

BALL JANIK LLP

A T T O R N E Y S

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WASHINGTON, D.C. 20005

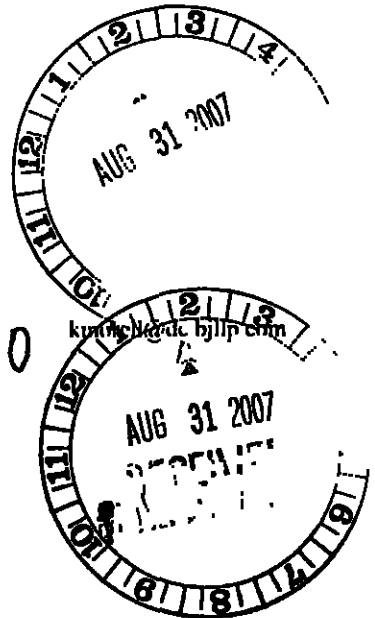
www.balljanik.com

TELEPHONE 202-638-7307
FACSIMILE 202-783-6047

KARL MORELL

August 31, 2007

220190



BY HAND DELIVERY

The Honorable Vernon Williams
Secretary
Surface Transportation Board
395 E Street S.W.
Washington, DC 20423-0001

FILED

AUG 31 2007

SURFACE
TRANSPORTATION BOARD

1

Re: STB Docket No 35075, Watco Companies, Inc., and Watco
Transportation Services, Inc. – Continuance in Control Exemption
– Austin Western Railroad, Inc.

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 \$1,100 filing fee

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

If you have any questions, please call me

Sincerely,

Karl Morell

Karl Morell

ENTERED
Office of Proceedings
AUG 31 2007
Part of
Public Record

Enclosures

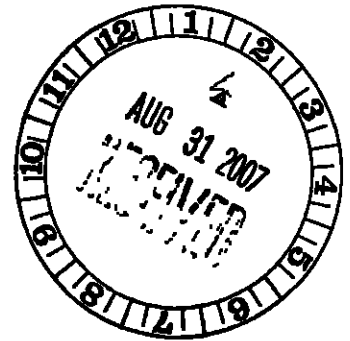
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AUG 31 2007

SURFACE
TRANSPORTATION BOARD

BEFORE THE
SURFACE TRANSPORTATION BOARD

FINANCE DOCKET NO. 35075



WATCO COMPANIES, INC., AND WATCO TRANSPORTATION SERVICES, INC.
--CONTINUANCE IN CONTROL EXEMPTION--
AUSTIN WESTERN RAILROAD, INC.

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

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SURFACE
TRANSPORTATION BOARD

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

Attorney for:
WATCO COMPANIES, INC., and
WATCO TRANSPORTATION
SERVICES, INC.

Dated: August 31, 2007

BEFORE THE
SURFACE TRANSPORTATION BOARD

FINANCE DOCKET NO. 35075

WATCO COMPANIES, INC.. AND WATCO TRANSPORTATION SERVICES, INC.
--CONTINUANCE IN CONTROL EXEMPTION--
AUSTIN WESTERN RAILROAD, INC.

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

Watco Companies, Inc. ("Watco Companies") and Watco Transportation Services, Inc. ("Watco Transportation")(collectively, "Watco") file this Notice of Exemption, pursuant to 49 C.F.R. § 1180.2(d)(2), for Watco to continue in control of Austin Western Railroad, Inc. ("AWRR"), a non-carrier, upon AWRR's 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.
 - (1) 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 Companies, a non-carrier, is a Kansas corporation which currently controls,

indirectly, sixteen (16) Class III railroads operating in 15 States.¹ Watco Transportation, also a non-carrier, is wholly-owned by Watco Companies and directly controls the railroads in the Watco family. Watco also owns 100 percent of the issued and outstanding stock of AWRR. AWRR, a Texas corporation, is a non-carrier that was formed for the purpose of operating certain rail lines owned by Capital Metropolitan Transportation Authority (“CMTA”) in Texas. Concurrently with the filing of this Notice of Exemption, AWRR is filing a Notice of Exemption in STB Finance Docket No. 35072, *Austin Western Railroad, Inc. – Operation Exemption – Capital Metropolitan Transportation Authority*, under 49 C.F.R. § 1150.31, to operate the CMTA rail lines. Upon consummation of the transaction in STB Finance Docket No. 35072, AWRR will become a Class III carrier

Watco also controls, through stock ownership and management, 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”), and the Vicksburg Southern Railroad, Inc. (“VSOR”) SKO, PRCC, TIBR, SLWC, EIRR, K&O, PSWR, GNR,

¹ In STB Finance Docket No. 35064, *Watco Companies, Inc., and Watco Transportation Services, Inc. – Continuance in Control Exemption – Michigan Central Railway, LLC* (not printed), served July 27, 2007, Watco filed a verified notice of exemption to continue in control of Michigan Central Railway, LLC (“Michigan Central”), upon Michigan Central’s becoming a Class II rail carrier

KRR, MMT, MSRR, YVRR, LSRR, ARSR, ABS and VSOR are Class III carriers which operate rail lines in 15 States.

The rail lines operated by SKO, PRCC, TIBR, SLWC, EIRR, K&O, PSWR, GNR, KRR, MMT, MSRR, YVRR, LSRR, ARSR, ABS and VSOR do not connect with the rail lines that will be operated by AWRR. The rail lines that will be operated by AWRR are located between Llano and Giddings, Texas. TIBR is the only Watco rail carrier with operations in Texas and the rail lines operated by TIBR are located in east Texas and western Louisiana.

Also, the involved transaction is not part of a series of anticipated transactions that would connect the rail lines that will be operated by AWRR with any railroad in the Watco corporate family. Finally, neither AWRR 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 Surface Transportation Board ("Board").

The name and business address of Applicants are as follows:

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

Watco Transportation Services, Inc.
315 W. 3rd 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. 3rd Street
Pittsburg, Kansas 66762

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

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

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

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

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

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

Applicants' representative:

Karl Morell
Of Counsel
Ball Janik LLP
1455 F 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 October 1, 2007.

(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 17 railroads.

(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.

LSRR's lines are located in Louisiana.

ARSR's lines are located in Arkansas

ABS's lines are located in Mississippi and Alabama.

VSOR's rail lines are located in Mississippi.

AWRR will operate rail lines in Texas

(6) Map.

Maps illustrating the rail lines of SKO, PRCC, TIBR, SLWC, EIRR, K&O, PSWR, GNR, KRR, MMT, MSRR, YVRR, LSRR, ARSR, ABS and VSOR and the rail lines to be operated by AWRR 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 AWRR.

Because SKO, PRCC, TIBR, SLWC, EIRR, K&O, PSWR, GNR, KRR, MMT, MSRR, YVRR, LSRR, ARSR, ABS and VSOR are Class III carriers and because AWRR will become

Class III rail carriers, no labor protection may be imposed on this transaction pursuant to 49 U.S.C. § 11326(c).²

ENVIRONMENTAL AND HISTORIC IMPACTS

Watco will continue to control AWRR 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 AWRR 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).

² Watco will be consummating this transaction before it consummates the transaction in STB Finance Docket No. 35064.

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

Respectfully submitted,

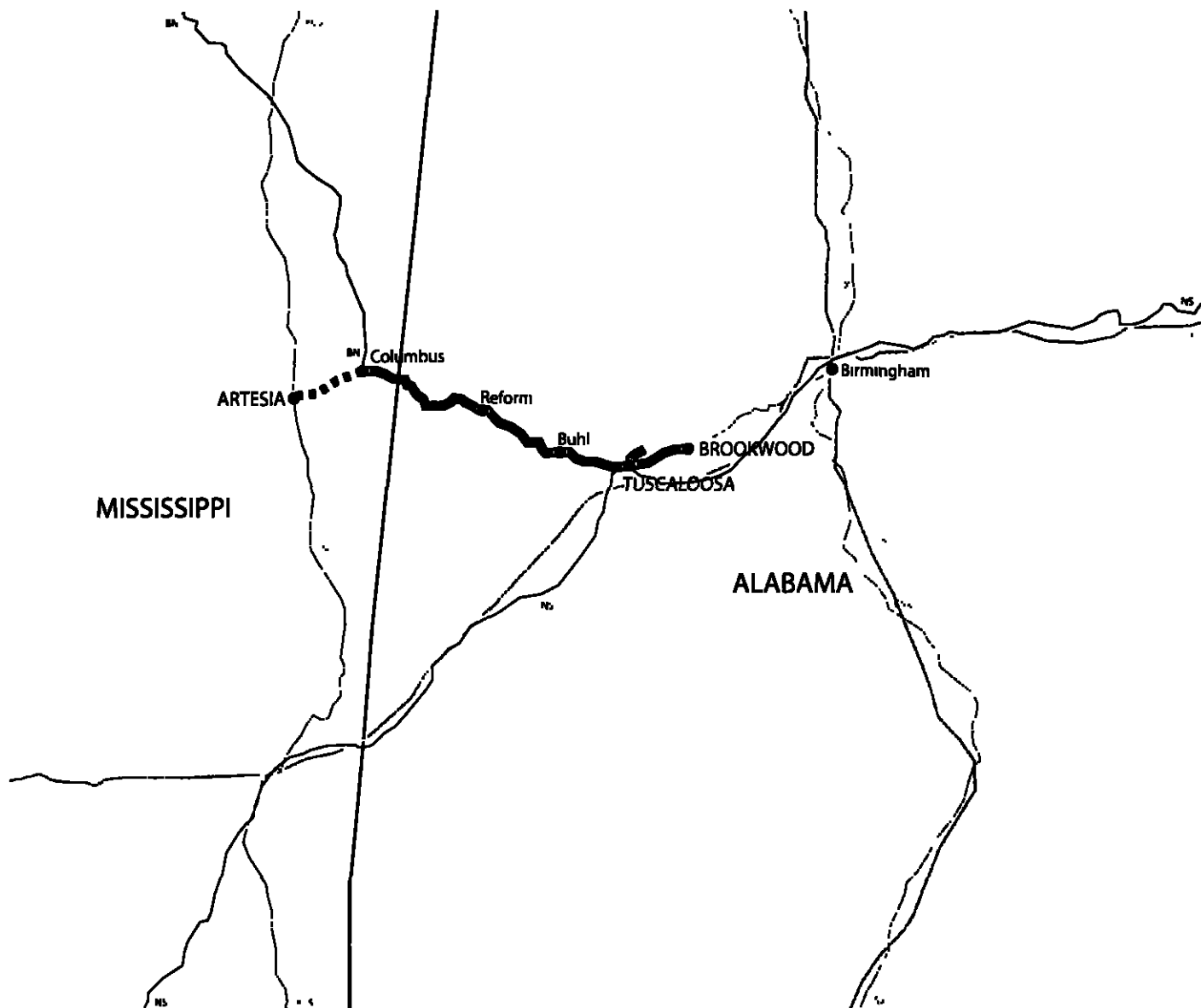
A handwritten signature in black ink, appearing to read "Karl Morell", written over a horizontal line.

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

Attorney for:
WATCO COMPANIES, INC , and WATCO
TRANSPORTATION SERVICES, INC

Dated. August 31, 2007

EXHIBIT 1



LEGEND:

Alabama Southern RR (ASR) 

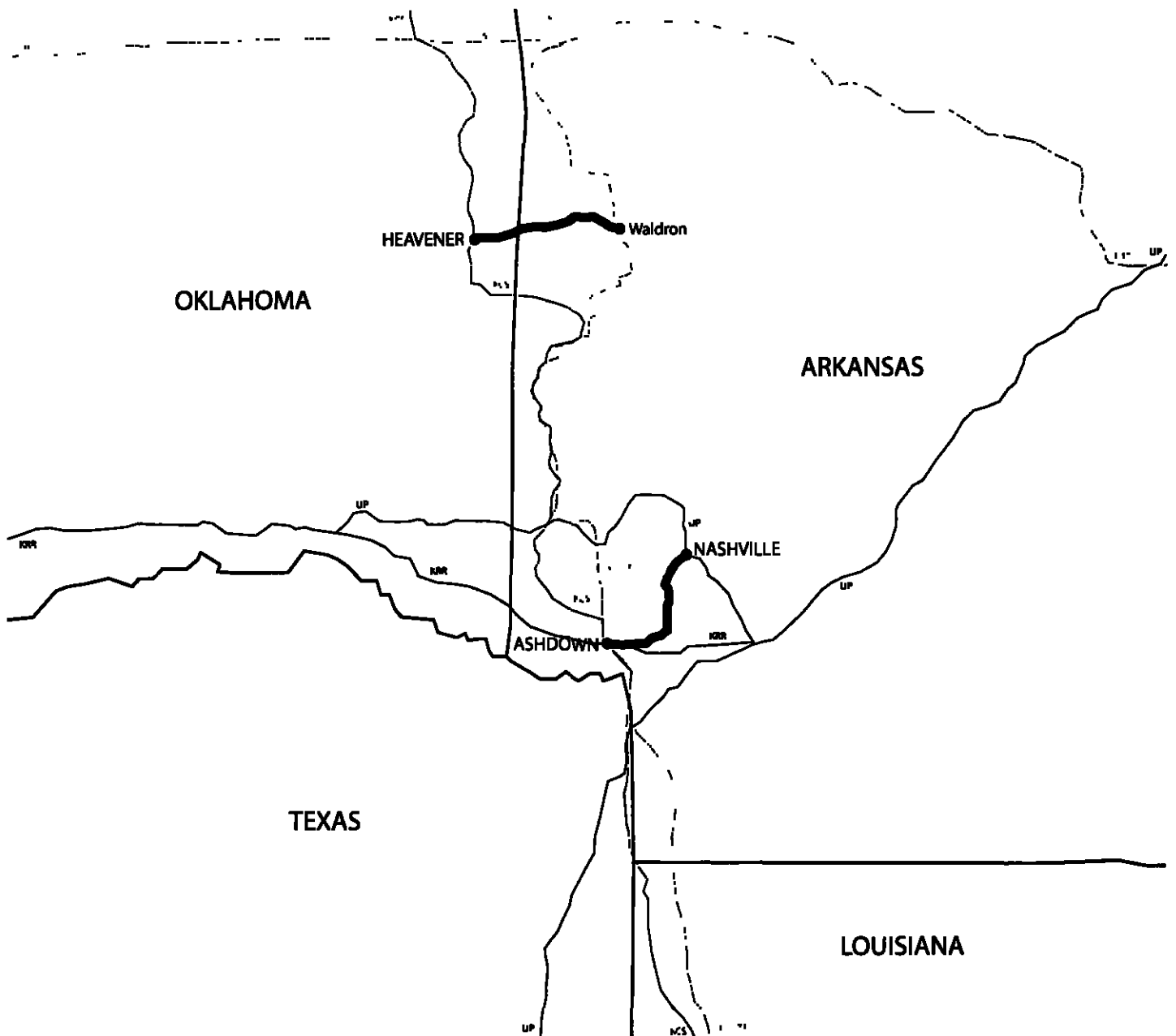
Alabama Southern Trackage Rights 

Interchanges

At S - Artesia

US - Brookwood

NS - Tuscaloosa



LEGEND:

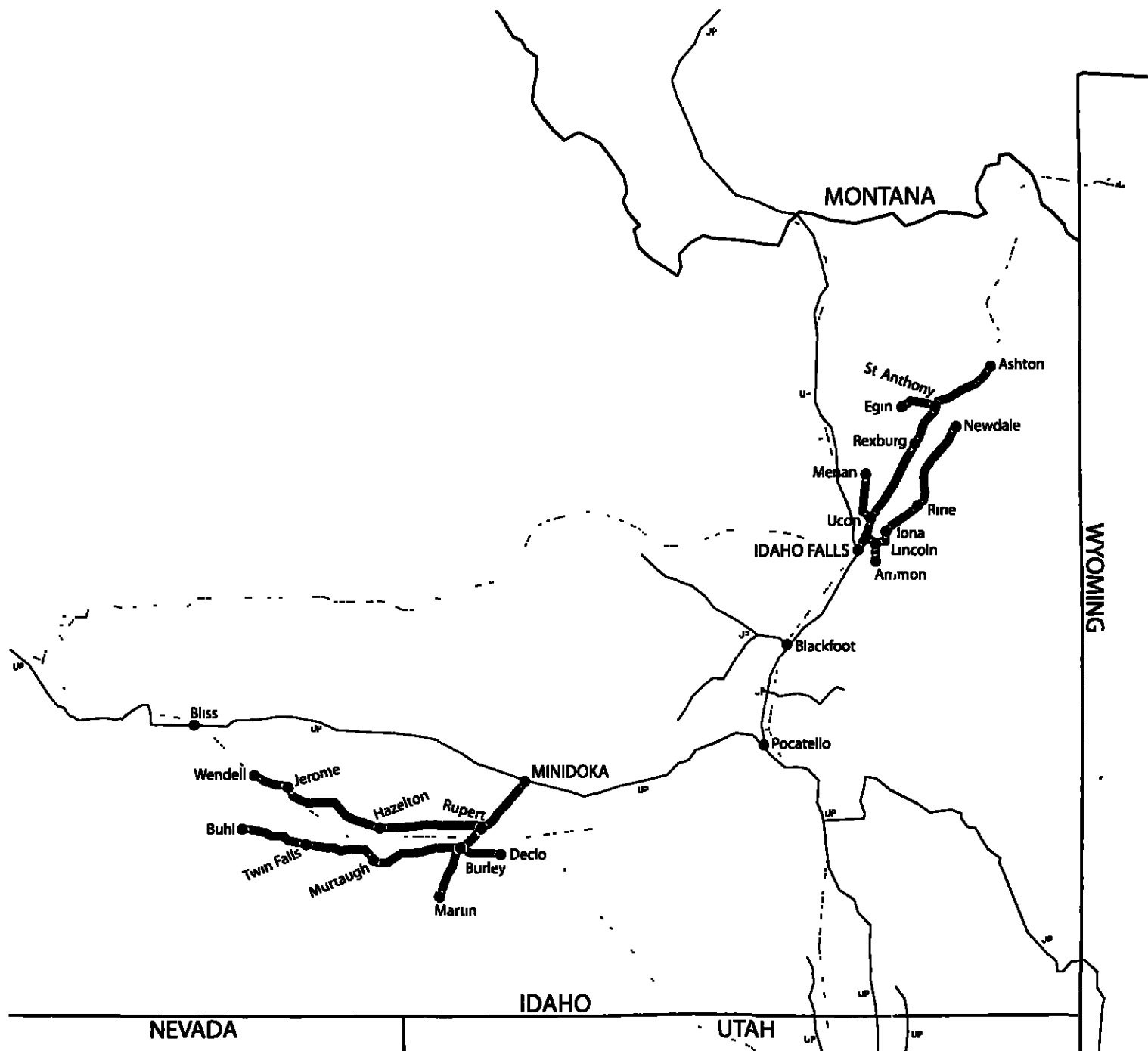
Arkansas Southern RR (ARS)



Interchanges

KCS - Ashdown, Heavener

UP - Nashville



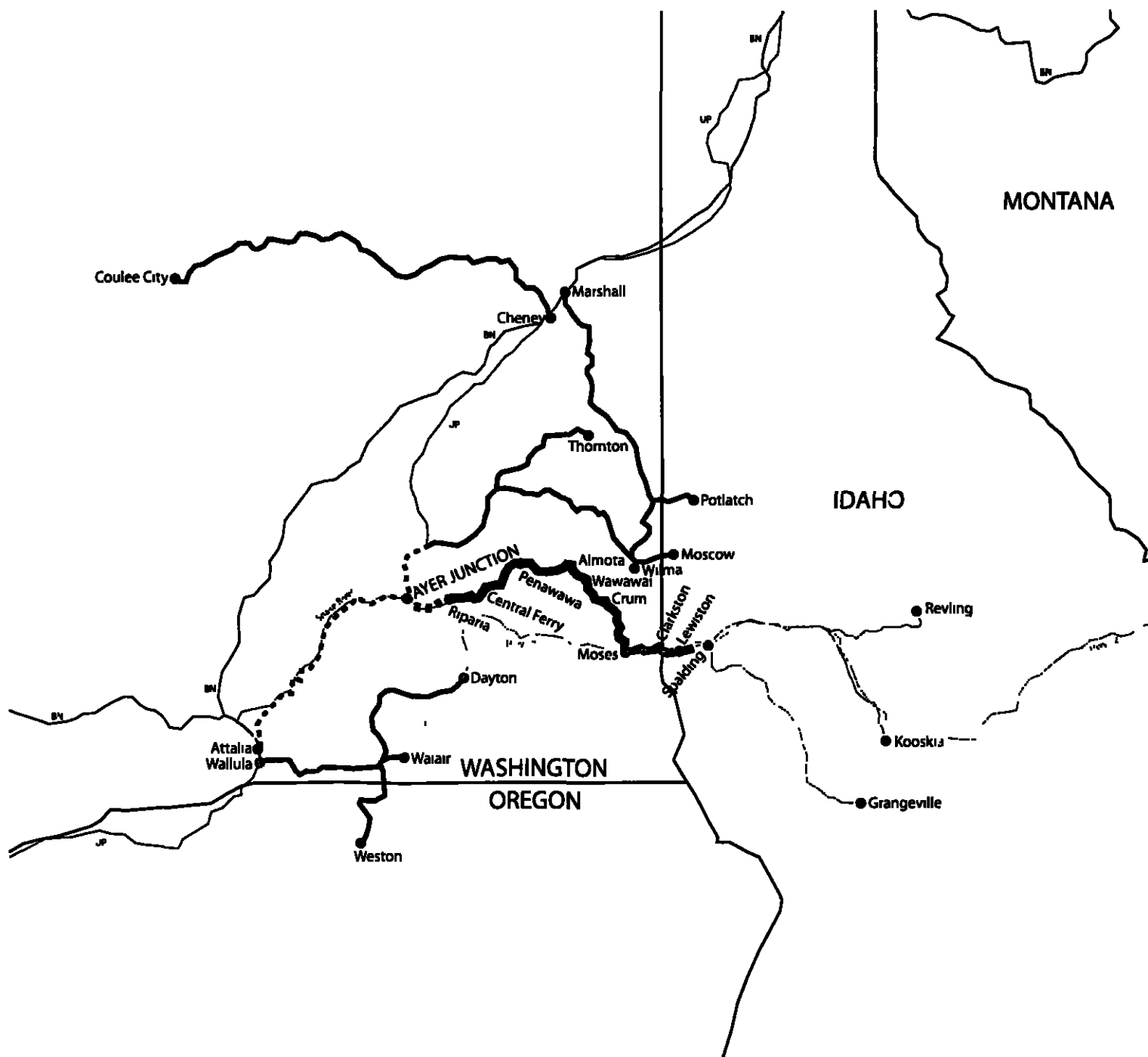
LEGEND:

Eastern Idaho RR EIR



Interchanges

UP - Minidoka Idaho Falls



LEGEND:

Great Northwest RR (GNW)

Great Northwest Trackage Rights

Palouse River & Coulee City RR (PCC)

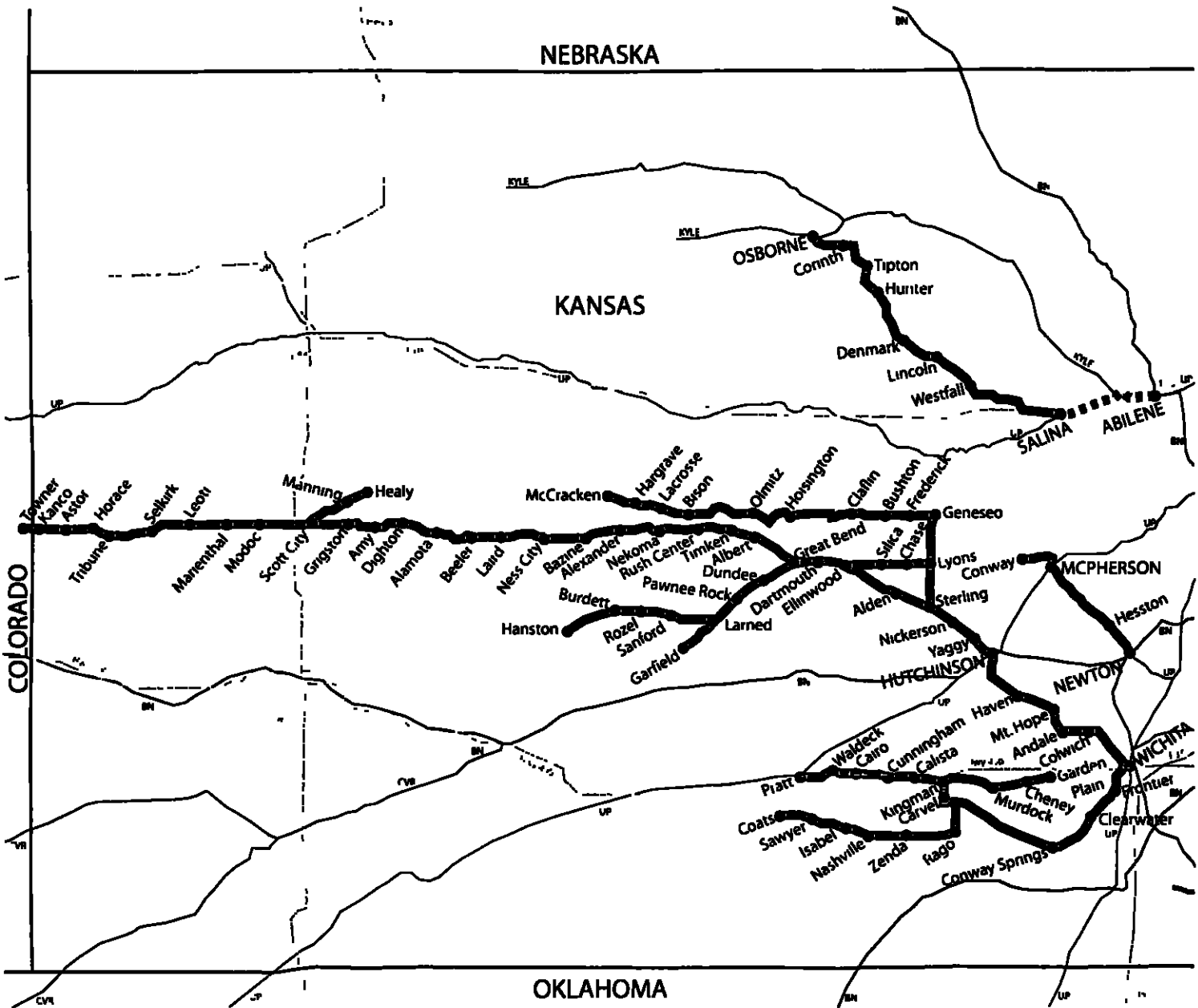
Palouse River & Coulee City Trackage Rights

BG & CM Railroad

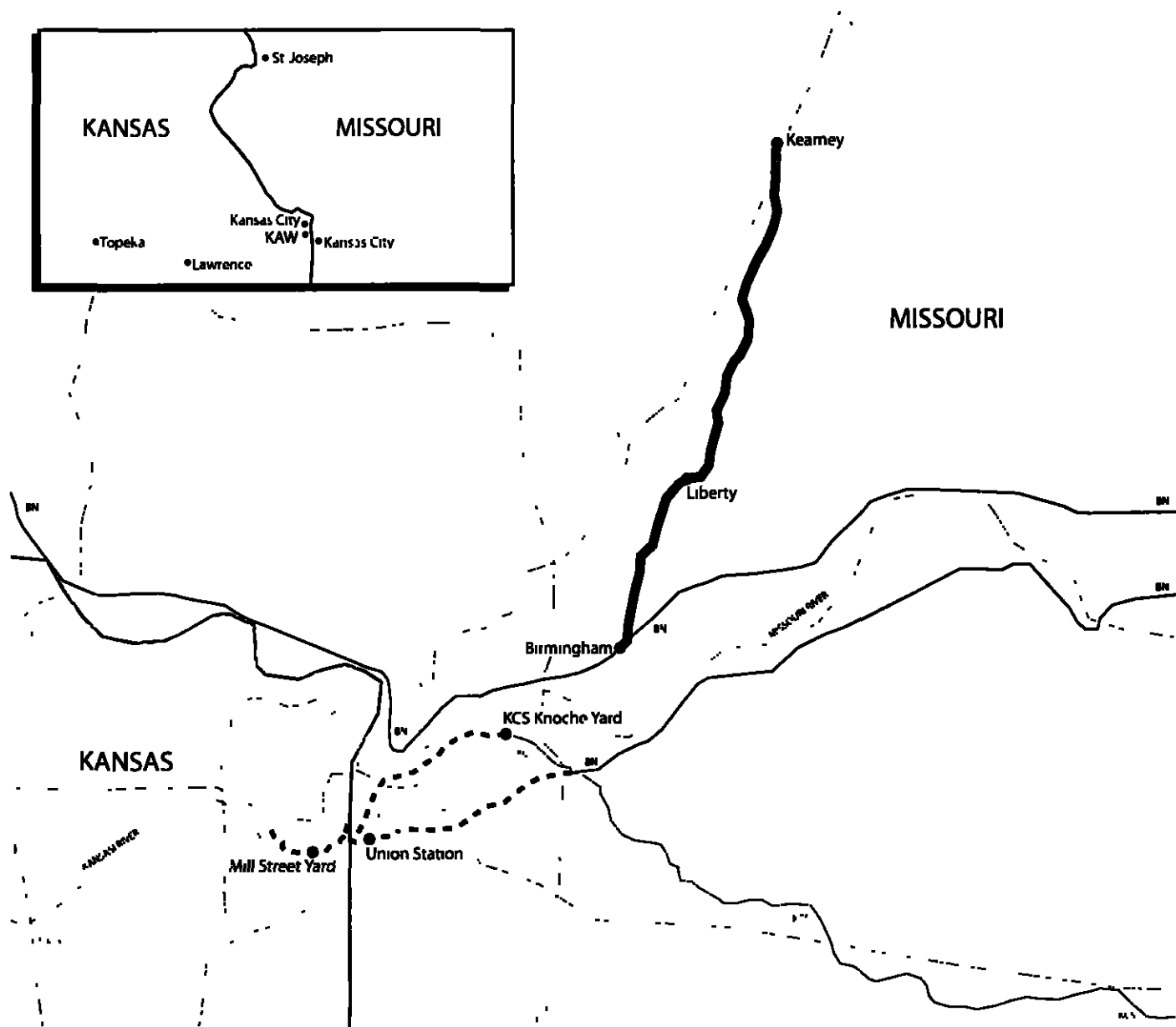
Interchanges

UP - Ayer

BNSF - Ayer



LEGEND:	
Kansas & Oklahoma RR (KO)	
Kansas & Oklahoma Trackage Rights	
South Kansas & Oklahoma RR (SKO)	
Kyle Railroad (KYLE)	
Cimarron Valley Railroad (CVR)	
Interchanges	
UP	Hutchinson, McPherson, Salina, Wichita
BNSF	Abilene, Hutchinson, Newton, Wichita
KYLE	Osborne
SKOL	Wichita



LEGEND:

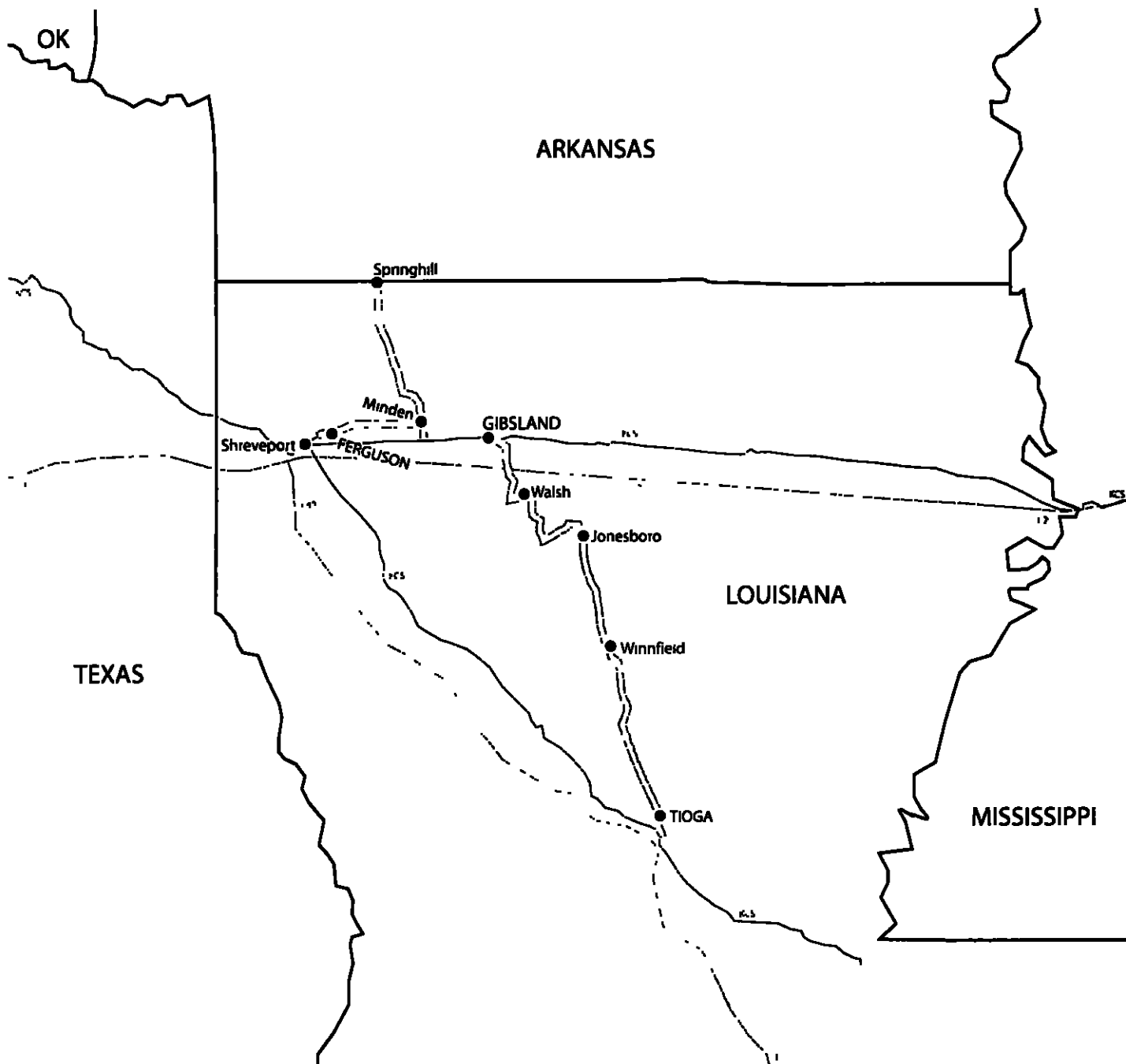
KAW River Railroad (KAW)

Kansas City Transportation (KCT)

Interchanges

BN - Kansas City Birmingham

KCS - Kansas City



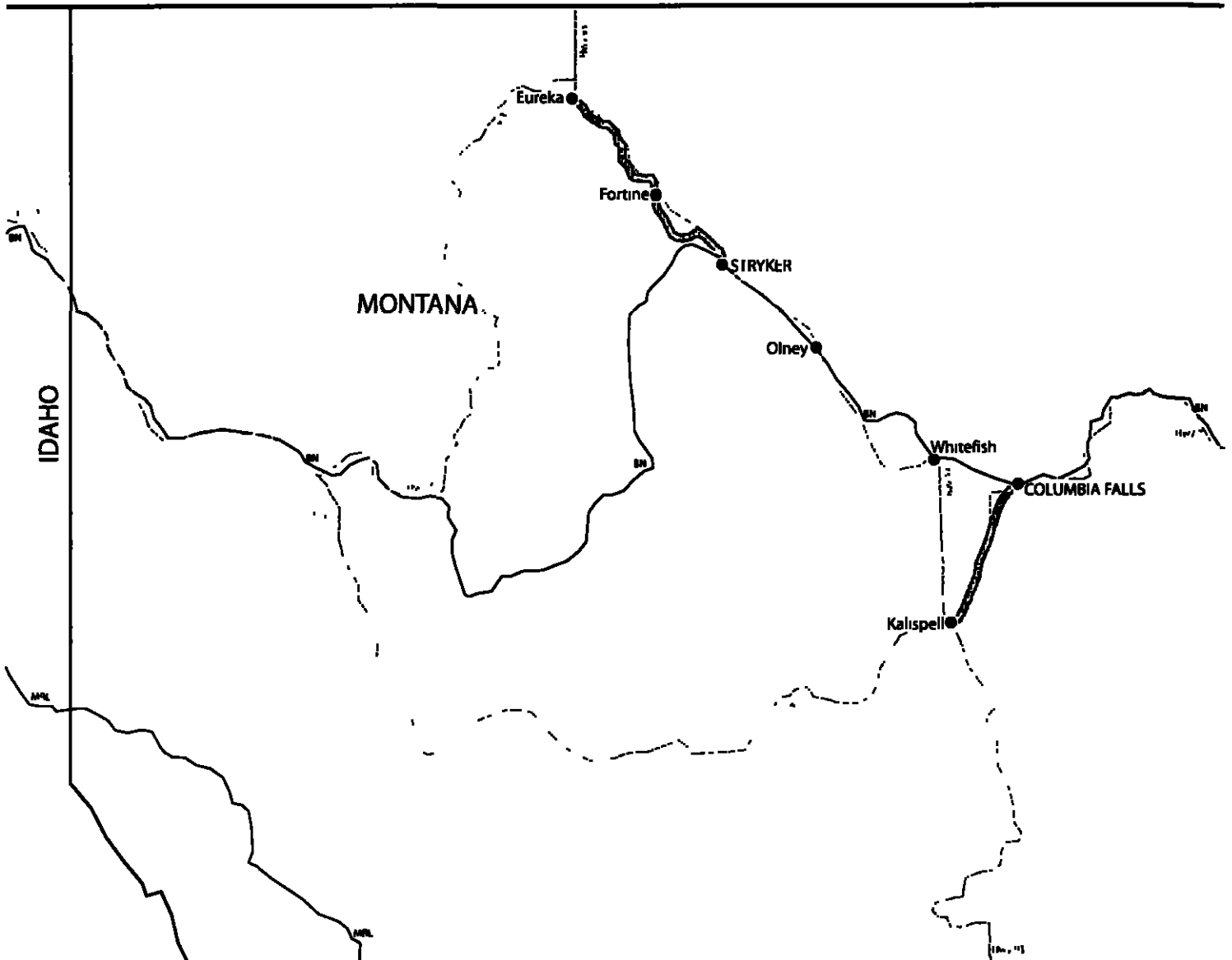
LEGEND.

Louisiana Southern RR (LS) 

Interchanges

KCS - Gibsland Sibley, Pineville

CANADA



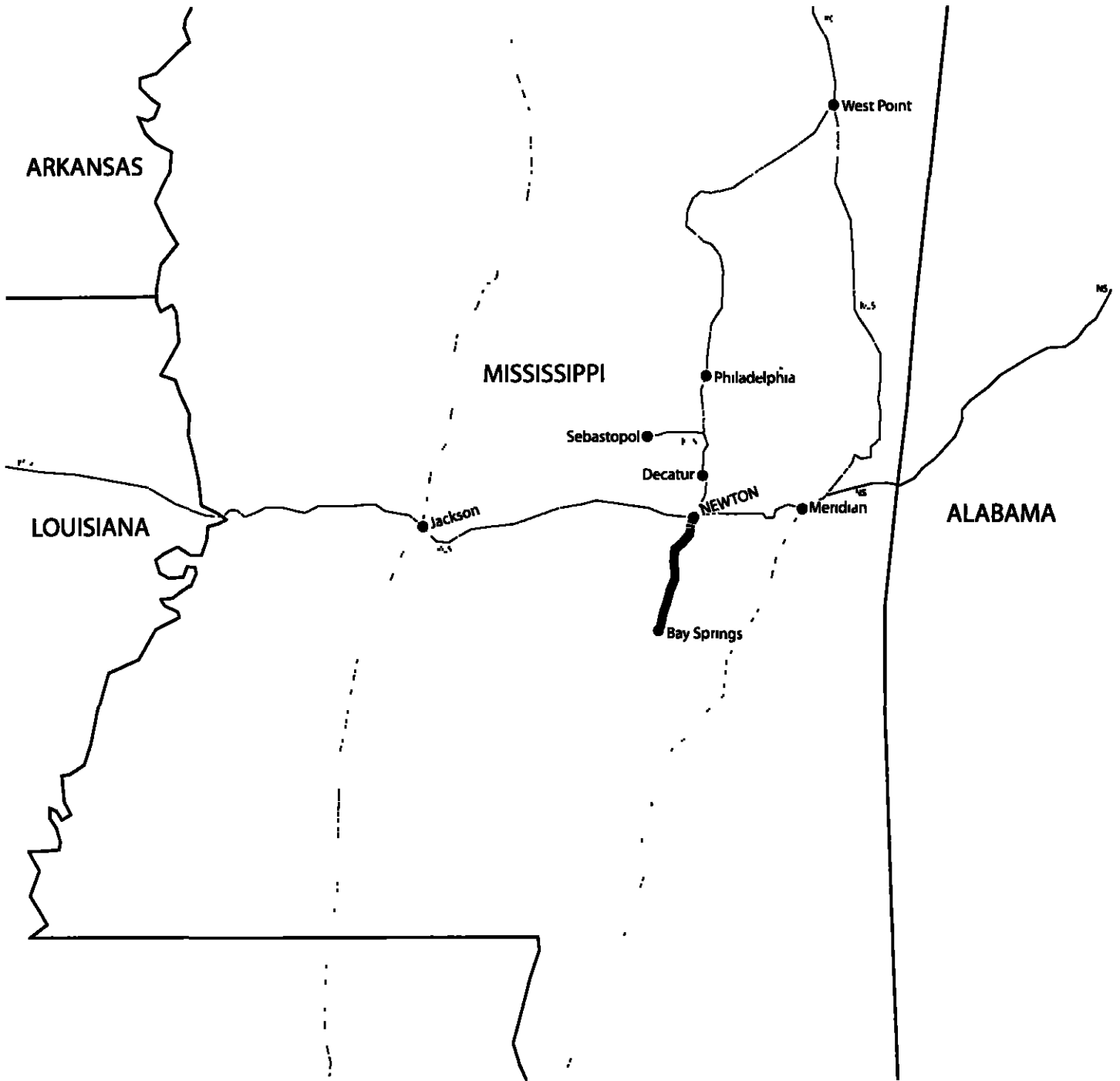
LEGEND:

Mission Mountain Railroad (MMT)



Interchanges

BNSF - Stryker, Columbia Falls



LEGEND:

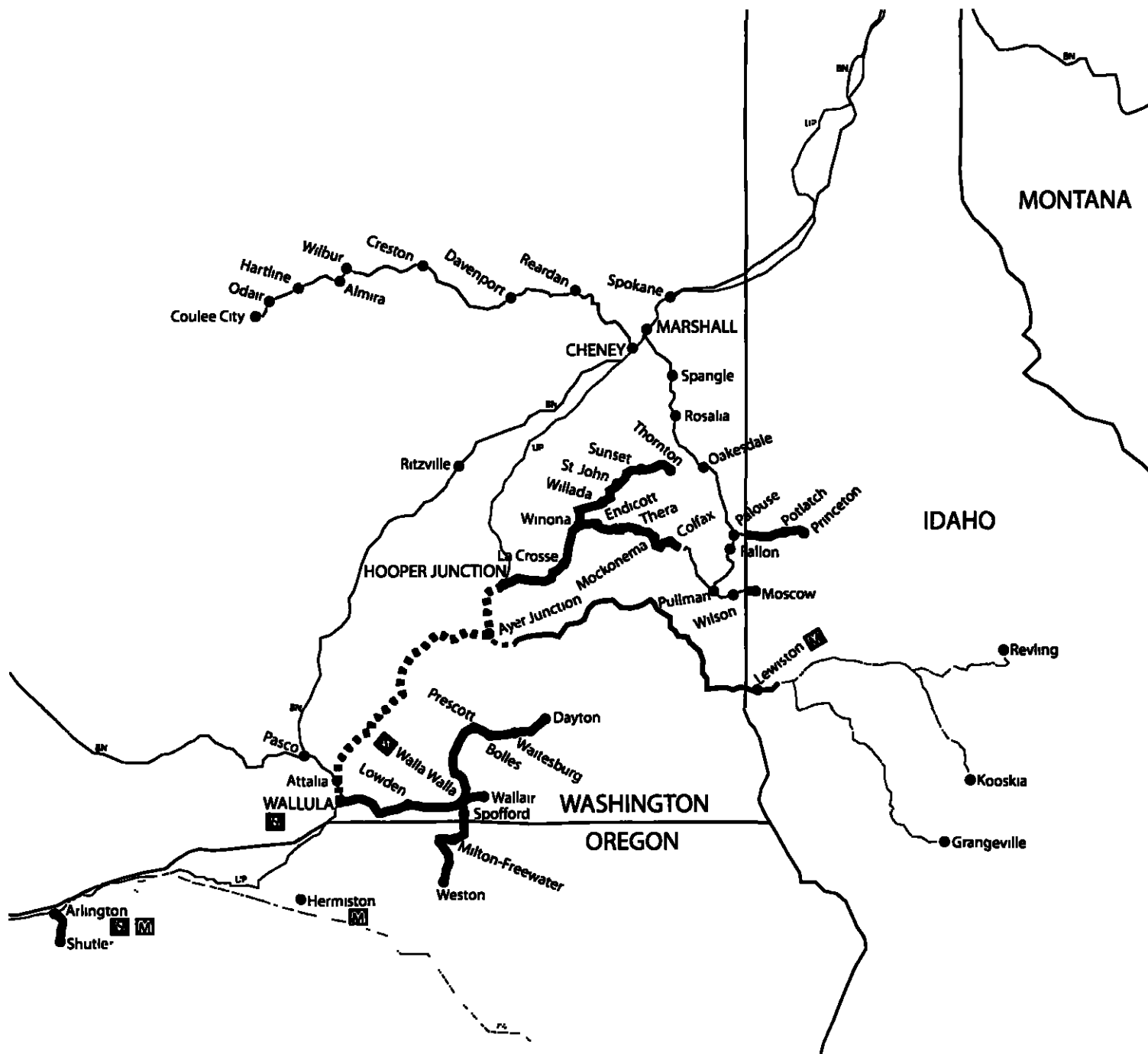
Mississippi Southern RR MS-R

Mississippi Southern RR Trackage Rights



Interchanges

KCS - Newton



LEGEND:

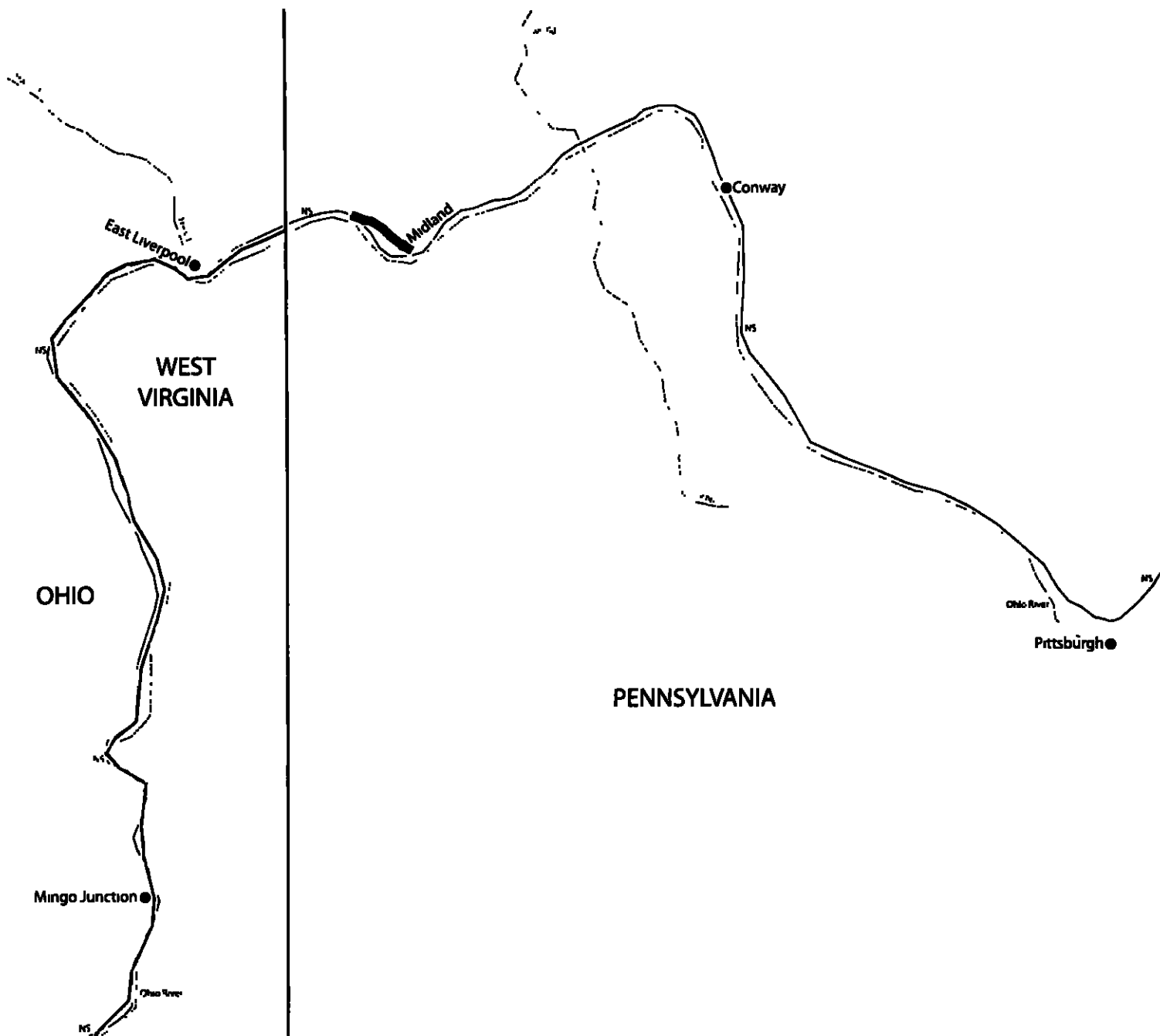
Palouse River & Coulee City RR (PCC)
 Palouse River & Coulee City Trackage Rights
 Great Northwest RR
 Great Northwest RR Trackage Rights
 Washington and Idaho Railway
 Eastern Washington Gateway RR
 BG & CM Railroad

Interchanges

BNSF - Wallula
 UP - Hooper Junction
 - Wallula

Track Miles -

M Mechanical Shop S Switching Services
 L Locomotive Shop



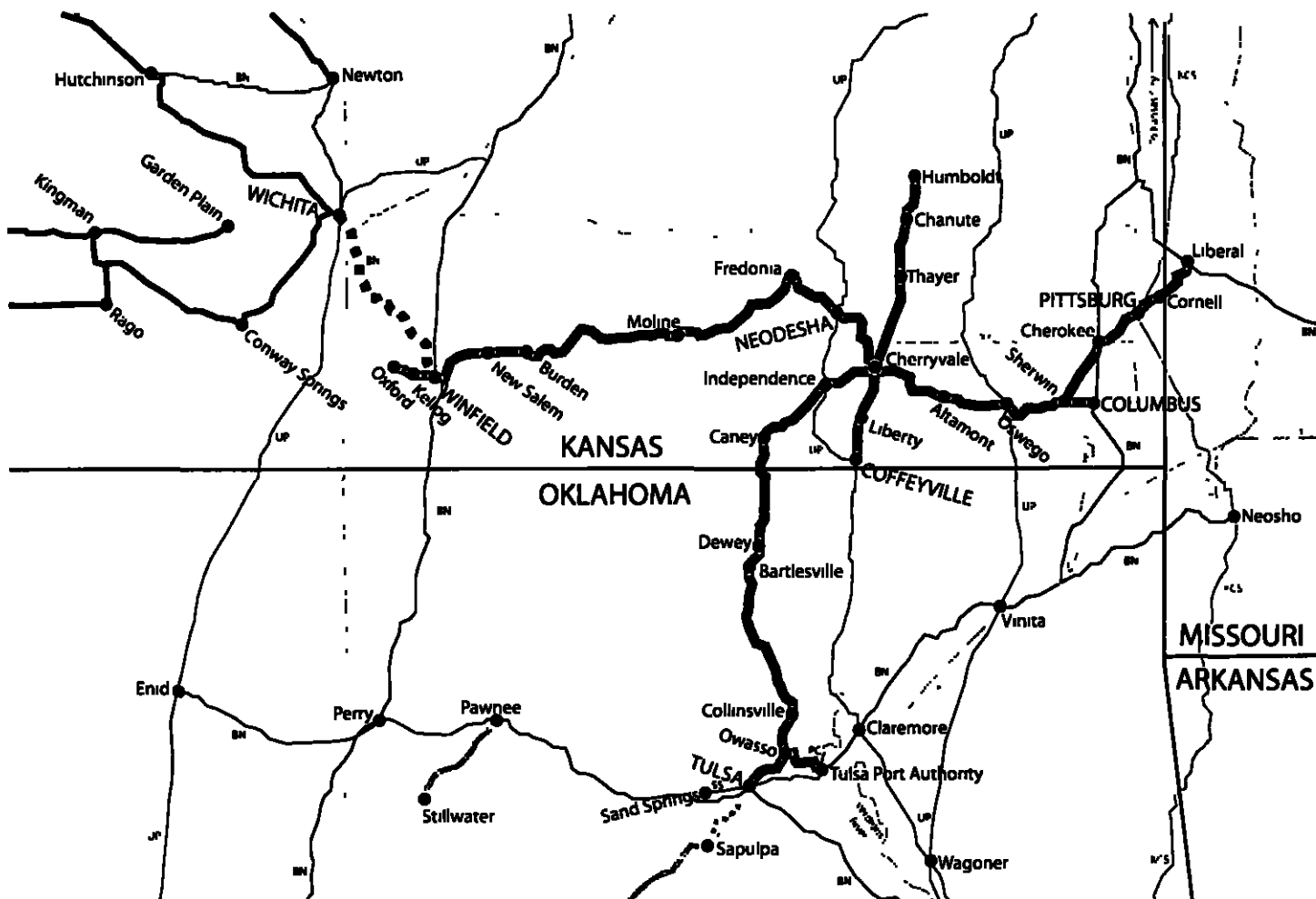
LEGEND:

Pennsylvania Southwestern RR (PSWR)



Interchanges

NS - Midland



LEGEND:

South Kansas & Oklahoma RR (SKOR)

South Kansas & Oklahoma Trackage Rights

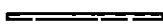
Kansas & Oklahoma RR (KOR)

Stillwater Central RR (SLWC)

Stillwater Central Trackage Rights

Sand Springs RR (SS)

Tulsa's Port of Catoosa (PC)



Interchanges

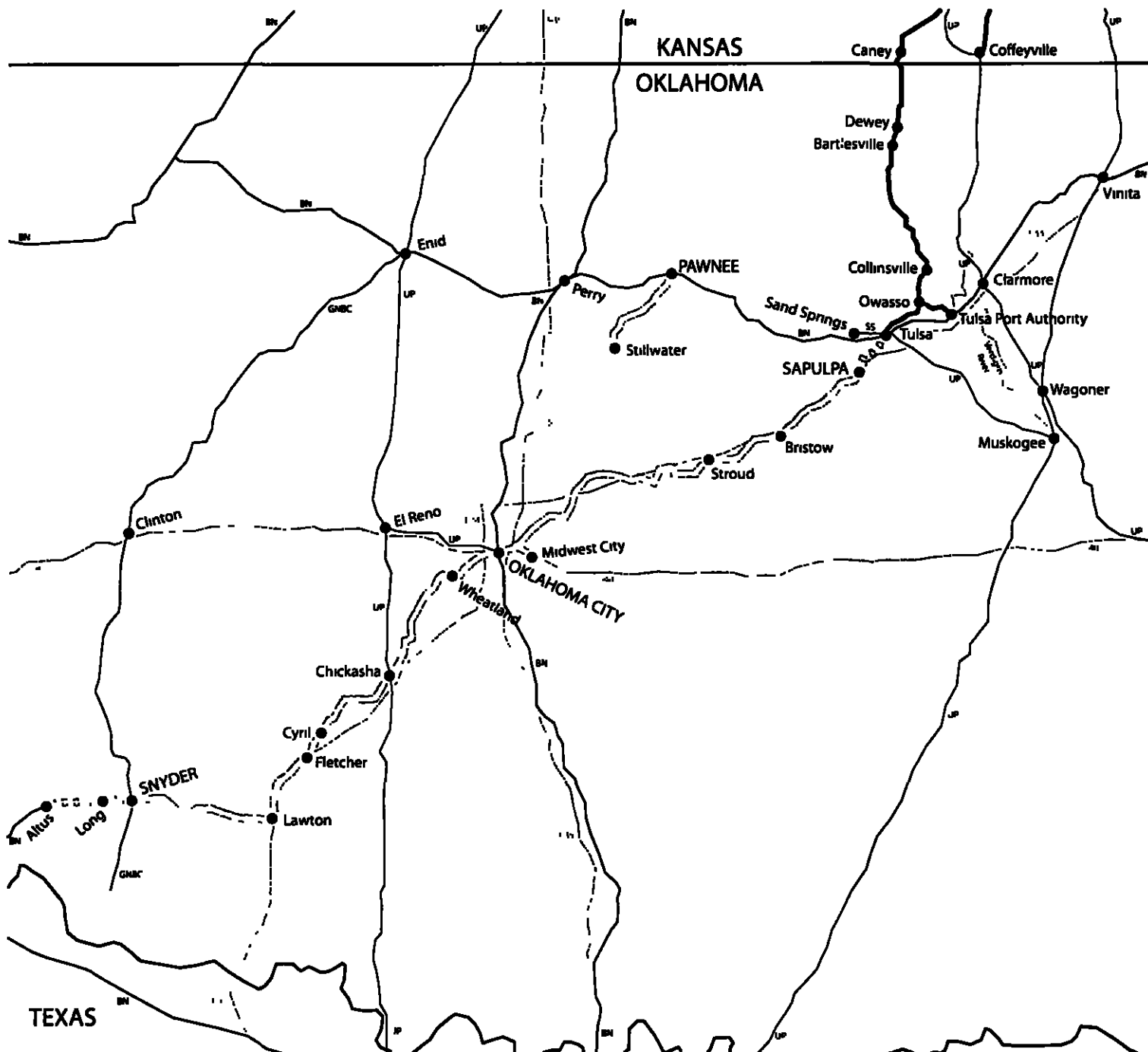
UP - Coffeyville, Winfield, Tulsa, Neodesha

BNSF - Winfield, Tulsa, Columbus

KCS - Pittsburg

KO - Wichita

SS - Tulsa



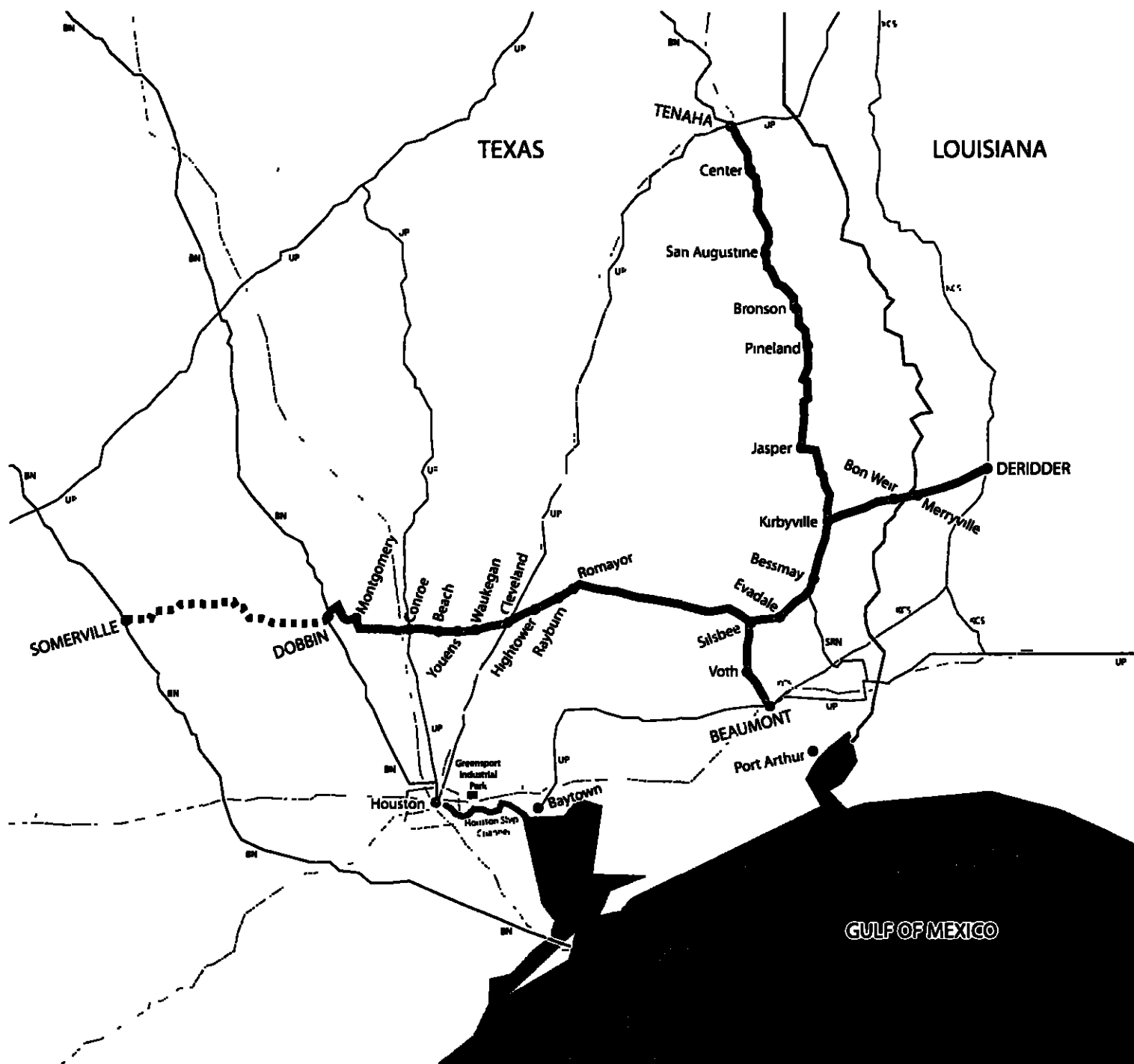
LEGEND:

Stillwater Central Railroad (SWC)
 Stillwater Central Trackage Rights
 South Kansas & Oklahoma RR (SKOL)
 Sand Springs RR (SS)
 Grainbelt Corporation (GNBC)



Interchanges

BNSF - Oklahoma City, Sapulpa, Snyder
 GNBC - Snyder
 SKOL - Tulsa
 UP - Oklahoma City
 - 227.8 miles
 BNSF - Pawnee
 - 23.6 miles



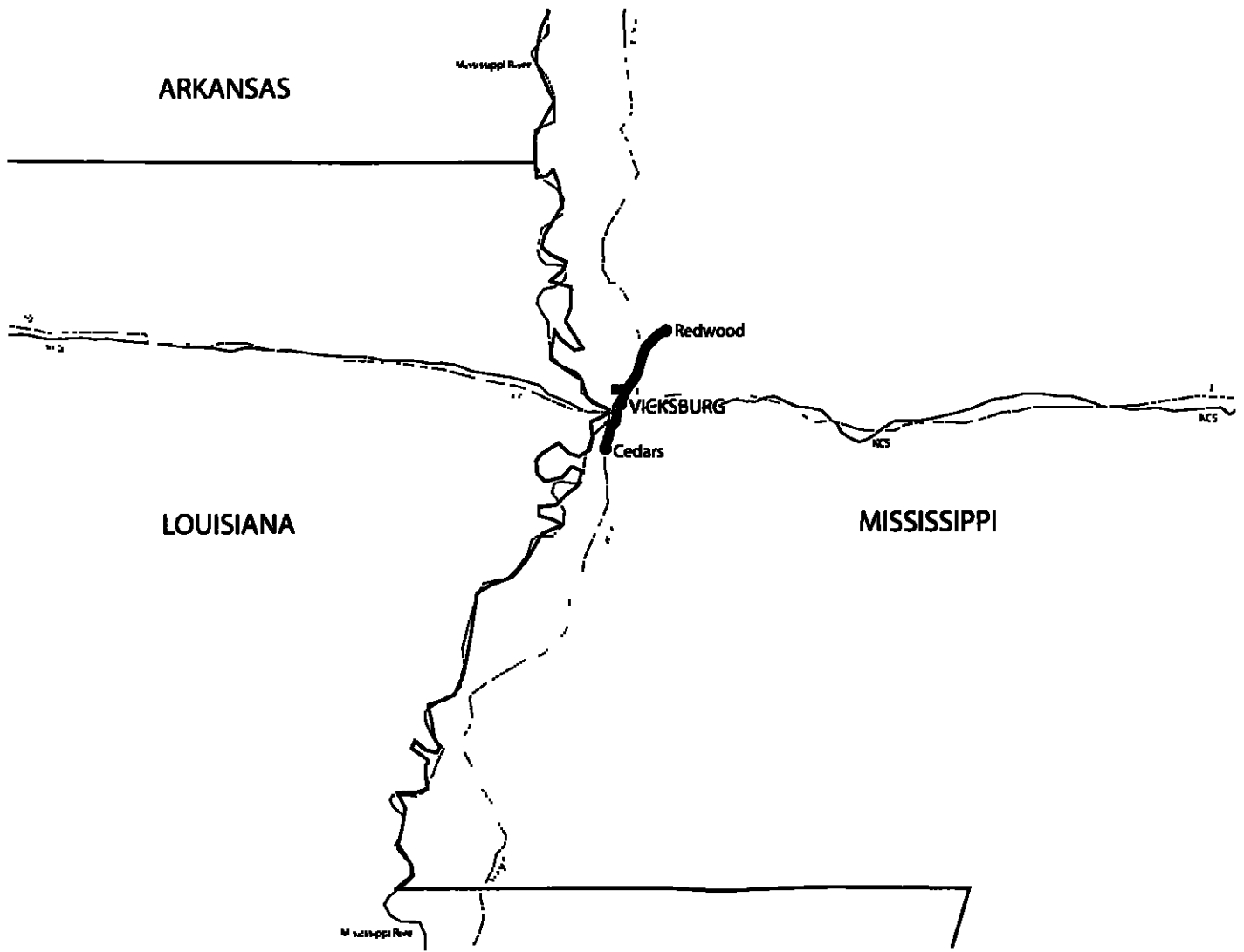
LEGEND:

Timber Rock RR (T.R.R.)
 Timber Rock Trackage Rights



Interchanges

BNSF - Tenaha, Beaumont, Somerville, Dobbin
 KCS - DeRidder



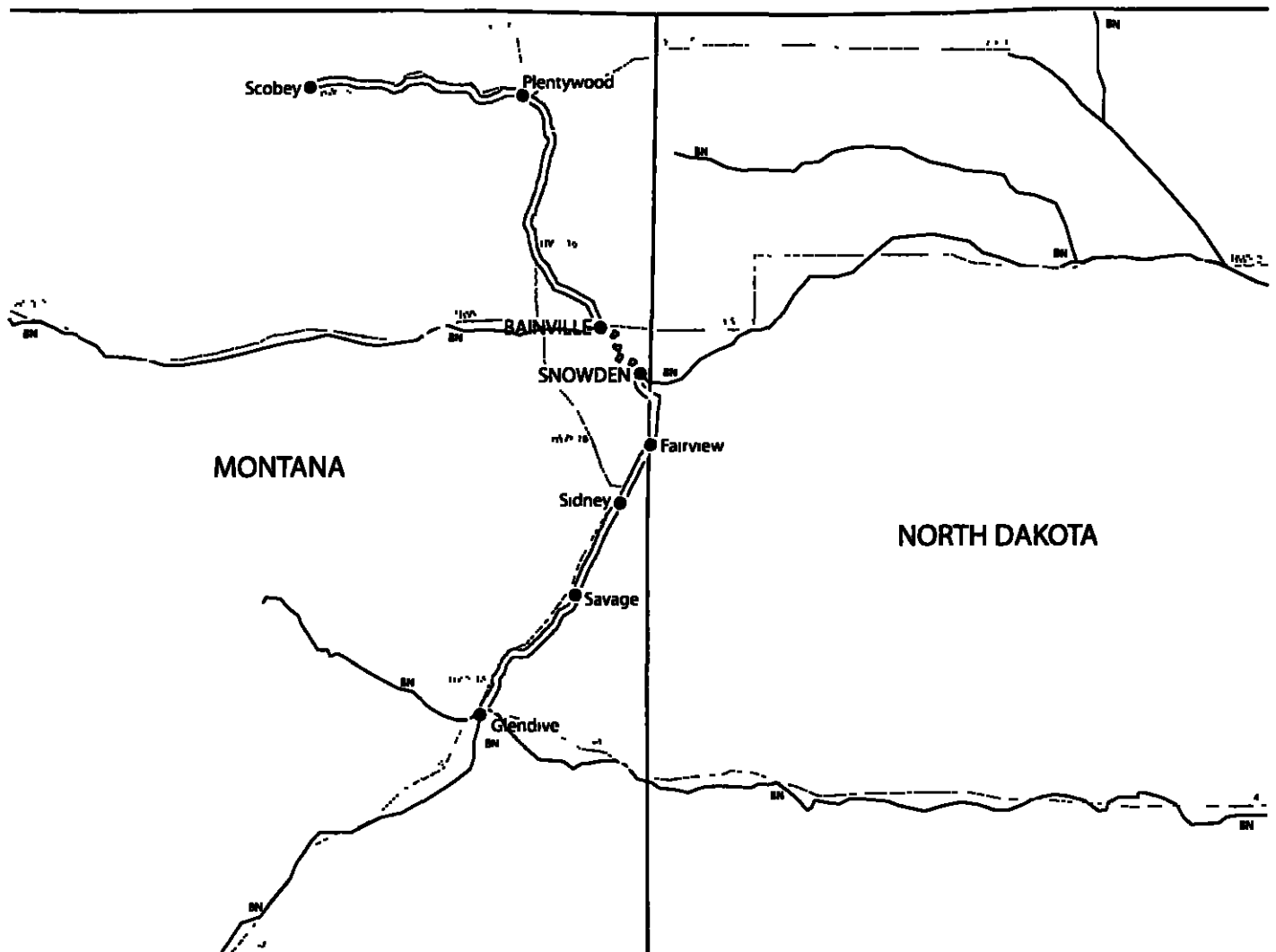
LEGEND:

Vicksburg Southern RR (VSOA)

Interchanges

KC'S - Vicksburg

CANADA



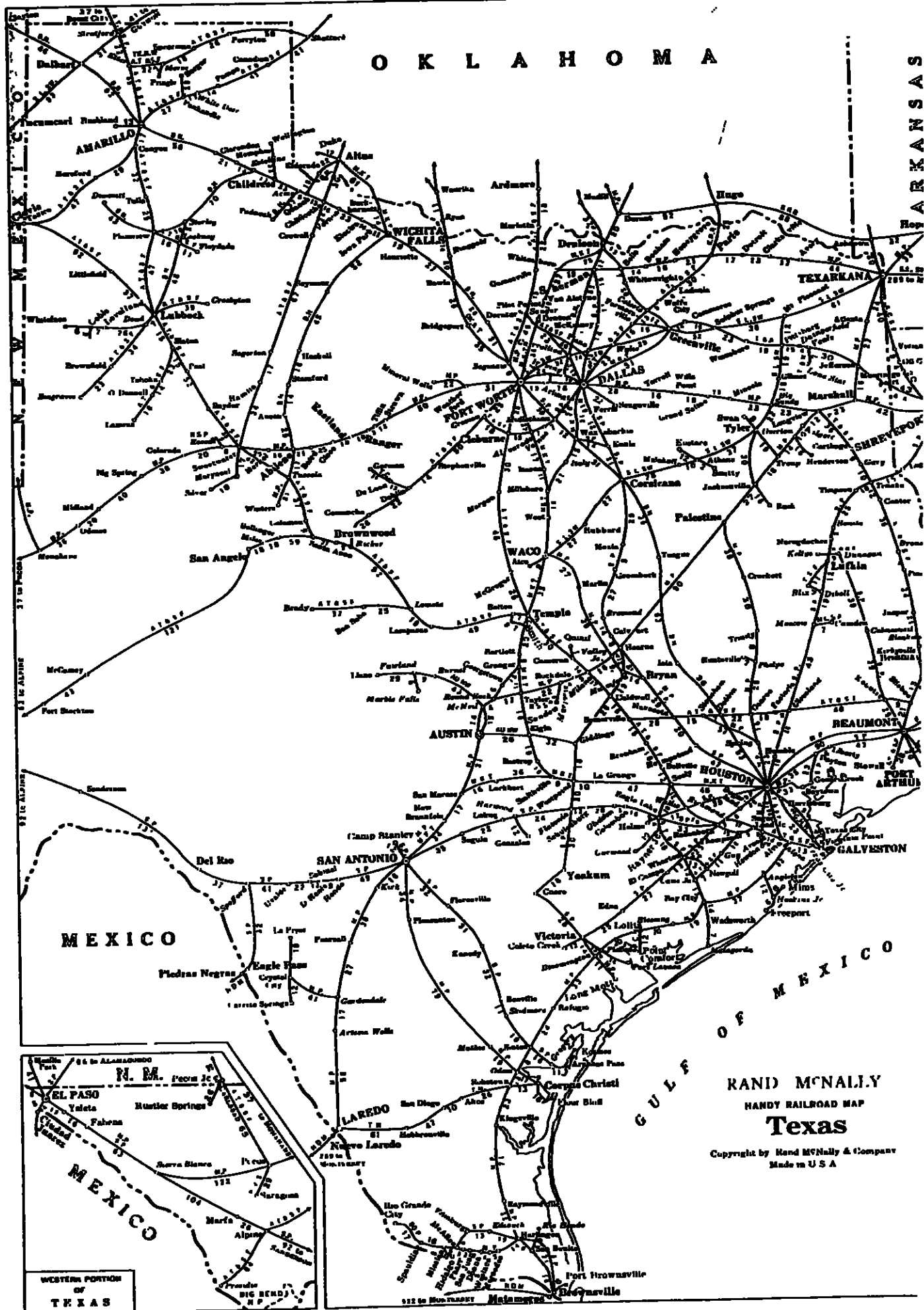
LEGEND:

Yellowstone Valley RR (SVV) 

Yellowstone Valley Trackage Rights 

Interchanges

BN - Snowden, Bainville



VERIFICATION

STATE OF KANSAS

)

)

ss.

COUNTY OF CRAWFORD

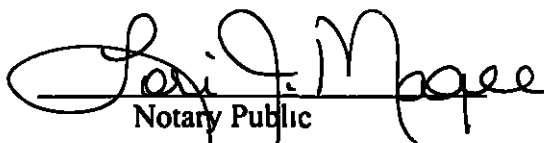
)

I, Arthur E. McKechnie III, being duly sworn depose and state that I am Executive Vice President of Watco Companies, 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 30th day of August, 2007, in the County of Crawford, State of Kansas.

My Commission Expires: 8/16/08


Notary Public