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MICKI UTSLER
 RECORDER
 MADISON COUNTY, IOWA

✓PREPARED BY: T. SCOTT BANNISTER, 1300 DES MOINES BLDG. DES MOINES, IA. 50309 515-244-0177

ASSIGNMENT, ASSUMPTION AND RELEASE AGREEMENT

THIS ASSIGNMENT, ASSUMPTION AND RELEASE AGREEMENT (this "Agreement") is made and entered into this 16th day of December, 2003 and effective as of the 1st day of January 2004, by and among HEARTLAND RAIL CORPORATION, an Iowa corporation ("Assignor"), IOWA INTERSTATE RAILROAD, LTD., a Delaware corporation ("Assignee"), IOWA RAILWAY FINANCE AUTHORITY ("IRFA") and IOWA DEPARTMENT OF TRANSPORTATION ("IDOT," IRFA and IDOT together, the "Lenders").

Recitals

WHEREAS, Assignor desires to assign, and Assignee desires to assume, the Assumed Obligations, as such term is defined below, in connection with the transfer from Assignor to Assignee of certain specified assets of Assignor; and

WHEREAS, in connection with the assignment by Assignor and the assumption by Assignee of the Assumed Obligations, Lenders have agreed to release Assignor from any and all obligations, liabilities or claims with respect to the Assumed Obligations.

NOW, THEREFORE, for and in consideration of the foregoing premises, the parties, each intending to be legally bound hereby, agree as follows:

1. **Assignment.** Assignor, effective as of January 1, 2004, assigns, conveys and transfers to Assignee all of the rights, title and interests of Assignor in and to those certain agreements and obligations listed and described on Exhibit "A" attached hereto (the "Assumed Obligations").
2. **Assumption.** Assignee hereby assumes and agrees to perform, discharge, observe and be liable for any and all duties, obligations and liabilities of Assignor with respect to the Assumed Obligations, and any and all claims, suits, proceedings, restrictions, limitations, security interests, liens or encumbrances against Assignor in respect of the Assumed Obligations, and Assignee agrees to indemnify and hold Assignor harmless from any and all claims, costs, loss and damage arising from or related to the Assumed Obligations or this Agreement.

{J0766067}


3. **Release.** Lenders hereby consent to this Agreement and the assignment and assumption of the Assumed Obligations as set forth herein and unconditionally release and forever discharge Assignor from any and all obligations and liabilities related to the Assumed Obligations.

4. **Further Assurances.** At Assignee's request, Assignor shall do, execute, acknowledge and deliver or shall cause to be done, executed, acknowledged and delivered such further acts, transfers, conveyances, assignments and assurances as reasonably may be required to assure, convey and transfer the Assignor's right, title and interest in the Assumed Obligations. At Assignor's request, Assignee shall do, execute, acknowledge and deliver or shall cause to be done, executed, acknowledged and delivered such further acts, documents, and assurances as reasonably may be required to assure Assignor's release from any and all obligations, liabilities, claims, suits, proceedings, restrictions, limitations, security interests, liens or encumbrances related to the Assumed Obligations.

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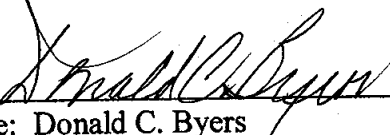
IN WITNESS WHEREOF, the parties have caused this Assignment, Assumption and Release Agreement to be duly executed as of the day and year first above written.

ATTEST:



T. Scott Barnister, Secretary

HEARTLAND RAIL CORPORATION

By: 

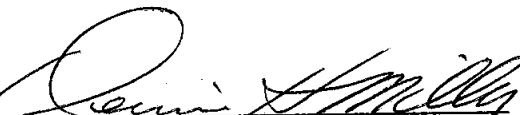
Name: Donald C. Byers
Its: President

ATTEST:




T. Scott Barnister, Secretary

IOWA INTERSTATE RAILROAD, LTD.

By: 

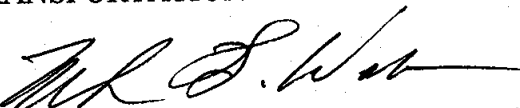
Name: Dennis H. Miller
Its: Executive Vice President

IOWA RAILWAY FINANCE
AUTHORITY

By: 

Name: Mark F. Wandro
Its: Secretary

IOWA DEPARTMENT OF
TRANSPORTATION

By: 

Name: Mark F. Wandro
Its: Director

STATE OF IOWA
COUNTY OF POLK

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On this 16th day of December, 2003, before me, the undersigned, a Notary Public in and for said County, in said State, personally appeared Donald C. Byers in his capacity as President of HEARTLAND RAIL CORPORATION, to me known to be the same person whose name is subscribed to the foregoing instrument on behalf of such company, and acknowledged that he signed and delivered said instrument on behalf of such company as his own free and voluntary and as the free and voluntary act of such company for the uses and purposes herein set forth.

Given under my hand and Notarial Seal, this 16th day of December, 2003



Karen J. Hunter
Notary Public

My commission expires

January 26, 2004

STATE OF IOWA

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SS

COUNTY OF POLK

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On this 16th day of December, 2003, before me, the undersigned, a Notary Public in and for said County, in said State, personally appeared Dennis H. Miller in his capacity as Executive Vice President of IOWA INTERSTATE RAILROAD, LTD., to me known to be the same person whose name is subscribed to the foregoing instrument on behalf of such company, and acknowledged that he signed and delivered said instrument on behalf of such company as his own free and voluntary and as the free and voluntary act of such company for the uses and purposes herein set forth.

Given under my hand and Notarial Seal, this 16th day of December, 2003



Karen I. Hunter
Notary Public

My commission expires

January 26, 2004

STATE OF IOWA

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COUNTY OF STORY)

On this 19th day of December, 2003, before me, the undersigned, a Notary Public in and for said County, in said State, personally appeared Mark F. Wandro in his capacity as Secretary of the Iowa Railway Finance Authority, to me known to be the same person whose name is subscribed to the foregoing instrument on behalf of such Iowa Railway Finance Authority, and acknowledged that he signed and delivered said instrument on behalf of such Iowa Railway Finance Authority as his own free and voluntary and as the free and voluntary act of such Iowa Railway Finance Authority for the uses and purposes herein set forth.

Given under my hand and Notarial Seal, this 19th day of December, 2003

Sheri L. Anderson
Notary Public

My commission expires

October 11, 2005



STATE OF IOWA

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COUNTY OF STORY)

On this 19th day of December, 2003, before me, the undersigned, a Notary Public in and for said County, in said State, personally appeared Mark F. Wandro in his capacity as Director of the Iowa Department of Transportation, to me known to be the same person whose name is subscribed to the foregoing instrument on behalf of such Iowa Department of Transportation, and acknowledged that he signed and delivered said instrument on behalf of such Iowa Department of Transportation as his own free and voluntary and as the free and voluntary act of such Iowa Department of Transportation for the uses and purposes herein set forth.

Given under my hand and Notarial Seal, this 19th day of December, 2003

Sheri L. Anderson
Notary Public

My commission expires

October 11, 2005

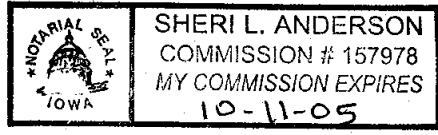


EXHIBIT "A"
to
Assignment, Assumption and Release Agreement
effective as of
January 1, 2004
by and among
Heartland Rail Corporation,
Iowa Interstate Railroad, Ltd.,
Iowa Railway Finance Authority (IRFA),
and
Iowa Department of Transportation (IDOT)

Assumed Obligations

1. Indenture of Mortgage, dated as of October 10, 1984, from Heartland Rail Corporation to IRFA, which was recorded and filed as follows:

Place Filed	Date Filed	Document No.	Book/Page
Pottawattamie County, Iowa	10/12/84	3690	85/7355
Cass County, Iowa	10/11/84	870	418/817
Adair County, Iowa	10/11/84	599 (Mtgs)	247/49
Guthrie County, Iowa	10/11/84	0650	393/1805
Dallas County, Iowa	10/11/84	01409	618/858
Madison County, Iowa	10/11/84	541	-142/82
Polk County, Iowa	10/11/84	015739	5393/504
Jasper County, Iowa	10/11/84	1737	863/204
Poweshiek County, Iowa	10/11/84	00851	421/186
Iowa County, Iowa	10/11/84	00651	174/208
Johnson County, Iowa	10/11/84	3790	733/257
Muscatine County, Iowa	10/11/84	1473 (Lands, Lots)	167/613
Cedar County, Iowa	10/11/84	745	135/139
Scott County, Iowa	10/11/84	17607-84	

2. First Supplemental Mortgage, dated as of January 26, 1988, from Heartland Rail Corporation to IRFA, which was recorded and filed as follows:

Place Filed	Date Filed	Document No.	Book/Page
Cass County, Iowa	02/08/88	1689	421/1608
Pottawattamie County, Iowa	02/08/88	8335	88/16624

3. Second Supplemental Mortgage, Security Agreement and Financing Statement, dated as of May 28, 1993, from Heartland Rail Corporation to IRFA, which was recorded and filed as follows:

Place Filed	Date Filed	Document No.	Book/Page
Bureau County, Illinois	06/22/03	99-3420	790/273
Henry County, Illinois	06/21/93	93R 4537	
Rock Island County, Illinois	06/23/93	93-14779	1538/298
Polk County, Iowa	06/25/93	098922	6807/001
Jasper County, Iowa	06/21/93	8928	1011/167
Marion County, Iowa	06/25/93	6137	298/434

4. Third Supplemental Mortgage, Security Agreement and Financing Statement, dated as of April, 1995, from Heartland Rail Corporation to IRFA, which was recorded and filed as follows:

Place Filed	Date Filed	Document No.	Book/Page
Jasper County, Iowa	06/08/95	3363	1050/450

5. Mortgage, Security Agreement and Financing Statement, dated as of July, 1988, from Heartland Rail Corporation to IDOT which was recorded and filed as follows:

Place Filed	Date Filed	Document No.	Book/Page
Polk County, Iowa	08/08/88	9303	5924/003

6. Mortgage, Security Agreement and Financing Statement, dated as of June 4, 2001, from Heartland Rail Corporation to IDOT, which was recorded and filed as follows:

Place Filed	Date Filed	Document No.	Book/Page
Scott County, Iowa	08/03/01		2001/26312
Muscatine County, Iowa	07/27/01		2001/05439
Cedar County, Iowa	07/09/01		497/258
Johnson County, Iowa	07/11/01		3091/268