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BEFORE THE
SURFACE TRANSPORTATION BOARD

ENTERED
Office of Proceedings
June 28, 2016
Part of
Public Record

FINANCE DOCKET NO. 36028

KANAWHA RIVER RAILROAD, L.L.C.
--LEASE EXEMPTION CONTAINING INTERCHANGE COMMITMENT--
NORFOLK SOUTHERN RAILWAY COMPANY

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



KARL MORELL
Karl Morell & Associates
Suite 225
655 Fifteenth Street, N.W.
Washington, D.C. 20005
(202) 595-9045

Attorney for:
KANAWHA RAILROAD, L.L.C.

Dated: June 28, 2016 FEE RECEIVED
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TRANSPORTATION BOARD

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

Kanawha River Railroad, L.L.C. (“KNWA”), a non-carrier, files this Notice of Exemption pursuant to 49 C.F.R. Part 1150, Subpart D--Exempt Transactions, to permit KNWA to lease from Norfolk Southern Railway Company (“NS”) three rail lines in West Virginia and Ohio.

NS sought bidders for this line segment after explaining that the line is not viable for NS. In particular, business has fallen dramatically on the line with carloadings declining 57 percent between 2011 and 2015 and some estimates project substantial further declines in mining in Central Appalachia. Accordingly, NS believed that it had become cost prohibitive for NS to further invest in or operate the line.

On the other hand, KNWA’s operation of the line is expected to improve the status-quo. For example, NS removed through traffic off approximately 100 miles of the line earlier this year by routing it away from the line. In addition, NS idled several portions of the line. This rerouting disrupted through train operation, and added more than 200 miles of circuitry for some coal and most merchandise (chemical) shipments. Some traffic was handled by five locals

before reaching a through train. By contrast, KNWA will restore the entire Columbus to Charleston main line to operation, thus improving the status quo by restoring previous operating patterns and eliminating circuitry.

Finally, given the changes in traffic on the line and the untenable costs to NS to invest in and to operate the line, a short line – and KNWA in particular – provides the best chance for the line to survive. Absent a short line transaction, the line would be on a glide path to abandonment. Shippers will benefit from the line being preserved and from access to NS similar to what they have today but with improved service provided by KNWA.

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

(a) Full name and address of applicant:

Kanawha River Railroad, L.L.C.
315 W. 3rd Street
Pittsburg, Kansas 66762

(b) Applicant's Representative:

Karl Morell
Karl Morell & Associates
Suite 225
655 Fifteenth Street, N.W.
Washington, DC 20005
(202) 595-9045

(c) Statement of Agreement:

KNWA and NS will enter into a Lease Agreement prior to closing.

(d) The operator of the property:

KNWA will be the operator of the leased rail lines.

(e) Summary of proposed transaction:

KNWA is a new, wholly owned, non-carrier subsidiary of Watco Holdings, Inc. (“Watco”). KNWA plans to lease and increase operations on 298.00 miles of rail line in Ohio and West Virginia (189 miles of the line is in active service currently with the remainder of the track idled or out of service by NS). KNWA plans to return the entire main line comprising a portion of the rail line to be leased to daily operation. NS suspended operations on part of the rail lines in Ohio in early 2016 due to declining rail traffic volumes, and rerouted traffic on other routes. In this proposed transaction, KNWA seeks permissive authority to lease from NS approximately 298.00 miles of rail lines.

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

Norfolk Southern Railway Company
Three Commercial Place
Norfolk, VA 23510

- (2) The involved transaction is expected to be consummated on or some time after July 28, 2016, which is more than 60 days after KNWA certified compliance with 49 C.F.R. § 1150.32(e). Also, July 28, 2016 is at least 30 days after the filing of this Notice of Exemption.

- (3) KNWA will lease and operate the three rail lines located between: (1) Milepost V 327.0, at PD Jct., WV, and Milepost V 435.0, at DB (Deepwater Bridge), WV; (2) Milepost RR 7.0, at Refugee, OH, and Milepost RR 117.0, at Hobson Yard, OH; and (3) Milepost WV 116.5, at Hobson Yard, OH, and Milepost WV 252.5, at Enon, WV.

As part of this transaction, KNWA will be assigned incidental trackage rights by NS over the following rail line owned by CSX Transportation Company: between Gallipolis, OH (MP 116.5) and Pomeroy (Hubson Jct. – Kanauga (MP 125.6).

- (4) The length of the rail lines being leased is approximately 298.00 miles.
- (f) A map of the rail lines being leased is attached as Exhibit A.

(g) KNWA hereby certifies that this transaction will not result in KNWA becoming a Class II or Class I rail carrier. Upon consummation of this transaction, KNWA will become a Class III carrier. The projected annual revenue of KNWA will exceed \$5 million. Consequently, KNWA has complied with the notice requirements of 49 C.F.R. § 1150.32(e). KNWA certified its compliance with Section 1150.32(e) on May 19 and 20, 2016. A copy of the certification is attached as Exhibit B.

(h)(1)(i) The Lease Agreement between KNWA and NS contains a provision that will enable KNWA to reduce its lease payments by receiving a credit for each car interchanged with NS. NS initially proposed a fixed rental payment with no option to reduce the rent. KNWA requested the lease credit option in order to provide it with an opportunity to earn lower rental payment so that KNWA will be able to invest in improvements on the leased lines to increase traffic levels. The Lease Agreement also provides a payment penalty for certain cars interchanged with third party railroads. The affected interchange points are Deepwater/Vaco Jct., WV, Fola, WV, Point Pleasant, OH, New Lexington, OH, and Charleston, WV.

(ii) Ten copies of the latest draft of the Lease Agreement are being filed with the Board under 49 C.F.R. Sections 1104.14(a) and 1150.43(h)(1)(ii).

(iii) Restoring the railroad to full operation will help West Virginia and Ohio shippers on the rail lines see an improvement in routings as service is resumed over the line idled previously by NS, resulting in fewer circuitous miles and expected cycle time improvement. This transaction benefits rail competitiveness in West Virginia and Ohio by preserving rail service with a lower-cost operator in the face of large volume declines. A full time marketing manager assigned to the KNWA will work with local communities and Watco's existing network of rail

shippers to locate new customers on the railroad, and provide existing shippers with the opportunity to ship more goods by rail.

Customers impacted by this transaction are: Globe Metallurgical, Inc; Union Carbide Corp; Essroc Cement Corp; The Chemours Company FC LLC; Reagent Chemical & Research; Lucite International Inc.; Interstate Commodities Inc.; RJ Recycling LLC; Green Metals Inc.; Appalachian Railcar Services; Zinkan Enterprises Inc.; WV Cashin Recyclables Inc; Covestro; Lexycon; AC&S Inc; Corey Brothers Inc; WV Steel; Brenntag Mid-South Inc.; Bayer Cropscience; Dana Transport; Kanawha River Terminal; Mammoth Coal Processing; Power Mountain Coal Company; Buckingham Coal; and MRC Global.

(iv) Information being filed under Section 1104.14(a).

(v) KNWA hereby certifies that KNWA has provided notice of the proposed transaction and interchange commitment to the shippers identified in paragraph (iii).

(vi) CSX at Deepwater/ Vaco Jct, WV; Vaughn Rail Road, Fola, WV; CSX at Point Pleasant, OH; OSRR at New Lexington, OH; and Charleston, Blue Creek and Sanderson at Charleston, WV.

(vii) Information being filed under Section 1104.14(a).

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

ENVIRONMENTAL AND HISTORIC IMPACTS

KNWA is leasing the rail lines from NS for continued rail operations. Further Board approval is required for KNWA to abandon or 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).

KNWA's lease 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 these lines 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 lines; (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. KNWA'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,

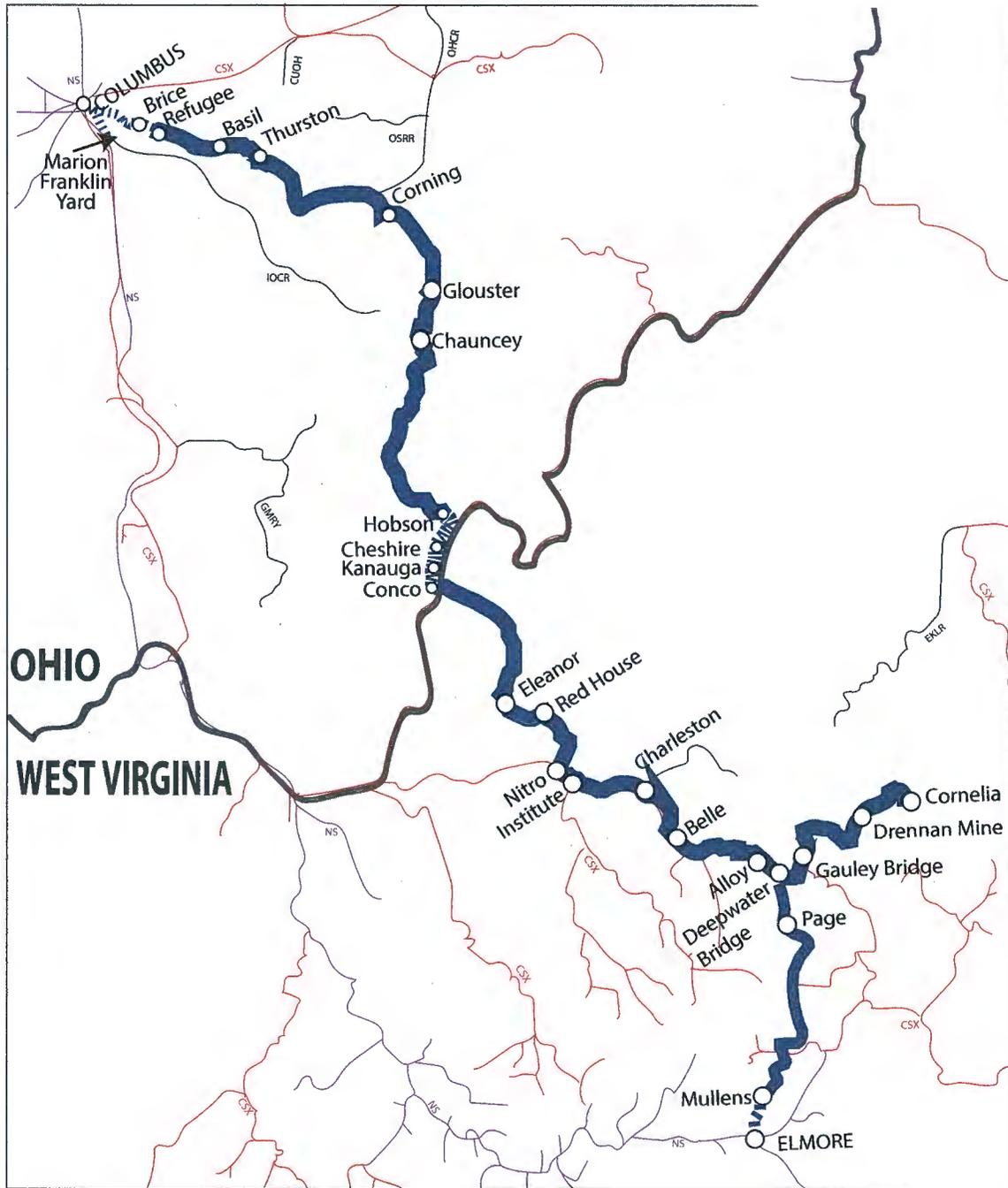


KARL MORELL
Karl Morell & Associates
Suite 225
655 Fifteenth Street, N.W.
Washington, DC 20005
(202) 638-3307

Attorney for:
KANAWHA RIVER RAILROAD, L.L.C.

Dated: June 28, 2016

EXHIBIT A



LEGEND:

- Kanawha River RR (KNWA)
- Kanawha River RR (KNWA) Trackage Rights
- Norfolk Southern
- CSX
- Other Short Lines

Interchanges - Track miles 309

- NS - Columbus, OH
- NS - Elmore, WV

Karl Morell & Associates
655 15th Street, NW, Suite 225
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(202) 595-9045
karlm@karlmorell.com

ENTERED
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May 20, 2016
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May 20, 2016

E-FILE

Cynthia Brown
Chief, Section of Administration
Surface Transportation Board
Office of Proceedings
395 E Street, SW
Washington, DC 20423

Re: Finance Docket No. 36028, Kanawha River Railroad, L.L.C. –
Lease Exemption Containing Interchange Commitment –
Norfolk Southern Railway Company

Dear Ms. Brown:

Yesterday, May 19, 2016, Kanawha River Railroad, L.L.C. ("KNWA"), certified to the Surface Transportation Board that, on May 18 and 19, 2016, KNWA had posted the attached Notice at various workplaces of the employees of Norfolk Southern Railway working on the rail lines being leased by KNWA. KNWA hereby supplements its certification as follows: The Notice was also posted at the Princeton B&B Carpenter Shop, on May 18th, at 325 South 2nd Street, Princeton, WV.

If you have any questions regarding this matter, please contact me.

Sincerely,


Karl Morell

Karl Morell & Associates
655 15th Street, NW, Suite 225
Washington, DC 20005
(202) 595-9045
karlm@karlmorell.com

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* ENTERED
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E-FILE

Cynthia Brown
Chief, Section of Administration
Surface Transportation Board
Office of Proceedings
395 E Street, SW
Washington, DC 20423

Re: Finance Docket No. 36028, Kanawha River Railroad, L.L.C. –
Lease Exemption Containing Interchange Commitment –
Norfolk Southern Railway Company

Dear Ms. Brown:

Kanawha River Railroad, L.L.C. ("KNWA"), hereby certifies that on May 18 and 19, 2016, KNWA had posted the attached Notice at Watkins Yard, 2450 Fairwood Avenue, Columbus, OH; Dickinson Yard, 1100 Dairy Lane, Belle, WV; Elmore Yard, P.O. Box 818, 103 Elmore Drive, Mullens, WV; Bluefield Yard, 800 Princeton Avenue, Bluefield, WV; Nitro Yard, 1108 First Avenue, Nitro WV; Hobson Yard, 28998 Lagoon Road, Middleport, OH; New Lexington, 615 Madison Street, New Lexington, OH; Roanoke, 435 Campbell Avenue NE, Roanoke, VA; Pocahontas Division Headquarters, Roanoke VA; and Alt Elmore Location, 16 Moran Avenue, Mullens, WV, the workplaces of the employees of Norfolk Southern Railway Company working on the rail lines being leased by KNWA.

On May 19, 2016, KNWA also served a copy of the attached Notice on all unions with employees working on the rail lines being leased by KNWA (Brotherhood of Maintenance of Way; International Brotherhood of Boilermakers, Iron Ship Builders, Blacksmiths, Forgers & Helpers; American Train Dispatchers Association; National Conference of Firemen & Oilers; International Brotherhood of Electrical Workers; International Association of Sheet Metal, Air, Rail and Transportation Workers; Transportation Communications Union; Brotherhood Railway Carman; International Association of Machinists & Aerospace Workers; Brotherhood Locomotive Engineers & Trainmen; and Brotherhood of Railroad Signalmen.

If you have any questions regarding this matter, please contact me.

Sincerely,

A handwritten signature in cursive script that reads "Karl Morell". The letters are fluid and connected, with a prominent loop on the 'K' and a long, sweeping tail on the 'l'.

Karl Morell

Enclosure

NOTICE

Kanawha River Railroad , L.L.C. ("KNWA") will acquire certain Tracks owned or operated by Norfolk Southern Railway Company, a Virginia corporation, including sidings and yard tracks. These Tracks are located between: (1) Milepost V 382.0 at Maben, WV and Milepost V 435.0 at DB (Deepwater Bridge), WV; (2) Milepost RR 7.0 at Refugee, OH and Milepost RR 116.5 at Hobson Yard, OH; (3) Milepost WV 125.6 at Conco, OH and Milepost WV 253.4 at Cornelia, WV; (4) Milepost VC 0.0 at Vaco Junction, WV and VC 0.84 at Deepwater, WV; (5) Hitop RT at Milepost TP 0 at Charleston, WV and End of Track at TP 1.0; (6) Jones IT at Milepost JT 0.0 at Jones, WV and End of Track at Milepost JT 1.3; (7) Milepost VG 0 at Virwest, WV and Milepost VG 12.1 at Bolt, WV; (8) Milepost MY 0 at Milam Junction, WV and End of Track at MY 1.01; and (9) Milepost PE 0 at Putt, WV to Milepost PE 2.3 at Putt End Branch, WV.

Total Track Miles of 308.85 Miles.

As a result of operating the freight portion of the rail line, KNWA expects to have employment opportunities in the following areas:

Freight Operation:

Approximately 30 positions in or near Dickinson, West Virginia. These positions require the following minimum skills and/or qualifications:

General Manager:

1 Position located in or near Dickinson, WV. This position requires the following minimum skills and/or qualifications:

- Must have at least 5 - 10 years of railroading experience in a supervisory and/or managerial role.
- Ability to enhance and/or develop, implement and enforce policies and procedures of the organization by way of systems that will improve the overall operation and effectiveness of the corporation.
- Plan, develop, organize, implement, direct and evaluate the organization's fiscal function and performance.
- Ensure sound operating procedures according to FRA and Corporate Safety rules.
- A decisive individual who possesses a "big picture" perspective and is well versed in operational standards.
- Must ensure that emphasis is placed on a strong Customer Focus.

Train Masters:

Approximately 1 position located in or near Dickinson, WV. These positions require the following minimum skills and/or qualifications:

- Supervises and coordinates activities of train crews engaged in switching/RR operations.
- Must possess a high school education or GED, and a minimum of 6 months job-related experience; or equivalent combination of education and experience.

- Must possess a valid Engineer's certificate issued by a program in compliance with 49 CFR Part 240.
- Must be able to meet all hearing and vision requirements of 49 CFR Part 240.
- Must have an understanding of air brake and mechanical systems of a train and locomotives, and pass a written test to verify competency.

Conductor:

Approximately 6 positions located in or near Dickinson, WV. These positions require the following minimum skills and/or qualifications:

- At least 1 year experience as a Conductor/Brakeman.
- Must have Qualifications on the General Code of Operating Rules (GCOR) and have passed a written test in the past 18 months.
- Must have an understanding of air brake and mechanical systems of a train and locomotives, and pass a written test to verify competency.

Engineer:

Approximately 6 positions in or near Dickinson, WV. These positions require the following minimum skills and/or qualifications:

- At least 1 year experience as a Locomotive Engineer.
- Must possess a valid Engineer's certificate issued by a program in compliance with 49 CFR Part 240.
- Must be able to meet all hearing and vision requirements of 49 CFR Part 240.
- Must have an understanding of air brake and mechanical systems of a train and locomotives, and pass a written test to verify competency.

Clerks:

Approximately 1 position located in or near Dickinson, WV. These positions require the following minimum skills and/or qualifications:

- Involved in day to day record keeping, billing, filing, and typing and general office duties.
- Must possess a high school education or GED, and a minimum of 6 months job-related experience; or equivalent combination of education and experience.
- This position will be accountable to all managers within the operation and is responsible for office coordination of activities.
- Other duties as assigned.

Chief Mechanical Officer:

1 position located in or near Dickinson, WV. This position requires the following minimum skills and/or qualifications:

- Directly supervise shop craft employees to safely execute shop operating plan.
- Ensure labor and equipment is positioned to inspect, test and repair equipment to meet the needs of the daily plan.
- Must have previous mechanical department or equivalent industry experience.
- Must possess a high school education or GED, and a minimum of 12 months job-related experience; or equivalent combination of education and experience.
- Comply with all FRA and Watco safety standards.

- Other duties as assigned.

Locomotive Mechanical:

Approximately 2 positions located in or near Dickinson, WV. These positions require the following minimum skills and/or qualifications:

- Make repairs and perform scheduled maintenance to both inbound and outbound locomotives.
- Must have knowledge of and comply with FRA standards.
- Must possess a high school education or GED, and a minimum of 12 months job-related experience; or equivalent combination of education and experience.
- Prefer background in technical training in Diesel maintenance/repair.
- Demonstrated knowledge and ability in using required hand and power tools.

Roadmaster:

1 position located in or near Dickinson, WV. This position requires the following minimum skills and/or qualifications:

- Supervises all track, structure and signal maintenance on railroad.
- Plan and implement maintenance programs and capital projects.
- Instructs work force on safety compliance and mandated programs.
- Must possess 5 years experience in Railroad Track Maintenance.

Track Inspector:

3 positions located in or near Dickinson, WV. These positions requires the following minimum skills and/or qualifications:

- Responsible for supervision of track inspection and maintenance in accordance with FRA standards.
- Inspect railroad track structure for compliance with railroad policy and federal/state regulations.
- Implement remedial action on defects pending repair.
- Oversee/direct production gang work.
- Inspect completed work to verify conformance to government regulations.
- Prepare inspection reports for management and government compliance.
- Must possess 3 years supervisory experience in Railroad Track Maintenance.

MoW laborer:

Approximately 6 positions located in or near Dickinson, WV. These positions require the following minimum skills and/or qualifications:

- Perform tasks associated with track work including but not limited to, pulling and driving spikes, replacing ties, surfacing track, changing rail, bars, and other track apparatus.
- Must be willing to learn and apply FRA rules and regulations and be able to perform maintenance in a timely manner.
- Must be willing to learn to operate in a safe and efficient manner, all equipment and tools associated with track maintenance.
- Must possess a high school education or GED, and a minimum of 12 months job-related experience; or equivalent combination of education and experience.

Boom Truck/Equipment Operator:

1 position located in or near Dickinson, WV. This position requires the following minimum skills and/or qualifications:

- Experience operating Boom Truck for replacing and moving track materials.
- Ability to install and repair railroad track on specified territory of railroad, using spike pullers, spike drivers, removing old spikes, driving new spikes, performing related maintenance to railroad track on specified territory of railroad.
- Must have Class B CDL.
- Must possess 1 year experience operating Railroad Track Equipment.

Marketing Manager:

Approximately 1 position located in or near Dickinson, WV. This position requires the following minimum skills and/or qualifications:

- Ability to develop and implement marketing and sales strategies using market information, competitive and economic conditions.
- Must actively work with Watco operations to identify and execute on new business opportunities to facilitate short and long term objectives.
- Bachelor's degree in business, engineering, or marketing related field preferred.
- 3-5 years experience in railroad sales, transportation, marketing, operations or logistics management.

The most qualified candidates will be selected from the available pool of applicants without regard to race, creed, color, religion, national origin, sex, age, marital status, disability or veteran status. The selection criteria will be job-related skills and attributes as outlined above. Successful candidates must have a stable work record and exhibit safe work practices. The ability to work in a team environment with a focus on customer service is critical. Applicants must be able to read and comprehend regulations and instructions in English, as well as possess good oral communication skills. Successful applicants will be required to pass a pre-employment drug and alcohol screen and complete a post-offer functional capacity test. Every Team Member is an at-will employee. All Team Members are expected to know and abide by the standard code of Employee Conduct.

All jobs will be posted at www.watcocompanies.com or information can be obtained by calling People Services Department at (866) 479-2826.

**Kanawha River Railroad, LLC
315 W. 3rd Street
Pittsburg, Kansas 66762**

SURFACE TRANSPORTATION BOARD

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--LEASE EXEMPTION CONTAINING INTERCHANGE COMMITMENT--
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Kanawha River Railroad, L.L.C. (“KNWA”), a non-carrier, has filed a notice of exemption to lease from Norfolk Southern Railway Company (“NS”) the three rail lines located between: (1) Milepost V 327.0, at PD Jct., WV, and Milepost V 435.0, at DB (Deepwater Bridge), WV; (2) Milepost RR 7.0, at Refugee, OH, and Milepost RR 117.0, at Hobson Yard, OH; and (3) Milepost WV 116.5, at Hobson Yard, OH, and Milepost WV 252.5, at Enon, WV.

As part of this transaction, KNWA will be assigned incidental trackage rights by NS over the following rail line owned by CSX Transportation Company: between Gallipolis, OH (MP 116.5) and Pomeroy (Hubson Jct. – Kanauga (MP 125.6).

This transaction is related to Finance Docket No. 36029, Watco Holdings, Inc. -- Continuance In Control Exemption – Kanawha River Railroad, L.L.C., wherein Watco Holdings, Inc., has concurrently filed a verified notice to continue in control of KNWA upon KNWA becoming a Class III carrier.

Comments must be filed with the Board and served on Karl Morell, Karl Morell & Associates, Suite 225, 655 Fifteenth Street, N.W., Washington, DC 20005, (202) 595-9045. 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.

10502(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 Kanawha River Railroad, L.L.C., 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.

AE McKechnie III
Arthur E. McKechnie, III

SUBSCRIBED AND SWORN TO before me this 23 day of June, 2016, in the County of Crawford, State of Kansas.

My Commission Expires: 3/31/2018

Gina G Williams
Notary Public

GINA G. WILLIAMS
Notary Public
State of Kansas
My Commission Expires: 3/31/2018