

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@dc.bjllp.com

September 26, 2005

BY HAND DELIVERY

The Honorable Vernon Williams
Secretary
Surface Transportation Board
1925 K Street, N.W., Suite 700
Washington, DC 20423-0001

ENTERED
Office of Proceedings

SEP 27 2005

Part of
Public Record

Re: STB Finance Docket No. 34760 Arkansas Southern 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 \$1,500 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

Enclosures

FEE RECEIVED
SEP 26 2005
SURFACE
TRANSPORTATION BOARD

BEFORE THE
SURFACE TRANSPORTATION BOARD

FINANCE DOCKET NO. 34760

ARKANSAS SOUTHERN RAILROAD, INC.
--LEASE AND OPERATION EXEMPTION--
THE KANSAS CITY SOUTHERN RAILWAY COMPANY

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



ENTERED
Office of Proceedings

SEP 27 2005

Part of
Public Record

FILED
SEP 26 2005
SURFACE
TRANSPORTATION BOARD

FILE RECEIVED
SEP 26 2005
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:
ARKANSAS SOUTHERN
RAILROAD, INC.

Dated: September 26, 2005



BEFORE THE
SURFACE TRANSPORTATION BOARD

FINANCE DOCKET NO. 34760

ARKANSAS SOUTHERN RAILROAD, INC.
--LEASE AND OPERATION EXEMPTION--
THE KANSAS CITY SOUTHERN RAILWAY COMPANY

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

Arkansas Southern Railroad, Inc. ("ARSR"), a non-carrier, files this Notice of Exemption pursuant to 49 C.F.R. Part 1150, Subpart D--Exempt Transactions, to permit ARSR to lease from The Kansas City Southern Railway Company ("KCS") and operate certain rail lines located in Arkansas and Oklahoma totaling 61 miles in length.

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

(a) Full name and address of applicant:

Arkansas Southern 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:

ARSR has entered into agreements with KCS for the lease of the rail lines.

(d) The operator of the property:

ARSR will be the operator of the leased lines.

(e) Summary of proposed transaction:

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

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 October 9, 2005.

(3) The rail lines that ARSR will lease are located between: (1) Milepost 4.0, near Heavener, Oklahoma, and Milepost 33.0, end of track at Waldron, Arkansas; and (2) Milepost 32.0, at Ashdown, Arkansas, and Milepost 0.0, end of track near Nashville, Arkansas, not including the 601 track switch at Ashdown, Arkansas.

(4) The length of the rail lines being leased is approximately 61 miles.

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

(g) ARSR hereby certifies that ARSR's projected revenues as a result of this transaction will not result in ARSR becoming a Class II or Class I rail carrier. ARSR further certifies that the projected annual revenue of ARSR will not exceed \$5 million. Consequently, 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

ARSR is leasing the rail lines from KCS for continued rail operations. Further Board approval is required for ARSR 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).

ARSR's lease and operation of the rail lines 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. ARSR's lease and operation of the rail lines 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,

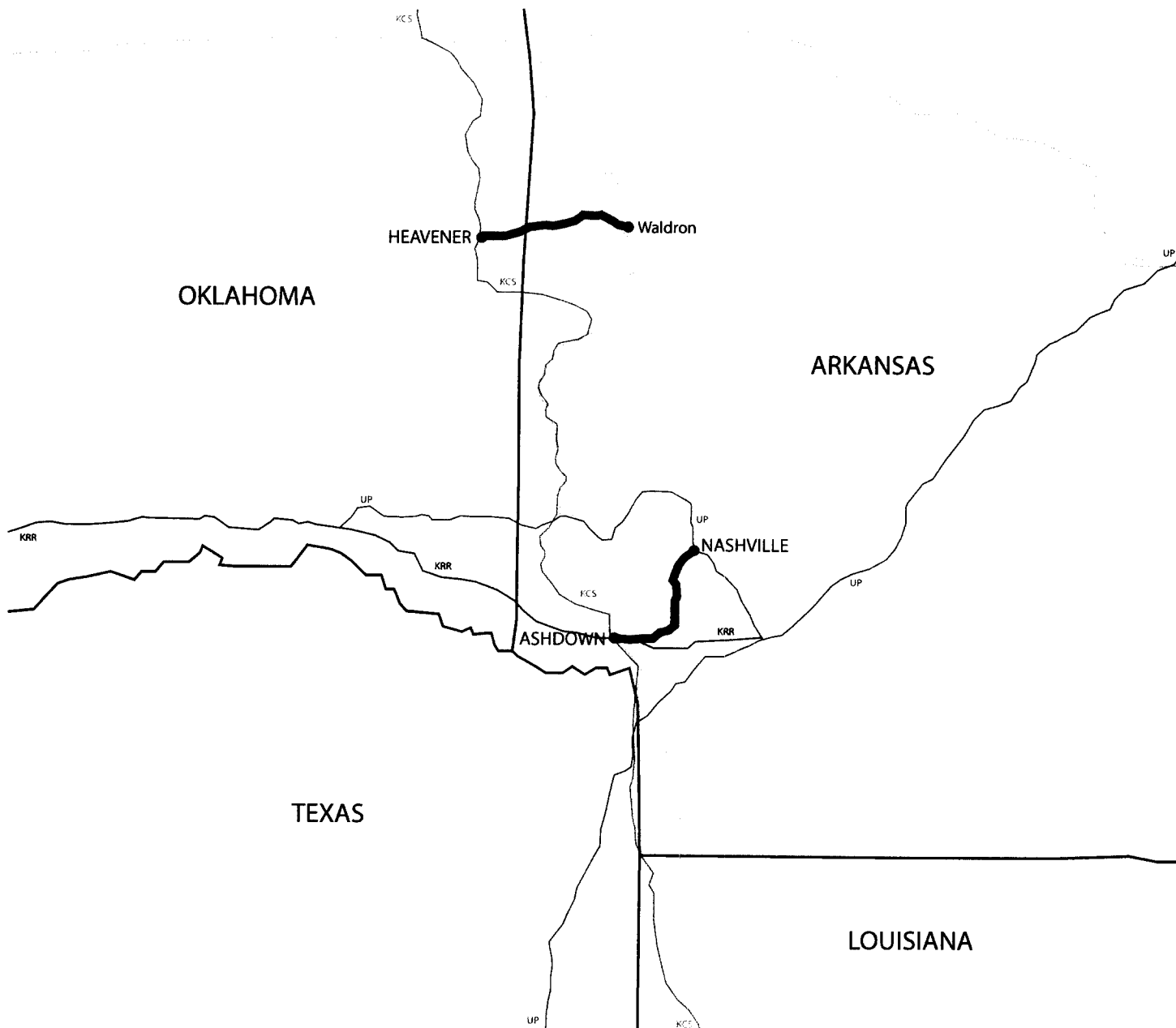

A handwritten signature in cursive script, reading "Karl Morell", is written over a horizontal line.

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

Attorney for:
ARKANSAS SOUTHERN RAILROAD, INC.

Dated: September 26, 2005

EXHIBIT A



LEGEND:

Arkansas Southern RR (ARS)



Interchanges

KCS - Ashdown, Heavener

UP - Nashville

SURFACE TRANSPORTATION BOARD

NOTICE OF EXEMPTION

FINANCE DOCKET NO. 34760

ARKANSAS SOUTHERN RAILROAD, INC.
--LEASE AND OPERATION EXEMPTION--
THE KANSAS CITY SOUTHERN RAILWAY COMPANY

Arkansas Southern Railroad, Inc. ("ARSR"), a non-carrier, has filed a notice of exemption to lease from The Kansas City Southern Railway Company and operate certain rail lines totaling 61 miles in length. The rail lines being leased are located between: (1) Milepost 4.0, near Heavener, Oklahoma, and Milepost 33.0, end of track at Waldron, Arkansas; and (2) Milepost 32.0, at Ashdown, Arkansas, and Milepost 0.0, end of track near Nashville, Arkansas, not including the 601 track switch at Ashdown, Arkansas.

This transaction is related to STB Docket No. 34761, Watco Companies, Inc. -- Continuance In Control Exemption -- Arkansas Southern Railroad, Inc., wherein Watco Companies, Inc., has concurrently filed a verified notice to continue in control of ARSR upon ARSR 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. Petitions to revoke the exemption under 49 U.S.C. 10505(d) may be filed at any time. The filing of a petition to revoke will not automatically stay the transaction.

VERIFICATION

STATE OF KANSAS

)

)

ss.

COUNTY OF CRAWFORD

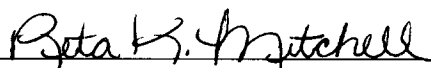
)

I, Arthur E. McKechnie III, being duly sworn depose and state that I am Assistant Secretary of Arkansas Southern 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.


Arthur E. McKechnie III

SUBSCRIBED AND SWORN TO before me this 23 day of September, 2005, in the County of Crawford, State of Kansas.

My Commission Expires: 2/12/09


Notary Public