

RESOLUTION 04-09
PROJECT BRIEFING
1992 Certificate of Participation - Panhandle Rail Line Refunding
July 8, 2004

Resolution 04-09 has been brought before the Commission on recommendation of Bond Counsel for the refinancing of the Panhandle Rail Line. This resolution provides specific information regarding the financing, including the structure of the necessary funds and covenants required of the operating railroad, the ORDC, and State of Ohio. It also authorizes specific Commission staff and voting members, Chairman Betts and Commissioner Sowers, as the ranking Commissioner, to execute the necessary documents.

As part of this process, the commission is also asked to amend the current operating agreement with the Columbus & Ohio River Railroad (C&OR). These amendments are necessary to reflect the new financing structure and also extend the term of the contract to the term of the new financing. It is also staff's intention to modify the lease payment in such a way as to reflect the updated bond debt service.

In addition to those changes required for the financing, ORDC and C&OR staff took the opportunity to modify the following:

- Streamline the reporting requirements by eliminating prior approval for upcoming engineering plan. Given the condition of track and C&OR's stewardship of the property, this step is redundant as the track condition and maintenance expenditures are already required. C&OR will still be required to submit reports on work performed in the previous year.
- Amend the management fee provision so that the procedure outlined is consistent with generally accepted accounting principles (GAAP).

Operating Agreement and Other support Documentation

It is staff's intention to modify the lease payments to match the requirements of the new financing as well. As these documents are still a work in progress, staff has included a draft copy of the resolution and a copy of the existing operating agreement in the packet for your review. Staff will detail the changes in the final documents at the meeting.

Arbitrage/Rebate Issue

In the course of performing the refinancing, it was determined by bond counsel that the required rebate/arbitrage calculations on the existing COPs scheduled to be performed in 1997 and 2002 were not completed. Upon further research, it was determined by bond counsel and confirmed by the ORDC's attorney general that ORDC is responsible for these charges. Staff is currently soliciting firms to perform the calculations. It has been estimated that arbitrage fees could range from \$100,000 to \$250,000, but will not be known until calculations are performed. These fees will apply regardless of the outcome of the refinancing.

Fees & Expenses for refinance

Since the last Commission meeting, the costs of the refinancing have been further refined. Below is a breakdown of the costs at this point.

Cost of Issuance:	Underwriter's Discount:
Bond Counsel (PSW) 33,000.00	Seasongood & Mayer 25,625.00
Bond Counsel Expenses 2,000.00	Management Fee 2,562.50
Co-Bond Counsel (Haynes) 7,500.00	UW Counsel 27,500.00
CAPRAIL Counsel 15,000.00	Total 55,687.50
Paying Agent/Escrow Agent 5,000.00	
Verification Agent 3,000.00	
Moody's Fee 10,000.00	
Printing and Distribution 7,000.00	
Issuer Travel Expenses 1,000.00	
CUSIP 297.00	
DTC 336.30	
OMAC 5,125.00	
Dalcompt/Dalnet 150.00	
Day Loan 4,861.00	
Travel Expenses and Other 5,000.00	
Total 99,269.30	

While the final savings is dependent on market conditions, it is estimated that this refinancing will provide approximately \$450,000 in present value savings through 2012.

Another aspect, that the refinancing will change is ownership of the line. Currently, the State of Ohio leases the Panhandle Rail line from CAPRAIL 1, Inc., a corporation established for the purpose of owning the Panhandle Rail line through the existing financing structure of the 1992 Certificates of Participation (COPs). The state (ORDC) then subleases the operation of the rail line to the Columbus and Ohio River Railroad. Because of the refinancing, the current COPs debt will be retired and the ownership of the line will revert to the state.