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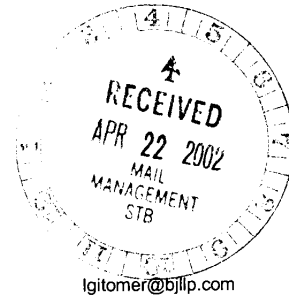
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205228

April 22, 2002

Honorable Vernon A. Williams
Secretary
Surface Transportation Board
1925 K Street, N.W.
Suite 700
Washington, DC 20423

RE: Finance Docket No. 34198, *ARZC Operating Company, Inc.--
Acquisition and Operation Exemption—ParkSierra Corp.*

Dear Secretary Williams:

Enclosed for filing are the original and ten copies of a Petition for Waiver of 49 CFR § 1150.32(e) and three diskettes with the file Petition.doc. Please time and date stamp the extra copy of this letter and the Petition and return them with our messenger.

If you have any questions, please contact me.

Sincerely yours,

Louis E. Gitomer
Attorney for ARZC Operating Company,
Inc.

Enclosures

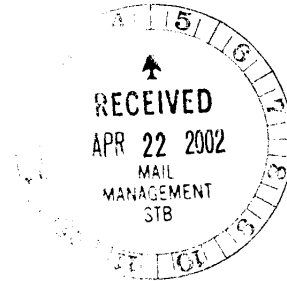
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BEFORE THE
SURFACE TRANSPORTATION BOARD

FINANCE DOCKET NO. 34198

ARZC OPERATING COMPANY, INC.—ACQUISITION AND OPERATION EXEMPTION—
PARKSIERRA CORP.

PETITION FOR WAIVER OF 49 C.F.R. § 1150.32(e)



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Dated: April 22, 2002

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ARZC OPERATING COMPANY, INC.—ACQUISITION AND OPERATION EXEMPTION—
PARKSIERRA CORP.

PETITION FOR WAIVER OF 49 C.F.R. § 1150.32(e)

ARZC Operating Company, Inc. ("New ARZC"), a non-carrier, files this Petition for Waiver of the requirements of 49 C.F.R. § 1150.32(e) that New ARZC "at least 60 days before the exemption becomes effective, post a notice of applicant's intent to undertake the proposed transaction at the workplace of the employees on the affected line(s) and serve a copy of the notice on the national offices of the labor unions with employees on the affected line(s), setting forth the types and numbers of jobs expected to be available, the terms of employment and principles of employee selection, and the lines that are to be transferred, and certify to the Board that it has done so."

New ARZC intends to acquire and operate about 300 miles of railroad from ParkSierra Corporation ("ParkSierra"). ParkSierra is a subsidiary of RailAmerica, Inc. ("RailAmerica") and New ARZC will become an indirect subsidiary of RailAmerica.

Prior to September 2000 ParkSierra was a non-carrier that controlled two railroad subsidiaries, the Arizona & California Railroad Company Limited Partnership ("Old ARZC") and California Northern Railroad Company, L.P. ("CFNR"). When ParkSierra acquired the assets of and assumed the common carrier obligations of Old ARZC and CFNR, Old ARZC,

CFNR, and Puget Sound & Pacific Railroad ("PSAP")¹ continued to provide railroad service as d/b/a's and separate operating divisions of ParkSierra.² RailAmerica acquired control of ParkSierra on January 8, 2002,³ and Old ARZC, CFNR, and PSAP continue to provide railroad service as d/b/a's and separate operating divisions.

RailAmerica has determined that it makes sense for the operating divisions of ParkSierra to operate as separate corporations. The employees of ParkSierra are currently assigned to one of the three divisions—Old ARZC, CFNR, and PSAP. After the partition of ParkSierra, these employees will be assigned to the same positions, but with the new entity that replaces the division. An engineer with the Old ARZC division of ParkSierra will become an engineer on the New ARZC, at the same rate of pay and under the same working conditions. See Verified Statement of Tom Schlosser, Senior Vice President/Pacific Corridor North American Rail Group of RailAmerica.

In proposing the 60-day notice in 49 CFR 1150.32(e), the Board stated "These employees are faced at a minimum with having to decide whether to accept a position on the acquiring entity or to exercise seniority on the carrier that is selling, leasing or otherwise transferring the line. In either case employees are faced with significant changes in their work assignments."

Acquisition of Rail Lines under 49 U.S.C. 10901 and 10902—Advance Notice of Proposed Transactions, STB Ex Parte No. 562 (STB served May 1, 1997). When the Board adopted the

¹ PSAP is the d/b/a for the line of railroad acquired by ARZC from The Burlington Northern and Santa Fe Railway Company in 1997. *Arizona & California Railroad Company Limited Partnership—Acquisition and Operation Exemption—The Burlington Northern and Santa Fe Railway Company*, STB Finance Docket No. 33448 (STB served September 11, 1997).

² *ParkSierra Corp., Arizona & California Railroad Company Limited Partnership, and California Northern Railroad Company, L.P.—Corporate Family Transaction Exemption*, STB Finance Docket No. 33932 (STB served September 27, 2000).

³ *RailAmerica, Inc.—Control Exemption—ParkSierra Acquisition Corp. and ParkSierra Corp.*, STB Finance Docket No. 34100 (STB served December 2001).

60-day notice, it reasoned that “employees on the lines that have been sold are forced to make career choices -- such as whether they will accept employment on the new carrier or retain whatever rights they have to exercise seniority or later be reemployed on the seller's lines -- in a very short period of time.” *Acq. Of R. Lines Under 49 U.S.C. 10901 & 10902—Advance Notice*, 2 S.T.B. 592, 597 (1997). Another rationale advanced by the Board in adopting the 60-day notice was that “new carriers buying or leasing lines often extend offers of employment to employees working on the lines acquired, and we have no reason to believe that this practice will not continue. Employees affected by those transactions will often have to choose whether or not to accept employment with the new carrier. In addition, employees in section 10901 transactions will, in many instances, have to move to new positions on their present employer or may have to seek new employment altogether. Under the circumstances, to facilitate the implementation of these transactions, we find that 60-days' advance notice involving larger transactions would assist employees who are confronted with major adjustments and decisions relating to their livelihoods. We believe that, especially since employees are not accorded any statutory protection from the effects of the transaction except where the purchase is by a Class II carrier, 60 days' notice is a reasonable period of time in which directly affected employees may be asked to make decisions or take actions.” *Id.*, at 599.

The partition of ParkSierra into three separate entities that parallel the current divisional structure of the railroad does not raise the same issues that concerned the Board when it adopted the 60-day notice. Although the employees of ParkSierra will have a new employer after the completion of the transaction, it will merely be a formulaic change. An employee of ParkSierra who works on the Old ARZC division today will work for the New ARZC upon consummation of the partition in the same position, for the same wages, with the same duties, and working at

the same location. Other than the employees assigned to the divisions, ParkSierra has no other employees. Employees will not have to decide if they want to work for a new entity performing different tasks at different rates of pay in different locations or remain with the old entity. The old entity, ParkSierra will cease to exist and offer employment, while the three new entities will offer the same employment enjoyed by the ParkSierra today. If the transaction were to close on a Monday, the employees would come to work on Tuesday at the same place and time with the same tasks and wages.

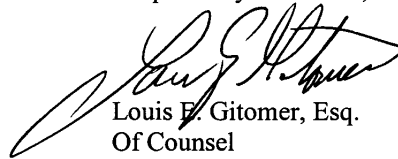
New ARZC and ParkSierra contend that this is the type of situation the Board contemplated when it said “We recognize that exceptional situations may occur necessitating acquirer requests for waiver of the 60-day notice provision and we will consider such requests at the appropriate time.” *Id.*, at 601. See *Patapsco & Back Rivers Railroad Company LLC--Acquisition and Operation Exemption--Patapsco & Back Rivers Railroad Company [Request for Waiver of 49 CFR 1150.32(e)]*, STB Finance Docket No. 34159 (STB served December 27, 2001); *Keystone Railroad LLC--Acquisition and Operation Exemption--Keystone Railroad, Inc. [Request for Waiver of 49 CFR 1150.32(e)]*, STB Finance Docket No. 34157 (STB served December 27, 2001); and *Lake Michigan & Indiana Railroad Company LLC--Acquisition and Operation Exemption--Keystone Railroad, Inc. [Request for Waiver of 49 CFR 1150.32(e)]*, STB Finance Docket No. 34140 (STB served December 27, 2001).

New ARZC and ParkSierra respectfully request that the Board waive the 60-day notice requirement of 49 CFR 1150.32(e) and allow them to consummate the partition of ParkSierra on or after (1) the date of service of the waiver decision or (2) seven days after the verified notice of exemption in this proceeding is filed, whichever is later.

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

Respectfully submitted,

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Attorneys for: ARZC Operating Company, Inc.

Dated: April 22, 2002

VERIFIED STATEMENT OF

TOM SCHLOSSER

I am Tom Schlosser, Senior Vice President/Pacific Corridor, North American Rail Group of RailAmerica, Inc. ("RailAmerica"). Before joining RailAmerica, I was the President of ParkSierra Corporation ("ParkSierra").

I am very familiar with the operations of ParkSierra and the assignment of employees to its divisions. I am also familiar with the plans to partition ParkSierra into three complementary corporations to replace the three divisions that ParkSierra operates today, which are Arizona & California Railroad Company ("Old ARZC"), California Northern Railroad Company ("Old CFNR"), and Puget Sound & Pacific Railroad ("Old PSAP"). These divisions will become ARZC Operating Company, Inc. ("New ARZC"), CFNR Operating Company, Inc. ("New CFNR"), and PSAP Operating Company, Inc. ("New PSAP"), respectively.

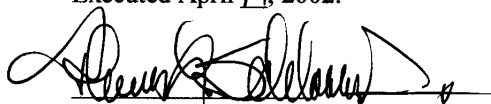
All of the employees of ParkSierra are assigned to Old ARZC, Old CFNR, or Old PSAP today. After the partition, the employees of Old ARZC will be assigned to New ARZC, the employees of Old CFNR will be assigned to New CFNR, and the employees of Old PSAP will be assigned to New PSAP. The employees will report to the same duty locations, will perform the same functions, will earn the same rate of pay, etc. Today's ParkSierra employees will not be affected by the partition of ParkSierra into three complementary corporations. The ParkSierra employees will not have to decide whether to follow their work under different conditions or stay with the same company, but performing different functions.

As far as the ParkSierra employees are concerned, the proposal to partition ParkSierra into three complementary corporations instead of divisions will not affect their jobs at all.

VERIFICATION

I, Tom Schlosser verify under penalty of perjury under the laws of the United States that the foregoing is true and correct. Further, I certify that I am qualified and authorized to file this Verified Statement.

Executed April 19, 2002.



Tom Schlosser