

Surface Transportation Board Accepts "DM&E-IC&E" Railroad Merger Application; Finds Proposed Transaction to Be "Minor;" Issues Procedural Schedule

Surface Transportation Board (Board) Chairman Linda J. Morgan announced today that the Board has accepted for consideration the railroad merger application and two related filings submitted to the Board on August 29, 2002, by the Dakota, Minnesota & Eastern Railroad Corporation (DM&E), Cedar American Rail Holdings, Inc. (Holdings), and the Iowa, Chicago & Eastern Railroad Corporation (IC&E) (collectively, "applicants"). Chairman Morgan also announced that the Board has issued a procedural schedule providing for the issuance of the Board's final decision in this case no later than **January 27, 2003**, or **five months** after the filing of the DM&E-IC&E merger application, unless the Board determines that an Environmental Assessment or Environmental Impact Statement is required or that an oral argument will be held. A copy of the schedule is attached.

DM&E owns or operates approximately 1,103 miles of rail lines in Wyoming, South Dakota, Nebraska, Minnesota, and Iowa. IC&E owns or operates approximately 1,397 miles of rail lines in Minnesota, Iowa, Kansas, Missouri, Wisconsin, and Illinois. All of the IC&E lines were recently acquired by IC&E from I&M Rail Link, LLC (I&M), in an "asset acquisition" transaction (the IC&E-I&M asset acquisition transaction). Holdings, a wholly owned non-railroad subsidiary of DM&E, is the beneficial owner of all of the outstanding common stock of IC&E. However, the applicants indicate that, immediately prior to the consummation of the IC&E-I&M asset acquisition transaction, Holdings placed the IC&E stock into an independent voting trust, where it will remain pending Board action on the DM&E-IC&E merger application. The applicants further indicate that, if the DM&E-IC&E merger application is approved, Holdings would function as if it were a holding company for DM&E and IC&E (i.e., Holdings would oversee the management and coordination of operations on the DM&E-IC&E system and would perform marketing and administrative services for both DM&E and IC&E, as if each of DM&E and IC&E were a wholly owned subsidiary of Holdings).

In today's decision, the Board accepted the DM&E-IC&E merger application, determined the proposed transaction to be a "minor transaction" under its regulations at 49 CFR 1180.2(c), and found that the application complies with its applicable regulations governing minor transactions. The Board also accepted the two related filings. In the first, DM&E seeks "terminal trackage rights" (where one railroad rents use of its lines in a terminal area to another railroad) over approximately 3,700 feet of Union Pacific Railroad Company track in Owatonna, MN. In the second, DM&E seeks trackage rights over approximately 72.4 miles of IC&E track (Owatonna, MN, to Mason City, IA) and also over approximately 8.8 miles of the Iowa Northern Railway Company's track (between Plymouth Junction, IA, and Nora Springs, IA). The applicants indicate that the trackage rights sought in the two related filings are needed to facilitate a DM&E-IC&E interchange at Owatonna.

The Board accepted the DM&E-IC&E merger application and the two related filings, and established a procedural schedule, today in the case entitled *Dakota, Minnesota & Eastern Railroad Corporation and Cedar American Rail Holdings, Inc.--Control--Iowa, Chicago & Eastern Railroad Corporation*, STB Finance Docket No. 34178, Decision No. 2. A printed copy of the decision is available for a fee by contacting **D~ 2 D~ Legal Copy Service, Suite 405, 1925 K Street, N.W., Washington, DC 20006, telephone (202) 293-7776**, or via da2dalegal@earthlink.net. The decision also is available for viewing and downloading via the Board's website at <http://www.stb.dot.gov>.

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ATTACHMENT

PROCEDURAL SCHEDULE

STB Finance Docket No. 34178 Proposed "DM&E-IC&E" Merger

Date / Material Due or Action Taken

August 29, 2002: DM&E-IC&E application, related filings, and petition for establishment of procedural schedule filed with the Board.

September 27, 2002: Board's notice of acceptance of DM&E-IC&E application and related filings published in the *Federal Register*.

October 15, 2002: Notification to Board of persons' or parties' intent to participate in the DM&E-IC&E case due.

November 14, 2002: All comments, protests, requests for conditions to be applied to the DM&E-IC&E merger, and any other opposition evidence and argument due, including filings of the U.S. Department of Justice (DOJ) and the U.S. Department of Transportation (DOT).

December 13, 2002: Responses to comments, protests, requests for conditions, and other opposition due. Rebuttal in support of DM&E-IC&E application and/or either or both of the related filings due.

January 27, 2003: Board issues a written decision (if there is no Environmental Assessment or Environmental Impact Statement required and there is no oral argument).

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