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BALL JANIK LLP

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KARL MORELL

kmorell@dc.bjllp.com

September 10, 2002

206178

The Honorable Vernon A. Williams
Secretary
Surface Transportation Board
1925 K Street, N.W., Suite 715
Washington, DC 20423-0001

Re: Finance Docket No. 34232, Kansas & Oklahoma Railroad, Inc. – Lease
Exemption – Union Pacific Railroad Company

Dear Secretary Williams:

Attached for filing are the original and ten copies of a Verified Notice of Exemption under 49 C.F.R. 1150.41 and a check covering the \$1,300 filing fee. Also enclosed is a 3.5-inch diskette formatted for WordPerfect containing the Notice and Summary.

Please time and date stamp the extra copy of the Notice of Exemption and return it with our messenger.

If you have any questions regarding this matter, please contact me.

Sincerely,

Karl Morell

Enclosures

SEP 10 2002

TRANSPORTATION BOARD

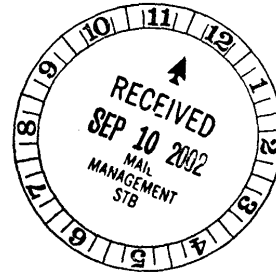
PORTLAND, OREGON WASHINGTON, D.C. BEND, OREGON

BEFORE THE
SURFACE TRANSPORTATION BOARD

FINANCE DOCKET NO. 34232

KANSAS & OKLAHOMA RAILROAD, INC.
--LEASE EXEMPTION--
UNION PACIFIC RAILROAD COMPANY

VERIFIED NOTICE OF EXEMPTION
Pursuant to 49 C.F.R. § 1150.41, Et Seq.



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KARL MORELL
Of Counsel
BALL JANIK LLP
Suite 225
1455 F Street, N.W.
Washington, D.C. 20005
(202) 638-3307

Attorneys for:
KANSAS & OKLAHOMA RAILROAD,
INC.

Dated: September 10, 2002

BEFORE THE
SURFACE TRANSPORTATION BOARD

FINANCE DOCKET NO. 34232

KANSAS & OKLAHOMA RAILROAD, INC.
--LEASE EXEMPTION--
UNION PACIFIC RAILROAD COMPANY

VERIFIED NOTICE OF EXEMPTION
Pursuant to 49 C.F.R. § 1150.41, Et Seq.



Kansas & Oklahoma Railroad, Inc. ("K&O"), a Class III rail carrier, files this Notice of Exemption pursuant to 49 C.F.R. Part 1150, Subpart E--Exempt Transactions Under 49 U.S.C. 10902, to permit K&O to lease a 27-mile rail line from the Union Pacific Railroad Company ("UP").

In support of this Notice of Exemption, K&O submits the following information as required by 49 C.F.R. § 1150.43:

- (a) Full name and address of applicant:

Kansas & Oklahoma Railroad, Inc.
315 West 3rd Street
Pittsburg, Kansas 66762

(b) Applicant's Representative:

Karl Morell
Of Counsel
BALL JANIK LLP
Suite 225
1455 F Street, N.W.
Washington, DC 20005
(202) 638-3307

(c) Statement of Agreement:

K&O has entered into an agreement with UP for the lease of the rail line.

(d) The operator of the property:

K&O will be the operator of the property.

(e) Summary of proposed transaction:

(1) The name and address of the railroad leasing the subject property is:

Union Pacific Railroad Company
1416 Dodge Street
Omaha, Nebraska 68179

(2) K&O's lease of the rail line is expected to be consummated on or shortly after September 17, 2002, which is more than 60 days after K&O certified to the Surface Transportation Board ("Board") K&O's compliance with the notice requirements of 49 C.F.R. § 1150.42(e).

(3) The rail line being leased from UP by K&O is located between Milepost 485.0, at Newton, KS and Milepost 512.0, at McPherson, KS.

(4) The length of the rail line being leased is 27 miles.

(f) A map of the rail line being leased is attached as Exhibit A.

(g) K&O hereby certifies that K&O's projected revenues as a result of this transaction will not result in K&O becoming a Class II or Class I rail carrier.

K&O's current annual revenue exceeds \$5 million. Accordingly, K&O has complied with the notice requirements of 49 C.F.R. § 1150.42(e), and certified its compliance to the Board on July 11, 2002. A copy of K&O's letter is attached as Exhibit B.

A caption summary, as required by 49 C.F.R. § 1150.44, is attached.

ENVIRONMENTAL AND HISTORIC IMPACTS

K&O is leasing the line from UP for continued rail operations. Further Board approval is required for K&O to discontinue any service and there are no plans to dispose of or alter properties subject to Board jurisdiction that are 50 years old or older. Hence, this Notice of Exemption does not require an historic report under 49 C.F.R. § 1105.8(b)(1).

K&O's lease will not result in significant changes in carrier operations. There will not be a diversion of: (1) more than 1,000 rail carloads a year to motor carriage; or (2) an average of 50 carloads per mile per year for any part of this line to motor carriage. This transaction will not result in: (1) an increase in rail traffic of at least 100 percent or an increase of at least eight trains a day on any segment of the line; (2) an increase of rail yard activity of at least 100 percent; or (3) an average increase in truck traffic of more than 10 percent of the average daily traffic or 50 vehicles a day. K&O's lease of the rail line will not affect a Class I or nonattainment area under the Clean Air Act. In any event, the thresholds of 49 C.F.R. § 1105.7(e)(5)(ii) will not be exceeded. Finally, the transportation of ozone depleting materials is not contemplated. Therefore, no environmental documentation is required under 49 C.F.R. § 1105.6(c)(2).

This action will not significantly affect either the quality of the human environment or energy conservation.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Karl Morell", written over a horizontal line.

KARL MORELL
Of Counsel
BALL JANIK LLP
Suite 225
1455 F Street, N.W.
Washington, DC 20005
(202) 638-3307

Attorneys for:
KANSAS & OKLAHOMA RAILROAD, INC.

Dated: September 10, 2002

SURFACE TRANSPORTATION BOARD

NOTICE OF EXEMPTION

FINANCE DOCKET NO. 34232

KANSAS & OKLAHOMA RAILROAD, INC.

--LEASE EXEMPTION--

UNION PACIFIC RAILROAD COMPANY

Kansas & Oklahoma Railroad, Inc., a Class III rail carrier, has filed a notice of exemption to lease from Union Pacific Railroad Company ("UP") the rail line located between Milepost 485.0, at Newton, Kansas, and Milepost 512.0, at McPherson, Kansas.

Comments must be filed with the Board and served on Karl Morell, Of Counsel, BALL JANIK LLP, Suite 225, 1455 F Street, N.W., Washington, DC 20005, (202) 638-3307.

This notice is filed under 49 C.F.R. 1150.41. If the notice contains false or misleading information, the exemption is void ab initio. The filing of a petition to revoke will not automatically stay the transaction.

Exhibit B

BALL JANIK LLP

A T T O R N E Y S

1455 F STREET, NW, SUITE 225
WASHINGTON, D.C. 20005

www.balljanik.com

TELEPHONE 202-638-3307
FACSIMILE 202-783-6947

KARL MORELL

kmorell@bjllp.com

July 11, 2002

The Honorable Vernon A. Williams
Secretary
Surface Transportation Board
1925 K Street, N.W., Suite 715
Washington, DC 20423-0001

Re: Finance Docket No. 34232, Kansas & Oklahoma Railroad, Inc. – Lease
Exemption – Union Pacific Railroad Company

Dear Secretary Williams:

Kansas & Oklahoma Railroad, Inc. ("K&O"), hereby certifies that on June 28, 2002, K&O had posted the attached Notice at the workplace of the employees on the rail line that is the subject of this transaction and on July 10, 2002, SKO served a copy of the Notice on the national offices of all labor unions with employees on the affected line.

Please time and date stamp the extra copy of this letter and return it with our messenger.

If you have any questions regarding this matter, please contact me.

Sincerely,



Karl Morell

NOTICE

Kansas & Oklahoma Railroad, Inc. ("K&O"), a Kansas Corporation, will be leasing from the Union Pacific Railroad Company the rail line located between Milepost 485.0, at Newton, Kansas, and Milepost 512.0, at McPherson, Kansas.

K&O will not be hiring any additional employees as a result of the lease of the Newton-McPherson rail line.

Kansas & Oklahoma Railroad, Inc.
315 West 3rd Street
Pittsburg, Kansas 66762
(620) 231-2230

VERIFICATION

STATE OF KANSAS)
)
COUNTY OF CRAWFORD) ss.

I, Richard B. Webb, being duly sworn depose and state that I am President of the Kansas & Oklahoma Railroad, Inc., that I am authorized to make this verification, and that I have read the foregoing Notice of Exemption and know the facts asserted therein are true and accurate as stated to the best of my knowledge, information, and belief.

Richard B. Webb
Richard B. Webb

SUBSCRIBED AND SWORN TO before me this 21st day of August, 2002, in the County of Crawford, State of Kansas.

My Commission Expires: 11-12-2004

Lamera Hamon
Notary Public