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SERVICE DATE – DECEMBER 15, 2011

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FR-4915-01-P

DEPARTMENT OF TRANSPORTATION

Surface Transportation Board

[Docket No. FD 35573]

Watco Holdings, Inc. and Watco Transportation Services, L.L.C.—Acquisition of Control Exemption—Wisconsin & Southern Railroad, L.L.C.

Watco Holdings, Inc. (Watco Holdings) and Watco Transportation Services, L.L.C. (Watco Services) (collectively, Watco), both noncarriers, have filed a verified notice of exemption for Watco Holdings to acquire indirect control, and for Watco Services to acquire direct control, of the Wisconsin & Southern Railroad, L.L.C., a Class II railroad. Watco intends to consummate the transaction on or shortly after December 29, 2011, the effective date of the exemption (30 days after the verified notice was filed).

Watco Holdings, a Kansas corporation, controls Watco Services. Watco Holdings indirectly controls 23 Class III railroads operating in 18 states. For a complete list of these Class III carriers and the states within which they operate, see Watco's notice of exemption filed on November 29, 2011. The notice is available on the Board's website at "WWW.STB.DOT.GOV."

Prior to consummation of the transaction, Wisconsin & Southern Railroad Co., a Wisconsin corporation, will convert from a corporation to a Wisconsin limited liability company known as Wisconsin & Southern Railroad, L.L.C. (WSOR). As a result of the

transaction, Watco Services will acquire, pursuant to a Purchase Agreement, 90 percent of all the issued and outstanding ownership and membership interests of WSOR, and Watco Holdings thus will indirectly control WSOR.¹ WSOR will remain a Class II carrier.

Applicants represent that: (1) the rail lines operated by WSOR do not connect with any of the rail lines operated by the carriers in the Watco corporate family;² (2) the transaction is not part of a series of anticipated transactions that would connect the rail lines operated by WSOR with any railroad in the Watco corporate family; and (3) the transaction does not involve a Class I rail carrier. Therefore, the transaction is exempt from the prior approval requirements of 49 U.S.C. § 11323. See 49 C.F.R.

§ 1180.2(d)(2). Watco states that the purpose of the transaction is to permit Watco Holdings to acquire control of WSOR as an investment in order to reduce overhead expenses and coordinate billing, maintenance, mechanical and personnel policies and practices of its rail carrier subsidiaries and thereby improve the overall efficiency of rail service provided by the railroads in the Watco 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. Because the transaction involves the control of one Class II and one or more Class III rail carriers, the transaction is subject to the labor protection requirements of 49 U.S.C.

¹ A redacted version of the draft Purchase Agreement was filed with the notice of exemption. The applicant concurrently filed a motion for protective order pursuant to 49 C.F.R. § 1104.14(b) to allow the filing under seal of the unredacted Purchase Agreement. That motion will be addressed in a separate decision.

² According to the notice, the rail lines operated by WSOR are located in Wisconsin and Illinois, and none of the Watco railroads own or operate a rail line in Wisconsin or Illinois.

§ 11326(b) and Wisconsin Central Ltd.—Acquisition Exemption—Lines of Union Pacific Railroad, 2 S.T.B. 218 (1997).

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 December 22, 2011 (at least 7 days before the exemption becomes effective).

An original and 10 copies of all pleadings, referring to Docket No. FD 35573, must be filed with the Surface Transportation Board, 395 E Street, S.W., Washington, DC 20423-0001. In addition, a copy of each pleading must be served on Karl Morell, Ball Janik LLP, 655 Fifteenth Street, N.W., Suite 225, Washington, DC 20005.

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Decided: December 12, 2011.

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