

BALL JANIK LLP

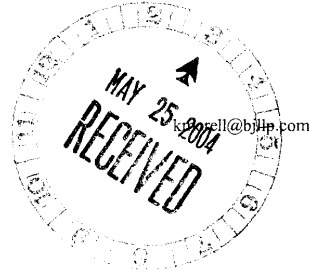
A T T O R N E Y S

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KARL MORELL
OF COUNSEL



May 25, 2004

VIA HAND DELIVERY

211069

ENTERED
Office of Proceedings

MAY 25 2004

Part of
Public Record

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

**RE: Finance Docket No. 34509, Kaw River Railroad, Inc. -- Lease
Exemption -- The Kansas City Southern Railway Company**

Dear Secretary Williams:

Attached for filing are the original and ten copies of a Verified Notice of Exemption under 49 C.F.R. § 1150.31 and a check covering the \$1,400.00 filing fee. Also enclosed is a 3.5-inch diskette 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
Karl Morell

TRANSPORTATION BOARD
SURFACE

Enclosures

MAY 25 2004

FILED

FEE RECEIVED

MAY 25 2004

SURFACE
TRANSPORTATION BOARD

BEFORE THE
SURFACE TRANSPORTATION BOARD

FINANCE DOCKET NO. 34509

KAW RIVER RAILROAD, INC.
--LEASE EXEMPTION--
THE KANSAS CITY SOUTHERN RAILWAY COMPANY

VERIFIED NOTICE OF EXEMPTION
Pursuant to 49 C.F.R. § 1150.31, 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

Attorney for:
KAW RIVER RAILROAD, INC.

Dated: May 25, 2004

BEFORE THE
SURFACE TRANSPORTATION BOARD

FINANCE DOCKET NO. 34509

KAW RIVER RAILROAD, INC.
--LEASE EXEMPTION--
THE KANSAS CITY SOUTHERN RAILWAY COMPANY

VERIFIED NOTICE OF EXEMPTION
Pursuant to 49 C.F.R. § 1150.31, Et Seq.

The Kaw River Railroad, Inc. ("KRR"), a non-carrier, files this Notice of Exemption pursuant to 49 U.S.C. 10901 and 49 C.F.R. Part 1150, Subpart D--Exempt Transactions, to permit KRR to lease and operate approximately 7.5 miles of rail lines in Kansas City, KS from The Kansas City Southern Railway Company ("KCS") and to sublease from KCS and operate approximately 4.5 miles of rail lines in Kansas City, KS and Kansas City, MO that are owned by Kansas City Terminal Railway Company ("KCT"). KRR will also acquire by assignment from KCS operating authority over approximately 6.2 miles of KCT rail lines in order to access the leased KCS and KCT trackage.

In support of this Notice of Exemption, KRR submits the following information as required by 49 C.F.R. § 1150.33:

- (a) Full name and address of applicant:

Kaw River 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:

KRR will shortly enter into agreements with KCS for the lease of the KCS-owned rail lines, the sublease of the KCT-owned rail lines, and the assignment of KCS' operating authority over certain KCT rail lines.

(d) The operator of the property:

KRR will become the operator of the property.

(e) Summary of proposed transaction:

KCS currently provides certain switching and other services in the Kansas City, KS-Kansas City, MO area. These services are provided over KCS-owned tracks and, pursuant to the Track Lease and Switching and Maintenance Agreement, dated December 15, 1992, over certain tracks leased by KCT to KCS. In addition, KCS has operating authority over KCT-owned trackage pursuant to an Operating Agreement, dated June 12, 1909, as amended ("Operating Agreement"). Pursuant to the proposed transaction, KRR will take over these KCS operations by leasing the KCS-owned tracks, subleasing the KCT-owned tracks currently under lease to KCS, and obtaining by assignment certain of KCS' operating rights under the Operating Agreement. The purpose of the operating rights is to enable KRR to

access the leased and subleased rail lines, which, in turn, will be utilized to serve customers and perform switching operations.

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

The Kansas City Southern Railway Company
PO Box 219335
Kansas City, MO 64121-9335

- (2) The involved transaction is expected to be consummated on or shortly after June 1, 2004.
- (3) There are no milepost designations associated with the rail lines KRR is leasing and subleasing. With one exception, there are also no milepost designations associated with the rail lines over which KRR is obtaining operating authority.

The KCS rail lines being leased by KRR are shown in red on the attached map and are located in Kansas City, KS and Kansas City, MO as follows:

(1) between the facilities of Inland Container located on Kansas Avenue and the facilities of Constar Plastics, Inc., located on Armourdale Parkway, in Kansas City, KS; (2) between the facilities of Lite-Weight Products, Inc., located on Kansas Avenue, and the facilities of Ace Pallet located on Argentine Boulevard, in Kansas City, KS; (3) KCS' 12th Street Yard, located south of 12th Street, in Kansas City, MO; and (4) KCS' Armourdale Yard, located near the facilities of Kaw River Shredding on South 12th Street, in Kansas City, KS (the "Leased Lines").

The KCT-owned lines being subleased by KRR from KCS are shown in green on the attached map and are located in Kansas City, KS and Kansas

City, MO as follows: (1) between the facilities of Kansas City Star, located on Grand Boulevard, and a point near Pennsylvania Avenue in Kansas City, MO; (2) between the facilities of Proctor and Gamble Mfg. Co., located on Kansas Avenue, and Osage Avenue, near the facilities of Constar Plastics, Inc., in Kansas City, KS; and (3) KCT's Mill Street Yard, located between Mill Street and South 12th Street, in Kansas City, KS (the "Subleased Lines").

The KCT-owned main lines over which KRR is being assigned KCS' operating rights are shown in blue on the attached map and are located in Kansas City, KS and Kansas City, MO, as follows: (1) between Milepost 4.0, near Grand Avenue, and KCS' 12th Street Yard, located south of 12th Street, in Kansas City, MO; (2) between a point near the Kansas-Missouri State line and the facilities of Thomas & Associates Wholesale Lumber, on Shawnee Avenue, in Kansas City, KS; and (3) between Osage Avenue, near the facilities of Constar Plastics, Inc., and the facilities of Thomas & Associates Wholesale Lumber, on Shawnee Avenue, in Kansas City, KS (the "Operating Rights Lines").

- (4) The length of the Leased Lines, not including the yard tracks, is approximately 7.5 miles, the length of the Subleased Lines, not including the yard tracks is approximately 4.5 miles, and the length of the Operating Rights Lines is approximately 6.2 miles.
- (f) A map of the Leased Lines, Subleased Lines and the Operating Rights Lines is attached as Exhibit A.

- (g) KRR hereby certifies that KRR's projected revenues as a result of this transaction will not result in KRR becoming a Class II or Class I rail carrier. KRR further certifies that the projected annual revenue of KRR will not exceed \$5 million. Accordingly, the requirements of 49 C.F.R. § 1150.32(e) do not apply to this transaction.

A caption summary, as required by 49 C.F.R. § 1150.34, is attached.

ENVIRONMENTAL AND HISTORIC IMPACTS

KRR is leasing, subleasing and obtaining operating rights over the involved rail lines for continued rail operations. Further Board approval is required for KRR 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).

KRR's lease, sublease and operating rights 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. KRR's lease, sublease and operating rights 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 cursive script, appearing to read "Karl Morell".

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

Attorney for:
KAW RIVER RAILROAD, INC.

Dated: May 25, 2004

SURFACE TRANSPORTATION BOARD

NOTICE OF EXEMPTION

FINANCE DOCKET NO. 34509

KAY RIVER RAILROAD, INC.
--LEASE EXEMPTION--
THE KANSAS CITY SOUTHERN RAILWAY COMPANY

Kaw River Railroad, Inc. (KRR), a non-carrier, has filed a verified notice of exemption under 49 CFR 1150.31, to lease and operate approximately 7.5 miles of rail lines from The Kansas City Southern Railway Company (KCS) and to sublease from KCS and operate approximately 4.5 miles of rail lines owned by Kansas City Terminal Railway Company (KCT). KRR will also be assigned operating rights over approximately 6.2 miles of rail lines owned by KCT.

The KCS rail lines being leased by KRR are located in Kansas City, KS and Kansas City, MO as follows: (1) between the facilities of Inland Container located on Kansas Avenue and the facilities of Constar Plastics, Inc., located on Armourdale Parkway, in Kansas City, KS; (2) between the facilities of Lite-Weight Products, Inc., located on Kansas Avenue, and the facilities of Ace Pallet located on Argentine Boulevard, in Kansas City, KS; (3) KCS' 12th Street Yard, located south of 12th Street, in Kansas City, MO; and (4) KCS' Armourdale Yard, located near the facilities of Kaw River Shredding on South 12th Street, in Kansas City, KS.

The KCT-owned lines being subleased by KRR from KCS are located in Kansas City, KS and Kansas City, MO as follows: (1) between the facilities of Kansas City Star, located on Grand Boulevard, and a point near Pennsylvania Avenue in Kansas City, MO; (2) between the facilities of Proctor and Gamble Mfg. Co., located on Kansas Avenue, and Osage Avenue, near

the facilities of Constar Plastics, Inc., in Kansas City, KS; and (3) KCT's Mill Street Yard, located between Mill Street and South 12th Street, in Kansas City, KS.

The KCT-owned rail lines over which KRR is being assigned KCS' operating rights are located in Kansas City, KS and Kansas City, MO, as follows: (1) between Milepost 4.0, near Grand Avenue, and KCS' 12th Street Yard, located south of 12th Street, in Kansas City, MO; (2) between a point near the Kansas-Missouri State line and the facilities of Thomas & Associates Wholesale Lumber, on Shawnee Avenue, in Kansas City, KS; and (3) between Osage Avenue, near the facilities of Constar Plastics, Inc., and the facilities of Thomas & Associates Wholesale Lumber, on Shawnee Avenue, in Kansas City, KS.

This transaction is related to STB Finance Docket No. 34510, Watco Companies, Inc. – Continuance In Control Exemption – Kaw River Railroad, Inc., wherein Watco Companies has concurrently filed a verified notice to continue in control of KRR upon KRR becoming a Class III rail carrier.

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. 1150.31. 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.

STATE OF KANSAS)
) **ss.**
COUNTY OF CRAWFORD)


Craig Richey

My Commission Expires: 8/14/04

Lois J. Magee
Notary Public

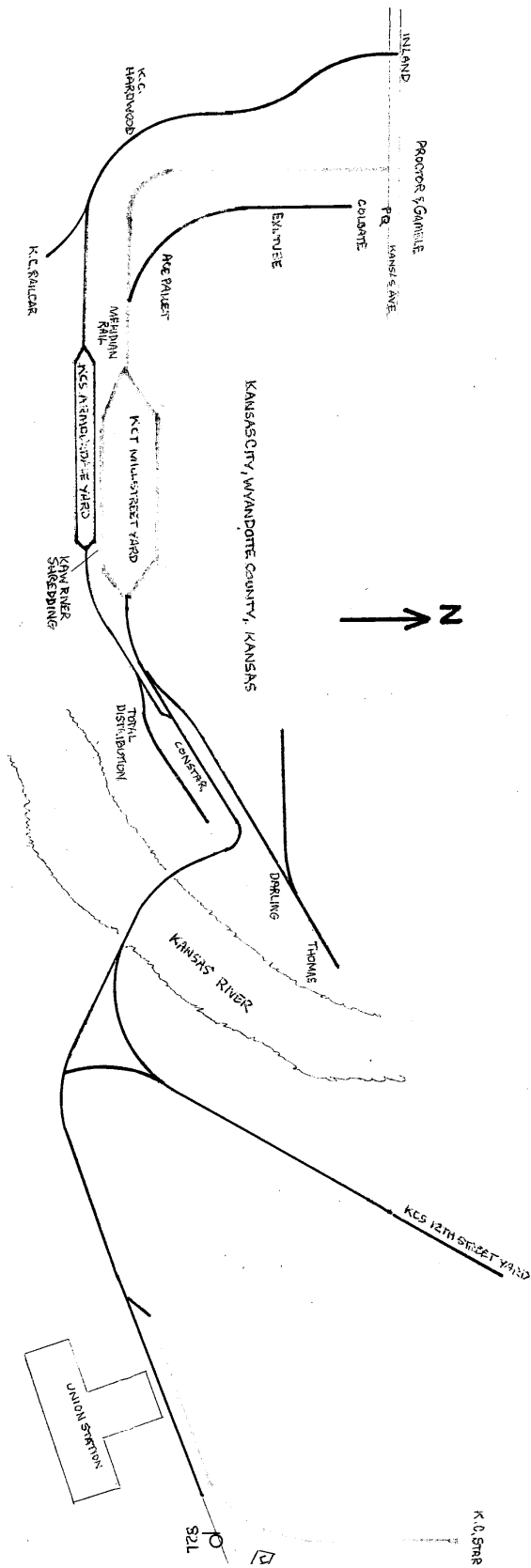


EXHIBIT "A"	
KCT MAINLINE	APPROX. 6.2 MILES
KCT SWITCHING TRACKAGE	* 1.5 MILES
KCS TRACKAGE	7.5 MILES
* NOT INCLUDING YARD TRACKS	TTL. 15.2 MILES

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