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SERVICE DATE – JANUARY 11, 2013

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FR-4915-01-P

DEPARTMENT OF TRANSPORTATION

Surface Transportation Board

[Docket No. FD 35699]

Watco Holdings, Inc., Watco Railroad Company Holdings, Inc., & Watco Acquisition Sub, Inc.—Acquisition of Control Exemption—Ann Arbor Railroad, Inc.

Watco Holdings, Inc. (Watco Holdings), Watco Railroad Company Holdings, Inc. (Watco Railroad), and Watco Acquisition Sub, Inc. (Merger Sub), all noncarriers, have filed a verified notice of exemption under 49 C.F.R. § 1180.2(d)(2) for Watco Holdings to indirectly control, and for Watco Railroad to directly control, Ann Arbor Railroad, Inc. (AA), a Class III railroad, and for Merger Sub to merge with AA, with Merger Sub as the surviving entity.<sup>1</sup> Watco Holdings intends to place the stock of Merger Sub in an irrevocable voting trust prior to the consummation of this transaction.

Watco Holdings states that it currently controls, indirectly, 27 Class III railroads and one Class II railroad. For a complete list of these rail carriers, and the states in which they operate, see the notice of exemption filed on December 27, 2012, in this proceeding. Watco Holdings also states that it controls Watco Railroad, which directly controls Merger Sub.

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<sup>1</sup> Applicants filed a redacted version of the merger agreement with the notice of exemption. Applicants simultaneously filed an unredacted version under seal with a motion for protective order. The motion will be addressed in a separate decision.

The transaction may be consummated on or after January 26, 2013 (30 days after the notice of exemption was filed).

Applicants represent that: (1) the lines to be acquired by Merger Sub do not connect with any railroads in the corporate family; (2) the transaction is not a part of a series of anticipated transactions that would connect the lines with other railroads in the 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).

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 rail carrier and one or more Class III rail carriers, the transaction is subject to the labor protection requirements of 49 U.S.C. § 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 January 18, 2013 (at least seven days before the exemption becomes effective).

An original and 10 copies of all pleadings, referring to Docket No. FD 35699, 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, 655 15th Street, N.W., Suite 225, Washington DC 20005.

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“[WWW.STB.DOT.GOV](http://WWW.STB.DOT.GOV).”

Decided: January 7, 2013.

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