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August 11, 2003

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

208673

RE: Finance Docket No. 34335
*Keokuk Junction Railway Co.--Feeder Railroad Development Application--
Line Of Toledo, Peoria & Western Railway Corporation Between La Harpe And
Hollis, IL*

Dear Secretary Williams:

Enclosed please find an original and eleven copies of a Reply of Keokuk Junction Railway Co. to the Motion to Strike of Toledo, Peoria and Western Railway Corporation, which was filed August 7, 2003. A complete copy of this filing has been served on all parties of record and an electronic version has been included on the attached diskette.

Please acknowledge receipt of the enclosed pleading by date stamping the extra copy of the filing and returning it to the individual making this filing for return to me. If there are any questions about this matter, please contact me.

Sincerely,

William A. Mullins

Enclosure

cc: Required Parties

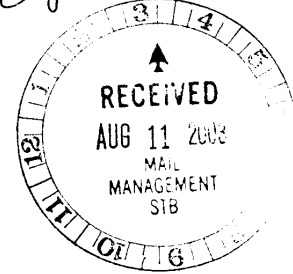
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BEFORE THE
SURFACE TRANSPORTATION BOARD
WASHINGTON, D.C.

FINANCE DOCKET NO. 34335



KEOKUK JUNCTION RAILWAY CO.--
FEEDER RAILROAD DEVELOPMENT APPLICATION--
LINE OF TOLEDO, PEORIA & WESTERN RAILWAY CORPORATION
BETWEEN LA HARPE AND HOLLIS, IL

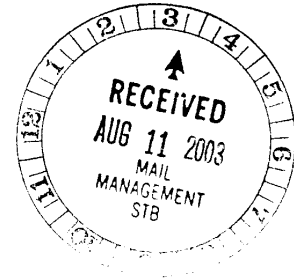
REPLY OF KEOKUK JUNCTION RAILWAY CO.
TO MOTION TO STRIKE OF
TOLEDO, PEORIA AND WESTERN RAILWAY CORPORATION

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Attorneys for Keokuk Junction
Railway Co.

DATED: August 11, 2003

**BEFORE THE
SURFACE TRANSPORTATION BOARD
WASHINGTON, D.C.**



FINANCE DOCKET NO. 34335

**KEOKUK JUNCTION RAILWAY CO.--
FEEDER RAILROAD DEVELOPMENT APPLICATION--
LINE OF TOLEDO, PEORIA & WESTERN RAILWAY CORPORATION
BETWEEN LA HARPE AND HOLLIS, IL**

**REPLY BY KEOKUK JUNCTION RAILWAY CO.
TO MOTION TO STRIKE OF
TOLEDO, PEORIA AND WESTERN RAILWAY CORPORATION**

Comes now the Keokuk Junction Railway Co. ("KJRY" or "Applicant") and files this Reply in opposition to the Motion to Strike of Toledo, Peoria and Western Railway Corporation ("TP&W's Motion") filed August 7, 2003. TP&W's Motion, which seeks to strike KJRY's August 1 Reply ("KJRY's Reply") to TP&W's July 18 Appeal of the Board's July 9 Decision ("TP&W's Appeal") herein, should be denied.

SUMMARY

KJRY's Reply was timely under 49 C.F.R. §1011.2(a)(7) and should not be stricken. Moreover, KJRY's Reply addressed two appeals, one filed July 18 by TP&W claiming to have been filed under 49 C.F.R. §1115.1(c), and the other filed July 21 by Joseph C. Szabo on behalf of the United Transportation Union-Illinois Legislative Board (the "Szabo/UTU Appeal"), claiming to have been filed under 49 C.F.R. §1115.3. It appeared to KJRY that neither appeal was filed under the proper section, so KJRY treated both as having been filed under 49 C.F.R. §1115.2, the apparently most analogous appeal provision in 49 C.F.R. Part 1115. That section permits replies to be filed within 20 days after the filing of an appeal.

KJRY believes that its analysis was correct. However, if it was not, KJRY requests that the Board grant KJRY leave *nunc pro tunc* for the filing of KJRY's Reply on August 1. Even assuming, *arguendo*, that TP&W's Motion was correct, KJRY's Reply was filed only one day after the deadline to reply to Mr. Szabo's appeal, which incorporates by reference the grounds of TP&W's Appeal. Such leave is required in the interests of justice, to prevent TP&W's clear misstatements to the Board about the record supporting the July 9 Decision from going unanswered.

FACTUAL BACKGROUND

KJRY filed its feeder line application on April 9, 2003. On April 24, TP&W petitioned to reject the application, but on May 9 the Board directed KJRY to supplement its application in certain areas, principally with additional evidence of the Going Concern Value ("GCV") or Net Liquidation Value ("NLV") of the Line¹ and specified evidence of financial responsibility to purchase and operate the Line.

KJRY made its filing in response to the Board's order on June 9. On June 24, TP&W replied to KJRY's June 9 filing, and again urged that the application not be accepted.² Despite TP&W's twice-stated objections to the application, on July 9, the Board issued a decision accepting the application and establishing a procedural schedule.

¹ That is, the line currently owned by the TP&W which extends from TP&W's interchange with KJRY at Milepost 194.5 (near La Harpe, IL) east to Milepost 118.5 at Hollis, including the Mapleton Industrial Spur, covering the complete ownership of the TP&W between Mileposts 194.5 and 118.5 (altogether, the "Line").

² Neither TP&W's April 24 filing nor its June 24 filing was authorized by the Board's feeder line regulations. *See* 49 C.F.R. §1151.2.

Notice of the July 9 Decision was published in the *Federal Register* on July 15, 2003, at page 41858. On July 18, TP&W appealed the Board's order accepting the application which, in KJRY's view, effected a stay of the Board's July 9 Decision pursuant to 49 C.F.R. §1115.2(f).

The following Monday, the Szabo/UTU Appeal was filed. After stating that UTU represents TP&W workers that potentially could be affected by the application, the Szabo/UTU Appeal stated that it "concurs, generally, with the position advanced by TP&W in its appeal filed July 18, 2003."

KJRY replied to the TP&W and Szabo/UTU Appeals in a consolidated filing on August 1, 2003. TP&W's Motion was filed on August 7.

ARGUMENT

TP&W is mistaken in its claim that the deadline for KJRY's Reply derives from 49 C.F.R. § 1115.1(c). In fact, 49 C.F.R. §1011.2(a)(7) sets the applicable deadline as August 4, the Monday after the filing of KJRY's Reply.³

Section 1115.1(c) of the regulations does not, as TP&W claims, provide the basis for TP&W's appeal because TP&W is appealing a decision of authority delegated by the *entire Board*, not by the Chairman.⁴ TP&W states that it filed its appeal pursuant to 49 C.F.R. §1115.1(c). That section applies to "appeals from the decisions of employees acting under

³ Because neither Section 1115.1(c), cited by TP&W, nor Section 1115.3, cited by the Szabo/UTU Appeal, appeared to be the proper basis for those appeals, there is a clear argument that Section 1115.2, pertaining to appeals of initial decisions, is the proper Section governing the appeals by TP&W and Szabo/UTU. That Section authorizes replies to be filed within 20 days after the date the appeal was filed. *See* 49 C.F.R. §1115.2(e). That reply deadline is also consistent with the Board's general deadline for replying to a pleading, found in 49 C.F.R. §1104.13(a). KJRY's Reply was filed well within this 20 day period.

⁴ *See* 49 C.F.R. §1151.2(b)(1 & 2), stating that "the Board," not the Chairman, acting through the Director of the Office of Proceedings, will determine whether to accept or reject a feeder line application.

authority delegated to them by the Chairman of the Board pursuant to §1011.7.” However, Section 1011.7 does not contain delegations of authority by the *Chairman*, but rather delegations of authority by *the entire Board*. Instead, Section 1011.6 contains delegations of authority by the Chairman to employees and, uniquely, contains in Section 1011.6(b) the identical, exacting standards for granting an appeal – clear error of judgment or prevention of manifest injustice – found in Section 1115.1(c). Obviously, Section 1115.1(c) is somewhat unclear. It refers to delegations by the Chairman, but cites Section 1011.7, rather than Section 1011.6.⁵ However, the overall similarity of Section 1011.6(b) to Section 1115.1(c) indicates that appeals from decisions under authority delegated under Section 1011.7 do not lie under Section 1115.1(c).⁶

Section 1011.2(a)(7) clarifies this issue because Section 1011.2(a)(7) itself states the deadline for appeals from decisions issued under authority delegated by Section 1011.7. Section 1011.2(a)(7) states:

(7) All appeals of initial decisions issued by the Director of the Office of Proceedings under the authority delegated by Sec. 1011.7(b). Appeals must be filed within 10 days after service of the Director decision or publication of the notice, and replies must be filed within 10 days after the due date for appeals or any extension thereof.

It is Section 1011.7(b)(8), where the Board – not the Chairman – delegated to the Director of the Office of Proceedings authority to accept or reject feeder line applications. Therefore, it is Section 1011.2(a)(7) which determines the deadline for replying to an appeal from the July 9 Decision accepting KJRY’s feeder line application.

⁵ It seems more likely that a “7” was accidentally typed instead of a “6” in Section 1115.1(c) than it does that the words “the Chairman of” were inadvertently added.

⁶ Similarly, KJRY concluded that Section 1115.3 was not the appropriate section to support the Szabo/UTU Appeal inasmuch as the pleading was not styled as a petition for reconsideration, and did not assert material error, new evidence or changed circumstances. *See* 49 C.F.R. §1115.3(b).

Applying Section 1102.2(a)(7) to this proceeding establishes the deadline for filing KJRY's Reply as Monday, August 4. Notice of the July 9 Decision was published in the *Federal Register* on July 15. Under Section 1102.2(a)(7), TP&W had 10 days from that date (*i.e.*, Friday, July 25) to appeal the July 9 Decision, and KJRY had 10 days after the deadline for TP&W's appeal – not from the filing of the appeal but, rather, from the date it was due – to reply. That 10th day was Monday, August 4. Accordingly, KJRY's filing was timely when filed on Friday, August 1.

Should the Board conclude that Section 1115.1(c) was the appropriate basis for TP&W's Appeal and the Szabo/UTU Appeal, KJRY requests that in the interests of justice the Board grant KJRY leave *nunc pro tunc* to file KJRY's Reply on August 1. TP&W's Appeal contains several factually incorrect statements that, in the interests of justice, should not be allowed to stand uncontested on the record. For example, in TP&W's Appeal, TP&W claimed that "there was no evidence that the [bank loan commitment contained in KJRY's June 9 filing] would be extended." TP&W's Appeal at 7. In fact, however, the loan commitment itself specifically states that "The Bank may extend this closing date at its option." Furthermore, Mr. Carr's Verified Statement says, "[I]t has been my experience that the Bank is willing to extend such deadlines in instances such as these." Verified Statement of J. Michael Carr, KJRY's Supplemental Evidence (filed June 9, 2003) at 63. Further proving the correctness of Mr. Carr's statement, Exhibit B to KJRY's Reply was a letter from the bank extending the loan commitment to a January 31, 2004 loan closing date.

Similarly, TP&W's statement that "The July 9 Decision must have accepted the statement that '5 employees providing rail service 6 days a week' or '2 employees providing rail service 5 days a week' as the operating plan *because there is no other evidence of an operating plan*," TP&W's Appeal at 7 (emphasis added) is flatly wrong. As pointed out in KJRY's Reply,

pages 85-96 of the June 9 filing show how many employees would be needed to work how many hours per week, using what equipment, to handle a specified number of anticipated loads of freight, as well as showing what expenses, personnel, equipment and materials would be involved in maintaining and rehabilitating the Line. Again, TP&W's mischaracterization of the record is simply wrong, and it would be unjust to allow it to stand unchallenged. For further specification of the errors of TP&W's Appeal, KJRY attaches hereto as Exhibit 1 a copy of its August 1 reply to TP&W's Appeal.

CONCLUSION

TP&W's Motion should be denied. KJRY's August 1 reply to TP&W's Appeal was timely under 49 C.F.R. §1011.2(a)(7) because TP&W relied upon an inapplicable section as the basis for its appeal. However, should the Board conclude that TP&W correctly relied on Section 1115.1(c) as the basis of its appeal, KJRY requests that the Board grant KJRY leave *nunc pro tunc* to file its reply to TP&W's Appeal, and to the Szabo/UTU Appeal which incorporates TP&W's arguments by reference, on August 1, the eleventh day following the filing of the Szabo/UTU Appeal.

Respectfully submitted,



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Attorneys for Keokuk Junction Railway Co.

Dated: August 11, 2003

Exhibit 1

208594

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August 1, 2003



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

RE: Finance Docket No. 34335
*Keokuk Junction Railway Co.--Feeder Railroad Development Application--
Line Of Toledo, Peoria & Western Railway Corporation Between La Harpe And
Hollis, IL*

Dear Secretary Williams:

Enclosed please find an original and eleven copies of a Reply by Keokuk Junction Railway Co. to appeals of Toledo, Peoria and Western Railway Corporation and Joseph C. Szabo. A complete copy of this filing has been served on all parties of record.

Please acknowledge receipt of the enclosed pleading by date stamping the extra copy of the filing and returning it to the individual making this filing to return to me. If there are any questions about this matter, please contact me.

Sincerely,


William A. Mullins

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BEFORE THE
SURFACE TRANSPORTATION BOARD
WASHINGTON, D.C.



FINANCE DOCKET NO. 34335

KEOKUK JUNCTION RAILWAY CO.—
FEEDER RAILROAD DEVELOPMENT APPLICATION—
LINE OF TOLEDO, PEORIA & WESTERN RAILWAY CORPORATION
BETWEEN LA HARPE AND HOLLIS, IL

REPLY BY KEOKUK JUNCTION RAILWAY CO.
TO APPEALS OF
TOLEDO, PEORIA AND WESTERN RAILWAY CORPORATION
AND JOSEPH C. SZABO

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Railway Co.

DATED: August 1, 2003

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**BEFORE THE
SURFACE TRANSPORTATION BOARD
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FINANCE DOCKET NO. 34335

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**REPLY BY KEOKUK JUNCTION RAILWAY CO.
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AND JOSEPH C. SZABO**

Comes now the Keokuk Junction Railway Co. ("KJRY" or "Applicant") and files this Reply in opposition to the appeal filed by Toledo, Peoria and Western Railway Corporation ("TP&W") on July 18, 2003 ("Appeal") and the appeal filed by Joseph C. Szabo, on behalf of the United Transportation Union-Illinois Legislative Board, on July 21, 2003. KJRY herein replies to both appeals. Both should be denied forthwith.

SUMMARY

While complaining that KJRY's loan commitment will expire too soon, TP&W's appeal seeks to effect still further delay in this proceeding, again avoiding TP&W's filing of evidence. These delays are harming shippers and threaten to complicate restoration of service by delaying transfer of the Line into the winter, when track work often becomes more difficult due to snow.

Effectively, TP&W's Appeal challenges the sufficiency of the evidence filed by KJRY thus far to support the ultimate grant of KJRY's application. Not until TP&W has made its own evidentiary presentation and KJRY has filed any rebuttal evidence, however, can the ultimate

sufficiency of KJRY's evidence be determined. If TP&W is confident in its substantive contentions about the value of the Line and KJRY's alleged inability to generate sufficient traffic to support operation of the Line, TP&W should file its evidence to prove that rather than continuing to file unsupported assertions that simply delay the proceeding.

The Board appropriately determined that KJRY has presented sufficient evidence to establish a prima facie case under the statute. Accordingly, the Board should deny TP&W's Appeal.

FACTUAL BACKGROUND

KJRY filed its feeder line application on April 9, 2003.¹ On April 24, TP&W petitioned to reject the application, but on May 9 the Board directed KJRY to supplement its application in certain areas, principally with additional evidence of the Going Concern Value ("GCV") or Net Liquidation Value ("NLV") of the Line² and specified evidence of financial responsibility to purchase and operate the Line.

KJRY made its filing in response to the Board's order on June 9. On June 24, TP&W again replied to KJRY's filing and urged that the application not be accepted. Despite TP&W's twice-stated objections to the application, on July 9, the Board issued its decision accepting the

¹ TP&W's Appeal states that TP&W offered to sell KJRY a part of the Line for \$3.95 million. However, as KJRY's evidence in this proceeding shows, that price exceeded KJRY's estimate of the value of the entire Line. In light of that fact, KJRY decided that it was not useful to pursue further discussion with TP&W about that potential purchase. KJRY does not believe that it was obligated to pursue what it believed were obviously fruitless discussions before filing a feeder line application. Indeed, it was the failure of those discussions that largely spurred KJRY to pursue the feeder line option.

² That is, the line currently owned by the TP&W which extends from TP&W's interchange with KJRY at Milepost 194.5 (near La Harpe, IL) east to Milepost 118.5 at Hollis, including the Mapleton Industrial Spur, covering the complete ownership of the TP&W between Mileposts 194.5 and 118.5 (altogether, the "Line").

application and establishing a procedural schedule. On July 18, TP&W appealed the Board's order accepting the application, effecting a stay of the Board's July 9 decision pursuant to 49 C.F.R. 1115.2(f). (The Szabo/UTU appeal filed on July 21 did not make additional substantive arguments on the merits of the July 9 decision.)

ARGUMENT

TP&W and Mr. Szabo have failed to meet the high standard of proof that rests upon them to justify overturning the Director's July 9 order accepting KJRY's application. To succeed in their appeals, TP&W and Mr. Szabo must show either that a necessary finding of fact is erroneous or unsupported; that a necessary legal conclusion is contrary to law or precedent; that an important policy question is involved for which there is no precedent; or that prejudicial error has occurred. 49 C.F.R. Section 1115.2. This is a heavy burden, and the Board is loathe to overturn a Director's order absent compelling reason.

Here, both appeals rely exclusively on assertions that the Director's order contains prejudicial error. However, as shown herein, the appellants' contentions themselves are erroneous. Thus, TP&W and Mr. Szabo have failed to carry their burdens of persuasion.

Thus far, KJRY has submitted over 300 pages of evidence and information in this proceeding, while TP&W has submitted approximately two pages of evidence supporting its repeated arguments to reject KJRY's application. Nevertheless, TP&W takes the position that it would be a "manifest injustice" for the Board to give credence to KJRY's evidence despite the dearth of countervailing information. TP&W is wrong, and the Board should deny TP&W's appeal of the Board's July 9 decision.

KJRY further asks that the Board act quickly in denying TP&W's appeal. Attached hereto as Exhibit A are letters from five shippers, each stating their support for KJRY's application and the need for restoration of service as soon as possible. Currently, rates offered

by TP&W for service on the Line prevent the shippers from using the Line as a cost-effective means of transportation. Moreover, the longer TP&W's procedural maneuvers prolong this proceeding, the more difficult the necessary track maintenance/rehabilitation work will become due to deterioration of the track and the prospect of snow covering the track when KJRY acquires the Line. KJRY therefore requests that the Board move forward quickly to deny TP&W's appeal.

I. KJRY's Supplement Met The Requirements of the Board's May 9 Decision

The Board is required in this proceeding to determine two things: (1) whether KJRY is financially responsible; that is, can it pay the constitutional minimum value - either GCV or NLV, whichever is higher - of the Line, and (2) whether the public convenience and necessity ("PC&N"), as defined by 49 U.S.C. § 10907(c)(1), requires sale of the Line to KJRY. The Board's May 9 decision required KJRY to file two things in support of these findings: (1) either (a) its estimate of the GCV of the Line which included "supporting data" based on traffic on the east end of the Line, or (b) an NLV estimate for the Line west of Milepost 123.0, and (2) more detailed operating plans and pro forma financial statements for operation of the Line.

KJRY's June 9 supplement did exactly that. It contained an estimate of the GCV of the Line which was based on the Board's (and TP&W's) conclusion that the portion of the Line west of Mapleton has no GCV, plus an estimate of the GCV of the remainder of the Line based on the only actual traffic data KJRY had available for that part of the track.³

TP&W argues, however, that KJRY did not comply with the Board's order because it did not present a separate GCV for the Mapleton Segment alone. TP&W is wrong in three respects.

³ KJRY requested more current data from TP&W, but that data was not received in time and in a form that was usable to KJRY. If TP&W believed it was important for KJRY to use that data, as it contended in its appeal, it certainly could have produced the information earlier than the last day allowed under the Board's regulations.

First, the Board did not order KJRY to file a GCV for the Mapleton Segment alone. Rather, the Board specifically ordered KJRY to submit “a GCV estimate *along with supporting data for the Mapleton Segment* of the Line, additional evidence of financial responsibility to purchase and operate *the entire Line*, . . .” KJRY’s evidence does include “supporting data for the Mapleton Segment” consistent with an application to operate the entire Line.

Second, the Board did not intend to force KJRY to file segmented valuation information because doing would have been taking a position opposed to KJRY’s position on the *Caddo Antoine II* case,⁴ something that the Board specifically said it was not doing. TP&W’s interpretation of the Board’s May 9 order contradicts the *Caddo Antoine II* decision against segmentation of a feeder line, a position the Board specifically declined to take in its May 9 order. Therefore, and in light of the Board’s direction that KJRY file information about “the entire Line,” TP&W is mistaken in contending that KJRY was required to file segmented information.

Finally, even though KJRY’s GCV estimate encompasses the entire Line, it is clear that the only GCV assigned arises from the Mapleton traffic. As KJRY stated on pages 18-19 of the June 9 supplement, “For purposes of its GCV estimate, KJRY has assigned a GCV of zero to all remaining operations on the Line [other than those at Mapleton]. . . . Thus, by assuming a zero GCV for the remainder of the Line, and adding to that the GCV based on traffic on the Mapleton part of the Line, KJRY’s GCV estimate is generous toward TP&W.” From this, and from many other parts of the supplement, it is crystal clear that the GCV figure given for the entire Line is

⁴ See *Caddo Antoine and Little Missouri Railroad Company, et al. v. STB, et al.*, 95 F.3d 740, 744 (8th Cir. 1996) (“*Caddo Antoine II*”).

based entirely on traffic at Mapleton. For TP&W to contend that the Supplement was inadequate because it failed to include a GCV for the Mapleton Segment simply contradicts the evidence.

With respect to the evidence of financial responsibility, TP&W contends that the loan commitment from National City Bank of Michigan/Illinois "expired [sic] on September 30, 2003, well before the end of the evidentiary portion of this proceeding, and . . . there was no evidence that the commitment would be extended." Here, again, TP&W is mistaken.

Obviously, the loan commitment has not "expired." Nor was it clear at the time the commitment was obtained when the end of the evidentiary portion of the proceeding would be, so it would have been difficult to seek a commitment tailored to that deadline.

Also, there *is* evidence that the commitment would be extended. The commitment itself specifically states that "The Bank may extend this closing date at its option." Furthermore, Mr. Carr stated, "[I]t has been my experience that the Bank is willing to extend such deadlines in instances such as these."

As further evidence of this fact, KJRY attaches hereto as Exhibit B a letter from National City Bank of Michigan/Illinois, extending the loan commitment to a January 31, 2004 loan closing date. Should further extensions be needed, KJRY believes that the bank will grant them so long as this proceeding is moving toward conclusion. In light of these facts, TP&W's arguments are simply wrong.⁵

TP&W also complains that the KJRY operating plan is not sufficient to demonstrate that KJRY can "compete with two Class I railroads for overhead traffic . . . [who] operate over lines

⁵ While KJRY is comfortable that its loan commitment can be extended if necessary, KJRY hopes that will not be necessary, because the longer the portion of the Line west of Mapleton remains unused and is not maintained by TP&W, the more the track deteriorates. Also, if the Board does not act on KJRY's feeder line application until winter, track work may be complicated by snow accumulation on the track.

with authorized speeds up to 79 miles per hour.” KJRY disagrees. First, an operating plan is different from a marketing plan. KJRY has provided an operating plan. That plan shows how many employees would be needed to work how many hours per week using what equipment to handle a specified number of anticipated loads of freight, as well as what expenses, personnel, equipment and materials would be involved in maintaining and rehabilitating the Line. See June 9 Supplement, pages 85-96. These are the essential parts of an operating plan.

On the marketing side, KJRY has also presented in this proceeding evidence from its Director of Marketing, stating that the business volume projections supporting the financial pro forma’s and operating data in the supplement to the application are traffic that can reasonably be expected to be attracted to KJRY’s proposed service. June 9 Supplement at 99. Ms. Busch also testifies that the revenues projected by Mr. Carr are reliable. Moreover, continued support for KJRY’s application from shippers, such as those whose letters are contained in Exhibit A, reinforces the soundness of KJRY’s testimony. Under these circumstances, TP&W’s unsupported argument that KJRY cannot compete with other railroads operating on other schedules over other routes is entitled to no weight.

In sum, TP&W’s allegations of material error in the Board’s July 9 decision are without merit. KJRY *did* present the evidence called for by the Board with respect to valuation of the Line. KJRY *did* present evidence of financial responsibility, in the form of a loan commitment and evidence that the deadline for consummation of that loan could be extended. In fact, as Exhibit B here shows, that deadline has been extended, as KJRY said it could be. Furthermore, KJRY *did* present the information required of an operating plan, stating how many people are going to work when and with what equipment and supplies in order to run trains and maintain the track on which they operate. And KJRY *did* present evidence of ability to compete with other railroad services.

TP&W's complaints in its appeal are at this point unsupported assertions that KJRY's evidence is wrong and ultimately will be insufficient to support a grant of KJRY's feeder line application. The proper action for TP&W to take to prove that argument is to file its own evidence to try to establish that KJRY's evidence is wrong. Appealing from the Board's order to delay the proceeding is procedurally and substantively wrong. The Board should, accordingly, deny TP&W's appeal, as well as Mr. Szabo's similar, albeit abbreviated, assertions.

II. Clarification Requested by TP&W

TP&W's Appeal also requests clarification of what rights and properties KJRY is seeking to acquire. KJRY's April 9 application sought authority to acquire the entire TP&W trackage from Hollis to La Harpe, including the Mapleton Spur, but proposed to grant trackage rights back to TP&W at a modest per car fee so that TP&W could continue to offer service at Mapleton as well. In this way, Mapleton shippers would have had increased service options and TP&W would have the opportunity to retain that traffic, minimizing the impacts that its April 24 filing claimed that the sale would have on it.

Nevertheless, KJRY's offer of trackage rights at a modest fee was not acceptable to TP&W. Also, as KJRY reads the Board's May 9 order, the Board would not accept an application premised on such rights. Therefore, to eliminate issues in dispute such as the proper level of trackage rights fees and to resolve TP&W's claims that it would be harmed by the transaction, KJRY offered to grant TP&W free access via trackage rights⁶ to the Mapleton Spur and continued ownership of that spur property. However, if TP&W was unwilling to accept continued access under those terms, KJRY would acquire the entire Line, including the Mapleton Spur and serve the Mapleton customers itself.

⁶ Under terms contained in a draft agreement included with the June 9 supplement.

In short, KJRY is willing to allow TP&W to minimize the harm that it claimed it would incur if KJRY purchased the entire Line including the Mapleton Spur. While it seems obvious that TP&W would accept that opportunity, KJRY cannot make that decision for TP&W nor, in light of the Board's May 9 order, did KJRY feel comfortable relying exclusively on that option. Therefore, KJRY also presented the option of acquiring the entire Line, including the Mapleton Spur, and becoming the serving railroad for the shippers at Mapleton.

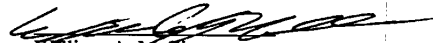
If TP&W wants to retain the Mapleton Spur and to have free and exclusive access to that trackage pursuant to terms of the proffered trackage rights agreement, KJRY is willing to proceed with the application on those grounds. If not, then TP&W should present its evidence premised on KJRY's purchasing the entire Line, Mapleton Spur included.

CONCLUSION

TP&W's appeal should be denied. KJRY's June 9 filing fully met the terms of the Board's May 9 order; that is, it contained GCV evidence based in identifiable part on information about traffic at Mapleton; it showed that KJRY has a loan commitment that is more than sufficient to fulfill KJRY's offer, and that the commitment can be extended if necessary, and it established the parameters of service proposed and the costs of providing that service. For TP&W to contend that KJRY has not fulfilled the Board's requirements is simply erroneous.

Rather than filing appeals and causing delay, if TP&W truly believes that it is correct in the positions it has taken in this matter, such as that the Line is worth substantially more than offered by KJRY, TP&W should come forward with its own evidence seeking to prove those points. The Board's July 9 decision accepting KJRY's application was not in error and should not be overturned. Accordingly, TP&W's Appeal, and that by Mr. Szabo, should be denied.

Respectfully submitted,



William A. Mullins
David C. Reeves
BAKER & MILLER, PLLC
915 15th Street, N.W., Suite 1000
Washington, DC 20005
Tel: (202) 637-9499
Fax: (202) 637-9394
Attorneys for Keokuk Junction Railway Co.

Dated: August 1, 2003

Exhibit A

Aug 01 03 11:29a

AUG. 1.2003 11:13AM

ROQUETTE SALES DEPT

P.3



July 31, 2003

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

SUBJECT: Keokuk Junction Railway

Dear Secretary Williams:

On April 1, 2003, Roquette America was notified by Keokuk Junction Railway of their desire to acquire the west end of the TPW line via the feeder line application process. Roquette America, Inc. supports Keokuk Junction Railway's efforts to acquire this portion of track.

As noted in a previous letters to you dated January 13, 2003 and April 4, 2003, since October 18, 2002 we have not received any rail service over this line. The STB's decision of 2/14/03 to deny KJRY's petition to provide alternate rail service was based on the fact that TPW stated it was "ready, willing and able to resume operations over the Line" and that it "plans to restore service to the Line once it is reacquired from SF&L". TPW has not resumed operations or restored service.

TPW has not responded in a timely manner to requests for rates and when they have replied, rates have not been competitive. One example was a rate quote of \$705 for a move that SF&L charged \$275 which is \$75 higher than the rate we had received from the TPW prior to the SF&L's purchase of this portion of track. This is almost a 400% increase per car since 12/01.

Roquette America, Inc. needs this line open in order to access Class I railroads over Peoria for competitive service for outbound shipments moving to Chicago and to the East Coast.

Sincerely,

Wanda J. Carlson
Wanda J. Carlson
Manager, Rail

Aug 01 03 11:29a

JUL 31 2003 10:35AM

ROQUETTE GRAIN DEPT

P. 4

LAHARPE ELEVATOR
POBOX 559
LAHARPE, ILLINOIS 61450

July 31, 2003

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

SUBJECT: KJRY Feeder line application

Dear Secretary Williams:

Once again we wish to express our support of efforts by Keokuk Junction Railway to acquire the west end of the TPW line via the feeder line application process.

We experienced a reduction in service from TPW prior to their sale to SF&L. Following the sale to SF&L we experienced an increase in rates and a continuation of less than desirable service. Regardless of the undesirable terms we continued efforts with SF&L to utilize rail service until railcars were no longer made available.

Re-ownership by TP&W resulted in a 475% increase in tariff from Blandinsville, IL. to LaHarpe, IL. and a 300% increase in tariff from La Harpe, IL. and Blandinsville, IL. to Gilman, IL.

The outrageous increase in freight charges levied by TP&W leaves us without rail service due to obvious economics.

We appreciate your consideration in restoring rail service with reasonable tariff to our community.

Sincerely,



Terry Rouse
Mgr. Corn Procurement - LaHarpe Elevator

Aug 01 03 11:29a

JUL-28-2003 12:46

COLUSA ELEVATOR CO. S

1 217 746 3101 P.5

COLUSA ELEVATOR COMPANY

P.O. Box 26
Colusa, IL 62329
Tel. 217-746-4221

P.O. Box 185
Newark, IL 62354
Tel. 217-463-2216

P.O. Box 354
Fertis, IL 62336
Tel. 217-746-3771

2136 Green Bay Road
Weaver, IL 62358
Tel. 815-372-7652

2000 E. City Rd 2100
Barnick, IL 62318
Tel. 217-746-3221

Monday, July 28, 2003

The Honorable Vernon A. Williams, Secretary
Surface Transportation Board
1935 K Street, NW, Suite 715
Washington, D.C. 20423-0001

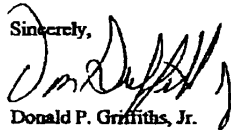
Dear Sir:

Back in April, 2003, I sent you a letter explaining how important I believed the return of the Keokuk Junction Railway business was to our company. As of this writing, we still believe that our business could improve greatly by the re-establishment of operation of this line in west-central Illinois to KJRR.

Since the beginning of the troubles on this rail line, many of us who used the services before have had to work around a system that has failed to provide the competitive edge that used to exist for grain traffic crossing through the middle of Illinois. It has been possible to truck grain, of course, but the cost of freight is much higher than we enjoyed before. We also miss the smooth and seamless connection KJRR freight provided in getting our grains in and out of our elevator.

As I had mentioned to you in my last letter, the rails perform a linkage throughout the rural countryside that helps small towns and businesses survive. Taking away the function of the tracks in question here has created a rift that needs to be closed shortly, or the possibility of closures will be on the minds of many businesses like my own that have depended on the rail.

Sincerely,



Donald P. Griffiths, Jr.
VP & GM
Colusa Elevator Co.

TOTAL P.02

Aug 01 03 11:29a

JUL 31 2003 10:35AM

ROQUETTE GRAIN DEPT

P. 6

**BLANDINSVILLE ELEVATOR
BLANDINSVILLE, ILLINOIS 61420**

July 31, 2003,

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

SUBJECT: KJRY Feeder line application

Dear Secretary Williams:

Once again we wish to express our support of efforts by Keokuk Junction Railway to acquire the west end of the TPW line via the feeder line application process.

We experienced a reduction in service from TPW prior to their sale to SF&L. Following the sale to SF&L we experienced an increase in rates and a continuation of less than desirable service. Regardless of the undesirable terms we continued efforts with SF&L to utilize rail service until railcars were no longer made available.

Re-ownership by TP&W resulted in a 475% increase in tariff from Blandinsville, IL. to LaHarpe, IL. and a 300% increase in tariff from La Harpe, IL. and Blandinsville, IL. to Gilman, IL.

The outrageous increase in freight charges levied by TP&W leaves us without rail service due to obvious economics.

We appreciate your consideration in restoring rail service with reasonable tariff to our community.

Sincerely,



Terry Rouse
Mgr. Corn Procurement-- Blandinsville Elevator

Aug 01 03 11:39a

P.2



ELKEM CARBON - KEOKUK

365 Carbide Lane
P. O. Box 6003
Keokuk, IA 52632-6003
Telephone: (319) 524-6510
FAX: (319) 524-6513

Electrode Paste • Remving Mixes • Calcined Coal • Carbon Raiser

Date: July 31, 2003

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

Dear Sir:

This letter is in follow up as no rail service has been yet made available over the west end of the TPW between La Harpe, IL. To Peoria, IL. No trains have operated on this segment of track since an embargo was issued on October 18, 2002. As a result we have not received any rail service over this segment of track since that date. We have customers who need us to ship via this line. As proven in the past each time a segment of track is lost industry is the one who suffers the most due to lack of service. We need this line in order to be able to provide the service our customers want. If the KJRY Railroad is granted authority to operate this line we will use the line.

Very Truly Yours
Elkem Carbon Keokuk

A handwritten signature in cursive script that reads 'Daniel C. Buckert'.
Daniel C. Buckert
Traffic Coordinator

ISO-9002 CERTIFIED

Quality is
Our
PRIORITY

Exhibit B

National City.

National City Bank of Michigan/Illinois
301 South West Adams Street
Peoria, IL 61602-1500

COMMITMENT LETTER

June 5, 2003

Mr. J. Michael Carr
Chief Financial Officer
Pioneer Railcorp
1318 S. Johnson Rd.
Peoria, IL 61607

Re: Proposed Loan by NATIONAL CITY BANK OF MICHIGAN/ILLINOIS, ("Bank") to Pioneer Railcorp ("Borrower")

This is an offer by the Bank to make a loan to the Borrower, subject to the terms, provisions, limitations, and conditions contained herein:

1. **Loan Amount:** \$7,000,000.00
2. **Interest Rate:** Fixed at Bank's cost of funds plus 225 basis points.
3. **Term:** 60 months from date of closing.
4. **Payments:** Monthly principal and interest payments sufficient to fully amortize the loan in ten years.
5. **Security:** First lien on all non-real estate assets acquired from the Toledo Peoria and Western Railway Corporation, as well as a negative pledge on any acquired real estate. Blanket lien on all business assets of the Kankuk Junction Railway, Mississippi Central Railroad and the Alabama Railroad, as well as a negative pledge on all real estate owned by the railroads. Pledge of stock of the Kankuk Junction Railway Corporation, Mississippi Central and Alabama railroads.
6. **Purpose:** Provide acquisition financing for the west end of the Toledo Peoria and Western Railway Corporation.
7. **Guarantor:** Kankuk Junction Railway Corporation.
8. **Other:** Subject to terms and conditions of the Bank's standard loan agreement.
9. **Acceptance of Offer:** This offer must be accepted in writing not later than December 31, 2003, and will be deemed accepted only when executed and returned to the Bank's office at 301 S.W. Adams Peoria, IL.
10. **Loan Closing:** This loan shall be closed not later than January 31, 2004. The Bank may extend this closing date at its option.
11. **Covenants:** So long as Borrower is indebted to Bank, the Borrower shall:
 - 11.1 Maintain, preserve, and keep its buildings and properties and every part thereof in good repair, working order, and condition and from time to time make all necessary and proper repairs, renewals, replacements, additions, betterments, and improvements thereof, so that at all times, the efficiency thereof shall be fully preserved and maintained.
 - 11.2 Maintain insurance against fire, theft, and other casualty on its insurable real and personal property at full replacement cost from companies acceptable to the Bank against liability on account of damage to persons or property as required under all workers' compensation laws. Also, Borrower shall maintain any other insurance policies to the Bank which are reasonably requested by the Bank and shall deliver certified copies of all such insurance policies to the Bank which insurance with respect to real property shall name the Bank as "mortgagee" under a standard loss-payable clause and with respect to personal property shall include a separate lender's loss-payable clause insuring the Bank's security interest or lien in the Borrower's property regardless of any act or neglect of the Borrower. The Borrower shall deliver certified copies of all such insurance policies to the Bank.
 - 11.3 Fully pay and discharge or cause to be paid and discharged all taxes, assessments, and other governmental charges imposed upon it and its properties or any part thereof, or upon the income or profits therefrom, as well as all claims for labor, materials, or supplies, which if unpaid could become a lien or charge upon its property, except such items as are being in good faith appropriately contested and for which the Borrower has provided adequate reserves.
 - 11.4 Carry on and conduct its business in substantially the same manner and in substantially the same areas as such business is now and has previously been carried on, and maintain its legal existence, and comply with all valid and applicable statutes, rules and regulations.
 - 11.5 Maintain a standard, modern system of accounting; deliver to Bank financial reports in form satisfactory to Bank as Bank may request from time to time, including but not limited to: Annual forms 10K and unaudited audit report and quarterly form 10Q with quarterly financial statements and permit the duly authorized representative(s) of Bank at all reasonable

- times to examine and inspect any of the Borrower's property wherever same may be located.
- 11.6 Borrower shall comply with all applicable federal, state and local laws, ordinances, rules and regulations, including, but not limited to, all environmental laws, ordinances, rules and regulations and shall keep all of its real and personal property or any interest therein (the "Property") free and clear of any liens imposed pursuant to such laws, ordinances, rules and regulations and deliver to Bank such reports and information in form satisfactory to Bank as Bank may request from time to time to establish compliance with this covenant.
- 11.7 Borrower shall comply with all applicable federal, state and local laws, ordinances, rules and regulations concerning wage payments, minimum wages, overtime laws, and payment of withholding taxes, and deliver to Bank such reports and information in form satisfactory to Bank as Bank may request from time to time to establish compliance with such laws.
- 11.8 If real or personal property, or both, or any interest therein is mortgaged, conveyed, or assigned or a security interest granted therein by the Borrower to the Bank as security for payment of the Loan:
- (a) Borrower shall comply with all warranties, covenants and representations of such mortgage, security agreement, conveyance or assignment which warranties, covenants and representations are incorporated by reference herein in their entirety.
12. Other Terms and Conditions:
- 12.1 Nothing contained in this Agreement or any exhibit attached hereto or any agreement given pursuant hereto shall be deemed or construed as creating any relationship other than that of borrower and lender. There is no partnership or joint venture between the Bank and Borrower, or between the Bank and any other person and the Bank is not responsible in any way for the debts or obligations of the Borrower or any other person. Nothing in this letter or any attachments makes the Bank a fiduciary for the Borrower or any other person.
- 12.2 This letter is personal to the parties hereto and is for their sole benefit and is not made for the express or implied benefit of any other person or entity.
- 12.3 Any appraisals of the Borrower's property or evaluation of the potential profitability of the enterprise to be engaged in by the Borrower in connection with the extension of credit or proposed extension of credit from the Bank to the Borrower, are for the sole benefit of the Bank and do not constitute a representation of the likelihood of financial viability of such enterprise by the Bank to the Borrower.
- 12.4 This letter, if accepted by the Borrower, constitutes the entire agreement between the Bank and Borrower. Any and all prior, contemporaneous, oral or written agreements, understandings, statements, customs or practices between the Bank and the Borrower pertaining to the transaction herein described are merged herein. No parties have made any representations, warranties or inducements, express or implied, to any other party, except as expressly set forth herein.
- 12.5 The terms of this letter may not be modified, waived, discharged or terminated orally, except by an instrument in writing signed by Borrower and the Bank.

Accepted and approved this _____ day of _____, 2003.

BORROWER: Pioneer Railcorp

BY: _____
J. Michael Carr
Its Chief Financial Officer

NATIONAL CITY BANK OF MICHIGAN/ILLINOIS

By: _____
Michael A. Zoller
Its Vice President

Federal Tax Identification #: 37-1191206

The terms of this letter have been reviewed and are approved:

GUARANTOR:

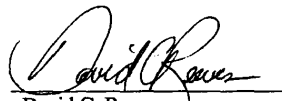
Kookuk Junction Railway Corporation

BY: _____
J. Michael Carr
Its Chief Financial Officer

Consent to this letter

CERTIFICATE OF SERVICE

I, David C. Reeves, hereby certify that on August 1, 2003, I caused a copy of the foregoing Reply to be served by first class mail, postage prepaid, or by more expeditious service upon all parties of record herein.


David C. Reeves

CERTIFICATE OF SERVICE

I, David C. Reeves, hereby certify that on August 11, 2003, I caused a copy of the foregoing Reply to be served by first class mail, postage prepaid, or by more expeditious service upon all parties of record herein.


David C. Reeves