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BY FAX
565-9004

April 15, 2005

Hon. Vernon A. Williams
Secretary
Surface Transportation Board
1925 K Street
Washington, D.C. 20423-0001
ATTN: Ms. Darlene Evans:

RE: FD No. 34676, Penn Eastern Holdings, Inc. 213774
-Continuance in control-East Penn Railways, Inc.
And Penn Eastern Rail Lines, Inc.

FD No. 34677, East Penn Railways, Inc., 213775
Acquisition Exemption-Southeastern
Pennsylvania Transportation Authority

FD No. 34678, East Penn Railways, Inc., 213776
Acquisition And Operation Exemption-
ISG Railways, Inc.

FD No. 34679, East Penn Railways, Inc., 213777
Acquisition And Operation Exemption-
Reading Company

Dear Mr. Williams:

I am writing on behalf of Applicants Penn Eastern Holdings, Inc. ("PEH"), and East Penn Railways, Inc. ("East Penn"), to answer certain questions from Ms. Darlene Evans of the Office of Proceedings' staff in connection with the above-captioned transactions.

First, in connection with the control exemption sought in FD No. 34676, Ms. Evans asked about the involvement of an individual named Mark Rosner in that transaction. Currently, an individual named John Nolan solely owns and controls East Penn and another affiliated short line railroad operating in Pennsylvania known as Penn Eastern Rail Lines, Inc. ("Penn Eastern"). While Mr. Rosner

is a business partner of Mr. Nolan involved with the management of these two railroads, he does not own or control an interest in either company. In order to facilitate future short line railroad acquisitions, Mr. Nolan is establishing PEH as a noncarrier short line railroad holding company to own the stock of East Penn and Penn Eastern and such other possible short line subsidiaries to be established at some later date. In addition, Mr. Rosner will be acquiring a 20% interest in PEH. Thus the purpose of the control exemption filing in FD No. 34676 is to insert PEH in the control chain between Mr. Nolan and Mr. Rosner and the railroad subsidiaries, with the control to be split 80/20.

Second, Ms. Evans asked about the statement made in footnote 3 at the bottom of page 2 of each of the three acquisition exemption filings (FD Nos. 34677, 34678, and 34679):

> Concurrently with this filing, East Penn is filing notices in two separate proceedings to acquire segments of track connecting to the subject line. [citations omitted].

She was concerned that this "connection" might make the common control between East Penn and Penn Eastern ineligible for the expedited exemption procedures of 49 CFR 1180.2(d)(2).

I explained that each of the three connecting tracks identified in each of these dockets were being acquired by East Penn, that the lines operated by Penn Eastern did not connect with these tracks or any other East Penn-operated lines, and that Penn Eastern was not involved in any way with the subject line acquisition and operation exemptions. Furthermore, I directed her to examine the color map accompanying the control exemption which depicts the relative location of each of the East Penn and Penn Eastern lines. Ms. Evans noted that the blue and red lines, depicting the East Penn and Penn Eastern properties, respectively, appeared to touch at a point southeast of Reading, PA. An enlargement of that portion of the map shows that the blue line touching the red line is not a rail line but blue lettering which reads "Susquehanna River." If required, I can furnish the Board with an enlarged color map which will clearly show that the East Penn lines do not connect with the Penn Eastern lines.

Please date stamp and return one copy of this letter.

Sincerely yours,

John D. Heffner

cc: Ms. Darlene Grey (fax only)
Eric Hocky, Esq.
Nicholas Staffieri, Esq.
Mr. John C. Nolan
Mr. Mark Rosner