

211506

Law Offices

VUONO & GRAY, LLC

2310 Grant Building

Pittsburgh, PA 15219-2383

John A. Vuono
William A. Gray
Mark T. Vuono*
Dennis J. Kusturiss
Christine M. Dolfi
Louise R. Schrage
Susan C. Indrisano+
*Also Admitted in Florida
+Also Admitted in Maryland

Richard R. Wilson
of Counsel

Telephone
412-471-1800

Facsimile
412-471-4477

June 29, 2004

Docket No. AB-556 (Sub No. 2X)

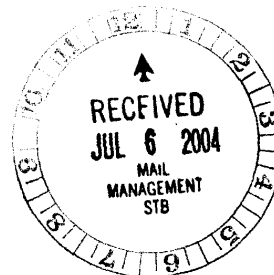
Re: Railroad Ventures, Inc. - Abandonment Exemption - Between Youngstown, OH and
Darlington, PA in Mahoning and Columbiana Counties, OH and Beaver County, PA -
Rail Line of Youngstown and Southern Railroad Company

Vernon A. Williams, Secretary
Surface Transportation Board
1925 K Street, N.W.
Washington, DC 20423-0001

ENTERED
Office of Proceedings

JUL 06 2004

Part of
Public Record



Dear Mr. Williams:

Railroad Ventures, Inc. ("RVI") wishes to bring to the attention of the Surface Transportation Board recent developments involving the Central Columbiana and Pennsylvania Railway Company ("CCPR"), the operator of the rail line acquired by Columbiana County Port Authority in the above captioned proceeding. On June 14, 2004 in Docket No. 04-BK-16887, CCPR filed for bankruptcy under Chapter 11 in Little Rock, Arkansas. Attached for the Board's information are articles which have appeared in local Ohio newspapers describing over \$3 million of indebtedness incurred by CCPR and the Columbiana County Port Authority to acquire and rehabilitate the former Y&S rail line. These amounts are far in excess of the Port Authority's original rehab estimates.

Moreover, these articles do not include substantial federal crossing funds supplied by the Ohio Department of Transportation for the reconstruction of at grade rail crossings along the former Y&S line. Nor do these articles address the \$375,000 in escrow funds provided by RVI pursuant to STB orders which RVI contends were misappropriated by the Port Authority and CCPR for purposes not authorized by the STB. RVI's request for refund of those monies is currently pending before the Board.

As the Board is also aware, RVI has submitted a Petition to Reopen the OFA Acquisition Proceeding in light of new evidence that the Port Authority knowingly submitted false and misleading valuations to the STB in support of the Port Authority's proposed purchase price for the rail line.

Vernon A. Williams

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June 29, 2004

Accordingly, RVI respectfully requests that the Board, in light of the CCPR bankruptcy filing, expeditiously address the RVI pleadings which are currently pending before it.

Very truly yours,

VUONO & GRAY, LLC

A handwritten signature in black ink, appearing to read "Richard R. Wilson", with a long horizontal flourish extending to the right.

Richard R. Wilson

Attorney for Railroad Ventures, Inc

RRW/bab

Enclosure

xc: Railroad Ventures, Inc.
All Parties of Record

cc Richard W. Ison

The Vindicator

THE PEOPLE'S PAPER

Founded June 1869

Published Daily/Youngstown, Ohio

Past Publishers

William F. Maag Sr.

February 28, 1850-April 10, 1924

William F. Maag Jr.

July 26, 1883-February 29, 1968

William J. Brown

June 14, 1913-August 14, 1981

President & Publisher Betty H. Jagnow

General Manager Mark A. Brown

THURSDAY, JUNE 24, 2004

HOW WE SEE IT

Bankruptcy filing justifies federal review of railroad

When Tracy Drake insists that the latest setback in the operation of the single rail line that runs through Mahoning and Columbiana counties improves the long-term prospects of the local railroad, we have to wonder if the director of the Columbiana County Port Authority can ever be objective when it comes to this project.

After all, Drake was singularly responsible for the reactivation of the old Youngstown & Southern Railroad line, and on the strength of his business-related projections, the port authority was able to secure more than a million dollars in grants and loans from the state.

But unlike the Ohio Rail Development Commission and U.S. Surface Transportation Board, we were highly skeptical of Drake's contention that there were many businesses just waiting to use the line and that profitability was around the corner.

As we noted in January 2000, a year before the line was reopened, "Much as it tries to put a positive spin on plans to reactivate the long dormant Youngstown & Southern Railroad line, the Columbiana County Port Authority is failing miserably to reassure area residents who view the project with skepticism and even fear."

"Why? Because port authority officials aren't being entirely forthright in addressing important issues related to the 36-mile line that runs through Mahoning and Columbiana counties."

Bankruptcy

Since it restarted in 2001, there have been several derailments, residents have complained about the unsightly condition of the right-of-ways, and then last week the Central Columbiana & Pennsylvania Railroad, which has a 20-year lease with the port authority to operate the line, filed for bankruptcy. Central Columbiana is a subsidiary of Arkansas

Shortline Co. of Russellville, Ark.

The bankruptcy filing not only raises questions about who will operate the line in the future, but it puts the port authority in a financial bind because of the \$500,000 it is owed by Central Columbiana.

The lease requires the operator to pay the authority \$9,000 a month and also to help keep the line operational. However, CC&PR missed two payments, received cash to get the line operating after two derailments this spring and it borrowed nearly \$450,000 from the port authority to subsidize the company's operation of the line.

This certainly isn't any way to run a railroad, yet Drake told a Vindicator reporter last week — after being confronted about the bankruptcy — "We'll emerge from this better than before. The long-term prospects of the railroad are good."

He does acknowledge that the Columbiana County Port Authority could lose the half-million dollars it lent CC&PR and conceded that having the authority subsidize the railroad isn't an ideal situation.

No kidding.

In light of all that has taken place, we believe the Ohio Rail Development Commission, which funneled public dollars to the port authority for the reactivation of the line, and the federal surface transportation board, which refused to allow the previous owners to abandon the line, have a responsibility to come in to conduct an in-depth review of the project. They should use the business plan, including revenue projections and the timetable for upgrading the system, submitted by Drake as the starting point.

And, the two agencies should answer the following question to the satisfaction of the public: Does the construction and demolition debris being imported from the East Coast to a landfill in Negley pose any kind of a health or environmental threat?

Accident

We ask that because of the derailment in March of three railway cars in Elkrum Township that scattered debris in the vicinity of a railroad crossing. The owners of a horse farm near the crossing worried about their horses getting into the debris. They also were reluctant to repair a fence that was knocked down because they would have had to handle the debris.

The federal and state governments owe it to the residents of Mahoning and Columbiana counties to say if there is anything to worry about.

After all, the rail line is now operating because officials in Columbus and Washington gave the Columbiana County Port Authority the green light.

HOW OTHERS SEE IT

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Columbiana County's
Largest Daily Newspaper



MORNING JOURNAL

Railroad
operator
bankrupt

Monday June 28, 2004

www.MorningJournalIN

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Railroad operator bankrupt

By TOM GIAMBRONI

6/21/2004

LISBON — The operator of the railroad owned by the Columbiana County Port Authority has filed bankruptcy, jeopardizing repayment of \$3 million in debts owed by the port authority.

The Central Columbiana & Pennsylvania Railway (CCPR) will be required to continue operating the 36-mile railroad it leases from the port authority. The line runs from Darlington, Pa., to Mahoning County, with the majority passing through the county.

The CCPR filed for Chapter 11 bankruptcy earlier this week in federal court in Arkansas, where its parent firm is located — D & R Railroad of Russellville, Ark.

Among the 20 largest creditors listed in court papers, the port authority is at the top. It is owed \$464,000, according to court documents, which represents money the port authority loaned CCPR and was supposed to be repaid, starting in July.

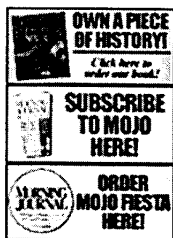
Port authority director Tracy Drake said their exposure is considerably more because they still owe \$800,000 on the loan used to purchase the former Youngstown & Southern Railroad in the late 1990s. The port also borrowed another \$2.1 million from the state for rehabilitation and repair of the rail line.

These loans are to be repaid with money they were to receive from CCPR as part of the lease agreement. The port authority also guaranteed a line of credit for CCPR in the amount of \$150,000, which is in addition to the \$464,000 in loans listed as debts in bankruptcy court.

Federal law requires CCPR to continue operating the rail line while going through the bankruptcy process, which is good news for customers and the port authority because it might result in money to help make loan payments, Drake said.

Attorney James E. Smith Jr. of Little Rock, Ark., who is representing CCPR, told the Morning Journal on Friday the company would either reorganize or find another operator.

"There have been some parties that have expressed interest" in taking over



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operations, he said.

Smith said problems with the lease, line maintenance and operations "resulted in operating losses that threatened the (financial) integrity of the company" and forced CCPR to seek bankruptcy protection.

Drake put it another way. "This is an operator that bit off more than it could chew," he said.

No one from CCPR called Drake to advise him the company was filing bankruptcy, and the only person he has been able to contact is attorney Smith.

"Obviously it's not a good thing," he said.

The bankruptcy will place further financial constraints on the port authority's ability to undertake future economic development projects.

"This doesn't do us any good and it hampers our ability to do other projects," Drake said.

The next step is for the U.S. Department of Transportation to provide a list of people from whom the federal bankruptcy judge will choose a trustee.

This person will oversee railroad operations during the bankruptcy proceedings and help determine whether the CCPR can reorganize and remain in business or if another operator should be found.

Drake said this was an unfortunate turn of events because he is convinced with the right operator the railroad could be profitable based on current and future usage.

"So in the long term the railroad should be fine," he said.

The majority of the rail traffic so far has consisted of cars carrying construction and demolition debris bound for landfills in the county.

Drake said two recent derailments — one in March and the other earlier this month — didn't help matters because it forced the line to shut down, thereby cutting into operating revenues.

tgiambroni@mojonews.com

Columbiana County's
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MORNING JOURNAL

Four
companies
interested
in rail
operation

Monday June 28, 2004

www.MorningJournal.com

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Four companies interested in rail operation

By TOM GIAMBRONI

6/22/2004

EAST LIVERPOOL — Four companies have inquired about taking over the railroad owned by the Columbiana County Port Authority since the current operator filed for bankruptcy protection last week.

Port Authority Director Tracy Drake, speaking at Monday's port authority meeting, declined to identify the railroad operators who have expressed an interest in taking over for the Central Columbiana & Pennsylvania Railway (CCPR).

CCPR, which filed for Chapter 11 bankruptcy protection on June 14, operates the 36-mile rail line it leases from the port authority. CCPR is required to continue operating while under bankruptcy protection.

Drake said he was heartened that four companies have expressed an interest in operating the rail line should it come to that.

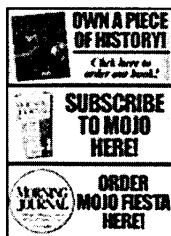
The U.S. Rail Commission will submit a list of names from which the federal bankruptcy judge will select a trustee, who will assume operational control while evaluating the situation before making a recommendation on what to do.

Drake said one of three things probably will happen: CCPR will emerge from bankruptcy with a new plan to pay its debts; another operator will be chosen; or the port authority can come up with a new company since CCPR is considered in breach of contract for filing bankruptcy.

The port authority is listed in bankruptcy court paperwork as being owed \$464,000, representing money lent directly to CCPR. But the port authority has another nearly \$3 million in money tied directly to the success of the fledgling rail line, including \$2.9 million borrowed from the state and used to purchase and upgrade the rail line.

These state loans are to be repaid by the port authority to the Ohio Rail Development Commission with lease revenue received from CCPR. Drake said he has been in contact with the commission, which has offered to work with the port authority during the bankruptcy process, which he takes to mean they might be willing to restructure the repayment schedule.

Because the CCPR is required to continue operating since it is considered a



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public utility, Drake said that means the port authority stands a good chance of continuing to receive lease payments while going through the bankruptcy process.

Drake said the railroad carried about 3,000 cars in 2003 and had contracts to haul about 6,000 this year, which would be enough to generate a profit. But CCPR, for whatever reason, was unable to accommodate the increased traffic, angering customers.

"The demand is there," he said, which is why the port authority believes the rail line will prove profitable for the right operator.

Drake said CCPR cash flow problems were forcing the port authority to pay for line repairs that were the CCPR's responsibility, which the port authority felt obliged to pay in order to get what it was owed.

"It got to the point where we were subsidizing them," he said.

tgiambroni@mojonews.com

Morning Journal News
2003