

WEINER BRODSKY SIDMAN KIDER PC

1300 NINETEENTH STREET NW
FIFTH FLOOR
WASHINGTON DC 20036 1609
TEL 202 628 2000
FAX 202 628 2011

RECEIVED
TRANSPORTATION BOARD

Office of the Secretary

Public Board

June 16, 2006



216788

BY HAND DELIVERY

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

Re: Finance Docket No. 34895, Knoxville and Holston River Railroad Company, Inc. – Lease and Operation Exemption – CSX Transportation, Inc.

Dear Secretary Williams:

Enclosed for filing in the above-referenced proceeding are an original and 10 copies of the verified notice of exemption of Knoxville and Holston River Railroad Company, Inc., pursuant to 49 C.F.R. § 1150.41. Also enclosed is a check in the amount of \$1,500 to cover the cost of the filing. In addition, enclosed is a 3.5-inch disk in WordPerfect 5.1 format that contains a copy of the verified notice of exemption.

Please acknowledge receipt of this letter by date-stamping the enclosed acknowledgment copy and returning it to our messenger.

Sincerely,

Rose-Michele Nardi

Enclosures

**KNOXVILLE AND HOLSTON RIVER RAILROAD COMPANY, INC.
--LEASE AND OPERATION EXEMPTION--
CSX TRANSPORTATION, INC.**

FILED

**VERIFIED NOTICE OF EXEMPTION
PURSUANT TO 49 C.F.R. § 1150.41**

STB FINANCE DOCKET NO. 34895

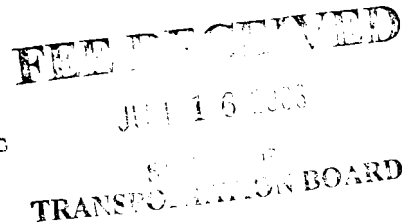


Transp. Board
Applicant's name and current mailing address:

Knoxville and Holston River Railroad Company, Inc.
501 Henley Street, Suite 5
Knoxville, Tennessee 37202

Applicant's representative to receive correspondence:

Rose-Michele Nardi, Esq.
Weiner Brodsky Sidman Kider PC
1300 19th Street, 5th Floor
Washington, D.C. 20036
(202) 628-2000



Information concerning the agreement:

Knoxville and Holston River Railroad Company, Inc. ("KXHR"), a class III rail carrier, has entered into a lease agreement (the "Lease") with CSX Transportation, Inc., a class I rail carrier ("CSX"). Pursuant to the Lease, KXHR will conduct rail operations over certain property located in Knoxville, Tennessee.

Operator of the property:

KXHR seeks authority to operate over the Subject Line (as described below) pursuant to the Lease.

Brief summary of the proposed transaction:

The address of CSX is: CSX Transportation, Inc., 500 Water Street, Jacksonville, Florida 32202. The Subject Line totals approximately 1.9 route miles of rail line in the state of Tennessee, extending from Third Creek Spur in Knoxville, Tennessee, at approximately V.S. 1+50 to the end of the line at approximately V.S. 101+68. KXHR will not commence operations over the Subject Line until June 23, 2006, or later.

Map:

A map of the Subject Line is attached hereto as Exhibit A.

Environmental Issues:

Environmental documentation normally need not be prepared for transactions that do not involve the diversion from rail to motor carriage of more than (A) 1,000 rail carloads a year, or (B) an average of 50 rail carloads per mile per year for any part of the affected line (49 C.F.R. § 1105.7(e)(4)), on the one hand, or that do not involve (A) an increase in rail traffic of at least 100 percent (measured in gross ton miles annually) or an increase of at least eight trains a day on any segment of rail line affected by the proposal, (B) an increase in rail yard activity of at least 100 percent (measured by carload activity), or (C) an average increase in truck traffic of more than 10 percent of the average daily traffic or 50 vehicles a day on any affected road segment (49 C.F.R. § 1105.7(e)(5)), on the other hand. *See* 49 C.F.R. § 1105.6(c)(2).

The subject lease will not result in changes in carrier operations that exceed the above-listed thresholds. Therefore, no environmental documentation is required for this Verified Notice of Exemption.

Transactions involving a sale, lease or transfer of a rail line for the purpose of continued rail operations are exempt from the historic report requirements of 49 C.F.R. § 1105.8(a) if termination of such operations requires further approval by the Board and “there are no plans to dispose of or alter properties subject to [the Board’s] jurisdiction that are 50 years old or older.” *See* C.F.R. § 1105.8(b)(1).

Board approval will be required to terminate KXHR’s common carrier operations over the Subject Line. KXHR does not plan on disposing or altering 50-year old properties or older, over which the Board has jurisdiction.

Certificate of projected revenue:

In accordance with 49 C.F.R. § 1150.43(g), a certificate concerning KXHR is attached as Exhibit B.

Labor Notice:

No labor notice pursuant to 49 C.F.R. § 1150.42(e) is required, because the projected annual revenue of KXHR (including the projected annual revenue

generated by KXHR's lease of the Subject Line) does not exceed \$5 million.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Rose-Michele Nardi". The signature is fluid and cursive, with the first name "Rose" and last name "Nardi" being more prominent than the middle name "Michele".

Rose-Michele Nardi, Esq.
Weiner Brodsky Sidman Kider PC
1300 19th Street, 5th Floor
Washington, D.C. 20036

Attorneys for:

Knoxville and Holston River
Railroad Company, Inc.

Dated: June 16, 2006

VERIFIED NOTICE OF EXEMPTION

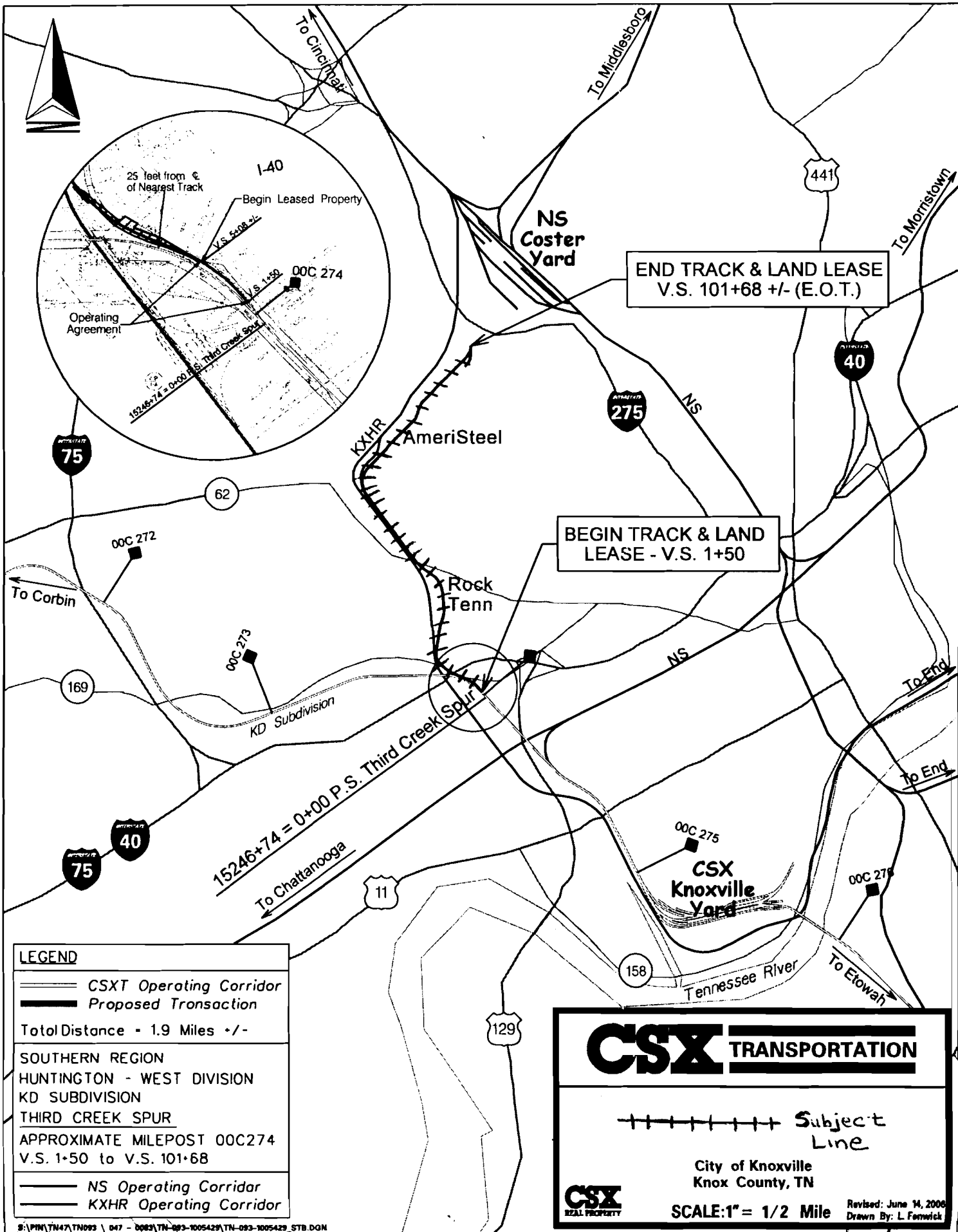
PURSUANT TO 49 C.F.R. § 1150.41

STB Finance Docket No. 34895

**KNOXVILLE AND HOLSTON RIVER RAILROAD COMPANY, INC.
--LEASE AND OPERATION EXEMPTION--
CSX TRANSPORTATION, INC.**

EXHIBIT A

MAP OF SUBJECT LINE



LEGEND

— CSXT Operating Corridor
— Proposed Transaction

Total Distance - 1.9 Miles +/-

SOUTHERN REGION
HUNTINGTON - WEST DIVISION
KD SUBDIVISION
THIRD CREEK SPUR

APPROXIMATE MILEPOST 00C274
V.S. 1+50 to V.S. 101+68

— NS Operating Corridor
— KXHR Operating Corridor

CSX TRANSPORTATION

+++++ Subject Line

City of Knoxville
Knox County, TN

CSX
REAL PROPERTY

SCALE: 1" = 1/2 Mile

Revised: June 14, 2006
Drawn By: L. Fenwick

VERIFIED NOTICE OF EXEMPTION

PURSUANT TO 49 C.F.R. § 1150.41

STB Finance Docket No. 34895

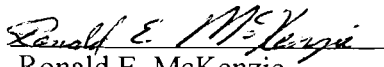
**KNOXVILLE AND HOLSTON RIVER RAILROAD COMPANY, INC.
--LEASE AND OPERATION EXEMPTION--
CSX TRANSPORTATION, INC.**

EXHIBIT B

CERTIFICATE OF REVENUE

CERTIFICATE OF REVENUE

In accordance with 49 C.F.R. § 1150.43(g), I do hereby certify that the projected revenues of Knoxville and Holston River Railroad Company, Inc. as a result of this transaction will not result in the creation of a class II or class I rail carrier.


Ronald E. McKenzie

Dated: June 16, 2006

SURFACE TRANSPORTATION BOARD

VERIFIED NOTICE OF EXEMPTION

STB FINANCE DOCKET NO. 34895

**KNOXVILLE AND HOLSTON RIVER RAILROAD COMPANY, INC.
--LEASE AND OPERATION EXEMPTION--
CSX TRANSPORTATION, INC.**

Knoxville and Holston River Railroad Company, Inc. (“KXHR”), a class III rail carrier, has filed a notice of exemption under 49 C.F.R. § 1150.41 to lease and operate approximately 1.9 route miles of rail line in the State of Tennessee owned by CSX Transportation, Inc. (the “Subject Line”). The Subject Line extends from Third Creek Spur in Knoxville, Tennessee, at approximately V.S. 1+50 to the end of the line at approximately V.S. 101+68.

Comments must be filed with the Surface Transportation Board, Office of the Secretary, 1925 K Street, N.W., Washington, D.C. 20423-0001 and served on Rose-Michele Nardi, Esq., Weiner Brodsky Sidman Kider PC, 1300 19th Street, 5th Floor, Washington, D.C. 20036.

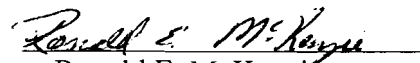
This notice is filed under 49. C.F.R. § 1150.41. If the notice contains false or misleading information, the exemption is void *ab initio*. The filing of a petition to revoke will not automatically stay the transaction.

Decided:

By the Board,

VERIFICATION

I, Ronald E. McKenzie, certify under penalty of perjury that the foregoing notice of exemption is true and correct to the best of my knowledge, information and belief. Further, I certify that I am qualified and authorized to cause this Verified Notice of Exemption to be filed.


Ronald E. McKenzie

Dated: June 16, 2006