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April 12, 2021

The Honorable Cynthia T. Brown
Chief, Section of Administration, Office of Proceedings
Surface Transportation Board
395 E Street, SW
Washington, DC 20423

Re: Finance Docket No. 36500 – Reply to Objections to KCS Waiver

My name is John Young and my business address is 1000 Floral Vale Boulevard, Suite 225, Yardley, PA 19067. I am the Chief Operating Officer of Smart Sand Inc. In my role, I am responsible for all operations and logistics related to the movement of sand and equipment for Smart Sand.

Smart Sand has previously submitted to the Board a letter supporting approval of the proposed CP-KCS combination, and I have attached a copy of that letter for the Board's convenience. As expressed in our previous letter, Smart Sand supports swift approval of the CP-KCS combination because of the significant benefits we expect to realize from this transaction. We understand that some objections have been filed to the application of the pre-2001 merger rules to the CP KCS transaction under the "waiver" issued in 2001 for transactions involving KCS the effect of which would be to delay consideration and approval of the merger. We urge the Board to overrule any objection that will improperly delay consideration and approval of the proposed merger.

As we have mentioned in our March 25, 2021 letter, the end-to-end CP-KCS transaction will improve service options, with new single-line hauls and broader access to markets across North America. Our experience shows us that single-line rail service options are far superior to public and private fleets. The unique synergies of a CP-KCS combination promise significant public benefits to Smart Sand and similarly situated shippers, which we are eager to see realized as soon as possible, without delays and additional burdens. Smart Sand is looking forward to a stronger CPKC network that will increase our access to diversified market opportunities.

For these reasons, Smart Sand urges the Board to proceed to review and approve the CP-KCS proposed combination as expeditiously as possible. We look forward to seeing CPKC as a stronger competitor in the industry.

Sincerely,

John Young
Chief Operating Officer
Smart Sand Inc.

CC: Parties of Record



John Young

Chief Operating Officer

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ATTENTION: Surface Transportation Board

My name is John Young and my business address is 1000 Floral Vale Boulevard, Suite 225, Yardley, PA 19067. I am the Chief Operating Officer of Smart Sand Inc. In my role, I am responsible for all operations and logistics related to the movement of sand and equipment for Smart Sand.

Smart Sand is a fully integrated frac sand supply and services company, offering complete mine to wellsite proppant supply and logistics solutions to our customers. We produce low-cost, high quality Northern White frac sand, which is a premium proppant used to enhance hydrocarbon recovery rates in the hydraulic fracturing of oil and natural gas wells. We also offer proppant logistics solutions to our customers through our in-basin transloading terminal and our SmartSystems™ wellsite proppant storage capabilities. We market our products and services primarily to oil and natural gas exploration and production companies and oilfield service companies. The nature of our business demands a strong supply chain which is only as strong as its weakest link. As the bulk of our sand is transported by rail, Canadian Pacific Railway ("CP"), as our primary originating carrier, provides critical and timely service to us, without which we would not be able to function efficiently. Kansas City Southern ("KC"), as one of our terminating carriers, provides critical access for our products to both the Eagle Ford and (through shortline partners) the Permian shale basin. Both CP and KC have historically provided excellent service to us for their respective portions of our supply chain.

Smart Sand originates sand directly on the CP from our large mining site located in Oakdale, WI. CP provides single line haul service to our expansive transload facility in New Town, ND serving the Bakken shale formation. We also ship (and have shipped in the past) to multiple other destinations throughout the country, including East to the Marcellus/Utica basin, South to the Mid-Continent (Oklahoma), Eagle Ford and Permian basins, West to the Denver Julesburg and Powder River Basins and North to various Canadian shale basins. Although CP has provided us with good service, we have been negatively impacted by CP's limited service reach today. The majority of our current business with CP requires interline exchange to reach destinations and this has impacted our ability to get our sand into certain markets efficiently and at a competitive price.

Smart Sand supports approval of the CP/KC combination. The transaction would provide significant benefits that we are eager to see realized as soon as possible.

From our perspective, the CP/KC combination promises to provide improved service options and invigorate transportation competition in the markets we serve. The combined CPKC network – with new single-line hauls into the areas we currently serve, including the Eagle Ford and Permian basin – would help us reach our existing markets and potentially new markets, such as the Haynesville (Texas/Louisiana) shale basin, more efficiently. And, with the two railroads' strong focus on safety and their track record of operational excellence, I have no doubt that CPKC will be able to integrate their operations seamlessly to the benefit of rail customers and other stakeholders.

We are very excited about the transaction because it will allow a combined CPKC to provide new, more efficient and reliable rail service options. This will strengthen competition against the other, larger rail carriers and trucks that serve our markets. For example,

- CPKC's new single-line haul offerings will expand market reach and offer new competitive transportation options for our shipments of sand from Oakdale, WI to Texas, Oklahoma and Louisiana destinations (Haynesville, Eagle Ford, Mid-Continent and Permian basins).
- We are particularly enthusiastic about the role new CPKC single-line routes will play in expanding access to growing markets across the United States, Mexico and Canada under the USMCA trade agreement. It is important that there be a true USMCA railroad option.

CPKC's new service offerings will improve transit times and reliability, which will reduce our equipment costs and improve our efficiency by reducing time spent at interchange and improving the chances of accurate estimated time of arrival and departure. KC and CP have had a cooperative relationship in the past, and CP-KC joint routes are among our transportation options, but as separate companies they have not been able to offer the kind of seamless, single-line service we have come to expect from our transportation providers. This transaction will improve our transportation options.

At the same time, the entirely complementary nature of CP's and KC's networks – connecting only at Kansas City and not overlapping anywhere – means that the transaction will not have any adverse effects on competition. It will only make these carriers a better alternative relative to the other options that already exist, since CPKC will continue to interchange with all of their other existing interline partners.

We have been struck by the attention of CP and KC to safety and operational effectiveness. Given the straightforward network connectivity between CP and KC, and the fact that CP and KC are the two smallest U.S. Class I railroads, we are confident that they will be able to implement their transaction without the service disruptions that have accompanied some past rail mergers.

For these reasons, Smart Sand is voicing strong support for the combination of CP and KC, because it will enhance competition, provide expanded options and drive efficiencies for customers of all sizes. Smart Sand urges the STB to approve CP's acquisition of KC as swiftly as possible so that these systems can be integrated and the end-to-end benefits of this deal can be realized for the benefit of all stakeholders.

VERIFICATION

I John Young, declare under penalty of perjury that the foregoing is true and correct. Further, I certify that I am qualified and authorized to submit this letter.

Executed on March 25, 2021.

A handwritten signature in black ink, appearing to read 'WZY', is written over a horizontal line.

John Young