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**Statement of
Kevin Schieffer, President & CEO, Dakota, Minnesota & Eastern Railroad
on
DM&E's Railroad Renewal, Upgrade & Safety Program &
Response to Mayo-Rochester Press Conference**

(Sioux Falls, SD) – Kevin Schieffer, President & CEO of the Dakota, Minnesota & Eastern Railroad, made the following statement today in response to the Mayo Clinic-Rochester, MN, report on rail safety.

"Mayo is a \$7 billion entity. It's unfortunate such an institution is using its wealth and influence on press conferences to block the growth and prosperity of its neighbors and the region, and on false and misleading information about our company. We are pleased to engage in a debate about the safety benefits of this project holds for America and Mayo. We have an open offer to Rochester and Mayo to meet and responsibly address the issues just as every other community along the line has. These other 55 communities recognize the DM&E project will reduce consumer electricity prices, help farmers, create thousands of jobs, and boost economic development."

"We've taken action to improve our safety record by replacing decades-old track. We increased our capital program from approximately \$17 million per year to an average of approximately \$60 million in 2004, 2005 and 2006. This has led to a 52 percent decrease in accidents even as our traffic increased by 11 percent. Our employees, the investment in our tracks and our focus has made this happen."

"Safety is one of the fundamental stated purposes and needs cited in the federal government's approval of the project. Experts and regulators alike agree that the DM&E rail renewal project would make the current line safer because of upgrades in track, more efficient operations and investment in mitigation such as rail crossings."

"Ironically, Rochester and the Mayo Clinic are standing in the way of reducing today's risks, not just to their people that live and visit that city, but across the line. What's worse is they are doing it because they think it'll impact their ranking with other health care institutions. The project will not impact their ability to provide quality health care. We listened to their concerns and made offers to address them beyond what's required by law. They have refused. They've appealed to the Surface Transportation Board and have lost. They have taken their case to the 8th Circuit Court of Appeals and lost. Why? Because the STB and the court came to the conclusion that the DM&E would be a safer railroad at the end of our proposed renewal project than it is today."

- Kevin Schieffer, President & CEO, DM&E Railroad.

The 1,100-mile DM&E has an established track record as one of the most successful regional railroads in the country. By 2002 it had more than doubled its traffic base since start-up, and today serves over 130 on-line customers in a five-state region (SD, MN, NE, WY, IA). The DM&E transports approximately 78,000 carloads annually, consisting primarily of grain and grain products, clay products, cement, paper and wood products.

In May, Rochester and Mayo released false information about DM&E's financial capabilities. The disclaimer at the introduction admits that Bearing Point knows nothing about DM&E's finances and that its assumptions are wild guesses. In Bearing Point's own words:

"Based upon the limited available data..."

"[W]e are limited in our ability to fully assess the company's financial strength or weakness ..."

"[W]e have endeavored to construct a reasonable facsimile of what we believe to be DM&E's current economic realities..." [Emphasis added.]

DM&E Expansion: Improving Safety & Efficiency

STB Says Rehabilitated DM&E Would Improve Safety

Safety is a critical concern on any railroad in need of more capital than the traffic will support. Safety was a critical consideration in advancing the PRB Project. The DM&E needed more revenue to support the kind of capital work necessary to rebuild this railroad. As DM&E has acquired resources to improve its infrastructure, safety has improved. We want to improve it much more, and will not be deterred by Mayo's high-dollar tactics to stop it.

The Surface Transportation Board in answering concerns from various groups, including the Mayo Clinic in Rochester, MN, determined that the proposed rehabilitated line “**should not cause adverse impacts**” and would actually “**reduce the risk**” associated with transportation of hazardous materials.

Why? Because the line will be improved and there are not plans to increase transportation of liquid petroleum gas, anhydrous ammonia (used in agriculture fertilizer) and other products.

This position was later reaffirmed by the U.S. Eighth Circuit Court of Appeals.

One of the stated purposes and needs of DM&E's PRB rail renewal project, as defined by the federal Surface Transportation Board, is to “reduce the high incidence of derailments caused by track failure and provide significant improvements to grade crossing protection”. Experts agree that rebuilding the DM&E rail line – which previous owners once attempted to abandon over 20 years ago following decades of deferred maintenance – would dramatically improve rail safety.

[STB Finance Docket No. 33407 – Final Environmental Impact Statement, November 19, 2001]

DM&E Continues Safety Trend

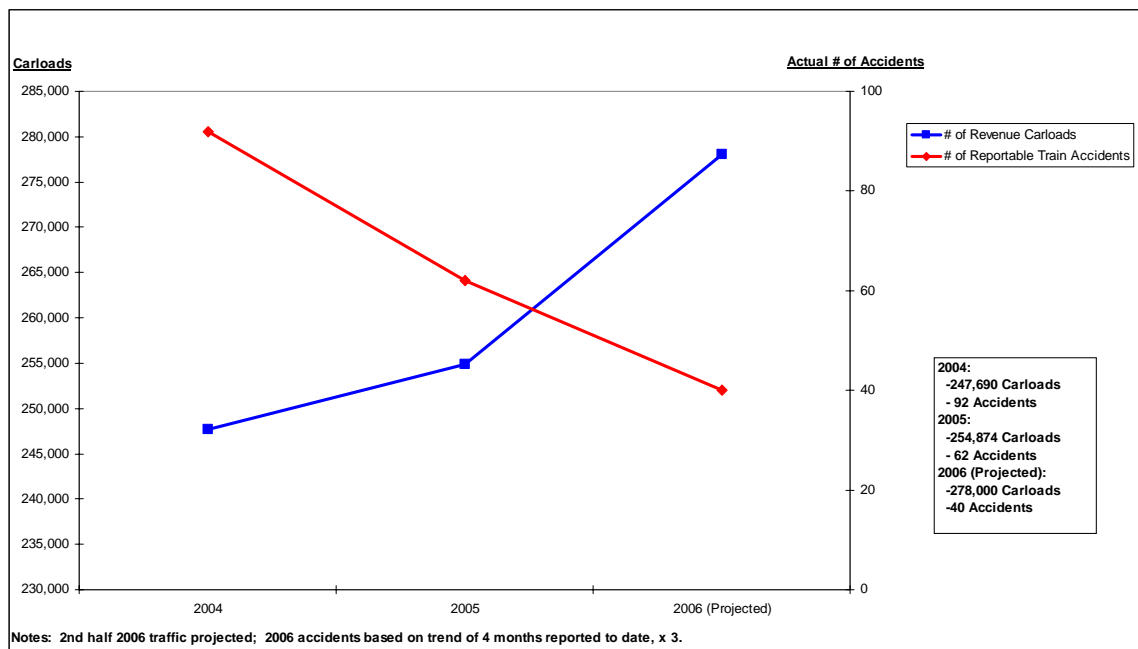
The DM&E continues to make operational safety priority number one. The railroad has made significant improvements to its safety record evidenced by the decreasing number and percentage of derailments. The railroad has, in part with the assistance of a previous FRA loan, more than doubled capital expenditures on its tracks in the last three years.

In fact, reportable train accident ratio, which measures train accidents per million train miles, continues to decrease.

- From '04 to '05 there was a 25% improvement in this ratio.
- From January to May of '05 compared Jan – May 06 there was an additional 64% improvement.

For the first 15 years of its existence, DM&E has defied all the experts by successfully running a line that couldn't be saved. In the last 5 years, thanks in large part to one of the most successful rail acquisitions in decades and a 2003 FRA loan, DM&E has been able to rebuild some of the worn-out track and generate much needed resources and support in other areas.

The safety results from those modest improvements have been dramatic, as illustrated in the graph below. Even as traffic has increased by 11% from 2004 through 2006, the number of accidents has decreased by 52%. This statistic backs up STB's statement that this project will increase safety. But much more needs to be done to completely rebuild the infrastructure, which will make DM&E even safer. That requires a successful PRB project, which Mayo is attempting to kill.



The Iowa DOT recently confirmed this trend as reported by the April 3, 2006, Cedar Rapids *Gazette*. IC&E saw derailments drop 51% from '04 – '05.

These are the types of improvements that would follow the DM&E track upgrades.

State-of-the-Art Track Improves Safety & Efficiency

DM&E proposes to install continuous welded rail (CWR) throughout its line as a part of the rehabilitation and expansion project. CWR eliminates problem areas sometimes caused by "jointed rail" – which is found on most of the DM&E's current system.

DM&E in fact upgraded 169 miles of its rail line with CWR since 1994. On that entire expanse, there have been *zero* track-related derailments.

Rail freight also relieves pressure from highway truck traffic, thus reducing road congestion & safety hazards.