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FR-4915-00-P

DEPARTMENT OF TRANSPORTATION

Surface Transportation Board

[STB Finance Docket No. 33693]

RailTex, Inc., Mid-Michigan Railroad, Inc., Michigan Shore Railroad, Inc., and Grand Rapids Eastern Railroad, Inc.--Corporate Family Transaction Exemption

RailTex, Inc. (RailTex),¹ Mid-Michigan Railroad, Inc. (MMRR), Michigan Shore Railroad, Inc. (MS), and Grand Rapids Eastern Railroad, Inc. (GRE), have jointly filed a verified notice of exemption. MS and GRE will be merged into MMRR with MMRR being the surviving corporation. After consummation of the transaction, RailTex will control 20 Class III railroads in the United States.

The transaction was scheduled to be consummated on or shortly after December 31, 1998.

The purpose of the transaction is to simplify RailTex's corporate structure and eliminate costs associated with separate accounting, tax, bookkeeping and reporting functions. The properties of the rail carriers involved in this transaction are located in the States of Michigan, Kansas, Missouri and Texas.

The merger of MS and GRE into MMRR is a transaction within a corporate family of the type specifically exempted from prior review and approval under 49 CFR 1180.2(d)(3). The parties state that the transaction will not result in adverse changes in

¹ RailTex is a noncarrier which directly controls 22 Class III railroads operating in 22 states, as well as 3 rail carriers that operate in Canada.

service levels, significant operational changes, or a change in the competitive balance with carriers operating 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 sections 11324 and 11325 that involve only Class III rail carriers. Because this transaction involves Class III rail carriers only, the Board, under the statute, may not impose labor protective conditions for this transaction.

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 transaction.

An original and 10 copies of all pleadings, referring to STB Finance Docket No. 33693, must be filed with the Surface Transportation Board, Office of the Secretary, Case Control Unit, 1925 K Street, N.W., Washington, DC 20423-0001. In addition, a copy of each pleading must be served on Karl Morell, P.C., Ball Janik LLP, Suite 225, 1455 F Street, N.W., Washington, DC 20005.

STB Finance Docket No. 33693

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Decided: January 12, 1999.

By the Board, David M. Konschnik, Director, Office of Proceedings.

Vernon A. Williams

Secretary