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July 21, 2006

VIA E-FILING

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

RE: STB Finance Docket No. 34890
*Pyco Industries, Inc.—Feeder Line Application—Lines Of South Plains
Switching, Ltd. Co.*

Dear Secretary Williams:

On July 18, 2006, Keokuk Junction Railway Co. ("KJRY") filed a Motion seeking an extension of the deadline for filing a competing feeder line application in the above-captioned proceeding. South Plains Switching, Ltd. Co. ("SAW") filed in support of that request on July 19. On July 20, PYCO Industries, Inc. ("PYCO") replied to KJRY's Motion. KJRY hereby writes to clarify some of the misconceptions and flat-out misrepresentations contained within the PYCO filing.

PYCO's claims that KJRY's filing was intended as a means to delay the proceeding, serve as a "stalking horse for SAW", or was somehow not made in good faith are wrong. PYCO bases its belief on alleged statements made by KJRY's general counsel, Dan LaKemper, to PYCO's Lubbock counsel, Mr. Gary McLaren. As the attached statement by Mr. LaKemper establishes, Mr. Montange has misconstrued and misrepresented that conversation. Mr. LaKemper was simply attempting to contact the parties (Mr. LaKemper also contacted SAW's counsel, and others, during the same time period) as a means of attempting to reach a consensus among the parties so as to reach a settlement. Obviously KJRY does not want to spend significant legal and consulting fees in filing and pursuing a feeder line application if the parties can settle the matter by bringing in a neutral third party railroad that has the financial resources to purchase and operate the lines and is acceptable to both the majority of the shippers on the line and the incumbent railroad.

July 21, 2006

KJRY is still hopeful that a negotiated settlement can be reached, but lacking the time to reach consensus in its initial conversations with PYCO and SAW, and given the impending STB deadline, KJRY was left with no choice but to file for an extension of the deadline for filing a competing feeder line application. As SAW has done, if PYCO were interested in reaching a resolution of its operating and rail service concerns, PYCO should have actually supported KJRY's extension request as a means by which a negotiated solution may be possible. SAW obviously saw merit in that approach. It is disappointing that PYCO has chosen a different path.

Furthermore, absent a negotiated solution, KJRY intends to pursue, in good faith, a feeder line application, but it is the desires of the shippers and financial projections that will drive that process. If the majority of the shippers on SAW's line support KJRY, KJRY intends to file a competing feeder line application for the entire SAW system. Likewise, if KJRY cannot get support, KJRY intends to file a competing feeder line application governing the same lines that PYCO seeks to acquire.¹ As such, PYCO is simply under a misunderstanding when it says that KJRY is not seeking to file a competing application on Alternative Two. Alternative Two is not KJRY's preference, but if the shippers support that approach and the financial projections justify it, KJRY intends to pursue Alternative Two. Accordingly, KJRY does not seek reconsideration of the Board's July 3 decision regarding PYCO's previously filed feeder line application. It is the shippers that matter the most, not SAW, but PYCO is not the only shipper.

KJRY takes issue with numerous other statements and comments made in PYCO's July 20 reply, but mindful of the prohibition contained at 49 C.F.R. §1104.13(c), KJRY will not reply to the merits of those various statements. However, KJRY could not let PYCO's mischaracterizations of Mr. LaKemper's motives and comments stand, and files this clarification to correct the record.

Respectfully submitted,



William A. Mullins

Attorney for Keokuk Junction Railway Co.

cc: All Parties of Record

¹ KJRY has been unable to find any precedent that stands for the proposition that a competing feeder line application must involve the exact same lines as the originally accepted feeder line application, nor has PYCO cited to such authority. In fact, 49 C.F.R. §1151.2(c)(1) provides that a party may file a competing application for "all or any portion" of the line. An application governing more than the original line certainly includes "all" of that line. Therefore, KJRY is free to structure its competing feeder line application in the way that best fits the desires of all of the shippers, not just PYCO, and in doing so, KJRY's application is fully consistent with the Board's regulations.

**BEFORE THE
SURFACE TRANSPORTATION BOARD**

STB DOCKET NO. 34890

**PYCO INDUSTRIES, INC.— FEEDER LINE APPLICATION—
LINES OF SOUTH PLAINS SWITCHING, LTD. CO.**

VERIFIED STATEMENT OF DANIEL A. LaKEMPER

My name is Daniel A. LaKemper, and I am the General Counsel of Keokuk Junction Railway Co. (“KJRY”).

This Statement is meant to clarify certain comments made by Attorney Charles Montange in his Opposition to Keokuk Junction Railway Company’s Motion for Extension of Time to File Competing Application, filed July 20, 2006 (FD No. 34890).

I did indeed speak with Pyco’s Lubbock counsel, Mr. Gary McLaren, twice, on July 18, 2006. I told him KJRY intended to file a request for extension to give KJRY an opportunity to prepare a Feeder Line Application, and that we desired to set up a meeting with Pyco. I stated that KJRY had spoken with SAW and that KJRY would be talking to SAW, and the other shippers, in the hopes of avoiding a protracted legal proceeding, and reaching a mutually-acceptable resolution of the dispute. As an experienced, independent, third party shortline operator, KJRY felt there was an opportunity to offer a solution that would satisfy all parties. I gave Mr. McLaren a brief description of KJRY and its parent and sister companies’ history and current operations. I did not state or imply in any way that KJRY was acting on behalf of SAW, and KJRY, in fact, has no

relationship with SAW whatsoever. KJRY is in no way, shape, or manner, a “stalking horse” for SAW, nor was KJRY’s Motion filed for the purpose of delaying this proceeding or benefiting SAW.

Mr. McLaren, in turn, expressed interest in our proposal, and indicated that Pyco was willing to speak with any potential carrier, and intended to speak with US Rail Partners. I was then under the impression that US Rail Partners was not pursuing this matter, but that impression may have been mistaken. Nevertheless, Mr. McLaren stated that he would speak with Pyco and we would try to set up a meeting between Pyco and KJRY to discuss a possible resolution. I expected that those discussions would continue, in good faith. I did not expect to see those discussions appear in a public filing, as settlement discussions are normally confidential, and not part of the record in a proceeding.

I was further surprised and disappointed by Mr. Montange’s distortion and misrepresentation of my conversations. KJRY would have nothing to gain by gratuitously entering this proceeding merely to create delay, and the statements regarding SAW’s willingness to consider a sale of the entire line to another entity as being an “admission” by SAW that its service is somehow inadequate (which SAW never implied to me, nor did I in any way convey to Pyco), are completely off-base. Mr. Montange’s comments seem to me to be indicative of an attempt by Attorney Montange to pervert a good faith effort by KJRY into a strategic legal advantage for Pyco.

Furthermore, KJRY filed its extension in good faith. Assuming KJRY can get the support of the shippers on the lines and the financial projections indicate that KJRY can operate profitably, KJRY fully intends to file a feeder line application for the entire SAW

system, or alternatively, for the lines sought by PYCO. KJRY's efforts are not just a smoke screen for delay and we take umbrage at such a suggestion.

VERIFICATION

I, Daniel A. LaKemper, declare under the penalty of perjury that to the best of my knowledge the foregoing is true and correct. Further, I certify that I am qualified to file this Verified Statement. Executed this 21st. day of July, 2006.

A handwritten signature in black ink, appearing to read "Daniel A. LaKemper", written in a cursive style.

Daniel A. LaKemper