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September 21, 2007

VIA E-FILING

The Honorable Vernon A. Williams
Secretary
Surface Transportation Board
395 E Street, S.W.
Washington, D.C. 20423-0001

RE: STB Finance Docket No. 34890
*PYCO Industries, Inc.— Feeder Line Application—Lines Of South Plains
Switching, Ltd. Co.*

STB Finance Docket No. 34922
*Keokuk Junction Railway Co.— Feeder Line Application—Lines Of South Plains
Switching, Ltd. Co.*

Dear Secretary Williams:

Late yesterday afternoon, Keokuk Junction Railway Co. (“KJRY”) was orally notified by South Plains Switching, Ltd. Co. (“SAW”) that SAW had chosen PYCO Industries, Inc. (“PYCO”) as the purchaser of the SAW lines that are the subject of the above-referenced proceedings. KJRY has not yet received written notice of SAW’s selection, although KJRY does note that written notice was posted on the Board’s website after 5:00 pm last night. KJRY reluctantly accepts SAW’s decision with the hope that SAW and PYCO can now move beyond the acrimony that has existed for some time between those two parties and with the expectation that adequate service will soon be restored to all SAW shippers.¹ KJRY extends its thanks the Board and its staff for its handling of this very difficult manner.

It was not unexpected that SAW would choose PYCO as the purchaser. Despite repeated attempts to contact SAW to discuss KJRY’s proposed purchase of the lines, SAW waited until this past Tuesday to begin such discussions. At that time, it became clear that SAW intended for PYCO and KJRY to offer competing “sealed” bids for more than the subject property. KJRY

¹ KJRY certainly hopes that SAW’s selection of PYCO puts to rest any allegations about KJRY being the “son of SAW.” As KJRY has stated from the beginning, it had no personal or business relationships with SAW, its owners, or affiliated properties.

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learned that to be selected, KJRY was expected to bid on a “package” that included not only the SAW lines, but other assets owned by Choo Choo Properties and South Plains Lamesa Railroad, Ltd., and even an alleged personal “asset” of the right to impose surcharges that was allegedly gained in state court litigation. SAW informed KJRY that SAW’s decision on whom it would select would be based “solely on price” for the entire package. While KJRY was willing to purchase certain additional properties useful for railroad operations and to enter into other arrangements necessary to ensure a smooth transition of the property, certain of the SAW included requests regarding the Choo Choo Properties and the right to surcharge shippers were deemed unacceptable by KJRY and contrary to the Board’s orders in this proceeding. In fact, some of these proposed arrangements were specifically directed at retaining Choo Choo Properties’ ability to extract additional revenues from PYCO and were to be used as leverage against PYCO in continued litigation. KJRY rejected these arrangements. At that point, SAW informed KJRY that it was “going with PYCO.”

KJRY does not know the final value of the “package” that PYCO offered to SAW or the scope of property interests that are encompassed by the agreement that PYCO and SAW have struck, but KJRY understands that the package terms offered by PYCO were apparently, in SAW’s view, equal to or better than those KJRY offered. Because the selection process was conducted outside of the Board’s oversight and because KJRY is unaware of the final terms of the deal between PYCO and SAW, KJRY does not know whether the ultimate transaction is consistent with the feeder line statute, the Board’s orders, or the public interest. For that matter, it is not clear to KJRY if the deal struck between SAW and PYCO would resolve all matters of dispute before the Board and the state court. If the terms of the transaction are counter to the feeder line provisions and the Board’s orders here, KJRY stands willing and able to purchase the SAW lines as set forth in the Board’s August 31, 2007 decision.

If there are any questions about this matter, please contact me directly, either by telephone: (202) 663-7823 or by e-mail: wmullins@bakerandmiller.com.

Respectfully submitted,



William A. Mullins
Attorney for Keokuk Junction Railway Co.

cc: All Parties of Record