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DEPARTMENT OF TRANSPORTATION

Surface Transportation Board

[Docket No. FD 35486]

RailAmerica, Inc., Palm Beach Holdings, Inc., RailAmerica Transportation Corp., RailTex, Inc., Fortress Investment Group, LLC, and RR Acquisition Holding, LLC—Continuance in Control Exemption—Conecuh Valley Railway, LLC, Three Notch Railway, LLC, and Wiregrass Central Railway, LLC

RailAmerica, Inc. (RailAmerica),¹ Palm Beach Holdings, Inc. (Palm Beach), RailAmerica Transportation Corp. (RTC), RailTex, Inc. (RailTex), Fortress Investment Group, LLC (Fortress), and RR Acquisition Holding, LLC (RR Acquisition) (collectively, RailAmerica, et al.), have filed a verified notice of exemption to continue in control, through RTC, of Conecuh Valley Railway, LLC (CVR), Three Notch Railway,

¹ RailAmerica controls the following Class III railroads: Alabama & Gulf Coast Railway, LLC, Arizona & California Railroad Company, Bauxite & Northern Railway Company, California Northern Railroad Company, Cascade and Columbia River Railroad Company, Central Oregon & Pacific Railroad, Inc., The Central Railroad Company of Indiana, Central Railroad Company of Indianapolis, Connecticut Southern Railroad, Inc., Dallas, Garland & Northeastern Railroad, Inc., Delphos Terminal Railroad Company, Inc., Eastern Alabama Railway, LLC, Huron & Eastern Railway Company, Inc., Indiana & Ohio Railway Company, Indiana Southern Railroad, LLC, Kiamichi Railroad Company, LLC, Kyle Railroad Company, The Massena Terminal Railroad Company, Mid-Michigan Railroad, Inc., Missouri & Northern Arkansas Railroad Company, Inc., New England Central Railroad, Inc., North Carolina & Virginia Railroad Company, LLC, Otter Tail Valley Railroad Company, Inc., Point Comfort & Northern Railway Company, Puget Sound & Pacific Railroad, Rockdale, Sandow & Southern Railroad Company, San Diego & Imperial Valley Railroad Company, Inc., San Joaquin Valley Railroad Co., South Carolina Central Railroad Company, LLC, Toledo, Peoria & Western Railway Corporation, and Ventura County Railroad Corp.

LLC (TNRW), and Wiregrass Central Railway, LLC (WCR) upon those noncarriers' becoming Class III rail carriers.²

This transaction is related to 3 concurrently filed verified notices of exemption, as follows: Docket No. FD 35487, Conecuh Valley Railway, LLC—Acquisition and Operation Exemption—Conecuh Valley Railroad Co., Inc., wherein CVR seeks to acquire and operate approximately 15.04 miles of rail line between milepost 374.96 at or near Troy, and the end of the line at approximately milepost 390.00 at or near Goshen, in Pike County, Ala.; Docket No. FD 35488, Three Notch Railway, LLC— Acquisition and Operation Exemption—Three Notch Railroad Co., Inc., wherein TNRW seeks to acquire and operate approximately 34 miles of rail line extending between approximately right-of-way station 22+57 at the interchange point with CSX Transportation, Inc. (CSXT), in Georgiana, Ala., and milepost 581.3 at Andalusia, Ala.;³ and Docket No. FD 35489, Wiregrass Central Railway, LLC—Acquisition and Operation Exemption—Wiregrass Central Railroad Company, Inc., wherein WCR seeks to acquire and operate approximately 21.2 miles of rail line between milepost 800.00 at Waterford and milepost 821.2 near Newton, in Coffee and Dale Counties, Ala.

The parties intend to consummate the transaction on or after May 8, 2011.

RailAmerica et al., entered into an Asset Purchase Agreement dated April 8, 2011, with Conecuh Valley Railroad Co., Inc. (COEH), Three Notch Railroad Co., Inc.

² RailAmerica et al., through RTC, owns 100 percent of CVR, TNRW, and WCR.

³ TNRW will also be assigned the selling carrier's agreement with Andalusia & Conecuh Railroad Company to lease and operate a rail line in Andalusia.

(TNHR), Wiregrass Central Railroad Company, Inc. (WGCR), and Gulf & Ohio Railways, Inc. (G&O),⁴ to acquire substantially all of the assets of COEH, TNHR, and WGCR.

Fortress's noncarrier affiliate, RR Acquisition, currently owns 55% of the publicly traded shares of, and controls, noncarrier RailAmerica. The latter directly controls noncarrier Palm Beach, which directly controls RTC. Further, Fortress, on behalf of certain other equity funds managed by it and its affiliates, directly controls noncarrier FECR Rail LLC, which directly controls FEC Rail Corp. (CORP), which directly controls Florida East Coast Railway, LLC (FEC). CORP and FEC are Class II rail carriers.

The parties represent that: (1) CVR, TNRW, and WCR will not connect with any railroads in the corporate family of RailAmerica, et al.; (2) the transaction is not part of a series of anticipated transactions that would connect the rail lines operated by CVR, TNRW, or WCR with any railroads in the corporate family of RailAmerica, et al.; and (3) the transaction does not involve a Class I carrier.

Further, the parties state that: (1) the management of RailAmerica has successfully managed short line railroads for more than a decade; (2) RailAmerica intends to focus on rail operations and to use its management experience and expertise in operating short line railroads and its financial resources to provide rail freight service to

⁴ G&O is the corporate parent of COEH, TNHR, and WGCR.

communities and industries who wish to have additional transportation options; and
(3) RailAmerica intends to create financially viable railroads in CVR, TNRW, and WCR.

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. As a condition to the use of this exemption, any employees adversely affected by this transaction will be protected by the conditions set forth in New York Dock Railway—Control—Brooklyn Eastern District Terminal, 360 I.C.C. 60 (1979).

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 29, 2011 (at least 7 days before the exemption becomes effective).

An original and 10 copies of all pleadings, referring to Docket No. FD 35486, 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 Louis E. Gitomer, 600 Baltimore Avenue, Suite 301, Towson, MD 21204.

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Decided: April 18, 2011.

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