

SURFACE TRANSPORTATION BOARD VOIDS CERTAIN "RAILROAD VENTURES" PROPERTY-INTEREST TRANSFERS, UPHOLDS INTEGRITY OF RAIL LINE UNDER "OFA" PROCESS TO ALLOW CONTINUED RAIL SERVICE

Surface Transportation Board (Board) Chairman Linda J. Morgan announced today that, to facilitate continued rail service, the Board has issued a decision declaring void certain property-interest transfers by Railroad Ventures, Inc. (RVI) in its rail line between Youngstown, Ohio, and Darlington, Pennsylvania, in connection with the line's forced sale to Columbiana County Port Authority (CCPA) under the Board's Offer of Financial Assistance (OFA)[FOOTNOTE 1: An agreement to purchase a line or to subsidize a railroad's losses for its continued operation at a price or subsidy agreed upon by both parties.] procedures. And to enable the restoration of rail service, the Board further ordered that a portion of the line's sale price be placed in escrow to ensure that RVI pays the cost of certain line repairs.

RVI had purchased the Youngstown-Darlington line from the Youngstown and Southern Railway in November 1996 without seeking or obtaining requisite Board authority. RVI had immediately thereafter cancelled its operating lease with The Ohio & Pennsylvania Railroad Company, thereby ending rail service over the line. Following intervention by the Board's Office of Compliance and Enforcement, service was briefly restored, but a subsequent flood caused the line to be embargoed. RVI then sought Board approval for its prior, unauthorized purchase and ownership of the line. At that point, RVI promised to provide rail service, yet it never restored the line.

In September 1999, RVI sought, and the Board granted, RVI's petition to abandon the line, and CCPA filed an OFA to purchase it. RVI then undertook a series of transactions that frustrated the line's transfer to CCPA. These transactions included, among other things, the transfer of right-of-way subsurface and air rights to an RVI affiliate company, entrance into a contract purportedly binding CCPA to expensive construction projects before service could be restored, and land transfers from the right-of-way to RVI's affiliate or to third parties. Even after the Board set the terms of sale and ordered RVI to transfer all of the land interests to CCPA, RVI refused and requested the Board to revisit its land valuation and the issue of what land interests were required to be transferred to CCPA. During these proceedings, it was revealed, among other things, that in 1996 RVI had sold the line's rail, ties, and ballast to a third party for future salvage for a price less than the estimates RVI subsequently submitted to the Board, and upon which the Board had relied in setting a value for the line.

In today's decision, the Board rejects RVI's blatant effort to strip away as much of the property as possible from the line's sale and upholds the integrity of the OFA process. The Board clarifies its exclusive and plenary authority to regulate abandonments and the OFA process, voids RVI contracts that would interfere with the OFA process or CCPA's ability to restore service, and readjusts the line's value. In view of RVI's misconduct, the Board also orders \$375,000 of the line's \$1,117,868 purchase price to be placed into an escrow account that CCPA may use to pay for repairs to damage to the line.

The Board issued its decision today in *Railroad Ventures Inc.--Abandonment Exemption--Between Youngstown, OH, and Darlington, PA, in Mahoning and Columbiana Counties, OH, and Beaver County, PA*, STB Docket No. AB-556 (Sub-No. 2X) *et al.* A printed copy is available for a fee by contacting **D~To-D~ Office Solutions, Room 405, 1925 K Street, N.W., Washington, DC 20006, telephone (202) 466-5530**. Today's notice also is available for viewing and downloading via the Board's website at <http://www.stb.dot.gov>.

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