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January 3, 2000

Michael Sussman
Strategic Rail Finance
4100 Main Street
Philadelphia, PA 19127

Re: Class II and III Railroad Finance Project Partnership

Dear Mr. Sussman:

KPMG met with Strategic Rail Finance on December 16, 1999. At this meeting we discussed several project initiatives, most notably, a research project for developing lending and capital needs profiles for Class II and Class III railroads. The meeting discussions confirmed that this project could be developed jointly, partnering Strategic Rail Finance with KPMG and the Wharton School, University of Pennsylvania.

This project follows along with our current work in freight infrastructure funding and finance for the State of Pennsylvania (through KPMG's "*PennPlus*" *Freight Infrastructure Bank Feasibility Study*) and for the U.S. Department of Transportation, *Funding and Institutional Options for Freight Infrastructure Improvements* study. Both of these KPMG studies have identified considerable capital needs among the Class II and III railroads and have enhanced KPMG's knowledge regarding the issues pertaining to public and private rail investment. The Wharton School provides an ideal venue to further investigate these issues in a non-political environment. Strategic Rail Finance brings many years of shortline and regional rail industry research to match the public funding expertise that KPMG provides.

Very truly yours,

KPMG LLP

Roger Figura, Ph.D.
Senior Manager

cc: Susan Cummings



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