

43745

SERVICE DATE – APRIL 23, 2014

DO

FR-4915-01-P

DEPARTMENT OF TRANSPORTATION

Surface Transportation Board

[Docket No. FD 35816]

Chai Trust Company, LLC, EGI-Fund (14-16) Investors, L.L.C., and EGI-IPH Investors, L.L.C.—Acquisition of Control Exemption—Iowa Pacific Holdings, LLC and Permian Basin Railways, Inc.

Chai Trust Company, LLC (Chai Trust), EGI-Fund (14-16) Investors, L.L.C. (EGI-Fund), and EGI-IPH Investors, L.L.C. (EGI-IPH) (collectively, Chai-EGI), all noncarriers, have filed a verified notice of exemption under 49 C.F.R. § 1180.2(d)(2) to acquire control of Iowa Pacific Holdings, LLC (IPH), which directly and indirectly controls 10 Class III rail carriers.<sup>1</sup>

According to Chai-EGI, Chai Trust controls EGI Fund, which controls EGI-IPH, a noncarrier holding company that was formed to acquire a controlling share of the membership interests of IPH. IPH is a noncarrier short line railroad holding company that owns 100% of Permian Basin Railways, Inc. (PBR), another noncarrier short line railroad holding company. Through PBR, IPH indirectly controls nine common carrier

---

<sup>1</sup> In addition, according to Chai-EGI, IPH directly controls The Pullman Sleeping Car Company, LLC (Pullman), which is awaiting a determination as to its legal/regulatory status as a rail carrier in The Pullman Sleeping Car Company—Petition for Exemption from 49 U.S.C. Subtitle IV, Docket No. FD 35738. Chai-EGI states that it is including Pullman in the scope of this notice of exemption out of an abundance of caution.

short line railroads.<sup>2</sup> In addition, IPH directly controls Rusk, Palestine & Pacific Railroad, LLC and Pullman.

Chai-EGI will, pursuant to an agreement,<sup>3</sup> purchase approximately 80% of IPH's membership interests. The remaining approximately 20% of the membership interests will be retained by certain existing IPH members who constitute IPH's senior management. Chai-EGI intends to consummate the transaction on or about May 8, 2014 (the effective date of the exemption is May 7, 2014, 30 days after the verified notice of exemption was filed). Chai-EGI states that the purpose of this transaction is to improve the revenue base of the railroads controlled by IPH through access to Chai-EGI's resources and to achieve economies of scale through greater centralization of administrative functions. Furthermore, Chai-EGI states that it plans to provide or secure access to sources of capital that will, in turn, promote growth among IPH's railroads.

Chai-EGI certifies that: (1) none of the rail lines and carriers to be controlled pursuant to this notice of exemption connect with one another; (2) the subject control transaction is not a part of a series of anticipated transactions that would connect some or all of the rail lines; and (3) the transaction does not involve a Class I rail carrier.

---

<sup>2</sup> Those nine railroads are: (1) Austin & Northwestern Railroad Company, Inc., operating as the Texas-New Mexico Railroad; (2) Chicago Terminal Railroad; (3) Mount Hood Railroad; (4) San Luis & Rio Grande Railroad Company, Inc.; (5) Saratoga & North Creek Railway, LLC; (6) West Texas & Lubbock Railway Company, Inc.; (7) West Texas & Lubbock Railroad Company, Inc.; (8) Massachusetts Coastal Railroad, LLC; and (9) Santa Cruz and Monterey Bay Railway Company.

<sup>3</sup> A copy of a draft of the agreement was submitted under seal along with a motion for protective order pursuant to 49 C.F.R. § 1104.14(b). That motion will be addressed in a separate decision.

Therefore, the transaction is exempt from the prior approval requirements of 49 U.S.C. § 11323 pursuant to 49 C.F.R. § 1180.2(d)(2).

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 carriers.

If the verified 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. Stay petitions must be filed no later than April 30, 2014 (at least seven days before the exemption becomes effective).

An original and 10 copies of all pleadings, referring to Docket No. FD 35816, must be filed with the Surface Transportation Board, 395 E Street, S.W., Washington, DC 20423-0001. In addition, a copy must be served on Myles L. Tobin, Fletcher & Sippel LLC, 29 North Wacker Drive, Suite 920, Chicago, IL 60606-2832.

Board decisions and notices are available on our website at  
“[WWW.STB.DOT.GOV](http://WWW.STB.DOT.GOV).”

Decided: April 18, 2014.

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