

Wharton

Graduate Division

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W. Bruce Allen

Vice Dean
Professor, Public Policy and Management
and Transportation

March 17, 1999

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

Dear Mr. Sussman,

I believe we are on the right track in furthering a research partnership between the Transportation Department of The Wharton School at the University of Pennsylvania and Strategic Rail Finance. Since our last meeting with you, Ed Morlok and I have established our agreement on the following perspectives of your study:

- Your study concept is intriguing as it combines the benefits of highlighting the ongoing value of Class II and Class III railroads while providing an important foundation for an increased investment in their capacity to service our growing transportation demands.
- There is a critical need for an analysis of these railroads' 10-year credit history to determine their creditworthiness beyond the significant body of myth and outdated history.
- Lenders, without the financial statement grading standards for Class II and Class III railroads you have envisioned, are not able to offer the types of growth-financing these businesses require.
- Ed and I will provide academic oversight for this study and will utilize a master's or doctoral student to fill the position of primary research manager. We will also assist you in coordinating one or two other part-time research positions within the department.

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- The University of Pennsylvania follows certain funding procedures and guidelines pertaining to joint research with outside entities. For this federally funded project, you may need to inform the responsible agency to utilize OMB A21 funding guidelines.

Our engagement with you in a study of the United States railroad industry befits our academic and professional career interests. Ed has many years of academic and private-sector experience with freight railroads. Likewise, my many years working for the United States Department of Transportation included significant involvement with railroads. We are looking forward to a productive collaboration with Strategic Rail Finance.

Please inform us along the way as you advance this project, and don't hesitate to suggest how we can further support the success of this valuable work.

Sincerely,

A handwritten signature in cursive script that reads "W. Bruce Allen".

W. Bruce Allen, Director
Wharton Transportation Program