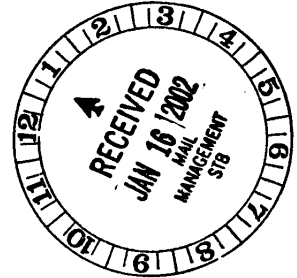


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BEFORE THE
SURFACE TRANSPORTATION BOARD
Washington, D.C. 20423



GS ROOFING PRODUCTS COMPANY, INC.,
BEAZER WEST, INC. d/b/a GIFFORD-HILL
& COMPANY, BEAN LUMBER COMPANY and
CURT BEAN LUMBER COMPANY,

Complainants,

v.

ARKANSAS MIDLAND RAILROAD and PINSLY
RAILROAD COMPANY, INC.,

Defendants.

Docket No. 41230

Office of the
Public Record

JAN 16 2002

Office of the
Public Record

**VERIFIED STATEMENT OF TOM A. GWYNN
IN SUPPORT OF COMPLAINT OF
GS ROOFING PRODUCTS COMPANY, INC.**

1. My name is Tom A. Gwynn. My business address is 5525 MacArthur Boulevard, Suite 900, Irving, Texas 75038. I am a Certified Public Accountant. I am the South Central Regional Controller for Certainteed Roofing Products Group, which acquired GS Roofing Products Company, Inc. ("GS Roofing") in 1999. I have been involved with the roofing products industry for over five years and am thoroughly familiar with the accounting systems used to determine the cost of production.

2. I have reviewed GS Roofing's books and records related to the actual cost of production at its Glenwood, Arkansas production facility during calendar year 1994. Based on my review of the data, I have concluded that GS Roofing would have incurred variable costs of \$14.41

per ton to produce the product required to satisfy the contract with Celotex. GS Roofing had unused capacity and would not have incurred any additional overhead costs associated with the production of an additional 25,000 tons of granules. Therefore, the foregoing figure reflects the variable cost of producing that amount of additional tonnage.

3. As reflected by Attachment 2 to his original Verified Statement, dated July 20, 1994, Mr. Smith testified that the cost to produce a ton of roofing granules was \$11.29. According to the books and records maintained by GS Roofing in the ordinary course of business for the year ending December 31, 1994, based on its actual costs, it cost GS Roofing \$10.653 to produce a ton of roofing granules. That figure includes the total cost of quarrying the rock and the total variable cost of manufacturing the granules. In addition, GS Roofing incurred an additional expense of \$2.064 per ton for slate oil used to treat the granules.

4. In reviewing the 1994 data, I discovered that GS Roofing utilized a methodology that understated the cost of producing the quarried tonnage. The actual variable per ton cost of the quarried rock should be \$4.13 instead of \$2.441. The \$4.13 figure is derived by dividing \$583,722 (which is the actual cost of quarrying) by 141,332.4 (which is the useable, unoiled tonnage produced from quarrying 239,169.4 tons of rock). It appears that GS Roofing, in computing the cost of the quarried rock, divided the cost of \$583,722 by 239,169.4, which is the total tonnage of quarried rock. To arrive at a variable cost per output ton, proper accounting procedure is to sum up all the variable costs associated with the output, and, then, divide by the output. The resulting figure, when subtracted from the sales price less freight, results in a contribution margin per ton.

5. With the foregoing adjustment, the total variable or incremental cost that would have been incurred in 1994 by GS Roofing to satisfy its contractual commitment to Celotex-Houston

would have been \$14.41 per ton. Given the delivered price of \$43.00, less \$35.41 (\$14.41 cost to produce plus \$21.00 rail freight), GS Roofing suffered a loss of profits of \$7.59 per ton.

6. Celotex-Houston was to have purchased between 20,000 and 25,000 tons of granules. Without consideration of interest and based on the contractual minimum purchase of 20,000 tons, GS Roofing suffered lost profits in 1994 of \$151,800. Based on the maximum purchase of 25,000 tons, GS Roofing suffered lost profits in 1994 of \$189,750. If lost profits are computed on the basis of 22,500 tons, without consideration of interest, GS Roofing suffered lost profits in 1994 of \$170,775.

7. Ms. Christina Nielsen has been retained to compute interest, in accordance with the Board's governing regulations. Based on the calculations prepared by Ms. Nielsen, which reflect interest from March 1, 1994 through January 15, 2002, GS Roofing is owed between \$66,987 and \$83,734 in interest.

8. Through January 15, 2002, GS Roofing has sustained total lost profits, including interest, between \$218,787 and \$273,484.

FURTHER SAYETH THE AFFIANT NOT.

Verification Page

I, Tom A. Gwynn, declare under penalty of perjury that the foregoing is true and correct.
Further, I certify that I am qualified and authorized to file the foregoing Verified Statement on behalf
of GS Roofing Products Company, Inc., executed on January 14, 2002.

Tom A. Gwynn 1/15/02
Tom A. Gwynn