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June 1, 2012

Karl Morell  
Of Counsel  
kmorell@balljanik.com

BY HAND DELIVERY

232381

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

Re: STB Finance Docket No. 35603, San Antonio Central Railroad,  
L.L.C. -- Lease Exemption – Port Authority of San Antonio

Dear Ms. Brown:

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 \$1,800 filing fee. Also enclosed is a Disc containing  
the Notice and Summary.

If you have any questions, please contact me.

Sincerely,

Karl Morell  
Of Counsel

Enclosures

**FILED**

JUN 01 2012

ENTERED  
Office of Proceedings

JUN 01 2012

**FEE RECEIVED SURFACE TRANSPORTATION BOARD**

1

JUN 01 2012

Part of  
Public Record

**SURFACE TRANSPORTATION BOARD**  
Portland, Oregon | Bend, Oregon

Seattle, Washington

Washington, DC

BEFORE THE  
SURFACE TRANSPORTATION BOARD

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STB FINANCE DOCKET NO. 35603

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SAN ANTONIO CENTRAL RAILROAD, L.L.C.  
-- LEASE EXEMPTION --  
PORT AUTHORITY OF SAN ANTONIO

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

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KARL MORELL  
Of Counsel  
BALL JANIK LLP  
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Washington, D.C. 20005  
(202) 638-3307

Attorney for:  
SAN ANTONIO CENTRAL RAILROAD,  
L.L.C.

Dated: June 1, 2012

BEFORE THE  
SURFACE TRANSPORTATION BOARD

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STB FINANCE DOCKET NO. 35603

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SAN ANTONIO CENTRAL RAILROAD, L.L.C.  
-- LEASE EXEMPTION --  
PORT AUTHORITY OF SAN ANTONIO

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

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San Antonio Central Railroad, L.L.C. ("SAC"), a non-carrier, files this Notice of Exemption pursuant to 49 C.F.R. Part 1150, Subpart D--Exempt Transactions, to permit SAC to lease and operate as a common carrier by railroad over the tracks owned by the Port Authority of San Antonio ("Port"), in San Antonio, Texas.

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

(a) Full name and address of applicant:

San Antonio Central Railroad, L.L.C.  
315 W. 3<sup>rd</sup> Street  
Pittsburg, Kansas 66762

(b) Applicant's Representative:

Karl Morell  
Of Counsel  
BALL JANIK LLP  
Suite 225  
655 Fifteenth Street, N.W.  
Washington, DC 20005  
(202) 638-3307

(c) **Statement of Agreement:**

The Port and a non-carrier affiliate of SAC have entered into a Lease Agreement (“Agreement”) for the lease of the rail lines owned by the Port in the East Kelly Railport (“Railport”). Pursuant to the Agreement, the Agreement is to be assigned to SAC once SAC is formed and prior to SAC commencing common carrier operations over the Port’s rail lines.

(d) **The operator of the property:**

SAC will be the operator of the rail lines located in the Railport.

(e) **Summary of proposed transaction:**

The Port owns and operates a number of facilities in San Antonio, including the rail lines in the Railport. SAC is a new, wholly owned, non-carrier, indirect subsidiary of Watco Holdings, Inc. (“Watco”). In this proposed transaction, SAC is seeking authority to lease and operate approximately four (4) miles of rail lines owned by the Port and located in the Railport.

(1) **The name and address of the owner of the subject property:**

Port Authority of San Antonio  
907 Billy Mitchell Blvd.  
San Antonio, Texas 78226

(2) **The involved transaction is expected to be consummated on or some time after the effective date of this Notice.**

(3) **SAC is seeking authority to lease and operate, as a common carrier by railroad, over all tracks located in the Railport. There are no mileposts associated with the tracks in the Railport. SAC will be able to interchange traffic with both the Union Pacific Railroad Company and BNSF Railway Company.**

(4) The length of the rail lines SAC will operate in the Railport is approximately four (4) miles.

(f) A map of the rail lines SAC will operate is attached as Exhibit A.

(g) SAC hereby certifies that this transaction will not result in SAC becoming a Class II or Class I rail carrier. The projected annual revenue of SAC will not exceed \$5 million. Consequently, the notice requirements of 49 C.F.R. § 1150.32(e) do not apply.

(h) The Agreement between SAC and the Port will not contain any provision that prohibits SAC from interchanging traffic with a third party or limits SAC's ability to interchange with a third party.

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

#### **ENVIRONMENTAL AND HISTORIC IMPACTS**

SAC is leasing the rail lines in the Railport for continued rail operations. Further Board approval is required for SAC 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).

SAC's operations 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 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. SAC's 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,

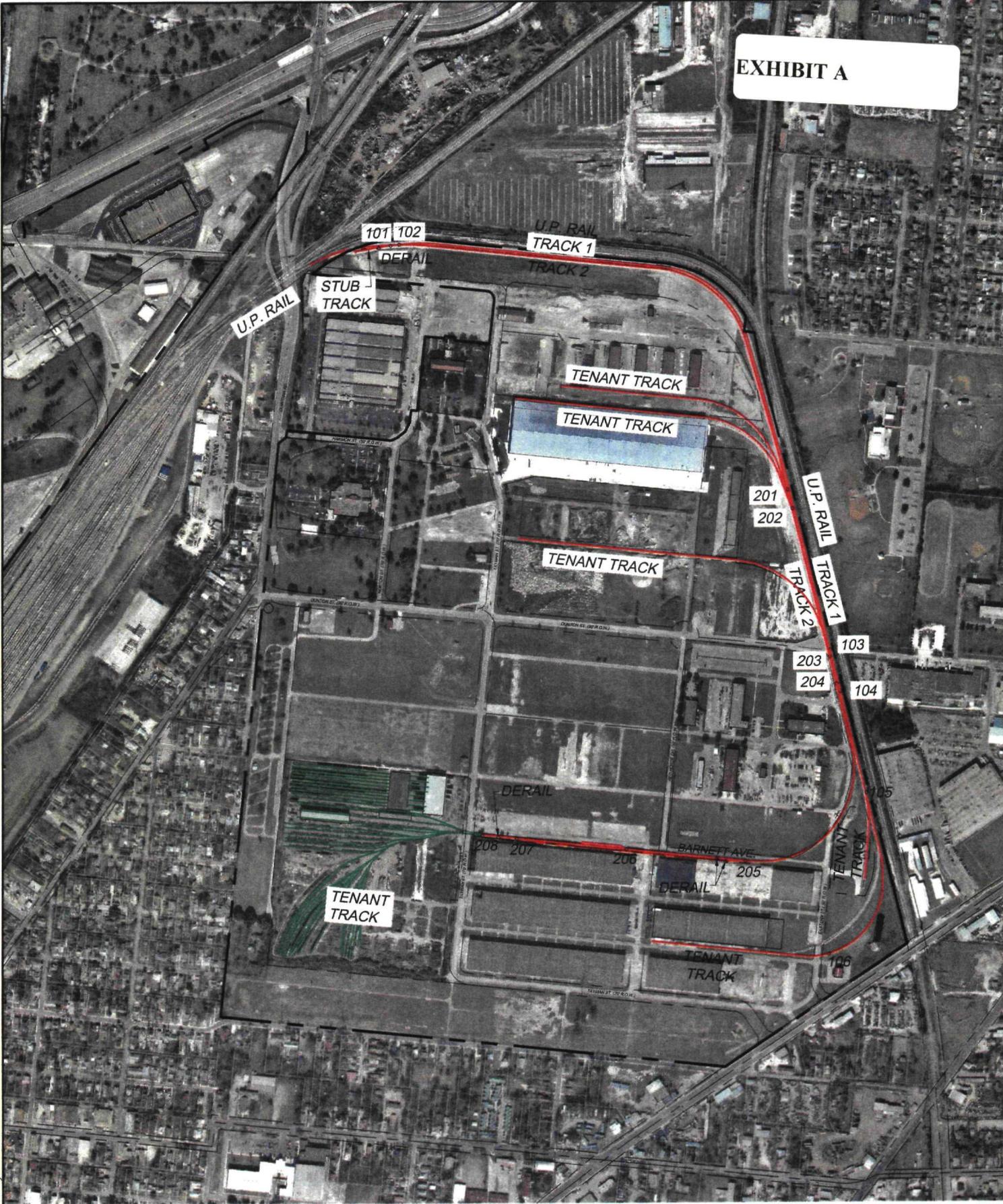
A handwritten signature in black ink that reads "Karl Morell". The signature is written in a cursive style with a horizontal line underneath the name.

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

Attorney for:  
SAN ANTONIO CENTRAL RAILROAD, L.L.C.

Dated: June 1, 2012

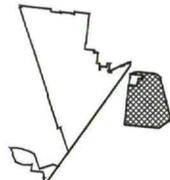
**EXHIBIT A**



**EAST KELLY RAILPORT  
RAIL LAYOUT**

**LEGEND:**

- PORT RAIL - 22967 LF
- TENANT RAIL LINES
- PROPERTY LINE / R.O.W.
- UNION PACIFIC RAIL LINES
- RAIL SWITCH
- △ DERAIL



**KEYMAP:**



143 BILLY MITCHELL BLVD. STE 6,  
SAN ANTONIO, TX. 78226. 210.362.7800



SURFACE TRANSPORTATION BOARD

NOTICE OF EXEMPTION

STB FINANCE DOCKET NO. 35603

SAN ANTONIO CENTRAL RAILROAD, L.L.C.  
-- LEASE EXEMPTION --  
PORT AUTHORITY OF SAN ANTONIO

San Antonio Central Railroad, L.L.C. (“SAC”), a non-carrier, has filed a notice of exemption to lease and operate the rail lines owned by the Port Authority of San Antonio in the East Kelly Railport (“Railport”), in San Antonio, Texas. The rail lines located in the Railport are approximately 4 miles in length. There are no mileposts associated with these rail lines.

This transaction is related to STB Docket No. 35604, Watco Holdings, Inc. – Continuance In Control Exemption – San Antonio Central Railroad, L.L.C., wherein Watco Holdings, Inc., has concurrently filed a verified notice to continue in control of SAC upon SAC becoming a Class III carrier.

Comments must be filed with the Board and served on Karl Morell, Of Counsel, BALL JANIK LLP, Suite 225, 655 Fifteenth 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. 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

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COUNTY OF CRAWFORD

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ss.

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I, Arthur E. McKechnie, III, being duly sworn depose and state that I am Assistant Secretary of San Antonio Central 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.

*Arthur E. McKechnie III*  
Arthur E. McKechnie, III

SUBSCRIBED AND SWORN TO before me this \_\_\_\_ day of March, 2012, in the County of Crawford, State of Kansas.

My Commission Expires: 3/31/2014

*Gina G. Williams*  
Notary Public

