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June 29, 2009

VIA ELECTRONIC FILING

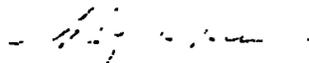
Hon. Anne K. Quinlan
Acting Secretary
Surface Transportation Board
395 E Street, SW
Washington, DC 20423

Dear Secretary Quinlan:

Attached for filing in STB Finance Docket No. 35247, Grenada Railway, LLC--
Acquisition and Operation Exemption--Illinois Central Railroad Company and Waterloo
Railway Company, is the Reply of Grenada Railway, LLC.

If you have any question concerning this filing or if I otherwise can be of
assistance, please get back to me.

Sincerely yours,



Fritz R. Kahn

att.

cc: Dr. Sidney Bondurant
William C. Sippel, Esq.

SURFACE TRANSPORTATION BOARD
WASHINGTON, DC

STB Finance Docket No. 35247

GRENADA RAILWAY, LLC
--ACQUISITION AND OPERATION EXEMPTION--
ILLINOIS CENTRAL RAILROAD COMPANY and
WATERLOO RAILWAY COMPANY

REPLY
OF
GRENADA RAILWAY, LLC

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Attorney for

GRENADA RAILWAY, LLC

Dated: June 29, 2009

SURFACE TRANSPORTATION BOARD
WASHINGTON, DC

STB Finance Docket No. 35247

GRENADA RAILWAY, LLC
--ACQUISITION AND OPERATION EXEMPTION--
ILLINOIS CENTRAL RAILROAD COMPANY and
WATERLOO RAILWAY COMPANY

REPLY
OF
GRENADA RAILWAY, LLC

Grenada Railway, LLC ("Grenada"), a non-carrier, pursuant to 49 C.F.R. §1150.31, on May 13, 2009, filed its Notice of Exemption to acquire and operate the Illinois Central Railroad Company's Grenada Line, extending between Milepost 403.0 at Southaven, MS, and Milepost 703.8 near Canton, MS, and the Waterloo Railway Company's Water Valley Branch Line, extending between Milepost 614.42 at Water Valley Junction, MS, and Milepost 603.0 at Bruce Junction, MS.¹

On June 9, 2009, Dr. Sidney Bondurant, a delegate to the Mississippi House of Representatives, filed a Petition to Revoke Grenada's Notice of Exemption. In the alternative, Dr. Bondurant asks that the Notice of Exemption be declared void *ab initio*, since, according to Dr. Bondurant, it "contains inaccurate and misleading information." The only thing which Dr. Bondurant cites as rendering the information in Grenada's filing

¹ The milepost designations of the Water Valley Branch Line inadvertently had been reversed in the Notice of Exemption. See, Notice to the Parties, served June 8, 2009, and published in the Federal Register, 74 Fed. Reg. 27860, June 11, 2009.

false or misleading was that "Grenada failed to include in the notice of exemption that Grenada is an affiliate of A&K Railroad Materials (A&K)."

A.

Rejection

Dr. Bondurant's contention that Grenada's Notice of Exemption contained false and misleading information is wholly without merit. The document which Grenada filed with the Board was altogether devoid of false or misleading information. To the contrary, Grenada's Notice of Exemption completely and accurately provided all of the information called for by 49 C.F.R. §1150.33. Nothing which the Board's regulation requires to be disclosed in the notice was omitted or mischaracterized. Section 1150.33, contains no requirement that the applicant reveal the names of all of the companies with which it may be affiliated. That Grenada's Notice of Exemption included no reference to A&K or the other businesses in which its owners are engaged cannot and did not render it "false or misleading." See, i.e., STB Finance Docket No. 34114, Yolo Shortline Railroad Company--Lease and Operation Exemption--Port of Sacramento, served February 3, 2003 ("[T]he fact that [applicant] did not address these matters in its filing does not make its filing false or misleading."); STB Finance Docket No. 35022. New Hampshire Central Railroad, Inc.--Lease and Operation and Exemption--Line of New Hampshire Department of Transportation, served December 11, 2007 ("[T]he notice provided all of the required information and was therefore not false, misleading, or incomplete simply because it did not refer to [additional information]."). Accord, STB Docket No. AB-406 (Sub-No. 6X), Central Kansas Railway, LLC--Abandonment Exemption--In Marion and

McPherson Counties, KS, served December 8, 1999 ("Information must be material to the transaction in order or its omission or misstatement to render a verified notice void.").

Grenada's Notice of Exemption declared that contemporaneously with its filing Mr. Kern W. Schumacher, pursuant to 49 C.F.R. §1180.2(d)(2), filed a Notice of Exemption in STB Finance Docket No. 35249. Kern W. Schumacher--Continuance in Control Exemption--Grenada Railway, LLC and Natchez Railway, LLC, to permit him to remain in control of Grenada upon its becoming a rail carrier. Mr. Schumacher's Notice of Exemption provided all of the information specified by 49 C.F.R. §1180.4(g)(i), including the identity and map of each of the railroads which he directly or indirectly controls. Section 1180.4(g)(i), however, did not require Mr. Schumacher to list A&K or the many other businesses in which he is engaged. See, STB Finance Docket No. 34813. New York New Jersey Rail LLC and New York Cross Harbor Railroad Terminal Corp.--Corporate Family Transaction Exemption, served December 8, 2006 ("[Notice is not false or misleading if it] complied fully with the governing rules and provided all of the information required in seeking an exemption under 49 CFR1180.2(d) . . .").

Grenada understands full well that a notice containing false or misleading information, pursuant to 49 C.F.R. §1150.32(c), is void *ab initio*. See. New Hampshire Central, supra: Yolo Shortline, supra; STB Finance Docket No. 34958. Nevada Pacific Railroad Corporation--Lease and Operation Exemption--Rail Lines of Pan Western Corporation, served March 15, 2007. A notice containing false or misleading information may be rejected by the Board for that reason even after its effective date. Dr. Bondurant's "false and misleading" contention, however, falls short of satisfying the standard for a notice's rejection and, thus, fails to invite such action by the Board.

B.

Revocation

Dr. Bondurant advances the same "false and misleading" allegation upon which he seeks the rejection of Grenada's Notice of Exemption to substantiate his contention that the exemption should be revoked. Dr. Bondurant's assertion that Grenada's Notice of Exemption did not include a reference to A&K, without more, affords no basis for the Board's revocation of it.

The Board in STB Finance Docket No. 34753, Central Illinois Railroad Company--Operation Exemption--Rail Line of the City of Peoria, IL, served June 27, 2007, explained:

Under 49 U.S.C. 10502(d), we may revoke an exemption in whole or in part if we find that regulation is necessary to carry out the rail transportation policy set forth in 49 U.S.C. 10101. The party seeking revocation has the burden of proof and petitions to revoke must be based on reasonable, specific concern. I&M Rail Link LLC--Acquisition and Operation Exemption--Certain Lines of Soo Line Railroad Company d/b/a Canadian Pacific Railway STB Finance Docket No. 33326 et al. (STB served Apr. 2, 1997). aff'd sub nom, City of Ottumwa v. STB, 153 F.3d 879 (8th Cir. 1998).

Here, [petitioner] seeks reopening and revocation on grounds that the information [applicant] provided in its notice was false and misleading and that the same information violated the RTP and amounts to an abuse of the Board's processes, warranting agency reregulation. But, for the reasons explained above, the "false and misleading" argument is meritless. Because [petitioner] offers no other evidence in support of its revocation request and has not met any of the requirements for reopening a proceeding, we will deny petitioner's request for such relief [footnote omitted].

To the same effect, in Nevada Pacific, supra, the Board stated:

Under 49 U.S.C. 10502(d), we may revoke an exemption if regulation is necessary to carry out the rail transportation policy of 49 U.S.C. 10101 (RTP). To obtain a revocation, the petitioner must demonstrate that greater regulatory scrutiny is necessary to carry out the RTP. When taken together, the information provided by [petitioner] to reject the Notice does not show that the transaction is contrary to the RTP. [Petitioner] has not demonstrated that greater regulatory

scrutiny is necessary and that revocation is warranted because [petitioner's] presentation does not provide a basis for finding that [applicant] should not have authority to lease and operate the [lessor's] trackage or that [applicant] has abused the Board's processes in pursuing that authority.

Accord, STB Finance Docket No. 35173, Pacific Sun Railroad, L.L.C.--Lease and Operation Exemption--BNSF Railway Company, served May 27, 2009; STB Finance Docket No. 35092, Progressive Rail, Inc--Continuance in Control Exemption--Montgomery Short Line LLC, served February 13, 2008; New Hampshire Central, *supra*. New York, New Jersey, *supra* ("[Petition] must present specific, particularized and reasonable cause for concern in order for us to revoke an individual use of a class exemption.").

Dr. Bondurant neglects even to explicate how reference to A&K in Grenada's Notice of Exemption would serve to advance any of the goals or objectives of the Rail Transportation Policy. He advances no explanation how revoking the exemption and subjecting the transaction to the regulatory requirements of 49 U.S.C. 10901 and 49 C.F.R. 1150.1, *et seq.*, would advance the tenets of the Rail Transportation Policy. Dr. Bondurant, therefore, has failed to carry the burden of proof which is his to establish why the exemption permitting Grenada to acquire and as a rail carrier to operate the Grenada and Water Valley Branch Lines should be revoked by the Board.

C.

Grenada

Grenada is a new short line railroad. While the railroad lines which it acquired from the Illinois Central Railroad Company and Waterloo Railway Company currently carry relatively little traffic, Grenada is committed to working with the shippers and

communities on the lines to improve the railroad operations on the lines and develop them into viable businesses.

Attached is a flyer which Grenada distributed in connection with its filing of the Notice of Exemption. Included in the disseminated information was the disclosure that the owners of Grenada also own A&K, as well as many other businesses. In other words, contrary to the impression which Dr. Bondurant seeks to convey, Grenada made no secret of its affiliation with A&K.

By filing its Notice of Exemption, Grenada agreed to assume the responsibilities of a rail carrier on the Grenada and Water Valley Branch Lines. As the Board noted in STB Finance Docket No. 34920, Savannah Port Terminal Railroad, Inc.--Petition for Declaratory Order--Certain Rates and Practices as Applied to Capital Cargo, Inc., served May 30, 2008, "Under 49 U.S.C. 11101, a rail carrier has an obligation to provide transportation or service upon reasonable request." Accord, STB Finance Docket No 35219, Union Pacific Railroad Company--Petition for Declaratory Order, served June 11, 2009; STB Finance Docket No. 35130, Central Oregon & Pacific Railroad, Inc.--Coos Bay Line, served April 1, 2008; STB Finance Docket No. 34527, Maumee & Western Railroad Company and RWW Ventures LLC--Petition for Declaratory Order--CSX Transportation, Inc. Crossing Rights at Defiance, OH, served May 9, 2007.

Dr. Bondurant maintains, "Grenada will operate the line for a short time and then abandon part or all of the ICR and WLOO lines." In the flyer that Grenada circulated, Grenada clearly and unequivocally stated that it has no intent to abandon the properties. Indeed, Grenada cannot abandon part or all of the Grenada and Water Valley Branch Lines, as Dr. Bondurant anticipates, absent the Board's authorization. In STB Ex Parte

No. 647, Class Exemption for Expedited Abandonment Procedure for Class II and Class

III Railroads, served December 15, 2006, the Board declared:

The Board has exclusive and plenary jurisdiction over the abandonment of rail lines. Chicago & N.W. Transp. Co. v. Kalo Brick & Tile Co., 450 U.S. 311, 319-21 (1981)(Kalo Brick); Phillips Co. v. Denver & Rio Grande Western R. Co., 97 F.3d 1375, 1376-78 (10th Cir. 1996), cert. denied, 521 U.S. 104 (1997) Under 49 U.S.C. 10903, the Board may authorize abandonment if it finds that the present or future public convenience and necessity (PC&N) require or permit the abandonment. In making this public interest determination, the Board weighs the burden on shippers and communities from the loss of rail service against the burden on the carrier and interstate commerce from continue operation of the line at issue. Colorado v. United States, 271 U.S. 153 (1926). The Board considers all relevant factors, including profits or losses incurred from operating the line, costs avoidable by abandonment (such as maintenance and rehabilitation costs) and the opportunity costs incurred by foregoing more profitable use of the carrier's assets elsewhere. Kalo Brick, 450 U.S. 311, 321 (1981). Sec also 49 CFR part 1152. The statute directs the Board also to consider whether abandonment will have a serious, adverse impact on rural and community development. 49 U.S.C. 10903(d).

Accord, STB Finance Docket No. 35161, Joseph R. Fox, Petition for Declaratory Order,

served May 18, 2009; STB Finance Docket No. 35140, State of Maine--Acquisition of

Certain Lines in Maine, served September 18, 2008; STB Finance Docket No. 34869,

Honey Creek Railroad, Inc.--Petition for Declaratory Order, served June 4, 2008.

D.

Conclusion

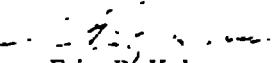
Dr. Bondurant's alleged concerns about Grenada's affiliation with A&K are unfounded and contradicted by Grenada's declaration and the statutory obligations placed upon it as a rail carrier. That Grenada's Notice of Exemption did not mention that Grenada and A&K were commonly controlled did not render its information "false and misleading" so as to render it null and void *ab initio* nor, in the absence of any showing how the goals and objectives of the Rail Transportation Policy would be furthered by

subjecting the transaction to the regulatory requirements of 49 U.S.C. 10901 and 49 C.F.R. 1150.1. et seq., is there ground for the exemption's revocation. Dr. Bondurant's Petition to Revoke the Notice of Exemption, accordingly, should be denied.

Respectfully submitted,

GRENADA RAILWAY, LLC

By its attorney,


Fritz R. Kahn
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Washington, DC 20036
Tel.: (202) 263-4152

Dated: June 29, 2009

CERTIFICATE OF SERVICE

I certify that I this day have served the foregoing Reply upon all parties of record by e-mailing copies to their representatives.

Dated at Washington, DC, this 29th day of June 2009.



Fritz R. Kahn



Grenada Railway, LLC

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Salt Lake City, UT 84104

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TO WHOM IT MAY CONCERN:

I would like to take this opportunity to inform you of our purchase of the former CN railroad line between the Mississippi/Tennessee State line, just south of Memphis to approximately two miles north of Canton, Mississippi, which is a distance of roughly 175 miles. Also included in this purchase is the 11-mile Water Valley Branch Line, which intersects the Grenada Line at W.V. Junction and extends to Coffeerville.

Although the current traffic volume is low, the Grenada Railway will endeavour to work with local shippers, economic development officials and communities to turn this railroad line into a viable business. With the support of these parties and the development of additional business on the line, the Grenada Railway should be in business for the foreseeable future.

I have attached some additional information about the line purchase for your information. If you have any questions or need additional information about this transaction, please contact me:

Michael J. Van Wagenen, the Vice President of Grenada Railway, LLC, at (801) 977-6346 or at mvanwagenen@mail.unitedrailroads.com

Sincerely,

Michael J. Van Wagenen
Vice President

**GRENADA RAILWAY, LLC
NATCHEZ RAILWAY, LLC**
Questions & Answers

1. Which lines are being purchased by Grenada Railway, LLC?

The Grenada Railway Line extends from the Mississippi/Tennessee state line to approximately two miles north of Canton, Mississippi, a distance of roughly 175 miles. Also included in this purchase is the 11-mile Water Valley Branch Line, which intersects the Grenada Line at W.V. Junction and extends to Coffeerville, MS.

2. Which line is being purchased by Natchez Railway, LLC?

The Natchez Railway Line runs from Brookhaven to Natchez, Mississippi for a distance of 66 miles. Also included in this sale is the roughly three-mile spur line to the former International Paper plant.

3. What experience do the owners of these railroads have?

As new non-carrier affiliates of V&S Railway LLC, Grenada Railway, LLC and Natchez Railway LLC ("Railroads") will draw from the experiences and resources of V&S Railway LLC. V&S currently operates three short-line railroads:

- A 22-mile line between Medicine Lodge and Attica, Kansas, which interchanges with BNSF Railway. This railroad line has been operated since 2000. The principal shipments include wall board and plaster;
- A 5-mile line in Hutchinson, Kansas, which interchanges with the BNSF and Union Pacific railroads. This railroad has been operating since 2005 – salt, scrap metal, and repaired cars are the primary materials transported; and
- A 122-mile line in south eastern Colorado, which interchanges with BNSF, UPRR and the K&O. This line has been in operation since 2005. Shipments on this line are primarily wheat and barley.

Southern Manitoba Railway, another affiliate of the Grenada and Natchez Railways, acquired and operated CN's 144-mile Miami and Hartney line in Manitoba, Canada in 1998. Due to low traffic volumes, CN had planned to abandon the line, until SMR stepped in as the new owner/operator. SMR was able to expand the business for a period of time, during its eight years of operation. The government of Manitoba and shippers were very pleased with the service. As traffic volumes continued to decline, however, SMR found it necessary to abandon the line. It was offered for sale to potentially interested parties in both the public and private sectors, without success.

4. Who are the owners of the Railroads?

Kern W. Schumacher of Incline Village, Nevada and Rhonda Nicoloff of Bountiful, Utah are the owners of the Railroads. They have more than sixty years of combined experience in the railroad industry. No other company or individual has an ownership interest in the Railroads.

5. What other businesses interests do the owners have?

The owners control more than forty other affiliated business entities. Various real estate companies own: Seven (7) million square feet of warehouse space in Utah, Nevada and California; and 500,000 square feet of commercial office building space in Utah, Arizona and California.

They are also the owners of A&K Railroad Materials. This company is perhaps the nation's largest supplier of new and used railroad track materials. New materials are acquired from manufacturers in China, Russia, Italy and from domestic mills. These materials are sold to more than 500 shortline railroads, Class One Carriers and transit districts. Manufacturing facilities are located at Kansas City and New Haven, CT. This affiliation will be beneficial to the Railroads in the needed effort to upgrade and maintain the lines. A&K has no ownership interest in the Railroads.

6. Do the Railroads plan to continue operations or do they plan to salvage the track materials?

The Railroads have been purchased with the intent to operate as freight railroads in common carrier service. The Railroads have applied to the Surface Transportation Board for operating approval. There is no intent to abandon the Railroads. A local headquarters is planned for Grenada, Mississippi, where a general manager will administer the operations of the Railroads. We plan to hire three locomotive crews, together with signal and track maintenance employees. We will endeavour to hire qualified employees in the Mississippi area. The Railroads are in the process of moving six (6) locomotives to the railroad lines. At the time of the start-up, the administrative and accounting functions will be handled in Salt Lake City.

7. What effort will the Railroads be making to increase the business on the Railroad Lines?

An agreement has been entered into between the Railroads and Railroad Industries of Reno, Nevada to assist in the start-up and marketing of the railroad lines. In addition, the Railroads will be working with Canadian National to market the existing customers and well as developing new customers for the lines.

8. When will the Railroads start operations?

The Railroads are projecting a start-up on July 1, 2009, following approval by the Surface Transportation Board.