

Oct. 4, 2016

Dear ITM Customers, Volunteers, and Stakeholders:

HHPA-related. I am writing to report that although ITM has continued to make progress overcoming the setbacks suffered in March, the suspension of our rail operations by the Hoosier Heritage Port Authority (HHPA) continues, at least in the near term.

- Although ITM provided the HHPA and their railroad consultant all of the requested documentation regarding our crew certifications, training and testing materials, alcohol and drug testing program and materials, hearing and vision testing materials, and operating certification cards for all crew members, all in compliance with appropriate FRA rules and regulations, the initial response, urged by HHPA's consultant, was to require medical physicals and hearing and vision testing which meet the stricter standards of the Dept. of Transportation (DOT) which had never applied to ITM.
- As the DOT standards are not part of the FRA requirements for our operation, and the cost of the testing would be prohibitive to many of our volunteers and potentially, making them unable to serve as operating crew, we asked and received approval from the HHPA president to provide hearing and vision testing to the FRA standards and to provide a standard medical physical for each of our crew members. This testing is currently underway.
- Also at issue has been our overall crew certification program. Here, again, initial indications are that HHPA and their railroad consultant intend to hold ITM to higher standards than those required by FRA. We have enlisted the FRA's Washington, D.C. office to help us find the most recent program details and they have provided us copies of what they have on file for ITM. We will be presenting this to the HHPA this week. Hopefully, this will be satisfactory to HHPA.

Financial Bind-related. The public maligning of our organization by seven disgruntled volunteers which began in March of this year is ongoing. In March, I reported to you that their unfair and inaccurate letter dated 3/7/2016 resulted in the HHPA's 3/25/2016 decision to suspend our rail operations. In early August, I reported there would be no 2016 FairTrain.

- With no rail operations April through July, ITM could not earn the net income necessary to conduct our normal track maintenance in the spring and summer in advance of our FairTrain operation.
- Denied the opportunity to run FairTrain in August, ITM could not apply the excess of income over expenses from FairTrain, as it normally has, to fund additional maintenance of the rail line in preparation for our fall and winter operations.
- ITM finds itself in "unfunded mandate" mode; we are responsible for right of way maintenance, and yet we cannot accomplish it without operating income. This also means that we have not been able to complete the track repairs HHPA has requested in advance of returning us to operating status.

Time is of the Essence. We have made a good faith effort, anticipating the resumption of rail operations, to:

- (i) accomplish a minor amount of track work ahead of the State Fair, (ii) reduce vegetation along the right of way, (iii) pay utility bills for the crossing signals, and (iv) perform the monthly inspections and maintenance requirements necessary to keep the signals in service

so we would be able, if allowed, to resume operations this year.

- Lately, the HHPA has shown some sympathy for ITM and the challenges we face, most not of our own making.

- And yet time continues to pass. On 8/31, the HHPA approved a contract with a railroad consulting firm to make a full inspection of the HHPA line, to provide a detailed report on the conditions of the track and bridges, and make recommendations for any immediate repairs and provide a maintenance plan for the coming years. The inspection is supposed to take place this week with the report to follow as soon as possible. HHPA will then seek funding for any necessary repairs and will likely contract out the work for those repairs prior to allowing any operations to resume. We certainly support their efforts and will, of course, attempt to provide HHPA with recommendations on where funds should be invested, primarily with regard to potential operations that could quickly make a good return on the investment this year, in the hope that a successful operation would bring about the ability for ITM to once again provide funding for regular maintenance in the coming years. We are hopeful that we will be able to work this out.

Latest Efforts by Disgruntled Volunteers: Further Disruption & Distraction. In addition to our ongoing operating issues, we have been informed that there is currently underway an illegal attempt, led by the disgruntled volunteers and their surrogates, to “recall” the current board of directors by means of a “members meeting” to be held in Indianapolis in mid-October.

- Because these latest efforts (including the attempt to call and hold the “members meeting”) are contrary to ITM’s Bylaws, their efforts can have no legal force or effect.
- In their recently circulated letter and recall petition, the disgruntled volunteers re-publish demonstrably false statements about ITM and its board of directors. These perpetuated falsehoods will be addressed specifically in a separate communication to our volunteers.
- This sideshow is, as intended, a distraction and is not at all helpful to efforts to repair the damage to the institution already caused by the leaders of these efforts.

In closing, I want to thank you and assure you that the ITM board values and needs your continuing support in order for ITM to build on the advances made in 2015. With your help, we will get through the challenges of 2016.

Sincerely,
Jeffrey S. Kehler
Chairman, ITM, Inc.