

MEMORANDUM

TO: Parties Interested in the Panhandle Rail Line

FROM: James E. Seney, Executive Director, Ohio Rail Development Commission

SUBJECT: Update on ORDC Investigations into the Possible Sale of the Panhandle

DATE: May 5, 2004

The Ohio Rail Development Commission (ORDC) continues to periodically update people who have expressed an interest in the ownership status of the State of Ohio owned Columbus to Mingo Junction "Panhandle Rail Line." Below is a summary of ORDC activity concerning that issue since ORDC's previous update dated October 22, 2003.

In the Autumn of 2003, ORDC conducted a competitive selection process to choose appraisal and appraisal review firms. As a result, ORDC retained the services of ME Companies to perform an appraisal of the Panhandle, and Continental Appraisers to review the ME appraisal. ME started work in January and should be finished with its work in June. The review of the appraisal will be completed soon after.

ORDC has not made any decision regarding the divestiture of the Panhandle Rail Line. Only after we know the value of the Panhandle line will ORDC advance the process to decide whether or not a sale, or some variation of a sale, is appropriate.

ORDC is, however, considering a condition which we would apply to any sale if that option is ultimately pursued. ORDC action in this regard is driven by a very important economic development project, the planned new ethanol plant in Coshocton. The ability of railroads other than the Columbus & Ohio River Railroad (C&OR), the Panhandle's current operator, to access the proposed Beard Renewables ethanol plant via the Panhandle line, is an important incentive to Beard. Therefore, at our May 13, 2004 Commission meeting, a resolution will be presented for Commissioners consideration on this issue. The resolution will state that any sale of the Panhandle would include a condition that ORDC will retain the irrevocable right to mandate that other railroads can access the Panhandle, at a reasonable trackage rights fee, to serve the new Beard plant, or other new businesses which might develop on the line.

Further, another issue not directly related to any sale decision, will be considered at the May meeting. ORDC, at the direction of the State of Ohio Office of Budget and Management (OBM), is investigating the refinancing of the Panhandle debt. With interest rates at historic lows,

savings of hundreds of thousands of dollars could be realized by refinancing Ohio's Certificates of Participation (COPs) debt. The current COPs debt is scheduled to be paid off in 2012. ORDC uses C&OR monthly lease payments to retire the debt.

ORDC's decision process on any sale of the line will include public involvement and input. We will seek input from key public officials such as county commissioners and state legislators, and we will welcome input from anyone who has an interest in the line.

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