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December 29, 2011

Karl Morell
Of Counsel
kmorell@balljanik.com

BY HAND DELIVERY

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Office of Proceedings

DEC 29 2011

Part of
Public Record

Cynthia Brown
Chief, Section of Administration
Surface Transportation Board
Office of Proceedings
395 E Street, SW
Washington, DC 20423

Re: STB Finance Docket No. 35579, Watco Holdings, Inc. --
Continuance In Control Exemption – Birmingham Terminal
Railway, L.L.C.

Dear Ms. Brown:

Attached for filing are the original and ten copies of a Verified
Notice of Exemption under 49 C.F.R. § 1180.2(d)(2), and a check
covering the \$1,300 filing fee.

If you have any questions, please call me.

Sincerely,

Karl Morell
Of Counsel

FILED

DEC 29 2011

**SURFACE
TRANSPORTATION BOARD**

Enclosures

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**SURFACE
TRANSPORTATION BOARD**

BEFORE THE
SURFACE TRANSPORTATION BOARD

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STB FINANCE DOCKET NO. 35579

WATCO HOLDINGS, INC.
-- CONTINUANCE IN CONTROL EXEMPTION --
BIRMINGHAM TERMINAL RAILWAY, L.L.C.

VERIFIED NOTICE OF EXEMPTION
Pursuant to 49 C.F.R. § 1180.2(d)(2)

Office of Public Affairs
DEC 29 2011
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Public Record

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SURFACE
TRANSPORTATION BOARD

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TRANSPORTATION BOARD

KARL MORELL
Of Counsel
BALL JANIK LLP
Suite 225
655 Fifteenth Street, N.W.
Washington, D.C. 20005
(202) 638-3307

Attorney for:
WATCO HOLDINGS, INC.

Dated: December 29, 2011

BEFORE THE
SURFACE TRANSPORTATION BOARD

STB FINANCE DOCKET NO. 35579

WATCO HOLDINGS, INC.
-- CONTINUANCE IN CONTROL EXEMPTION --
BIRMINGHAM TERMINAL RAILWAY, L.L.C.

VERIFIED NOTICE OF EXEMPTION
Pursuant to 49 C.F.R. § 1180.2(d)(2)

Watco Holdings, Inc. ("Watco"), files this Notice of Exemption, pursuant to 49 C.F.R. § 1180.2(d)(2), for Watco to continue in control of Birmingham Terminal Railway, L.L.C. ("BHRR"), a non-carrier, upon BHRR becoming a Class III railroad. In support of this Notice of Exemption, Watco submits the following information as required by 49 C.F.R. § 1180.4(g):

Section 1180.6(a)

- (1) A description of the proposed transaction.
 - (i) A brief summary of the proposed transaction, the name of applicants, their business address, telephone number, and the name of counsel to whom questions regarding the proposed transaction can be addressed.

Watco, a non-carrier, is a Kansas corporation which currently controls, indirectly, twenty three (23) Class III railroads operating in 18 States.¹ Watco also owns, indirectly, 100 percent of

¹ On November 28, 2011, in STB Finance Docket No. 35575, Watco filed to continue in control of Swan Ranch Railroad, L.L.C. ("SRR"), upon SRR becoming a Class III carrier. The transaction in STB Finance Docket No. 35575 is expected to be consummated on January 1, 2012. On November 29, 2011, in STB Finance Docket No. 35573, Watco and Watco Transportation Services, L.L.C. filed to control Wisconsin & Southern Railroad, L.L.C. ("WSOR"). Watco will inform the Surface Transportation Board ("Board") when the transaction in STB Finance Docket No. 35573 is consummated.

the issued and outstanding stock of BHRR, a Delaware limited liability company and a non-carrier that was formed for the purpose of acquiring and operating the rail lines in Alabama owned by Birmingham Southern Railroad Company (“BS”). Concurrently with the filing of this Notice of Exemption, BHRR is filing a Notice of Exemption in STB Finance Docket No. 35578, *Birmingham Terminal Railway, L.L.C. – Acquisition Exemption – Birmingham Southern Railroad Company*, under 49 C.F.R. § 1150.31, to acquire and operate the BS rail lines. Upon consummation of the transaction in STB Finance Docket No. 35578, BHRR will become a Class III terminal and switching carrier.

Watco also controls, through stock ownership and management, the South Kansas and Oklahoma Railroad Inc. (“SKO”), Palouse River & Coulee City Railroad, L.L.C. (“PRCC”), the Timber Rock Railroad, L.L.C. (“TIBR”), the Stillwater Central Railroad, L.L.C. (“SLWC”), the Eastern Idaho Railroad, L.L.C. (“EIRR”), Kansas & Oklahoma Railroad, L.L.C. (“K&O”), the Pennsylvania Southwestern Railroad, L.L.C. (“PSWR”), the Great Northwest Railroad, L.L.C. (“GNR”), the Kaw River Railroad, L.L.C. (“KRR”), the Mission Mountain Railroad, L.L.C. (“MMT”), the Mississippi Southern Railroad, L.L.C. (“MSRR”), the Yellowstone Valley Railroad, L.L.C. (“YVRR”), the Louisiana Southern Railroad, L.L.C. (“LSRR”), the Arkansas Southern Railroad, L.L.C. (“ARSR”), the Alabama Southern Railroad, L.L.C. (“ABS”), the Vicksburg Southern Railroad, L.L.C. (“VSOR”), the Austin Western Railroad, L.L.C. (“AWRR”), the Baton Rouge Southern Railroad, L.L.C. (“BRSR”), the Pacific Sun Railroad, L.L.C. (“PSRR”), the Grand Elk Railroad, Inc. (“GER”), Alabama Warrior Railway, L.L.C. (“AWR”), Boise Valley Railroad, L.L.C. (“BVR”) and Autauga Northern Railroad, L.L.C. (“ANRR”). SKO, PRCC, TIBR, SLWC, EIRR, K&O, PSWR, GNR, KRR, MMT, MSRR, YVRR, LSRR, ARSR, ABS, VSOR, AWRR, BRSR, PSRR, GER, AWR, BVR and ANRR are

Class III carriers which operate rail lines in 18 States. SRR will become a Class III carrier and WSOR will remain a Class II carrier. BHRR will become a Class III carrier.

The rail lines operated by SKO, PRCC, TIBR, SLWC, EIRR, K&O, PSWR, GNR, KRR, MMT, MSRR, YVRR, LSRR, ARSR, ABS, VSOR, AWRR, BRSR, PSRR, GER, AWR, BVR and ANRR do not connect with the rail lines that will be operated by BHRR. The rail lines operated by WSOR and the rail lines that will be operated by SRR also do not connect with the rail lines that will be operated by BHRR. The rail lines that will be operated by BHRR are located between East Thomas and Bessemer and between Ensley and Port Birmingham in central Alabama. The only Watco railroads that operate over lines in Alabama are ABS, AWR and ANRR. ABS's rail lines are located in the western area of Alabama, whereas ANRR's rail lines are located in south central Alabama. While AWR's rail lines are located near Birmingham, Alabama they do not connect to the rail lines that will be operated by BHRR.

Also, the involved transaction is not part of a series of anticipated transactions that would connect the rail lines that will be operated by BHRR with any railroad in the Watco corporate family. Finally, neither BHRR nor any of the carriers controlled by Watco are Class I rail carriers. Accordingly, this transaction falls within the class of transactions described at 49 C.F.R. § 1180.2(d)(2), and exempt from prior approval by the Board.

The name and business address of Applicants are as follows:

Watco Holdings, Inc.
315 W. 3rd Street
Pittsburg, KS 66762

Austin Western Railroad, L.L.C.
315 W. 3rd Street
Pittsburg, Kansas 66762

Vicksburg Southern Railroad, L.L.C.
315 W. 3rd Street
Pittsburg, Kansas 66762

Alabama Southern Railroad, L.L.C.
315 W. 3rd Street
Pittsburg, KS 66762

Arkansas Southern Railroad, L.L.C.
315 W. 3rd Street
Pittsburg, Kansas 66762

Louisiana Southern Railroad, L.L.C.
315 W. 3rd Street
Pittsburg, KS 66762

Yellowstone Valley Railroad, L.L.C.
315 W. 3rd Street
Pittsburg, KS 66762

Mississippi Southern Railroad, L.L.C.
315 W. 3rd Street
Pittsburg, KS 66762

Mission Mountain Railroad, L.L.C.
315 W. 3rd Street
Pittsburg, KS 66762

South Kansas and Oklahoma Railroad, Inc.
123 N. Depot
Cherryvale, KS 67335

Palouse River & Coulee City Railroad, L.L.C.
325 Mill Road
Lewiston, ID 83501

Timber Rock Railroad, L.L.C.
505 West Avenue F
Silsbee, TX 77656

Stillwater Central Railroad, L.L.C.
123 N. Depot
Cherryvale, KS 67335

Eastern Idaho Railroad, L.L.C.
618 Shoshone St. West
Twin Falls, ID 83301

Kansas & Oklahoma Railroad, L.L.C.
1825 W. Harry
Wichita, KS 67213

Pennsylvania Southwestern Railroad, L.L.C.
10th Street and Midland Avenue
Midland, PA 15059

Great Northwest Railroad, L.L.C.
325 Mill Road
Lewiston, ID 83501

Kaw River Railroad, L.L.C.
315 W. 3rd Street
Pittsburg, KS 66762

Baton Rouge Southern Railroad, L.L.C.
315 W. 3rd Street
Pittsburg, Kansas 66762

Pacific Sun Railroad, L.L.C.
315 W. 3rd Street
Pittsburg, KS 66762

Grand Elk Railroad, Inc.
315 W. 3rd Street
Pittsburg, KS 66762

Alabama Warrior Railway, L.L.C.
315 W. 3rd Street
Pittsburg, KS 66762

Boise Valley Railroad, L.L.C.
315 W. 3rd Street
Pittsburg, KS 66762

Autauga Northern Railroad, L.L.C.
315 W. 3rd Street
Pittsburg, KS 66762

Birmingham Terminal Railway, L.L.C.
315 W. 3rd Street
Pittsburg, KS 66762

Applicants' representative:

Karl Morell
Of Counsel
Ball Janik LLP
655 Fifteenth Street, N.W.
Suite 225
Washington, D.C. 20005
(202) 638-3307

- (ii) The proposed time schedule for consummation of the proposed transaction.

Watco intends to consummate this transaction on or shortly after January 31, 2012.

- (iii) The purpose sought to be accomplished by the proposed transaction.

Watco intends to reduce overhead expenses, 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.

- (5) A list of the State(s) in which any part of the property of each applicant carrier is situated.

SKO's lines are located in Missouri, Kansas and Oklahoma.

EIRR's lines are located in Idaho.

PRCC's lines are located in Washington, Oregon and Idaho.

TIBR's lines are located in Texas and Louisiana.

SLWC's lines are located in Oklahoma.

K&O's lines are located in Kansas and Colorado.

PSWR's line is located in Pennsylvania.

GNR's lines are located in Idaho and Washington.

KRR's lines are located in Kansas and Missouri.

MMT's lines are located in Montana.

MSRR's line is located in Mississippi.

YVRR's lines are located in Montana and North Dakota.

LSRR's lines are located in Louisiana.

ARSR's lines are located in Arkansas and Oklahoma

ABS's lines are located in Mississippi and Alabama.

VSOR's lines are located in Mississippi.

AWRR's lines are located in Texas.

BRSR's lines are located in Louisiana.

PSRR's lines are located in California.

GER's lines are located in Indiana and Michigan.

AWR's lines are located in Alabama.

BVR's lines are located in Idaho.

ANRR's lines are located in Alabama.

SRR's lines will be located in Wyoming.

WSOR's rail lines are located in Wisconsin and Illinois.

BHRR's lines will be located in Alabama.

(6) Map.

Maps illustrating the rail lines of SKO, PRCC, TIBR, SLWC, EIRR, K&O, PSWR, GNR, KRR, MMT, MSRR, YVRR, LSRR, ARSR, ABS, VSOR, AWRR, BRSR, PSRR, GER, AWR, BVR and ANRR and the rail lines to be operated by BHRR are attached as Exhibit 1.

(7)(ii) Agreement.

Watco will not enter into any agreement, or sign any written instrument, to continue in control of BHRR.

Because SKO, PRCC, TIBR, SLWC, EIRR, K&O, PSWR, GNR, KRR, MMT, MSRR, YVRR, LSRR, ARSR, ABS, VSOR, AWRR, BRSR, PSRR, GER, AWR, BVR and ANRR are Class III carriers, SRR will become a Class III carrier and because BHRR will become a Class III rail carrier, no labor protection may be imposed on this transaction pursuant to 49 U.S.C. § 11326(c), if it is consummated before the transaction in STB Finance Docket No. 35573. Because WSOR is a Class II carrier, the labor protective conditions set forth in *Wisconsin Central LTD. – Acquisition Exem. – Union Pac. RR*, 2 S.T.B. 218 (1997) should be imposed on this transaction if the transaction in STB Finance Docket No. 35573 is consummated prior to the consummation of this transaction.

ENVIRONMENTAL AND HISTORIC IMPACTS

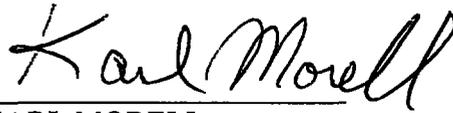
Watco will continue to control BHRR for the purpose of continued rail operations where further Board approval is required to abandon or discontinue any service, and there are no plans to dispose of or alter properties subject to the Board's jurisdiction that are 50 years old or older. Hence, this Notice of Exemption does not require an historic report under 49 C.F.R. § 1105.8(b)(1).

Watco's continuance in control of BHRR will not result in significant changes in carrier operations. There will not be a diversion of: (1) more than 1,000 rail carloads a year to motor carriage; or (2) an average of 50 carloads per mile per year for any part of these lines to motor carriage. This transaction will not result in: (1) an increase in rail traffic of at least 100 percent or an increase of at least eight trains a day on any segment of the lines; (2) an increase of rail yard activity of at least 100 percent; or (3) an average increase in truck traffic of more than 10 percent of

the average daily traffic or 50 vehicles a day. This transaction will not affect a Class I or nonattainment area under the Clean Air Act. In any event, the thresholds of 49 C.F.R. § 1105.7(e)(5)(ii) will not be exceeded. Finally, this transaction does not contemplate the transportation of any ozone depleting materials. Therefore, no environmental documentation is required under 49 C.F.R. § 1105.6(c)(2).

This action will not significantly affect either the quality of the human environment or energy conservation.

Respectfully submitted,



KARL MORELL
Of Counsel
BALL JANIK LLP
655 Fifteenth Street, N.W.
Suite 225
Washington, D.C. 20005
(202) 638-3307

Attorney for:
WATCO HOLDINGS, INC.

Dated: December 29, 2011

EXHIBIT 1



LEGEND:

Alabama Southern RR (ABS) 

Alabama Southern Trackage Rights 

Interchanges - Track miles 85

 - Artesia

 - Brookwood

NS - Tuscaloosa

 Mechanical Services

 Switching Services



LEGEND:

Alabama Warrior RR (ABWR) 

Interchanges - Track miles 15

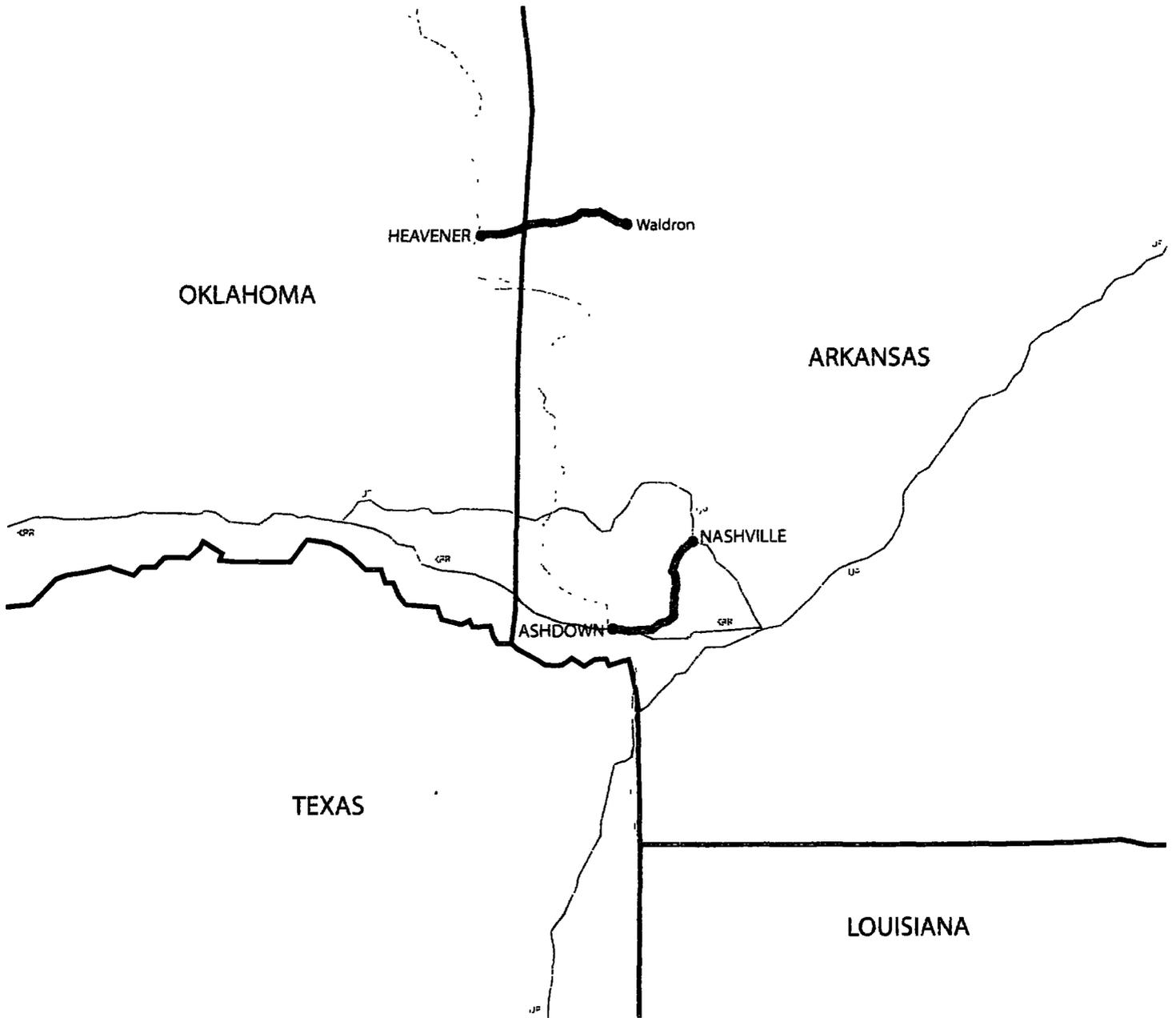
BNSF - Birmingham
 - Birmingham

NS - Birmingham

 Mechanical Services

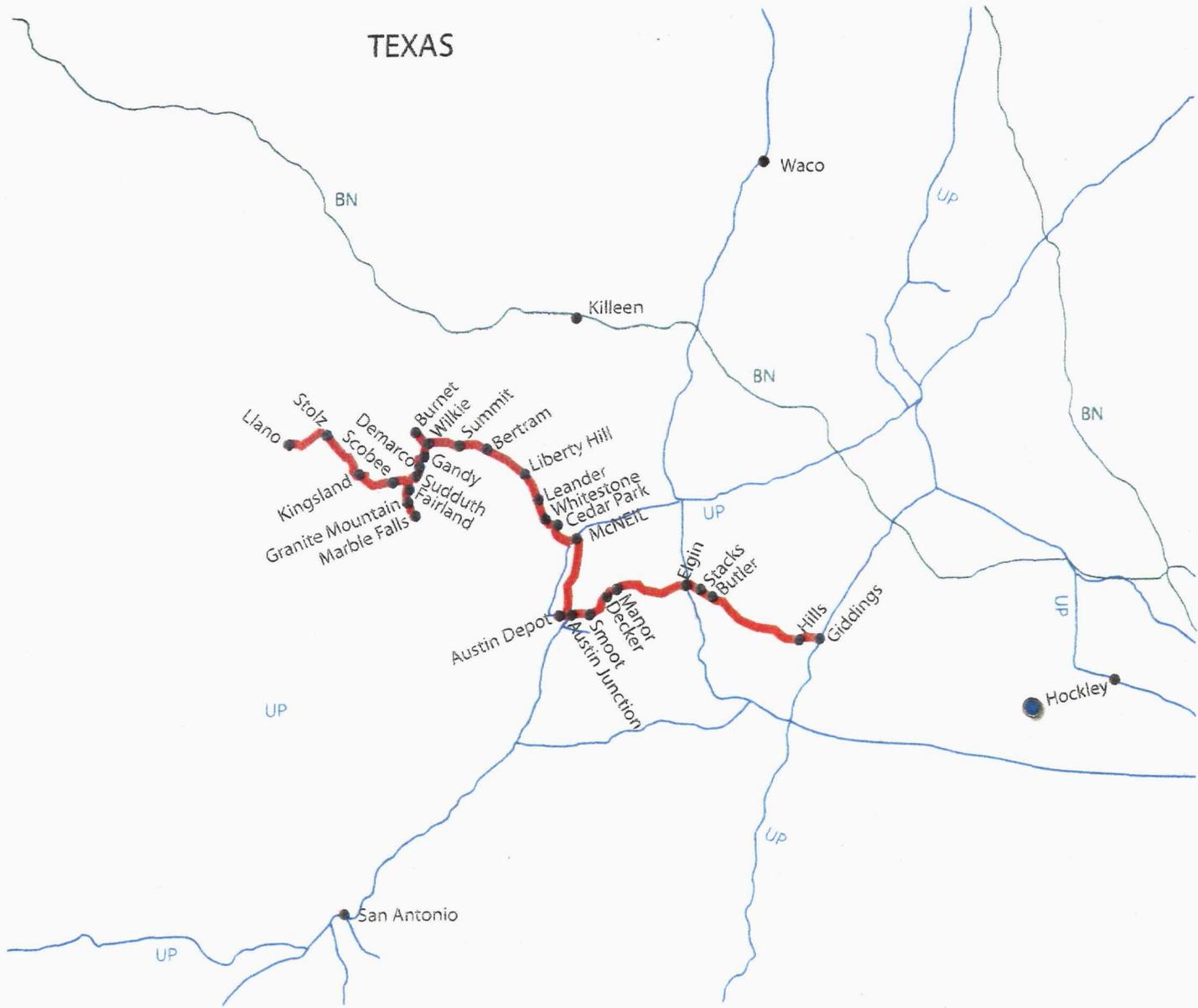
 Switching Services

 Transload Services



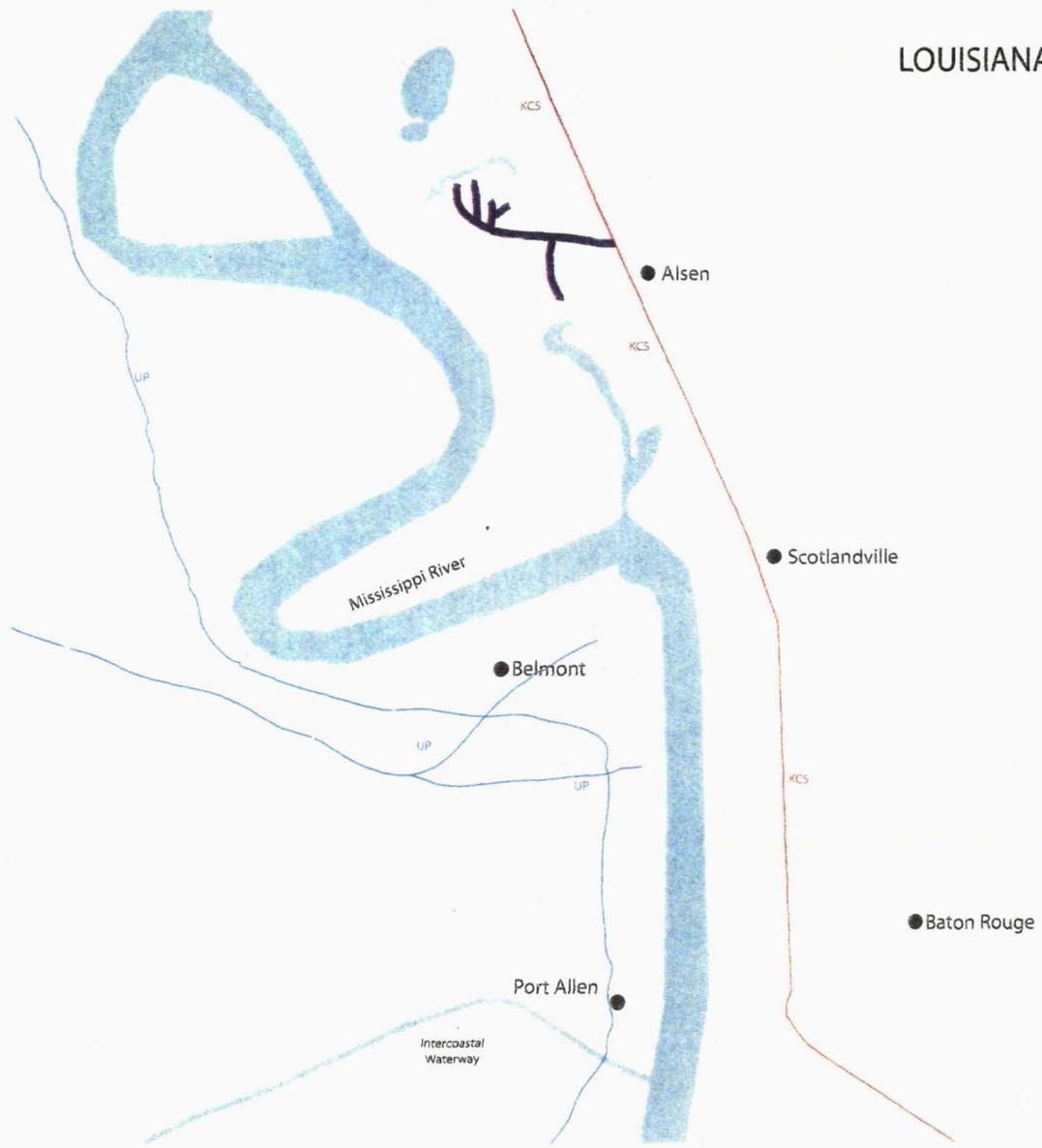
LEGEND:
 Arkansas Southern RR (ARS) 
Interchanges - Track miles 62
 - - Ashdown, Heavener
 JP - Nashville

TEXAS

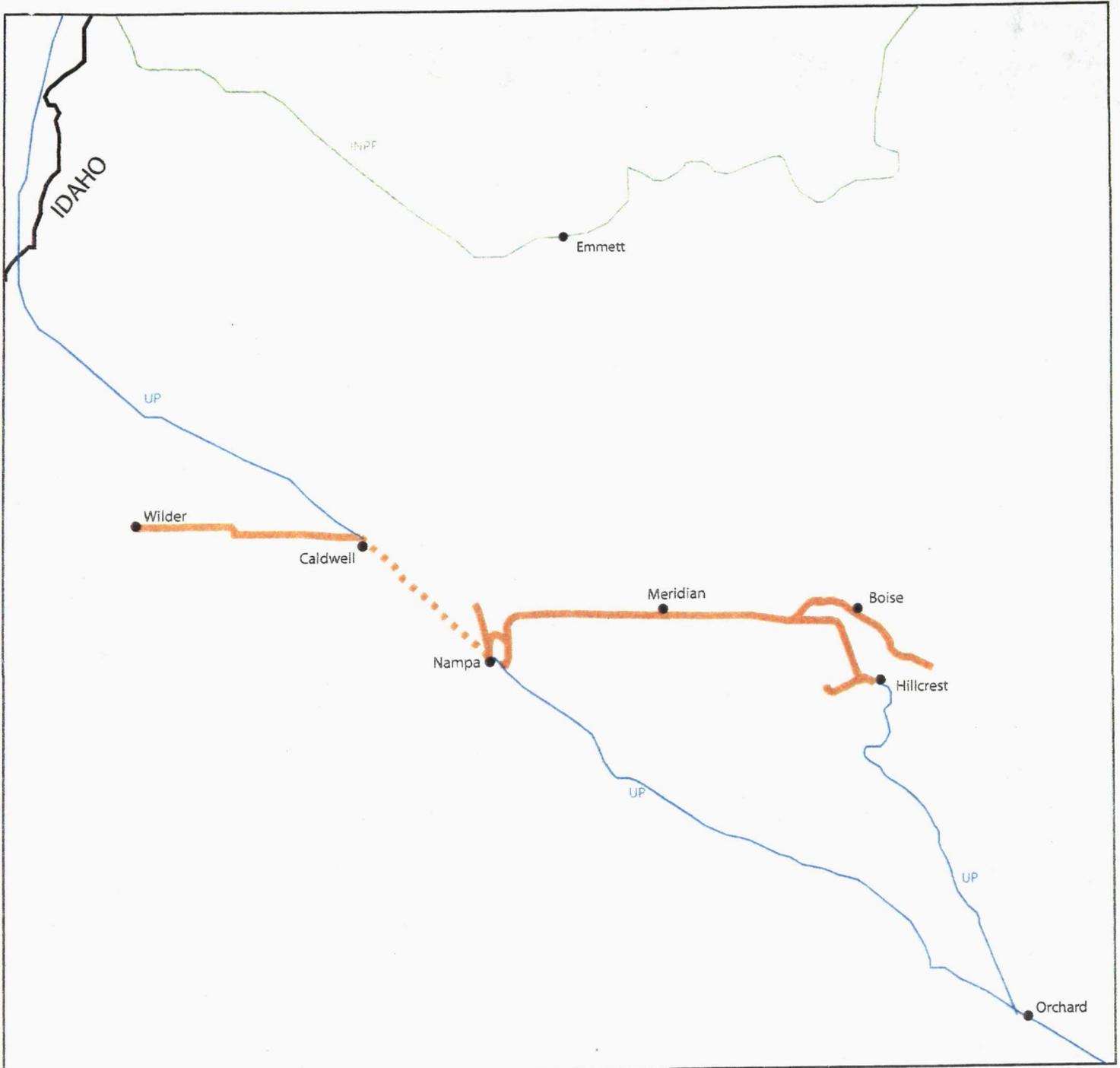


LEGEND:
 Austin Western RR (AWRR) —————
Interchanges - Track miles 154
 UP - McNeil
 BNSF - McNeil
 ● Mechanical Services

LOUISIANA



LEGEND:		Interchanges - Track miles 1.5
Baton Rouge Southern RR (BRS)		
		<small>KCS - BRS south</small>

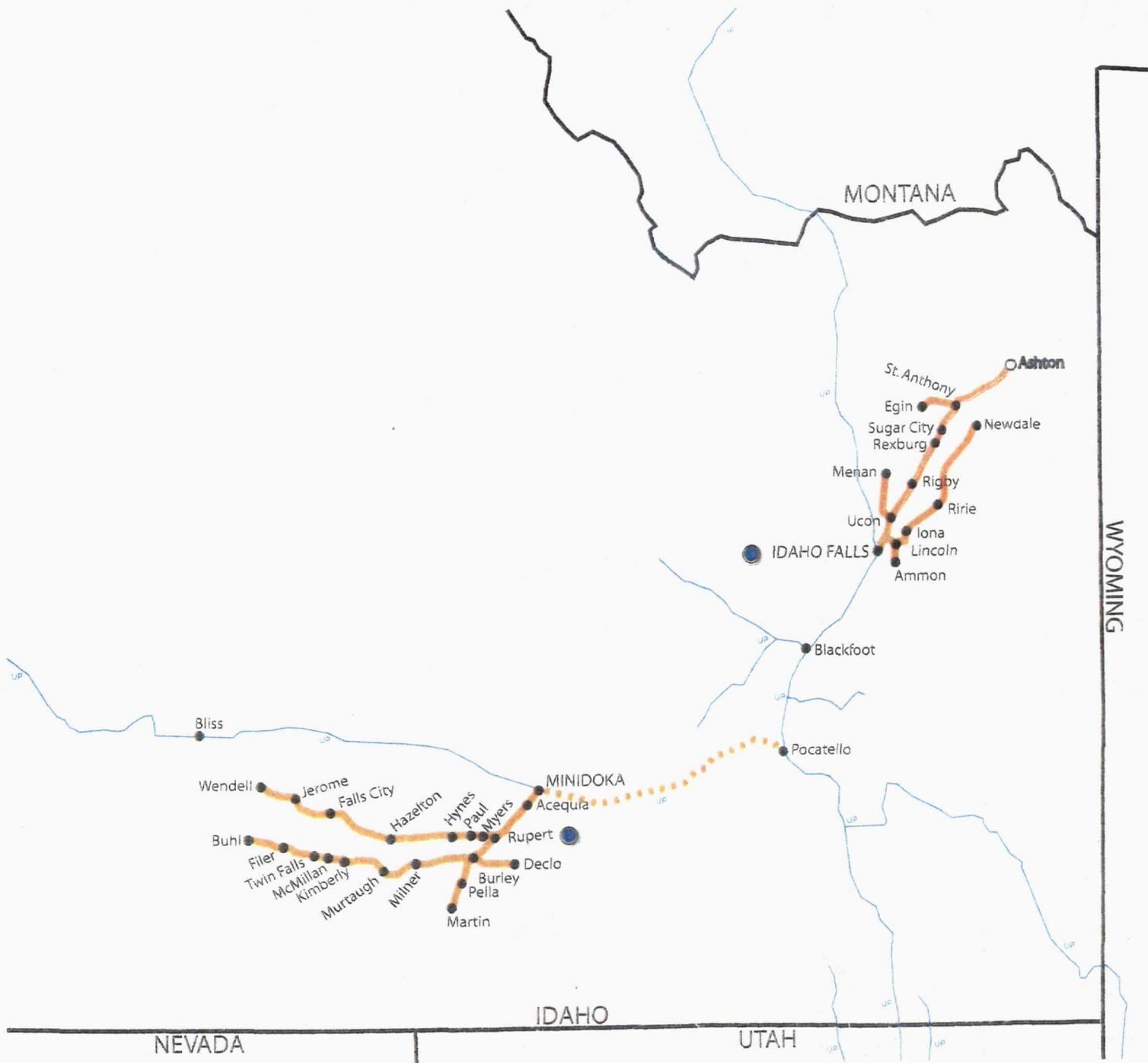


LEGEND:

- Boise Valley RR (BVR)
- Boise Valley Trackage Rights
- Idaho Northwest & Pacific
- Union Pacific

Interchanges - Track miles 36

UP - Nampa, Caldwell

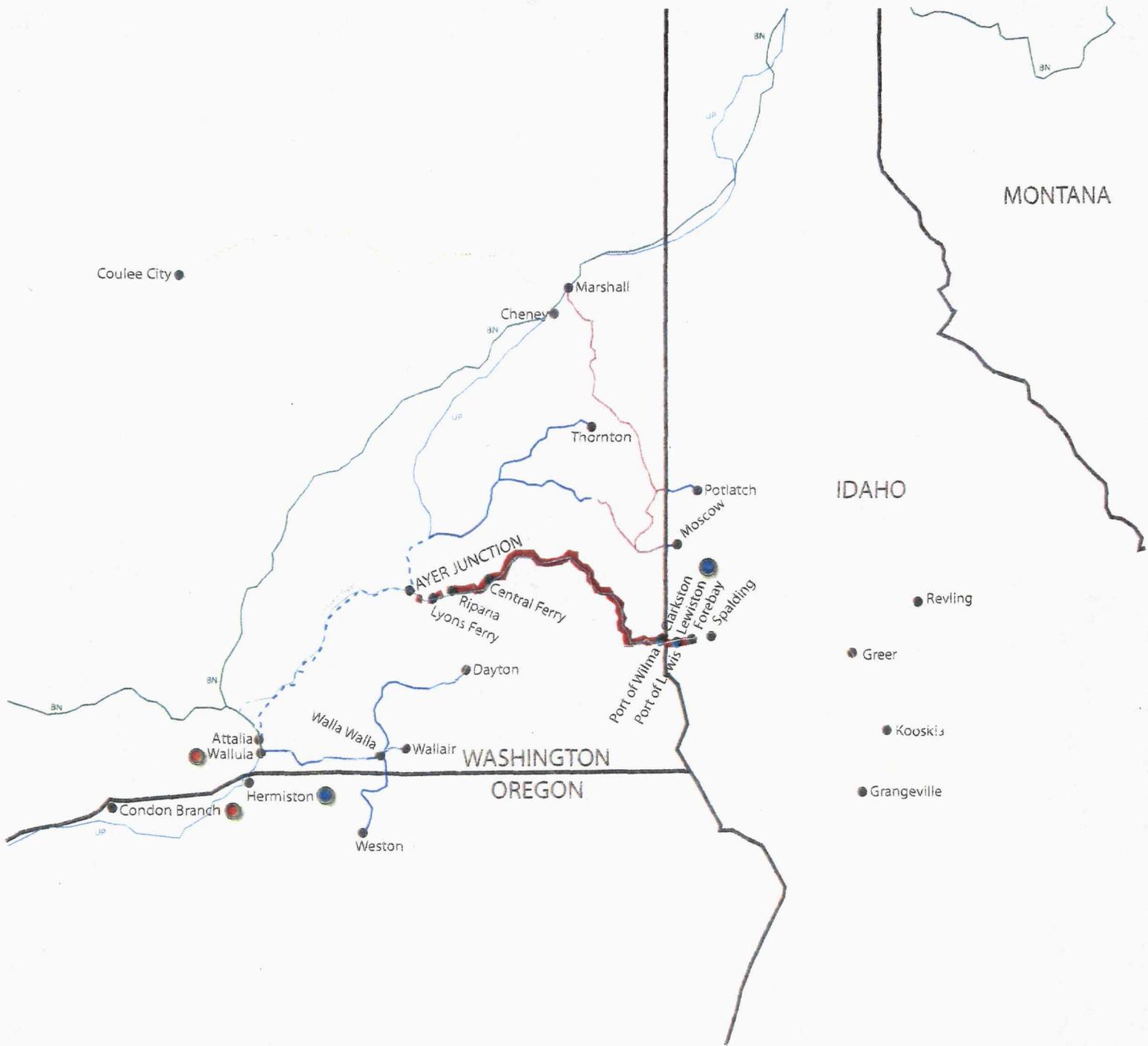


LEGEND:

- Eastern Idaho RR (EIRR) —————
- Eastern Idaho Trackage Rights - - - - -

Interchanges - Track miles 270

- UP - Minidoka, Idaho Falls
- Mechanical Services



LEGEND:

- Great Northwest RR (GRNW)
- Great Northwest Trackage Rights
- Palouse River & Coulee City RR (PCC)
- Palouse River & Coulee City Trackage Rights
- BG & CM Railroad
- Eastern Washington Gateway RR
- Washington and Idaho Railway

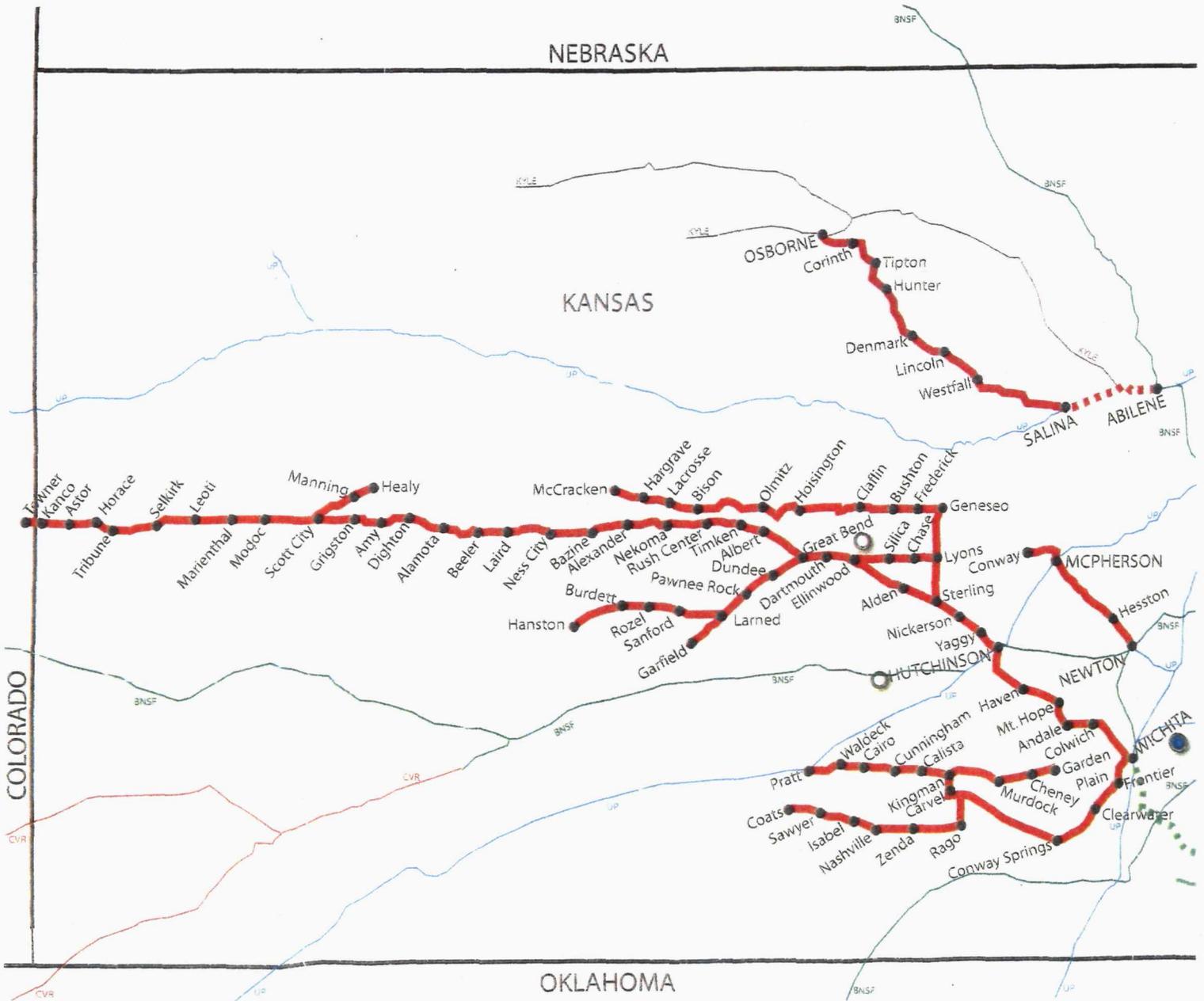
Interchanges - Track miles 77

UP, BNSF - Ayer

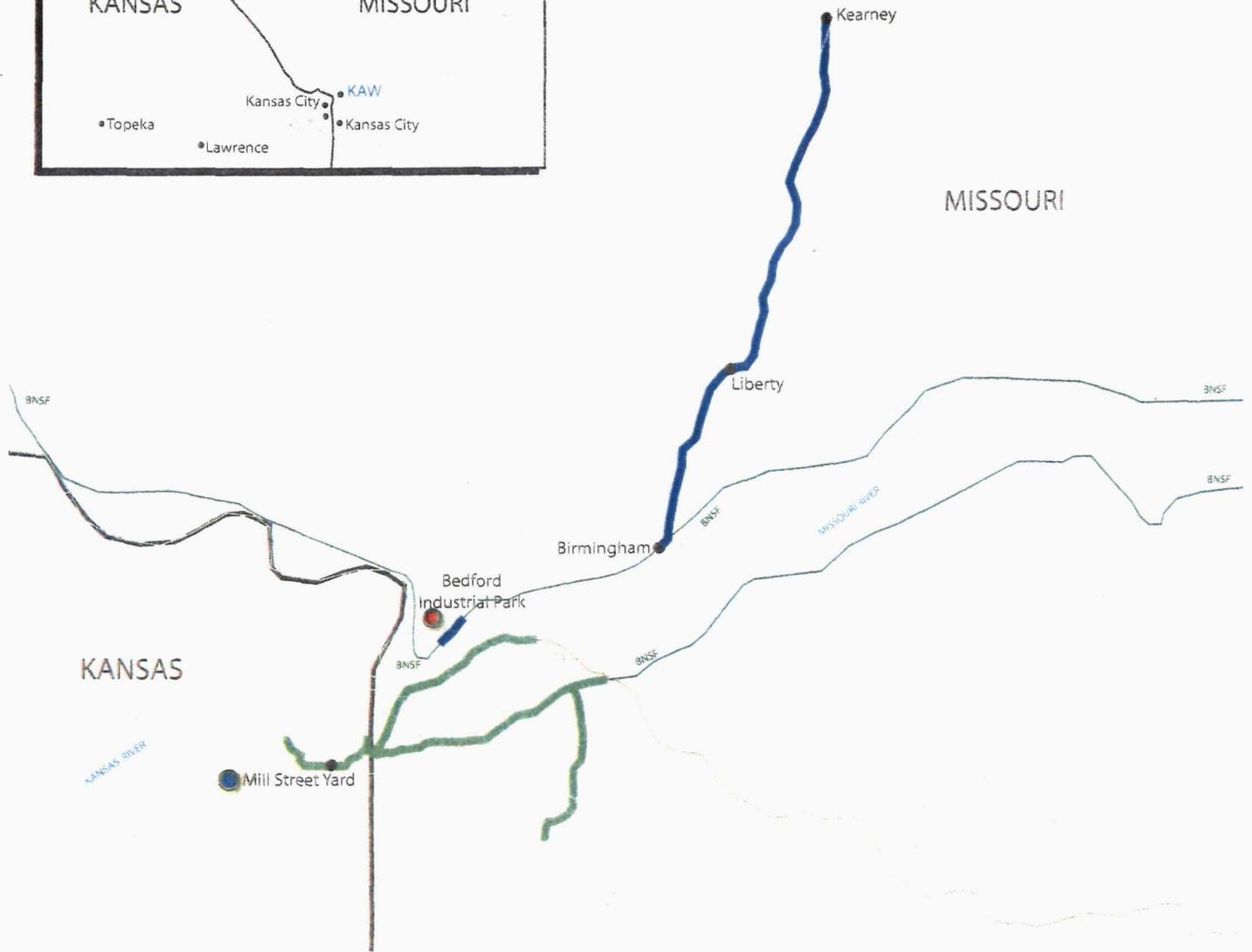
- Mechanical Services
- Switching Services



LEGEND:		
Grand Elk Railroad		Norfolk Southern
Amtrak		
Chesapeake and Indiana		Interchanges
Canadian National		NS - Elkhart, IN & Kalamazoo, MI
Indiana Northeastern		CN - Kalamazoo, MI
Michigan Southern		CSXT - Grand Rapids, MI
		- Grand Rapids, MI
		- Grand Rapids, MI
		- Grand Rapids, MI
		MSO - White Pigeon, MI
		Total Miles: 122.9



LEGEND:	
Kansas & Oklahoma RR (KO)	
Kansas & Oklahoma Trackage Rights	
South Kansas & Oklahoma RR Trackage Rights (SKO)	
Kyle Railroad (KYLE)	
Cimmaron Valley Railroad (CVR)	
Interchanges - Track miles 820	
BNSF - Abilene, Hutchinson, Newton, Wichita	
KLYE - Osborne	
UP - Wichita	
UP - Hutchinson, McPherson, Salina, Wichita	
Mechanical Services	
Transload/Warehouse Services	



LEGEND:

KAW River Railroad (KAW)

Interchanges

BNSF - Kansas City, MO (Bedford Industrial Park)

BNSF - Birmingham, MO (Kearney Subdivision)

Track miles - 21

Kansas City Transportation Company LLC (KCTL)

Interchanges - Track miles 32

BNSF - Kansas City, KS Mechanical Services

ICE - Kansas City, MO/KS Switching Services

KS - Kansas City, MO/KS

NS - Kansas City, MO

UP - Kansas City, MO/KS



LEGEND:

Louisiana Southern RR (LAS) 

Interchanges - Track miles 166.6

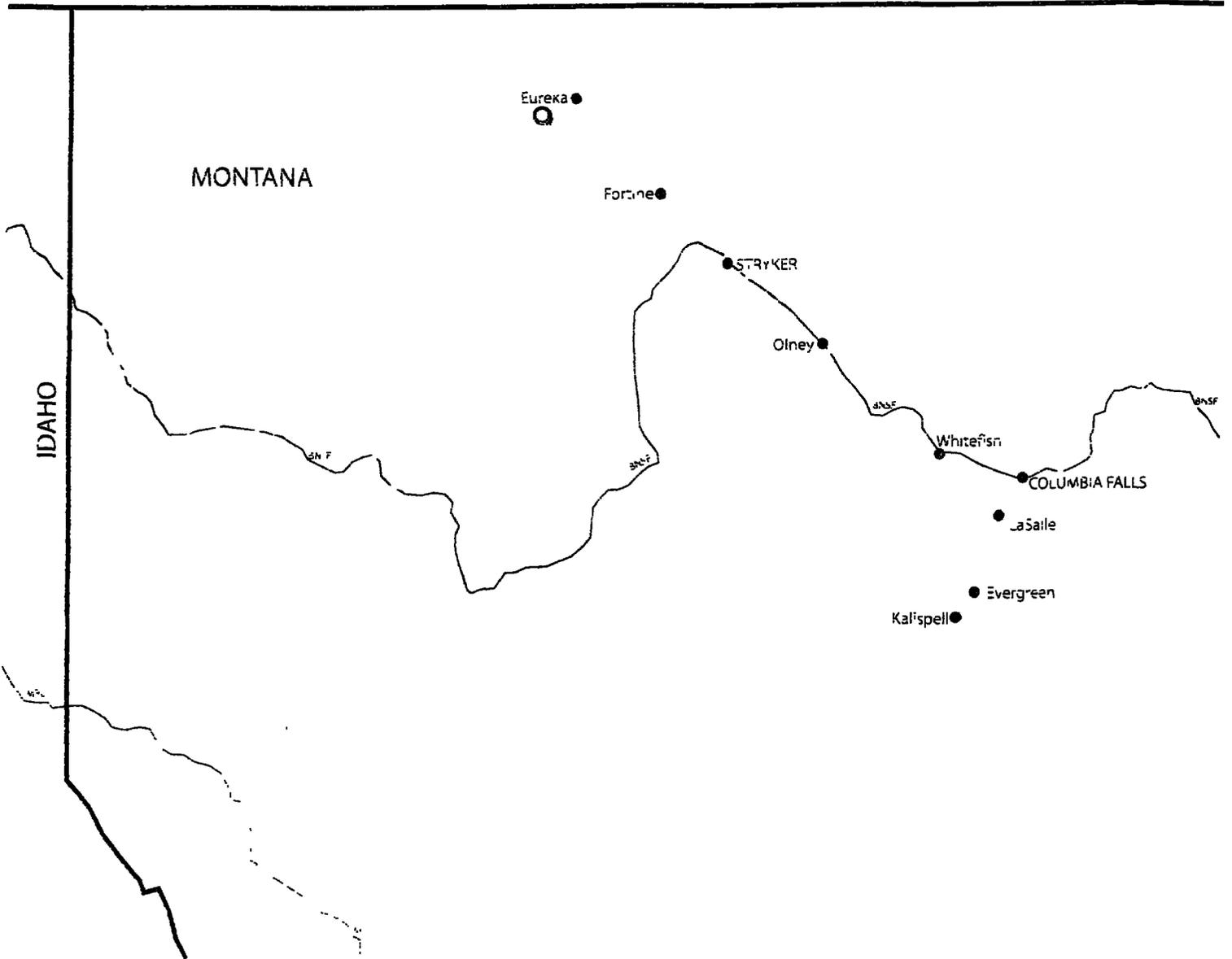
 - Gibsland, Tioga, Sibley

 Mechanical Services

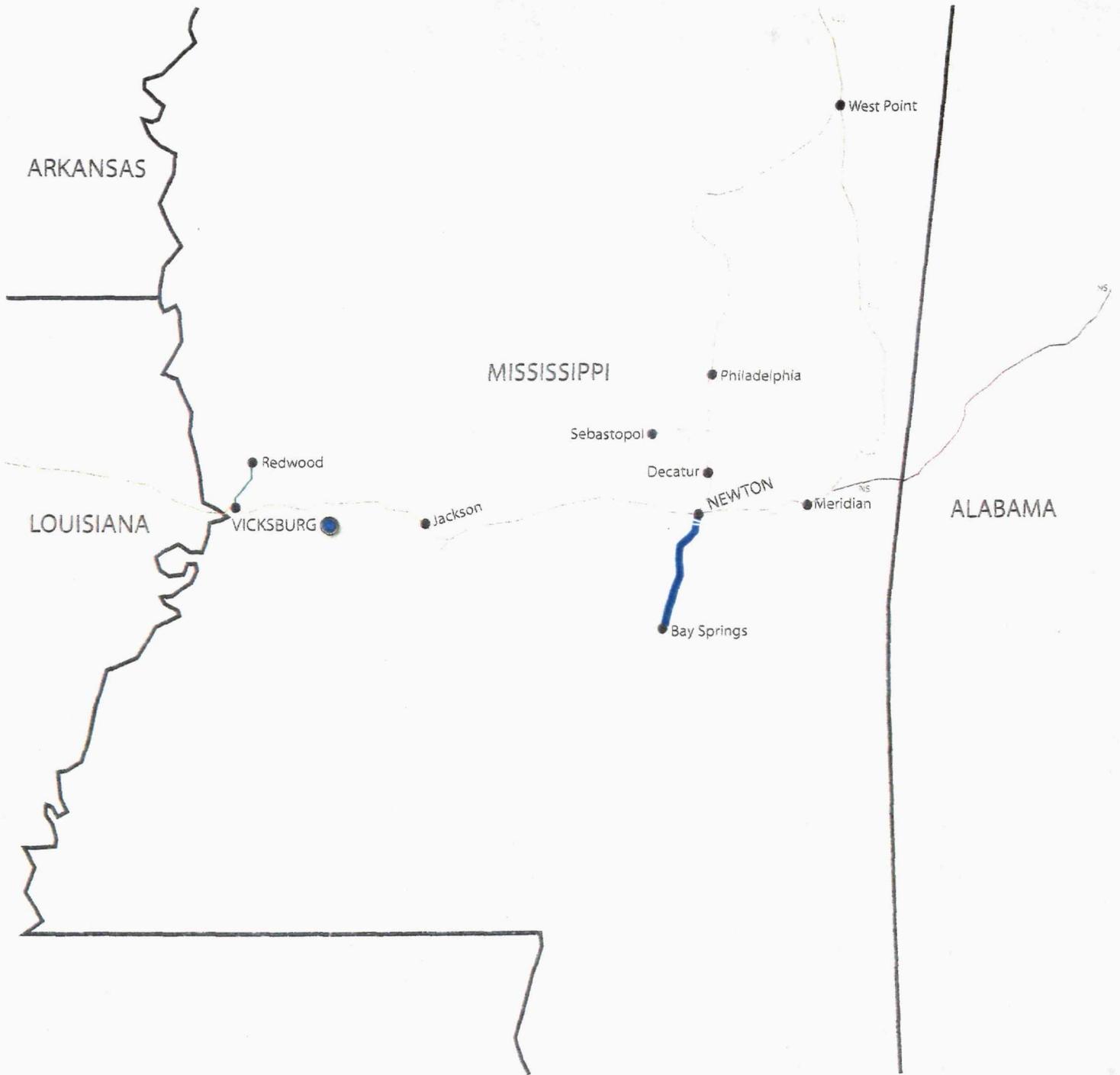
 Switching Services

 Transload/Warehouse Services

CANADA



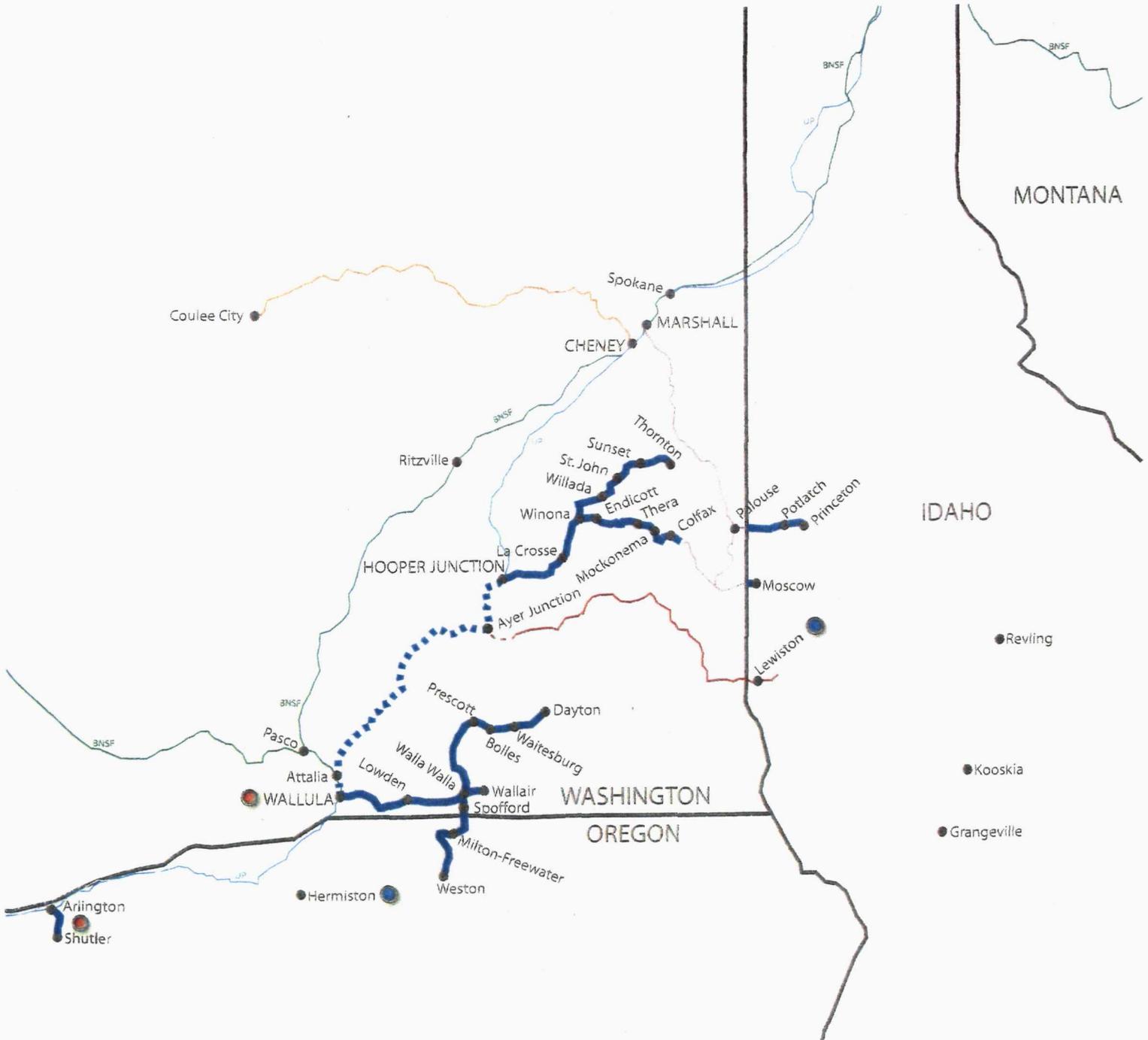
LEGEND:
Mission Mountain Railroad (MMT) ———
Montana Rail Link (MRU) - - - - -
Interchanges - Track miles 39.5
BNSF - Stryker, Columbia Falls
● Transload/Warehouse Services



LEGEND:	
Mississippi Southern RR (MSR)	
Mississippi Southern RR Trackage Rights	
Vicksburg Southern Railroad	
Interchanges - Track miles 28	
- Newton	
Mechanical Services	

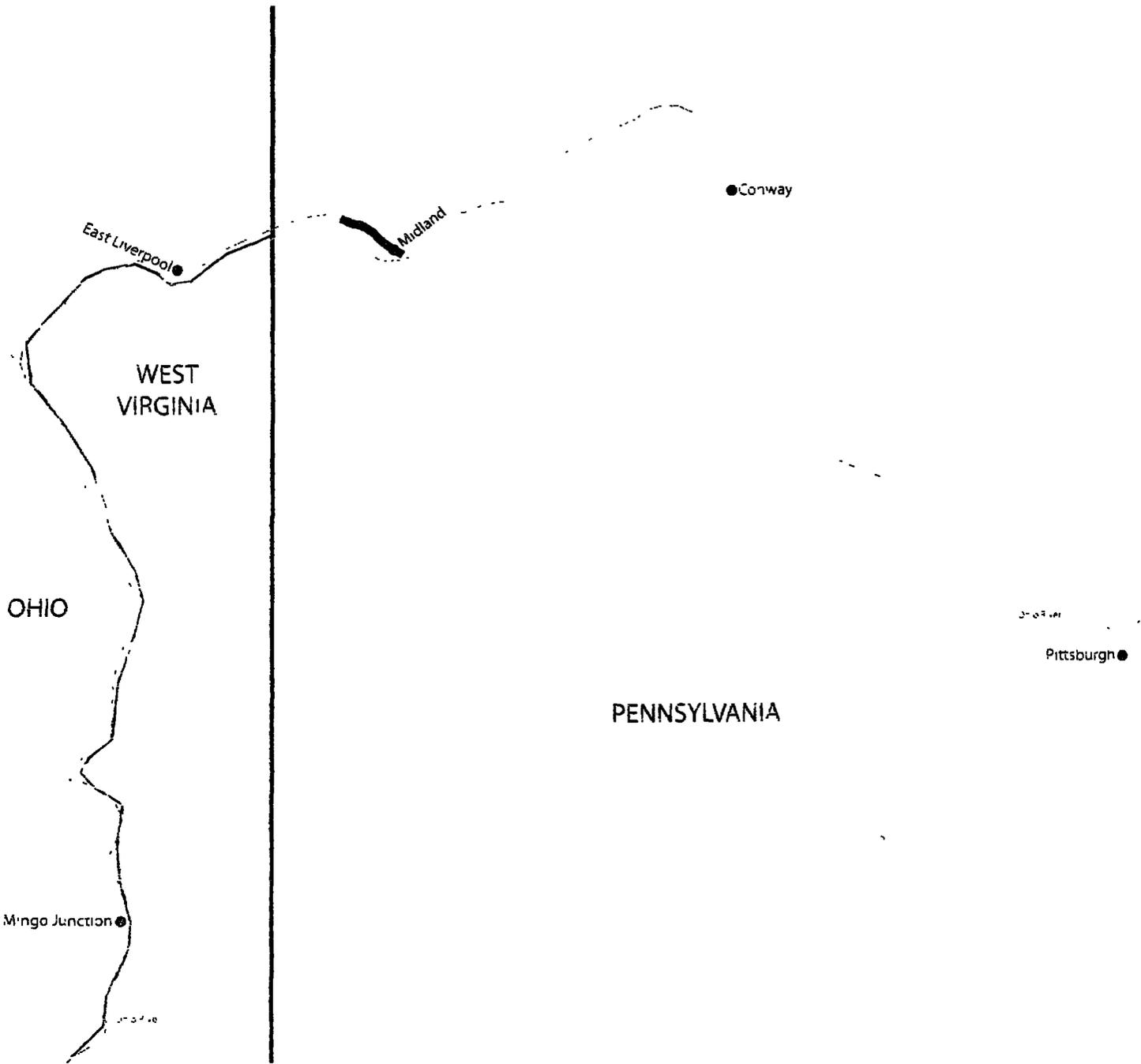


LEGEND:		Interchanges - Track miles 62	
Pacific Sun RR (PSRR)		BNSF - Oceanside	
	Switching Services		



LEGEND:

Palouse River & Coulee City RR (PCC)		interchanges - Track miles 202
Palouse River & Coulee City Trackage Rights		BNSF - Wallula
Great Northwest RR		UP - Hooper Junction, Wallula
Great Northwest RR Trackage Rights		Mechanical Services
Washington and Idaho Railway		Switching Services
Eastern Washington Gateway RR		
BG & CM Railroad		



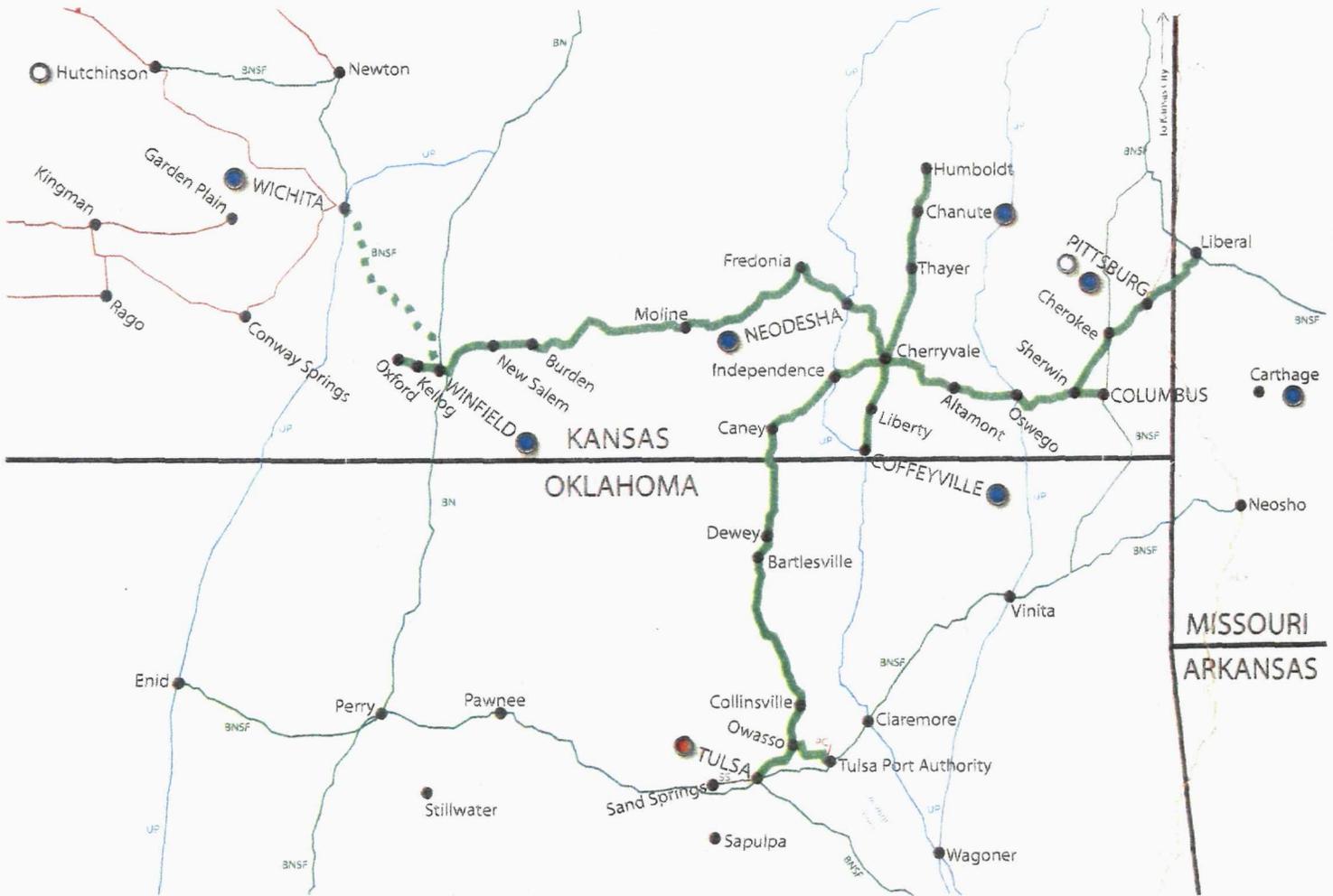
LEGEND:

Pennsylvania Southwestern RR (PSWR)

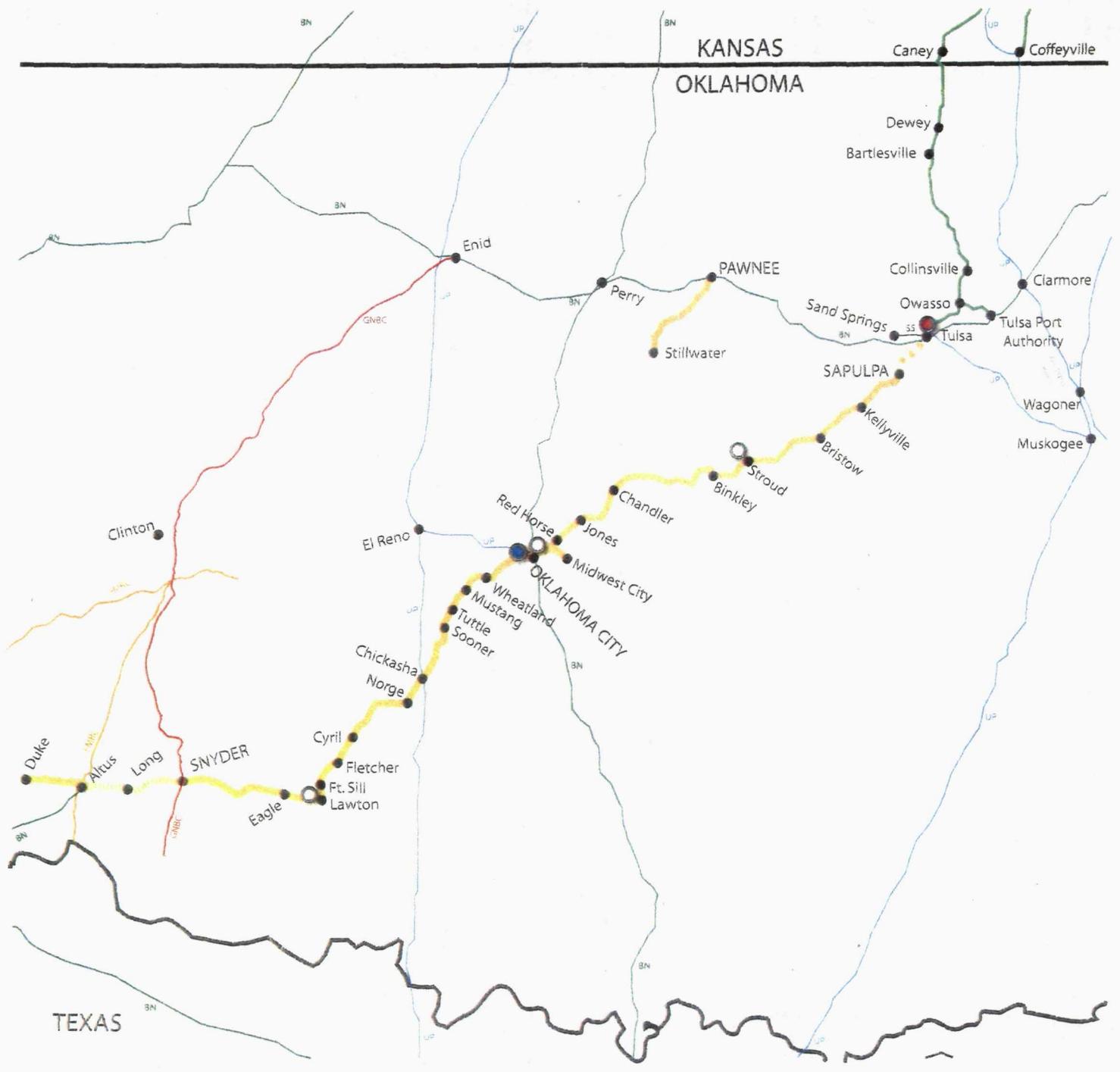
Interchanges - Track miles 12

- Midland





LEGEND:		Interchanges - Track miles 380	
South Kansas & Oklahoma RR (SKOR)		UP	- Coffeyville, Winfield, Tulsa, Neodesha
South Kansas & Oklahoma Trackage Rights		BNSF	- Winfield, Tulsa, Columbus
Kansas & Oklahoma RR (KOR)		KS	- Pittsburg
Stillwater Central RR (SLWC)		KO	- Wichita
Stillwater Central Trackage Rights		SS	- Tulsa
Sand Springs RR (SS)		PC	- Tulsa
Tulsa's Port of Catoosa (PC)			
	Mechanical Services		
	Switching Services		
	Transload/Warehouse Services		



LEGEND:		Interchanges - Track miles 265.4	
Stillwater Central Railroad (SLWC)		BNSF	- Oklahoma City, Pawnee, Sapulpa, Snyder, Altus
Stillwater Central Trackage Rights		FRMC	- Altus
South Kansas & Oklahoma RR (SKOR)		GNBC	- Snyder
Sand Springs RR (SS)		KT&N	- Tulsa
Grainbelt Corporation (GNBC)		UP	- Oklahoma City
	Mechanical Services		
	Switching Services		
	Transload/Warehouse Services		



LEGEND:

Timber Rock RR (TIBR) 

Interchanges - Track miles 168

BNSF - Tenaha, Silsbee 

UP - DeRidder 

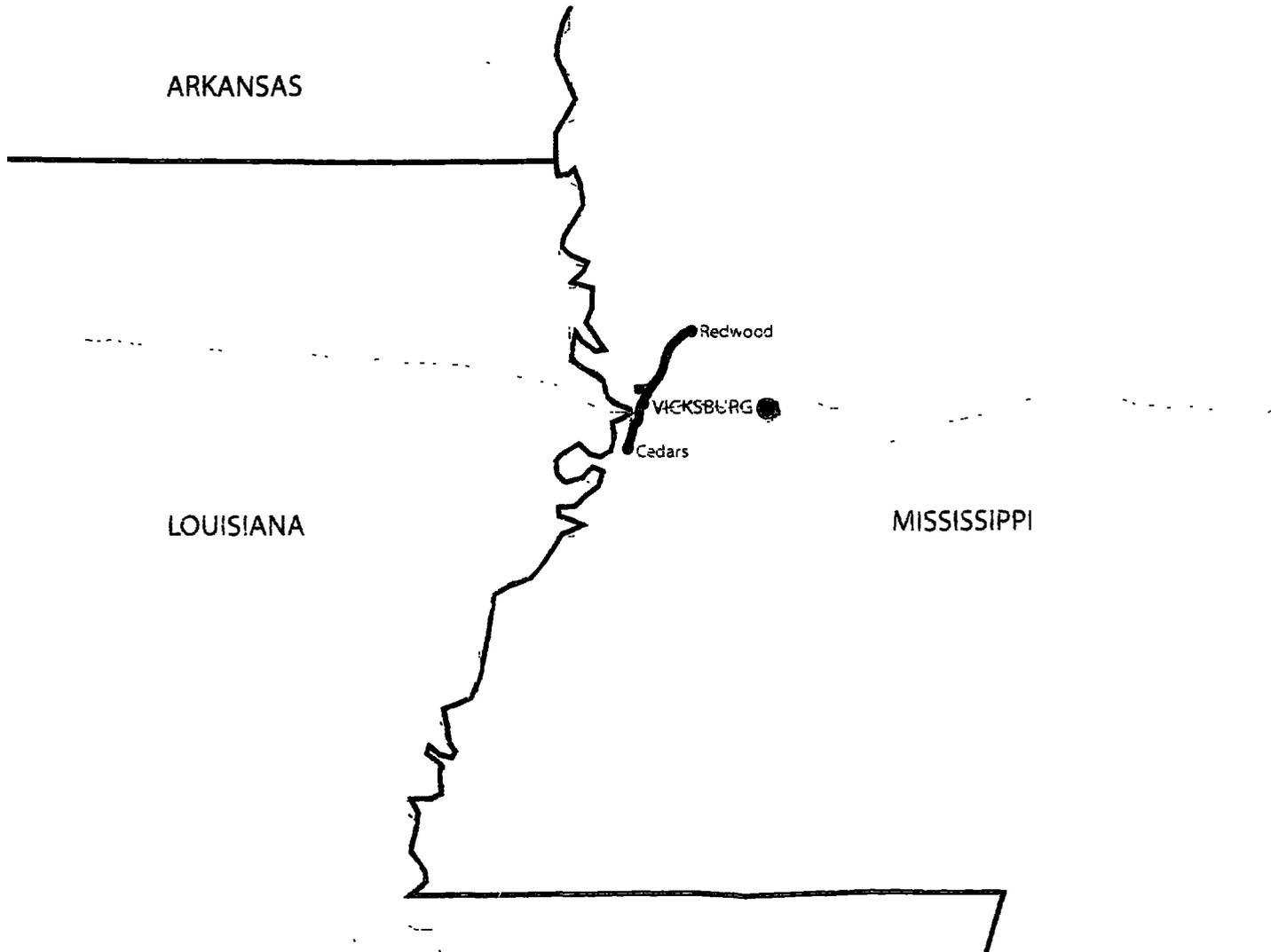
SRN - Bessmay 

 Mechanical Services

 Switching Services

 Transload/Warehouse Services

 Port Operations



CANADA



LEGEND:

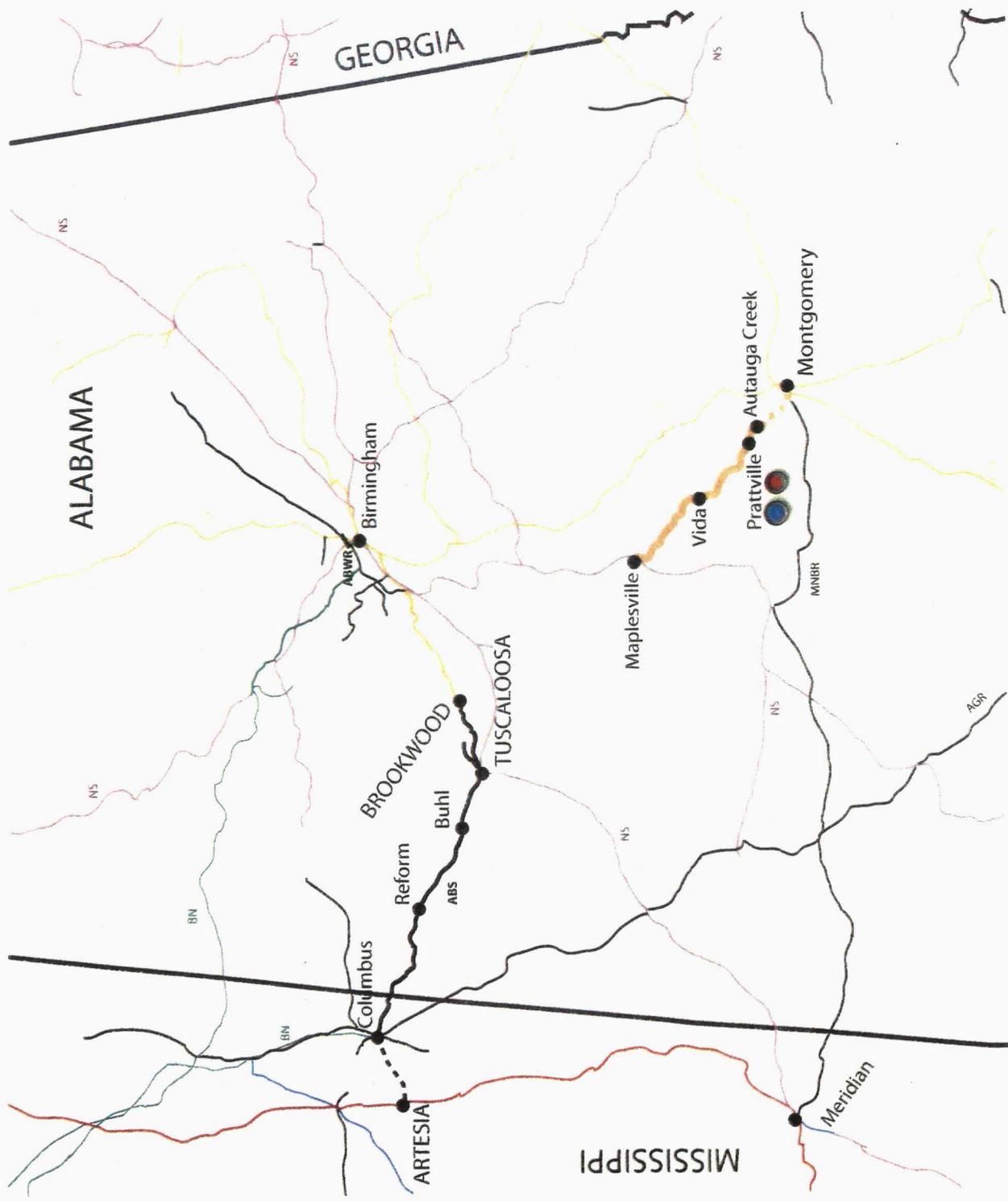
Yellowstone Valley RR (YSVR)

Yellowstone Valley Trackage Rights

Interchanges - Track miles 172

BNSF - Snowden, Bainville





LEGEND:

- Autauga Northern (AUT)
- Autauga Northern Trackage Rights
- Interchanges - Track miles 43.57**
- NS - Maplesville
- NS - Montgomery
- Mechanical Services
- Switching Services



Birmingham Southern Railroad Co.

The Birmingham Connection

ISO 9001
Birmingham Southern Railroad Company

PORT BIRMINGHAM
MULGA
THOMAS
ENSLEY
EAST THOMAS
NORRELL JUNCTION
FAIRFIELD
CONCORD
WOODWARD
BESSEMER

INTERCHANGE BNSF
INTERCHANGE NS CSXT
INTERCHANGE NS CSXT

USS Milling LLC (Private)

BIRMINGHAM SOUTHERN RAILROAD COMPANY
Marketing Department
P.O. Box 579 • Fairfield, AL 35064
205.783.2836
www.tstarinc.com

One of the **T**ransstar Companies

The region's largest steel-making and manufacturing center is well served by the Birmingham Southern Railroad, one of the busiest local rail lines in the country. Connecting with the other major rail lines, the BSRR creates a "rail district," enabling customers to reach any industrial site quickly, easily and economically.

Birmingham Southern also provides rail service to Port Birmingham, a rail-to-berge and berge-to-rail transfer facility, operated by the Warrior and Gulf Navigation Co., strategically located on the Warrior-Tombigbee Waterway System, extending the network to mid-America and Internationally through the Port of Mobile.

Alabama
Birmingham
Bessemer
Tuscaloosa
Mobile

VERIFICATION

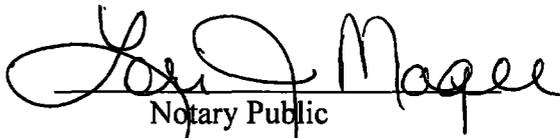
STATE OF KANSAS)
)
COUNTY OF CRAWFORD) ss.

I, Arthur E. McKechnie, III, being duly sworn depose and state that I am Executive Vice President of Watco Holdings, Inc., that I am authorized to make this verification, and that I have read the foregoing Notice of Exemption and know the facts asserted therein are true and accurate as stated to the best of my knowledge, information, and belief.


Arthur E. McKechnie III

SUBSCRIBED AND SWORN TO before me this 28th day of December, 2011, in the County of Crawford, State of Kansas.

My Commission Expires: 8/16/2012


Notary Public