



## **SURFACE TRANSPORTATION BOARD**

**[Docket No. FD 36848]**

**Michael W. Williams—Control Exemption—McCloud Railway Company; Ozark Valley Railroad, Inc.; and Washington & Idaho Railway, Inc.**

On March 27, 2025, Michael W. Williams (Williams), a noncarrier individual, filed a petition for exemption under 49 U.S.C. 10502 from the provisions of 49 U.S.C. 11323-24 for after-the-fact authority to control three Class III rail carriers: Ozark Valley Railroad, Inc. (OVR); McCloud Railway Company (MCR); and Washington & Idaho Railway, Inc. (WIR). As discussed below, the Board will grant the petition for exemption.

### **BACKGROUND**

On November 13, 2020, S&S Shortline Leasing, LLC (S&S), filed a verified notice of exemption under 49 CFR 1150.41 in Docket No. FD 36461 to acquire approximately 127 miles of rail line in Nevada. Williams filed on the same day a verified notice of exemption under 49 CFR 1180.2(d)(2) in Docket No. FD 36460 to continue in control of S&S upon S&S becoming a rail carrier. In late December 2020, he also filed a verified notice of exemption pursuant to 49 CFR 1180.2(d)(2) in Docket No. FD 36474 for after-the-fact authority to acquire control of MCR.

The Board postponed the effectiveness of those exemptions, sought clarification about various issues, Williams—Control Exemption—S&S Shortline Leasing, LLC, FD 36460 et al., slip op. at 3-4 (STB served Dec. 10, 2020); Williams—Control Exemption—S&S Shortline Leasing, LLC, FD 36460 et al., slip op. at 4 (STB served Jan. 26, 2021), and ultimately rejected the verified notices, Williams—Control Exemption—S&S Shortline Leasing, LLC (September 2021 Decision), FD 36460 et al., slip op. at 2-4

(STB served Sept. 29, 2021).<sup>1</sup> The Board explained that the matters were sufficiently complicated and non-routine to make them inappropriate for consideration under the streamlined class exemption procedures of 49 CFR 1150.41 and 1180.2(d). September 2021 Decision, FD 36460 et al., slip op. at 4. The Board found that more scrutiny and a more complete record were necessary, especially given Williams' unauthorized control of MCR and another carrier, OVR, that had come to light during the proceedings. Id. at 2, 4. The Board directed Williams to file petitions for exemption or full applications to control OVR and MCR after the fact. Id. at 4. The Board also provided guidance to S&S and Williams should S&S wish to acquire the line in Nevada. Id. at 4-5. Finally, the Board "strongly advise[d] counsel to be meticulous and thorough in any future proceedings before the Board." Id. at 5.

#### Petition for Exemption.

In response, Williams filed in this docket a petition for exemption on March 27, 2025, seeking after-the-fact authority to control OVR, MCR, and an entity not discussed in the September 2021 Decision, WIR. The petition describes the other carriers Williams has already been authorized to control (BG & CM Railroad, Inc. (BG&CM); St. Maries River Railroad, Inc. (SMRR); Boot Hill & Western Railway Holding Company, Inc. (BHWH); and Dakota Southern Railway Company (DSR)) and explains why Williams no longer believes authority to control S&S is necessary. (Pet. 4-17.) Williams' petition also refers to two other entities (MB Rail IB, LLC (MB Rail IB) and Midwest & Bluegrass Rail, LLC (M&B Rail)), but he asserts that no Board authority is necessary to control these carriers because he has a non-controlling interest in MB Rail IB and no interest in MB Rail. (Id. at 17-18.) He also states that he had owned Fremont Northern LLC (Fremont Northern) and that that entity had owned an abandoned right-of-way, but

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<sup>1</sup> A fuller description of Williams' history before the Board can be found in the September 2021 Decision.

that no authority was necessary given the corridor's non-jurisdictional status. (Id. at 18-19.)

Richard Huff, another noncarrier individual, submitted a reply on April 30, 2025, suggesting that Williams does not actually control WIR and that DSR has been dissolved by the State of South Dakota. (Huff Letter 1-2.) He also questions the number of carriers controlled by Williams by noting discrepancies between Williams' petition and a website for an entity Huff claims is headed by Williams. (Id. at 2.) Williams responded on May 9, 2025, challenging Huff's contentions.

June 2025 Decision.

In Williams—Control Exemption—McCloud Railway (June 2025 Decision), FD 36848 (STB served June 24, 2025), the Board instituted a proceeding under 49 U.S.C. 10502(b) and sought clarification on issues concerning MB Rail IB, M&B Rail, and Fremont Northern to ensure it had a complete picture of Williams' current railroad holdings. The decision sought information regarding the ownership interests of Williams and his daughter, Avory Beggs, in MB Rail IB and M&B Rail and whether, as a result, Williams and Beggs, individually or jointly, need authority to control two Class III carriers, Youngstown & Southeastern Rail, LLC (Y&S) and TransKentucky Transportation Railroad, Inc. (TransKentucky). The decision also sought more explanation as to why no authority was necessary to acquire Fremont Northern.

Williams responded with a supplement, including a verified statement, on July 14, 2025. He asserts that no authority is necessary to control Y&S, TransKentucky, or Fremont Northern. As directed in the June 2025 Decision, he also provided organizational charts and ownership percentages for MB Rail IB and M&B Rail. He later

filed a “Motion for Leave to File Supplemental Correction and Supplemental Correction” on September 8, 2025.<sup>2</sup>

## DISCUSSION AND CONCLUSIONS

### Issues Raised in the June 2025 Decision.

As discussed in the June 2025 Decision, additional information was needed concerning MB Rail IB and M&B Rail. June 2025 Decision, FD 36848, slip op. at 3. The June 2025 Decision noted that MB Rail IB currently controls Y&S, and that Williams and his daughter, Beggs, both hold non-controlling interests in MB Rail IB. Id. at 2-3. The record did not reflect, however, the percentage of membership stake each currently holds. Id. at 3.

Additionally, the June 2025 Decision noted that M&B Rail also controls Y&S as well as TransKentucky. Id. Williams acknowledged that his daughter currently has a non-controlling interest in M&B Rail and claimed that he has no ownership interest in that entity. Id. The June 2025 Decision noted, however, that he does appear to share a business address with M&B Rail. Id.

Based on these issues, Williams was asked to provide information to determine if he controls MB Rail IB and M&B Rail and also to explain why he and his daughter do not individually or jointly require authority to control the Class III carriers. Id.

In response, Williams asserts that, although he has a 42.5% stake in MB Rail IB, he has never had a majority ownership stake in the enterprise. (Williams Supp. 5, July 14, 2025.) He adds that he has not exerted and cannot on his own exert indirect control over Y&S through MB Rail IB. (Id.) He acknowledges that Beggs “holds a collective 30.75% ownership stake” and that he, Beggs, and Tammy Williams (his wife and Beggs’ mother) hold a collective 79.75% in MB Rail IB. (Id. at 5 n.3, 6.) He also notes that he

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<sup>2</sup> The Board will grant Williams’ motion and accept his correction. As he notes, it is important for the Board to have accurate and up-to-date information when ruling.

holds a 25% stake and Beggs a 50% stake in MB Rail TTI, LLC, an entity that controls TransKentucky. (Id. at 9.)

He adds, however, that he and Beggs are not party to a membership agreement or other contract obligating them to vote in unison with respect to MB Rail IB. (Id. at 6, Ex. C.) According to Williams, “each individual can and does harbor differing perspectives and expectations with respect to the operation of MB Rail IB” and, in turn, Y&S. (Williams Supp. 6, July 14, 2025.)

Furthermore, Williams reaffirms in his July 14, 2025 supplement that he has no ownership interest in M&B Rail. (Id. at 4, Ex. C.) He adds that, although he allowed Beggs to use his business address in an earlier transaction, that was temporary. (Pet. 10-11, Ex. C.)<sup>3</sup>

Williams has satisfactorily shown that he and his daughter do not jointly control MB Rail IB, M&B Rail, Y&S, or TransKentucky. According to Board precedent, control analyses are fact-specific and look to evidence of actual or de facto control and factors such as a voting trust. See Mich. Cent. R.R.—Acquis. & Operation Exemption—Lines of Norfolk S. Ry., FD 35063 et al, slip op. at 6 (STB served Dec. 10, 2007); Paducah & Louisville Ry.—Control Exemption—Paducah & Ill. R.R., FD 33362 (STB served Aug. 25, 1997); Bradford Indus. Rail, Inc.—Acquis. & Operation Exemption—Consol. Rail Corp., FD 32240, et al. (ICC served Dec. 7, 1995). Here, Williams has sufficiently demonstrated that he and his daughter do not act in unison as they are not bound by a contract or voting agreement. Furthermore, agency precedent recognizes that family relationship is only one of a host of factors in determining common control. See S. Kan. & Okla. R.R.—Acquis. & Operation Exemption—Atchison, Topeka & Santa Fe Ry.—

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<sup>3</sup> He also asserted that Beggs recently became a majority stakeholder in M&B Rail. (Id. at 4) but later corrects the record in his September supplement to state that she did not become a majority stakeholder. (Williams Mot. 1-2, Sept. 8, 2025.)

Pet. to Revoke, FD 31802 (Sub-No. 1) (ICC served Nov. 27, 1992) (denying petition to revoke as the entities were independent despite family relationships and sharing the same address); S. Bend Freight Line—Purchase—Delia Cartage, Inc., 127 M.C.C. 169, 181-82 (1977). In light of this precedent, it is also not dispositive here that Williams and Beggs temporarily shared a business address.

Additionally, based on the noncontrolling stake Williams and Beggs each have in MB Rail IB and Beggs has in M&B Rail and the absence of additional evidence, the Board is satisfied that neither individual must seek authority to control the underlying carriers. The Board notes, however, that Williams' September correction indicates that Beggs plans to move forward with a transaction whereby she would obtain a majority ownership in M&B Rail and hence its carriers, Y&S and TransKentucky. (Williams Mot. 2, Sept. 8, 2025.) The Board reminds Beggs and her counsel to seek the requisite authority when she wishes to proceed with that transaction.

Williams was also asked to explain why no authority was necessary when an entity he used to own, Fremont Northern, acquired what he described as “an abandoned rail line right-of-way” in Nebraska. June 2025 Decision, FD 36848, slip op. at 4; see Chi. & N. W. Transp. Co.—Aban. Exemption—in Dodge, Cuming, Stanton, & Madison Cntys., Neb., AB 1 (Sub-No. 180X) (ICC served May 10, 1985). The June 2025 Decision described an unresolved dispute about whether what seemed to be the same right-of-way had rejoined the interstate rail system after two post-abandonment transactions. See C.T. Chappellear—Feeder R.R. Dev. Appl.—Line of Neb. R.R. Museum Between Fremont & W. Point, Neb. (C.T. Chappellear), FD 35405, slip op. at 3 (STB served Sept. 17, 2010); Fremont, W. Point & Pac. Ry.—Exemption—Operation—Certain Abandoned R.R. Lines Owned by the E. Neb. Chapter of the Nat'l Ry. Hist. Soc'y in Dodge & Cuming Cntys., Neb., FD 31147 (ICC served Nov. 25, 1987); Fremont

Nw. R.R.—Lease & Operation Exemption—Rail Line of the E. Neb. Chapter of the Nat'l Ry. Hist. Soc'y, FD 34383 (STB served Aug. 8, 2003).

Williams was asked to clarify whether the line in C.T. Chappellear is the same line discussed in his petition and, if it is, expand upon his statement that Fremont Northern did not require Board authority to acquire the line. June 2025 Decision, FD 36848, slip op. at 4.

He responds that a portion of the right-of-way is indeed the same one from C.T. Chappellear and that Fremont Northern, now dissolved, did own that portion between 2010 and 2019. (Williams Supp. 11-12, July 14, 2025.) He adds that it is unclear that common carrier operations were ever resumed over the portion of the right-of-way by either of the entities that obtained agency operating authority in 1987 and 2003. (Id. at 13.) Williams argues that even if such operations resumed, they would not have resulted in the return of the underlying abandoned rail line to the national rail system or caused the right-of-way owner to become a rail carrier. In support, Williams cites Wisconsin Central Ltd. v. STB (Wisconsin Central), 112 F.3d 881, 893 (7th Cir. 1997). (Williams Supp. 13, July 14, 2025.)

The Board agrees that Wisconsin Central governs here. The Wisconsin Central court found that when the agency authorizes operations by a non-owning carrier over an abandoned line, only the transportation service comes under the Board's jurisdiction. See Wisconsin Central, 112 F.3d at 890. The Board has also applied Wisconsin Central to find that an underlying right-of-way does not rejoin the interstate rail system. See, e.g., Iowa Traction Ry.—Discontinuance of Serv. Exemption—in Cerro Gordo Cnty., Iowa, AB 1269 (Sub-No. 1X) (STB served Apr. 6, 2020) (denying trail-use request as the agency has no jurisdiction over the abandoned right-of-way despite an entity having received an exemption to permit it to operate via a lease). Here, therefore, the 1987 and

2003 operations transactions did not bring the right-of-way back into the system, so Fremont Northern did not need Board authority to acquire it.

Huff Issues.

As noted above, Huff filed a letter raising questions about Williams' petition. Specifically, Huff suggests that Williams does not actually control WIR and that DSR has been dissolved by the State of South Dakota. (Huff Letter 1-2.) He also questions the number of carriers Williams controls by noting discrepancies between Williams' petition and the website of Midwest Pacific Rail Net & Logistics Co. (MPR), an entity Huff claims is headed by Williams. (Id. at 2.)

Williams provides adequate responses to Huff's assertions. Williams supports his claim that he controls WIR by providing an Idaho state judgment whereby all shares in WIR are delivered to Michael and Tammy Williams. (Williams Reply 2, Ex., May 9, 2025.) Although Williams also provided support in June that DSR is in good standing, (Williams Reply 1, June 4, 2025), the point is now moot as DSR later terminated service.<sup>4</sup> The asserted discrepancy in the number of carriers Williams controls also is not concerning, as Williams explains that the website is out of date (Williams Reply 3, May 9, 2025) and clarifies his holdings in his July 14 supplement.

Exemptions for OVR, MCR, and WIR.

The acquisition or continuance of control of a rail carrier by a person that is not a rail carrier but that controls any number of rail carriers requires prior approval from the Board under 49 U.S.C. 11323(a)(5). Under section 10502(a), however, the Board shall,

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<sup>4</sup> DSR had been operating based on a modified certificate under 49 CFR 1150.24, but on August 7, 2025, it filed a notice in this docket and Docket No. FD 36086 that it wished to terminate service in 60 days. (DSR Notice 1-2, Aug. 7, 2025); Dakota S. Ry.—Modified Certificate of Pub. Convenience & Necessity—Yankton, Bon Homme, & Charles Mix Cntys., S.D., FD 36086 (STB served Jan. 25, 2017). As a result, DSR's modified certificate expired on October 6, 2025, and it ceased to be a carrier.

to the maximum extent consistent with 49 U.S.C. subtitle IV, part A, exempt a transaction or service from regulation when it finds that: (1) regulation is not necessary to carry out the Rail Transportation Policy (RTP) of 49 U.S.C. 10101; and (2) either (a) the transaction or service is limited in scope, or (b) regulation is not needed to protect shippers from the abuse of market power.

Here, Williams seeks after-the-fact authority to continue in control of OVR and to acquire control of MCR and WIR. As discussed below, after reviewing Williams' description of the three carriers, the Board will grant the exemptions he seeks and provide after-the-fact approval to control the carriers.

*OVR.*

Williams explains that he incorporated OVR as a noncarrier in early 2007 to acquire from The Kansas City Southern Railway Company and operate approximately 25 miles of rail line between Mexico, Mo., and Fulton, Mo. (the O Lines). (Pet. 5.) OVR later sought authority to acquire and operate the O Lines. See Ozark Valley R.R.—Acquis. & Operation Exemption—Kan. City S. Ry. (OVR Acquisition), FD 34989 (STB served June 8, 2007). He asserts that he was unaware of the need to secure control authorization based on OVR Acquisition and that his previous counsel appeared to have overlooked applicable agency procedures. (Pet. 7.)

*MCR.*

Williams states that MCR now holds 19.6 miles of “largely inactive (but un-abandoned) rail line” (Pet. 8.), as well as the residual right to reactivate service over approximately 80 miles of rail line approved for abandonment that are railbanked. See McCloud Ry.—Aban. & Discontinuance of Service Exemption—in Siskiyou, Shasta, & Modoc Cntys., Cal., AB 914X (STB served Oct. 14, 2005 and Apr. 29, 2016).

Williams states that he acquired MCR's stock in 2011. (Pet. 8.) He asserts that “there may have been some confusion concerning whether MCR was still a common

carrier, given the circumstances surrounding its inactive lines[,]” (Pet. 9.) but notes that any confusion has been resolved, and he now seeks after-the-fact authority to control MCR.

*WIR.*

Williams explains that WIR initially provided contract service over lines in eastern Washington but then became a Class III carrier after it leased and began common carrier operations on the lines. (Pet. 11 & n.24 (citing Wash. & Idaho Ry.—Lease & Operation Exemption—Wash. State Dept. of Transp., FD 35028 (STB served May 25, 2007, corrected on June 1, 2007).) According to Williams, from WIR’s initiation of common carrier operations until 2015, he held a non-controlling, minority stake in WIR. (Pet. 11.) However, in April 2015, he obtained a controlling stake in the railroad, albeit one not authorized by any corresponding control proceeding. (*Id.*)

Williams notes that he should have secured Board authorization to acquire control of WIR in 2015, but that, as with MCR, he did not. (Pet. 12.) He therefore seeks authority now but adds that WIR will consider its options to discontinue service over its entire system. (Pet. 12-13 & n.26.)<sup>5</sup>

Application of Exemption Criteria.

In this case, an after-the-fact exemption from the prior approval requirements of sections 11323-24 is consistent with section 10502. Detailed scrutiny of Williams’ control of OVR, MCR, and WIR through an application is not necessary to carry out the RTP. Williams’ control of the three carriers will have no adverse impact on competition. None of the carriers connect with each other, or with any of the other railroads controlled

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<sup>5</sup> Acquisitions of active rail lines are generally supposed to be for continued rail use, though the Board has, in certain limited situations, granted acquisition authority when discontinuance/abandonment was subsequently planned, where the circumstances warrant it, as in this case. See, e.g., Independence Rail Works—Acquis. & Operation Exemption—Byesville Scenic Trails, FD 36432, slip op. at 4, n.11 (STB served Apr. 13, 2021).

by Williams. Indeed, these railroads are scattered across the western United States – in California (MCR), Missouri (OVR), Washington (WIR), Idaho (BG&CM and SMRR), and Kansas (BHWH). An exemption allowing common control would further the RTP by promoting a safe and efficient rail transportation system, 49 U.S.C. 10101(3); ensuring the development and continuation of a sound rail transportation system to meet the needs of the public, 49 U.S.C. 10101(4); fostering sound economic conditions in transportation, 49 U.S.C. 10101(5); and encouraging efficient management of railroads, 49 U.S.C. 10101(9). Furthermore, an exemption would also promote the RTP by minimizing the need for federal regulatory control over the transaction, 49 U.S.C. 10101(2); reducing regulatory barriers to entry, 49 U.S.C. 10101(7); and providing for the expeditious resolution of this proceeding, 49 U.S.C. 10101(15). Other aspects of the RTP would not be adversely affected.

Nor is detailed scrutiny of the proposed transaction necessary to protect shippers from an abuse of market power.<sup>6</sup> As OVR, MCR, WIR, and Williams' other carriers do not connect, common control has not and will not affect any carrier's market power. No shipper facility has or will be served by more than one Williams-controlled railroad, and no shipper has objected to the common control.<sup>7</sup>

#### Future Requests for Exemption.

Williams hopes that his efforts through his petition would entitle him, once again, to be able to invoke the Board's class exemption authorization procedures. (Pet. 2.); September 2021 Decision, FD 36460 et al., slip op. at 4-5.

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<sup>6</sup> Given this finding, the Board need not determine whether the transaction is limited in scope. See 49 U.S.C. 10502(a).

<sup>7</sup> The after-the-fact exemption granted by this decision is not retroactive. The Board generally disfavors granting retroactive relief. See Independence Rail Works, FD 36432, slip op. at 5-6.

At this time, the Board will permit Williams to invoke the class exemption process where appropriate in the future. He has provided what the Board understands to be a comprehensive review of the carriers he has acquired and explained the circumstances whereby he acquired carriers without the required approval. Williams is reminded to continue to carefully consider the potential need for Board authority concerning any future rail-related transactions and to be thorough and meticulous in his future filings to avoid the mistakes in the earlier dockets and to ensure compliance with all governing statutes and regulations related to his rail holdings.

Employee and Environmental/Historic Matters.

Under 49 U.S.C. 10502(g), the Board may not use its exemption authority to relieve a carrier of its statutory obligation to protect the interests of employees. Section 11326(c), however, does not provide for labor protection for transactions under sections 11324 and 11325 that involve only Class III rail carriers. Therefore, because all of the carriers involved in the control transaction are Class III carriers, the Board may not impose labor protective conditions.

The control transaction is exempt from environmental reporting requirements under 49 CFR 1105.6(c)(1)(i) because it will not result in any significant change in carrier operations. Similarly, the transaction is exempt from the historic reporting requirements under 49 CFR 1105.8(b)(1) because there is no indication that Williams plans to dispose of or alter properties subject to the Board's jurisdiction that are 50 years old or older.

It is ordered:

1. Williams' September 8, 2025 motion is granted, and his correction is accepted into the record.

2. Under 49 U.S.C. 10502, the Board exempts from the prior approval requirements of 49 U.S.C. 11323-25 the control transaction described above.

3. Notice of the exemption will be published in the Federal Register.

4. The exemption will become effective on April 19, 2026. Petitions for stay must be filed by March 30, 2026. Petitions for reconsideration or petitions to reopen must be filed by April 9, 2026.

Decided: March 19, 2026.

By the Board, Board Members Fuchs, Hedlund, and Schultz.

**Jeffrey Herzig,**

*Clearance Clerk.*

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