

42972

SERVICE DATE – MARCH 15, 2013

DO

FR-4915-01-P

DEPARTMENT OF TRANSPORTATION

Surface Transportation Board

[Docket No. FD 35721]

Iowa Pacific Holdings, LLC, Permian Basin Railways, and San Luis & Rio Grande Railroad—Corporate Family Transaction Exemption—Massachusetts Coastal Railroad, LLC

Iowa Pacific Holdings, LLC (IPH), its wholly owned subsidiaries Permian Basin Railways (PBR) and San Luis & Rio Grande Railroad (SLRG), and Massachusetts Coastal Railroad, LLC (Mass Coastal) (collectively, applicants), have jointly filed a verified notice of exemption under 49 C.F.R. § 1180.2(d)(3) for a corporate family transaction pursuant to which the applicants would reorganize their corporate structure.

According to the applicants, IPH is a noncarrier that wholly owns PBR, which directly controls seven Class III railroads.<sup>1</sup> PBR controls, indirectly through SLRG, an eighth Class III railroad, the Saratoga & North Creek Railway, LLC (Saratoga). In addition, PBR controls 80% of Cape Rail, Inc. (Cape Rail), a noncarrier railroad holding company. Cape Rail owns two railroad subsidiaries, Mass Coastal, a Class III railroad, and Cape Cod Central, a noncarrier intrastate excursion passenger railroad outside the

---

<sup>1</sup> These railroads are: (1) SLRG; (2) Austin & Northwestern Railroad operating as the Texas-New Mexico Railroad; (3) Chicago Terminal Railroad; (4) Mount Hood Railroad; (5) Rusk, Palestine & Pacific Railroad, LLC; ; (6) Santa Cruz and Monterey Bay Railway Company; and (7) West Texas & Lubbock Railway.

Board's jurisdiction. Thus, PBR controls Mass Coastal, its ninth Class III carrier, indirectly through Cape Rail.<sup>2</sup>

The applicants propose to reorganize their corporate structure by transferring 100% control of Mass Coastal from its current direct owner, Cape Rail, to SLRG. Thus, according to the applicants, IPH, through PBR, will control 100% of Mass Coastal through SLRG rather than through Cape Rail.<sup>3</sup> In addition, the applicants state that Cape Rail will no longer be subject to Board jurisdiction because its only remaining subsidiary (Cape Cod Central) would be an intrastate excursion passenger railroad outside Board jurisdiction.

Unless stayed, the exemption will be effective on March 29, 2013 (30 days after the verified notice was filed). Applicants state that they intend to consummate the proposed transaction on or about April 1, 2013.

According to the applicants, the purpose of this transaction is to transfer direct control over Mass Coastal from Cape Rail to SLRG for various tax and commercial reasons. This transfer will also allow Cape Rail to concentrate its energies on Cape Cod Central, the intrastate excursion passenger railroad it will continue to own.

Applicants state that the transaction qualifies for the class exemption for corporate family transactions under 49 C.F.R. § 1180.2(d)(3) and have not indicated that the

---

<sup>2</sup> See Iowa Pac. Holdings, LLC & Permian Basin Rys.—Control Exemption—Cape Rail, Inc. & Mass. Coastal R.R., FD 35684 (STB served October 26, 2012).

<sup>3</sup> As a result of this transaction, SLRG would control two common carrier railroads, Saratoga & North Creek Railway and Mass Coastal.

transaction would result in adverse changes in service levels, significant operational changes, or any changes in the competitive balance with carriers outside the corporate family.

Under 49 U.S.C. § 10502(g), the Board may not use its exemption authority to relieve a rail carrier of its statutory obligation to protect the interests of its employees. Section 11326(c), however, does not provide for labor protection for transactions under §§ 11324 and 11325 that involve only Class III rail carriers. Accordingly, the Board may not impose labor protective conditions here, because all of the carriers involved are Class III rail carriers.

If the notice contains false or misleading information, the exemption is void ab initio. Petitions to revoke the exemption under 49 U.S.C. § 10502(d) may be filed at any time. The filing of a petition to revoke will not automatically stay the effectiveness of the exemption. Petitions for stay must be filed no later than March 22, 2013 (at least seven days before the exemption becomes effective).

An original and 10 copies of all pleadings, referring to Docket No. FD 35721, must be filed with the Surface Transportation Board, 395 E Street, S.W., Washington, DC 20423-0001. In addition, one copy of each pleading must be served on John D. Heffner, Strasburger & Price, LLP, 1700 K Street, N.W., Suite 640, Washington, DC 20006.

Board decisions and notices are available on our website at  
“WWW.STB.DOT.GOV.”

Decided: March 11, 2013.

By the Board, Rachel D. Campbell, Director, Office of Proceedings.