

BALL JANIK LLP

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KARL MORELL

ENTERED
Office of Proceedings

FILED
MAY 27 2005



214100

kmorell@dc.bjllp.com

May 27, 2005

BY HAND DELIVERY

The Honorable Vernon Williams
Secretary
Surface Transportation Board
1925 K Street, N.W., Suite 700
Washington, DC 20423-0001

FILED

MAY 27 2005

**SURFACE
TRANSPORTATION BOARD**

Re: STB Finance Docket No. 34707, Kettle Falls International Railway,
LLC -- Lease Exemption -- BNSF Railway Company

Dear Secretary Williams:

Attached for filing are the original and ten copies of a Verified Notice of Exemption under 49 C.F.R. § 1150.41 and a check covering the \$1,500 filing fee. Also enclosed is a 3.5-inch diskette containing the Notice and Summary.

Please time and date stamp the extra copy of the Notice of Exemption and return it with our messenger.

If you have any questions, please contact me.

Sincerely yours,

Karl Morell

Enclosures

FEE RECEIVED

MAY 27 2005

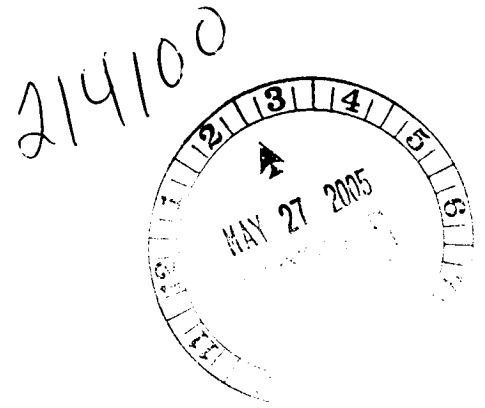
**SURFACE
TRANSPORTATION BOARD**

BEFORE THE
SURFACE TRANSPORTATION BOARD

FINANCE DOCKET NO. 34707

KETTLE FALLS INTERNATIONAL RAILWAY, LLC
--LEASE EXEMPTION--
BNSF RAILWAY COMPANY

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



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TRANSPORTATION BOARD

KARL MORELL
Of Counsel
BALL JANIK LLP
Suite 225
1455 F Street, N.W.
Washington, D.C. 20005
(202) 638-3307

Attorney for:
KETTLE FALLS INTERNATIONAL
RAILWAY, LLC

Dated: May 27, 2005

BEFORE THE
SURFACE TRANSPORTATION BOARD

FINANCE DOCKET NO. 34707

KETTLE FALLS INTERNATIONAL RAILWAY, LLC
--LEASE EXEMPTION--
BNSF RAILWAY COMPANY

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

Kettle Falls International Railway, LLC (“KFR”), 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 KFR to lease from BNSF Railway Company (“BNSF”) a 0.50-mile rail line located in the state of Washington.

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

- (a) Full name and address of applicant:

Kettle Falls International Railway, LLC
50 South Steele Street
Suite 250
Denver, CO 80209

(b) Applicant's Representative:

Karl Morell
Of Counsel
BALL JANIK LLP
Suite 225
1455 F Street, N.W.
Washington, DC 20005
(202) 638-3307

(c) Statement of Agreement:

KFR will enter into an agreement with BNSF for the lease of the rail line in the near future.

(d) The operator of the property:

KFR will be the operator of the leased line.

(e) Summary of proposed transaction:

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

BNSF Railway Company
2650 Lou Menk Drive
Fort Worth, Texas 76131

(2) The involved transaction is expected to be consummated on or shortly after June 3, 2005.

(3) The rail line that KFR is leasing is located between Milepost 61.0 and Milepost 60.5, near Chewelah, Washington.

(4) The length of the rail line being leased is approximately 0.50 miles.

(f) A map of the rail line being leased is attached as Exhibit A.

(g) KFR hereby certifies that KFR's projected annual revenues as a result of this transaction will not result in KFR becoming a Class II or Class I rail carrier. KFR

further certifies that the projected annual revenues from operation of the leased line, when combined with KFR's projected revenues from current operations, will not exceed \$5 million. Consequently, the requirements of 49 C.F.R. § 1150.42(e), do not apply to this transaction.

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

ENVIRONMENTAL AND HISTORIC IMPACTS

KFR is leasing the line from BNSF for continued rail operations. Further Board approval is required for KFR to abandon or discontinue 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).

KFR's lease of the rail line 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. KFR's lease of the rail line 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,

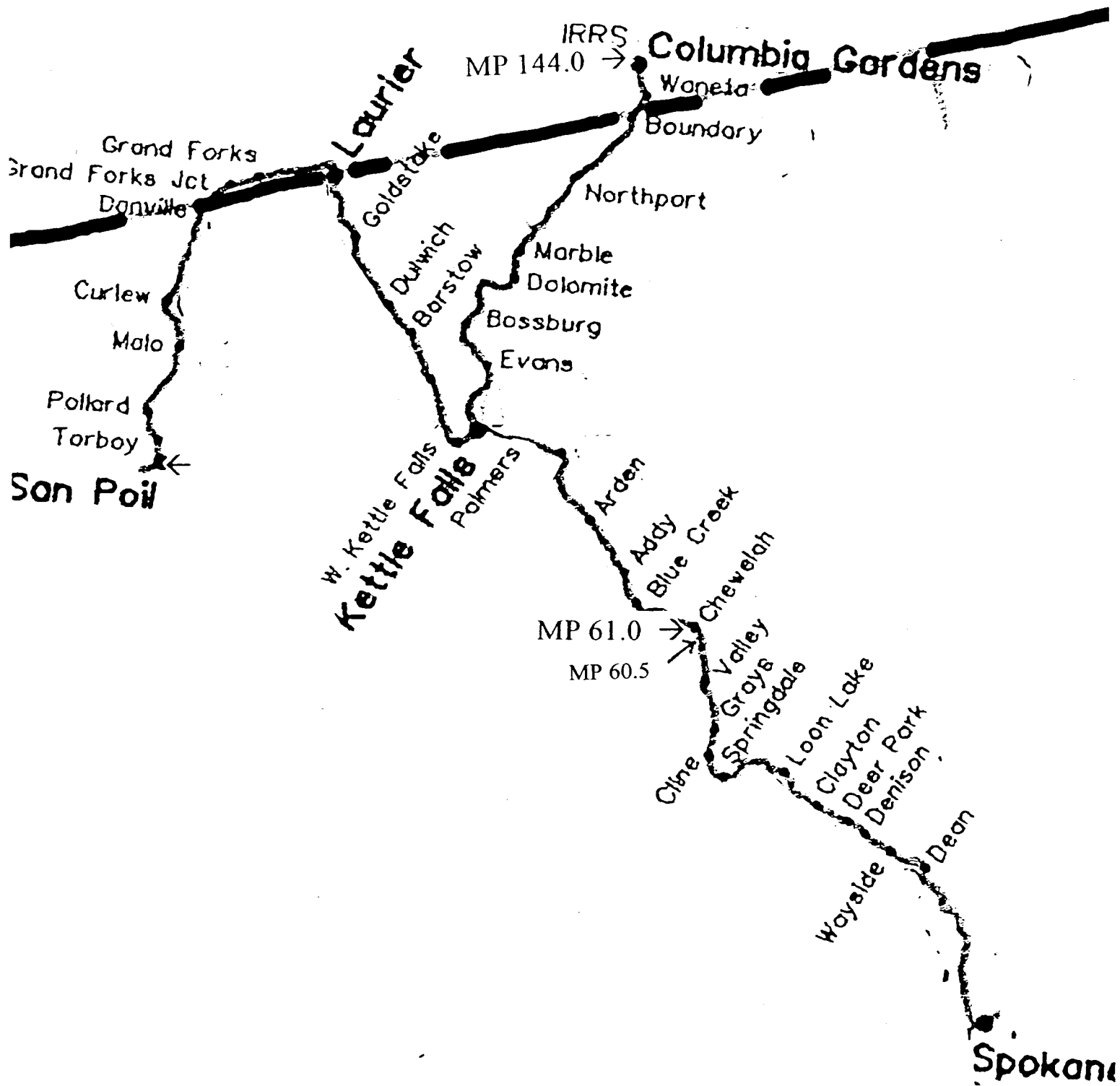
A handwritten signature in cursive script, reading "Karl Morell", written over a horizontal line.

KARL MORELL
Of Counsel
BALL JANIK LLP
Suite 225
1455 F Street, N.W.
Washington, DC 20005
(202) 638-3307

Attorney for:
KETTLE FALLS INTERNATIONAL
RAILWAY, LLC.

Dated: May 27, 2005

EXHIBIT A



SURFACE TRANSPORTATION BOARD

NOTICE OF EXEMPTION

FINANCE DOCKET NO. 34707

KETTLE FALLS INTERNATIONAL RAILWAY, LLC
--LEASE EXEMPTION--
BNSF RAILWAY COMPANY

Kettle Falls International Railway, LLC (“KFR”), a Class III rail carrier, has filed a verified notice of exemption under 49 CFR 1150.41 to lease approximately 0.50 miles of rail line from BNSF Railway Company (“BNSF”). The rail line being leased is located between Milepost 61.0 and Milepost 60.5 near Chewelah, Washington.

Comments must be filed with the Board and served on Karl Morell, Of Counsel, BALL JANIK LLP, Suite 225, 1455 F Street, N.W., Washington, DC 20005, (202) 638-3307.

This notice is filed under 49 C.F.R. 1150.41. 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.

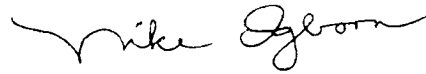
VERIFICATION

STATE OF COLORADO

CITY AND COUNTY OF DENVER

)
) ss.
)

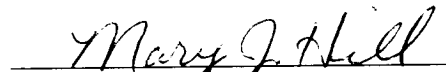
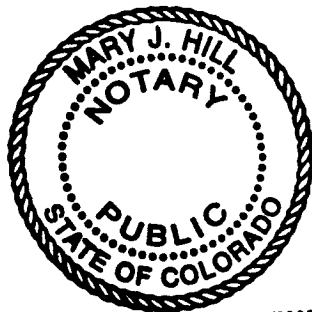
I, Michael J. Ogborn, being duly sworn depose and state that I am Manager of Kettle Falls International Railway, LLC, that I am authorized to make this verification, and that I have read the foregoing Notice of Exemption and know the facts asserted therein are true and accurate as stated to the best of my knowledge, information, and belief.



Michael J. Ogborn

SUBSCRIBED AND SWORN TO before me this 24th day of May, 2005, in the City and County of Denver, State of Colorado.

My Commission Expires: 11/01/2008


Notary Public

My Commission Expires 11/01/2008