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August 28, 2002



VIA AIRBORNE EXPRESS

FEE RECEIVED

AUG 29 2002

Mr. Vernon A. Williams
Secretary
Surface Transportation Board
1925 K Street, N.W.
Washington, D. C. 20423-0001

AUG 29 2002

**SURFACE
TRANSPORTATION BOARD**

**SURFACE
TRANSPORTATION BOARD**

Re: Finance Docket No. 30142 (Sub No. 5) – Notice of Exemption –
Norfolk Southern Railway Company and Virginia and
Southwestern Railway Company – Exemption – Lease
Extension

Dear Mr. Williams:

In accordance with 49 CFR § 1180.4(g), please find enclosed for filing with the Surface Transportation Board one original and ten (10) copies of a Notice of Exemption submitted on behalf of Norfolk Southern Railway Company ("NSR") and Virginia and Southwestern Railway Company ("VSW"). In addition, twenty (20) unbound copies of Exhibit 1 to the Notice of Exemption are enclosed as required by 49 CFR § 1180.6(a)(6). The Notice of Exemption concerns a proposed extension of a lease between VSW and NSR.

Finally, a check is enclosed for the filing fee of \$1,000 as provided in 49 CFR § 1002.2(f)(41)(iv). Finally, an additional copy of this letter is enclosed; please have it date stamped and returned to me at the above address.

Sincerely,

**ENTERED
Office of Proceedings**

David A. Shelton

AUG 29 2002

Enclosures

**Part of
Public Record**

Operating Subsidiary: Norfolk Southern Railway Company

206133

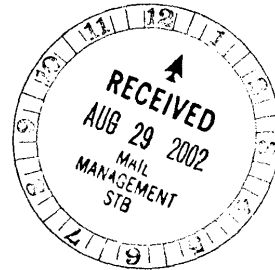
BEFORE THE
SURFACE TRANSPORTATION BOARD

ENTERED
Office of Proceedings

AUG 29 2002

Part of
Public Record

FINANCE DOCKET NO. 30142 (Sub No. 5)



NORFOLK SOUTHERN RAILWAY COMPANY
AND
VIRGINIA AND SOUTHWESTERN RAILWAY COMPANY

FEE RECEIVED

-- EXEMPTION --

FEE RECEIVED

AUG 29 2002

LEASE EXTENSION

AUG 29 2002

SURFACE
TRANSPORTATION BOARD

NOTICE OF EXEMPTION

SURFACE
TRANSPORTATION BOARD

NOW COME Norfolk Southern Railway Company (formerly known as Southern Railway Company) ("NSR") and Virginia and Southwestern Railway Company ("VSW") and state as follows:

This is a notice of intent to engage in a transaction found by the Surface Transportation Board (the "Board") to be presumptively exempt from Board regulation pursuant to 49 U.S.C. § 10502, to wit, a transaction that 1) is within a corporate family and does not result in adverse changes in service levels, significant operational changes, or a change in the competitive balance with carriers outside the corporate family, see 49 C.F.R. § 1180.2(d)(3), and 2) involves the renewal of a lease where the Board has previously authorized the transaction and only an extension in time is involved. See 49 C.F.R. § 1180.2(d)(4).

The Board's regulations at § 1180.4(g)(1) provide that, to avail itself of such an

exemption, a rail carrier must file with the Board a verified notice of the transaction.

Accordingly, NSR and VSW file this notice and submit the following required information:

I. Description of Transaction

(a) This notice is filed on behalf of Norfolk Southern Railway Company, a Virginia corporation ("NSR"), and Virginia and Southwestern Railway Company, a Virginia corporation ("VSW"). NSR and VSW each has a business address at Three Commercial Place, Norfolk, Virginia 23510-2191. The name, address and telephone number of the parties' counsel to whom questions may be addressed is:

David A. Shelton
Norfolk Southern Corporation
Three Commercial Place
Norfolk, Virginia 23510-9241
(757) 629-2834

NSR is a Class I railroad that, together with its rail subsidiaries, operates approximately 21,500 miles of railroad in 22 states, the District of Columbia and the province of Ontario. VSW owns approximately 100 miles of road located in Tennessee and Virginia that have been leased to NSR (formerly known as Southern Railway Company) under various arrangements since about 1916.

NSR is controlled through stock ownership by Norfolk Southern Corporation, a non-carrier holding company.

VSW is a wholly owned direct subsidiary of NSR. VSW has been controlled by NSR or its predecessors through stock ownership since approximately 1906.

In Finance Docket No. 20079, Virginia & Southwestern Ry. Co. Bonds, Etc. (Div. 4, March 25, 1958), Southern Railway Company ("Southern") was authorized by the Interstate Commerce Commission (the "Commission") to lease and operate the properties of VSW under a

lease that was to terminate by its terms on March 14, 1983 (the "Lease"). On March 7, 1983, Southern and VSW filed a notice of exemption advising the Commission of their intention to extend the Lease until March 14, 1984. The Commission served a notice of exemption on March 31, 1983, in Finance Docket No. 30142. Southern and VSW filed a subsequent notice of exemption on March 7, 1984, for the purpose of extending the Lease to March 14, 1985. The Commission served a notice of exemption on March 26, 1984, in Finance Docket No. 30142 (Sub No. 1). Southern and VSW filed a third notice of exemption on March 7, 1985, for the purpose of extending the Lease to March 14, 1987. The Commission served a notice of exemption on March 19, 1985, in Finance Docket No. 30142 (Sub No. 2). Southern and VSW filed a fourth notice of exemption on March 6, 1987, for the purpose of extending the Lease to March 15, 1989. The Commission served a notice of exemption on April 3, 1987, in Finance Docket No. 30142 (Sub No. 3). Finally, Southern and VSW filed a fifth notice of exemption on March 7, 1989, for the purpose of extending the Lease to March 14, 2003. The Commission served a notice of exemption on March 17, 1989, in Finance Docket No. 30142 (Sub No. 4).

Following a consolidation with Norfolk and Western Railway Company ("N&W") under the control of Norfolk Southern Corporation in 1982, Southern changed its name to Norfolk Southern Railway Company effective December 31, 1990.¹

Although VSW has been considered in the past as a candidate for merger with and into NSR for purposes of corporate simplification, recent business developments with respect to VSW have precluded such a merger and will continue to do so for the foreseeable future. Accordingly, NSR intends to continue leasing the properties of VSW, and the parties have

¹ Effective September 1, 1998, N&W was merged with and into NSR.

agreed to extend the Lease until March 14, 2023. No new written agreement has been entered into between NSR and VSW.

Because VSW has not operated its own properties since 1916 when they were first leased to Southern, an additional extension of the Lease will not result in any change in the operations of said properties. NSR will continue to serve customers from the VSW properties as it has for many years.

As no service or operational changes will result from this transaction, NSR and VSW anticipate no adverse effects on employees. The interests of rail employees will be addressed adequately by imposition of standard labor protective conditions pursuant to 49 U.S.C. § 10502(g) and as set forth in Mendocino Coast Ry., Inc. – Lease and Operate – California Western R.R., 360 I.C.C. 653 (1980).

As the Lease presently terminates on March 14, 2003, the proposed extension of the Lease will take effect on March 15, 2003, and continue until March 14, 2023.

(b) NSR and its railroad subsidiaries own or operate lines of railroad in the States of Alabama, Delaware, Florida, Georgia, Illinois, Indiana, Iowa, Kentucky, Louisiana, Maryland, Michigan, Mississippi, Missouri, New Jersey, New York, North Carolina, Ohio, Pennsylvania, South Carolina, Tennessee, Virginia and West Virginia and in Washington, D.C.

VSW owns lines located within the States of Tennessee and Virginia. A map showing the lines of railroad owned by VSW in relation to the NSR rail system is attached hereto as Exhibit 1.² A copy of the Lease was attached as Exhibit 2 to the Notice of Exemption filed March 7, 1983, in Finance Docket No. 30142.

² VSW's St. Charles Branch was operated by N&W under a notice of exemption served September 5, 1986 in Finance Docket No. 30874, Norfolk and Western Railway Company – Operation Exemption – Interstate Railroad

II. Other Matters

The proposed transaction will not have a significant effect on the quality of the human environment or on the consumption of energy. Because the proposed transaction involves only a lease extension between corporate affiliates that will not result in a change in carrier operations, no environmental or historic reports are required under 49 C.F.R. Part 1105. See 49 C.F.R. §§ 1105.6(c)(2)(i) & 1105.8(b)(2).

Respectfully Submitted,



Stephen C. Tobias
Vice President, Norfolk Southern Railway
Company
President, Virginia and Southwestern Railway
Company

Of counsel:

David A. Shelton
Norfolk Southern Corporation
Three Commercial Place
Norfolk, Virginia 23510-9241
(757) 629-2834

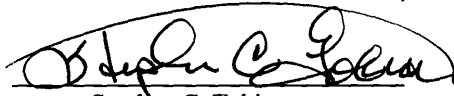
Dated: August 27, 2002

Company and Virginia and Southwestern Railway Company (not printed). As mentioned in note 1, supra, N&W was merged with and into NSR effective September 1, 1998.

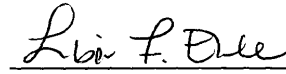
VERIFICATION

COMMONWEALTH OF VIRGINIA)
) ss
CITY OF NORFOLK)

Stephen C. Tobias, being duly sworn, deposes and says that he is Vice President of Norfolk Southern Railway Company and President of Virginia and Southwestern Railway Company; that he is authorized to sign, verify and file with the Surface Transportation Board the foregoing Notice of Exemption; that he has carefully examined all of the statements contained in said Notice of Exemption; that he has knowledge of the matters set forth therein insofar as those matters relate to Norfolk Southern Railway Company and Virginia and Southwestern Railway Company; and that all such statements made and matters set forth with respect to Norfolk Southern Railway Company and Virginia and Southwestern Railway Company are true to the best of his knowledge, information and belief.


Stephen C. Tobias

Subscribed and sworn to before me
this 27th day of August, 2002.


Notary Public

My commission expires: June 30, 2005

EXHIBIT 1

