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January 7, 2022

303496

## VIA ELECTRONIC FILING

Ms. Cynthia T. Brown  
Chief, Section of Administration  
Office of Proceedings  
Surface Transportation Board  
395 E Street, S.W., Room 1034  
Washington, DC 20423-0001

ENTERED  
Office of Proceedings  
January 7, 2022  
Part of  
Public Record

Re: **FD 36572**  
**Watco Holdings, Inc. — Continuance in Control Exemption —**  
**Verdigris Southern Railroad, L.L.C.**

Dear Ms. Brown:

Attached for filing in the above-captioned proceeding is a **Verified Notice of Exemption of Watco Holdings, Inc. Pursuant to 49 C.F.R. § 1180.2(d)(2)** dated January 7, 2022. The filing fee for this matter has been tendered electronically via Pay.gov.

If you have any questions regarding this filing, please feel free to contact me.  
Thank you for your assistance on this matter.

Respectfully submitted,



Bradon J. Smith  
Attorney for Watco Holdings, Inc.

BJS:bs

Attachments

FILED  
January 7, 2022  
SURFACE  
TRANSPORTATION BOARD

FEE RECEIVED  
January 7, 2022  
SURFACE  
TRANSPORTATION BOARD

BEFORE THE  
SURFACE TRANSPORTATION BOARD

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FD 36572

WATCO HOLDINGS, INC.  
— CONTINUANCE IN CONTROL EXEMPTION —  
VERDIGRIS SOUTHERN RAILROAD, L.L.C.

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**VERIFIED NOTICE OF EXEMPTION OF  
WATCO HOLDINGS, INC.  
PURSUANT TO 49 C.F.R. § 1180.2(d)(2)**

Bradon J. Smith  
Robert A. Wimbish  
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29 North Wacker Drive  
Suite 800  
Chicago, Illinois 60606-3208  
(312) 252-1500

**ATTORNEYS FOR  
WATCO HOLDINGS, INC.**

Dated: January 7, 2022

BEFORE THE  
SURFACE TRANSPORTATION BOARD

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FD 36572

WATCO HOLDINGS, INC.  
— CONTINUANCE IN CONTROL EXEMPTION —  
VERDIGRIS SOUTHERN RAILROAD, L.L.C.

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**VERIFIED NOTICE OF EXEMPTION OF  
WATCO HOLDINGS, INC.  
PURSUANT TO 49 C.F.R. § 1180.2(d)(2)**

Watco Holdings, Inc. (“Watco”), a non-carrier holding company, hereby files this notice of exemption under 49 C.F.R. § 1180.2(d)(2) to continue in control of the Verdigris Southern Railroad (“VESO”) upon VESO’s acquisition by lease, and commencement of common carrier operations over, certain, currently-private, track (the “Line”) in Inola, Okla., pursuant to VESO’s concurrently-filed Verified Notice of Exemption in FD 36571, *Verdigris Southern Railroad, L.L.C. — Acquisition and Operation Exemption — Track in Rogers County, Okla.*

The track that VESO intends to lease and commence common carrier operations over does not connect with any of the lines of Watco’s 41 existing rail carriers, and this control transaction is not part of a series of anticipated transactions that would result in such a connection. Nor does this proposed control transaction involve a Class I carrier. Accordingly, Watco’s proposed continuance in control of VESO satisfies the class exemption criteria of 49 C.F.R. § 1180.2(d)(2).

In accordance with the requirements of 49 C.F.R. § 1180.4(g), Watco submits the following information:

**Description of Proposed Transaction: 49 C.F.R. § 1180.6(a)(1)(i)**

Watco is a non-carrier holding company which currently controls 1 Class II rail carrier and 40 Class III rail carriers listed in the Appendix to this Notice.<sup>1</sup> *See Watco Holdings, Inc. — Continuance in Control Exemption — Ringneck & Wetern Railroad, L.L.C.*, FD 36512 (STB served Apr. 30, 2021).

VESO, a new non-carrier entity controlled by Watco, will lease and operate the subject Line. None of the rail lines of Watco's existing rail carrier holdings will connect with VESO, and this control transaction is not part of a series of anticipated transactions that would result in such an inter-connection. Watco seeks to continue in control of VESO and Watco's existing rail carrier subsidiaries once VESO leases, and commences common carrier operations over, the Line that is the subject of the FD 36571 class exemption proceeding.

The full name and address of the Applicant herein is:

Watco Holdings, Inc.  
315 West 3<sup>rd</sup> Street  
Pittsburg, Kansas 66762

Any questions concerning this Notice should be sent to Watco's representative at the following address:

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<sup>1</sup> Watco anticipates that this Notice may become effective prior to the consummation of the transaction that is the subject of *Watco Holdings, Inc. — Continuance in Control Exemption — Fox Valley & Lake Superior Rail System, L.L.C.*, FD 36506. Regardless, as with Watco's existing rail carrier holdings, the lines to be operated by the proposed rail carrier that is the subject of the FD 36506 proceeding, Fox Valley & Lake Superior Rail System, L.L.C., are located in Wisconsin, and would not connect with the Line that VESO seeks authorization to operate here. As such, Watco would still be eligible to invoke the subject class exemption in connection with the VESO transaction, even if the transaction encompassed by the FD 36506 proceeding were effectuated prior to the effective date of this Notice.

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Fletcher & Sippel LLC  
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**Proposed Schedule for Consummation: 49 C.F.R. § 1180.6(a)(1)(ii)**

Watco intends to consummate the proposed transaction upon the effectiveness of the lease and operation notice of exemption that is the subject of the FD 36571 proceeding, in keeping with 49 C.F.R. § 1180.4(g)(1).

**Purpose Sought to Be Accomplished: 49 C.F.R. § 1180.6(a)(1)(iii)**

The subject exemption will allow Watco to continue to exercise common control of its existing rail carrier subsidiaries and VESO. In turn, the control exemption will allow VESO to proceed with the lease and operation of the Line as contemplated in FD 36571.

**States in Which Property of Applicants is Located: 49 C.F.R. § 1180.6(a)(5)**

Watco is a non-carrier holding company and does not directly own any rail property. VESO will acquire and operate rail property in the State of Oklahoma. Watco's existing rail carrier subsidiaries own or lease, and operate, rail property located in 28 states, as listed in the Appendix.

**Maps - Exhibits A and B: 49 C.F.R. § 1180.6(a)(6)**

A map of the Line to be leased and operated by VESO is attached hereto as Exhibit A. A system map generally showing the location of Watco's existing rail carrier subsidiaries in the United States is attached hereto as Exhibit B. A user-friendly copy of this system map offered as Exhibit B is also available at <https://www.watco.com/system-map/>.

**Agreement: 49 C.F.R. § 1180.6(a)(7)(ii)**

Watco already controls VESO, currently a non-carrier. No agreement is contemplated or necessary for Watco to continue in control of VESO once VESO acquires the Lines and commences common carrier operations.

**Labor Protective Conditions: 49 C.F.R. § 1180.4(g)(1)(i)**

A non-carrier continuing in control of a Class III carrier does not implicate labor protective conditions. 49 U.S.C. § 11326(c).

**Environmental and Historic Preservation Matters: 49 C.F.R. § 1180.4(g)(3)**

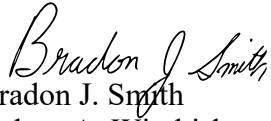
Under 49 C.F.R. § 1105.6(c)(2)(i) and (ii), the proposed control transaction is exempt from environmental reporting requirements. Watco's continuance in control of VESO will not result in changes that exceed the thresholds established in 49 C.F.R. § 1105.7(e)(4) or (5).

Under 49 C.F.R. § 1105.8(b)(3), the proposed continuance in control also is exempt from historic preservation reporting requirements. The control transaction will not substantially change the level of maintenance of any railroad property.

**Interchange Commitments: 49 C.F.R. § 1180.4(g)(4)**

The proposed transaction does not itself involve the acquisition or operation of a rail line, and thus the provisions of 49 C.F.R. § 1180.4(g)(4) are not applicable. In any event, the acquisition that is the subject of the FD 36571 proceeding does not include a provision restricting VESO's interchange of traffic with a third-party connecting carrier.

Respectfully submitted,

A handwritten signature in black ink that reads "Bradon J. Smith". The signature is written in a cursive style with a large, stylized "B" and "S".

Bradon J. Smith

Robert A. Wimbish

Fletcher & Sippel LLC

29 North Wacker Drive

Suite 800

Chicago, Illinois 60606-3208

(312) 252-1500

**ATTORNEY FOR  
WATCO HOLDINGS, INC.**

Dated: January 7, 2022

**BEFORE THE  
SURFACE TRANSPORTATION BOARD**

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**FD 36572**

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**WATCO HOLDINGS, INC.  
— CONTINUANCE IN CONTROL EXEMPTION —  
VERDIGRIS SOUTHERN RAILROAD, L.L.C.**

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**APPENDIX**

**WATCO-CONTROLLED CARRIERS AND  
STATES OF OPERATION**

## **Class II Carriers**

Wisconsin & Southern Railroad, L.L.C. [Illinois, Wisconsin]

## **Class III Carriers**

Alabama Southern Railroad, L.L.C. [Alabama, Mississippi]

Alabama Warrior Railway, L.L.C. [Alabama]

Ann Arbor Railroad, Inc. [Michigan, Ohio]

Arkansas Southern Railroad, L.L.C. [Arkansas, Oklahoma]

Austin Western Railroad, L.L.C. [Texas]

Autauga Northern Railroad, L.L.C. [Alabama]

Baton Rouge Southern Railroad, L.L.C. [Louisiana]

Birmingham Terminal Railway, L.L.C. [Alabama]

Blue Ridge Southern Railroad, L.L.C. [North Carolina]

Bogalusa Bayou Railroad, L.L.C., also d/b/a Geaux Geaux Railroad [Louisiana]<sup>2</sup>

Boise Valley Railroad, L.L.C. [Idaho]

Cicero Central Railroad, L.L.C. [Illinois]

Decatur & Eastern Illinois Railroad, L.L.C. [Illinois, Indiana]

Dutchtown Southern Railroad, L.L.C. [Louisiana]

Eastern Idaho Railroad, L.L.C. [Idaho]

Elwood Joliet & Southern Railroad, L.L.C. [Illinois]

Fox Valley & Lake Superior Rail System, L.L.C. [Wisconsin – *Prospective, transaction not yet consummated*]<sup>3</sup>

Grand Elk Railroad, Inc. [Indiana, Michigan]

Great Northwest Railroad, L.L.C. [Idaho, Washington]

Ithaca Central Railroad, L.L.C. [New York, Pennsylvania]

Jacksonville Port Terminal Railroad, L.L.C. [Florida]

Kanawha River Railroad, L.L.C. [Ohio, West Virginia]

Kansas & Oklahoma Railroad, L.L.C. [Colorado, Kansas]<sup>4</sup>

Kaw River Railroad, L.L.C. [Kansas, Missouri]

Louisiana Southern Railroad, L.L.C. [Louisiana]

Lubbock and Western Railway, L.L.C. [Texas]

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<sup>2</sup> A portion of the Bogalusa Bayou Railroad, L.L.C. operations (conducted under the d/b/a Geaux Geaux Railroad) are shown on the system map attached as Exhibit B under the acronym GOCR).

<sup>3</sup> Because Fox Valley & Lake Superior Rail System, L.L.C. has not yet (as of the time of this exemption filing) become a rail common carrier, the lines it anticipates operating in the near future are not shown on the Watco system map attached as Exhibit B.

<sup>4</sup> Kansas & Oklahoma Railroad, L.L.C. (“K&O”) operates over a line of railroad in Colorado owned by a third party (Colorado Pacific Railroad, LLC – “Colorado Pacific”) pursuant to *Kansas & Oklahoma Railroad, LLC – Operation Exemption – Colorado Pacific Railroad, LLC*, FD 36310 (STB served June 14, 2019) (“*K&O – Operation Exemption*”). The line over which K&O operates pursuant to *K&O – Operation Exemption* is shown on the system map supplied as Exhibit B under the acronym CXR. However, to be clear, the CXR annotation designates Colorado Pacific line ownership, and is not intended to indicate that Colorado Pacific is a Watco-controlled rail carrier (Colorado Pacific is, and has always been, independent of Watco).

Mission Mountain Railroad, L.L.C. [Montana]  
Mississippi Southern Railroad, L.L.C. [Mississippi]  
Palouse River & Coulee City Railroad, L.L.C. [Idaho, Oregon, Washington]  
Pecos Valley Permian Railroad, L.L.C. d/b/a Pecos Valley Southern Railway [Texas]  
Pennsylvania Southwestern Railroad, L.L.C. [Pennsylvania]  
Ringneck & Western Railroad, L.L.C. [South Dakota]  
San Antonio Central Railroad, L.L.C. [Texas]  
Savannah & Old Fort Railroad, L.L.C. [Georgia]  
South Kansas and Oklahoma Railroad, L.L.C. [Kansas, Missouri, Oklahoma]  
Stillwater Central Railroad, L.L.C. [Oklahoma]  
Swan Ranch Railroad, L.L.C. [Wyoming]  
Texas and New Mexico Railway, L.L.C. [New Mexico]  
Timber Rock Railroad, L.L.C. [Louisiana, Texas]  
Vicksburg Southern Railroad, L.L.C. [Mississippi]  
Yellowstone Valley Railroad, L.L.C. [Montana, North Dakota]

**BEFORE THE  
SURFACE TRANSPORTATION BOARD**

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**FD 36572**

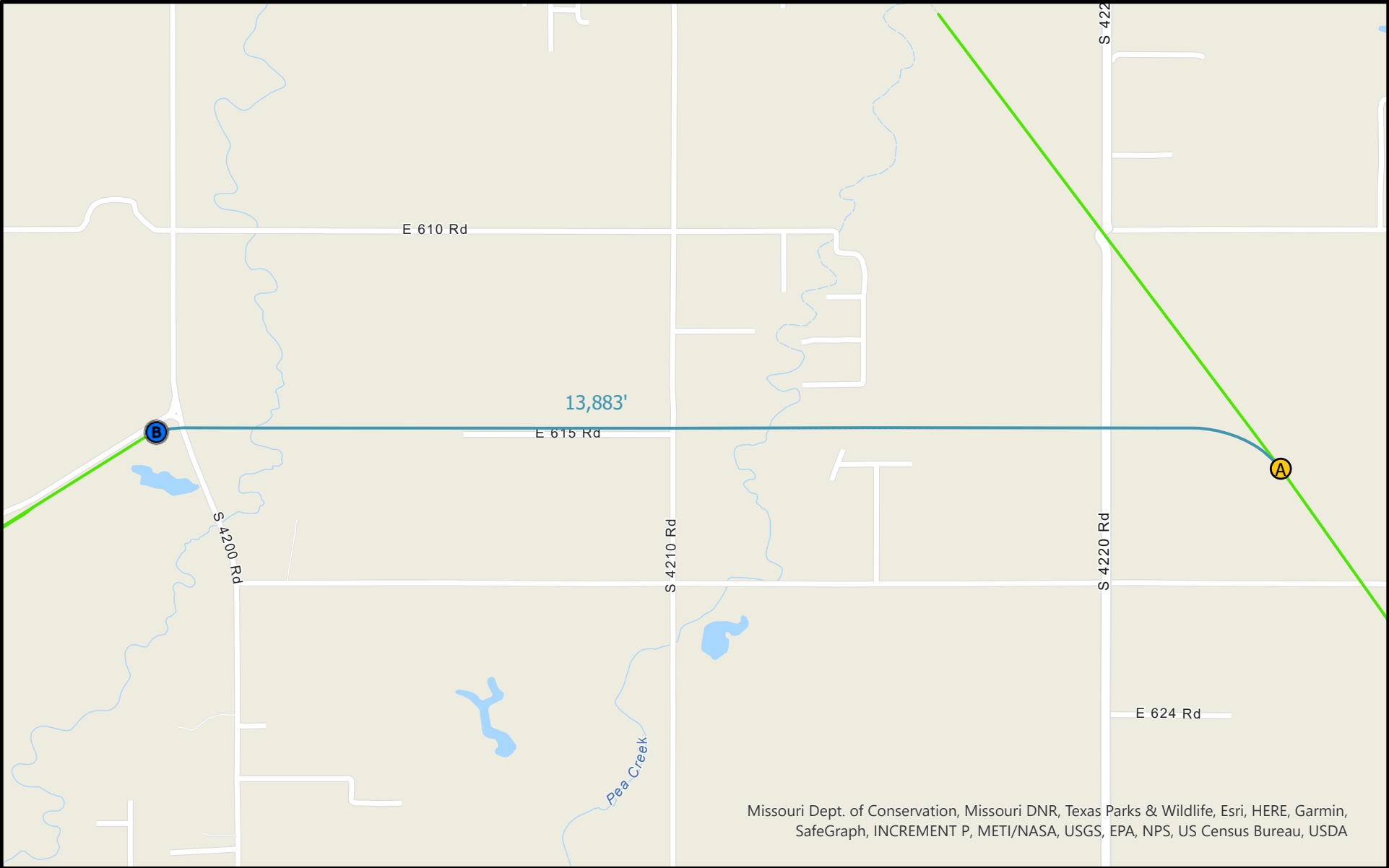
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— CONTINUANCE IN CONTROL EXEMPTION —  
VERDIGRIS SOUTHERN RAILROAD, L.L.C.**

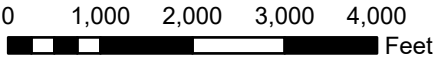
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**EXHIBIT A**

**VERDIGRIS SOUTHERN RAILROAD, L.L.C.  
MAP**



Foreign — A Begin Lease  
Leased Track — B Lease Limits  
ROW



Map Center: 95.5107°W 36.1249°N

|           |            |
|-----------|------------|
| Date:     | 12/29/2021 |
| Drawn By: | KT         |

**BEFORE THE  
SURFACE TRANSPORTATION BOARD**

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**FD 36572**

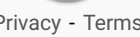
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**WATCO HOLDINGS, INC.  
— CONTINUANCE IN CONTROL EXEMPTION —  
VERDIGRIS SOUTHERN RAILROAD, L.L.C.**

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**EXHIBIT B**

**WATCO SYSTEM MAP**



**BEFORE THE  
SURFACE TRANSPORTATION BOARD**

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**FD 36572**

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— CONTINUANCE IN CONTROL EXEMPTION —  
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**VERIFICATION**

## VERIFICATION

I, Rick D. Baden, Chief Financial Officer of Watco Holdings, Inc., verify under penalty of perjury that the foregoing is true and correct. Further, I certify that I am qualified and authorized to verify this notice of exemption on behalf of Watco Holdings, Inc.



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Rick D. Baden