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August 1, 2006

VIA FEDERAL EXPRESS

Vernon A. Williams
Secretary
Surface Transportation Board
1925 K Street, N.W.
Washington, DC 20006

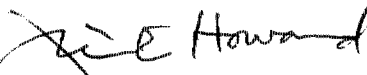
Re: Buffalo Southern Railroad, Inc.--Acquisition and Operation
Exemption--Line in Croton-on-Hudson, New York
Finance Docket No. 34903

Dear Secretary Williams:

Enclosed for filing in the above-captioned matter are the original and 10 copies of each of the following documents: (1) Motion of Buffalo Southern Railroad, Inc. for Leave to File Response to "Reply of the Village of Croton-on-Hudson to Motion to Dismiss Notice of Exemption"; (2) Response of Buffalo Southern Railroad, Inc. to "Reply of the Village of Croton-on-Hudson to Motion to Dismiss Notice of Exemption"; and (3) Reply of Buffalo Southern Railroad, Inc. in Opposition to "Amended and Supplemental Petition of the Village of Croton-on-Hudson to Reject Notice of Exemption".

If you have any questions or need additional information, please contact me.
Thank you very much for your attention to this matter.

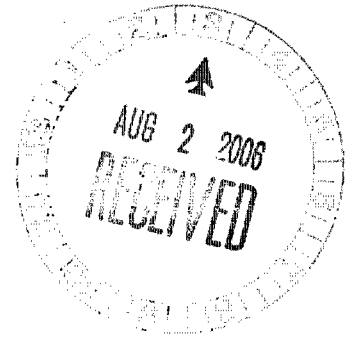
Very truly yours,


James E. Howard

Enclosures
cc: Michael B. Gerrard

BEFORE THE
SURFACE TRANSPORTATION BOARD

Finance Docket No. 34903



BUFFALO SOUTHERN RAILROAD, INC.--ACQUISITION AND
OPERATION EXEMPTION--LINE IN CROTON-ON-HUDSON, NEW YORK

REPLY OF BUFFALO SOUTHERN RAILROAD, INC. IN OPPOSITION
TO "AMENDED AND SUPPLEMENTAL PETITION OF THE VILLAGE
OF CROTON-ON-HUDSON TO REJECT NOTICE OF EXEMPTION"

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Attorneys for Buffalo Southern
Railroad, Inc.

Dated: August 1, 2006

BEFORE THE
SURFACE TRANSPORTATION BOARD

Finance Docket No. 34903

BUFFALO SOUTHERN RAILROAD, INC.--ACQUISITION AND
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Buffalo Southern Railroad, Inc. ("BSOR") submits this Reply to the "Amended and Supplemental Petition of the Village of Croton-on-Hudson to Reject Notice of Exemption" (the "Amended Petition"). As demonstrated below, the Amended Petition consists of nothing more than rehashed arguments and afterthoughts, none of which alone or together support the rejection of the Notice of Verified Exempt Transaction (the "Notice") filed by BSOR on June 29, 2006. Thus, the Board should reject the Amended Petition and should permit the Notice to become effective.

ARGUMENT

As an initial matter, the Village's motivation to oppose the Notice is puzzling. Specifically, the Village has complained that BSOR needs Board authority in order to operate the Croton Track. BSOR disagrees with that fundamental proposition, because the Croton Track is excepted within the meaning of 49 U.S.C. 10906. Nevertheless, BSOR, not the Village, took the initial action to put in process, by means of the Notice

and the Motion to Dismiss, a mechanism to resolve this question. If the Notice becomes effective, BSOR will have Board authorization to operate, and such authority will either continue or be unnecessary, depending upon the decision on the Motion to Dismiss. Notwithstanding this complete solution of the Village's purported concern, it continues to oppose the Notice. Worse yet, it does so without advancing any specific reasons that would warrant rejection or postponement of the effectiveness of the Notice.

Previously, the Village recognized that a private or excepted track could be "converted" to a line of railroad by means of Board authority granted through the effectiveness of a notice of exemption. Reply of the Village of Croton-on-Hudson to Motion to Dismiss Notice of Exemption dated July 20, 2006 at 9. In the Amended Petition, however, the Village has reversed course and contends that the class exemption procedures are not appropriate. Amended Petition at 3. Contrary to the Village's argument, however, there are literally dozens of cases, several of which are cited by the Village, in which the seven-day notice, class exemption procedure has been used in situations in which private or excepted track becomes a line of railroad. Kaw River Railroad, Inc.--Acquisition and Operation Exemption--The Kansas City Southern Railway Company, STB Finance Docket No. 34509, decision served May 3, 2005; Ohio Valley Railroad Company--Acquisition and Operation Exemption--Harwood Properties, Inc., STB Finance Docket No. 34486, decision served September 28, 2004; GWI Switch Services, LP--Operation Exemption--Lines of Southern Pac. Transportation Company, STB Finance Docket No. 32481, decision served August 7, 2001.

Once again, the Village has recited the position that has become its mantra--BSOR is the same as Northeast Interchange Railway, LLC ("NIR"), the noncarrier that

sought to operate the Croton Track in 2005. According to the Village, the reasons for rejecting NIR's notice "apply with equal force to BSOR's Notice." Amended Petition at 2. As demonstrated previously and as confirmed below, however, none of the "reasons" advanced by the Village warrant rejection of the BSOR Notice. Repetition of the allegation that BSOR and NIR present the same issues simply does not make it true.

The Village contends that BSOR has presented a "novel situation" by its assertion that the Croton Track is within section 10906 even though it is physically separated from BSOR's principal line. Of course, this issue is presented by the Motion to Dismiss, and it has nothing to do with the Notice and whether it should be rejected or become effective. More importantly, as shown below, there are no novel issues justifying the rejection of the Notice.

The Village also argues that BSOR should be required to "present evidence" concerning its operations. Amended Petition at 2. Any requirement to provide any such "evidence" is, however, both unnecessary and without support. Granting the Village's request is unnecessary, because BSOR has already provided extensive information concerning its operations on the Croton Track, both in pleadings originally filed with the Board and in pleadings filed in the action that is pending in the United States District Court for the Southern District of New York and submitted to the Board as exhibits. More fundamentally, however, the Village's request has no support in that the class exemption procedures do not contemplate the presentation of evidence. Rather, the class exemption procedures are intended to be streamlined, and any requirement to create an evidentiary record would be contrary to the purpose of the procedures. Ohio Valley Railroad Company--Acquisition and Operation Exemption--Harwood Properties, Inc.,

STB Finance Docket No. 34486, decision served February 23, 2005 ("Our regulations do not require that the notice filer explain why it has chosen to seek Board permission to engage in a particular transaction.").

The Village uses the Amended Petition to claim that "the handling of solid waste by BSOR remains an issue." Amended Petition at 3. As the Board is aware, BSOR, as a condition of the preliminary injunction entered by the District Court, is not handling solid waste on the Croton Track. Whether or to what extent BSOR may handle solid waste in the future depends upon further proceedings in the District Court. It is not an issue that is before the Board in connection with the Notice, nor will it ever be an issue before the Board in connection with the scope of preemption pursuant to 49 U.S.C. 10501, which also has been addressed by the District Court.

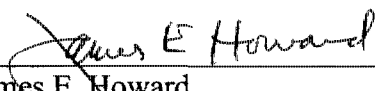
The fundamental shortcoming of the Village's opposition to the Notice is its inability to demonstrate any particular concerns or problems that would require additional scrutiny by the Board or the development of a record that is more expansive than the record already before the Board in this case. As described by BSOR in its reply to the initial petition of the Village to reject the Notice, a party opposing such a notice "must express reasonable, specific concerns to demonstrate that revocation of the exemption is warranted." Illinois Railnet, Inc.--Acquisition and Operation Exemption--BNSF Railway Company, STB Finance Docket No. 34549, decision served February 1, 2006. Other than the tired and inaccurate allegation that BSOR is the "same thing" as NIR, which has been shown to be patently false, the Village cannot assert or demonstrate any reasonable, specific concern that would support the contention that the use of the class exemption procedures is not appropriate in this case.

CONCLUSION

For the reasons stated above and in BSOR's reply to the Village's original petition to reject the Notice, the Notice should not be rejected and should be permitted to become effective. The Village has advanced no reason sufficient for the Board to disregard the expedited procedures set forth in the class exemption regulations.

Respectfully submitted,

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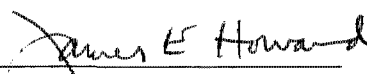
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Telephone 518-432-8000

Attorneys for Buffalo Southern Railroad, Inc.

Dated: August 1, 2006

Certificate of Service

I hereby certify that I have served the foregoing pleading by sending a copy via Federal Express on August 1, 2006 to Michael B. Gerrard, Arnold & Porter LLP, 399 Park Ave., New York, NY 10022-4690.



James E. Howard