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May 28, 2015

Ms. Cynthia T. Brown, Director

Office of Proceedings

Surface Transportation Board

395 E Street, SW, Room 1002

Washington, DC 20423-0001

Re: Knox and Kane Railroad Company – Abandonment Exemption –
McKean County, PA; STB Docket No. AB-551 (Sub No. 2X)

Dear Ms. Brown:

Attached please find the Verified Statement of Joseph Kovachick which responds to the inquiries posed by the Board in its Decision of April 13, 2015 in the above captioned proceeding. Mr. Kovalchick's statement indicates that there was an inadvertent omission on the part of Kovalchick Corporation to obtain STB continuance in control authorization under 49 U.S.C. §11323 when it acquired stock control of the Knox and Kane Railroad Company in 2008 while owning the 1.4 mile Mt. Union Industrial Track acquired in 1997 under an Offer of Financial Assistance, but on which there were no shippers and which was utilized solely for narrow gauge, non common carrier tourist operations by the East Broadtop Railroad Company.

Given these unique facts involving a technical omission of the part of Kovalchick Corporation to seek Board continuance and control authorization, it is respectfully requested that the Board exercise its exemption authority under 49 U.S.C. §10502 to waive any required STB filing with regard to the 2008 transaction in that the provisions of §10502 are clearly applicable in these circumstances.



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Thank you for your consideration of these matters. If I can provide the Board with any additional information, please do not hesitate to contact me.

Very truly yours,

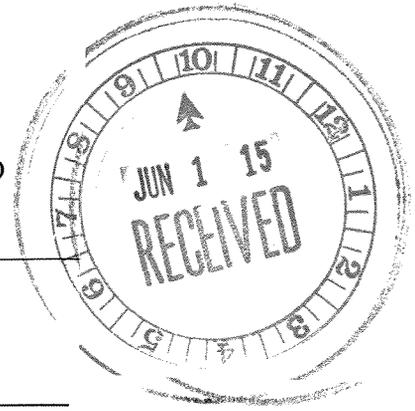
RICHARD R. WILSON, P.C.

A handwritten signature in cursive script that reads "Richard R. Wilson". The signature is written in black ink and has a long, horizontal flourish extending to the right.

Richard R. Wilson, Esq.
Attorney for Knox and Kane Railroad Company

RRW/bab
xc: Knox and Kane Railroad Company
Headwaters Charitable Trust

Before the
SURFACE TRANSPORTATION BOARD



DOCKET NO. AB- 551(Sub No. 2X)

VERIFIED STATEMENT OF JOSEPH KOVALCHICK

My name is Joseph Kovalchick, I am President of Kovalchick Corporation, and I am the Managing Partner of Kovalchick Salvage Company which was originally founded by my father, Nick Kovalchick in 1928 and is a family owned company involved in the scrap, salvage, and recycling of railroad track and facilities. We buy and sell new and used railroad rails and ties and track accessories such as spikes, anchors, tie plates, joint bars and frogs. The company also buys scrap and non ferrous metals from power utility companies. It also offers railroad removal services. Our companies are headquartered in Indiana, Pennsylvania. I am authorized to make this verified statement on behalf of Kovalchick Corporation, Kovalchick Salvage Company and the Knox and Kane Railroad Company and do so to the best of my knowledge, information and belief.

The purpose of this statement is to respond and provide further clarification to the Surface Transportation Board with regard to questions and issues posed by the Board in its decision of April 13, 2015 in Docket No. AB-551 (Sub. No. 2X) Knox and Kane Railroad Company – Abandonment Exemption – McKean County, Pennsylvania. In order to respond to these questions, it will be necessary to provide a brief historical summary of the Kovalchick Corporation and Kovalchick Salvage Company's relationships with the Knox and Kane Railroad Company and the East Broadtop Railroad

Company which is located in Orbisonia, Pennsylvania. A brief survey of the history of both rail lines will place my responses to the Board's questions in an appropriate context.

East Broadtop Railroad Company

The East Broadtop Railroad and Coal Company ("EBT") was chartered in 1856 to mine and transport coal from the Broadtop coal field in central Pennsylvania. It was and remains one of the few narrow gauge railroads in the United States. The line connected with the Pennsylvania Railroad at Mt. Union, Pennsylvania and extended in a southerly direction to Orbisonia and then westerly into the Broadtop coal field. After WWII, EBT's heavy reliance on coal traffic placed it in a precarious financial position as the Broadtop coal mines became increasingly unprofitable. The railroad's passenger service was cut back and then eliminated entirely in 1954. On November 30, 1955, the EBT filed for ICC abandonment authorization which was granted on February 16, 1956. On April 2, 1956, the Pennsylvania Public Utility Commission granted abandonment authority for all intrastate rail operations. All common carrier freight operations ceased officially on the line on April 14, 1956.

On May 1, 1956, after EBT had abandoned its common carrier rail operations, the Kovalchick Salvage Company purchased all of the stock of the EBT but deferred salvaging the rail line. In 1960, my father, Nick Kovalchick, restored tourist operations on a portion of the EBT mainline for the celebration of Orbisonia's bicentennial. The EBT was declared a U.S. National Historic landmark in 1964 and it remains the only operating narrow gauge tourist railroad east of the Rocky Mountains. A five mile section of the EBT main line from Orbisonia to Shirleysburg and four of its steam locomotives remained in tourist excursion operation until 2010. Accordingly, since 1956, EBT has

operated as a noncommon carrier tourist excursion railroad company not subject to the jurisdiction of the Interstate Commerce Commission or its successor, the Surface Transportation Board.

As a narrow gauge railroad, in order to handle coal traffic and interchange it with the Pennsylvania Railroad portions of the EBT line contained both narrow gauge and standard gauge track at Mt. Union, PA. Coal originating in the Broadtop coal fields was off loaded from EBT narrow gauge cars, processed for cleaning and sizing, and then reloaded into standard gauge Pennsylvania Railroad hopper cars for offline deliveries. Thus, both railroads operated on dual gauge tracks at Mt. Union, Pennsylvania.

Eventually it became evident that EBT could no longer afford to provide tourist operations and since 2002 we have considered various alternatives for selling the EBT or working with state and local parties to arrange for its preservation. In 2009 through 2011, we leased the EBT to the East Broadtop Railroad Preservation Association which continued to provide excursion tourist operations. In 2012, the lease with the Preservation Association expired and the Preservation Association purchased a portion of the EBT rail line and pursued other financial activities with the objective of eventually acquiring the remainder of the EBT line.

It should also be noted that in 1997 Conrail proposed to abandon the Mt. Union Industrial Track ("MUIT") which provided the only rail connection for the EBT to the Conrail main line at Mt. Union, Pennsylvania. In order to preserve this connection, Kovalchick Corporation filed an Offer of Financial Assistance and received authorization from the STB to acquire the line on April 7, 1997. The only shipper served by the MUIT was Bleyer Industries which in 1997 obtained a direct connection to Conrail's main line

by means of a private side track. Thus, from 1997 until the MUIT was sold to the East Broadtop Railroad Preservation Association in 2014, no common carrier freight operations were provided on the MUIT. Recall that as a dual gauge rail line, it was necessary for Kovalchick Corporation to acquire this section of the MUIT in order to preserve one of the rails for its narrow gauge line. Thus, although the OFA acquisition carried with it common carrier obligations under 49 U.S.C. §10904, no common carrier rail freight service was requested or provided by EBT or Kovalchick Corporation from 1997 to 2014 and the MUIT was acquired by Kovalchick Corporation primarily to preserve narrow gauge access to the rest of the EBT tourist line.

Knox and Kane Railroad Company

As noted in the historical report filed with the abandonment exemption notice in this docket, the rail line operated by the Knox and Kane Railroad Company was built by the New York Lake Erie & Western Railroad and was completed in 1882. In 1895, this railroad went into bankruptcy and was reorganized into the Erie Railroad, which subsequently merged into the Erie Lackawanna Railroad in 1960. Skirting the valley in which the Erie Lackawanna Line was constructed was a parallel route, several miles longer, owned by the Baltimore and Ohio Railroad. In the late 1950s, the Erie reached an agreement to share those tracks and planned to retire the Kinzua Bridge. Thus, traffic was shifted to the B&O line and the Erie Lackawanna line was abandoned northeast of the Kinzua Bridge to Mt. Jewett, Pennsylvania. The abandoned line was subsequently acquired by Kovalchick Salvage Company for dismantling and track was removed from northeast of the Kinzua Bridge to Mt. Jewett. However, my father, Nick Kovalchick, realizing the historic value of the Kinzua Bridge, sold it in 1963 to the Commonwealth of

Pennsylvania for public recreational use. Opened in 1970, the Kinzua Bridge State Park has since grown to 329 acres and attracts as many as 150,000 visitors a year.

On March 31, 1981, the Knox and Kane Railroad Company under the management and ownership of Mr. Sloan Cornell obtained ICC authority to acquire 79 miles of the former B&O line between Knox and Mt. Jewett, Pennsylvania in ICC Docket No. 29509. On March 25, 1987, Knox and Kane Railroad obtained ICC authority to acquire 3 +/- miles of rail right of way from Mt. Jewett to the Kinzua Bridge from Kovalchick Salvage Company in ICC Docket No. 31018. In this docket, Knox and Kane Railroad Company indicated that the acquisition was primarily for tourist excursion train purposes but also indicated the possibility of common carrier freight services. Knox and Kane relaid track from Mt. Jewett to the northeast end of the Kinzua Bridge and constructed a "Y" track on the northeast end of the bridge to turn its excursion trains for the return trip to Marienville, PA. From 1987 until 1998, the Knox and Kane Railroad Company operated freight rail service between Knox and Mt. Jewett and provided tourist excursion service from Marienville, PA to the Kinzua Bridge, but provided no freight service northeast of Mt. Jewett.

On June 29, 1998, Knox and Kane Railroad Company obtained abandonment authority from the STB for 9 miles of its railroad between M.P. 86 and M.P. 95 in Clarion County, in STB Abandonment Docket No. 551X. However, it continued to provide freight operations from M.P. 95.3 to Mt. Jewett and tourist excursion services from Marienville, PA to the Kinzua Bridge. In 2003, the Kinzua Bridge was destroyed in a tornado which toppled the 11 tallest towers into the valley leaving a 1,400 foot gap in the rail line and excursion services were terminated.

Over the years, traffic on the Knox and Kane line continued to deteriorate and the railroad encountered increased difficulty maintaining its track and equipment with little or no business on the rail line. In 2008, Mr. Cornell proposed that Kovalchick Corporation acquire the stock of the Knox and Kane Railroad Company. At the time, I was aware that there was significant community interest along the line and at the Pennsylvania Department of Conservation and Natural Resources in Harrisburg for the possible conversion of this line to recreational trail use. Accordingly, Kovalchick Corporation agreed to acquire the stock of the Knox and Kane Railroad Company and to work with local communities and state authorities to railbank this rail line. On October 30, 2009, in STB Docket AB-551(Sub No. 1X) Knox and Kane Railroad Company obtained STB abandonment authorization for 69.9 miles of railroad between M.P. 95.3 at North Clarion Junction to M.P. 165.2 in Mt. Jewett. As the Board is aware, the railroad indicated that this abandonment covered its entire line including the 3.9 miles between Mt. Jewett and the Kinzua Bridge in the state park. On November 20, 2009 in response to this abandonment filing, local authorities requested a Notice of Interim Trail Use be issued. On December 8, 2009, Kovalchick Corporation also filed a request for Notice of Interim Trail Use in an effort to preserve the line for interim recreational trail use. On March 19, 2010, Kovalchick Corporation entered into an Interim Trail Use Agreement with the Knox and Kane Railroad Company thereby preserving this right of way.

Subsequently, Kovalchick Corporation has proposed to convey this railbanked property to Headwaters Charitable Trust. However, during the due diligence phase of these negotiations, it was discovered that the 3.9 mile line between Mt. Jewett and the Kinzua Bridge had not been officially authorized for abandonment by the STB in AB 551

(Sub No. 1X) because M.P. 165.2 was located at Mt. Jewett, not at the Kinzua State Park. Accordingly, Knox and Kane Railroad Company filed this abandonment exemption notice for this remaining 3.9 mile section of the line in AB-551 (Sub No. 2X).

Clarifications of Concerns Raised by STB

As indicated above, in 1997, Kovalchick Corporation acquired 1.4 miles of the MUIT from Conrail under the Offer of Financial Assistance procedures of 49 U.S.C. §10904. This acquisition was undertaken by Kovalchick Corporation primarily for the purpose of preserving its narrow gauge connection with Conrail in Mt. Union and at no time between 1997 and 2014 were any common carrier rail freight services requested or provided with respect to this line of railroad. In 2008, Kovalchick Corporation acquired the stock of the Knox and Kane Railroad Company from Sloan Cornell and his wife to facilitate the preservation of the Knox and Kane rail right of way for future rail use and interim recreational trail use. Since Kovalchick Corporation understood its acquisition of the MUIT was to maintain a rail connection for its noncommon carrier narrow gauge tourist excursions, we did not think we needed to file an acquisition of control application with the STB when we acquired stock control of the Knox and Kane Railroad Company, because no common carrier rail service had been provided on the MUIT after 1997.

Next, the statement in the Environmental Report that “Kovalchick Corporation presently owns 3.9 mile Knox and Kane right of way, subject to Knox and Kane operating rights” is inaccurate. The Kovalchick Corporation presently owns all shares of the Knox and Kane Railroad which in turn owns the 3.9 mile right of way. This 3.9 mile section of right of way was acquired by the Knox and Kane Railroad Company in 1987 under authorization issued by the Interstate Commerce Commission in Finance

Docket No. 31018. Thus, Knox and Kane Railroad Company currently owns the 3.9 mile rail line between Mt. Jewett and the Kinzua Bridge state park and has sufficient rights to the line to seek abandonment authorization in this docket.

Finally, in its 2009 abandonment application of the 69.9 line of railroad between M.P. 95.3 at North Clarion Junction, PA and M.P. 165.2 at Mt. Jewitt, PA, Knox and Kane Railroad indicated that the abandonment encompasses the entire Knox and Kane line, mistakenly believing that since no common carrier freight service had ever been provided beyond Mt. Jewett, it was an accurate statement. In any event, all excursion services ceased after the 2003 tornado and there were no employees on the Knox and Kane employment roster who would have otherwise been entitled to railroad protective conditions.

Thus, in answer to the specific questions raised by the STB:

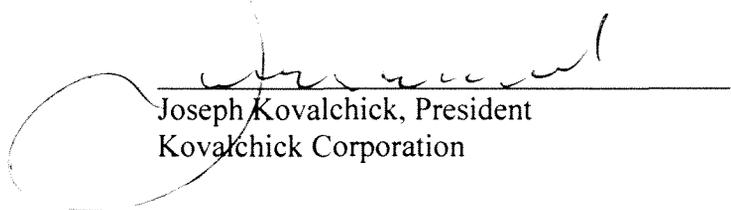
1. Knox and Kane Railroad has sufficient rights to the 3.9 mile line to seek abandonment authorization.
2. Kovalchick Corporation's ownership of the East Broadtop Railroad was acquired subsequent to the abandonment of all common carrier rail freight operations by the East Broadtop Railroad and Coal Company in 1956 and Kovalchick Corporation's subsequent acquisition in 1997 of a portion of the Mt. Union Industrial Track was undertaken to preserve its narrow gauge connection to Consolidated Rail Corporation and in the absence of any demand for common carrier freight service.
3. The Knox and Kane Railroad inadvertently stated in its 2009 Verified Notice of Exemption in Docket No. AB551 (Sub No. 1X) that the line segment for which is sought abandonment exemption was its entire line with regard to rail freight service

and operations. The 3.9 mile track extending from Mt. Jewitt to the Kinsu Bridge was acquired by the Knox and Kane Railroad under 49 U.S.C. §10901 but common carrier rail freight service never developed and this 3.9 mile segment was used solely and exclusively as a tourist excursion line.

4. Finally, I should note that neither the Kovalchick Corporation, Kovalchick Salvage Company, nor myself have any interest in or affiliation with the EBT Preservation Association or the EBT Connecting Railroad Company.

I hope these clarifications address the issues raised by the STB. Furthermore, Knox and Kane Railroad Company apologizes for any confusion it may have created in its initial filing with the Board in this docket. Should the Board have any further questions or require additional information, I will be happy to assist the Board in any way possible.

Respectfully submitted,

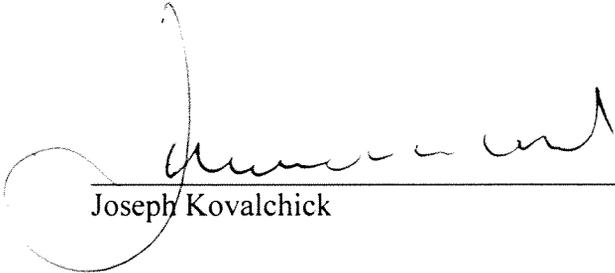


Joseph Kovalchick, President
Kovalchick Corporation

VERIFICATION

I, Joseph Kovalchick, President of Kovalchick Corporation and Managing Partner of Kovalchick Salvage Company verify my foregoing statement is true and correct to the best of my knowledge, information and belief. Further, I certify that I am qualified and authorized to file the foregoing statement.

Executed on May 20, 2015.



Joseph Kovalchick