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KARL MORELL



October 19, 2010

HAND-DELIVERED

Ms. Cynthia T. Brown  
Chief, Section of Administration  
Office of Proceedings  
Surface Transportation Board  
395 E Street S.W.  
Washington, DC 20423-0001

228009

Re: STB Finance Docket No. 35439, Watco Holdings, Inc., Watco Companies, Inc., and Watco Transportation Services, Inc. – Corporate Family Transaction Exemption

Dear Ms. Brown:

Attached for filing are the original and ten copies of the Verified Notice of Exemption under 49 C.F.R. § 1180.2(d)(3), and a check covering the \$1,700 filing fee.

Please time and date stamp the extra copy of the Notice of Exemption and return it with our messenger.

If you have any questions, please contact me.

Sincerely yours,

Karl Morell

**FEE RECEIVED**

OCT 19 2010

**SURFACE  
TRANSPORTATION BOARD**

Enclosures

ENTERED  
Office of Proceedings

OCT 19 2010

Part of  
Public Record

**FILED**

OCT 19 2010

**SURFACE  
TRANSPORTATION BOARD**

BEFORE THE  
SURFACE TRANSPORTATION BOARD

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STB FINANCE DOCKET NO. 35439

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WATCO HOLDINGS, INC., WATCO COMPANIES, INC.; AND WATCO  
TRANSPORTATION SERVICES, INC. -- CORPORATE FAMILY TRANSACTION  
EXEMPTION

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VERIFIED NOTICE OF EXEMPTION  
Pursuant to 49 C.F.R. § 1180.2(d)(3)

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Karl Morell  
Of Counsel  
Ball Janik LLP  
Suite 225  
1455 F Street, N.W.  
Washington, D.C. 20005  
(202) 638-3307

Attorney for Applicants

Dated: October 19, 2010

BEFORE THE  
SURFACE TRANSPORTATION BOARD

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STB FINANCE DOCKET NO. 35439

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WATCO HOLDINGS, INC., WATCO COMPANIES, INC., AND WATCO  
TRANSPORTATION SERVICES, INC. -- CORPORATE FAMILY TRANSACTION  
EXEMPTION

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VERIFIED NOTICE OF EXEMPTION  
Pursuant to 49 C.F.R. § 1180.2(d)(3)

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Watco Holdings, Inc. (“Holdings”), Watco Companies, Inc. (“Watco”), Watco Transportation Services, Inc. (“Transportation Services”) and the rail carrier subsidiaries file this Notice of Exemption, pursuant to 49 C.F.R. § 1180.2(d)(3), to reorganize all but four of the rail carrier subsidiaries and to seek approval of the control of the rail carrier subsidiaries by Holdings, a new Kansas non-carrier holding company. In support of this Notice of Exemption, the following information as required by 49 C.F.R. § 1180.4(g)(1)(i) is submitted:

**Section 1180.6 Supporting Information**

**(a)(1)(i) Description of Proposed Transaction**

Watco, a non-carrier, is a Kansas Corporation which controls Transportation Services, also a non-carrier. Watco also currently controls, indirectly, twenty two (22) Class III railroads (the “Watco Railroads”). The Watco Railroads are the South Kansas and Oklahoma Railroad Company (“SKO”), Palouse River & Coulee City Railroad, Inc. (“PRCC”), the Timber Rock

Railroad, Inc. (“TIBR”), the Stillwater Central Railroad, Inc. (“SLWC”), the Eastern Idaho Railroad, Inc. (“EIRR”), Kansas & Oklahoma Railroad, Inc. (“K&O”), the Pennsylvania Southwestern Railroad, Inc. (“PSWR”), the Great Northwest Railroad, Inc. (“GNR”), the Kaw River Railroad, Inc. (“KRR”), the Mission Mountain Railroad, Inc. (“MMT”), the Mississippi Southern Railroad, Inc. (“MSRR”), the Yellowstone Valley Railroad, Inc. (“YVRR”), the Louisiana Southern Railroad, Inc. (“LSRR”), the Arkansas Southern Railroad, Inc. (“ARSR”), the Alabama Southern Railroad, Inc. (“ABS”), the Vicksburg Southern Railroad, Inc. (“VSOR”), the Austin Western Railroad, Inc. (“AWRR”), the Baton Rouge Southern Railroad, LLC (“BRSR”), the Pacific Sun Railroad, L.L.C. (“PSRR”), the Grand Elk Railroad (“GER”), Alabama Warrior Railway, L.L.C. (“AWR”), and Boise Valley Railroad, Inc. (“BVR”).

As part of the proposed corporate restructuring, the existing stockholders of Watco will form Holdings and Holdings will become the parent to Watco and thus indirectly control the twenty two Watco Railroads. Watco will convert from a Kansas corporation to a Delaware limited liability company and will continue to control Transportation Services. Transportation Services, in turn, will convert from a Kansas corporation to a Kansas limited liability company and will continue to directly control twenty one of the Watco Railroads. The remaining Watco Railroad, BRSR, is controlled by separate wholly-owned subsidiaries of Watco. In addition, 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 proposed transaction is within a corporate family and will not result in adverse changes in service levels, significant operational changes, or a change in the competitive balance with carriers outside the Watco corporate family.

**Applicants are:**

**Watco Holdings, Inc.  
315 W. 3<sup>rd</sup> Street  
Pittsburg, KS 66762**

**Watco Companies, Inc.  
315 W. 3<sup>rd</sup> Street  
Pittsburg, KS 66762**

**Watco Transportation Services, Inc.  
315 W. 3<sup>rd</sup> Street  
Pittsburg, KS 66762**

**Austin Western Railroad, Inc.  
10801 North MoPac Expressway  
Building 1, Suite 130  
Austin, TX 78759**

**Vicksburg Southern Railroad, Inc.  
315 W. 3<sup>rd</sup> Street  
Pittsburg, Kansas 66762**

**Alabama Southern Railroad, Inc.  
315 W. 3<sup>rd</sup> Street  
Pittsburg, KS 66762**

**Arkansas Southern Railroad, Inc.  
315 W. 3<sup>rd</sup> Street  
Pittsburg, Kansas 66762**

**Louisiana Southern Railroad, Inc.  
315 W. 3<sup>rd</sup> Street  
Pittsburg, KS 66762**

**Yellowstone Valley Railroad, Inc.**  
315 W. 3<sup>rd</sup> Street  
Pittsburg, KS 66762

**Mississippi Southern Railroad, Inc.**  
315 W. 3<sup>rd</sup> Street  
Pittsburg, KS 66762

**Mission Mountain Railroad, Inc.**  
315 W. 3<sup>rd</sup> Street  
Pittsburg, KS 66762

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

**Palouse River & Coulee City Railroad, Inc.**  
325 Mill Road  
Lewiston, ID 83501

**Timber Rock Railroad, Inc.**  
505 West Avenue F  
Silsbee, TX 77656

**Stillwater Central Railroad, Inc.**  
123 N. Depot  
Cherryvale, KS 67335

**Eastern Idaho Railroad, Inc.**  
618 Shoshone St. West  
Twin Falls, ID 83301

**Kansas & Oklahoma Railroad, Inc.**  
1825 W. Harry  
Wichita, KS 67213

**Pennsylvania Southwestern Railroad, Inc.**  
1200 Midland Avenue  
Midland, PA 15059

**Great Northwest Railroad, Inc.**  
325 Mill Road  
Lewiston, ID 83501

Kaw River Railroad, Inc.  
315 W. 3<sup>rd</sup> Street  
Pittsburg, KS 66762

Baton Rouge Southern Railroad, LLC  
315 W. 3<sup>rd</sup> Street  
Pittsburg, Kansas 66762

Pacific Sun Railroad, L.L.C.  
315 W. 3<sup>rd</sup> Street  
Pittsburg, KS 66762

Grand Elk Railroad, Inc.  
315 W. 3<sup>rd</sup> Street  
Pittsburg, KS 66762

Alabama Warrior Railway  
1208 Ty Rogers Jr. Ave  
Tuscaloosa, AL 35401

Boise Valley Railroad, Inc.  
315 W. 3<sup>rd</sup> Street  
Pittsburg, KS 66762

Applicants' representative is:

Karl Morell  
Of Counsel  
Ball Janik LLP  
Suite 225  
1455 F Street, N.W.  
Washington, D.C. 20005  
(202) 638-3307

**(a)(1)(ii) Consummation Date**

The proposed transaction will be consummated on or shortly after the effective date of this Notice of Exemption.

**(a)(1)(iii) Purpose Sought to be Accomplished**

The purpose of the proposed transaction is to facilitate Watco's ability to obtain financing.

**(a)(5) List of States**

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 rail lines are located in Mississippi.

AWRR's rail lines are located in Texas.

BRSR's rail lines are located in Louisiana.

PSRR's rail lines are located in California.

GER's rail lines are located in Indiana and Michigan.

AWR's rail lines are in Alabama.

BVR's rail lines are located in Idaho.

**(a)(6) Map**

Maps are attached as Exhibit 1.

**(a)(7)(ii) Agreement**

There are no agreements governing Holdings' indirect control of the Watco Railroads or the reorganization of eighteen of the twenty two Watco Railroads. Because the involved transaction is within a corporate family, no written agreements have been entered into.

**LABOR PROTECTION**

Under 49 U.S.C. § 10502(g), the Surface Transportation Board ("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 sections 11324 and 11325 that involve only Class III railroad carriers. Because these transactions involve Class III rail carriers only, the Board, under the statute, may not impose labor protective conditions for this transaction.

## **ENVIRONMENTAL AND HISTORIC IMPACTS**

Holdings, Watco and Transportation Services are reorganizing their corporate family for the purpose of continued rail operations where further Board approval is required to abandon any service, and there are no plans to dispose of or alter properties subject to Board 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).

The Watco reorganization of its corporate family 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. The thresholds in 49 C.F.R. § 1105.7(e)(5)(ii) will also not be exceeded as a result of this transaction. Finally, this transaction does not contemplate the transportation of any ozone depleting material. Therefore, no environmental documentation is required under 49 C.F.R. § 1105.6(c)(2).

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

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Karl Morell", written over a horizontal line.

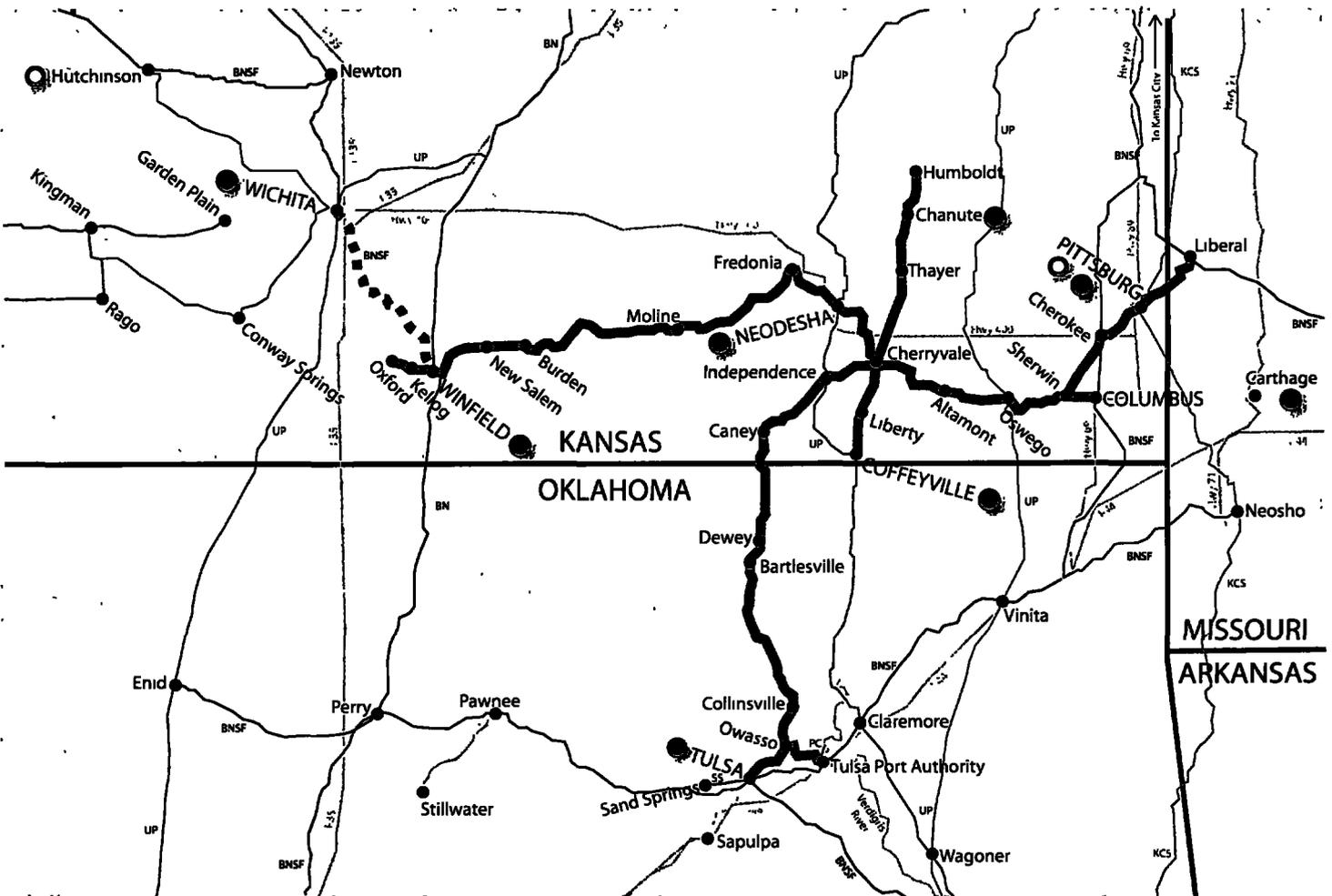
**KARL MORELL  
Of Counsel  
BALL JANIK LLP  
Suite 225  
1455 F Street, N.W.  
Washington, DC 20005  
(202) 638-3307**

**Attorney for Applicants**

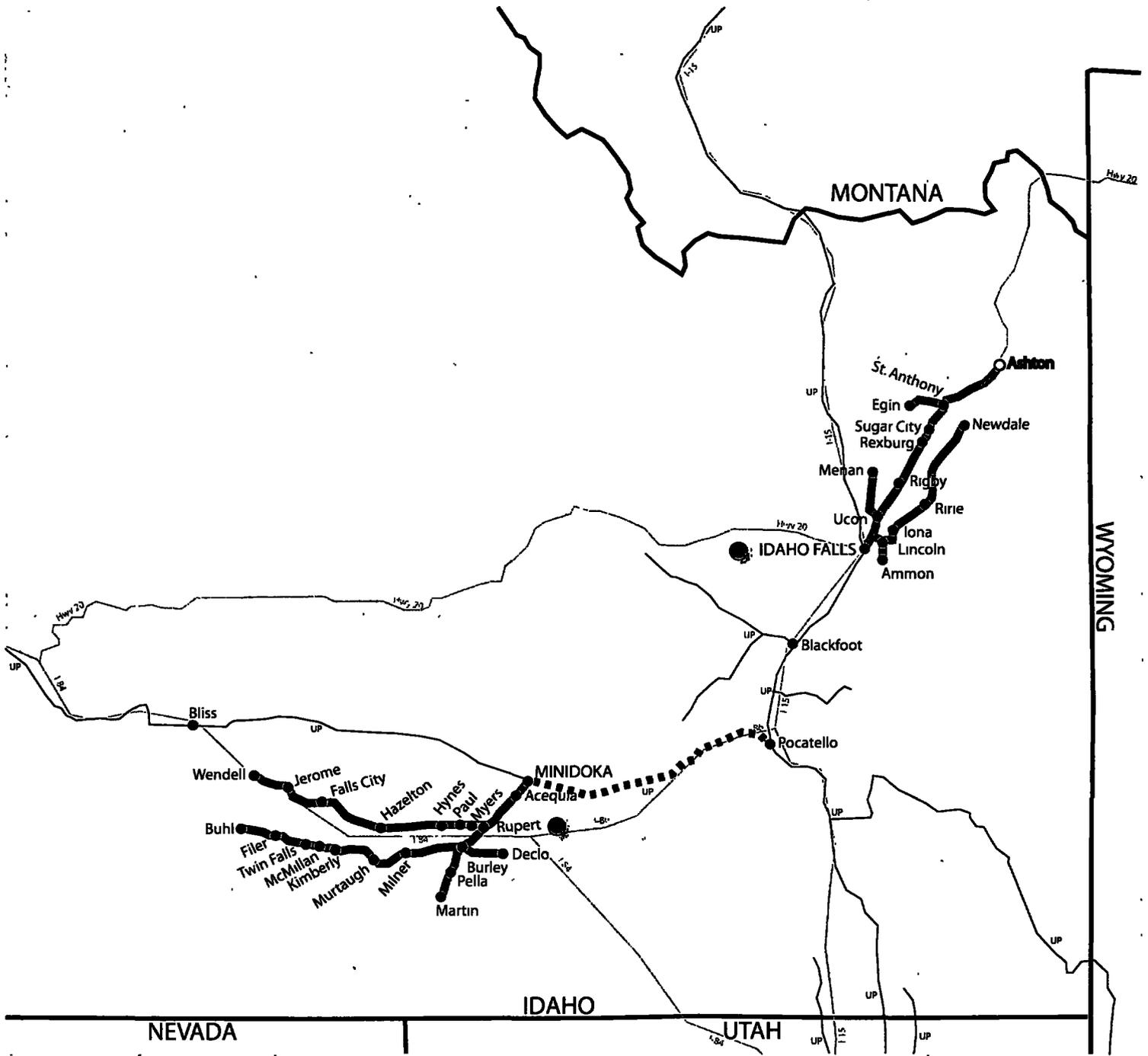
**Dated: October 19, 2010**

**EXHIBIT 1**

**MAPS**



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



**LEGEND:**

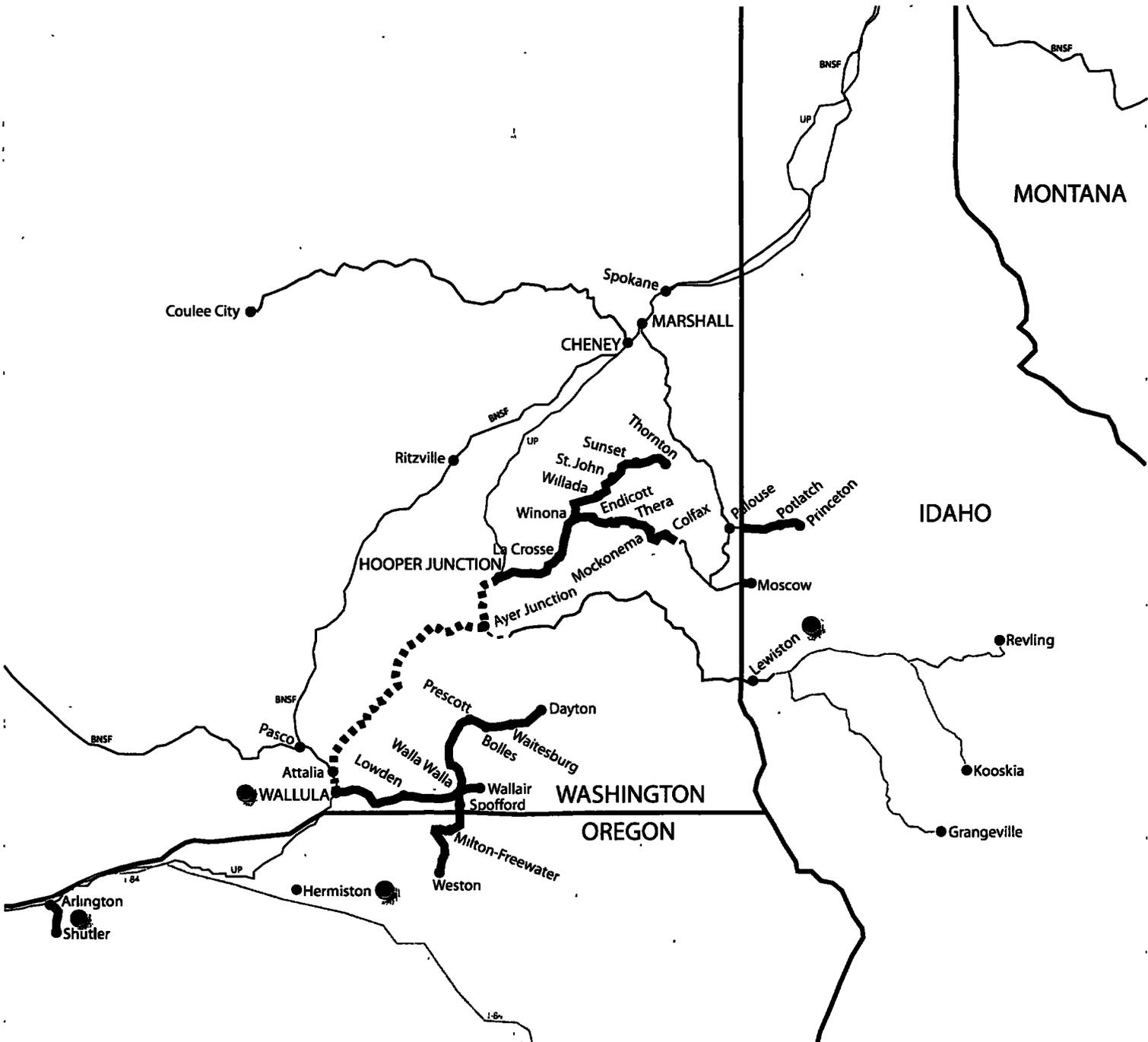
Eastern Idaho RR (EIRR) 

Eastern Idaho Trackage Rights 

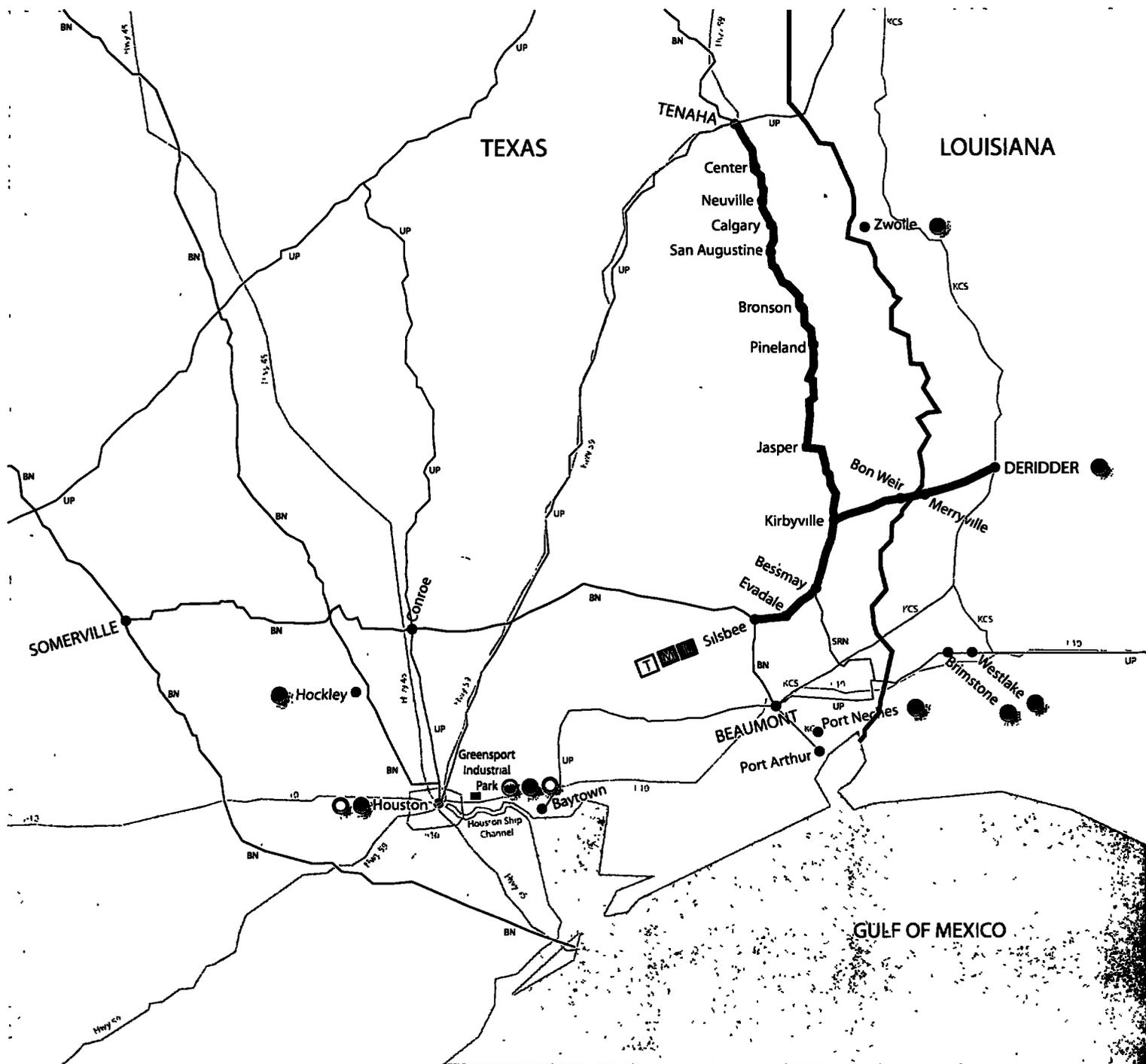
**Interchanges - Track miles 270**

UP - Minidoka, Idaho Falls

 Mechanical Services



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



**LEGEND:**

Timber Rock RR (TIBR)

**Interchanges - Track miles 168**

BNSF - Tenaha, Silsbee

KCS - DeRidder

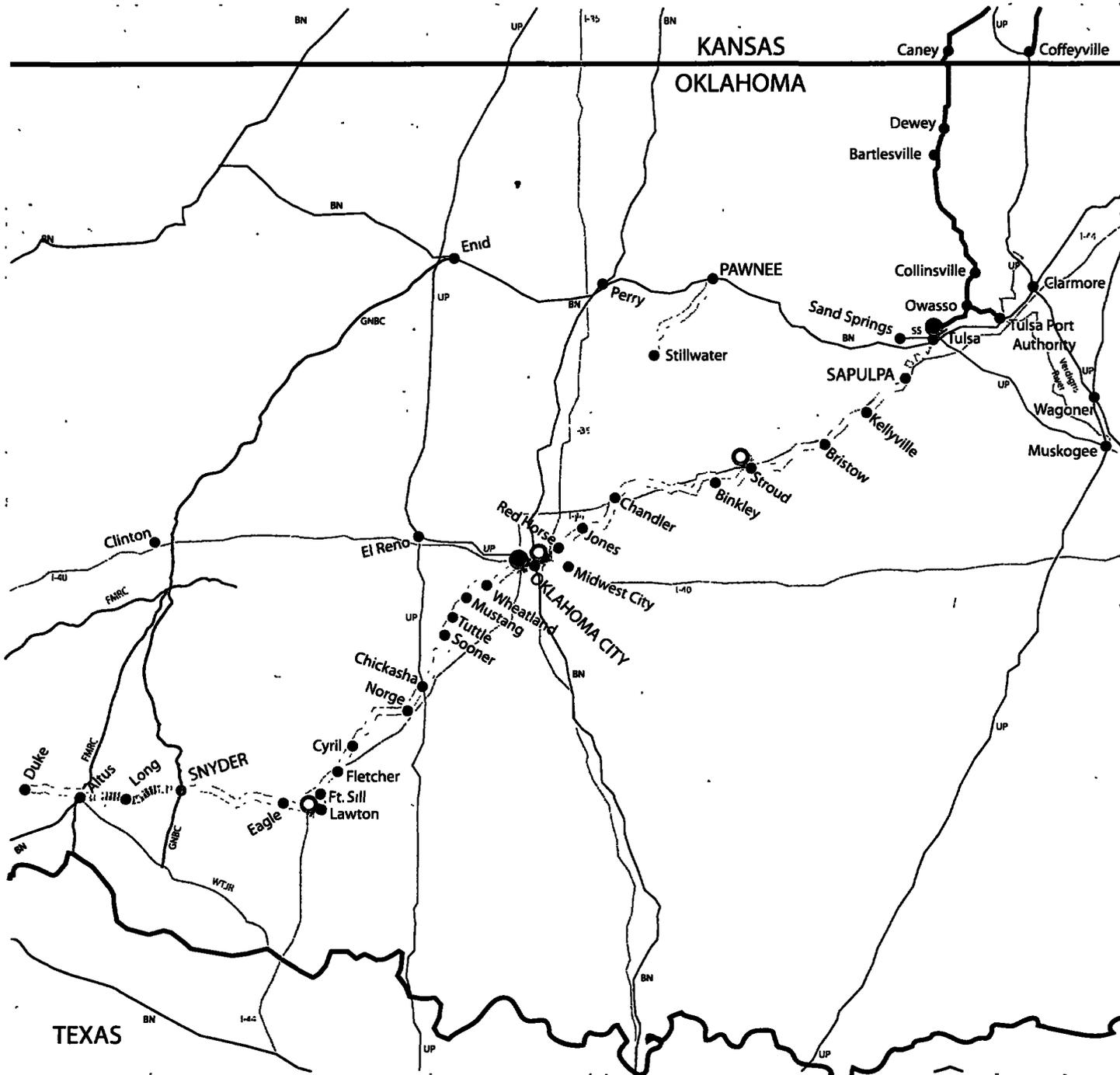
SRN - Bessmay

● Mechanical Services

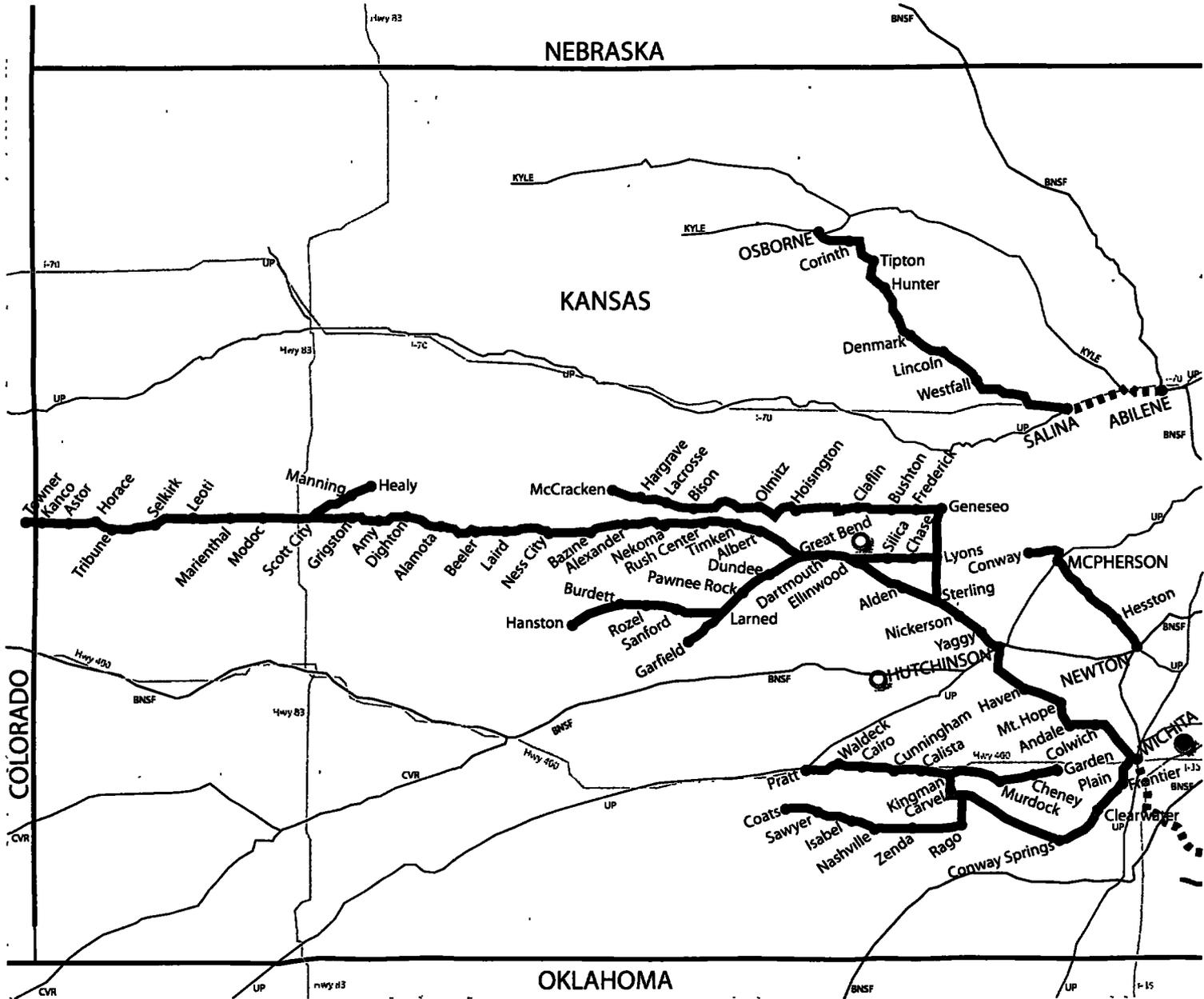
● Switching Services

○ Transload/Warehouse Services

● Port Operations



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

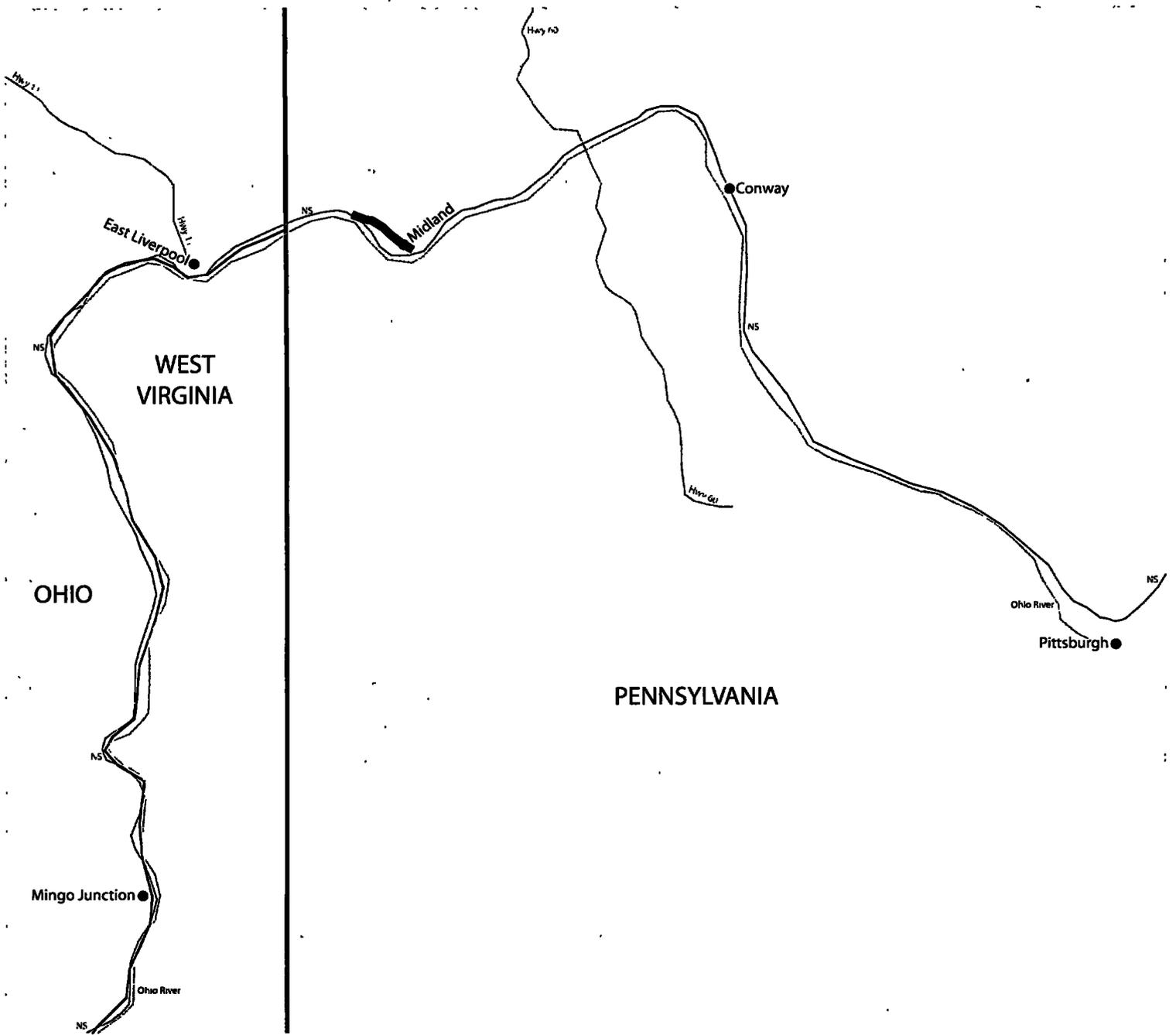


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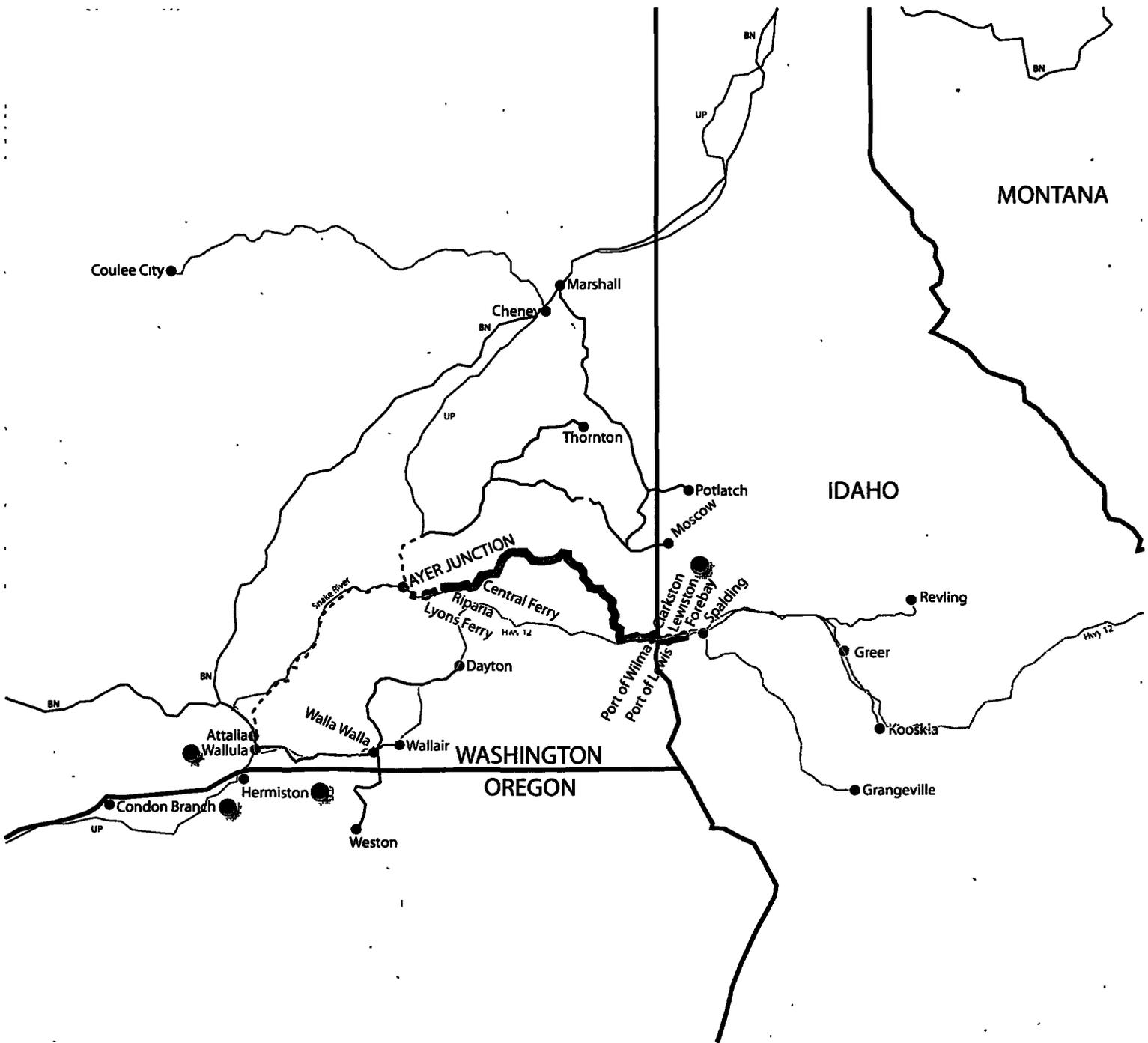
- Kansas & Oklahoma RR (KO)
- Kansas & Oklahoma Trackage Rights
- South Kansas & Oklahoma RR Trackage Rights(SKO)
- Kyle Railroad (KYLE)
- Cimmaron Valley Railroad (CVR)

**Interchanges - Track miles 820**

- BNSF - Abilene, Hutchinson, Newton, Wichita
- KLYE - Osborne
- SKOL - Wichita
- UP - Hutchinson, McPherson, Salina, Wichita
- Mechanical Services
- Transload/Warehouse Services



**LEGEND:**  
 Pennsylvania Southwestern RR (PSWR)   
**Interchanges - Track miles 12**  
 NS - Midland 



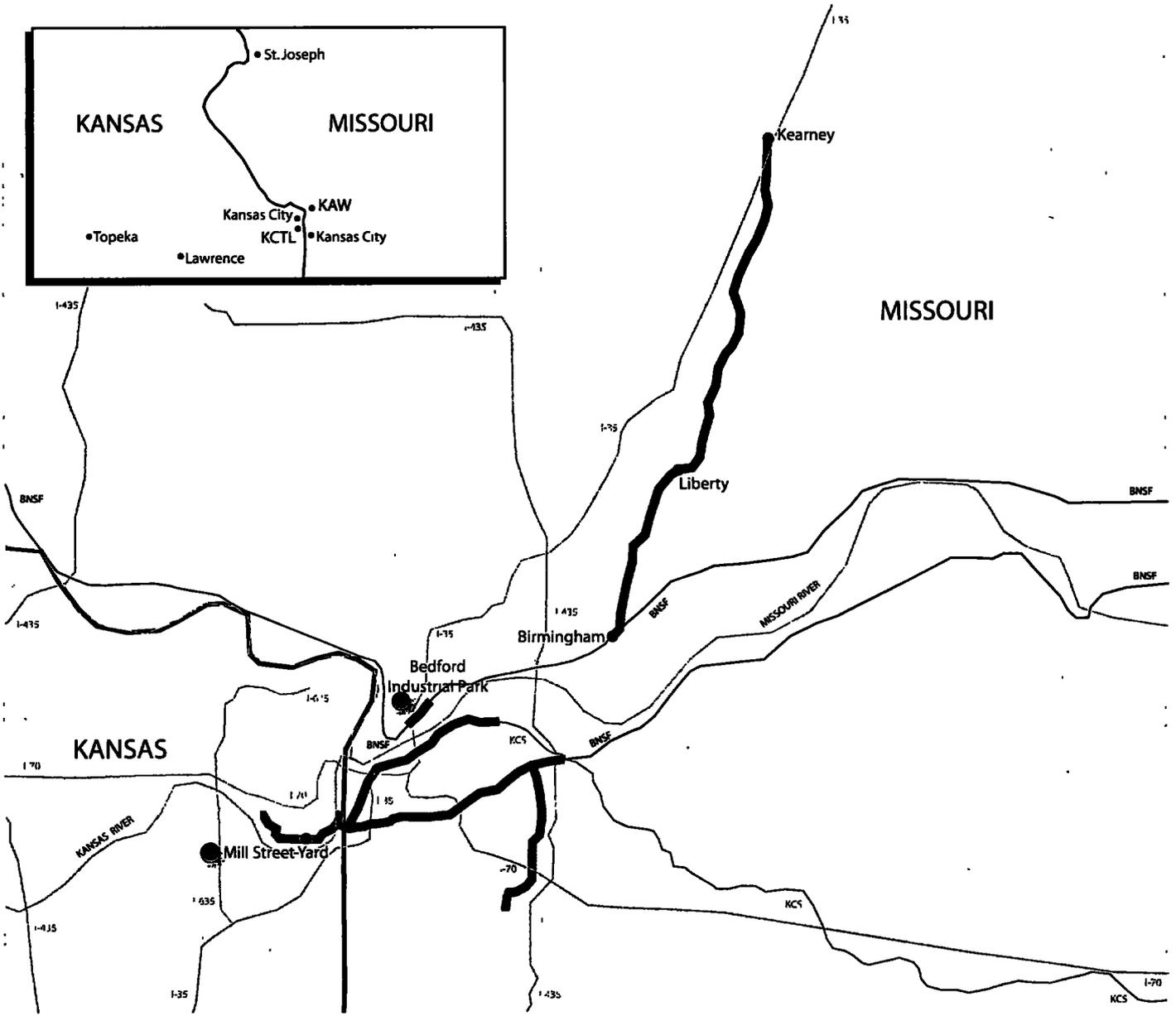
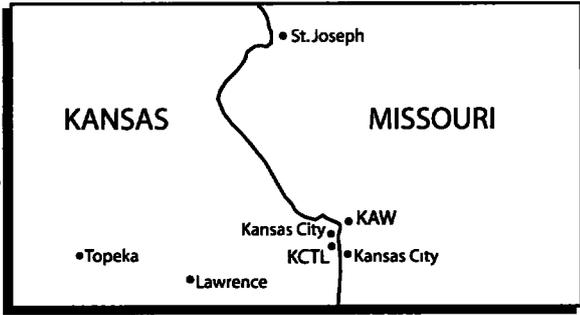
**LEGEND:**

- 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:**

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

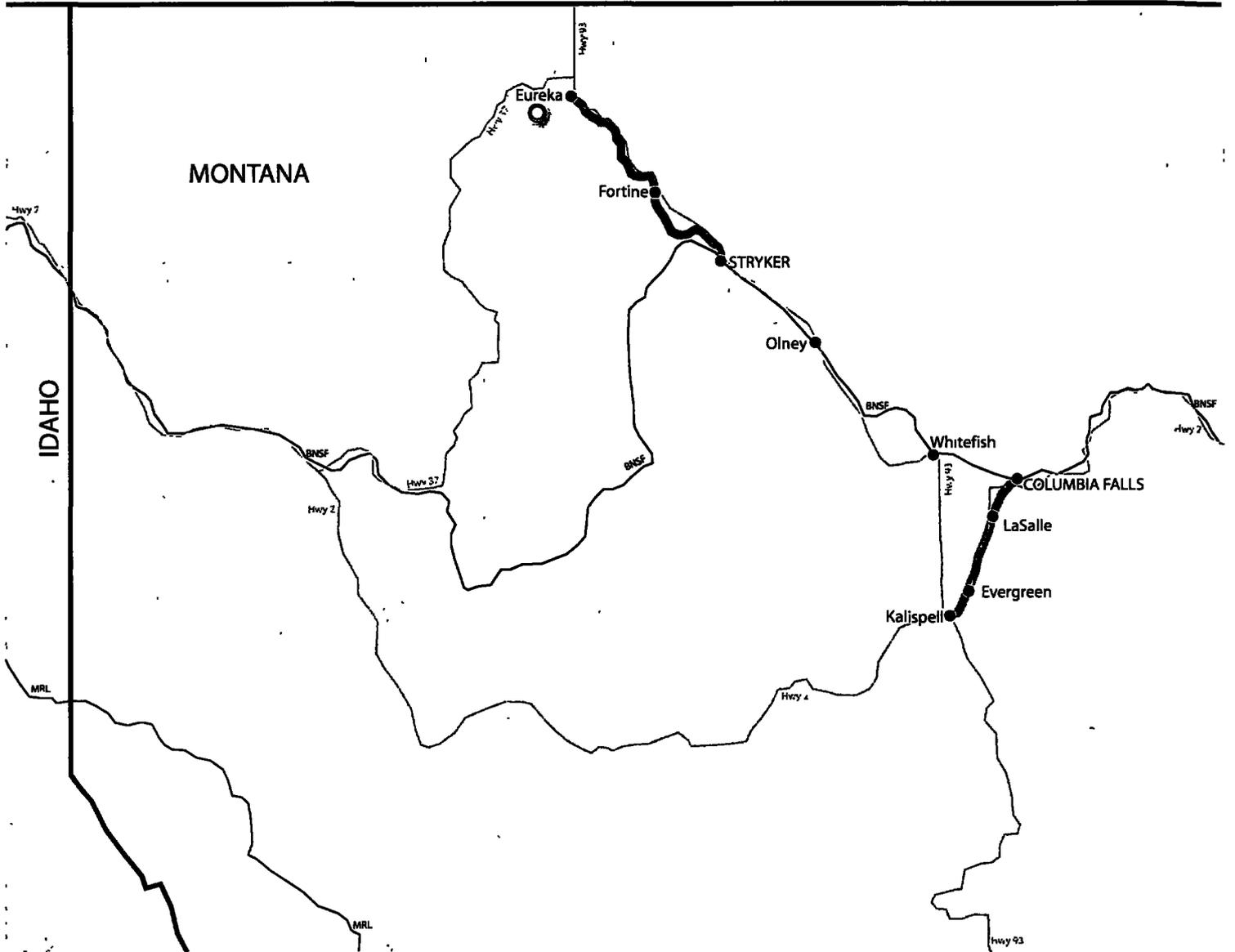
ICE - Kansas City, MO/KS  Switching Services

KCS - Kansas City, MO/KS

NS - Kansas City, MO

UP - Kansas City, MO/KS

# CANADA



## LEGEND:

Mission Mountain Railroad (MMT)

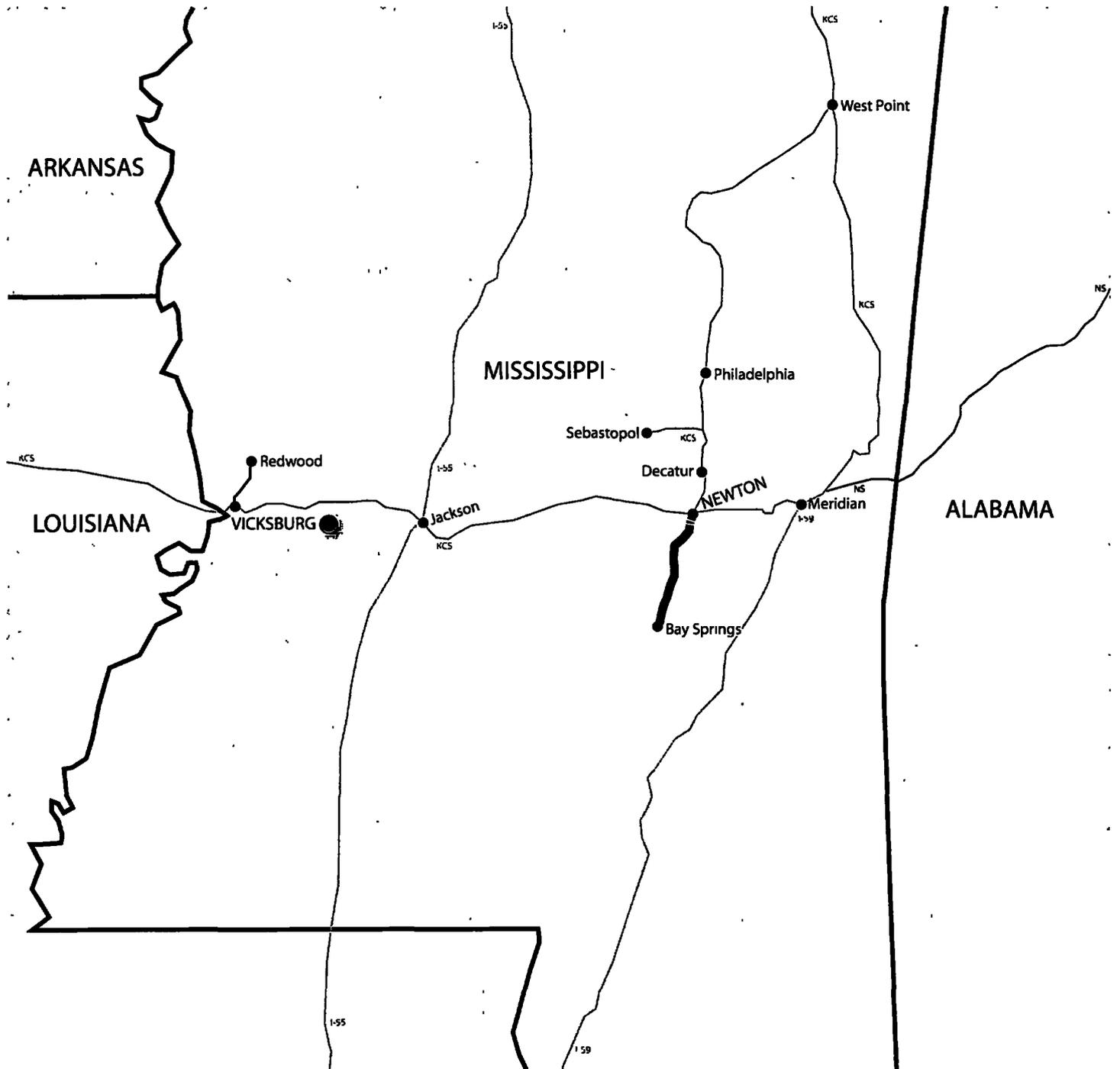
Montana Rail Link (MRL)

**Interchanges - Track miles 39.5**

BNSF - Stryker, Columbia Falls

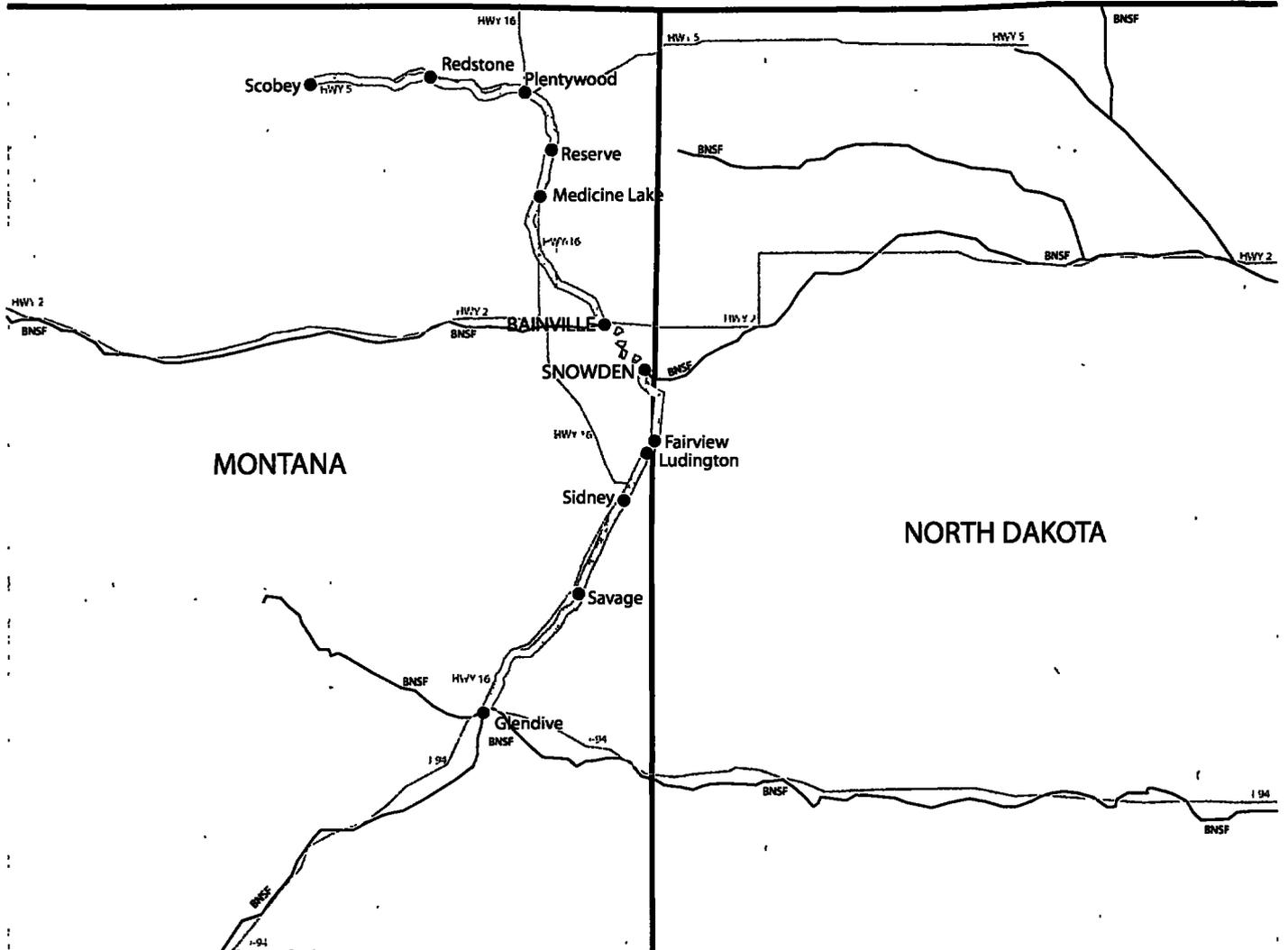
○ Transload/Warehouse Services





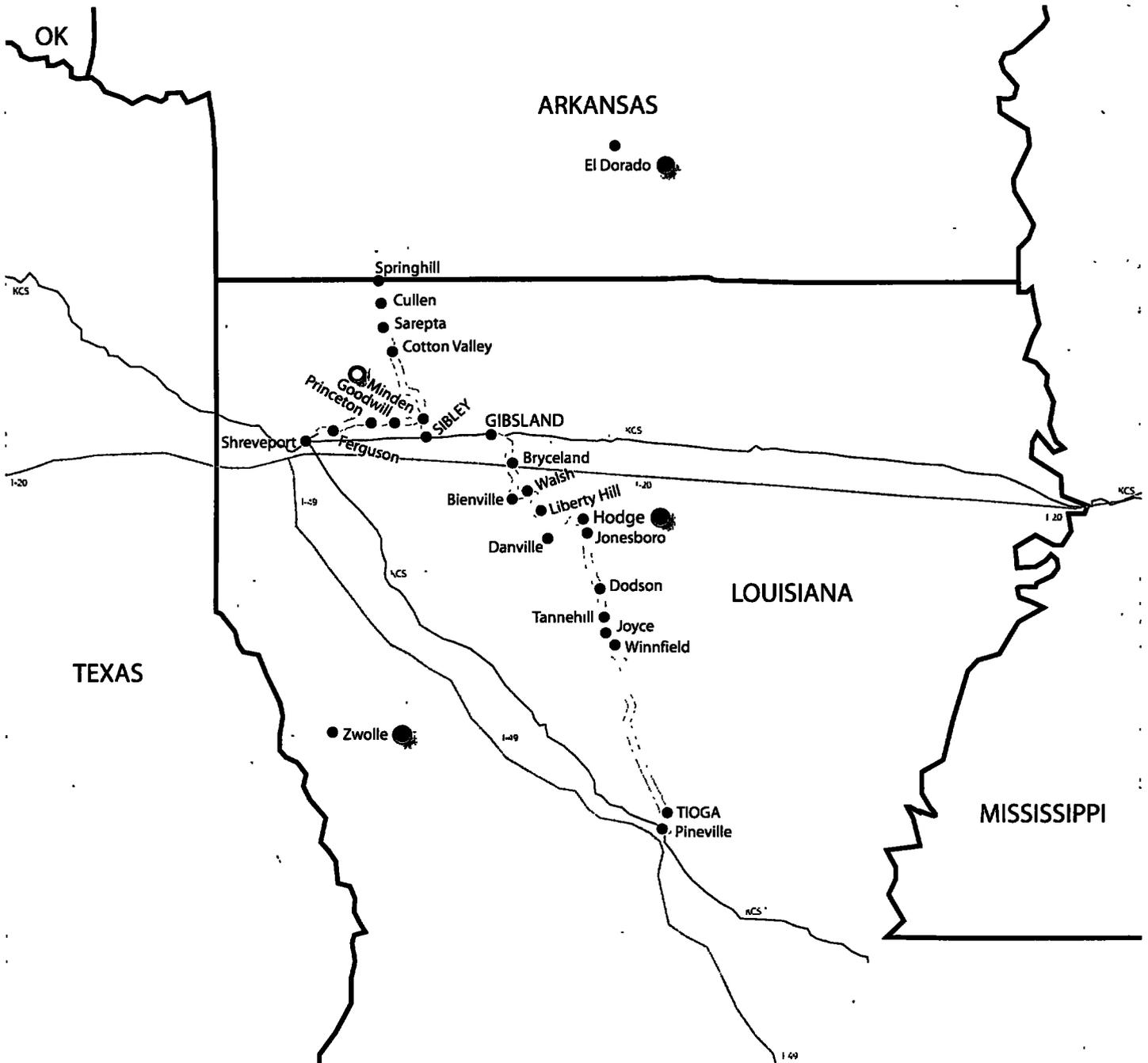
<b>LEGEND:</b>		<b>Interchanges - Track miles 28</b>	
Mississippi Southern RR (MSR)		KCS - Newton	
Mississippi Southern RR Trackage Rights			
Vicksburg Southern Railroad			

CANADA

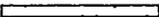


**LEGEND:**

- Yellowstone Valley RR (YSVR) 
- Yellowstone Valley Trackage Rights 
- Interchanges - Track miles 172**
- BNSF - Snowden, Bainville

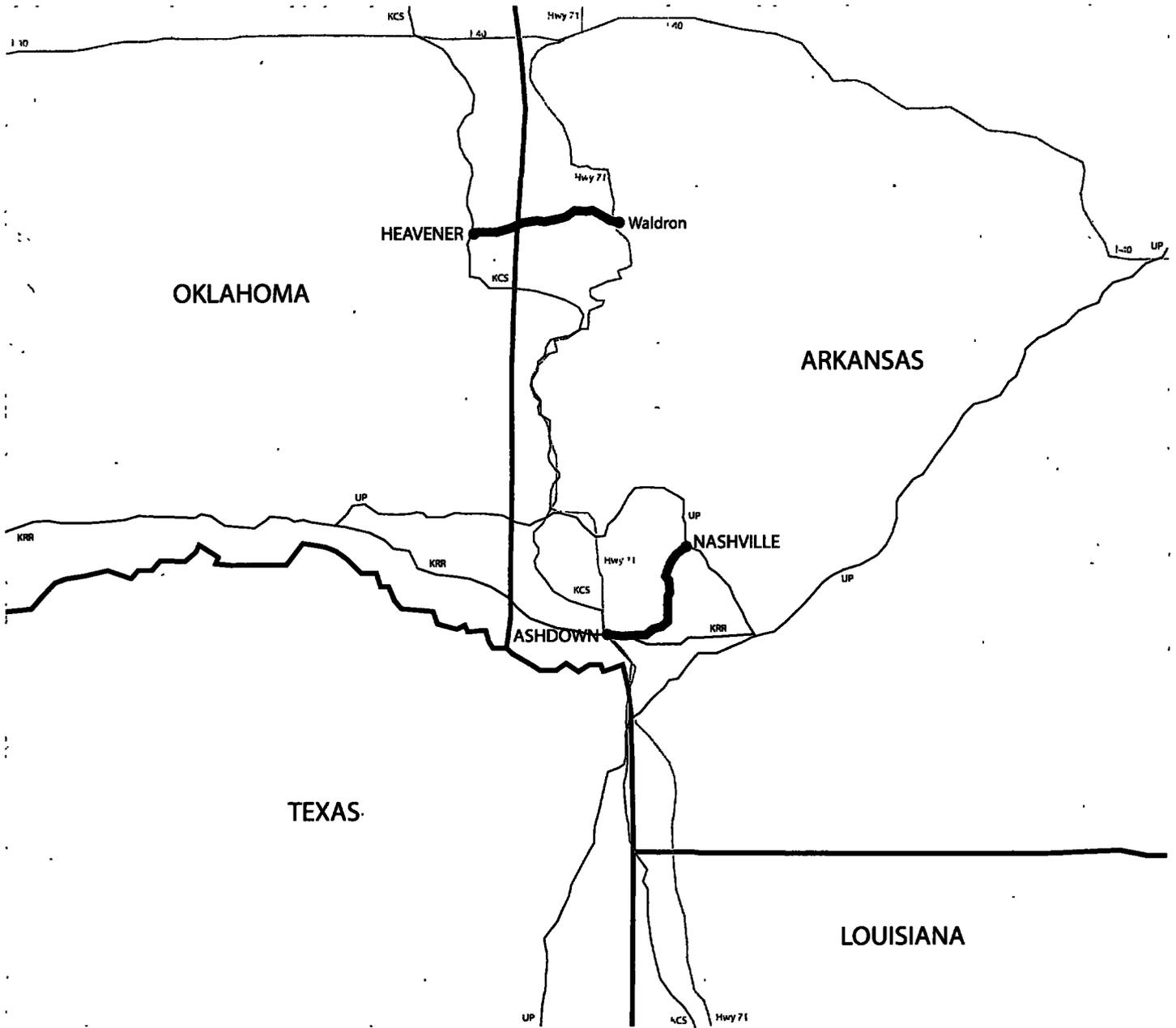


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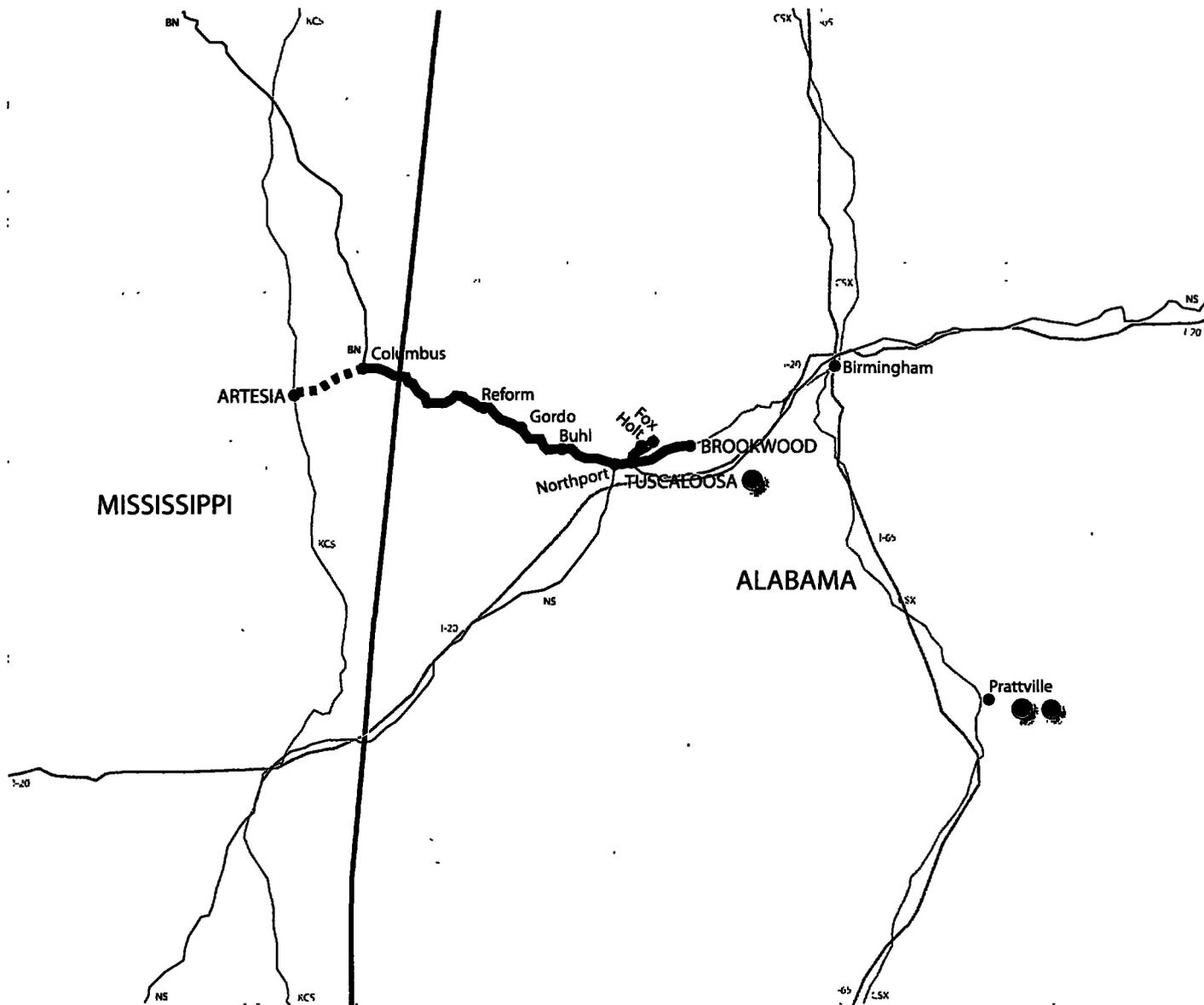
Louisiana Southern RR (LAS) 

**Interchanges - Track miles 166.6**  
 KCS - GIBSLAND, TIOGA, Sibley

-  Mechanical Services
-  Switching Services
-  Transload/Warehouse Services



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



**LEGEND:**

Alabama Southern RR (ABS) 

Alabama Southern Trackage Rights 

**Interchanges - Track miles 85**

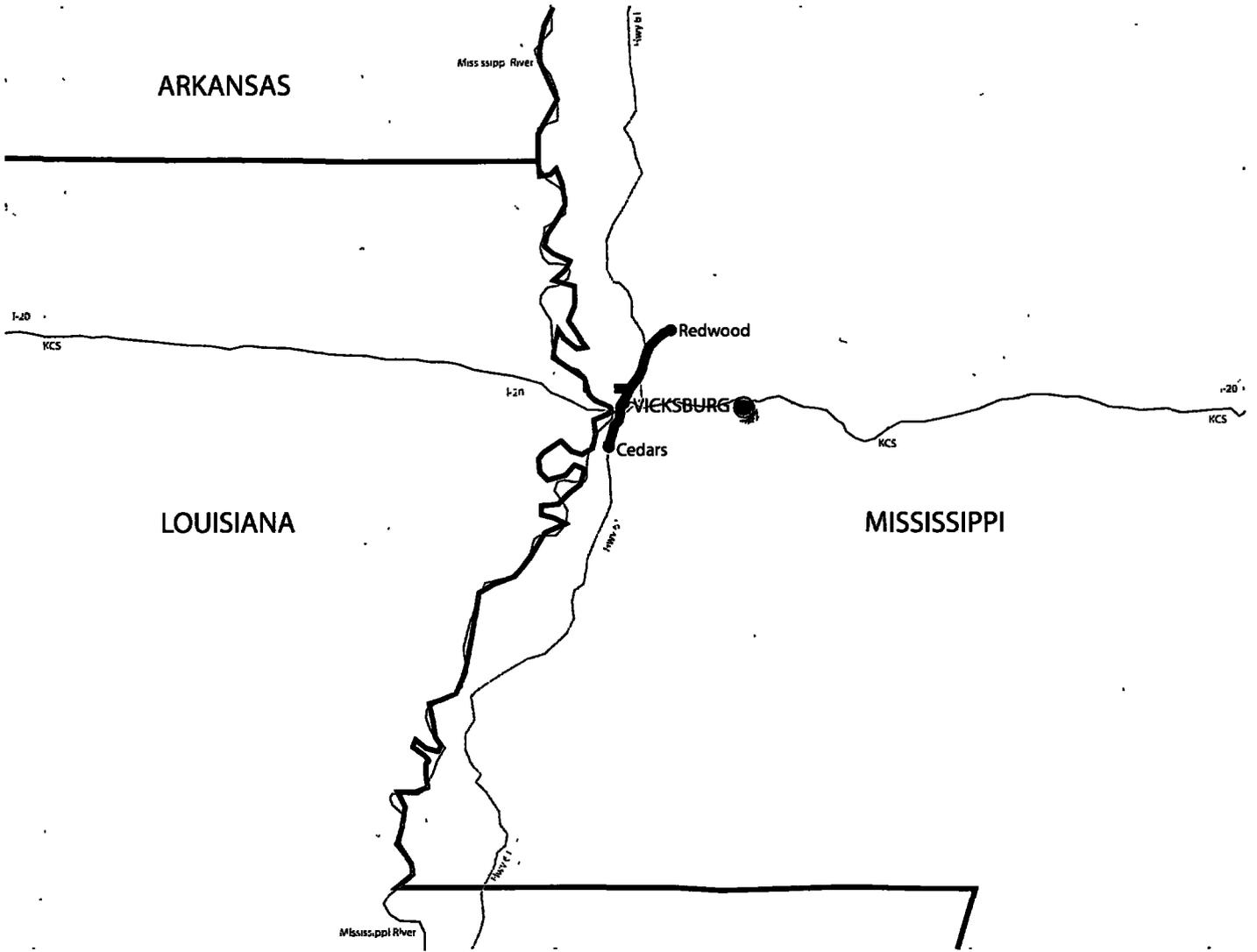
KCS - Artesia

CSX - Brookwood

NS - Tuscaloosa

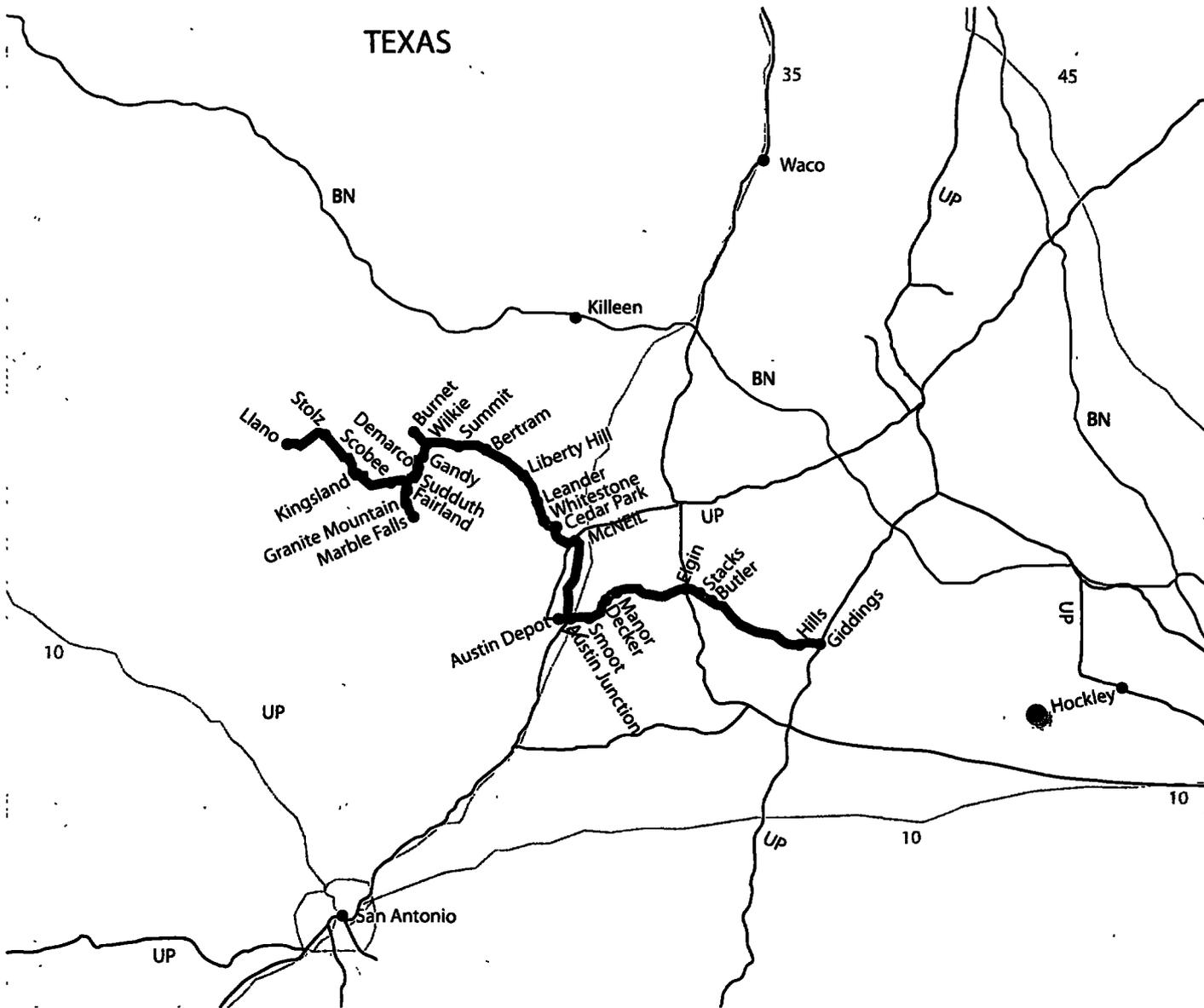
 Mechanical Services

 Switching Services

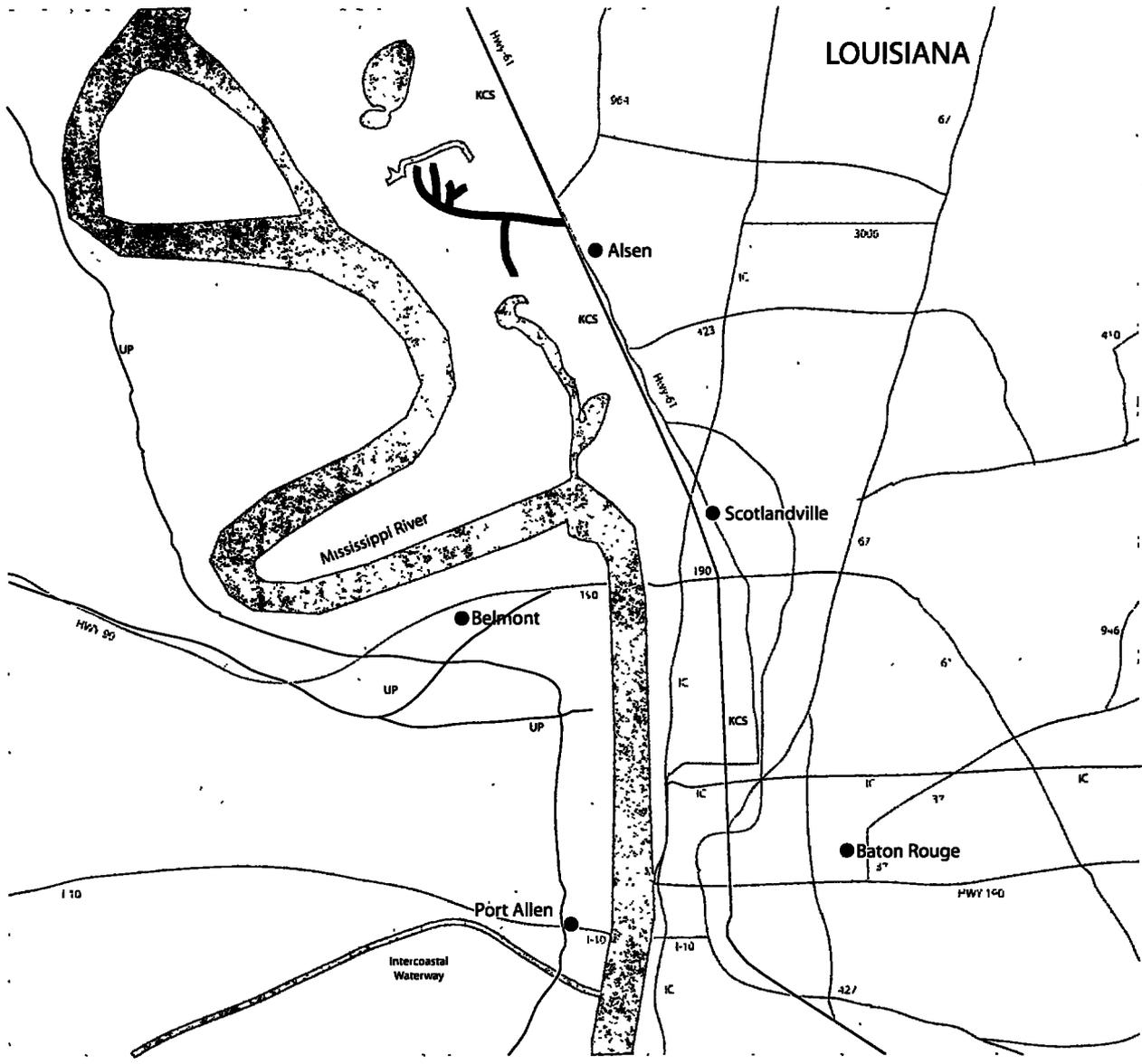


**LEGEND:**  
 Vicksburg Southern RR (VSOR)   
**Interchanges - Track miles 21**  
 KCS - Vicksburg   
 ● Mechanical Services

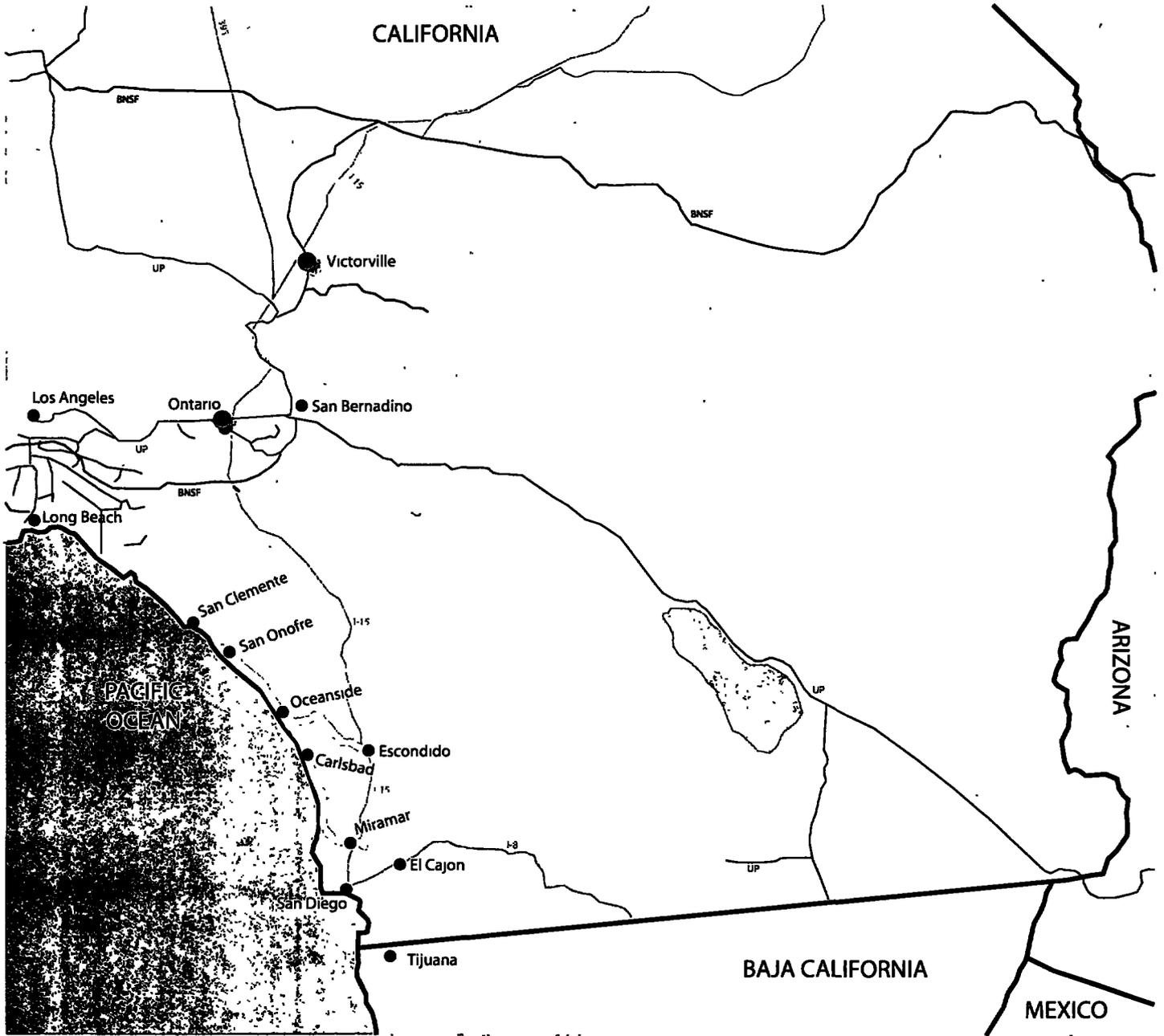
TEXAS



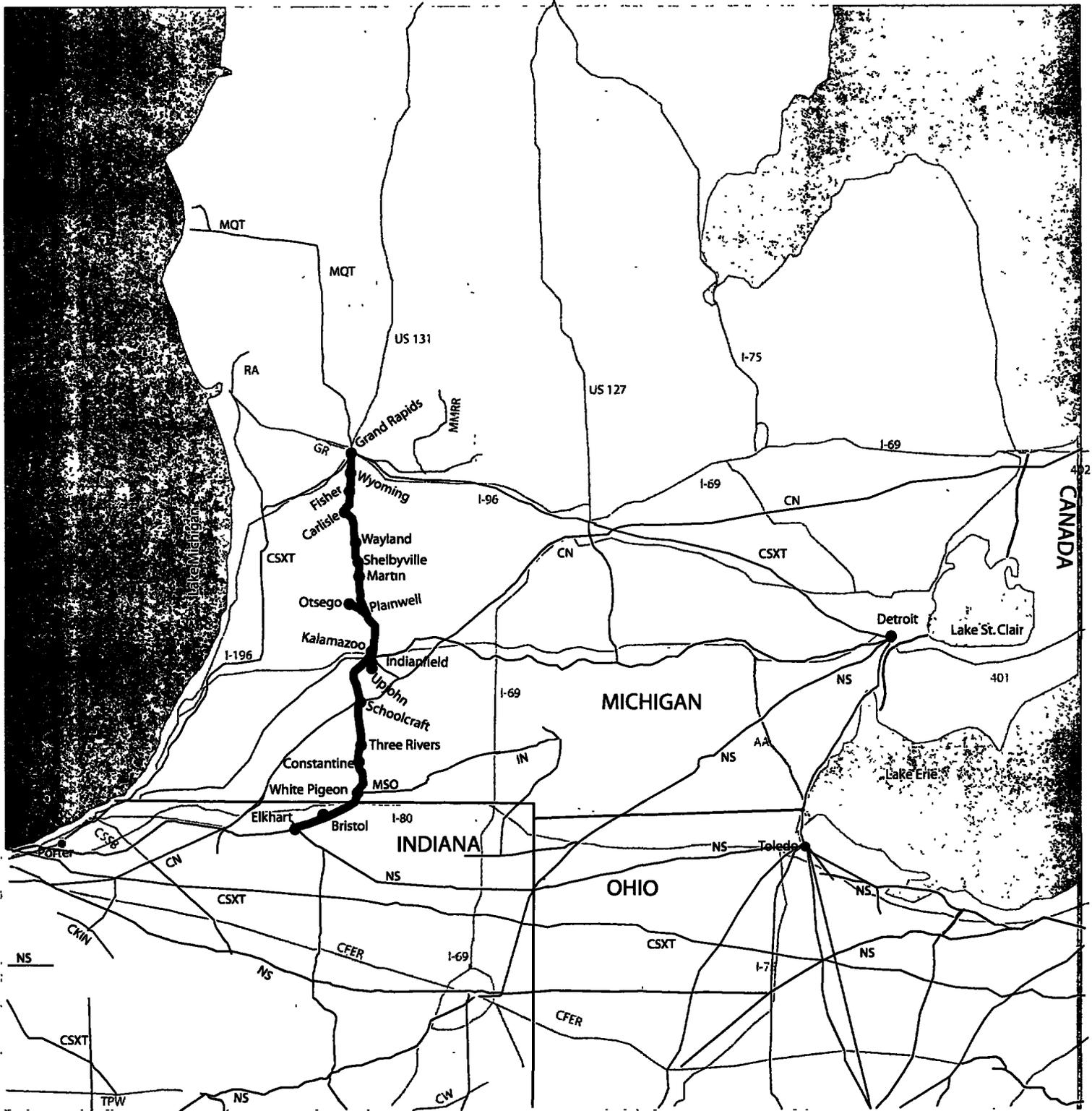
**LEGEND:**  
Austin Western RR (AWRR)   
**Interchanges - Track miles 154**  
UP - McNeil  
BNSF - McNeil  
 Mechanical Services



<p><b>LEGEND:</b>          Baton Rouge Southern RR (BRS) </p>	<p><b>Interchanges - Track miles 1.5</b>          KCS - BRS spur</p>
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<b>LEGEND:</b>		<b>Interchanges - Track miles 62</b>	
Pacific Sun RR (PSRR)		BNSF - Oceanside	
Switching Services			



**LEGEND:**

Grand Elk Railroad

Amtrak

Ann Arbor

Central Indiana and Western

Chesapeake and Indiana

Chicago Ft. Wayne and Eastern

Chicago Southshore and South Bend

CSXT

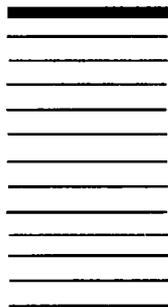
Canadian National

Grand Rapids Eastern Railroad

Indiana Northeastern

Marquette Rail

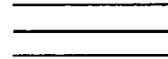
Michigan Southern



Mid-Michigan Railroad

Norfolk Southern

Toledo, Peoria and Western



**Interchanges**

NS - Elkhart, IN & Kalamazoo, MI

CN - Kalamazoo, MI

CSXT - Grand Rapids, MI

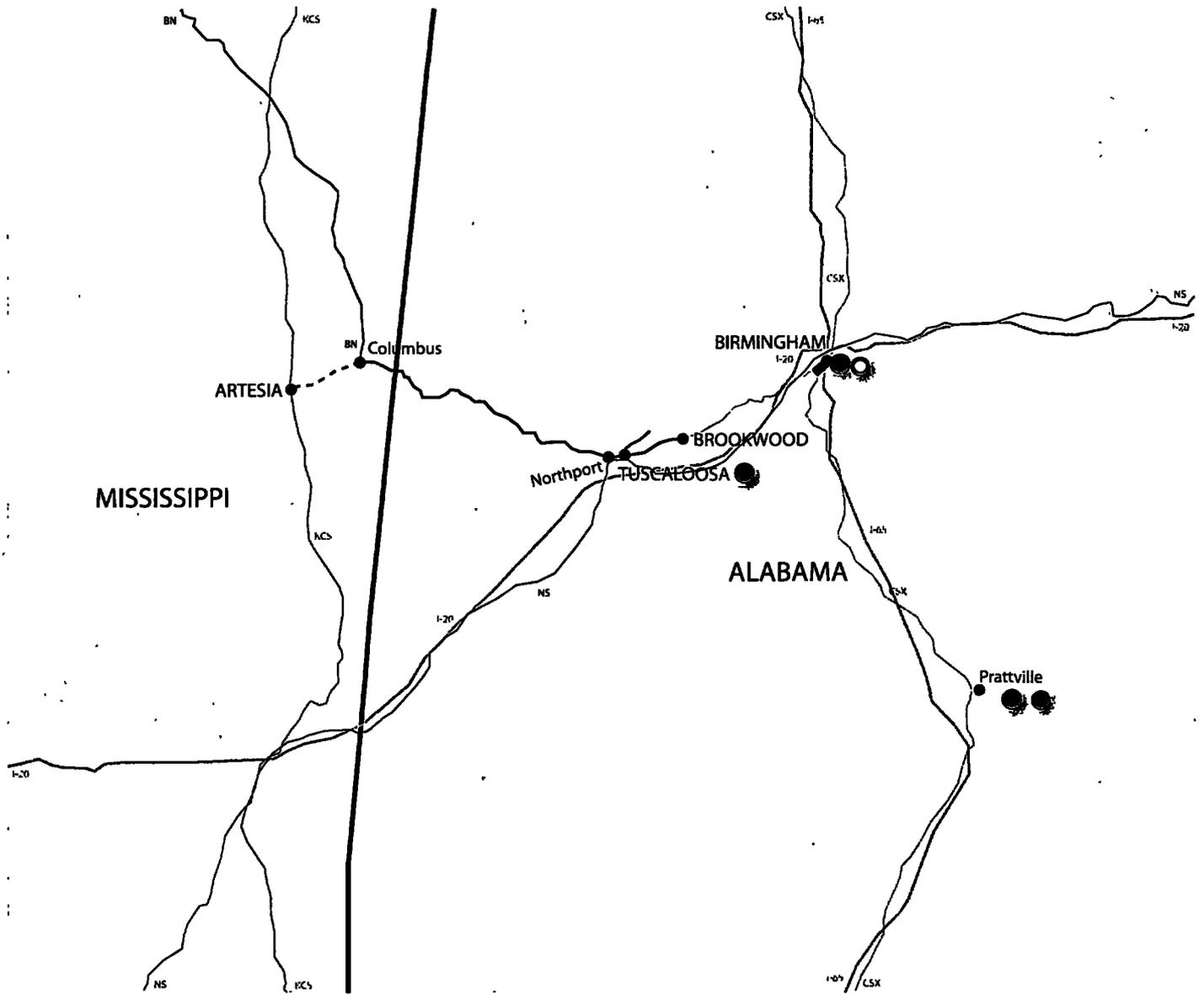
GR - Grand Rapids, MI

MQT - Grand Rapids, MI

MMRR - Grand Rapids, MI

MSO - White Pigeon, MI

**Total Miles: 122.9**



**LEGEND:**

Alabama Warrior RR (ABWR) 

**Interchanges - Track miles 15**

BNSF - Birmingham

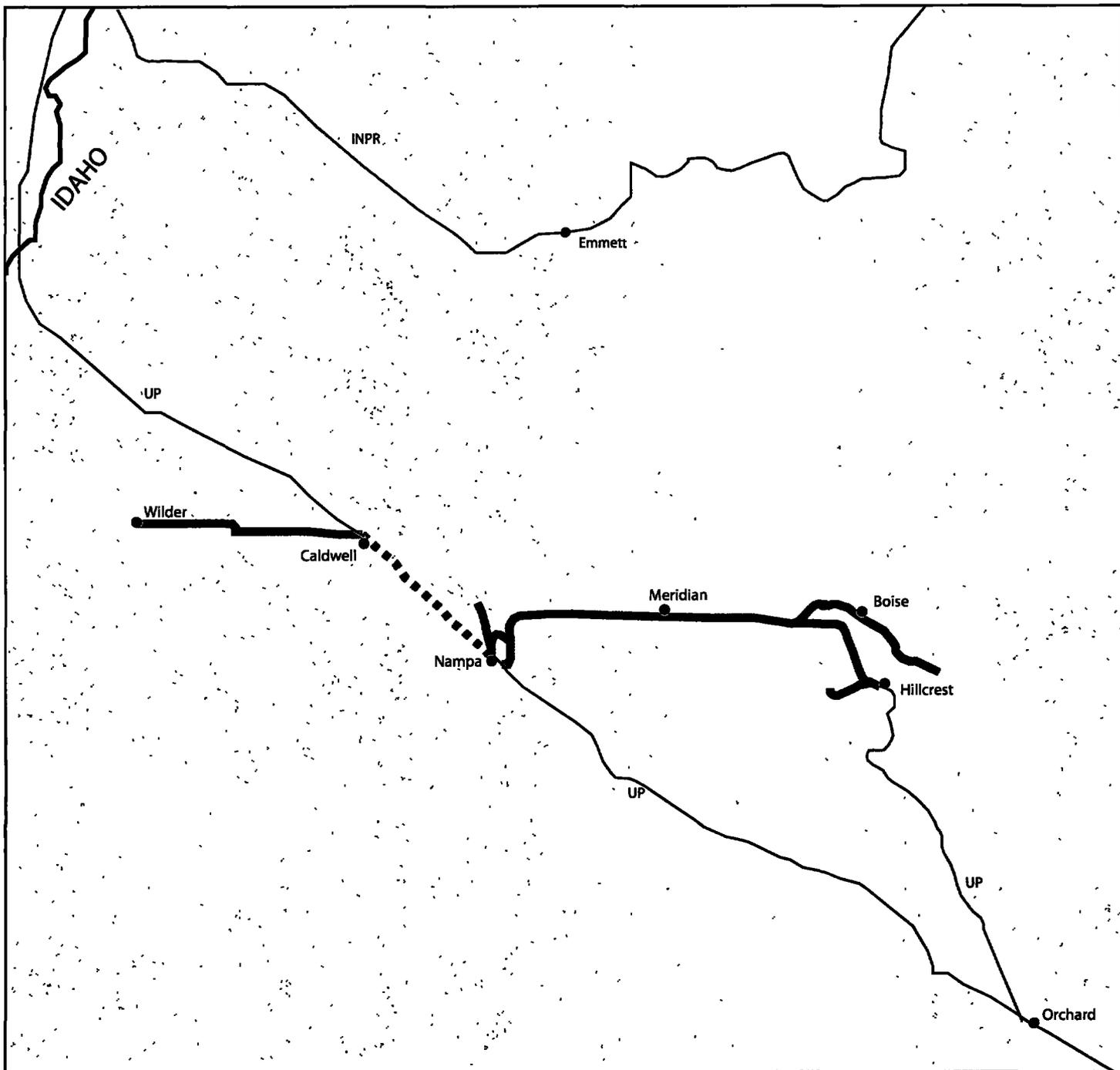
CSX - Birmingham

NS - Birmingham

 Mechanical Services

 Switching Services

 Transload Services



**LEGEND:**

Boise Valley RR (BVR)



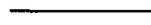
Boise Valley Trackage Rights



Idaho Northwest & Pacific



Union Pacific



**Interchanges - Track miles 36**

UP - Nampa, Caldwell

**VERIFICATION**

**STATE OF KANSAS**

)

)

ss.

**COUNTY OF CRAWFORD**

)

I, Richard B. Webb being duly sworn depose and state that I am CEO 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.

Richard B Webb

SUBSCRIBED AND SWORN TO before me this 18<sup>th</sup> day of October, 2010, in the County of Crawford, State of Kansas.

My Commission Expires: 8/16/2012

Lorin Magee  
Notary Public

