

## TODAY ON THE M&NJ 11/01/08

Strategic Rail Finance generated a press release on September 23 publicizing their “collaborative agreement” with Chartwell International “to sell the M&NJ to a buyer best-suited to fully develop the operation and real estate holdings.” SRF promised to “fully vet any buyer to ensure their ability to not only acquire the business but to safely run and grow the railroad.” As of the 23<sup>rd</sup>, “eight separate parties have expressed interest in the line, and of course that’s before the press release and the emailing we’ll be doing to our RR industry database.” “SRF has initiated a complete review of the railroad, including its recent history and its short and longer term prospects. While the M&NJ has recently had a reduced role in the region, stakeholders with whom SRF has communicated speak hopefully. SRF has heard from the railroad’s customers, current, past and prospective about the value of freight rail access to their businesses.”

The Times Herald-Record followed up with an article on the 24<sup>th</sup> headlined “Railway owner needs to sell Middletown line”. The article quoted Michael Sussman, president of SRF, who said “At some point, this is going to be a very booming, very profitable rail line. Given the location of the rail line, and its proximity to the New York metro area, in a growing county (with available, developable land along the rail line, there will be many opportunities to attract new business.” The article stated that SRF is only working to sell the line from Middletown to Slate Hill while the Slate Hill to Unionville segment “will be sold to Orange County, which will turn it into a rail trail.”

Another article appeared on October 3<sup>rd</sup> under the heading “Orange County towns want M&NJ for rail trail”. It again mentioned the proposed sale of the Slate Hill to Unionville segment to the County which has applied to the New York State Department of Transportation for a grant to cover most of the cost estimated at \$425,000. The County Planning Commissioner stated “The towns very much want a rail trail project.” Middletown Mayor Marlinda Duncanson said the City was interested in buying the M&NJ, Middletown to Slate Hill, and figured the price was in the range of \$1 million to \$2 million. She indicated financing could be a problem.

Strategic Rail Finance has prepared a survey for parties interested in purchasing the M&NJ. It should be noted that the sale of the sixty intermodal flat cars stored on the M&NJ is being handled as a separate transaction. The two 44-tonners are still being advertised for sale as well but I am not sure if they would be sold with the railroad.

While at the Dieruff show at Allentown on September 28<sup>th</sup>, I learned that the NS rehab of the branch had finally been completed that week. Virtually all the NS equipment has left with the exception of one self-propelled machine that could not be started.

Ron Vassallo sent an article from the THR of Oct. 26<sup>th</sup> reporting that Senator John Bonacic obtained \$2 million from NYS to fund design of a yard expansion in Port Jervis and renovation of the station.

On October 8, 2008, the Surface Transportation Board rejected U S Rail Corporation’s application of exemption to lease and operate approximately 1,400 feet of track in Paterson, NJ. finding “U S Rail was not candid in its notice of exemption” and “the false and misleading information U S Rail provided warrants rejecting the notice of exemption.” Earlier, on August 26,

2008, the STB denied U S Rail's "petition for clarification of the Board's decision served on October 12, 2007" whereby the STB directed U S Rail "or any related entity" to immediately stop construction of rail facilities in Yaphank or Brookhaven, NY.