

41204

SERVICE DATE – NOVEMBER 4, 2010

DO

FR-4915-01-P

DEPARTMENT OF TRANSPORTATION

Surface Transportation Board

[Docket No. FD 35439]

Watco Holdings, Inc., Watco Companies, Inc., and Watco Transportation Services, Inc.—Corporate Family Transaction Exemption

Watco Holdings, Inc. (Holdings), Watco Companies, Inc. (Watco), Watco Transportation Services, Inc. (Transportation Services), and the rail carrier subsidiaries have jointly filed a verified notice of exemption under 49 C.F.R. § 1180.2(d)(3) for a corporate family transaction. Watco, a noncarrier, is a Kansas corporation that controls Transportation Services, also a noncarrier and a Kansas corporation. Watco indirectly controls 22 Class III railroads (the Watco Railroads): South Kansas and Oklahoma Railroad Company (SKO); Palouse River & Coulee City Railroad, Inc.; Timber Rock Railroad, Inc.; Stillwater Central Railroad, Inc.; Eastern Idaho Railroad, Inc.; Kansas & Oklahoma Railroad, Inc.; Pennsylvania Southwestern Railroad, Inc.; Great Northwest Railroad, Inc.; Kaw River Railroad, Inc.; Mission Mountain Railroad, Inc.; Mississippi Southern Railroad, Inc.; Yellowstone Valley Railroad, Inc.; Louisiana Southern Railroad, Inc.; Arkansas Southern Railroad, Inc.; Alabama Southern Railroad, Inc.; Vicksburg Southern Railroad, Inc.; Austin Western Railroad, Inc.; Baton Rouge Southern Railroad, LLC (BRSR); Pacific Sun Railroad, L.L.C. (PSRR); Grand Elk Railroad; Alabama Warrior Railway, L.L.C. (AWR); and Boise Valley Railroad, Inc.

Under the proposed transaction, all but 4 of the Watco Railroads, SKO, PSRR, AWR, and BRSR, will reorganize. Holdings, which is a new Kansas noncarrier holding company, will indirectly control all of the Watco Railroads. There are several steps to the proposed transaction. The existing stockholders of Watco will form Holdings, and Holdings will become the parent to Watco and thus will indirectly control the 22 Watco Railroads. In addition, Watco will convert from a Kansas corporation to a Delaware limited liability company and will continue to control Transportation Services. In turn, Transportation Services will convert from a Kansas corporation to a Kansas limited liability company and will continue to directly control 21 of the Watco Railroads: all but BRSR.¹ Further, each of the Watco Railroads except SKO, PSRR, AWR, and BRSR will be converted to either a limited liability company or a C corporation, depending on applicable state law. Each of the Watco Railroads will remain incorporated in the same state of its incorporation today.

The transaction is scheduled to be consummated on or after November 18, 2010, the effective date of the exemption (30 days after the notice was filed). The purpose of this transaction is to facilitate Watco's ability to obtain financing.

This is a transaction within a corporate family of the type specifically exempted from prior review and approval under 49 C.F.R. § 1180.2(d)(3). The parties state that the transaction will not result in adverse changes in service levels, significant operational

¹ The parties state that BRSR will continue to be controlled by separate, wholly owned subsidiaries of Watco.

changes, or any change in the competitive balance with carriers outside 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. Section 11326(c), however, does not provide for labor protection for transactions under 49 U.S.C. §§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 rail carriers.

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. Petitions for stay must be filed no later than November 10, 2010 (at least 7 days before the exemption becomes effective).

An original and 10 copies of all pleadings, referring to Docket No. FD 35439, 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 Karl Morell, 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: November 1, 2010.

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