

On March 6th, Regional Rail, LLC, filed two documents with the Surface Transportation Board with a combined filing fee of \$3,100. In Finance Docket No. 35227, Middletown and New Jersey Railroad, LLC, a non-carrier based in Kennett Square, PA, filed “to acquire a 6.5 mile rail line from Middletown & New Jersey Railway Co., Inc. It was further stated that Middletown and New Jersey Railroad, LLC, “will shortly enter into an agreement with M&NJ for the acquisition of the rail line” and Middletown and New Jersey Railroad, LLC, “will be the operator of the property.” The rail line being acquired “is located between Milepost 0.0, at Middletown, NY, and Milepost 6.5, at Slate Hill, NY.” The deal was expected to be closed “on or shortly after April 5, 2009.” Kennett Square, PA, is the headquarters of the East Penn Railroad, LLC, and Regional Rail, LLC.

In the second STB filing, Finance Docket No. 35228, Regional Rail, LLC, filed a Notice of Exemption “to continue in control of the Middletown and New Jersey Railroad, LLC (“Middletown”), a non-carrier, upon Middletown’s becoming a Class III railroad.” Regional Rail described itself thusly; “a non-carrier, is a Delaware limited liability company which currently controls one (1) Class III railroads operating in two (2) States. Regional also owns 100% of the issued and outstanding shares of Middletown. Middletown is a non-carrier that was formed for the purpose of acquiring the rail line owned by the Middletown & New Jersey Railway Co. Inc (“M&NJ”).” Upon closing of the deal, Middletown and New Jersey Railroad, LLC will become a Class III carrier. Regional Rail also controls East Penn Railroad, LLC, a Class III railroad operating in Pennsylvania and Delaware. The business address of Middletown and New Jersey Railroad, LLC, was given as 505 South Broad Street, Kennett Square, PA 19348 and this address is shared with Regional Rail and East Penn Railroad.

Regional Rail stated “The purpose sought to be accomplished by the proposed transaction” is as follows:

Regional intends to reduce overhead expenses, coordinate billing, maintenance, mechanical and personnel policies and practices of its rail carrier subsidiaries and thereby improve the overall efficiency of rail service provided by the two railroads.

Regional Rail further stated their “control of Middletown will not result in significant changes in carrier operations” where “significant changes” is defined as diverting over 1,000 carloads annually to truck or an average of 50 carloads per mile annually “for any part of these lines” to truck. It was also stated that:

Regional will continue to control Middletown for the purpose of continued rail operations where further Board approval is required to abandon or discontinue any service, and there are no plans to dispose of or alter properties subject to the Board’s jurisdiction that are 50 years old or older.

Beside the name change to Middletown and New Jersey Railroad, LLC, we understand the long-standing phone number for the railroad’s office has also been changed.

On March 31st, the M&NJ switched Genpak and this was the last train operated under Chartwell ownership. That same day Chartwell and its subsidiary, the M&NJ, “entered into a definitive Agreement for Sale and Purchase of Business Assets” with Middletown & New Jersey Railroad, LLC, whereby the M&NJ was to be sold for \$386,900. The closing date for the sale was to be on or before April 6th. This information was contained in a Form 8-K filed by Chartwell with the SEC on April 3rd.

Railway Age Magazine carried a short article on the acquisition on its website (www.railwayage.com) wherein it quoted several of the officials of Regional Rail LLC. Vice President and CCO Al Sauer said “The asset coverage and strategic location closely match our acquisition strategy. In addition its location is of interest to some of our current customers.” President and CEO Bob Parker added “Our strong and

established ties to financial institutions familiar with the short line industry such as FirstCity Crestone LLC and Bank of America Surface Transportation enabled us to quickly react and close on this opportunity.”

Tangible evidence of new ownership was soon forthcoming as on April 16th it was reported that a brush cutter was working south of Kirbytown Road. It is believed that they cut at least between County Route 78 and just north of mile post 4 where a heavy accumulation of mud covered the tracks. The brush cutter was described as a small Caterpillar excavator, fitted with Hi-Rail equipment, with the cutter mounted where the bucket would normally be attached. The brush cutter was seen leaving Middletown on Friday, the 17th. The truck pulling the trailer was lettered “Walters”. A week later, on the 23rd, the Times Herald-Record reported that the County Route 78 crossing would be closed for about five days beginning the 27th. The article stated the crossing “was paved over several years ago with the consent of the railroad” and “Now, with new owner Regional Rail in place and promising to rejuvenate the line, Orange County is moving to fix the crossing.” On April 28th and 29th a crew removed the asphalt, replaced the ties, added ballast, installed rubber strips along the flangeways and repaved the crossing. They were supposed to move on to Houston Avenue crossing next. On Friday, May 22nd, the brush cutter was working in the Slate Hill area while Regional Rail had a crew on site which fixed/replaced the damaged rails in the vicinity of mile post 4. The GP9 shoved three empty covered hoppers, possibly cars to be stored, to roughly McBride Road and then left the cars between McBride Road and Kirbytown Road. A five-minute video of the 773 returning light to Middletown was posted on You Tube

<http://www.youtube.com/watch?v=2JOVpXsb39I> and a corresponding email was posted by a local 15-year old railfan on orangecountyrails@yahoo.com .

One legacy of the Chartwell era at the M&NJ lives on in the New York State Department of Transportation 2008 Rail Needs Survey. The M&NJ identified \$14.211 million of projects for funding by 2028. These included the following: \$3.461 million by 2013 to rebuild 1.8 miles of NS’s Crawford Branch including 100 lb. rail, new ties, ballast, one new switch, rebuild 6 grade crossings and “construct new 1,500 foot interchange track with two turnouts” (Why this is an M&NJ project and not an NS project is unknown unless Chartwell expected to take over the branch.); \$1.0 million to purchase a low emission Gen Set locomotive by 2018; \$3.25 million to rehab 7 miles of track with \$1.75 million needed by 2013 and the \$1.5 million balance spread out over the remaining period; \$3.5 million to “upgrade 5 miles of track and 3 structures to Class I SOGR in order to serve anticipated privately funded intermodal and transload facilities in planning” with \$2 million needed by 2013 and the \$1.5 million balance spread throughout the remaining period; \$1 million to upgrade 4 grade crossings by 2018; a transload facility to be privately funded if the State paid to upgrade the tracks to SOGR (It would handle salt, lumber, stone and coal and would include a salt shed and pavement); \$2 million to upgrade the M&NJ to handle cars with a gross weight of 286,000 lbs. with \$1.5 million to be needed by 2013 and the remaining \$500,000 by 2018 and finally the M&NJ proposed to develop an intermodal facility, also to be privately funded if the State paid to upgrade the tracks to SOGR (This facility was defined as “an intermodal ramp for freight containers”). Chartwell’s projections will shortly have no relevance as undoubtedly the new ownership will develop its own list of priorities. It should be noted, that the \$750,000 NYS DOT grant for rehabilitation of the first mile of the M&NJ has now languished unused for about 4 years.

Chartwell filed its quarterly financial report on May 11th. M&NJ revenues were \$38,000 in the quarter ending March 31, 2009 versus \$42,000 in the quarter ending March 31, 2008. For the nine-month period ending March 31, 2009 M&NJ revenues were \$132,000 versus \$116,000 for the nine months ending March 31, 2008. Chartwell lost \$476,000 in the quarter ending March 31, 2009 versus \$1,429,000 in the quarter ending March 31, 2008. Chartwell stated that it had entered into the agreement to sell the M&NJ to Regional Rail on March 31st and consummated the transaction on April 6th while between these two dates “we did not have any operations in (SIC) MNJ”. Chartwell is in the process of selling the balance of their M&NJ land holdings unrelated to the rail operation and expects to sell substantially all of this land within the next 6 to 12 months.

Federal funding for four local infrastructure projects was announced on April 3rd. As reported in the Times Herald-Record \$340,000 was allocated “toward the purchase of rail beds in the towns of Wawayanda

and Minisink from Middletown and New Jersey Railway for a future rail trail.” The largest grant was \$2.4 million to The Walkway Over The Hudson project which is constructing a footpath over the Poughkeepsie Railroad Bridge to connect rail trails on both sides of the Hudson River. The monies were made available from the Transportation Enhancement Program and American Recovery and Reinvestment Act.

Meanwhile on March 25, 2009, the New York State Economic Recovery and Reinvestment Cabinet issued its “Second Draft List – Project Proposals”. “These are projects submitted by municipalities, organizations and individuals throughout New York State” reviewed by the Cabinet’s staff and forwarded “to the appropriate New York State agency for a determination of potential funding eligibility and next steps.” Highway projects dominated but I found nine counties with rail trail projects amounting to a total of \$44.5 million requested. Local requests included an extension of the Heritage Trail from Museum Village to the Harriman station for \$270,000 and \$3.158 million for the Hudson Valley Rail Trail in Ulster County to connect to the Walkway Over the Hudson (Poughkeepsie Railroad Bridge). Dutchess County was no slouch as they listed four projects with desired funding totaling \$16.55 million for the Dutchess Rail Trail. It is still possible to submit project proposals and maybe we’ll see Wawayanda, Minisink and/or Orange County requesting funds to construct a rail trail over the former M&NJ right of way. The list of projects is almost 700 pages long and may be viewed at www.nypost.com/seven/03272009/news/simulus20090325.pdf . (Yes, they misspelled “stimulus”.)

The Times Herald-Record reported on February 2nd, that a judge upheld the decision of the Wawayanda Zoning Board of Appeals which had ruled in favor of Brookfield Resource Management’s application for an area variance for height of structures to be built as part of its projected metals and recyclables processing plant on Dolsontown Road. A group of homeowners is opposing the project. Brookfield’s president stated that the draft environmental impact statement was nearing completion and “should soon be formally submitted to the Wawayanda Planning Board.”

During the week of April 20th, Norfolk Southern sent a track gang to gauge in the rails in the East Main Street crossing next to the M&NJ station in Middletown. A wide gauge condition had been detected in a track inspection. The crew apparently found the ties in good condition and was able to pull the rail in and respike it to the ties. On May 5th, the Times Herald Record reported that Wickham Avenue, between Low Ave. and Cottage St., would be closed Monday through Wednesday for NS to do crossing work.

The Surface Transportation Board approved the Morristown & Erie Railway’s application to operate approximately 24.8 miles of railroad in Pike and Wayne Counties, PA, as the Stourbridge Railway. The M&E subsidiary would also have “exclusive passenger operating rights over the line.” The decision of December 22, 2008 authorized a startup as early as January 16, 2009. The line extends from Lackawaxen to Honesdale. Freight traffic would be interchanged with the NYS&W’s subsidiary, Central New York Railroad Company, at Lackawaxen, MP 0.0 on the Stourbridge Railway. (www.stb.dot.gov/)

The restored former Erie/EL Tuxedo train station will have a grand opening on May 25th and the town is seeking small retail or commercial businesses as tenants. www.tuxedogov.org 351-4411 or 351-2265

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