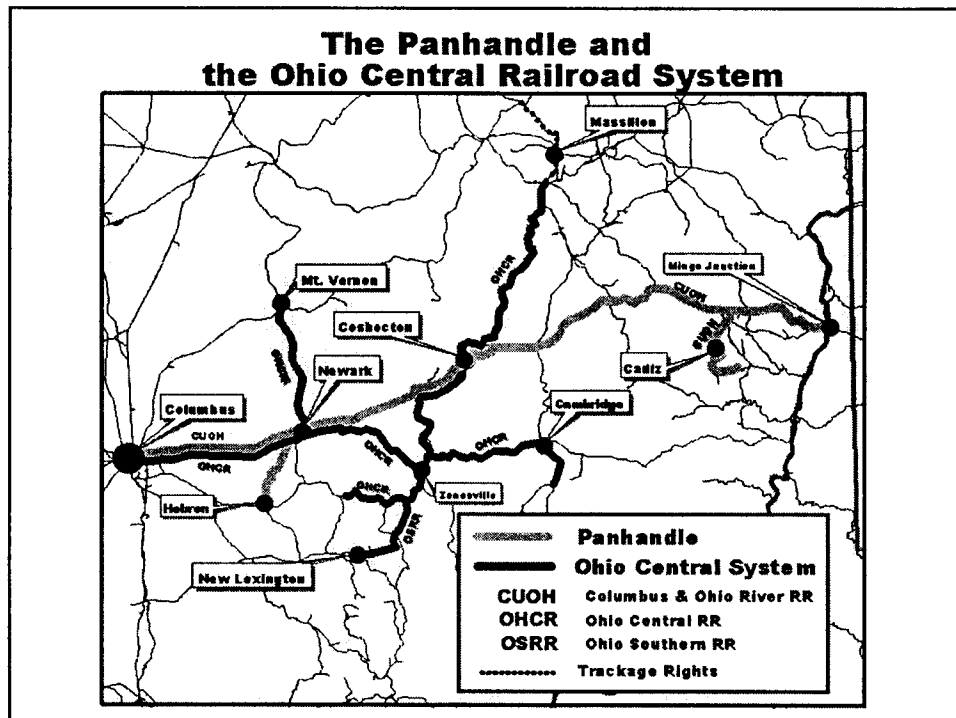


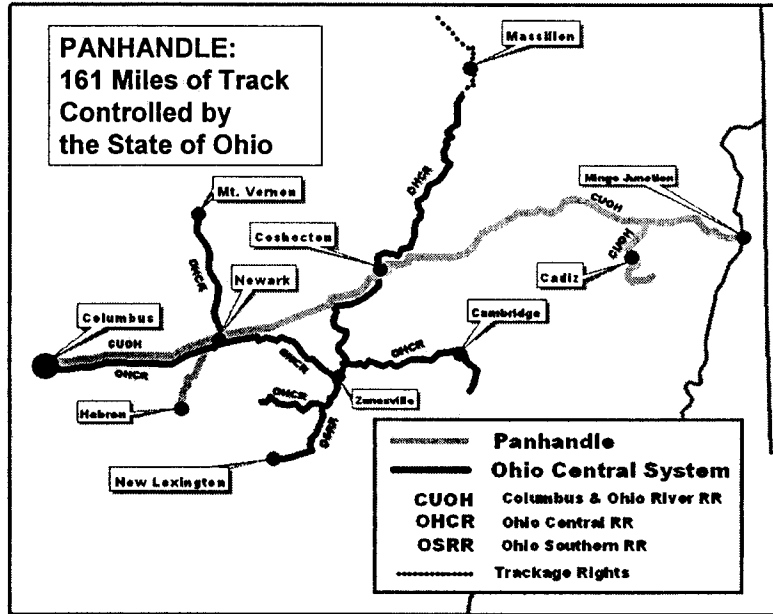
PROPOSAL TO SELL THE TRACK AND FIXTURES OF THE PANHANDLE RAIL LINE TO THE COLUMBUS & OHIO RIVER RAILROAD

Ohio Rail Development Commission

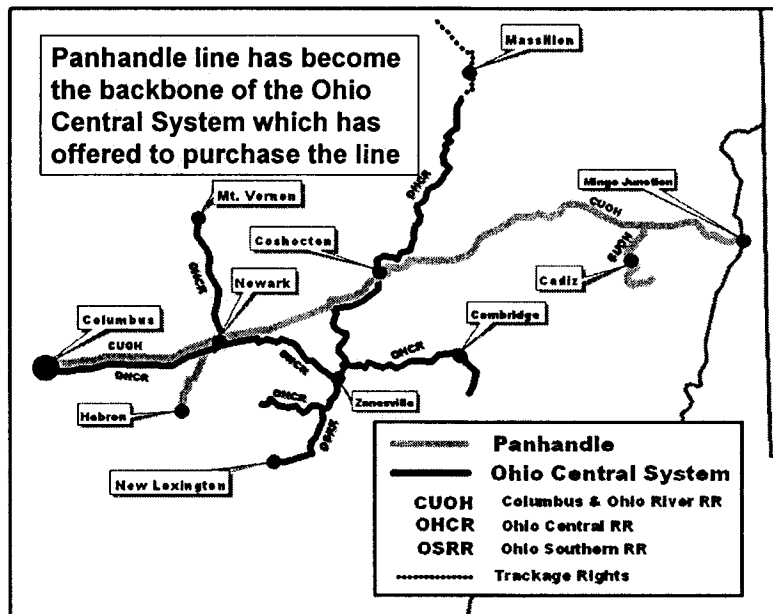
August 30, 2005



BACKGROUND



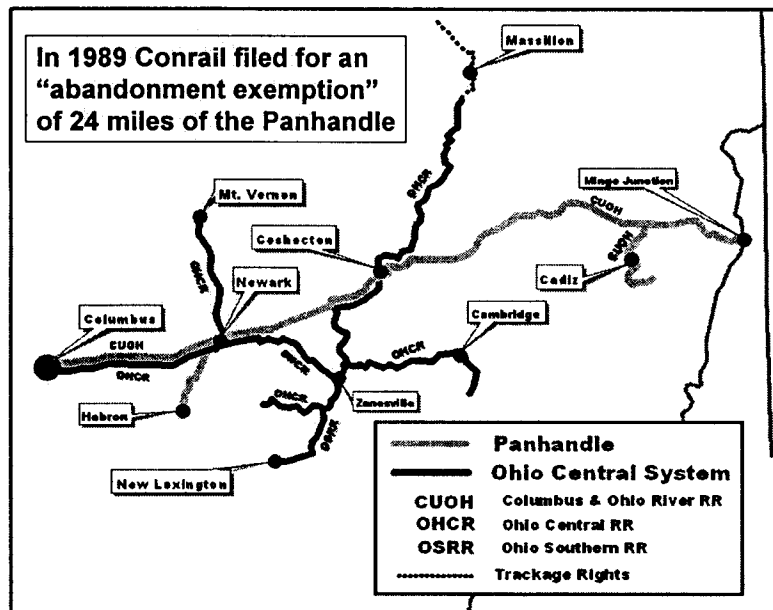
BACKGROUND



BRIEF RECENT HISTORY

- Panhandle was Pennsylvania Railroad double tracked main from Columbus to Pittsburgh
- Conrail downgraded line in 1970s & 80s: removed one mainline and signals
- Local officials fought downgrading of line saying it was prelude to abandonment

1989 ABANDONMENT



ABANDONMENT FIGHT

- Local Tuscarawas County officials led fight to save Panhandle
- Many saw 24 mile abandonment as prelude to abandonment of line east of Coshocton
- Local and State officials protested abandoning a main line through an expedited "exemption" process
- Local and state officials argued that Conrail should divest all the line, or none of it
- In 1990, ICC ruled Conrail could not abandon line through exemption process

CONRAIL SELLS PANHANDLE

- Conrail approached State in 1990 seeking assistance in selling entire Panhandle
- ODOT Rail participated in a two tiered process with Conrail to sell line
- Ohio Central Railroad (OHCR) selected as the winning - highest bidder
- Ohio Central formed the Columbus & Ohio River Railroad (CUOH) to acquire line
- CUOH and Conrail executed purchase and sale agreement in 1991

1991 FINANCIAL ISSUES

- CUOH unable to obtain \$7.1 Million in financing to purchase Panhandle
- ODOT finds complex bond financing – certificates of participation, or COPS
- Shell Corporation, CAPRAIL I, set up to own Panhandle as proxy for State of Ohio

1992 COPS TRANSACTION

- COPS financing required moral obligation of state for repayment and other state backing and assurances
- COPS financing limited CUOH participation to being contract operator
- CAPRAIL I assumed CUOH position in Panhandle purchase & sale agreement
- State of Ohio took control of Panhandle as CAPRAIL I's lessee
- CUOH responsible for repayment of COPS debt
- COPS transaction closes in April, 1992; CUOH begins operations on Panhandle as ODOT's contract operator

CURRENT SITUATION

- Remaining COPS debt about \$4 Million
- CUOH has paid all COPS debts on time
- CUOH has met all obligations of its operating agreement with ORDC
- CUOH has offered to purchase line

ORDC ACTIONS TO DATE

- March 14, 2002: ORDC commissioners instruct staff to begin looking into possible sale
- November, 2002 to February, 2003: ORDC staff meets with interested parties to obtain input
- January 9, 2003: ORDC commissioners instruct staff to conduct appraisal (track=\$17 million)
- August 17, 2004: Extensive discussions of possible Panhandle sale at ORDC retreat
- July 14, 2005: Staff presents sale proposal to Commissioners

MAJOR PROVISION OF SALE PROPOSAL

- Sell only track and fixtures, not real estate, for price to be negotiated (\$10 Million price suggested by staff)
- Any track abandoned reverts back to ORDC; ORDC has first right of refusal to buy any portion of track CUOH might sell
- 30 Year lease for real estate at annual cost to be negotiated (up to \$440,000 per year)
- ORDC reserves right to grant property easements including fiber optics; trails with rails easements must meet "best practices" and indemnify railroad
- ORDC reserves rights to mandate certain passenger service over tracks
- ORDC reserves rights to mandate certain freight trackage rights for new traffic

WHY SELL THE PANHANDLE AT ALL

- Purpose of State ownership was to preserve corridor; mission accomplished
- Keeping ownership of underlying land and retaining key rights keeps most benefits of ownership
- Railroad can better use asset it owns to attract capital
- ORDC can use proceeds to save other lines

WHY SELL FOR \$10 MILLION WHEN FAIR MARKET VALUE OF TRACK IS \$17 MILLION?

- Too high of acquisition price negatively impacts ability of railroad to operate effectively, to invest in maintenance & could cause shipping rates to increase
- Rights which ORDC is reserving for freight trackage rights and passenger service have much value to state
- CUOH has invested \$5 Million more than required by ORDC in line
- Value of CUOH materials installed about \$2 Million

WHY SELL TO CUOH?

- CUOH "sweat equity", I.E. building traffic from about 10,000 carloads per year to about 25,000 carloads per year
- CUOH selected as best operator in 1997 competitive selection process
- CUOH/Ohio Central has an excellent track record in serving Panhandle shippers, 100% satisfaction in ORDC surveys in 1997 and 2002
- CUOH critical to Ohio Central System of railroads

WHAT ABOUT W&LE OFFER OF \$30 MILLION?

- W&LE offer of \$30 Million included purchase of land; land valued at \$7 to \$14 Million NOT included in ORDC sale proposal
- W&LE offer could be too high for continued effective rail service and maintenance of Panhandle
- Ohio Central System of railroads all over state would be negatively impacted by loss of busiest line:
 - Ohio Central, Ohio Southern, Youngstown & Austintown
Youngstown Belt, Warren & Trumbull, Mahoning Valley, and Ohio & PA. Negatively Impacted by
- CUOH – Ohio Central – Ohio Southern Synergy lost

NEXT STEPS

- Continued public input
- Continued Commission deliberations
- Continued negotiations with CUOH as warranted