

211198

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ORIGINAL

THOMAS F. MCFARLAND

June 2, 2004

By UPS overnight mail

Vernon A. Williams, Secretary  
Surface Transportation Board  
Case Control Unit, Suite 713  
1925 K Street, N.W.  
Washington, DC 20423-0001

ENTERED  
Office of Proceedings

JUN 3 - 2004

Part of  
Public Record



Re: Docket No. AB-55 (Sub-No. 640X), *CSX Transportation, Inc. -- Abandonment -- in Atkinson and Ware Counties, Georgia (between Pearson and Waresboro)*

Dear Mr. Williams:

Please refer to my letter to you in the above proceeding, dated April 1, 2004, in which permission was requested to substitute St. Marys Railway West, LLC for St. Marys Railroad Company as the OFA purchaser of the rail line involved in this proceeding.

As evidence of the financial responsibility of St. Marys Railway West, LLC, I am hereby transmitting a letter from an attorney for St. Marys Railway West, LLC to the Mayor and City Council members of the City of Pearson, Georgia, dated May 28, 2004, accepted by the City on May 28, 2004, as evidenced by the signature of the Mayor shown on page 5, wherein the City of Pearson undertakes to fund the agreed purchase price of the rail line involved in the above proceeding, as well as other expenses associated with that transaction.

It is understood that the Board presumes the financial responsibility of governmental agencies such as the City of Pearson, Georgia.

In view of this evidence, the Board is respectfully requested to issue a decision forthwith authorizing St. Marys Railway West, LLC to be substituted for St. Marys Railroad Company as purchaser of the rail line involved in the above proceeding. Please bear in mind that the purchase must close on or before June 11, 2004.

Very truly yours,

*Tom McFarland*

Thomas F. McFarland  
*Attorney for St. Marys Railway West, LLC*

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cc: Lou Gitomer, Esq. ) by fax to 202-783-6947  
Mr. Pete Strickland ) by fax to 912-882-0255  
James L. Paul, Esq. ) by fax to 404-659-1852

Jun 01 04 10:54a

ST MARYS RR

912 882 0111

P. 2

FROM : CITY OF PEARSON

PHONE NO. : 912 422 3393

May. 28 2004 05:15PM P2

**CHAMBERLAIN, HRDLICKA, WHITE, WILLIAMS & MARTIN**

A PARTNERSHIP OF PROFESSIONAL CORPORATION

ATTORNEYS AT LAW

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JAMAR L. WHITE  
CHAMBERLAIN, HRDLICKA, WHITE, WILLIAMS & MARTIN

May 28, 2004

**FINAL PROPOSAL**

Via facsimile 912-422-3393

Honorable Ellie Morris, Mayor  
City Council Members  
City of Pearson, Georgia  
202 South Main Street  
Pearson, Georgia 31642

Re: *Proposal for Investment in St. Marys Railway West, LLC*

Dear Mayor Morris and Members of the City Council:

We have been asked to represent St. Marys Railway West, LLC in connection with a transaction involving the acquisition of approximately 23.25 miles of railroad bed, right-of-way and other assets from CSX Transportation, Inc. ("CSX"), and the simultaneous investment by the City of Pearson in St. Marys Railway West, LLC, in the approximate amount of \$339,500.00.

St. Marys Railway West, LLC has asked us to furnish you and your attorney, Jerome Adams an outline of the proposed transaction, which representatives of St. Marys Railway West, LLC have discussed with representatives of the City of Pearson.

A brief outline of the transaction is as follows:

- 1) St. Marys Railway West, LLC is a limited liability company formed in the State of Delaware. St. Marys Railway West, LLC is owned 100% by Claudius R. "Pete" Strickland ("Strickland");
- 2) St. Marys Railway West, LLC is executing a contract to purchase from CSX assets including approximately 23.25 miles of real estate, railroad right-of-way and road bed, as well as other related property

Honorable Ellie Morris, Mayor  
City Council Members  
City of Pearson, Georgia  
May 28, 2004  
Page 2

located from approximately milepost AP 594.69 at or near Wareboro, Georgia to approximately milepost AP 617.94, situated at or near Pearson, Georgia for a purchase price of \$267,000.00. The acquisition will also involve the assignment and assumption of various executory agreements with utilities and other entities;

3) **Initial Cost of Acquisition:**

The initial cost of the acquisition will be as follows:

|       |                              |              |
|-------|------------------------------|--------------|
| (i)   | purchase price of assets:    | \$267,000.00 |
| (ii)  | cross-ties:                  | \$30,000.00  |
| (iii) | installation of cross-ties:  | \$30,000.00  |
| (iv)  | insurance (estimated):       | \$5,000.00   |
| (v)   | attorneys' fees (estimated): | \$7,500.00   |

Total (estimated): \$339,500.00

4) **Proposed Investment by City of Pearson:**

St. Marys Railway West, LLC offers the City of Pearson a 40% interest in St. Marys Railway West, LLC in exchange for the \$339,500.00 amount set forth in paragraph 3 above, and to be used in the manner set forth therein;

5) **Interim Arrangement:**

- (i) Because the transaction must close on or before June 11, 2004, St. Marys Railway West, LLC offers to grant the City of Pearson a Note in the amount of the proposed investment, i.e., \$339,500.00, secured by the assets to be acquired by St. Marys Railway West, LLC from CSX. In the event St. Marys Railway West, LLC does not acquire the railroad right of way and other assets to be purchased from CSX by the closing date as may be

Honorable Ellie Morris, Mayor  
City Council Members  
City of Pearson, Georgia  
May 28, 2004  
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extended under the contract with CSX, the funds wired to our firm's escrow account will be returned to the City of Pearson. In addition, Pete Strickland offers to further secure the Note with his 60% ownership interest in St. Marys Railway West, LLC.

- (ii) St. Marys Railway West, LLC would have the right anytime during the next twelve (12) months to transfer 40% interest in St. Marys Railway West, LLC, in full satisfaction of the Note, cancellation of the Security Deed on the assets, and cancellation of the Security Interest in Pete Strickland's ownership interest in St. Marys Railway West, LLC.

6) **Funding.**

St. Marys Railway West, LLC proposes the funding would be accomplished as follows:

- (i) The City of Pearson would wire to our law firm's escrow account, the sum of \$274,500.00 representing the purchase price of the assets and attorneys fees set forth in paragraph 3 above. These proceeds will be retained in our escrow account for a period not to exceed 20 days, for the purpose of funding and closing the transaction set forth above. Upon receipt of a letter from Jerome Adams, as counsel for the City of Pearson, authorizing disbursement of funds, the funds would be disbursed and St. Marys Railway West, LLC would acquire the above-mentioned assets from CSX. The remaining \$65,000.00 as set forth in paragraph 3 above, will be funded by the City of Pearson at a later date to be determined by agreement of St. Marys Railway West, LLC and the City of Pearson.
- (ii) If it is possible to transfer to the City of Pearson a 40% interest in St. Marys Railway West, LLC at the time of funding, that interest will be transferred simultaneously with the funding. If

FROM : CITY OF PEARSON

PHONE NO. : 912 422 7393

May. 28 2004 10:51 PM PST

Honorable Ellie Morris, Mayor  
City Council Members  
City of Pearson, Georgia  
May 28, 2004  
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it is not possible to transfer a 40% interest in St. Marys Railway West, LLC at the time of funding because necessary documentation cannot be concluded, St. Marys Railway West, LLC will deliver the Note and Security Deed discussed above, and Pete Strickland will deliver the Security Interest discussed above to the City of Pearson.

We have furnished a copy of this letter to your attorney, Jerome Adams, who as we understand is presently out of the State; he has authorized us to simultaneously transmit this letter to you so that you may consider this proposal at a called meeting of the City Council of Pearson.

Tom Jones and Jeff Waddell are the corporate and transaction lawyers in our office who will be working on this matter with me. Our direct telephone numbers are set forth below:

|                      |                                                                                                      |
|----------------------|------------------------------------------------------------------------------------------------------|
| James L. Paul        | 404-658-5468<br><a href="mailto:james.paul@chamberlainlaw.com">james.paul@chamberlainlaw.com</a>     |
| Thomas E. Jones, Jr. | 404-658-5432<br><a href="mailto:t.jones@chamberlainlaw.com">t.jones@chamberlainlaw.com</a>           |
| R. Jeffrey Waddell   | 404-658-5429<br><a href="mailto:jeff.waddell@chamberlainlaw.com">jeff.waddell@chamberlainlaw.com</a> |

Jun 01 04 10:55a

ST MARYS RR

912 882 0111

P. 6

FROM : CITY OF PEARSON

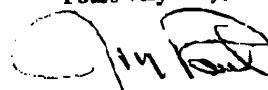
PHONE NO. : 912 422 3393

May. 28 2004 05:10PM PG

Honorable Ellie Morris, Mayor  
City Council Members  
City of Pearson, Georgia  
May 28, 2004  
Page 5

Upon obtaining the approval of the City, please execute this letter below, as indication of acceptance, and return this signature page to my attention.

Yours very truly,



James L. Paul

JLP:bw

cc: C. Jerome Adams, Esquire (via facsimile 912-384-7951)  
St. Marys Railway West, LLC  
c/o Pete Strickland (via hand delivery)  
Thomas E. Jones, Jr.  
R. Jeffrey Waddell  
Lauri J. McKenna

AGREED AND ACCEPTED, this 22 day May 2004

CITY OF PEARSON, GEORGIA

By:

  
ELLIE MORRIS, Mayor,  
City of Pearson, Georgia

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