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SERVICE DATE – OCTOBER 26, 2005

DO

FR-4915-01-P

DEPARTMENT OF TRANSPORTATION

Surface Transportation Board

[STB Finance Docket No. 34760]

Arkansas Southern Railroad, Inc.–Lease Exemption–The Kansas City Southern Railway Company

Arkansas Southern Railroad, Inc. (ARSR), a noncarrier, has filed a verified notice of exemption under 49 CFR 1150.31 to lease from The Kansas City Southern Railway Company and operate approximately 61 miles of rail lines located in Arkansas and Oklahoma. The rail lines extend from: (1) milepost 4.0, near Heavener, OK, to milepost 33.0, at the end of the track at Waldron, AR; and (2) milepost 32.0, at Ashdown, AR, to milepost 0.0, at the end of the track near Nashville, AR, not including the 601 track switch at Ashdown, AR.

This transaction is related to STB Finance Docket No. 34761, Watco Companies, Inc.–Continuance in Control Exemption–Arkansas Southern Railroad, Inc., wherein Watco Companies, Inc., has filed a notice of exemption to continue in control of ARSR upon its becoming a Class III rail carrier.

ARSR certifies that its projected revenues as a result of the transaction will not result in ARSR's becoming a Class II or Class I rail carrier. ARSR also certifies that its projected annual revenues will not exceed \$5 million.

The transaction was expected to be consummated on or shortly after October 9, 2005.

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. 34760, must be filed with the Surface Transportation Board, 1925 K Street, N.W., Washington, DC 20423-0001. In addition, a copy of each pleading must be served on Karl Morell, Of Counsel, Ball Janik, LLP, 1455 F Street, N.W., Suite 225, Washington, DC 20005.

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

Decided: October 21, 2005.

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

Vernon A. Williams

Secretary