

BALL JANIK LLP

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211 068



May 25, 2004

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

FEE RECEIVED

MAY 25 2004

**SURFACE
TRANSPORTATION BOARD**

Re: Finance Docket No. 34510, Watco Companies, Inc. – Continuance In
Control Exemption – Kaw River Railroad, Inc.

Dear Secretary Williams:

Attached for filing are the original and ten copies of a Verified Notice of
Exemption under 49 C.F.R. § 1180.2(d)(2), and a check covering the \$1,000 filing fee.

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

If you have any questions, please call me.

**ENTERED
Office of Proceedings**

MAY 25 2004

**Part of
Public Record**

Sincerely,

A handwritten signature in cursive script that reads "Karl Morell".

Karl Morell

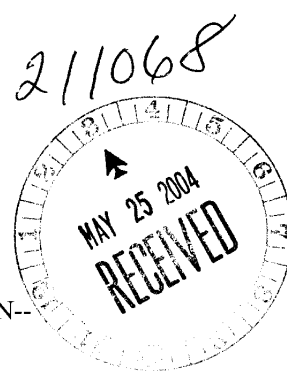
Enclosures

FILED

MAY 25 2004

**SURFACE
TRANSPORTATION BOARD**

BEFORE THE
SURFACE TRANSPORTATION BOARD



FINANCE DOCKET NO. 34510

WATCO COMPANIES, INC.
--CONTINUANCE IN CONTROL EXEMPTION--
KAW RIVER RAILROAD, INC.

VERIFIED NOTICE OF EXEMPTION
Pursuant to 49 C.F.R. § 1180.2(d)(2)

FILED
MAY 25 2004
SURFACE
TRANSPORTATION BOARD

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TRANSPORTATION BOARD

ENTERED
Office of Proceedings
MAY 25 2004
Part of
Public Record

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

Attorney for:
WATCO COMPANIES, INC.

Dated: May 25, 2004

BEFORE THE
SURFACE TRANSPORTATION BOARD

FINANCE DOCKET NO. 34510

WATCO COMPANIES, INC.
--CONTINUANCE IN CONTROL EXEMPTION--
KAW RIVER RAILROAD, INC.

VERIFIED NOTICE OF EXEMPTION
Pursuant to 49 C.F.R. § 1180.2(d)(2)

Watco Companies, Inc. ("Watco") files this Notice of Exemption, pursuant to 49 C.F.R. § 1180.2(d)(2), for Watco to continue in control of the Kaw River Railroad, Inc. ("KRR"), a non-carrier, upon KRR becoming a Class III railroad. In support of this Notice of Exemption, Watco submits the following information as required by 49 C.F.R. § 1180.4(g):

Section 1180.6(a)

- (1) A description of the proposed transaction.
 - (i) A brief summary of the proposed transaction, the name of applicants, their business address, telephone number, and the name of counsel to whom questions regarding the proposed transaction can be addressed.

Watco, a non-carrier, is a Kansas corporation which currently controls eight (8) Class III railroads operating in ten States. Watco also owns 100 percent of the issued and outstanding stock of KRR. KRR, a Kansas corporation, is a non-carrier that was formed for the purpose of leasing and operating certain rail lines owned by the Kansas City Southern Railway Company ("KCS") in Kansas City, KS and subleasing from KCS and operating certain rail lines owned by

Kansas City Terminal Railway Company ("KCT") and leased to KCS in Kansas City, KS and Kansas City, MO. Concurrently with the filing of this Notice of Exemption, KRR is filing a Notice of Exemption in STB Finance Docket No. 34509, *Kaw River Railroad, Inc. – Lease Exemption – Kansas City Southern Railway Company*, under 49 C.F.R. § 1150.31, to lease and sublease the KCS rail lines. Upon consummation of the transaction in STB Finance Docket No. 34509, KRR will become a Class III carrier.

Watco also controls, through stock ownership and management, the South Kansas and Oklahoma Railroad Company ("SKO"), Palouse River & Coulee City Railroad, Inc. ("PRCC"), the Timber Rock Railroad, Inc. ("TIBR"), the Stillwater Central Railroad ("SLWC"), the Eastern Idaho Railroad, Inc. ("EIRR"), Kansas & Oklahoma Railroad, Inc. ("K&O"), the Pennsylvania Southwestern Railroad, Inc. ("PSWR"), and the Great Northwest Railroad, Inc. ("GNR"). SKO, PRCC, TIBR, SLWC, EIRR, K&O, PSWR and GNR are Class III carriers which operate rail lines in ten States.

The rail lines operated by SKO, PRCC, TIBR, SLWC, EIRR, K&O, PSWR and GNR do not connect with the rail lines being leased and subleased by KRR. The rail lines being leased and subleased by KRR are located in Kansas City, KS and Kansas City, MO. SKO owns and operates rail lines in the States of Kansas and Missouri and K&O owns and operates rail lines in the State of Kansas. SKO's rail lines are located in the southeastern portion of Kansas and southwestern portion of Missouri and are a substantial distance from the lines being leased by KRR. The K&O's Kansas lines are located in the central and western portions of the State and are also a substantial distance from the lines being leased and subleased by KRR.

Also, the involved transaction is not part of a series of anticipated transactions that would connect the rail lines being leased and subleased by KRR with any railroad in the Watco

corporate family. Finally, neither KRR nor any of the carriers controlled by Watco are Class I rail carriers. Accordingly, this transaction falls within the class of transactions described at 49 C.F.R. § 1180.2(d)(2), and exempt from prior approval by the Surface Transportation Board ("Board").

The name and business address of Applicant are as follows:

Watco Companies, Inc.
315 W. 3rd Street
Pittsburg, KS 66762

Applicant's representative:

Karl Morell
Of Counsel
Ball Janik LLP
1455 F Street, N.W.
Suite 225
Washington, D.C. 20005
(202) 638-3307

- (ii) The proposed time schedule for consummation of the proposed transaction.

Watco intends to consummate this transaction on or shortly after June 1, 2004.

- (iii) The purpose sought to be accomplished by the proposed transaction.

Watco intends to reduce overhead expenses, coordinate billing, maintenance, mechanical and personnel policies and practices of its rail carrier subsidiaries and thereby improve the overall efficiency of rail service provided by the nine railroads.

- (5) A list of the State(s) in which any part of the property of each applicant carrier is situated.

SKO's lines are located in Missouri, Kansas and Oklahoma.

EIRR's lines are located in Idaho.

PRCC's lines are located in Washington, Oregon and Idaho.

TIBR's lines are located in Texas and Louisiana.

SLWC's lines are located in Oklahoma.

K&O's lines are located in Kansas and Colorado.

PSWR's line is located in Pennsylvania.

GNR's lines are located in Washington and Idaho.

Upon leasing and subleasing the lines from KCS, KRR will lease and operate rail lines in Kansas and Missouri.

(6) Map.

Maps illustrating the rail lines of SKO, PRCC, TIBR, SLWC, EIRR, K&O, PSWR and GNR and the rail lines to be leased and subleased by KRR are attached as Exhibit 1.

(7)(ii) Agreement.

Watco will not enter into any agreement, or sign any written instrument, to continue in control of KRR.

Because SKO, PRCC, TIBR, SLWC, EIRR, K&O, PSWR and GNR are Class III carriers and KRR will become a Class III rail carrier upon the lease and sublease of the rail lines from KCS, no labor protection may be imposed on this transaction pursuant to 49 U.S.C. § 11326(c).

ENVIRONMENTAL AND HISTORIC IMPACTS

Watco will continue to control KRR for the purpose of continued rail operations where further Board approval is required to abandon or discontinue any service, and there are no plans to dispose of or alter properties subject to the Board's 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).

Watco's continuance in control of KRR 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 these lines 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 lines; (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. This transaction 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, this transaction does not contemplate the transportation of any ozone depleting materials. 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,


KARL MORELL

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

Attorney for:
WATCO COMPANIES, INC.

Dated: May 25, 2004

VERIFICATION

STATE OF KANSAS

)

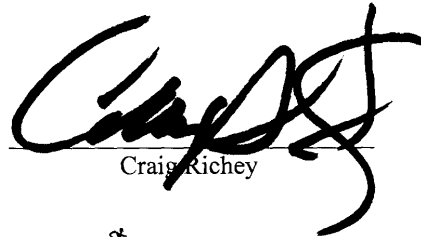
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ss.

COUNTY OF CRAWFORD

)

I, Craig Richey, being duly sworn depose and state that I am General Counsel of Watco Companies, 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.


Craig Richey

SUBSCRIBED AND SWORN TO before me this 21st day of May, 2004, in the County of Crawford, State of Kansas.

My Commission Expires: 8/14/04

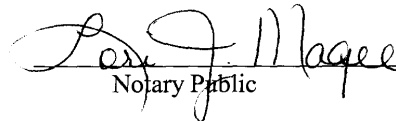
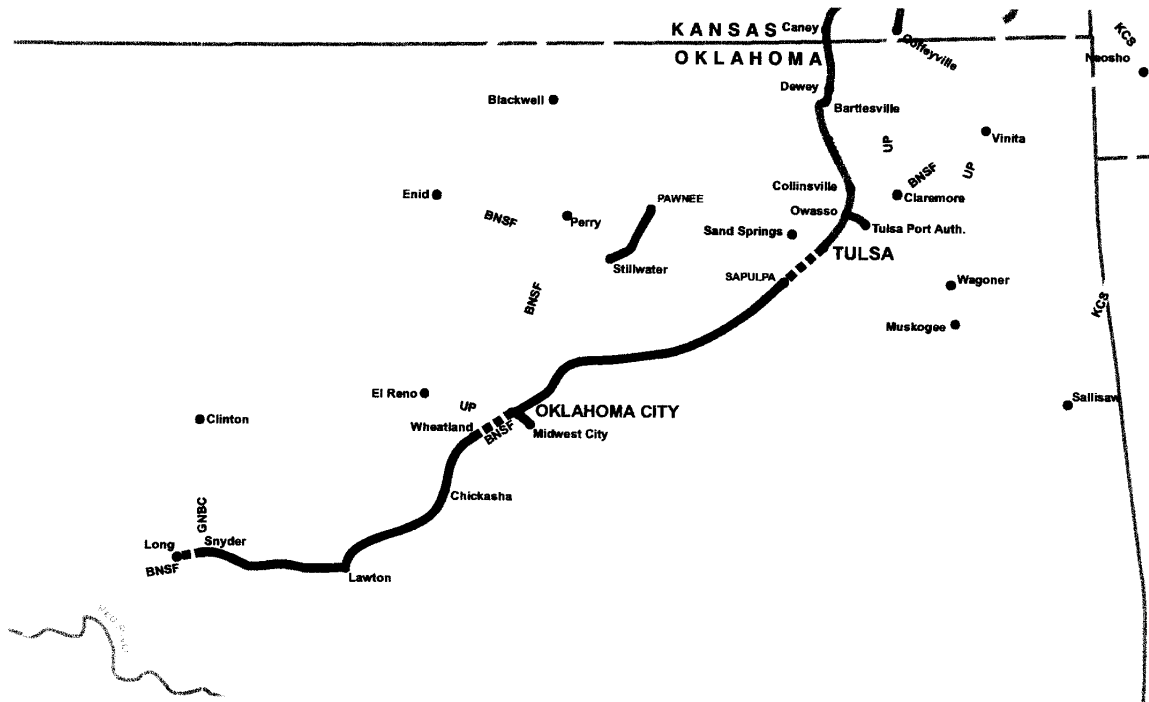
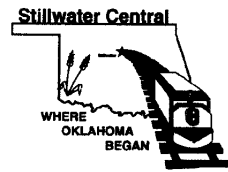

Notary Public

EXHIBIT 1



LEGEND:

Stillwater Central RR (SLWC) —————

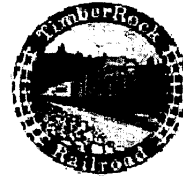
Trackage Rights - - - - -

Interchanges

- BNSF - PAWNEE, SAPULPA, OKLAHOMA CITY, SNYDER
- UP - OKLAHOMA CITY
- GNBC - SNYDER



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LEGEND:

Timber Rock RR (TIBR)

Interchanges

BNSF - Tenaha, Silsbee
KCS - DeRidder

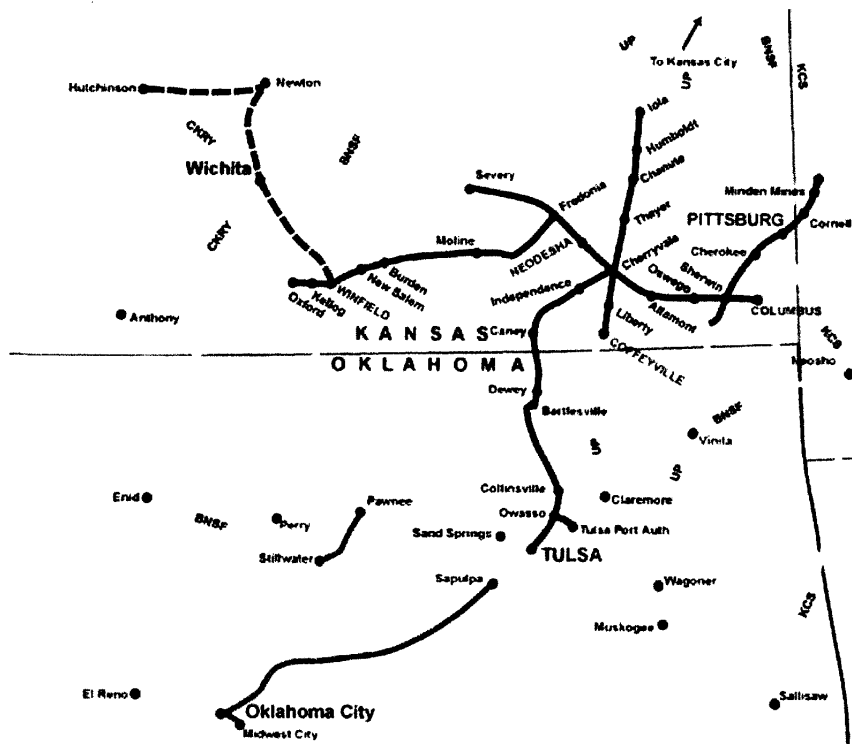
ARKANSAS

Shreveport

TEXAS

LOUISIANA





LEGEND :

South Kansas & Oklahoma RR (K&O) ———

Trackage Rights (UP/K&O Agency Agreement) - - - - -

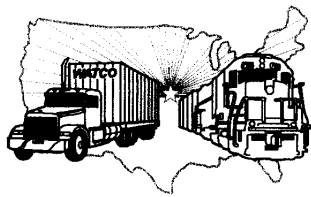
Operating Rights (for State of Oklahoma) ———

Interchanges

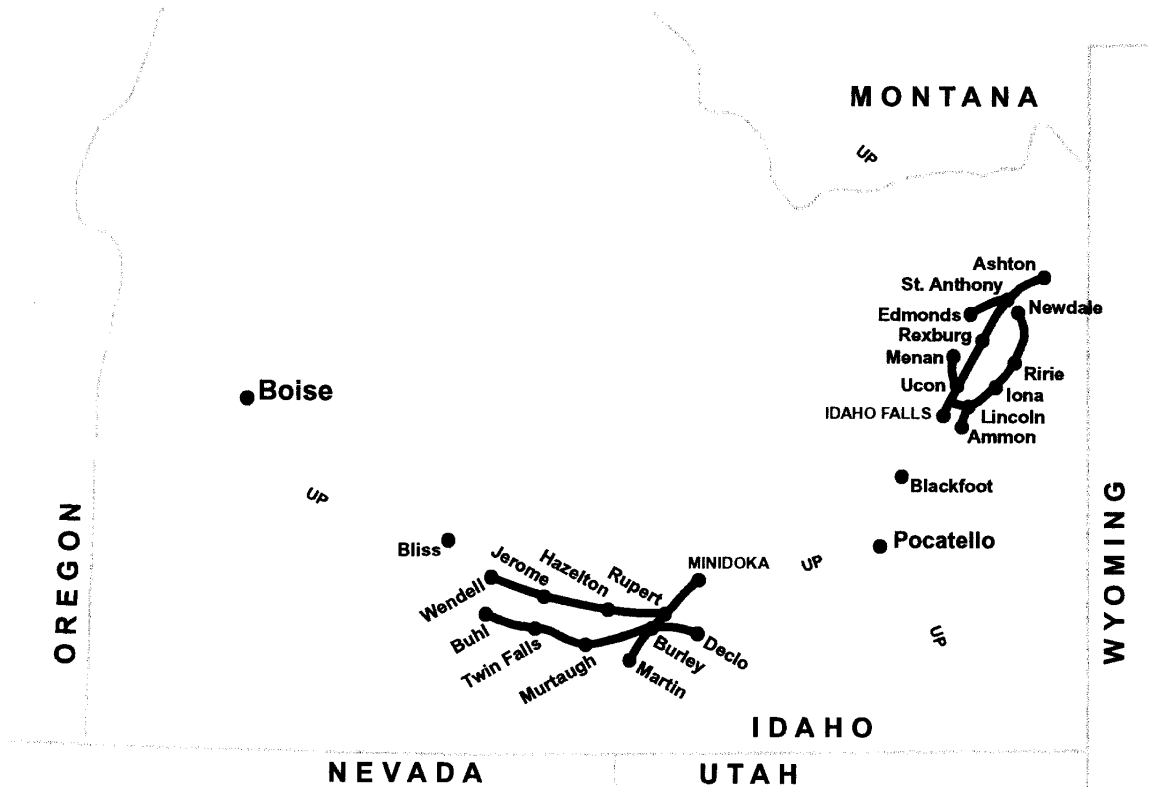
● UP - COFFEYVILLE WINFIELD TULSA NEODESHA

● BNSF - WINFIELD TULSA COLUMBUS

● KCS - PITTSBURG



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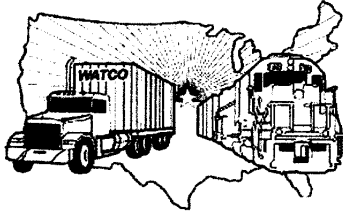


LEGEND:

Eastern Idaho RR (EIRR) —————

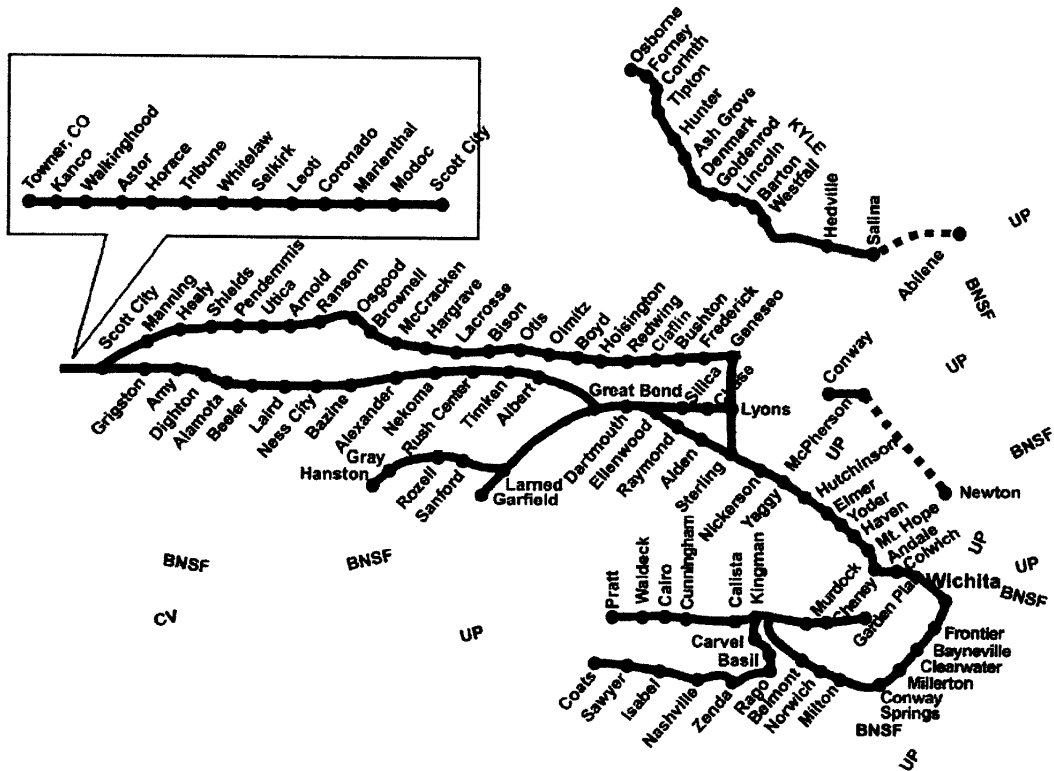
Interchanges

● UP - MINIDOKA, IDAHO FALLS



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K&O
 KANSAS & OKLAHOMA RAILROAD



LEGEND:

Kansas & Oklahoma RR (K&O)

Trackage Rights VIA UP

Interchanges

- UP - HUTCHISON, MCPHERSON, SALINA, WICHITA
- BNSF - ABILENE, HUTCHISON, NEWTON, WICHITA
- KYLE - OSBURNE
- SKOL - WICHITA

LEGEND:

Palouse River & Coulee City RR (PCC) —————

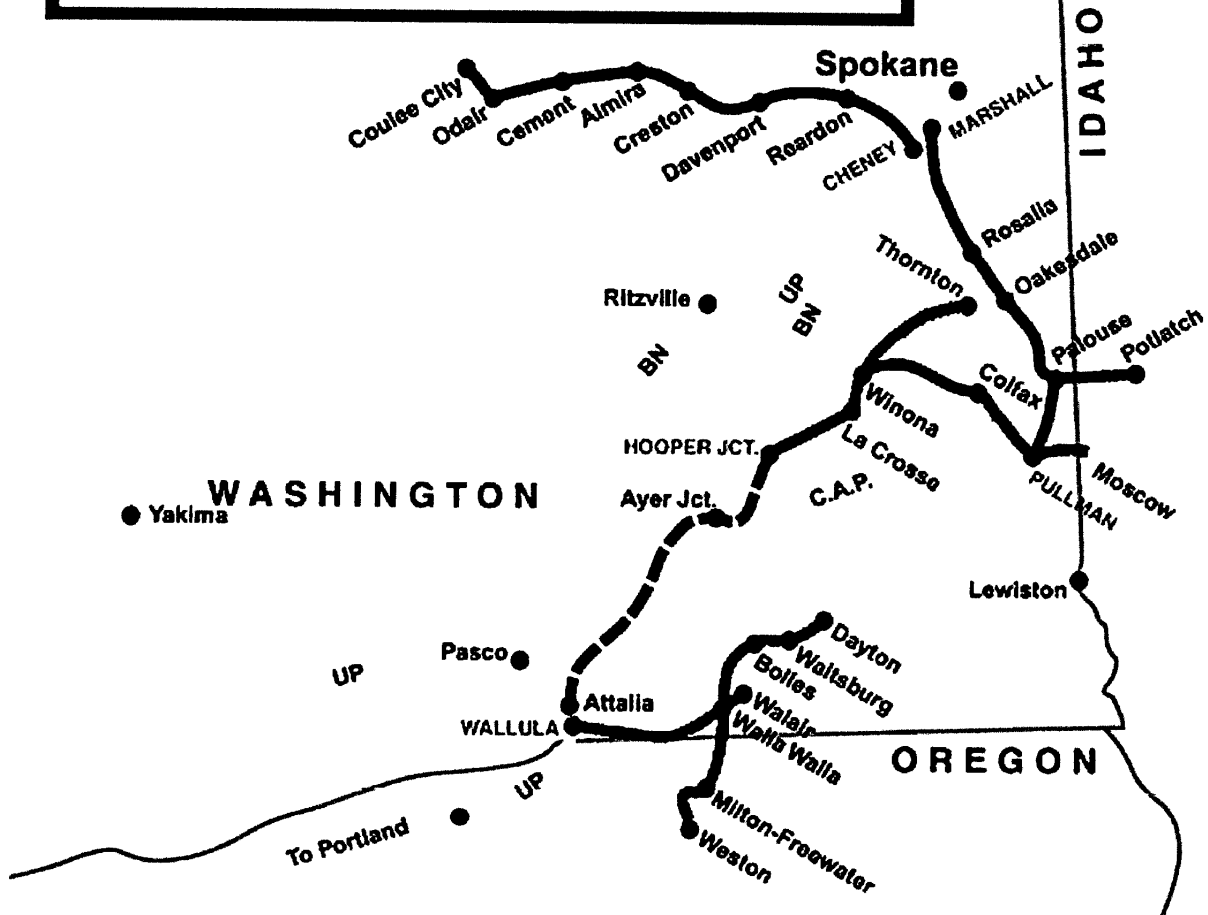
Interchanges

- BNSF - CHENEY, MARSHALL
- BLMR - PULLMAN

Interchanges

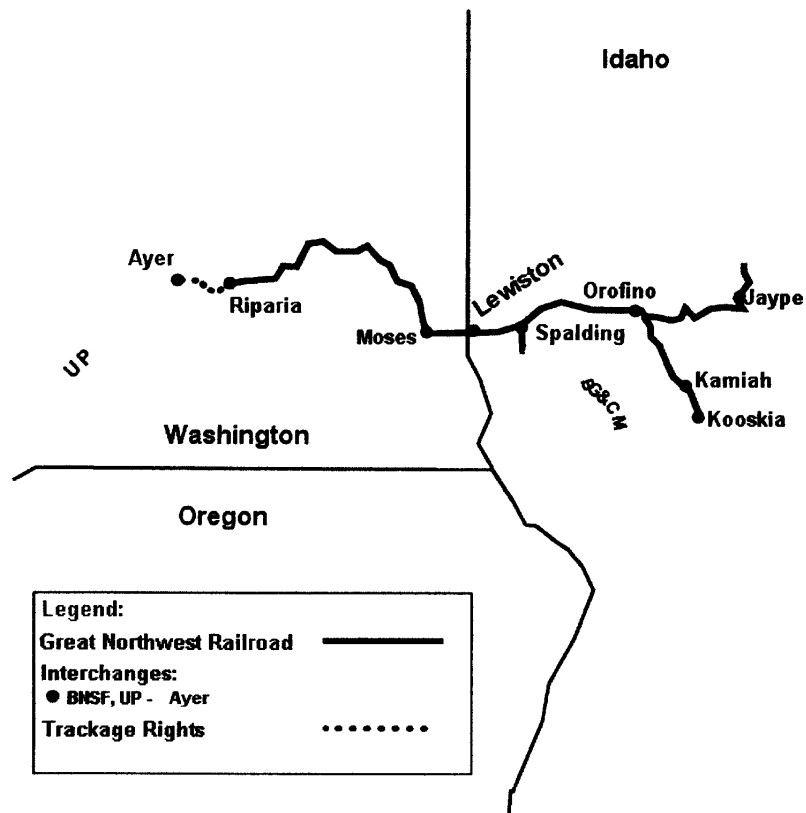
- UP - HOOPER JCT., WALLULA
- PCC - PULLMAN

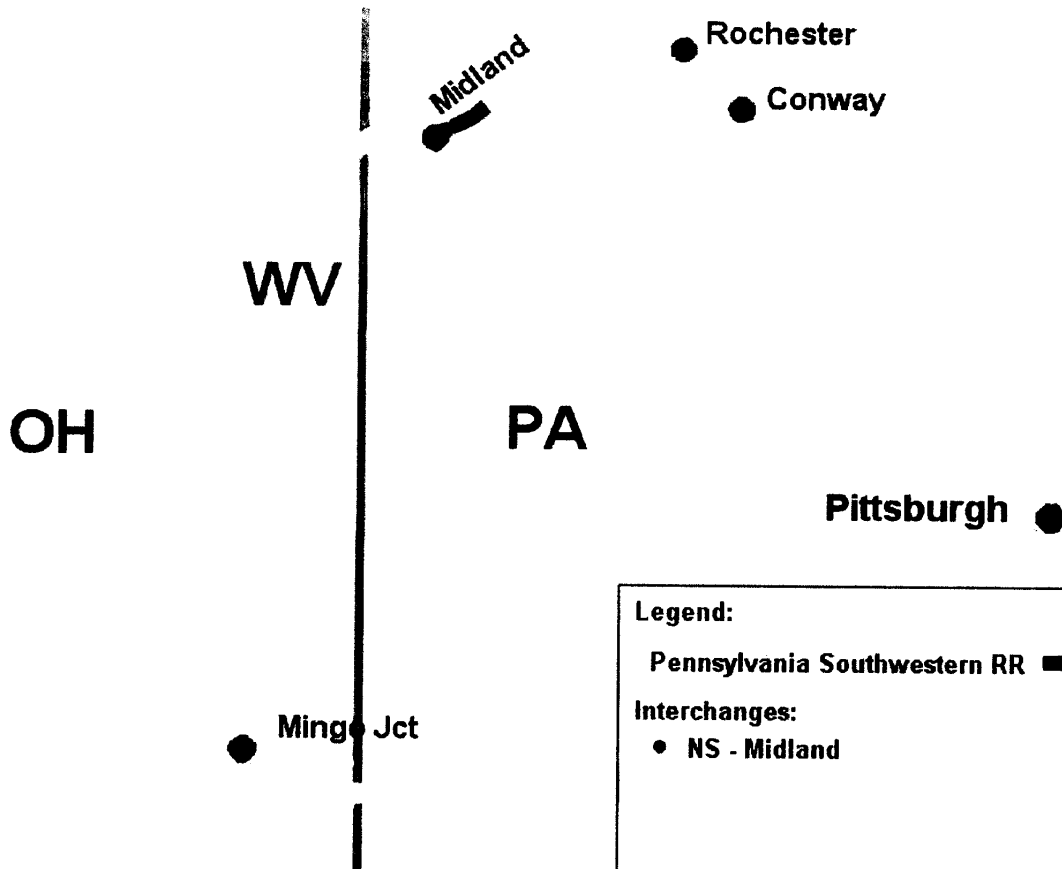
Haulage Rights - - - - -





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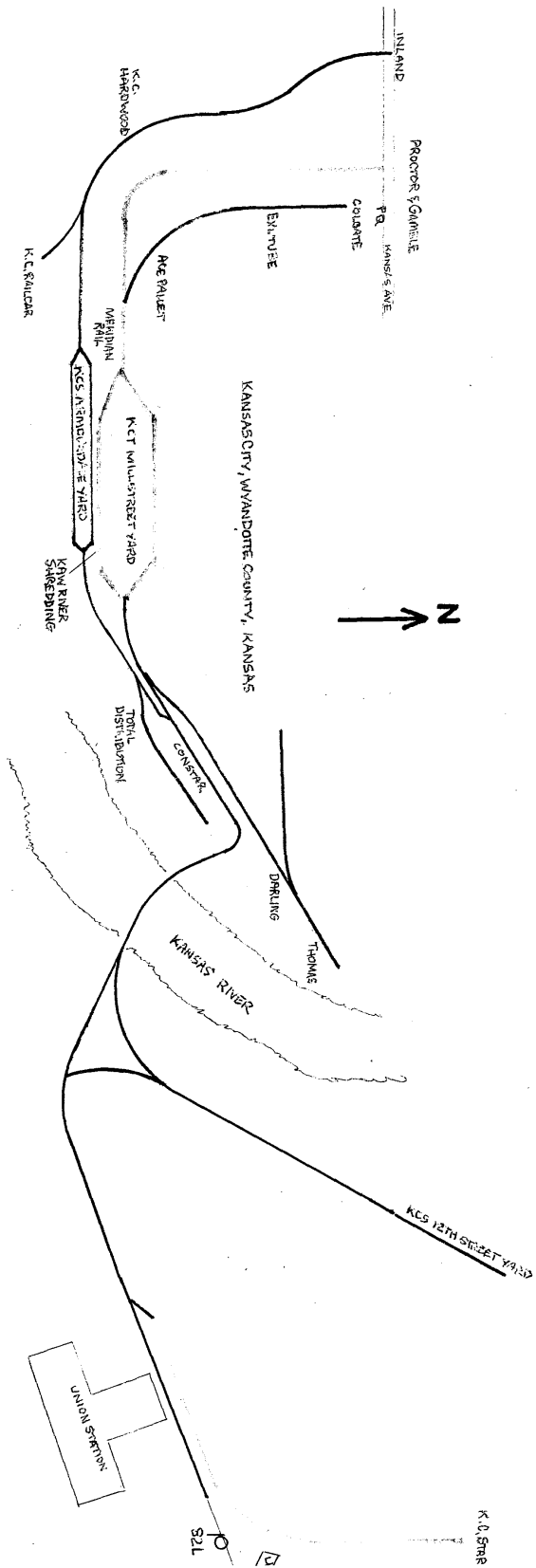


EXHIBIT "A"	
KCT MAINLINE	APPROX. INT.
KCT SWITCHING TRACKAGE	6.2 MILES
KCS TRACKAGE	4.5 MILES
* NOT INCLUDING YARD TRACKS	TTL. 18.2 MILES

NOT TO SCALE - MAY 21, 2004 D.A. BRINKS