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KARL MORELL
Of COUNSEL

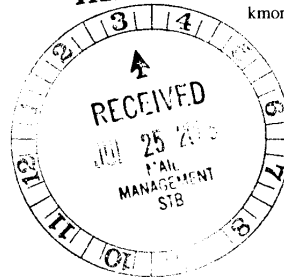
July 25, 2003

FILED

JUL 25 2003

**SURFACE
TRANSPORTATION BOARD**

kmorell@bjllp.com



VIA HAND DELIVERY

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

208529

FEE RECEIVED

JUL 25 2003

**SURFACE
TRANSPORTATION BOARD**

**RE: Finance Docket No. 34385, Palouse River & Coulee City
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 \$1,300.00 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, please contact me.

Sincerely yours,

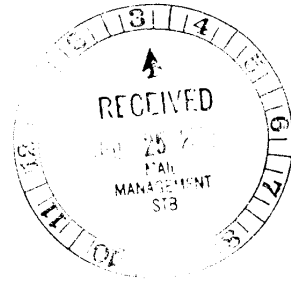
Karl Morell

Enclosures

FILED
JUL 25 2003
SURFACE
TRANSPORTATION BOARD

BEFORE THE
SURFACE TRANSPORTATION BOARD

FINANCE DOCKET NO. 34385



PALOUSE RIVER & COULEE CITY RAILROAD, INC.
--LEASE EXEMPTION--
UNION PACIFIC RAILROAD COMPANY

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

FEE RECEIVED

JUL 25 2003

SURFACE
TRANSPORTATION BOARD

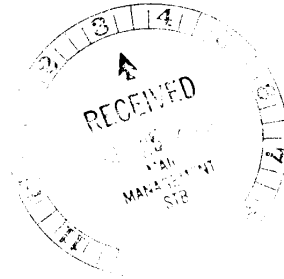
KARL MORELL
Of Counsel
BALL JANIK LLP
Suite 225
1455 F Street, N.W.
Washington, D.C. 20005
(202) 638-3307

Attorney for:
PALOUSE RIVER & COULEE CITY
RAILROAD, INC.

Dated: July 25, 2003

BEFORE THE
SURFACE TRANSPORTATION BOARD

FINANCE DOCKET NO. 34385



PALOUSE RIVER & COULEE CITY RAILROAD, INC.
--LEASE EXEMPTION--
UNION PACIFIC RAILROAD COMPANY

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

Palouse River & Coulee City Railroad, Inc. ("PRCC"), 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 PRCC to lease and operate approximately 11.5 miles of rail line in Oregon from Union Pacific Railroad Company ("UP").

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

- (a) Full name and address of applicant:

Palouse River & Coulee City Railroad, Inc.
315 W. 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:

PRCC will shortly enter into an agreement with UP for the lease of the rail line.

(d) The operator of the property:

PRCC will become the operator of the property.

(e) Summary of proposed transaction:

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

Union Pacific Railroad Company
1416 Dodge Street
Omaha, Nebraska 68179

(2) The involved transaction is expected to be consummated on or shortly after August 1, 2003.

(3) The 11.5-mile rail line being leased by PRCC is located between Milepost 0.0, at Arlington, OR, and Milepost 11.5, at Gilliam, OR.

(4) The length of the line being leased is approximately 11.5 miles.

(f) Maps of the rail line being leased and the PRCC system are attached as Exhibit A.

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

PRCC further certifies that the projected annual revenue of PRCC will not exceed \$5 million. Accordingly, the requirements 49 C.F.R. § 1150.42(e) do not apply to this transaction.

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

ENVIRONMENTAL AND HISTORIC IMPACTS

PRCC is leasing the rail line from UP for continued rail operations. Further Board approval is required for PRCC to discontinue or abandon 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).

PRCC'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. PRCC'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

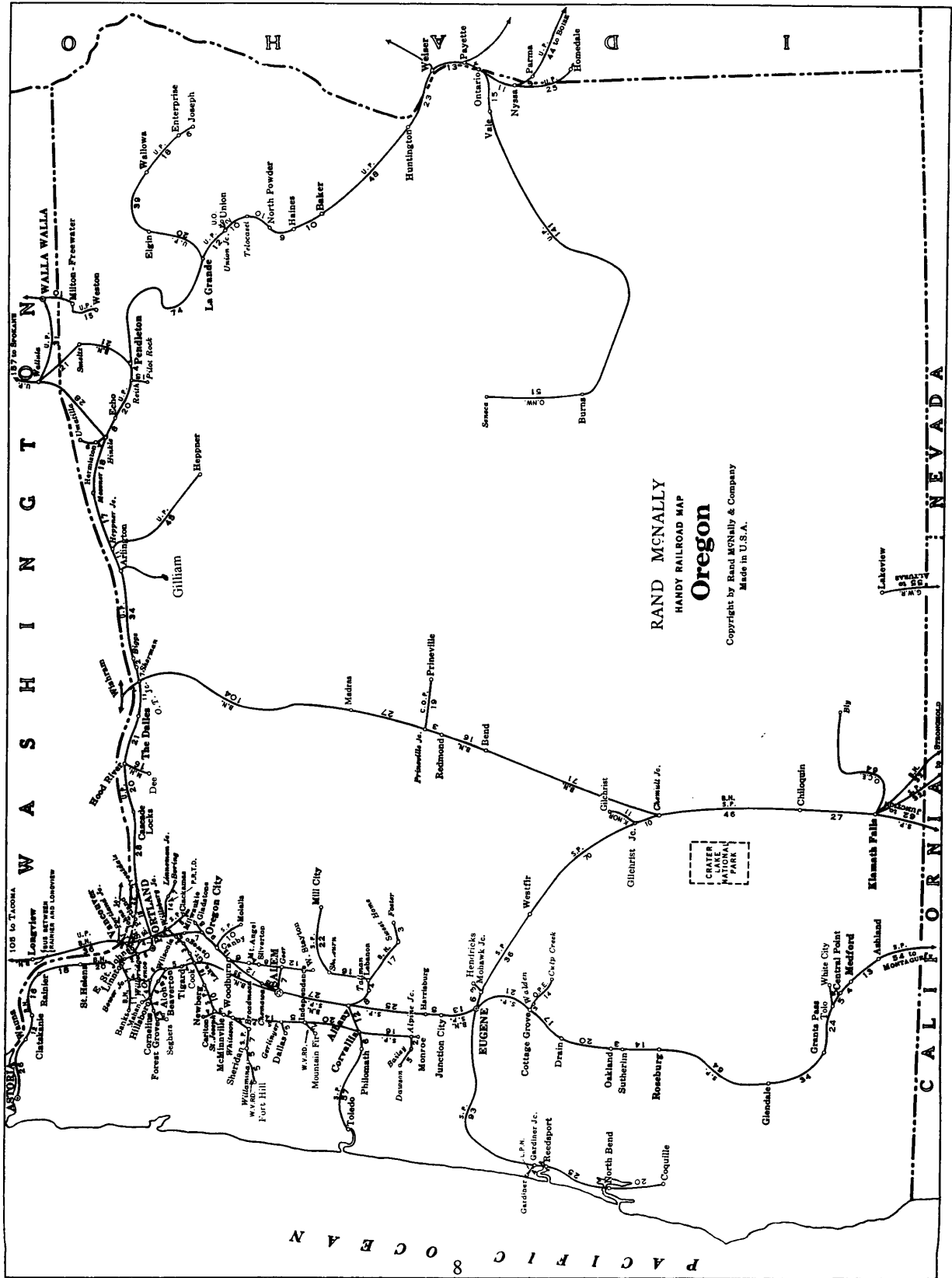
(202) 638-3307

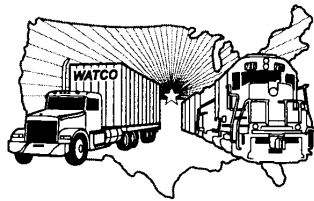
Attorney for:

PALOUSE RIVER & COULEE CITY
RAILROAD, INC.

Dated: July 25, 2003

EXHIBIT A

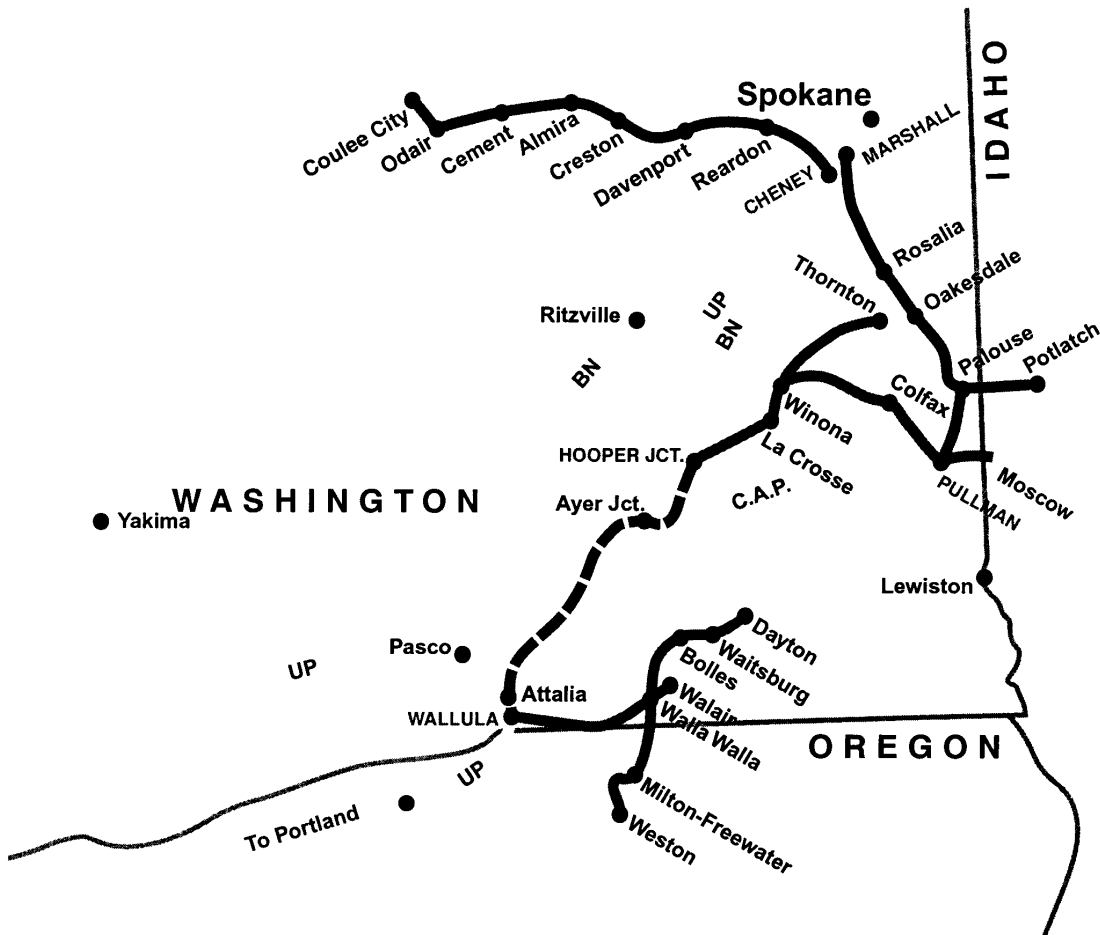




WATCO
COMPANIES, INC.
"Your Transportation Specialists"



Palouse River & Coulee City R.R.



LEGEND:

Palouse River & Coulee City RR (PCC)

Interchanges

- BNSF - CHENEY, MARSHALL
- BLMR - PULLMAN

Blue Mountain RR (BLMR)

Interchanges

- UP - HOOPER JCT., WALLULA
- PCC - PULLMAN

Haulage Rights

SURFACE TRANSPORTATION BOARD

NOTICE OF EXEMPTION

FINANCE DOCKET NO. 34385

PALOUSE RIVER & COULEE CITY RAILROAD, INC.

--LEASE EXEMPTION--

UNION PACIFIC RAILROAD COMPANY

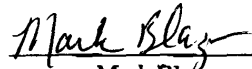
Palouse River & Coulee Railroad, Inc. (PRCC), a Class III rail carrier, has filed a verified notice of exemption under 49 CFR 1150.41, to lease from Union Pacific Railroad Company (UP) the 11.5-mile rail line located between Milepost 0.0, at Gilliam, Oregon, and Milepost 11.5, at Arlington, Oregon.

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.

VERIFICATION

I, Mark Blazer, Vice President of Palouse River & Coulee City Railroad, Inc., verify under penalty of perjury that the foregoing Notice of Exemption is true and correct. Further, I certify that I am qualified and authorized to file this Notice of Exemption.


Mark Blazer

Executed on July 24, 2003.