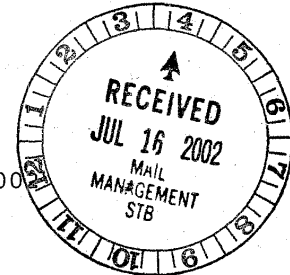


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LAW OFFICES
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WASHINGTON, D.C. 20036-1601

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ORIGINAL



July 16, 2002

VIA HAND DELIVERY - RETURN COPY

Hon. Vernon A. Williams
Secretary
Surface Transportation Board
1925 K Street, NW (7th fl.)
Washington, DC 20423-0001

Dear Secretary Williams:

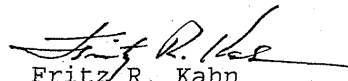
Enclosed for filing in each of STB Docket No. AB-573X, ~~Trinidad Railway, Inc.--Abandonment Exemption--In Las Animas County, CO, and STB Finance Docket No. 34087, Trinidad Railway, Inc.--Lease and Operation Exemption--Kern Valley Railroad Company,~~ are the original and ten copies of the Reply of Kern Valley Railroad Company.

Additional copies of this letter and of the Reply are enclosed for you to stamp to acknowledge your receipt of them and to return to me via messenger.

By copy of this letter, service is being effected in accordance with the Certificate of Service.

If you have any question concerning the foregoing which you believe I may be able to answer or if I otherwise can be of assistance, please let me know.

Sincerely yours,


Fritz R. Kahn

enc.

cc: Joseph H. Dettmar, Esq.
Stephen L. Day, Esq.
Charles H. Montange, Esq.
John D. Heffner, Esq.
Michael J. Van Wagenen, Esq.

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BEFORE THE
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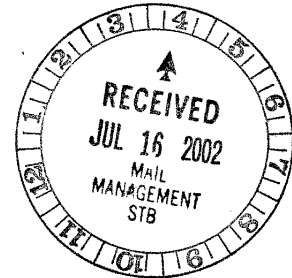
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STB Docket No. AB-573X ✓

TRINIDAD RAILWAY, INC
--ABANDONMENT EXEMPTION--
IN LAS ANIMAS COUNTY, CO

STB Finance Docket No. 34087

TRINIDAD RAILWAY, INC.
--LEASE AND OPERATION EXEMPTION--
KERN VALLEY RAILROAD COMPANY



REPLY
OF
KERN VALLEY RAILROAD COMPANY,

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Fritz R. Kahn
Fritz R. Kahn, P.C.
1920 N Street, NW (8th fl.)
Washington, DC 20036-1601
Tel.: (202) 263-4152

Attorney for

KERN VALLEY RAILROAD COMPANY

Dated: July 16, 2002

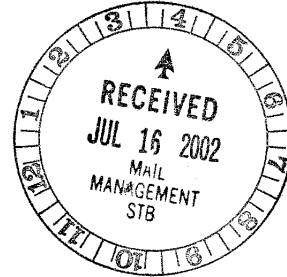
BEFORE THE
SURFACE TRANSPORTATION BOARD
WASHINGTON, D.C.

STB Docket No. AB-573X

TRINIDAD RAILWAY, INC
--ABANDONMENT EXEMPTION--
IN LAS ANIMAS COUNTY, CO

STB Finance Docket No. 34087

TRINIDAD RAILWAY, INC.
--LEASE AND OPERATION EXEMPTION--
KERN VALLEY RAILROAD COMPANY



REPLY
OF
KERN VALLEY RAILROAD COMPANY,

Kern Valley Railroad Company ("KVR"), pursuant to 49 C.F.R. 1104.13(a), replies in opposition to the Petition for Clarification of Rail Ventures, Inc. ("RVI"), dated July 15, 2002, as follows:

a. It is unseemly for RVI to seek an indefinite postponement of today's closing date, ordered by the Board, by its Decision, served May 15, 2002, after RVI had accepted the \$3.8 million purchase price to be paid KVR for its southern Colorado railroad line, established by the Board's Decision, served April 17, 2002. The alleged uncertainty requiring the Board's clarification concerning the two buildings, the depot at Segundo and the engine house at Picketwire, arose at least a month ago, as evidenced by the letter from RVI's counsel, dated

June 14, 2002, and the reply from KVR's counsel, dated June 17, 2002. In the meantime, however, RVI has done absolutely nothing to try to resolve the parties' disagreement; indeed, KVR's counsel did not hear from RVI's counsel until he today received a copy of RVI's Petition for Clarification.

b. Contrary to impression which RVI seeks to convey by its Petition for Clarification, KVR at no time expressed its unwillingness to sell the depot at Segundo. What KVR said was that, since the depot was not among the properties which were appraised by either party for purposes of arriving at the railroad line's net liquidation value, RVI and KVR would need to reach an agreement for its conveyance. As already noted, RVI did not take KVR up on its offer and did not seek to arrive at a fair price for the property.

c. As for the engine house at Picketwire, what KVR said was that KVR was not in a position to convey it, since the engine house was a part of the realty, between Milepost 15.11 and Milepost 30.0, retained by Trinidad Railway, Inc., and, hence, was not sold to KVR.

d. RVI has taken bits and pieces from the Verified Statement of Kenneth Cotten, P.E., who was the principal witness on behalf of KVR in establishing the \$3.8 million net liquidation value of the southern Colorado railroad line, to try to establish that his appraisal included the depot at Segundo and the engine house at Picketwire. A fair reading of his Verified Statement and attached Appendix would establish the falsity of RVI's

assertion. Nevertheless, attached hereto is the Verified Statement of Mr. Cotten, dated today, in which he unambiguously states, "[M]y calculation of the net liquidation value of the railroad line did not include an appraisal of the depot at Segundo or the engine house at Picketwire."

e. Neither the depot at Segundo nor the engine house at Picketwire is necessary to enable RVI to render freight operations on the southern Colorado railroad line and to satisfy the transportation needs of the shipper, Lorencito Coal Co., L.L.C. Rather the two structures would be useful for the tourist train service for which RVI primarily sought to acquire the line. See, the attached copy of an article appearing in the July 7, 2002, edition of The Pueblo Chieftain.

f. Although RVI seeks an indefinite postponement of today's closing date, it has failed to allege and much less satisfy the standards for obtaining a stay. STB Finance Docket No. 34085, Keokuk Junction Railway Co.--Acquisition and Operation Exemption--West End of Toledo, Peoria and Western Railway Corporation, served August 23, 2001; STB Docket No. AB-559 (Sub-No. 1X), Gauley River Railroad, LLC--Abandonment and Discontinuance of Service--In Webster and Nicholas Counties, WV, served July 21, 2000. Its request, accordingly, should be denied.

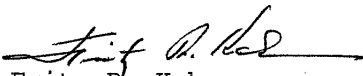
g. If, notwithstanding the foregoing, the Board believes that KVR is entitled to no additional compensation for the depot at Segundo and that the depot should be conveyed with the remainder of the properties being sold to RVI for \$3.8 million,

KVR is prepared to comply. In any event, KVR would ask that the Board enter its order so as to require the closing to occur no later than ten days from today, that is, on or before July 26, 2002.

Respectfully submitted,

KERN VALLEY RAILROAD COMPANY

By its attorney,

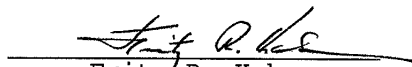

Fritz R. Kahn
Fritz R. Kahn, P.C.
1920 N Street, NW (8th fl.)
Washington, DC 20036-1601
Tel.: (202) 263-4152

Dated: July 16, 2002

CERTIFICATE OF SERVICE

I certify that I this day have served copies of the foregoing Reply upon each of the parties by sending copies to their counsel by facsimile transmission.

Dated at Washington, DC, this 16th day July 2002


Fritz R. Kahn

BEFORE THE
SURFACE TRANSPORTATION BOARD
WASHINGTON, D.C.

STB Finance Docket No. 33956

KERN VALLEY RAILROAD COMPANY
--ACQUISITION AND OPERATION EXEMPTION--
TRINIDAD RAILWAY, INC.

STB Docket No. AB-573X

TRINIDAD RAILWAY, INC
--ABANDONMENT EXEMPTION--
IN LAS ANIMAS COUNTY, CO

VERIFIED STATEMENT
OF
KENNETH COTTEN, P.E.

At pages 4-5 of its Petition for Clarification, dated July 15, 2002, Rail Ventures, Inc., alleges that my calculation of the net liquidation value of the southern Colorado railroad line, between Milepost 2.0 near Jansen and Milepost 30.0 at Picketwire, Colorado, as set forth in my Verified Statement filed herein on March 28, 2002, included appraisals of the depot at Segundo and the engine house at Picketwire. A fair reading of my Verified Statement and of the appendix attached thereto would demonstrate that the assertion of Rail Ventures, Inc., is absolutely false, and that its out-of-context excerpts from my testimony fail completely to support its contention. Nevertheless, out of an abundance of caution, I want to make it perfectly clear and do

-1-

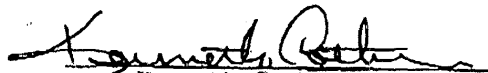
hereby assert that my calculation of the net liquidation value of the railroad line did not include an appraisal of the depot at Segundo or the engine house at Picketwire.


Kenneth Cotten

VERIFICATION

I, Kenneth Cotten, declare under penalty of perjury, under the laws of the United States of America, that I have read the foregoing Verified Statement and that its assertions are true and correct to the best of my knowledge, information and belief. I further declare that I am qualified and authorized to submit this verification. I know that willful misstatements or omissions of material facts constitute Federal criminal violations punishable under 18 U.S.C. 1001 by imprisonment up to five years and fines up to \$10,000 for each offense. Additionally, these misstatements are punishable as perjury under 18 U.S.C. 1621, which provides for fines up to \$2,000 or imprisonment up to five years for each offense.

Dated this 16th day of July 2002.


Kenneth Cotten

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ACTIVITIES:
State Fair

Tuesday July 9th, 2002

Publish Date Sunday July 7th, 2002

Trinidad tourist train still on track

By MIKE GARRETT
The Pueblo Chieftain

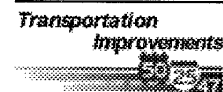
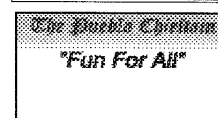
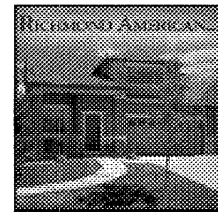
TRINIDAD - The Picketwire Valley Railroad Co. is still on track to launch its Las Animas County tourist train by September, but there's a chance it may be sidetracked and have to wait until next year to launch.

John Reed, train company owner, and his spokesman, Carl Rethwisch, appeared before both the Las Animas County Commission and county planning commission this week trying to gain special-use permit clearance to operate the train along a 15-mile stretch of track in the Purgatoire River Valley between Valdez and Jansen, a Trinidad suburb.

At issue is whether Reed actually owns the Valdez depot along the rail right of way where tourist train passengers would get on or off. Reed claims the depot should have been included as part of his purchase of the line from Kern Valley Railroad, a rail-salvaging operation that has disputed Reed's claims.

Reed said it was his understanding that his purchase, clearance for which he received May 15 from the federal Surface

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Transportation Board, included all train-support structures located within 50 feet on either side of the track.

At the time, Reed said he had no idea he also needed a special-use permit from the county to operate his tourist train.

While the county has indicated it has no right to say that Reed can't operate his train along the line, the commissioners said they do regulate structures on county land, parking facilities and that they require proper permitting for fire, safety and environmental issues associated with the startup of a new county business.

Glenn Moltzer, owner of Purgatoire Valley Construction Co., and whose family owns considerable property in the Valdez-Segundo area, said at Monday's Planning Commission meeting that he would be willing to lease 20 acres of land he owns some 100 feet from the Valdez depot site to Reed so he could build a temporary passenger loading platform with protective canopy. The planning commission voted 4-1 Monday to support Reed's project provided he worked out an equitable arrangement with Moltzer.

The county commissioners zoned Moltzer's land as commercial-industrial on March 6, 2001. But at that time, Moltzer said he was undecided what he was going to build on the site, only that he wanted to make it available for use by Halliburton Energy Services Co., to keep its presence in the county.

Reed said he hopes to sell tickets out of the caboose of the city of Trinidad's Santa Fe Train on Animas Street. He also had wanted to sell tickets from the Valdez depot but it may take another couple of months before he legally gains clear title to it from the Surface Transportation Board.

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