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Office of Proceedings  
September 21, 2016  
Part of  
Public Record

HAND DELIVERY

September 21, 2016

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

Re: Finance Docket No. 36061, Arkansas Southern Railroad,  
L.L.C. -- Lease Exemption Containing Interchange  
Commitment - The Kansas City Southern Railway Company

Dear Ms. Brown:

Attached for filing with the Surface Transportation Board, please find the original and ten copies of the Verified Notice of Exemption pursuant to 49 C.F.R. 1150.41. Enclosed is a check in the amount of \$1,900 to cover the filing fee.

If you have any questions, please contact me.

Sincerely,



Karl Morell

Enclosures

FILED  
September 21, 2016  
SURFACE  
TRANSPORTATION BOARD



FEE RECEIVED  
September 21, 2016  
SURFACE  
TRANSPORTATION BOARD

BEFORE THE  
SURFACE TRANSPORTATION BOARD

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FINANCE DOCKET NO. 36061

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ARKANSAS SOUTHERN RAILROAD, L.L.C.  
--LEASE EXEMPTION CONTAINING INTERCHANGE COMMITMENT--  
THE KANSAS CITY SOUTHERN RAILWAY COMPANY

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VERIFIED NOTICE OF EXEMPTION  
Pursuant to 49 C.F.R. § 1150.41, Et Seq.

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

Attorney for:  
ARKANSAS SOUTHERN  
RAILROAD, L.L.C.

Dated: September 21, 2016

BEFORE THE  
SURFACE TRANSPORTATION BOARD

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FINANCE DOCKET NO. 36061

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ARKANSAS SOUTHERN RAILROAD, L.L.C.  
--LEASE EXEMPTION CONTAINING INTERCHANGE COMMITMENT--  
THE KANSAS CITY SOUTHERN RAILWAY COMPANY

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VERIFIED NOTICE OF EXEMPTION  
Pursuant to 49 C.F.R. § 1150.41, Et Seq.

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Arkansas Southern Railroad, L.L.C. ("ARS"), a Class III rail carrier, files this Notice of Exemption pursuant to 49 C.F.R. Part 1150, Subpart E--Exempt Transactions Under 49 U.S.C. 10902, to permit ARS to continue to lease and operate approximately 61 miles of rail lines in Arkansas and Oklahoma from The Kansas City Southern Railway Company ("KCS").

In support of this Notice of Exemption, ARS submits the following information as required by 49 C.F.R. § 1150.43:

- (a) Full name and address of applicant:

Arkansas Southern Railroad, L.L.C.  
315 W. 3<sup>rd</sup> 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:

ARS entered into Lease Agreements with KCS in 2005. *See* STB Finance Docket No. 34760, *Arkansas Southern Railroad, Inc. – Lease Exemption – The Kansas City Southern Railway Company* (not printed), served October 26, 2005. ARS recently entered into two Amended and Restated Lease Agreements with KCS (“Amended Agreements”) which, among other things, extended the term of the lease to August 30, 2026.

(d) The operator of the property:

ARS will continue to be the operator of the property.

(e) Summary of proposed transaction:

(1) The name and address of the company leasing the subject property is:

The Kansas City Southern Railway Company  
Cathedral Square Headquarters Building  
427 West 12<sup>th</sup> Street  
Kansas City, Missouri 64105

(2) The involved transaction is expected to be consummated on or shortly after the effective date of this notice of exemption.

(3) The rail lines that will continue to be leased by ARS are located between:

(1) milepost 4.0, near Heavener, OK, and milepost 33.0, at the end of the

track at Waldron, AR, and (2) milepost 32.0, at Ashdown, AR, and milepost 0.0, at the end of the track near Nashville, AR, not including the 601 track switch at Ashdown, AR.

- (4) The length of the rail lines being leased is approximately 61 miles.
- (f) A map of the rail lines that will continue to be leased is attached as Exhibit A.
- (g) ARS hereby certifies that ARS's projected revenues as a result of this transaction will not result in ARS becoming a Class II or Class I rail carrier. ARS further certifies that the projected annual revenue of ARS will not exceed \$5 million. Consequently, the requirements of 49 C.F.R. 1150.42(e) do not apply to this transaction.
- (h)(1)
  - (i) The Amended Agreements contain an interchange commitment. The affected interchange point is Nashville, AR.
  - (ii) The Amended Agreements are being filed with the Board under 49 C.F.R. § 1104.14(a).
  - (iii) Tyson Foods, Sandhill Group, Chemtrade, and Pilgrims Pride.
  - (iv) Information being filed under Section 1104.14(a).
  - (v) ARS hereby certifies that ARS has provided notice of the proposed transaction and interchange commitments to the shippers identified in paragraph (iii).
  - (vi) Union Pacific Railroad Company at Nashville, AR.
  - (vii) Information being filed under Section 1104.14(a).

A caption summary, as required by 49 C.F.R. § 1150.44, is attached.

### **ENVIRONMENTAL AND HISTORIC IMPACTS**

ARS is leasing the rail lines from KCS for continued rail operations. Further Board approval is required for ARS to discontinue or abandon 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).

ARS's lease 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 this line 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 line; (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. ARS's lease 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) 595-9045

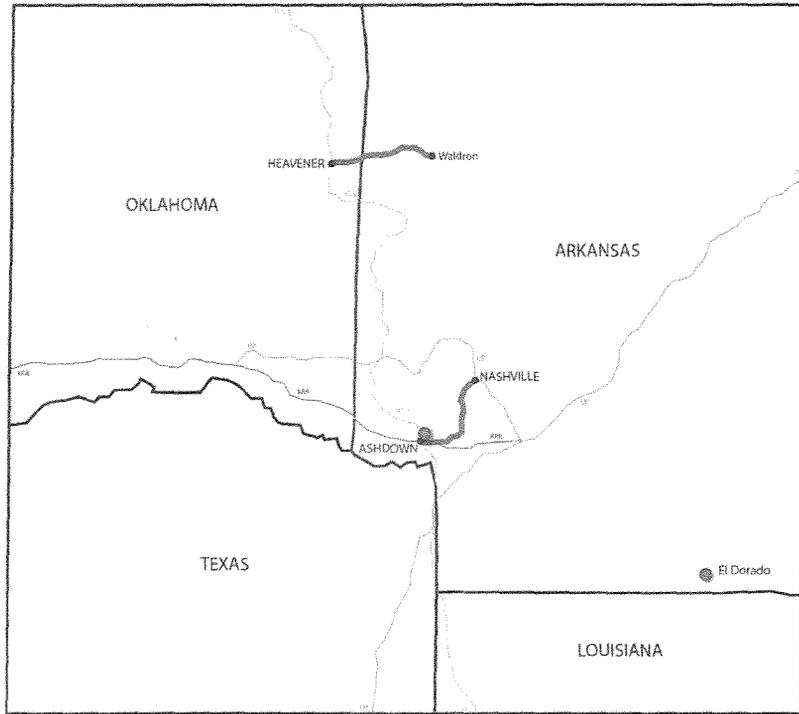
Attorney for:  
ARKANSAS SOUTHERN RAILROAD, L.L.C.

Dated: September 21, 2016

lect a map below

Full Page Map

Track Capacity Map



**LEGEND:**  
Arkansas Southern RR axis  
**Interchanges - Track miles 63**  
KCS - Ashdown, Heavener  
UP - Nashville  
● Switching Services

**Class I Interchanges**

KCS

SURFACE TRANSPORTATION BOARD

NOTICE OF EXEMPTION

FINANCE DOCKET NO. 36061

ARKANSAS SOUTHERN RAILROAD, L.L.C.  
-- LEASE EXEMPTION CONTAINING INTERCHANGE COMMITMENT--  
THE KANSAS CITY SOUTHERN RAILWAY COMPANY

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Arkansas Southern Railroad, L.L.C. (ARS), a Class III rail carrier, has filed a verified notice of exemption under 49 CFR 1150.41, et. seq. to continue to lease from The Kansas City Southern Railway Company (KCS) approximately 61 miles of rail lines located between: (1) milepost 4.0, near Heavener, OK, and milepost 33.0, at the end of the track at Waldron, AR, and (2) milepost 32.0, at Ashdown, AR, and milepost 0.0, at the end of the track near Nashville, AR, not including the 601 track switch at Ashdown, AR.

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) 638-3307.

This notice is filed under 49 C.F.R. 1150.41, et. seq. If the notice contains false or misleading information, the exemption is void ab initio. 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 Arkansas Southern 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 12<sup>th</sup> day of September, 2016, in the County of Crawford, State of Kansas.

My Commission Expires: 3/31/2018

Gina G. Williams

