

CITY OF BELFAST

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Belfast, Maine 04915

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July 26, 2013

234583
ENTERED
Office of Proceedings
July 26, 2013
Part of
Public Record

Ms. Cynthia T. Brown
Chief, Section of Administration
Surface Transportation Board
395 E. Street, S.W., Room 1034
Washington, DC 20024

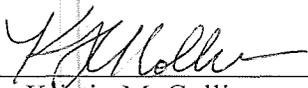
Re: City of Belfast, Maine – Notice of Exemption for Abandonment of a Portion of the Belfast and Moosehead Lake Railroad, **Docket No. AB1109X**

Dear Ms. Brown:

In reference to the above abandonment proceedings, please find a Memorandum Regarding Owner/Operator Status. This Memorandum is submitted to satisfy any question that may arise as to the status of the City of Belfast as owner of the Belfast and Moosehead Lake railroad.

Thank you for your consideration.

KELLY & COLLINS, LLC

By: 
Kristin M. Collins

Enc.

cc: All parties on Service List

BEFORE THE SURFACE TRANSPORTATION BOARD
DOCKET AB-1109-X

CITY OF BELFAST, MAINE

MEMORANDUM REGARDING OWNER / OPERATOR STATUS

For a Portion of the Belfast and Moosehead Lake Railroad

Introduction

The City of Belfast filed the above-captioned Notice of Exemption on June 25, 2013. The Board has requested additional documentation to explain the history of the Belfast and Moosehead Lake Railroad (BMLRR) as well as the City of Belfast's standing to request the Notice of Exemption. This Memorandum is submitted to satisfy these requests.

History of BLMRR

The Belfast and Moosehead Lake Railroad Corporation was chartered by the Maine Legislature in 1867 (see P.L. 1867, ch. 380) as a corporation organized for the purpose of engaging in interstate commerce by railroad.¹ It was built in 1870 with funds furnished by the City of Belfast and other municipalities along the line, with the City of Belfast continuing to own the controlling stock in the corporation through most of the 20th century.² The line was leased to the Maine Central Railroad from completion until 1926, from which point it continued to operate as a common carrier under its own name.

In the early 1990s, private investors bought the controlling stock in the BMLRR from the City of Belfast. In 1995, the BMLRR sold to the State of Maine the portion of line running from the Swanville/Belfast Town Line at Station 1566+40.5 to Burnham Junction, and various

¹ See "In the Matter of the Joint Application of the Belfast & Moosehead Lake Railroad Company and the Maine Central Railroad Company for an Order Approving and Authorizing the Acquisition of Control of the Belfast & Moosehead Lake Railroad Company by Lease", 70 I.C.C. 405 (1921) (attached as Exhibit A).

² See "Short Lines' Divisions, Official Territory," 205 I.C.C. 61, at 65 (1934) (relevant excerpts attached as Exhibit B)

operators have since run tourist traffic over the State's portion of line through a series of leases and operating agreements. The last freight ran on the portion of line subject to the Notice of Exemption in approximately 1996. From that date until the present, the only traffic on the line has been closed-loop tourist excursions operated by a variety of lessees.³

The BLMRR's majority shareholder died in 2001 and the BMLRR proceeded to liquidate its assets. On August 27, 2003, the Railstar Corporation executed a Mortgage Deed and Security Agreement with the BMLRR in support of Railstar's purchase of the BMLRR's real property, equipment and name.⁴ This mortgage deed and security agreement were transferred to Unity Property Management, Inc. on October 17, 2003.⁵ The BLMRR also released the portion of line subject to the Notice of Exemption to Unity Property Management by deed dated October 17, 2003.⁶ Unity Property Management, Inc. was a corporation formed in June 2003 to hold the assets of the BLMRR upon its dissolution.⁷ The company did not hold any other railroad property and was not engaged in the business of either intrastate or interstate transportation of freight or passengers at the time of its acquisition of the BMLRR property.⁸

The BMLRR was officially dissolved on November 30, 2003, and Articles of Dissolution were recorded with the Maine Secretary of State on December 18, 2003.⁹

At the time of its acquisition of the BMLRR, Railstar had only operated tourist railroads, and planned to operate a similar tourist excursion service on the BLMRR line. The Railroad Retirement Board deemed Railstar to be a non-carrier and found that Railstar had not applied for operating authority from the Surface Transportation Board because it operated a tourist

³ See Notice of Exemption filed June 25, 2013 at Dkt. No. AB-1109-X.

⁴ See Mortgage Deed dated August 27, 2003, recorded in the Waldo County Registry of Deeds at Book 2484, Page 334, and Security Agreement dated August 27, 2003, recorded in the Waldo County Registry of Deeds at Book 2721, Page 1.

⁵ See Assignments recorded in the Waldo County Registry of Deeds recorded at Book 2713, Page 240, and Book 2721, Page 41.

⁶ See Release Deed dated October 17, 2003 and recorded in the Waldo County Registry of Deeds at Book 2880, Page 52 (attached as Exhibit C).

⁷ Information provided in conversation by the undersigned with Robert LaMontagne, then-General Manager of Unity Property Management, Inc., as well as its attorney through these transactions, William Kelly, and through review of relevant City records.

⁸ *Id.*

⁹ See Articles of Dissolution (attached as Exhibit D).

passenger business and circumstances had not arisen for a freight operation.¹⁰ Railstar continued to operate on the BMLRR line until early 2005, when Unity Property Management deemed Railstar to be in default of the Security Agreement and executed its power of sale to repossess the railroad property.¹¹

Unity Property Management continued to hold the railroad property from 2005 until 2010. While Unity Property Management did engage with other entities to operate tourist trains on the line, at no point did Unity Property Management or its lessees ever provide interstate freight or passenger connections.¹²

Unity Property Management conveyed the railroad property to the City of Belfast by Release Deed dated July 2, 2010.¹³ This deed specifically included the portion of the railroad corridor subject to the Notice of Exemption. The State of Maine Department of Transportation was aware of this transaction and issued a release of its first right of refusal to purchase the transferred line, pursuant to 23 M.R.S.A. § 7105.¹⁴

Status of the BLMRR and Standing to Request this Notice of Exemption

As discussed above, the Belfast and Moosehead Lake Corporation was the last entity with common carrier status to operate the portion of line subject to the City of Belfast's Notice of Exemption. Since the Railroad did not request abandonment at the time of its dissolution, its rights, assets and obligations passed to Unity Property Management and then to the City of Belfast.

The transfers to Unity Property Management and the City of Belfast may have been subject to STB jurisdiction at the time as acquisitions by non-carriers pursuant to 49 USC §

¹⁰ See Decision of the Railroad Retirement Board at B.C.D. 05-8, dated March 11, 2005 (attached as Exhibit E).

¹¹ See Affidavit of Foreclosure dated February 7, 2005 and recorded in the Waldo County Registry of Deeds at Book 2720, Page 137.

¹² See footnote 8.

¹³ See Release Deed dated July 2, 2010 and recorded in the Waldo County Registry of Deeds at Book 3455, Page 156 (attached as Exhibit F).

¹⁴ See Release of Option Pursuant to 23 M.R.S.A. § 7105 dated December 30, 2008 and recorded in the Waldo County Registry of Deeds at Book 3455, Page 154 (attached as Exhibit H).

10901. However, the transferees never requested approval and the STB never asserted jurisdiction over the transfers. The two transferees and Railstar all believed that no such approval would be required unless and until the owner/operator of the railroad was called upon to run freight and/or interstate traffic.

The railroad itself clearly continues to be subject to STB jurisdiction since no abandonment has previously been sought by any entity. As the lawful, record owner of the railroad's real property and assets, the City of Belfast now requests Notice of Exemption abandonment to formally recognize the fact that no freight or interstate traffic has run on the Belfast and Moosehead Lake Railroad line since the BMLRR Corporation disposed of it, and there is no expectation of such demand in the reasonably near future.

The City respectfully suggests that to the extent any prior approvals were required under 49 U.S.C. § 10901 but not obtained, the Notice of Exemption process will cure any deficiency. The approval provided for under Section 10901 requires the Board to give reasonable public notice, including notice to the Governor, and to consider whether the activities are inconsistent with the public convenience and necessity. The Notice of Exemption process also provides for public notice and notice to the Governor, as well as consideration of consistency with public convenience and necessary. Therefore there would be no harm in the STB recognizing the validity of the prior transfers as a precedent to issuing approval of the Notice of Exemption. This is especially true since neither Unity Property Management nor the City of Belfast ever violated the law by acting as a common carrier without STB approval.

Conclusion

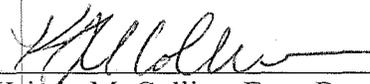
The City of Belfast hereby requests that the Surface Transportation Board consider it to be the lawful owner of the Belfast and Moosehead Lake Railroad with standing to request abandonment pursuant to 49 U.S.C. § 10903 and 49 C.F.R. § 1152.50., and to authorize abandonment and trail use in accordance with the Notice of Exemption and Request for Trail Use filed on June 25, 2013.

Certification

I, Kristin M. Collins, declare under penalty of perjury that the foregoing is true and correct to the best of my knowledge. Further, I certify that I am qualified and authorized to file this pleading.

Executed on July 26, 2013

CITY OF BELFAST



Kristin M. Collins, Esq., Bar #9793
Kelly & Collins, LLC
96 High Street
Belfast, Maine 04915
(207) 338-2702
(207) 338-0328 (fax)

Certificate of Service

I hereby certify that copies of this pleading were served upon the following on this date by First Class Mail, postage prepaid.

Maine Department Of Environmental
Protection
17 State House Station
Augusta, ME 04333-0017

U.S. Environmental Protection Agency
Region 1
5 Post Office Square Suite 100
Boston, MA 02109-3912

Maine Department Of Inland Fisheries And
Wildlife
284 State Street State House Station 41
Augusta, ME 04333

U.S. Fish And Wildlife Service
Maine Field Office
17 Godfrey Drive, Suite #2
Orono, ME 04473

Maine Historic Preservation Commission
55 Capitol Street 65 State House Station
Augusta, ME 04333

Maine Natural Areas Program
Department Of Conservation
93 State House Station
Augusta, ME 04333

U.S. Army Corps Of Engineers
New England District
696 Virginia Road
Concord, MA 01742

FINANCE DOCKET No. 1437.

IN THE MATTER OF THE JOINT APPLICATION OF THE BELFAST & MOOSEHEAD LAKE RAILROAD COMPANY AND THE MAINE CENTRAL RAILROAD COMPANY FOR AN ORDER APPROVING AND AUTHORIZING THE ACQUISITION OF CONTROL OF THE BELFAST & MOOSEHEAD LAKE RAILROAD COMPANY BY LEASE.

Submitted August 20, 1921. Decided August 29, 1921.

Acquisition by the Maine Central Railroad Company of control of the Belfast & Moosehead Lake Railroad under lease approved and authorized.

Charles H. Blatchford for applicants.

REPORT OF THE COMMISSION.

DIVISION 4, COMMISSIONERS DANIELS AND POTTER.

BY DIVISION 4:

The Belfast & Moosehead Lake Railroad Company, a corporation organized for the purpose of engaging in interstate commerce by railroad, hereinafter called the Belfast, and the Maine Central Railroad Company, a carrier by railroad subject to the interstate commerce act, hereinafter called the Maine, on May 9, 1921, filed their joint application pursuant to paragraph (2) of section 5 of the interstate commerce act, for an order authorizing the Maine to acquire control of the Belfast pursuant to a mutual agreement for lease of the railroad of the Belfast to the Maine. A hearing was held upon this application as provided by law.

The railroad of the Belfast extends from the city of Belfast to a point of connection with the main line of the railroad of the Maine near Burnham station, wholly within Waldo County, Me., a distance of approximately 33 miles.

On April 27, 1871, the Belfast leased its railroad to the Maine for a period of 50 years from May 10, 1871. By the terms of the lease the Maine agreed to pay to the Belfast, as rental, the sum of \$36,000 per annum, and in addition thereto, to pay all taxes that might be assessed upon the corporation of the Belfast, and upon the leased property, but not including any tax that might be assessed upon the stock or bonds of the Belfast. Pursuant to this lease the Maine has operated the railroad of the Belfast as a branch line. This lease

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EXHIBIT

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expired May 10, 1921. The applicants propose in effect to extend and continue in force the terms and conditions of said lease from and after May 10, 1921, and until either party thereto shall terminate the same by giving to the other party six months' notice of its election so to do. The only change which the proposed lease makes in the terms of the original lease is that it substitutes a provision for indefinite continued operation in place of a fixed term of 50 years. The Public Utilities Commission of Maine, by an order entered March 4, 1921, authorized the applicants to enter into the proposed lease agreement.

The Belfast has an authorized capital stock of \$648,100, all of which is issued and outstanding. Of this amount \$267,700 is preferred stock and \$380,400 is common stock. It has an unmatured funded indebtedness of \$9,000, consisting of first-mortgage 4 per cent bonds. At the end of 1919 its road and equipment account showed an investment of \$825,212.12.

The Belfast's railroad does not parallel or compete with that of the Maine, but affords the latter its entrance into the city of Belfast. The Belfast is not an operating company and does not possess any equipment. It files reports with this commission as a lessor company. Discontinuance of operation of the Belfast's railroad by the Maine would necessitate the complete readjusting of the Belfast's organization, the purchasing by it of necessary rolling stock and equipment to conduct transportation, the filing of new tariffs, and the establishing of through routes and rates. The proposed lease merely continues in force a relation that has existed for the past 50 years.

Upon consideration of the record we find that the acquisition, to the extent and in accordance with the terms and conditions proposed in the joint application herein, by the Maine of the control of the Belfast under the proposed lease, will be in the public interest; and we conclude that such acquisition should be authorized and approved.

An order will be entered accordingly.

ORDER.

A hearing in this proceeding and investigation of the matters and things involved therein having been had, and said division having, on the date hereof, made and filed a report containing its findings of fact and conclusions thereon, which said report is hereby referred to and made a part hereof:

It is ordered, That acquisition by the Maine Central Railroad Company of control of the Belfast & Moosehead Lake Railroad by and under the lease described in the application and report aforesaid be, and the same is hereby, approved and authorized.

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No. 25630¹

SHORT LINES' DIVISIONS, OFFICIAL TERRITORY

Submitted October 22, 1934. Decided November 13, 1934

1. Upon general investigation of divisions of class rates in official territory to and from points on short lines, divisions of the Belfast and Moosehead Lake Railroad Company, the Chesapeake Western Railway, the Virginia Blue Ridge Railway, and the Chesapeake Beach Railway Company found unjust, unreasonable, and inequitable. Just, reasonable, and equitable divisions prescribed.
2. Divisions of certain commodity rates of the Chesapeake Western found unjust, unreasonable, and inequitable. Just, reasonable, and equitable divisions prescribed.

Moultrie Hitt, G. Kibby Munson, D. W. Thomas, and Clarence A. Miller for various short lines.

Roland J. Lehman for trunk-line carriers in official territory.

P. F. Gault, J. N. Davis, A. B. Enoch, Walter McFarland, S. H. Gillette, and O. H. Timm for western trunk lines.

REPORT OF THE COMMISSION

BY THE COMMISSION:

Exceptions to the examiners' proposed report were filed by the eastern trunk lines and the Belfast and Moosehead Lake Railroad Company. That carrier and the Virginia Blue Ridge Railway replied to the trunk lines' exceptions, as did also the western trunk lines. The trunk lines replied to the other exceptions.

No. 25630 is a general investigation instituted October 31, 1932, on our own motion to determine whether the present divisions of the joint rates prescribed in *Eastern Class-Rate Investigation*, 164 I. C. C. 314, herein referred to as the *Eastern case* for application to and from points on short or weak lines, referred to in finding 13 of the first report above cited, and to and from points on electric lines are unjust, unreasonable, inequitable, and unduly preferential and prejudicial, and to determine what will be just, reasonable, and equitable divisions of such rates for the future. The proceeding also includes the question whether just, reasonable, and equitable divisions of such rates shall be prescribed for the period subsequent to the date of the initial order and prior to the effective date of any

¹This report also embraces No. 26141, *Chesapeake Western Railway v. Akron, Canton & Youngstown Railway Company et al.*

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by which rates are divided by standard lines in official territory. The standard lines deny that there is any single, uniform method but the record indicates that a fairly common basis is a mileage prorate using 50-mile blocks, usually subject to minima for the originating and delivering lines. Frequently the minimum is 20 percent and sometimes as much as 25 percent on hauls within the same subterritory of official territory. The minimum is usually lower on hauls to or from other subterritories. For present purposes a significant fact is the generally recognized need of some minimum, for, in the nature of things a short line would seldom, if ever, have more than one 50-mile block. Furthermore, the short lines are unanimous in urging that for accounting simplicity their divisions not be a system of percentages but a fixed amount for each class arrived at by a kind of averaging process. We shall therefore endeavor to determine for each of the four short lines here under consideration what such a fixed amount should be in the light of the relative service performed by them and their standard-line connections, together with the other elements to which we are required to give consideration, insofar as the record throws light on these elements. It may be observed here that the standard lines argue that we are here foreclosed from considering the financial needs of the short lines in this proceeding for two reasons: (1) The rates prescribed in the *Eastern case* were not intended "to provide a fund out of which the needs of necessitous carriers could be met;" and (2) "The divisions allowed short lines cannot be increased merely because of their financial needs unless the share left the connecting carriers constitutes a fair return," such a fair return being 5.75 percent. The argument is unsound. In all cases involving divisions we are required to consider the financial needs of all participating carriers, and not merely those of any particular group of carriers. We are not prevented from taking into account the financial condition of the short lines in fixing divisions on the traffic here involved merely because the aggregate earnings of the standard lines on all their business are unsatisfactory to those lines. Furthermore the standard lines have offered no evidence whatsoever bearing on the cost of the transportation service for which divisions are here to be prescribed.

Belfast and Moosehead Lake.—The Belfast and Moosehead Lake, hereinafter called the Moosehead, extends from a connection with the Maine Central Railroad lines at Burnham Junction, Maine, to Belfast, Maine, 33.07 miles, all of the line being in Waldo County. It serves exclusively the cities or towns of Belfast, Waldo, Brooks, Thorndike, Knox, Unity, and Burnham, with an aggregate popula-

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tion of 8,600 and an adjacent rural section having a population of approximately 5,800. The principal industries served by the line are a fertilizer plant, a sash-and-blind factory, a shoe factory, a clothing factory, and a vegetable cannery, all located at Belfast. There are three vegetable canneries at other points and pulpwood production is also of some importance. Potatoes, grown in substantial quantities in Waldo County, are shipped out over the Moosehead which also has a milk traffic of considerable volume.

This railroad was built about 1870 with funds furnished by the city of Belfast and other municipalities along the line which still own substantially all its capital stock. It has no funded debt. Upon completion it was leased for 50 years to the Maine Central, which operated it under the original lease until 1921 and thereafter under short-term lease until 1926, when the Maine Central terminated its control and the owning corporation took over the line without equipment or operating organization. The Moosehead has since provided itself with three locomotives and five baggage and passenger cars, as well as a few freight cars for company service. It operates one mixed train each day and a passenger train daily except Sunday, employing a single train crew on a substandard wage scale. During the first year of its operation, in 1926, its total operating revenues were \$158,771, increasing to \$170,818 in 1929, and declining to \$97,836 in 1932. Net income was \$1,450 in 1926 and \$8,500 in 1932. Fixed charges have been covered under the new management in every year except 1931. There has been a substantial reduction in transportation expenses. Because of its remote situation fuel cost is an important item, constituting 18 percent of its operating expenses in 1932, but the percentage in 1926 was 24. Car-hire expense represented 12 percent of the gross freight revenue in 1932, compared with 16 percent in 1930 and 1931. No dividends have been paid since the change in management, but \$40,000 has been added to surplus. These facts indicate that the Moosehead is efficiently and economically operated.

There is a definite public need for the transportation service of this carrier, since it is the only rail line serving a fairly populous and productive region. About 40 percent of the carload traffic is outbound and 60 percent inbound. Local traffic is only about 2 percent of the total tonnage, and of this total 40 percent moved on class rates, producing 47.9 percent of the total freight revenue.

Class rates to and from points on the Moosehead are on the standard-line basis without the addition of short-line arbitraries as authorized in the *Eastern case*. It is testified that the industries on the line are in competition with others on standard lines and

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that the addition of arbitraries would handicap these industries and would also stimulate competition from motor trucks. It is also testified, however, that many of the principal commodities carried by this line, such as milk, pulpwood, potatoes, canned goods, and coal could not be moved practicably by truck, particularly in winter.

There is no necessity for describing the present class-rate divisions of the Moosehead in detail. They are not on a uniform basis and in many instances are approximately the same as or less than those to which it would be entitled under a straight mileage prorate. This is notably true as to interstate traffic to and from points in New England, which constitutes about 58 percent of the total. The Maine Central allows this carrier 45 percent of the revenue from traffic to and from points on the Maine Central. On traffic to and from Boston, Mass., the Moosehead gets a first-class proportion of 14 cents or about 16 percent of the rate, and to and from New York, N. Y., 8 cents, or 7 percent. Its average first-class proportion on first-class traffic in 1932 was 12 cents. On traffic rated fifth class, constituting about 46 percent of its total, its average share was 4.2 cents, equivalent to a first-class proportion of 12.3 cents. The present proportions are too low, judged by any criterion. The fact that the earnings of this line have been at a rate of return considerably lower than the average for the eastern region is a further indication that its class-rate divisions, on which it is dependent to an important extent, may be too low. In 1932, for example, its rate of return was slightly less than 1 percent.

In 1932 the Moosehead's class-rate traffic was divided among the subterritories of official territory in the following proportions: New England 57 percent, trunk line 26 percent, central 17 percent.

The record does not show the weighted-average haul on this traffic, but it supports a rough estimate that the weighted-average first-class rate for the haul would have been in the neighborhood of \$1.22. The Moosehead argues that it should be allowed a constant first-class proportion of 32 cents, which would be about 26 percent of the average rate above estimated. It bases this argument on the rate-prorate test and the cost-ratio figures discussed in an earlier portion of this report. The Moosehead further shows that on its proposed basis it would have received about \$25,000 additional revenue, which would have fallen short of what it regards as a fair return. Its rate of return on that basis, however, would have been about 3.85 percent in comparison with 2.23 percent for the Maine Central and 2.53 percent for the Boston & Maine. On a basis of 24 cents, first class, the Moosehead's rate of return would have been about 2.5 percent. That

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basis would have given this carrier about 20 percent of the estimated average rate of \$1.22, 27 percent of the Boston rates, 20 percent of the New York rates, and 14 percent of the Chicago rates.

Taking account of the relative amount of service performed by the Moosehead on this traffic in comparison with that of connecting lines and its location in northern New England, giving full weight to its importance as a transportation agency and efficiency of its management, and weighing its financial needs, as well as those of other lines, we are of opinion that its divisions should be based on a constant proportion of 24 cents of first class, scaled on the uniform class percentages for other classes.

Chesapeake Western.—The Chesapeake Western operates approximately 28 miles of line extending from Elkton to Bridgewater which is owned by the Chesapeake & Western Railroad Company and leased to the former for a period of 99 years commencing in 1902. Prior to 1928 the Chesapeake Western owned and operated a 9-mile line from Bridgewater to North River Gap, Va., a portion of which was abandoned in 1928 and the remainder in 1933. The only track owned by it since 1933 is one half mile within the limits of Harrisonburg, Va., and several sidetracks and plots of land adjoining the leased right-of-way. It connects with the Norfolk and Western Railway Company at Elkton and with the Southern Railway Company and the Baltimore and Ohio Railroad Company at Harrisonburg.

The line runs through a mountainous region, and the grades and track curvatures are so extreme that less than half of the tonnage rating for locomotives in level country can be utilized. It owns five locomotives, one gasoline-motor passenger car, four passenger coaches, three flat cars, and certain work equipment. None of its equipment is interchanged. It operates two passenger trains and one freight train each way daily between Elkton and Bridgewater. No mixed trains are operated, but cars of perishable freight are sometimes hauled from Bridgewater to Elkton in passenger trains.

The Chesapeake Western has not earned its fixed charges for many years. Its lease provides for payment of bond interest as rental to the Chesapeake & Western Railroad Company, amounting in recent years to \$33,000 per annum, but it owns all of the outstanding bonds of the latter and 94 percent of the capital stock. The wage scales of the Chesapeake Western are substantially less than those of the standard lines connecting with it. Its car-hire expense ranged from 9.2 to 22 percent of its total freight revenue during the years 1920 to 1932, inclusive. The ratio of car hire to total freight revenue

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RELEASE DEED

BELFAST AND MOOSEHEAD LAKE RAILROAD, a Maine Corporation having a place of business in Unity, Maine, for valuable consideration, hereby release to **UNITY PROPERTY MANAGEMENT**, a corporation organized under the laws of Maine with its principal place of business in Unity, Waldo County, State of Maine, with a mailing address of P.O. Box 165, Unity, Maine, all its right, title and interest in and to all real property, together with all the buildings and fixtures located thereon located in **Belfast**, Maine, more particularly described as follows, to wit:

Parcel One:

A certain parcel beginning on the south side of Pierce Street, Belfast, Maine, and continuing north 2.97 miles, more or less, to the city line between the City of Belfast and the Town of Waldo, ranging in width from 17 feet to 100 feet, containing 40.6 acres, more or less, depicted on Map 8 as a portion of Lot 84 in the tax records for the City of Belfast and further referenced in Book 1665, Page 246, Waldo County Registry of Deeds.

Parcel Two:

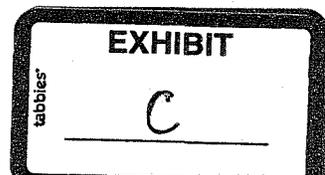
A certain parcel located on Oak Hill Road, Belfast, Maine, containing 5.50 acres more or less, with 1,137 feet of frontage, more or less, on Oak Hill Road, depicted on Map 8 as Lot 44 in the tax records for the City of Belfast and further referenced in Book 1665, Page 246, Waldo County Registry of Deeds, and Book 1952, Page 77, Waldo County Registry of Deeds.

In witness whereof I set my hand this 17th day of October, 2003.

BELFAST AND MOOSEHEAD LAKE RAILROAD

by: *Lawrence J. Sterrs*
Lawrence, J. Sterrs, Chairman of the Board
of Directors, duly authorized

Witness



No Transfer Tax Paid

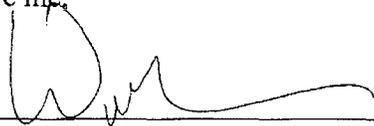
KELLY & ASSOCIATES, LLC, 96 High Street • Belfast, ME 04915

October, 17th 2003

STATE OF MAINE
COUNTY OF WALDO, SS.

Then personally appeared before me the above named Lawrence J. Sterrs, in his capacity as Chairman of the Board of Directors of the Belfast and Moosehead Lake Railroad, and acknowledged the foregoing instrument to be his free act and deed in said capacity.

Before me,



Notary Public / Attorney at Law

WILLIAM S. KELLY, ESQ.

KELLY & ASSOCIATES, LLC, 96 High Street • Belfast, ME 04915

WALDO SS: RECEIVED

Jan 09, 2006
at 09:30:57A
ATTEST: Deloris Page
REGISTER OF DEEDS

DOMESTIC
BUSINESS CORPORATION
STATE OF MAINE
ARTICLES OF DISSOLUTION

Belfast and Moosehead Lake Railroad Company
(Name of Corporation)

Filing Fee \$55.00

File No. 18530000RR Pages 1
Fee Paid \$ 55
DCN 2040091500040 DISS
~~FILED~~ ~~EXPIRES~~
12/18/2003 12/18/2003


Deputy Secretary of State

A True Copy When Attested By Signature

Deputy Secretary of State

Pursuant to 13-C MRSA §1404, the undersigned corporation executes and delivers the following Articles of Dissolution:

- FIRST: The date on which the dissolution was authorized is November 30, 2003
- SECOND: The future effective date of the articles of dissolution (if other than the date of filing of the articles of dissolution) is _____
- THIRD: (Check if applicable.)

- The proposal to dissolve was duly approved by the shareholders in the manner required by this Act and by the corporation's articles of incorporation.

DATED November 30, 2003

*By 
(signature of any duly authorized officer)
Lawrence J. Sterrs, Director
(type or print name and capacity)

*This document MUST be signed by any duly authorized officer OR the clerk. (§121.5)

Please remit your payment made payable to the Maine Secretary of State.

SUBMIT COMPLETED FORMS TO: CORPORATE EXAMINING SECTION, SECRETARY OF STATE,
101 STATE HOUSE STATION, AUGUSTA, ME 04333-0101
FORM NO. MBCA-11 Rev. 9/8/2003 TEL. (207) 624-7740

B.C.D. 05-8

March 11 , 2005

EMPLOYER STATUS DETERMINATION**Belfast and Moosehead Lake Railroad Company
Railstar Corporation d/b/a Belfast and Moosehead
Lake Railroad Company**

This is the determination of the Railroad Retirement Board concerning the continuing status of Belfast and Moosehead Lake Railroad Company (BML) and the new status of Railstar Corporation d/b/a Belfast and Moosehead Lake Railroad Company (Railstar/BML) as an employer under the Railroad Retirement Act (45 U.S.C. §231, et seq.) (RRA) and the Railroad Unemployment Insurance Act (45 U.S.C. § 351, et seq.) (RUIA).

Information about both BML and Railstar/BML was provided by Mr. Ronald J. Trottier, Vice President of Railstar Corporation. Railstar Corporation, a non-carrier, purchased the assets and the name of the Belfast and Moosehead Lake Railroad Company (BA No. 2102) on August 27, 2003. BML was a class III line-haul railroad with coverage under the RRA and RUIA creditable from July 1, 1867. Since its last movement of freight in 2001, BML operated primarily as a tourist railroad on trackage (owned by the state of Maine and leased to BML) from Belfast to Unity, Maine. Mr. Trottier advised that the assets and income of BML were purchased for the purpose of operating a tourist passenger business and that Railstar did not apply to the Surface Transportation Board (STB) for operating authority. He stated that, in the future, should circumstances arise for a freight operation, "Railstar would have to apply for operating authority from the Surface Transportation Board."¹

Section 1(a)(1) of the Railroad Retirement Act (45 U.S.C. § 231(a)(1)), insofar as relevant here, defines a covered employer as:

(i) any carrier by railroad subject to the jurisdiction of the Surface Transportation Board under Part A of subtitle IV of Title 49 [45 U.S.C. § 231 (a)(1)(i)].

Sections 1(a) and 1(b) of the Railroad Unemployment Insurance Act (45 U.S.C. §§ 351(a) and (b)) contain substantially the same definition, as does section 3231 of the Railroad Retirement Tax Act (26 U.S.C. § 3231).

It is clear that BML has been a covered employer under the RRA and RUIA inasmuch as it was subject to the jurisdiction of the STB as a class III line-haul railroad. Although Mr. Trottier stated that it was his understanding that the last freight movement by BML was in 2001, the mere fact that a railroad has not had any freight business does not, in and of itself, diminish its character as a carrier by railroad under STB jurisdiction. Our records show that BML has consistently reported and paid railroad retirement tax and unemployment contributions through August 2003. STB decisions over the last five years show that neither Railstar Corporation nor BML sought authority from the STB to exempt

either entity with respect to the sale transaction of the assets and income of BML to Railstar Corporation, which created Railstar/BML.²

Section 202.11 of the Board's regulations provides that:

The employer status of any company or person shall terminate whenever such company or person loses any of the characteristics essential to the existence of an employer status.

The sale by BML on August 27, 2003 of all of its railroad assets as well as its name, constituted a loss of the characteristics essential to the existence of an employer status. Although BML remains a legal entity as a corporation, it is clear that BML is no longer capable of conducting railroad operations. We therefore find that BML ceased to be a rail carrier employer under the RRA and the RUIA effective August 27, 2003, the date it sold its name and its assets.

Turning to Railstar/BML, Part A of subchapter IV of Title 49 sets forth the provisions governing the jurisdiction of the Surface Transportation Board (STB) over rail transportation. It provides in pertinent part that the STB has jurisdiction over transportation by rail carrier to the extent that the transportation is in the United States and is between a place in a State and a place in the same or another State as part of the interstate rail network (49 U.S.C. §10501 (a)(2) (A)).

In this case, Railstar/BML is a carrier by rail, since it operates a passenger railway. However, Railstar/BML does not transport passengers from a place in one State to a place in the same or another State as part of the interstate rail network. Rather, it provides excursion service between two points entirely within one State. Railstar/BML does not interchange with any railroad, and does not "through-ticket" any passengers or freight onto any other rail carrier. It appears that Railstar/BML's operation of its tourist railroad is thus not subject to STB jurisdiction. Based upon the evidence of record, we find that Railstar/BML is not an employer under the RRA and the RUIA.

¹ Railroad Retirement Board review of this matter began when a former employee of BML, now an employee of Railstar/BML, advised that Railstar/BML ceased paying railroad retirement taxes. Mr. Bill Monson, temporary Acting General Manager of Railstar/BML, confirmed that it stopped paying railroad retirement taxes in August 2003.

² It is noted that the purchase and sale agreement between BML and Railstar Corporation obligated the buyer, Railstar, as a condition precedent to closing, to obtain, among other things, approval from the STB.

Michael S. Schwartz

V. M. Speakman, Jr.

Jerome F. Kever

RELEASE DEED

Know All Persons by These Presents that **UNITY PROPERTY MANAGEMENT, INC.** a/k/a **UNITY PROPERTY MANAGEMENT**, a Maine Corporation having its principal offices in the Town of Unity, County of Waldo, State of Maine,

in consideration of one dollar and other valuable considerations

paid by the **INHABITANTS OF THE CITY OF BELFAST**, a Municipal Corporation located in the County of Waldo, State of Maine, and whose mailing address is 131 Church Street, Belfast, Maine 04915,

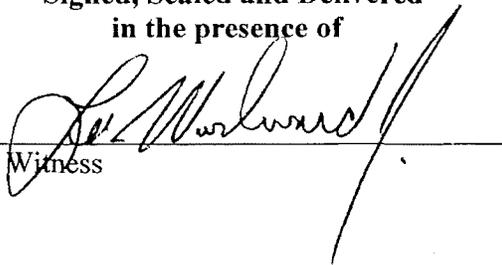
the receipt whereof it does hereby acknowledge, does hereby **give, grant, bargain, sell and convey** and forever **releases** unto the said Inhabitants of the City of Belfast, its successors and assigns forever,

All right, title and interest in and to that certain lot or parcel of land, together with improvements thereon, situated in the City of **BELFAST**, County of Waldo, State of Maine, more particularly bounded and described in Schedule A, attached hereto and made a part hereof.

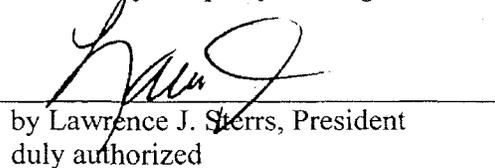
To have and to hold the aforementioned and bargained premises, with all the privileges and appurtenances thereof, to the said Inhabitants of the City of Belfast, its successors and assigns, to its use and behoof forever.

In Witness Whereof, the said Unity Property Management, Inc., a/k/a/Unity Property Management, has hereunto caused this instrument to be signed and sealed by Lawrence J. Sterrs, its President, duly authorized, this 2nd day of the month of July, 2010.

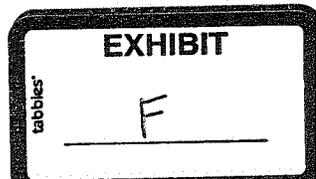
Signed, Sealed and Delivered
in the presence of


Witness

Unity Property Management, Inc.
a/k/a Unity Property Management


by Lawrence J. Sterrs, President
duly authorized

**"MAINE REAL ESTATE
TRANSFER TAX PAID"**

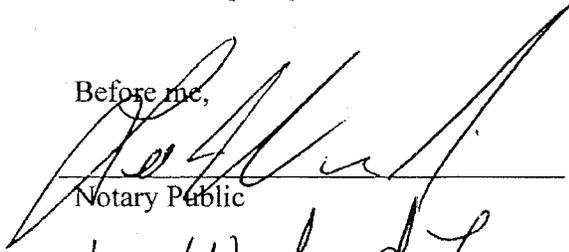


State of Maine, County of Waldo

7-2, 2010

Then personally appeared the above named Lawrence J. Sterrs and acknowledged the foregoing instrument to be his free act and deed in his said capacity, and the free act and deed of said corporation.

Before me,



Notary Public

Lee Woodward Jr.

Printed Name

My Commission Expires 1-1-2010

LW/ch
RE-Belfast-Unity Property Management, Inc. to Belfast rd

SCHEDULE A

All right, title and interest in that certain lot or parcel of land, together with improvements thereon, including but not limited to, railroad tracks, rail beds, bridges, ties and related improvements, in the City of Belfast, County of Waldo, State of Maine, commencing northerly of Pierce Street at the northerly line of lands of Penobscot McCrum, LLC, as described in Waldo Registry Book 2590, Page 96, and Waldo County Land Co., LLC, recorded in Waldo Registry Book 2913, Page 159, and continuing northerly two and ninety hundredths (2.90) miles, more or less, to the city line between the City of Belfast and the Town of Waldo. The premises herein conveyed is that portion of Lot 84 on Tax Map 8 as is located northerly of the aforementioned Penobscot McCrum/Waldo County Land Co. properties and southerly of the Waldo town line. The strip of land herein conveyed ranges in width from approximately sixty-six (66) feet in width to one hundred (100) feet in width and is a portion of that premises conveyed to Unity Property Management by deed from the Belfast and Moosehead Lake Railroad, dated October 17, 2003, recorded in Waldo County Registry of Deeds Book 2880, Page 52.

The premises herein conveyed is further depicted upon plans entitled "Right-of-Way and Track Map - Belfast & Moosehead Lake R. R. Operated by the Maine Central Railroad Company," Section V-II, Sheets 30, 31, 32 and 33, such plans being on file at the Waldo County Registry of Deeds.

For historical title purposes, reference may be had to those two awards issued by the Waldo County Commissioners in the County of Waldo Record Book 5, Pages 31 and 191, together with that deed from the Maine Central Railroad Company, dated January 12, 1927, recorded in Waldo County Registry of Deeds Book 381, Page 379.

It is meant and intended to describe and convey and does hereby convey all that portion of Parcel One as described in the Release Deed from Belfast and Moosehead Lake Railroad to Unity Property Management, dated October 17, 2003, recorded in Waldo Registry Book 2880, Page 52, as lies northerly of the Penobscot McCrum/Waldo County Land Co. properties.

LW/ch
RE-Schedule A-Unity to Belfast

WALDO SS: RECEIVED

Jul 02, 2010
at 02:49P
ATTEST: Deloris Page
REGISTER OF DEEDS

RELEASE OF OPTION PURSUANT TO 23 M.R.S.A §7105

The **STATE OF MAINE**, acting by and through its Department of Transportation, with an address of 16 State House Station, Augusta, Maine 04333-0016, hereby releases all rights of first refusal and options to lease or purchase the herein-described property of **UNITY PROPERTY MANAGEMENT, INC.** This release applies to rights arising pursuant to 23 M.R.S.A. §7105. This release applies solely to the property described herein and shall not constitute a release or waiver of the rights of the State of Maine with respect to any other property or interest.

The property subject to this release is located in the City of Belfast, Maine and is more particularly described in "Exhibit A" attached hereto.

The said "Exhibit A" describes a portion of a line of railroad right-of-way sometimes referred to as a portion of the "Belfast and Moosehead Lake Railroad Line", so-called, which is shown on plans entitled "Right-of-Way and Track Map – Belfast & Moosehead R. R. Operated by the Maine Central Railroad Company", Section V-II, Sheets 30, 31, 32, and 33, such plans being on file with both the **STATE OF MAINE, Department of Transportation** and said **UNITY PROPERTY MANAGEMENT.**

IN WITNESS WHEREOF, the said **STATE OF MAINE**, acting by and through its Department of Transportation, has caused this instrument to be executed by Gregory Nadeau, its Deputy Commissioner, thereunto duly authorized, this 30 day of DECEMBER, 2008.

DEPARTMENT OF TRANSPORTATION

Joni K Kemmule
Witness

By: Gregory Nadeau
Gregory Nadeau, Deputy Commissioner

STATE OF MAINE
Kennebec, ss.

Dec 30, 2008

Personally appeared the above-named **Gregory Nadeau, Deputy Commissioner, Department of Transportation**, and acknowledged the foregoing instrument to be his free act and deed in his said capacity and the free act and deed of the State of Maine.

Before me, Jean A Stewart
~~Attorney~~ Notary Public
Print Name:
My Commission Expires:



JEAN A. STEWART
Notary Public State of Maine
My commission expires August 15, 2012

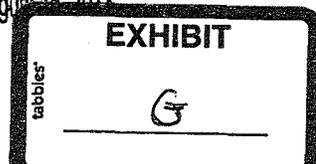


EXHIBIT A

A certain parcel beginning on the south side of Pierce Street, Belfast, Maine, and continuing north 2.97 miles, more or less, to the city line between the City of Belfast and the Town of Waldo, ranging in width from 17 feet to 100 feet, containing 40.6 acres, more or less, depicted on Map 8 as a portion of Lot 84 in the tax records for the City of Belfast and further referenced in Book 1665, Page 246, Waldo County Registry of Deeds.

Excepting from the foregoing however, the following parcels of land:

1. Premises conveyed from Unity Property Management to The Inhabitants of the City of Belfast by instrument dated January 9, 2006, recorded January 10, 2006, in the Waldo County Registry of Deeds in Book 2881, Page 201.
2. Premises conveyed from Unity Property Management to Belfast Bridge, LLC by instrument dated January 9, 2006, recorded January 10, 2006, in the Waldo County Registry of Deeds in Book 2881, Page 199.
3. Premises conveyed from Unity Property Management to Waldo County Land Co., LLC by instrument dated April 3, 2006, recorded in the Waldo County Registry of Deeds in Book 2913, Page 159.

Being a portion of the premises described in a deed from Belfast and Moosehead Lake Railroad to Unity Property Management, dated October 17, 2003, recorded in the Waldo County Registry of Deeds in Book 2880, Page 52.

WALDO SS: RECEIVED

Jul 02, 2010
at 02:49P
ATTEST: Deloris Page
REGISTER OF DEEDS