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Stephen L. Day

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March 25, 2002



VIA OVERNIGHT MAIL

Honorable Vernon A. Williams
Surface Transportation Board
1925 K. Street N.W.
Washington, D.C. 20423-0001

Re: **STB Docket No. AB-573X**, *Trinidad Railway, Inc. – Abandonment Exemption – in Las Animas County, CO*

205060

STB Finance Docket No. 34087, *Trinidad Railway, Inc. – Lease and Operation Exemption – Kern Valley Railroad Company*

STB Finance Docket No. 33956, *Kern Valley Railroad Company – Lease and Operation Exemption – Trinidad Railway, Inc.*

Dear Mr. Williams:

We represent Rail Ventures, Inc. before the Board. On March 18, 2002, we filed a Request on Behalf of Rail Ventures, Inc. to Establish Terms and Conditions of Sale ("Set Terms Request").

At page 10 of the Set Terms Request, we wrote that the parent company of Lorencito Coal Company, LLC (a recently re-opened coal mining operation close to the subject line) had filed for Chapter 11 bankruptcy protection. In support of this, we provided two independent local newspaper articles discussing this situation.

Several days ago, we received a telephone call from counsel for Lorencito Coal Company, LLC ("Lorencito"). Lorencito counsel indicated that the newspaper articles were incorrect concerning the identity of Lorencito's parent company. He pointed out that while there is a familial relationship between AEI Resources Holding, Inc. and A.P. Maxwell Development Company,

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March 19, 2002

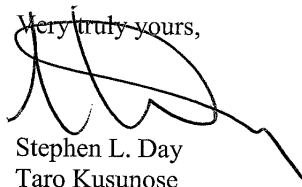
Page 2

LLC ("A.P. Maxwell"), there is no business relationship between the two. He further noted that the true parent of Lorencito, A.P. Maxwell, was not in bankruptcy.

This telephone conference was followed by a letter from Lorencito counsel confirming the same. Copies of the newspaper articles and of the letter are enclosed for the Board's reference. We believe that Carrier in this proceeding is aware of the correct circumstance and will address any inaccuracy in the Set Terms Request. Nevertheless, out of courtesy to all parties, we hereby submit this letter to the Board. We regret any confusion caused by our filing.

All other parties are being served, as indicated on the enclosed Certificate of Service. Please contact us with any questions or concerns ((206) 292-9988).

Very truly yours,

A handwritten signature in black ink, appearing to be "Stephen L. Day", written over the typed name.

Stephen L. Day
Taro Kusunose

SLD:tk

Enclosure

cc: Mr. John W. Reed
Mr. Fritz Kahn
Mr. John D. Heffner
Mr. Robert A. Bassett

NEWS

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TRINIDAD PLUS



PLUS NEWS:

Lorencito: No local impact from bankruptcy proceedings

by Catherine Arkley
Staff Writer, Trinidad Plus
March 5, 2002

✓ The parent company for one of this area's newest mining companies is presently undergoing a debt restructuring exercise under Chapter 11 procedures of the U.S. Bankruptcy Code. However, officers of the company are making assurances that the exercise will not affect local operations.

✓ AEI Resources Holding Inc. and its subsidiaries own, among 29 surface mines and 15 deep mines, "The Lorencito Coal Company LLC, owners Erik and Bruce Addington," to cite the full and proper name for the coal company operating some 16 miles west of Trinidad, known locally as simply "Lorencito."

Lorencito's parent company, AEI Resources, is this county's fourth-largest steam coal producer as measured by revenues and the second-largest steam coal producer in central Appalachia, operating mines and markets in Kentucky, West Virginia, Tennessee, Indiana, and Illinois, as well as in Las Animas County.

Lorencito began its operations in this region under a special use permit issued by the county last summer, just six months before its multi-million dollar parent company filed for debt restructuring under Chapter 11.

Although there had been some discussion here about unpaid subcontractors during the past months, and mention of debts to them running into the tens of thousands of dollars, Lorencito's local press relations director Tom Martinez Jr. said last week that those issues have already been settled.

"There was a debt, but it has been paid," said Martinez, newly hired by the company.

Martinez acknowledged that Lorencito had several local concerns to deal with, including issues of payments to contractors, but he said that the company was very willing to begin addressing those issues.

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"In fact, we have just begun a good neighbor program which is aimed at finding out where the concerns are and helping to solve them," Martincz said.

In late January, several statements from AEI about the company's changing fortunes were reported in Hoover's, a mining industry publication.

Don Brown, the parent company's chairman and CEO, characterized the Chapter 11 proceedings as, "... a positive step in our efforts to create a more appropriate capital structure, to continue to strengthen AEI and to make the Company more competitive."

Brown added, "After considering a number of alternatives, we concluded that a consensual pre-packaged reorganization under Chapter 11 offers the best way to restructure our finances..."

Brown said that the Chapter 11 proceedings were not expected to have any impact on daily operations and, "Employees can expect to be paid as they always have."

In mid-February, many of those same upbeat statements were repeated in the coal industry's magazine, Coal Age.

AEI has just begun their Chapter 11 restructuring, the first step being to seek approval from its senior lenders and noteholders to proceed along this route. There is no word as yet as to how long the entire process is expected to take, however the company says that it has received a commitment for up to \$150 million in debtor-in-possession (DIP) financing to assist cash flows and to fund operations during the process.

That funding, along with exit financing, has come from a lender group led by Bankers Trust Co. and the Deutsche Bank.

Brown said that the company had been hurt by heavy recent debts and by the severe financial difficulties of another company, Frontier Insurance Co.

Frontier is a bonding firm which AEI had been using to bond their own guarantees of (land) reclamation, a requirement made by most governments prior to the start-up of new mining operations or the continuation of previous permits.

Because of Frontier's own financial difficulties, many states have recently refused to accept reclamation bonds issued by them. AEI has been trying to replace these bonds, but has suffered a cash shortfall in the process.

The Addington coal empire was started in the 1970s by four brothers: Larry, Robert, Bruce, and Stephen. By the mid-1980's, it was recording revenues of almost a billion dollars and a coal production of 3.56 million tons and was

Trinidad, Colorado: News - Lorencito: No local impact from bankruptcy proceedings

ranked by Financial World as one of the 500 fastest-growing publicly-held companies.

In 1995, the brothers re-bought the company, making it once again a private enterprise. Brother Larry, who reportedly owns 97 percent of the company, resigned from his position as CEO last June. Brother Stephen is now AEI's president.

Analysts' opinions vary as to whether the company will be able to pull through the current Chapter 11 proceedings and the track record of companies which have tried it vary just as much.

Local hopes, says Tom Martinez, are positive, and he has been visiting county residents along Highway 12 near Lorencito's operations during the past two weeks to reassure them of the company's good will and longevity.

"I'm getting a pretty good response, I think," Martinez said.

If AEI does fail, and if Lorencito's local coal operations fall with it, reclamation work at the mine site could be endangered, however.

Usually, the reclamation bond holder would pay the cost of cleanup if a company fails, but AEI has been operating without full reclamation bonding since its surface-mines bond-holder, Frontier, was overtaken by New York regulators last year.

Kentucky, AEI's home state, banned Frontier from operating in that state, affecting all of the reclamation bonding held by them, including bonding in most other states.

Lorencito's local property is on an 18,000-acre parcel located in the Raton Basin and serving, via rail links, domestic and export markets. The company is presently surface mining.

For more news from in and around Trinidad,
visit our [News](#) section.

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The Pueblo Chieftain Online

EXHIBIT

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Publish Date Saturday March 9th, 2002

Bankruptcy not hindering Lorencito mines

By MIKE GARRETT
The Pueblo Chieftain

TRINIDAD - The co-owner of Lorencito Coal Co. said Friday that Chapter 11 bankruptcy proceedings by its parent company won't adversely impact its Las Animas County operations.

Erik Addington said Friday the company produced 34,000 tons of coal in February and expects to produce 38,000 tons in March.

Addington said Lorencito expects to continue making its payroll, in response to recent reports about unpaid subcontractors and company debts running into the tens of thousands of dollars.

Those issues have been resolved and all company debt to its contractors has been paid, Lorencito spokesman Tom Martinez Jr. said earlier this week.

Lorencito is operating on an 18,000-acre parcel 16 miles west of Trinidad.

Lorencito's parent company, AEI Resources Holding Inc., and its subsidiaries, which own 29 surface mines and 15 deep mines in the Appalachia area, filed this month for debt restructuring under Chapter 11 of U.S. bankruptcy code. Erik Addington's father, co-owner Bruce Addington, remains actively involved in both mining company operations. AEI Resources is ranked as the nation's fourth largest steam coal producer.

Much of the high-grade, hotter-burning coal Lorencito has been mining in Las Animas County the past six months is being shipped by rail to various Tennessee markets, with some of the coal finding its way into Texas cement plants.

Addington said he still hopes to find Colorado markets for the high-grade coal despite the fact it burns too hot for most state power plants.

"We've been getting pretty good prices for our coal," he said.

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March 20, 2002

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Re: Rail Ventures, STB Docket No. AB-573X

Dear Steve:

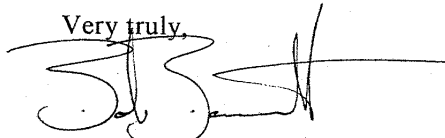
Thanks for taking the time this morning to discuss the Request on Behalf of Rail Ventures, Inc. to Establish Terms and Conditions of Sale which your firm filed in the above case.

On page 10 of that filing, you state that the parent company of our client, Lorencito Coal Company, LLC, filed for Chapter 11 bankruptcy protection. This is not true. Lorencito's parent company is A.P. Maxwell Development Company, LLC, and A.P. Maxwell has not filed for bankruptcy protection.

You cite two newspaper articles that incorrectly state that AEI Resources Holding Inc. is the parent company of Lorencito. These statements by the newspapers are completely incorrect and have caused Lorencito many difficulties in the community. AEI Resources Holding, Inc., is neither the parent nor an affiliate of either Lorencito or AP Maxwell.

The statement in your filing has the potential to perpetuate the mistake made in the newspapers, and thus Lorencito instructed us to demand that you make a further filing correcting this error. Thank you for so graciously agreeing to do so in our call this morning.

Very truly,



Robert A. Bassett
for Holland & Hart LLP

RAB

cc: Bruce Addington
John Heffner

Certificate of Service

STB Docket No. AB-573X, *Trinidad Railway, Inc. – Abandonment Exemption – in Las Animas County, CO*

STB Finance Docket No. 34087, *Trinidad Railway, Inc. – Lease and Operation Exemption – Kern Valley Railroad Company*

STB Finance Docket No. 33956, *Kern Valley Railroad Company – Lease and Operation Exemption – Trinidad Railway, Inc.*

I certify that I have this day served copies of the attached LETTER TO THE HONORABLE VERNON A. WILLIAMS DATED MARCH 25, 2002 upon all parties of record in this proceeding, by fax and first class mail, postage-prepaid.

DATED this 25th day of March, 2002.


Print Name: TARO KUSUNOSE

(49 C.F.R. § 1104.12; 49 U.S.C. 10321; 5 U.S.C. 553)