibit A.
- (g) A certificate that applicant's projected revenues do not exceed those that would qualify it as a Class III carrier: See Exhibit B.
- (h) A certificate that applicant's projected revenues do not exceed \$5,000,000 and that no notice of intent to undertake the proposed transaction is necessary pursuant to 49 C. F. R. Section 1150.32(e): See Exhibit B.

I, John F. Larkin, verify under penalty of perjury that the foregoing is true and correct. Further, I certify that I am qualified and authorized to file this notice of exemption on behalf of General Railway Corporation.

Executed this 17th day of May, 2006.



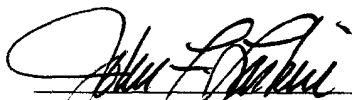
John F. Larkin, President
General Railway Corporation

Exhibit B

I, John F. Larkin, President of General Railway Corporation, verify under penalty of perjury that:

- (1) the projected annual revenues for General Railway Corporation, dba Iowa Northwestern Railroad Company, do not exceed the upper limit on revenue for a Class III rail carrier (presently \$20.4 Million); and
- (2) the projected annual revenues for General Railway Corporation, dba Iowa Northwestern Railroad Company, do not exceed \$5,000,000 and that no notice pursuant to 49 C. F. R. Section 1150.32 (e) is required.

Executed this 17th day of May 2006.



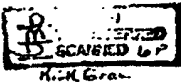
John F. Larkin, President
General Railway Corporation

EXHIBIT "C"

THE IOWA STATE BAR ASSOCIATION
Official Form No. 100

ISDA #

FOR THE LEGAL EFFECT OF THE USE OF
THIS FORM, CONSULT YOUR LAWYER



FILED
OSCEOLA COUNTY, IOWA

2001 NOV -1 AM 11:00

20011465

REC. # ARLENE KUEHL
RECORDER

Preparer
Information

PREPARED BY KURT JOHN STOEBE, ATTY.
P.O. BOX 604 HUMBOLDT, IA 50548 515-332-2263

Individual's Name

Street Address

City

Phone

Address Tax Statement:

SPACE ABOVE THIS LINE
FOR RECORDER



QUIT CLAIM DEED

For the consideration of One and no/100
Dollar(s) and other valuable consideration,
Dickinson Osceola Railroad Association, an Iowa Corporation,

do hereby Quit Claim to
General Railway Corporation

all our right, title, interest, estate, claim and demand in the following described real estate in
Dickinson and Osceola County, Iowa:

SEE EXHIBIT "A"

Pass through deed with no consideration paid by Dickinson Osceola Railroad Association but by the Successor is exempt from Iowa Transfer Tax and DOV.

Each of the undersigned hereby relinquishes all rights of dower, homestead and distributive share in and to the real estate.

Words and phrases herein, including acknowledgment hereof, shall be construed as in the singular or plural number, and as masculine or feminine gender, according to the context.

Dated: 11-1-2001

Kirk D. Grau
DICKINSON OSCEOLA RAILROAD (Grantor)
ASSOCIATION - BY: KIRK D. GRAU PRESIDENT

STATE OF _____, ss: _____
COUNTY,

On this _____ day of _____
before me, the undersigned, a Notary
Public in and for said State, personally appeared

(Grantor)

(Grantor)

to me known to be the identical persons named in
and who executed the foregoing instrument and
acknowledged that they executed the same as their
voluntary act and deed.

(Grantor)

(Grantor)

(Grantor)

Notary Public

(This form of acknowledgment for individual grantor(s) only)

(Grantor)

STATE OF _____ COUNTY, ss:

On this _____ day of _____, 2001, before me, the undersigned, a Notary Public in and for said County and said State, personally appeared _____

to me known to be the identical persons named in and who executed the foregoing instrument, and acknowledged that they executed the same as their voluntary act and deed.

Notary Public

STATE OF Iowa Osceola COUNTY, ss:

On this 1st day of November, 2001, before me, the undersigned, a Notary Public in and for said County and said State, personally appeared

Kirk D. Grau _____

to me personally known, who, being by me duly sworn, did say that ~~XXXXXX~~ he is the President _____

respectively, of said corporation; that (no seal has been procured by the said) corporation; that said (the seal affixed thereto is the seal of said) instrument was signed (and sealed) on behalf of said corporation by authority of its Board of Directors; and that the said Kirk D. Grau _____ as such officers, acknowledged the execution of said instrument to be the voluntary act and deed of said corporation, by it and by ~~XXXXXX~~ him voluntarily executed.

Arleta Kuehl
Notary Public



Midwestern Railroad Properties, Incorporated
Dickinson and Osceola Counties, Iowa

EXHIBIT "A"

All right, title and interest in and to the right of way and appurtenances of the Estherville Branch of Midwestern Railroad Properties, Incorporated as line extends in a generally westerly direction from Railroad Engineering Station 4188+41.02 (M.P. 79.34) to Railroad Engineering Station 6158+30.99 (M.P. 116.55), in and over and across the following legal subdivisions:

<u>Dickinson County</u>				
<u>Subdivision</u>	<u>Section</u>	<u>Township</u>	<u>Range</u>	<u>Meridian</u>
S $\frac{1}{2}$ S $\frac{1}{2}$	33	100 N.	35 W.	5 th Principal
N $\frac{1}{2}$ N $\frac{1}{2}$ N $\frac{1}{2}$ NW $\frac{1}{4}$	4	99 N.	35 W.	5 th Principal
SE $\frac{1}{4}$	32	100 N.	35 W.	5 th Principal
N $\frac{1}{2}$ SW $\frac{1}{4}$	.	.	.	.
S $\frac{1}{2}$ NW $\frac{1}{4}$	.	.	.	.
S $\frac{1}{2}$ N $\frac{1}{2}$	31	.	.	.
S $\frac{1}{2}$ N $\frac{1}{2}$	36	100 N.	36 W.	5 th Principal
NE $\frac{1}{4}$	35	.	.	.
N $\frac{1}{2}$ NW $\frac{1}{4}$	.	.	.	.
SW $\frac{1}{4}$ SW $\frac{1}{4}$ SW $\frac{1}{4}$	26	.	.	.
S $\frac{1}{2}$ S $\frac{1}{2}$	27	.	.	.
S $\frac{1}{2}$ S $\frac{1}{2}$ SW $\frac{1}{4}$	28	.	.	.
SE $\frac{1}{4}$ SE $\frac{1}{4}$ SW $\frac{1}{4}$	.	.	.	.
NW $\frac{1}{4}$ NW $\frac{1}{4}$ NW $\frac{1}{4}$ NE $\frac{1}{4}$	33	.	.	.
W $\frac{1}{2}$	.	.	.	.
NW $\frac{1}{4}$	4	99 N.	36 W.	5 th Principal
NE $\frac{1}{4}$	5	.	.	.
S $\frac{1}{2}$ S $\frac{1}{2}$ NW $\frac{1}{4}$	.	.	.	.
N $\frac{1}{2}$	6	.	.	.
NE $\frac{1}{4}$ NE $\frac{1}{4}$	1	99 N.	37 W.	5 th Principal
S $\frac{1}{2}$	36	100 N.	37 W.	5 th Principal
N $\frac{1}{2}$ SE $\frac{1}{4}$	35	.	.	.
S $\frac{1}{2}$ SW $\frac{1}{4}$ NE $\frac{1}{4}$	.	.	.	.
S $\frac{1}{2}$ NW $\frac{1}{4}$	.	.	.	.
N $\frac{1}{2}$	34	.	.	.
N $\frac{1}{2}$ N $\frac{1}{2}$ NE $\frac{1}{4}$	33	.	.	.
NE $\frac{1}{4}$ NE $\frac{1}{4}$ NW $\frac{1}{4}$	.	.	.	.
SW $\frac{1}{4}$ SW $\frac{1}{4}$ SE $\frac{1}{4}$	28	.	.	.
S $\frac{1}{2}$ SW $\frac{1}{4}$	.	.	.	.
S $\frac{1}{2}$	29	.	.	.
S $\frac{1}{2}$	30	.	.	.
S $\frac{1}{2}$ S $\frac{1}{2}$	25	100 N.	38 W.	5 th Principal
S $\frac{1}{2}$	26	.	.	.

N $\frac{1}{2}$ SE $\frac{1}{4}$	27	"	"	"
NE $\frac{1}{4}$ NE $\frac{1}{4}$ SW $\frac{1}{4}$	"	"	"	"
SW $\frac{1}{4}$ SW $\frac{1}{4}$ SW $\frac{1}{4}$ NE $\frac{1}{4}$	"	"	"	"
S $\frac{1}{2}$ NW $\frac{1}{4}$	"	"	"	"
NE $\frac{1}{4}$ SE $\frac{1}{4}$ NE $\frac{1}{4}$	28	"	"	"
<u>Dickinson County</u>				
<u>Subdivision</u>	<u>Section</u>	<u>Township</u>	<u>Range</u>	<u>Meridian</u>
N $\frac{1}{2}$ N $\frac{1}{2}$	28	100 N..	38 W.	5 th Principal
NE $\frac{1}{4}$	29	"	"	"
S $\frac{1}{2}$ NW $\frac{1}{4}$	"	"	"	"
N $\frac{1}{2}$ SW $\frac{1}{4}$	"	"	"	"
S $\frac{1}{2}$	30	"	"	"

<u>Osceola County</u>				
<u>Subdivision</u>	<u>Section</u>	<u>Township</u>	<u>Range</u>	<u>Meridian</u>
S $\frac{1}{2}$ S $\frac{1}{2}$	25	100 N..	39 W.	5 th Principal
S $\frac{1}{2}$ S $\frac{1}{2}$ SE $\frac{1}{4}$	26	"	"	"
N $\frac{1}{2}$ N $\frac{1}{2}$ N $\frac{1}{2}$	35	"	"	"
N $\frac{1}{2}$ N $\frac{1}{2}$	34	"	"	"
N $\frac{1}{2}$ N $\frac{1}{2}$	33	"	"	"
N $\frac{1}{2}$	32	"	"	"
N $\frac{1}{2}$ NW $\frac{1}{4}$ SW $\frac{1}{4}$	"	"	"	"
S $\frac{1}{2}$	31	"	"	"
SE $\frac{1}{4}$ SE $\frac{1}{4}$ SE $\frac{1}{4}$	36	100 N.	40 W.	5 th Principal
N $\frac{1}{2}$	1	99 N.	40 W.	5 th Principal
NW $\frac{1}{4}$ NW $\frac{1}{4}$ SW $\frac{1}{4}$	1	"	"	"
SE $\frac{1}{4}$	2	"	"	"
S $\frac{1}{2}$ SW $\frac{1}{4}$	"	"	"	"
N $\frac{1}{2}$ NW $\frac{1}{4}$ NW $\frac{1}{4}$	11	"	"	"
N $\frac{1}{2}$	10	"	"	"
S $\frac{1}{2}$ S $\frac{1}{2}$ NE $\frac{1}{4}$	9	"	"	"
N $\frac{1}{2}$ N $\frac{1}{2}$ S $\frac{1}{2}$	"	"	"	"
S $\frac{1}{2}$ SW $\frac{1}{4}$ NW $\frac{1}{4}$	"	"	"	"
S $\frac{1}{2}$ N $\frac{1}{2}$	8	"	"	"
S $\frac{1}{2}$ NE $\frac{1}{4}$	7	"	"	"
NW $\frac{1}{4}$	"	"	"	"
N $\frac{1}{2}$	12	99 N.	41 W.	5 th Principal
S $\frac{1}{2}$ NE $\frac{1}{4}$	11	"	"	"

Including that portion of said line situate in the SW $\frac{1}{4}$ SW $\frac{1}{4}$ of Section 34, Township 100 North, Range 35 West of the 5th Principal Meridian in Dickinson County, Iowa lying westerly of a perpendicular line to the centerline of the main track of aforesaid Estherville Branch, as presently constructed and operated, 706.70 feet, more or less, distant easterly, as measured along said centerline, from the west line of said SW $\frac{1}{4}$ SW $\frac{1}{4}$, said perpendicular line being M.P. 79.34 (Railroad Engineering Station 4188+41.02).

Also, including that portion of said line situate in the SE $\frac{1}{4}$ SE $\frac{1}{4}$ NW $\frac{1}{4}$ of Section 11, Township 99 North, Range 41 West of the 5th Principal Meridian in Osceola County, Iowa lying easterly of a perpendicular line to the centerline of the main track of aforesaid Estherville Branch, as presently constructed and operated, 226.00 feet, more or less, distant westerly, as measured along said centerline, from the east line of said SE $\frac{1}{4}$ SE $\frac{1}{4}$ NW $\frac{1}{4}$, said perpendicular being M.P. 116.55 (approximate Railroad Engineering Station 6158+30.99).

Excepting therefrom two strips of land situate in the S $\frac{1}{2}$ NW $\frac{1}{4}$ and the N $\frac{1}{2}$ SW $\frac{1}{4}$ of Section 32, Township 100 North, Range 35 West of the 5th Principal Meridian in Dickinson County, Iowa as heretofore acquired by Cedar Rapids, Iowa Falls and North Western Railway (predecessor in ownership to Midwestern Railroad Properties, Incorporated) from J. A. Wisner, et al by Warranty Deed dated June 27, 1890, recorded February 23, 1891 in Book "M", Page 25 of the Deed Records of Dickinson County, Iowa and from Mike Nece et ux by Warranty Deed dated July 21, 1898, recorded August 23, 1898 in Book "R", Page 177 of said Deed Records.

Also excepting therefrom a parcel of land situate in the N $\frac{1}{2}$ NE $\frac{1}{4}$ of Section 31, Township 100 North, Range 35 West of the 5th Principal Meridian in Dickinson County, Iowa as heretofore acquired by Burlington, Cedar Rapids and Northern Railway (predecessor in ownership to Midwestern Railroad Properties, Incorporated) from E. M. Betzer et ux by Warranty Deed dated February 4, 1887, recorded February 7, 1887 in Book "J", Page 214 of the Deed Records of Dickinson County, Iowa.

Also excepting therefrom a parcel of land situate in the S $\frac{1}{2}$ N $\frac{1}{4}$ of Section 34, Township 100 North, Range 37 West of the 5th Principal Meridian in Montgomery, Dickinson County, Iowa lying southerly of a line concentric with and 25.00 feet distant southerly, as measured at right angles, from the centerline of the main track of aforesaid Estherville Branch and 8.50 feet distant southerly, as measured at right angles and/or radially, from the centerline of Track No. 1, as presently constructed and operated, and extending westerly from the east line of that certain parcel of land as heretofore acquired by Cedar Rapids, Iowa Falls and North Western Railway (predecessor in ownership to Midwestern Railroad Properties, Incorporated) from E. R. Dutton et ux by Warranty Deed dated April 12, 1898, recorded May 4, 1898 in Book "R", Page 161 of the Deed Records of Dickinson County, Iowa to the west line of that certain parcel of land as heretofore acquired by said Cedar Rapids, Iowa Falls and North Western Railway from John Montgomery et ux by Warranty Deed dated April 15, 1898, recorded May 4, 1898 in Book "R", Page 162 of said Deed Records.

Also excepting therefrom that 100.00 foot wide strip lying northerly of the northerly right of way line of said Estherville Branch situate in the N $\frac{1}{2}$ N $\frac{1}{4}$ of Section 28, Township 100 North, Range 38 West of the 5th Principal Meridian in Dickinson County, Iowa, said right of way line being 50.00 feet distant northerly, as measured radially and/or at right angles, from the centerline of the main track of aforesaid Estherville Branch, as presently constructed and operated.

EXHIBIT "D"**SALE AND REPURCHASE AGREEMENT**

THIS AGREEMENT entered into this 3 day of March 2001 by and between the Dickinson-Osceola Railway Association (hereafter "DORA"), an Iowa corporation ("Seller") and General Railway Corporation ("GRC"), a Washington corporation ("Purchaser").

WHEREAS, DORA is negotiating and expects to sign an agreement (hereafter "the UP Agreement") with the Union Pacific Railroad Company ("UP") to purchase a line of railroad known as its "Estherville Branch" from MP 215.00 at a point west of Superior, IA, to MP 252.30 at the end of the line at Allendorf, IA;

AND WHEREAS, DORA will obtain from GRC, or a direct successor to GRC, (collectively referred to as "GRC") the funds to purchase the Estherville Branch;

AND WHEREAS, DORA has designated GRC to operate the Estherville Branch through GRC, doing business as the Iowa Northwestern Railroad Company, pending the sale from DORA to GRC and following the sale to GRC;

AND WHEREAS, GRC recognizes and accepts the purpose and objectives of DORA, which is not organized for profit and which is organized to (1) operate exclusively for charitable, scientific, or educational purposes or for the promotion of social welfare; (2) to assist in preserving and maintaining railroad service along the main line of railroad between Sibley, IA, and Superior, IA; (3) to encourage the development and use of rail transportation, for both freight and tourism, along such railroad lines; and (5) to provide a vital public service and a benefit to the communities, the region's producers and shippers, and residents of the region located along such railroad line in the form of activities designed to accomplish the preceding purposes.

AND WHEREAS, DORA and GRC shall at all times cooperate to foster and encourage economic development in Osceola and Dickensen Counties which shall include but not be limited to the encouragement of new industry, to the encouragement of wind generated power along the railroad right of way, and to the promotion of tourism.

AND WHEREAS, DORA has agreed to sell to GRC all of its right, title, and interest in the Estherville Branch subject to the conditions in this Agreement.

WHEREFORE, for and in consideration of the mutual promises and other consideration herein set forth, the parties agree as follows:

1. Property sold. Seller shall sell and Purchaser shall purchase all of Seller's right, title, and interest in a line of railroad formerly known as UP's "Estherville Branch" from MP 215.00 at a point west of Superior, IA, to MP 252.30 at the end of the

line at Allendorf, IA, more fully described in the attached Exhibit A. The subject property shall be conveyed, free and clear of all liens and encumbrances, "AS IS, WHERE IS," without any warranties, express or implied, pertaining to the line, the condition thereof, or its merchantability or suitability for any use or purpose whatsoever, and without any warranty of volume or quality of traffic. Seller shall convey its interest in the property which is the subject of this Agreement ("the subject property") by quitclaim deed, bill of sale, and assignment (in any contract rights). Purchaser shall immediately arrange for the deeds, bills of sale, and assignments to be recorded in the counties in which the subject property runs.

2. Purchase price and terms. In exchange for the right to acquire, subject to the repurchase conditions set forth below, all of Seller's right, title, and interest in the property which is the subject of this Agreement, Purchaser shall pay Seller \$375,000 in a timely manner sufficient to permit DORA to purchase the Estherville Branch from UP on or before 30 March, 2001. Purchaser shall meet its obligations under this provision by either advancing the purchase money to DORA on or before 29 March, 2001, by certified or cashier's check or wire transfer, or by providing collateral in the form of proof of fund availability in the GRC account in the amount of \$375,000 sufficient to permit DORA to close with UP under the UP Agreement, or shall arrange to make payment directly to UP in a manner acceptable to UP. Purchaser shall be responsible for payment of all applicable sales, use, transfer or property taxes, fees or assessments payable by a Purchaser under applicable law and shall reimburse DORA for all such sales, use, transfer or property taxes, fees, or assessments, bridge loan interest and fees, and any other expenses of sale incurred or paid by DORA in connection with the UP acquisition and the sale to GRC (other than legal fees).

3. Termination before closing. Should DORA be unable to close with UP for any reason, DORA has the right to terminate this Agreement before Closing and neither party shall have any further obligation to the other hereunder.

4. Closing. Unless extended by mutual agreement and subject to the provisions below, Closing on this Agreement shall take place in either Omaha, NE, or Sibley, IA, within 45 days of the date DORA closes on its purchase of the subject property from UP.

5. Operating lease. Upon DORA's closing with UP, it shall enter into a short term lease granting GRC the sole and exclusive right to conduct common carrier rail freight service and excursion rail passenger service over as well as the exclusive right to occupy, use, rehabilitate, and maintain the rail line conveyed under this Agreement subject to those rights reserved and retained by UP in section 3 of the UP Agreement. Said lease shall automatically terminate upon the sale of the subject property by DORA to GRC under this Agreement. GRC will defend, indemnify, and hold DORA harmless for any and all liability (other than any liability caused solely by DORA's actions) arising as the result of any event occurring after closing as provided herein and during the lease term between DORA and GRC as if GRC owned the property. To the extent that GRC incurs any liability for which UP would be liable and for which UP has agreed to defend, indemnify, and hold DORA harmless under the UP Agreement, DORA will assign to GRC UP's obligation to defend, indemnify, and hold DORA harmless. Conversely, to the extent that DORA or GRC as DORA's designated short line operator would be liable and has agreed to defend, indemnify, and hold UP harmless under the UP Agreement, GRC agrees to assume all such liability (other than for liabilities in connection with the purchase of the subject property by DORA from UP for which DORA is solely liable) and will defend, indemnify, and hold DORA harmless.

6. Union Pacific Agreement. In conjunction with DORA's purchase of the subject rail line, GRC will abide by all provisions of Sec. 5 of the UP Agreement which is incorporated by reference herein and will execute the UP's standard form interchange agreement (Exhibit E-1 to the UP Agreement). GRC also agrees to abide by the Association of American Railroads' interchange agreement and GRC agrees to enter into UP's Equipment and Commercial Support Agreement attached as Exhibit G. GRC shall comply with all other pertinent portions of the UP Agreement which are not inconsistent with this Agreement, including Sections 2c and 2e (UP's right to repurchase and DORA's right to repurchase from UP in the event of a UP repurchase), Section 6 (Liability and Insurance; Standard Agreements); Section 7 (Services to be Provided); Section 8 (Equipment Supplied); and Section 9 (Breach; Remedies).

7. Transfer to an affiliate. Under this provision, GRC has the right to sell or transfer this property to a corporate affiliate known as the Iowa Northwestern Railroad Company (collectively identified as "GRC" for the provisions of sections 5 through 10) with no further notice or consent. GRC has the right to sell or transfer this property to a corporate affiliate upon DORA's written consent which shall not be unreasonably withheld. Should DORA decide to grant that consent, it shall do so within 20 days of notification. For the purpose of this provision, the filing of a voluntary petition for bankruptcy by GRC, any final judgment against GRC, and any notice of foreclosure against GRC shall be considered a "change in control" entitling DORA to

exercise its repurchase right.

8(A). Repurchase provisions. As a condition of DORA's willingness to sell the subject rail property to GRC, GRC agrees that it will not do any of the following without the prior written consent of DORA which shall not be unreasonably withheld (1) sell or transfer more than a de minimis interest in the subject property to any party; (2) discontinue service over and/or abandon any portion of the railroad which results in loss of service to a rail customer or loss of a market to a customer or (3) allow the sale or transfer of control (hereafter "a change in control") of itself or the rail carrier it establishes to operate the subject property. DORA shall have 20 days from GRC's written notice to grant or deny consent to the sale or other transaction. Failure by DORA to act within that 20 day period shall constitute a grant of consent.

8(B). Notwithstanding these provisions, GRC may sell a de minimis interest in the subject rail property provided that it shares the profit from the sale with DORA on a 50/50 basis. DORA agrees that its share will be available to meet the maintenance, capital and rehabilitation needs of the railroad including construction of the interchange track and shall be provided to GRC within 10 days of written request from GRC specifying the application of the funds. A de minimis interest is one that does not adversely affect the continuity of the railroad, GRC's ability to provide operations over the subject property, or result in loss of service to a rail customer or loss of a market to a customer. In determining the profit, both parties shall utilize the services of an independent appraiser to allocate that portion of the \$375,000 purchase cost attributable to the property. Notwithstanding the above provisions, GRC may replace track or track components with materials of the same or better condition and sell the removed track or track components.

8(C). Should GRC seek to sell or transfer other than a de minimis interest, DORA shall have the right of first refusal to match any outside offer received by GRC. Should DORA match or exceed an outside offer received by GRC, GRC shall resell the property back to DORA for the price DORA has offered, plus interest at 6%, and the higher of the documented reasonable cost, as determined by accepted short line industry practices, the appraised fair market value of all improvements installed and repairs made by GRC or the DORA match of an outside offer. DORA shall have 20 days from notification by GRC to exercise such right of repurchase.

8(D). Should GRC decide to terminate service over any part of the subject property, it shall provide written notice of this action at least 20 days before filing a petition or notice of exemption (or notice of intent to file an application) with the Surface Transportation Board and shall give DORA a right of first refusal to acquire the property proposed for abandonment outside the provisions of 49 U.S.C. 10904. Should DORA submit an offer of financial assistance to acquire the property proposed for abandonment

under 49 U.S.C. 10904, GRC will accept that offer over any other bona fide conflicting offer providing that DORA's offer matches or exceeds the conflicting offer.

8(E). Should DORA exercise its repurchase right, DORA shall deposit into an escrow account 10% of the purchase price (up to a \$10,000 ceiling) within 30 days of the notification date. Said deposit shall be fully refundable and shall be credited against the purchase price at closing. DORA shall pay the balance at closing, such closing to occur within 40 days of the date DORA notifies GRC of its intent to exercise its repurchase right as provided in Sec. 7(D). Should such closing not be completed within 40 days as provided above, all DORA rights under this agreement expire and GRC may sell or dispose of assets as deemed necessary by GRC.

9. Liens and encumbrances. Upon its acquisition of the subject rail line, GRC shall have the right upon notification to DORA to mortgage the rail line and underlying right of way to obtain financing used in connection with its purchase, improvement, or rehabilitation. Should GRC need to take any actions which would result in a lien or encumbrance being placed on the property, DORA would have the right to provide such financing or obtain financing from a third party at the same or better terms than GRC can itself obtain and a DORA representative would be placed on the board of directors of the company GRC establishes to operate the railroad. Should GRC seek to sell, transfer, or abandon the property or transfer control of the railroad or any part thereof and DORA exercise its right to repurchase the property pursuant to section 7, GRC shall reconvey title to the property back to DORA, free and clear of all liens and encumbrances other than those incurred in connection with railroad rehabilitation financing obtained from the State of Iowa Department of Transportation, the Iowa Railroad Finance Authority, the U.S. Department of Transportation's Federal Railroad Administration Railroad Rehabilitation Improvement Fund, any commercial lending source provided the loan is assumable, or any other federal financial assistance program. In that event, DORA shall take the property back subject to such financing and its payment obligation shall be reduced by the amount of the loan it will assume. If the subject rail line is reconveyed back to DORA, GRC shall be responsible for obtaining releases for all mortgages that are not assumed.

9A. Books and records. Beginning with the GRC/DORA closing, GRC shall provide DORA with records of all traffic handled on the Line and copies of all financial statements kept in the ordinary course of business. GRC shall provide traffic figures on the 25th of the month for the month just concluded. GRC shall provide financial statements on the 25th of the month following the closing of the calendar quarter (i.e. January-March, April-June, etc.) for the quarter just concluded. DORA shall have the right to inspect and copy all of GRC's records pertaining to the subject property during

normal business hours upon five days' written notice. GRC's management shall meet with DORA officials on a regular basis, no less than monthly, to review ongoing matters.

10. Regulatory authority. As a precondition to its acquisition and operation of the subject rail line, GRC shall obtain all necessary authority to purchase and operate a rail line from the federal Surface Transportation Board.

11. Miscellaneous Provisions.

a. Resolution of disputes; governing law. All disputes between the parties arising under this Agreement shall be resolved pursuant to Iowa law under the Commercial Arbitration Rules of the American Arbitration Association whose ruling shall be final.

b. Entire Agreement. This Agreement and the related Agreements incorporated by reference herein shall constitute the entire Agreement between the parties and shall supersede all prior Agreements and understandings, oral or written, between the parties hereto concerning the subject matter of this Agreement.

c. Conflict. In the event of any conflict between provisions of this Agreement and the UP Agreement affecting GRC's railroad operations including issues involving revenue divisions, car hire and car supply, equipment interchange, pricing and marketing of traffic, the terms of the UP Agreement shall govern.

d. Amendment. No modification, addition, or amendments to this Agreement or any of the attached Exhibits, shall be effective unless and until such modification, addition or amendment is in writing and signed by the parties.

e. Counterparts. This agreement may be executed in any number of counterparts, each of which shall be deemed to be an original and all of which together shall be deemed to be one and the same instrument.

f. Survival of Representations and Warranties. All representations and warranties made in this Agreement shall survive Closing.

g. Notices. All notices, demands, requests or other communications which may be or are required to be given, served or sent by either party to the other pursuant to this Agreement shall be in writing and shall be deemed to have been properly given or sent if sent by registered or certified mail, return receipt requested, to the parties as follows:

To Purchaser: General Railway Corporation
10346 Ellison
Omaha, NE 68134

To Seller:

Dickinson-Osceola Railway Association

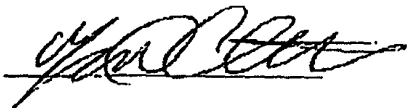
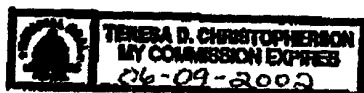
OSCEOLA COUNTY COURTHOUSE - 300 7TH STREET
SIBLEY, IOWA 51219

h. **Severability.** If any term or provision of this Agreement is deemed illegal, invalid, or unenforceable and is capable of being severed from this Agreement without affecting its contents, then the remainder of this Agreement shall not be affected thereby and shall be valid and shall be enforced to the fullest extent permitted by law.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed in duplicate as of the date first herein written.

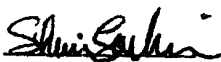
Attest:

DICKINSON-OSCEOLA RAILWAY ASSOCIATION


By Kirk D. Grau for Mike Kruger.Printed Name: KIRK D. GRAU, MIKE KRUGERTitle DORA SEC./TREAS - CHAIRMAN

Attest:

GENERAL RAILWAY CORPORATION


By John Larkin

Printed Name: John Larkin

Title: President