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BY HAND DELIVERY

Honorable Vernon A. Williams
Secretary
Surface Transportation Board
1925 K Street, N.W.
Washington, D.C. 20423-0001

Re: *Groome & Associates, Inc. and Lee K. Groome v. Greenville County Economic Development Corporation -- STB Docket No. 42087*

Dear Secretary Williams:

Enclosed for filing are an original and 10 copies of the "Opening Statement and Evidence of Complainant" in the above-referenced case. Please note that due to a complete failure of the Barnes & Thornburg LLP computer system on December 21, 2004, which was not corrected until after 5:00 p.m., the parties have stipulated that it would be permissible for Complainant to file on this date without objection from the Respondent. Copies have been served as stated in the Certificate of Service.

Two copies of the above-mentioned document are enclosed, which we request be date stamped and returned to the undersigned. Thank you for your assistance in this matter.

Very truly yours,



Richard H. Streeter

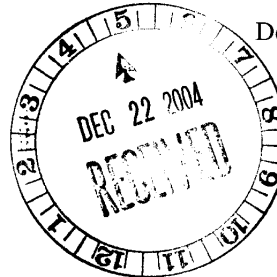
Enclosures

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December 22, 2004



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BEFORE THE
SURFACE TRANSPORTATION BOARD

STB Docket No. 42087

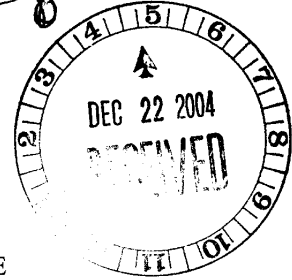
GROOME & ASSOCIATES, INC., AND LEE K. GROOME
v.
GREENVILLE COUNTY ECONOMIC DEVELOPMENT CORPORATION

MEMORANDUM IN SUPPORT OF COMPLAINT

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Come now Complainants, Lee K. Groome and Groome & Associates, Inc. ("G&A"), by and through counsel of record, and, pursuant to the Order of the Surface Transportation Board ("Board") served October 12, 2004, file this "Memorandum in Support of Complaint." The issue in this case is whether the Greenville County Economic Development Corporation ("GCEDC") violated its statutory common carrier obligation (codified at 49 U.S.C. § 11101(a)) by failing to provide rail service to G&A upon reasonable request. The Board has jurisdiction under 49 U.S.C. § 11704(b).

It is uncontroverted that while GCEDC failed to provide *any* rail service after June 4, 1999, when it acquired a line of railroad that stretches from MP 0.0 at Greenville to MP 11.8 at Travelers Rest, South Carolina ("the Line"), it did not file an embargo. Hence, the instant case is distinguishable from and not controlled by the cases in which an embargo was validly imposed.

INTRODUCTION AND SUMMARY OF ARGUMENT

GCEDC, following its June 4, 1999 acquisition of the Line, violated its statutory common carrier obligation (i) by refusing to provide any rail service to G&A even though it was repeatedly requested to do so; (ii) by failing to embargo the Line or seek its abandonment; and

(iii) by failing to make repairs in a timely fashion that would have permitted the resumption of rail service on an excepted basis to G&A in the summer of 1999 or any time thereafter.

In order to provide service to G&A, GCEDC would have had to repair three small bridges and less than 2.5 miles of track. GCEDC acquired the Line from Carolina Piedmont Division South Carolina Central Railroad ("SCCR"), a subsidiary of Railtex, with knowledge of the condition of track and bridges, as well as the estimated cost of repairs. Furthermore, when it purchased the Line, GCEDC was aware that the shippers on the Line required rail service and were seeking to acquire ownership of the Line in order to repair it and restore rail service. Therefore, as a matter of equity, GCEDC may not rely on the condition of the line or the cost of needed repairs as an excuse for its unlawful failure to restore rail service after it acquired the Line.

Based on a letter that it received from Railtex's Director of Real Estate in January 1999, GCEDC knew at all times that it would be required to "assume all railroad common carrier shipping obligations, along with the estimated \$300,000 of expenditures to repair the G&N bridges."¹ However, despite being put on notice, both prior to and after it acquired the Line, GCEDC failed to take reasonable steps to ascertain its statutory duty and its legal obligations with respect to rail service and the common carrier obligation. As a result, GCEDC violated its duty by failing to provide service.

There is no legitimate excuse for GCEDC's failure to provide service. Indeed, given the information provided by Railtex, GCEDC acted with gross negligence when it acquired the Line without undertaking extensive due diligence regarding the cost of operating and maintaining the Line and without taking appropriate action to secure the additional appropriation that it knew

¹ Attachment 16, V.S. Groome. The \$300,000 figure vastly overstated the cost of restoring rail service to G&A. Not only did that figure include the cost of replacing a bridge that would not be used to provide service to G&A, but it included the cost of replacing a bridge that could have been safely operated with far less expensive repairs.

would be required to make needed repairs sufficient to operate the Line on an excepted track basis. As a result of GCEDC's failure to exercise due diligence, G&A has suffered extensive financial damages for which GCEDC should be held liable. The Board should also find that GCEDC has demonstrated its lack of fitness by filing false and misleading information with the Board in an attempt to evade its service obligations.

Given the facts and circumstances surrounding this matter, the Board is asked to hold that (i) GCEDC violated its statutory common-carrier obligations; (ii) GCEDC is liable for damages suffered by G&A from June 4, 1999 through the present date; (iii) GCEDC should be required to pay Complainants' attorney fees; and (iv) GCEDC should be required to forfeit its ownership of the Line in favor of G&A. Any other result would make a mockery of the common carrier obligation and encourage others, who are financially and operationally unfit, to acquire ownership of lines of railroad to the detriment of shippers who are dependent upon rail service.

Statement of Facts

Lee K. Groome ("Groome") is the President, founder and majority shareholder of G&A. During all relevant periods, G&A was engaged in the brokerage and "converting" or "slitting" of rolls of virgin paper weighing thousands of pounds. Groome would purchase rolls of paper directly from the paper mills that manufactured the paper. The commodity delivered by rail to G&A consisted of large, multi-thousand pound rolls of bleached sulphate paper, coated on one or both sides, made of virgin fiber. After receiving them at its facility, G&A would convert or slit the rolls into various sizes for ultimate use in the food and pharmaceutical industries as wrapping or printing paper, both of which are regulated paper or paper products. The particular products are classified as STCC 26213 and 26214. *See* Complainants' Ex. A, Verified Statement Groome at ¶ 14 (hereinafter "V.S. Groome").

The “converting process” is the process whereby a large roll of paper is trimmed down to the size that is required. For example, a roll of paper may be 100 inches wide, with a diameter of 72 inches, and may weight between 12,000 to 15,000 pounds. In order to meet G&S’s customer’s specifications, the roll was placed on a converting machine, otherwise known as a “slitter/rewinder.” If G&A’s customer required a 33-inch wide material, the large roll would be cut into three 33-inch rolls, with one inch of paper being trimmed from the master roll. *See* V.S. Groome at ¶ 9.

In 1992, Groome purchased a building at 131 Pinsley Circle in Greenville, South Carolina. A primary reason for choosing this particular building was its location on a line of railroad, with tracks running right to the building’s four loading bays. At that time, the line was operated by the Greenville & Northern Railway Company (“G&N”), a wholly owned subsidiary of Pinsly Railroad Company. G&N interchanged in Greenville with both CSX Transportation (“CSX”) and Norfolk Southern Railway (“NS”), both of which served the paper mills from which Mr. Groome purchased the rolls of paper that G&A would convert. This provided G&A the ability to bring in its freight in the most efficient manner and at the most competitive prices. Indeed, as later experiences would prove after rail service stopped, it was impossible to operate profitably using truck service. *See* V.S. Groome, ¶¶ 11-12.

After Groome purchased the Greenville facility, he moved a rewinder from a facility at Birmingham, Alabama and installed it at the new Greenville facility. Over the next few years, the company purchased, built or rebuilt the necessary slitting and rewinding machines to produce paper in roll form from 2” to 120”. By 1997, G&A was operating 3 different slitter/rewinders: a 124-inch slitter/rewinder; an 84-inch slitter/rewinder; and a 42-inch slitter/rewinder. With the 72-inch sheeter, G&A also had capacity to sheet paper. “Sheeting” is the process of taking

master rolls and cutting them to a length and width appropriate for the customers' uses and sizes, then automatically stacking them on a wooden pallet with a wooden top cap. The palletized load would be steel banded for security in transit and poly-wrapped for cleanliness. G&A also had a 33-inch laminator, so that it could laminate specialty grades of paper together, such as foil lamination. For example, it could take two substrates of paper and glue them together or it could put foil on top of a piece of paperboard to make a nice box for a department store such as Dillards. See V.S. Groome at ¶ 16.

As Groome has explained in his Verified Statement (V.S. Groome at ¶ 17):

The business steadily grew from the inception. This allowed me to expand both the physical facility and production. At all times, it was imperative that I had a facility with a rail siding. Indeed, the growth and expansion of the business could not have occurred without rail service. The two most important factors in G&A's business were cost of the rolls of paper and freight. There were, however, several other factors that contributed to the successful growth of the business. Industry trends favored us quite well. Water-based flexographic printing began at an unprecedented pace changing the printing process dramatically. Now most all inks are water-based, rather than oil-based, and computers mix ink from press job-to-job, thereby allowing more latitude than before thought possible. Furthermore, the industry changed from offset sheet fed presses to web (paper on rolls) fed flexo water-based inks. Growth in this type of printing continues to grow at historical rates to this very day. We had truly found a growth opportunity limited only by our ability to perform with a knowledgeable staff and quality control (our average returns allowances and credits averaged less than 1% on an annualized basis). We put the proper personnel in place and were off and running.

By 1997 G&A was getting into some specialty items and niche markets, with 125 or more accounts. Its customers were the manufacturers of the finished folding cartons and wrappings that were sold to companies such as Bayer Aspirin, Bristol-Myers, Krispy Kreme Doughnuts, Dunkin Donuts, D.D. Bean & Sons (the manufacturer of Hav-A-Tampa matches), and Breyers Ice Cream to name a few. Because G&A catered to companies who were

manufacturing and selling to companies that were using consumable food grade products, its market was for all intents and purposes recession proof. As Groome has explained, “the solid-bleached product business is not subject to economic fluctuations of the market as the demand does not fluctuate because it is a specialized grade of paper and people are always consuming fast food products.” V.S. Groome at 18.

On December 1996, the Pinsly Group announced that it would be willing to accept bids for the purchase or lease of its wholly owned subsidiary, G&N, through the close of business on January 31, 1997. *See* Attachment 1 to V.S. Groome. The basic information package that Pinsly attached to its solicitation for bids included a traffic history report. That report reflects the carloads and revenues of all of the shippers on the line, including G&A for the years 1994 through 1996. According to that report, G&A received 276 cars in 1994 that produced \$61,200 of revenues; 247 cars in 1995 that produced \$55,385 of revenues; and 249 cars in 1996 that produced \$56,309 of revenues. In each of the three years, G&N transported over 1,000 cars per annum. *See, id.*

On May 1, 1997, the Board authorized SCCR to acquire the line. *See* STB Finance Docket No. 33391, *South Carolina Central Railroad Inc., Carolina Piedmont Division--Acquisition Exemption--Greenville & Northern Railway.*

Seven months later, on December 4, 1997, SCCR placed an embargo on the line citing “Damage to bridges” as the basis for the embargo. *See* Attachment 30, V.S. Groome. On December 12, 1997, SCCR filed a Petition for Exemption seeking authority to abandon a 2-mile portion of the Line that it had acquired from the Pinsly Group. *See* STB Docket No. AB-312 (Sub-No. 2X), *South Carolina Central Railroad Company, Inc. d/b/a Carolina Piedmont Division--Abandonment Exemption--In Greenville County, South Carolina.*

On or about December 10, 1997, G&A learned that an embargo had been placed on the Line. Despite the embargo, which became effective as of 11:59 p.m., December 4, 1997, SCCR continued to operate safely for several months over the two bridges that were used to justify the embargo. *See* V.S. Groome at ¶ 22.

On December 29, 1997, SCCR confirmed that it had been able to provide “almost normal service” despite the embargo. *See* December 29, 1997 letter addressed to Randy Mathena, President, Paper Cutters, Inc. (a shipper located to the north of G&A), from Forrest R. VanSchwartz, General Manager - Carolina Piedmont & South Carolina Central Railroads. Attachment 3, V.S. Groome. As VanSchwartz explained “We have been able to provide almost normal service for your traffic billed prior to the embargo date. To insure (sic) safety over the bridges, CPDR is using idler cars between each loaded car to minimize weight on the bridges, switching the idlers in and out of each train - a time consuming and costly process - but necessary to fulfill our service commitment to you.” *Id.* VanSchwartz then outlined a proposed surcharge that would be imposed in order to generate additional cash to pay for the two replacement bridges and the repairs to the other two bridges. SCCR continued to provide rail service to G&A until February 8, 1998. *See* V.S. Groome at ¶ 22.

The governing rules of the Association of American Railroads state that “Embargoes will remain in effect until cancelled but, unless cancelled, will automatically expire one year after effective date of issuance.” *See* Revised Circular TD-1, Association of American Railroads, Effective November 17, 2003. Attachment 29, V.S. Groome. There is no evidence that the embargo was continued or reinstated by SCCR after it expired as a matter of law on December 3, 1998. Furthermore, GCEDC did not file an embargo following its acquisition of the line.

On October 8, 1998, SCCR filed a new system diagram map with the Surface Transportation Board and announced that it anticipated abandoning the portion of the line between MP 2.1 in Greenville and MP 11.8 in Travelers Rest, South Carolina. *See* Attachment 6, V.S. Groome.

On January 29, 1999, Todd N. Cecil, Railtex's Director-Real Estate, forwarded a letter to Dozier Brooks, Chairman of the Greenville County Council, who would subsequently become GCEDC's Chairman. In that letter, Railtex offered to sell "all of South Carolina Central's assets between downtown Greenville and Travellers Rest (former G&N) for a net cash consideration of \$750,000. These assets would include all land, track and other track materials currently in place along the right-of-way." *See* Attachment 16, V.S. Groome. The letter also contained the explicit statement that "the purchaser would assume all railroad common carrier shipping obligations, along with the estimated \$300,000 of expenditures to repair the G&N bridges." *Id.*

A similar letter was sent to the shippers on the Line. *See* Attachment 17, V.S. Groome. Thereafter, the coalition of shippers on the Line began exploring the possibility of acquiring the Line in order to restore rail service to their facilities.

For several months prior to the date that GCEDC acquired the Line, its representatives and those of the Greenville County Council were aware that the shippers on the line needed rail service and that the shippers were contemplating purchasing the Line so as to restore service. *See*, Complainants' Ex. B, Verified Statement Mathena at ¶ 5 and attachments thereto (hereinafter "V.S. Mathena"). As the shippers discovered, with the existing volume of traffic, they could achieve a breakeven position, which would improve over time. *See* Attachment 1, V.S. Mathena. This view was shared by B.F. Anderson, an experienced short line operator. *See* Complainants' Ex. C, Verified Statement Anderson at 4 (hereinafter "V.S. Anderson").

Between January and late May of 1999, the shippers' representatives met with SCCR representatives to discuss the shippers' interest in acquiring the line if it were to be abandoned. In addition, they made their intent to acquire the line known to the Greenville County Council members who would later be named to GCEDC and to representatives of the Council.² As summarized in a Memo from Rob Svets to Jay Tothacer and members of the County Council Committee on Finance, dated March 1, 1999 (obtained through a FOIA request):

Randy Mathena, president of Paper Cutter's, Inc., has recently indicated the willingness of the companies located above the Northern Segment [identified as Paper Cutter's, Inc., Air Products, Inc., Scotts Company, Groome & Assoc., Inc., and Industrial Metal Processing] to negotiate financing for the upper 9.8 mile portion of the Northern Line. Mr. Mathena expressed his belief that these companies could arrange for the purchase, repair and operation of the 9.8 mile portion of the Northern Line without the County's assistance.

See Attachment 18, V.S. Groome. As demonstrated by the foregoing, the Greenville county Council and the members of the GCEDC Board of Directors were well aware that the shippers intended to acquire, repair and operate the Line. Nevertheless, for some undisclosed reason, the Council decided to acquire the Line in June 1999 before it was abandoned, even though it had no real plan of action with regard to the future operation of the Line. By pursuing that course of action, the Council, in effect, preempted the shippers' plans to acquire and operate the Line with private funds.

In a subsequent memorandum addressed to members of the Greenville County Council, Council Memorandum #99-127, dated March 31, 1999, Gerald Seals outlined the ongoing

² In June, the Greenville County Council passed a Resolution that created and organized the Greenville County Economic Development Corporation to "carry out the purposes of owning, leasing, constructing, acquiring and operating buildings, equipment, public utilities, and transportation services and facilities functionally related to the promotion of the economic development of Greenville County". Complainants' Ex. D, *Resolution*, dated June 1, 1999. As reflected by the Resolution, the Board of the Corporation was composed of multiple individuals who are also members of the County Council. Moreover, the funding of the Corporation is controlled by the County Council.

discussions with Railtex regarding the line. See Attachment 20, V.S. Groome. As therein noted, “In addition to the acquisition cost, County Council would have to appropriate funds to assume railroad carrier shipping obligations for both segments plus the estimated \$300,000 of expenditures to ‘repair’ the G&N bridges.”³ *Id.* at GCEDC 0122. Seals also estimated that it would then cost \$100,000 - \$150,000 for “Required Miscellaneous Track Upgrades (Lump sum on the former G&N).” *Id.* Despite Seals’ comments regarding the need to appropriate funds to repair the bridges, no funds were ever appropriated for that purpose, either prior to the date that GCEDC filed its Verified Notice of Exemption with the Board or afterwards. These estimates were based on the assumption that the Line would be upgraded to FRA Class I standards that would allow passengers to be transported.

On May 21, 1999, with unquestioned knowledge of the cost of the needed repairs, GCEDC filed its Verified Notice of Exemption to acquire the Line between MP 0.0, in Greenville, and MP 11.8 in Travelers Rest. Complainants’ Ex. E, GCEDC’s Verified Notice of Exemption. GCEDC’s Verified Notice was docketed as *Greenville County Economic Development Corporation--Acquisition Exemption--South Carolina Central Railroad Company, Inc., Carolina Piedmont Division*. The portion of the Line that is in question herein was designated as the “Northern Line.” In its Verified Notice, GCEDC stated that it was “acquiring the rail line from CPDR in order to preserve the corridor for rail freight operations.” GCEDC also stated that it “plans to continue rail freight operations on the line through service provided by third party operators.” The Notice misleadingly failed to mention that no funds would be made available to repair or operate the Line after it was purchased. Indeed, prior to deciding that it would acquire the Line, GCEDC failed to prepare any meaningful operational or financial

³ As shall be demonstrated, the estimated cost of \$300,000 actually anticipated the construction, and not merely the repair, of two new bridges, one of which would not be used to provide service to G&A.

feasibility studies. As GCEDC has conceded during the course of discovery, the only operational and financial feasibility study performed by GCEDC consists of the four-page memorandum, dated March 31, 1999, that was prepared by Seals, the Greenville County Administrator. *See* Attachment 20, V.S. Groome.

After it acquired the Line, GCEDC did not appropriate funds to perform the needed repairs. Furthermore, it did not take any action to hire an operator for over a year. Over a year later, on August 9, 2000, The Great Walton Railroad Co., Inc. ("GWR"), after inspecting the line and estimating the cost of its rehabilitation, notified GCEDC that it was "prepared to place a locomotive in Greenville for service to the Greenville Northern customers." *See* Attachment 24. V.S. Groome. This would have had the effect of resuming immediate service to G&A.

GWR also advised GCEDC that the cost of *all* bridge repairs, not just two that had been "condemned" by SCCR, would be less than \$200,000.⁴ The cost of track work from MP 0.0 to MP 7.0 (or an additional three miles beyond G&A) was estimated to be \$700,390.00. *Id.* As was the case with the other estimates, this estimate substantially overstated the cost of repairs needed to operate the Line as excepted track. As Anderson has explained, the segment of the Line used to provide service to G&A was at that time in good enough shape to operate it as excepted track pursuant to 49 C.F.R. § 213.4.

The GWR estimate, however, was based on the assumption that the track would be used for passenger, as well as, freight operations. V.S. Anderson at ¶ 11. Because FRA regulations (§ 213.4(e)(2)) specifically states that "[n]o occupied passenger train shall be operated" over excepted track, the GWR proposal was based on the assumption that the Line would be rehabilitated to FRA Class I standards. Plainly, the expenditures required to resume rail

⁴ It should be noted that bridge 2.9 is located north of the G&A facility and would not need to be repaired in order to provide service to G&A.

operations to G&A over excepted track would have been minimal as compared with all of the estimates that would have involved an extensive rehabilitation of the entirety of the Line. Finally, given the short distance to its facility from the point of interchange with CSX and NS, there was no need to bother with the remainder of the track in order to provide G&A with adequate rail service.

ARGUMENT

I. GCEDC VIOLATED ITS COMMON CARRIER OBLIGATION BY FAILING TO PROVIDE RAIL SERVICE ON REASONABLE DEMAND AND BY FAILING TO ISSUE A VALID EMBARGO.

Although GCEDC assumed the common carrier obligation when it acquired the Line in June 1999, it has never provided rail service over any portion of the Line. Nor has it abandoned or embargoed the Line. Hence, GCEDC is *per se* liable for the damages suffered by G&A as a result of GCEDC's failure to provide rail service.

A. No Emergency Situation Existed That Would Have Justified An Embargo When GCEDC Acquired The Line.

Complainants recognize that “[a]n embargo can be issued by a carrier to temporarily cease or limit service when it is physically unable to service specific shipper locations.”⁵ As explained in *GS Roofing Products Co. v. STB*, 143 F.3d 387, 392 (8th Cir. 1998) (“*GS Roofing I*”):

An embargo is “an emergency measure placed in effect because of some disability on the part of the carrier which makes the latter unable properly to perform its duty as a common carrier.” *Chicago N.W. Ry. Co. v. Union Packing Co.*, 373 F. Supp. 734, 736-37 (D.Neb. 1974) (quoting *Froehling Supply Co. v. United States*, 194 F.2d 637, 641 (7th Cir. 1952)). An embargo is generally a temporary measure that is issued at the carrier's election. *See Baltimore & Annapolis*, 398 F.Supp. at 462; *General Foods*, 451 F. Supp. at 876. Embargoes are typically valid if justified by

⁵ F.D. No. 33386, *Decatur County Commissioners v. The Central Railroad Company of Indiana*, STB September 29, 2000, slip op. at 6

physical conditions such as weather and flood damage, tunnel deterioration, or lack of equipment. *See General Foods*, 451 F. Supp. at 876.

In this case, **no embargo was issued by GCEDC after it acquired the line!**⁶ This fact distinguishes this case from those cases in which the Board was asked to adjudicate the reasonableness of a duly issued embargo. Because GCEDC failed to issue an embargo after it acquired the Line, it necessarily follows that the Board cannot adjudicate the reasonableness of a non-existent embargo. Instead, it is faced with what is in effect a unilateral, unauthorized discontinuance of service. As recognized in *Louisiana Railcar, Inc. v. Missouri Pacific Railroad Co.*, 5 I.C.C.2d 542,547 n.10 (1989), “[t]he proper response to an unprofitable line is to obtain abandonment authority, not unilaterally to withdraw service.”

In the first place, GCEDC was aware of the condition of the Line when it acquired it. Second, GCEDC was aware that it would be required to assume the common carrier obligation when it acquired the Line. Third, GCEDC, by virtue of constant communications with the shippers on the Line, was aware of the need for rail service and that the shippers were looking to acquire the Line for its NLV if the Line was abandoned.

The evidence conclusively documents that GCEDC was alerted by Railtex that, as the purchaser of the Line, GCEDC “would assume all common carrier shipping obligations, along with the estimated \$300,000 of expenditures to repair the G&N bridges.” *See* Attachment 16, V.S. Groome, Letter to Dozier Brooks from Todd N. Cecil, dated January 29, 1999. The

⁶ As the Board recognized in the *Decatur County* case, *id.*, slip op. at 1, n.3, “[u]nder the procedures of the Association of American Railroads (AAR) Circular TD-1, effective January 1, 1991, an embargo is issued by a railroad through notice to the AAR and may remain in effect for 1 year, unless the railroad cancels or amends it. An embargo allows an immediate cessation of operations and temporarily excuses a railroad’s common carrier service obligation, but the obligation is not extinguished until abandonment authority or an exemption is granted.” In this case, abandonment authority has not been granted, nor has the Board authorized the discontinuance of service over the Line. Furthermore, the embargo that had been previously issued by SCCR, the previous owner, had expired six months before GCEDC acquired the Line.

obligation was subsequently acknowledged in the March 31, 1999 Memorandum regarding the "Railroad Right-of-Way Acquisition." See Attachment 20, V.S. Groome. As Seals carefully explained in that memorandum, "the purchaser would assume all railroad common carrier shipping obligations, along with the estimated \$300,000 of expenditures to repair the G&N bridges." (*Id.* at p. 2). As he further explained (*id.* at 3), "[i]n addition to the acquisition cost, County Council would have to appropriate funds to assume railroad carrier shipping obligations for both segments plus the estimated \$300,000 of expenditures to repair the G&N bridges." He also explained that "required miscellaneous track upgrades" would range between \$100,000 and \$150,000. *Id.* Despite the projected expenses, GCEDC decided to acquire the Line from Railtex.⁷

Following the purchase, nothing happened that would have created an emergency situation. Nor was there anything to prevent GCEDC from contracting with an operator to provide rail service to G&A. Therefore, having preempted the shippers from acquiring the Line pursuant to an OFA had Railtex finally abandoned the segment between MP 2.1 and MP 11.8, GCEDC may not claim that any emergency made it unable properly to perform its duty as a common carrier.

The evidence conclusively demonstrates that GCEDC was alert to the fact that shippers on the Line required rail service. See Attachments 7 through 12 to V.S. Groome.

As explained in a memorandum prepared for members of the GCEDC dated March 1, 1999:

Randy Mathena, president of Paper Cutter's Inc., has recently indicated the willingness of the companies located above the Northern Segment to negotiate financing for the upper 9.8 mile

⁷ As will be explained in detail, *infra*, the \$300,000 figure, which actually refers to the complete replacement of two bridges (only one of which was located between G&A's facility and the point of interchange) substantially overstates the cost of repairs that would have been needed to operate safely over Bridge 1.1.

portion of the Northern Line. Mr. Mathena expressed his belief that these companies could arrange for the purchase, repair and operation of the 9.8 mile portion of the Northern Line without the County's assistance. Additionally, Mr. Mathena and the owners of the other companies along the Northern Line appear willing to cooperate with any and all efforts designed to bring light rail service, commercial shipping and/or trail use to the Northern Line.

Memo from Rob Svets to Jay Tothacer, dated March 1, 1999 at p. 3, Attachment 18 to V.S.

Groome. Groome & Assoc., Inc. was identified as one of the interested Northern Line companies. *Id.* at n.7.

And as Groome has testified at ¶ 38 of his Verified Statement in this proceeding:

It is uncontroverted that prior to submitting its application to the Board, members of GCEDC's Board of Directors had been repeatedly advised that rail service was essential to G&A and that the lack of rail service was an economic detriment to its business. The contacts with the Greenville Council started as far back as 1997 when Randy Mathena, owner of Paper Cutters, created a task force for the shippers on the line including, but not limited to, G&A, Scotts Products, and Air Products (Fortune 500 who offered to cover up the carrier with rail traffic when they were ready). Other companies offered their financial assistance as well. At one point in 1997, Mr. Mathena and I, along with a delegation from the community, attended a subcommittee meeting chaired by Randy Blackwell to advise the county of possible cessation of service. They pledged their assistance from day one. The same evening, Blackwell asked us to speak to the full Greenville Council to advise them. We did so. This was followed by additional meetings at the Greenville Chamber of Commerce with County Council members present; the South Carolina Railway Association, a state entity; mayors of all surrounding cities affected; former professional railway persons such as Al Parr from Norfolk Southern, Chamber personnel, as well as Pat Haskell Robinson, then President of the Greenville Chamber of Commerce, who would later serve as a member of GCEDC, and B.R. Anderson, owner of The Great Walton Railway and Hartwell Railroad.

B. Consistent With Well-Settled Precedent, The Obligation Has Not Been Extinguished.

The obligation that GCEDC knowingly acquired continues to the present date and has never been extinguished. Indeed, it will not be extinguished until abandonment authority or an exemption is granted. *See Gibbons v. United States*, 660 F.2d 1127, 1234 (7th Cir. 1981). Nevertheless, despite being forewarned about the obligation, GCEDC failed to take any action, including filing an embargo, that would temporarily excuse the breach of its duties. This unexcused failure compels a determination that GCEDC should be liable for the damages that G&A sustained as a result of not having rail service. As recognized in *GS Roofing I*, 143 F.3d at 392:

a valid embargo is an appropriate defense to an action for a breach of the common carrier's duty. Although a valid embargo excuses the service obligation, it does not terminate the carrier's duty. *Gibbons v. United States*, 660 F.2d 1227, 1234 (7th Cir. 1981). To be valid, an embargo must be at all times reasonable. If the disability that prevented the carrier from performing its duty is eliminated or if the carrier is financially able to remedy the disability, the embargo becomes unreasonable and will no longer be valid. [See *Ethan Allen, Inc. v. Maine Cent. R.R. Co.*, 431 F.Supp. 740, 743 (D.Vt. 1977); *I.C.C. v. Baltimore & Annapolis R.R. Co.*, 398 F. Supp. 454, 463 (D.Md. 1975).] If an embargo becomes unreasonable, the carrier is no longer excused from its duty to provide service and may be liable for damages. *See id.* at 467.

See also, GS Roofing Products Co. v. STB, 262 F.3d 767, 773 (8th Cir. 2001) ("*GS Roofing II*"); *Decatur County Commissioners v. STB*, 308 F.3d 710, 715 (7th Cir. 2002).

Given the uncontestable facts that (i) Railtex informed GCEDC of the obligation at the outset of their negotiations and (ii) that GCEDC was aware of the financial commitment that would be required to restore service, GCEDC must be held accountable for its failure to honor its obligations, especially when its actions prevented the shippers from acquiring the Line in their own name.

At a minimum, GCEDC is guilty of negligently failing to seek legal advice concerning the obligation and the steps that it should have taken to avoid liability. *See* Complainants' Ex. F, Deposition of Dozier Brooks, November 19, 2003, at 12. By failing to do so, GCEDC proceeded on flawed interpretations of the obligation, including the assumption that because the Line was not being operated at the time GCEDC acquired it, there was no obligation. *Id.* at 13-15. As a result of GCEDC's failure to exercise due diligence, it inexcusably misled G&A regarding its intentions and caused the financial harm that G&A has suffered since GCEDC acquired the Line in June 1999. *See generally*, V.S. Groome, ¶¶ 46-52.

C. Application Of The Board's Balancing Test Will Support A Determination That The Failure To Provide Rail Service Was Unlawful

Even if it were to be assumed that GCEDC had properly filed an embargo notice, which it did not, it neglected to take the steps that were necessary to provide rail service to G&A. Assuming *arguendo* that it would be appropriate to apply the Board's balancing approach given the peculiar facts of this case, the Board would have to consider the following factors: (1) the cost to repair the railroad; (2) the intent of the railroad; (3) the length of the embargo; (4) the amount of traffic on the line; and (5) the financial condition of the carrier. *See GS Roofing I*, citing *Louisiana Railcar, Inc. v. Missouri Pacific R.R. Co.*, 5 I.C.C.2d 542, 544 (1989); *Overbrook Farmers Union Coop. Ass'n--Petition for Declaratory Order*, 5 I.C.C.2d 316, 320 (1989).

1. The estimated cost of repairs to the Line that would allow operations over excepted track would not justify GCEDC's refusal to provide service.

As explained in *G S. Roofing I*, 143 F.3d at 391:

the common carrier obligation imposes a duty upon railroads to "provide transportation or service on reasonable request." 49 U.S.C. § 11101(a). This duty reflects the well-established

principle that railroads “are held to a higher standard of responsibility than most private enterprises.” *General Foods Corp. v. Baker*, 451 F.Supp. 873, 875 (D.Md. 1978). See also *Ethan Allen, Inc. v. Maine Cent. R.R. Co.*, 431 F.Supp. 740, 742-43 (D.Vt. 1977) (noting that “the quasi-public nature of railroads entails a higher degree of public responsibility than most private enterprises.” Thus, a railroad may not refuse to provide services merely because to do so would be inconvenient or unprofitable. See *General Foods*, 451 F.Supp. at 875; *Ethan Allen*, 431 F.Supp. at 743. In addition, a railroad may not unilaterally abandon a line at its own election; it must instead apply for and receive permission from the proper administrative agency. See *General Foods*, 451 F.Supp. at 875-76.

There is no evidence to show that the minimal cost to restore service to G&A over 2.25 miles of excepted track was ever taken into consideration. Although GCEDC has in the past attempted to defend its failure to provide service by claiming that it would require several million dollars to rehabilitate the Line to Class I standards or higher, the Board must reject that approach on the grounds that it is not a proper standard for assessing the cost of resuming service. As recognized in *GS Roofing I*, when a line had at all times been designated and operated as excepted track, the “proper standard for assessing the cost of repair should focus on the cost of resuming services at pre-embargo levels.” *GS Roofing I*, 143 F.3d at 393.

The Court’s reasoning, which applies in this case, is as follows:

At the very heart of the common carrier obligation is the belief that railroads are in a position of unique public trust. They are therefore held to higher standards of responsibility than other private enterprises. See *General Foods*, 451 F. Supp. at 875; *Ethan Allen*, 431 F. Supp. at 742-43. The common carrier obligation reflects a strong public policy that carriers should not unilaterally cease operations absent exigent circumstances. The Board’s decision allows a carrier that operates at an excepted level to cease operations unilaterally simply because upgrading its line to Class I standards would be impractical and unaffordable. This notion is inconsistent with the policies underlying the common carrier obligation. Moreover, the Board’s present position is in direct conflict with its holding in *Louisiana Railcar*, in which it stated that “[r]ehabilitation to Class I standards was clearly not necessary to return the line to service. The line was satisfactorily

operated at excepted track levels prior to the embargo.” 51
I.C.C.2d at 544.

This reasoning plainly applies to the bridge that was identified by SCCR as Bridge 1.1. In attempting to shift the cost of repairs to the shippers, SCCR maintained that it would be necessary to demolish Bridge 1.1 and replace it with a new bridge at an estimated cost of approximately \$137,024.61.⁸ The need to replace that bridge at that time is open to serious question. In August 2000, two and a half years later, GWR was asked to provide GCEDC with an estimated cost of opening the entire line. GWR, which is an experienced operator, concluded that it could resume operations without replacing the bridge. As explained in an August 9, 2000 letter to Gerald Seals, the estimated cost of “repairing” Bridge 1.1 (described in that letter as the “Highway 253 bridge”) along with four other bridges was only \$199,982.90. *See* Attachment 24 to V.S. Groome. That estimate included the estimated cost of repairing several other bridges that would not be needed to provide service to G&A. The estimated cost in August 2000 of repairing Bridge 1.1 was less than \$77,000. *See* V.S. Anderson at ¶ 10.

There is one other factor that supports GWR’s conclusion that it would not have been necessary to build a new bridge rather than repair Bridge 1.1. Although SCCR supposedly condemned Bridge 1.1 and took it out of service on December 4, 1997 because it allegedly was unsafe, SCCR continued rail service over that bridge for two months *after it embargoed the Line*. This suggests that the shippers on the Line were deliberately misled regarding the alleged inability to conduct safe operations over this bridge. More importantly, it also casts doubts on the need to replace the bridge with an expensive new bridge. As B. R. Anderson has observed, if a bridge is so unsafe that it must be condemned, continued operations after an embargo is placed creates a substantial risk of liability. Plainly, if an accident occurs that causes personal injury or

⁸ *See* Complainants’ Ex. G, GCEDC 0080, Bridge Replacement Bid Form.

death to an employee while operating over a condemned bridge, the owner would be hard pressed to avoid liability on the grounds of gross negligence. V.S. Anderson at ¶ 8.

In summary, GCEDC focused on the capital costs associated with the construction of a new bridge at MP 1.01 (new SCCR MP designation) and the rehabilitation of the entire line, rather than the lesser expense of repairing the existing bridge and repairs to the portion of the Line needed to provide rail service to G&A over excepted track. Had GCEDC exercised due diligence prior to purchasing the Line, it would have realized that it would have been possible to resume service at safe levels without a substantial expenditure of time or money and could have arranged for the needed appropriation at the time it acquired the Line. Because it failed to do so, GCEDC unlawfully violated its duty to restore service.

2. GCEDC Never Demonstrated A Verifiable Intent To Provide Needed Rail Service.

The second factor to be considered under the balancing test is “intent.” In this case, it is respectfully submitted that “inaction speaks louder than words.” Even though Groome repeatedly “expressed his desire that rail service be re-commenced on the Line and stated that lack of rail service on the Line was an economic detriment to his business,”⁹ GCEDC never restored service to G&A.

Nor did GCEDC seek to abandon the Line, which would have allowed the shippers to acquire all or a portion of the Line with an OFA. Instead, GCEDC allowed the Line to remain in limbo after it acquired it and took no affirmative steps to restore rail service.

In its Verified Notice of Exemption, docketed as F.D. No. 33752, *Greenville County Economic Development Corporation--Acquisition Exemption--South Carolina Central Railroad Company, Inc., Carolina Piedmont Division*, filed May 21, 1999 (Complainants’ Ex. E),

⁹ See GCEDC’s Answer to Interrogatory 2.

GCEDC suggested that the Line was being acquired “to preserve the corridor for rail freight operations” and that it “plans to continue rail freight operations on the line through service provided by third party operators.” Given the subsequent course of events, this suggestion was less than candid, if not deliberately misleading. As various members of the GCEDC Board have admitted, the preservation of the right-of-way was the driving force, not the resumption of freight operations to G&A and others. *See, e.g.*, Complainants’ Ex. I, Deposition of Scott Case, October 28, 2003 at 13-15, 22, 27-28; Complainants’ Ex. J, Deposition of Joe Dill, November 19, 2003, at 18; Complainants’ Ex. F, Deposition of Dozier Brooks, November 19, 2003, at 7; Complainants’ Ex. K, Deposition of Patricia Haskell-Robinson, October 28, 2003, at 5.

The Board’s attention is invited to GCEDC’s September 20, 2000 Minutes which state that “GCEDC President Gerald Seals addressed the group and commented that the Board’s general policy is to preserve the railroad for future light rail use and that this line can be activated at some point.” Complainants’ Ex. L, GCEDC Board Meeting Minutes, September 20, 2000, at GCEDC 0044.

While GCEDC’s “Rail Corridor Preservation Policy” speaks in generalized terms about the “[p]reservation of railroad corridors for future freight and passenger transportation,” it does not contain any commitment to the restoration of rail service. *See* Complainants’ Exhibit M, GCEDC Board Meeting Minutes, July 21, 1999, at GCEDC 0062-0066. Instead, it vaguely states that “[a]t such time as the rail corridor may be returned to active transportation use, any existing encroachments interfering with the intended use of the rail corridor shall be removed, relocated, or adjusted.” *Id.* at 0063. As Scott Case succinctly explained during the course of his deposition:

the whole goal was to preserve the rights-of-way, okay. So when you - when you talk about operating, I don’t think anyone ever

anticipated, contemplated that the County would be in the business of operating a rail line, okay. I think the County anticipated it was giving a grant. And I'm speaking on behalf of my colleagues who supported it. I think they anticipated that they were basically taking an action to preserve those railway right-of-ways and that not to do so would be imprudent, okay. So its tough for me to make a valued judgment on, did they do enough research about operating a railroad? I - I don't think that was on their radar.

Complainants' Ex. I, Deposition of Scott Case, October 28, 2003, at p. 27-8. *See also*, Complainants' Ex. N, Deposition of Peter M. Strub, October 28, 2003, at 22, 32, 62. Plainly, the goal was to preserve the rights-of-way -- not to provide rail service. As a result, the operating issue was not a high priority.

The lack of any real intent to provide freight service is reflected by the fact that other than a brief memorandum dated March 31, 1999, no business or operational feasibility plan was ever developed and considered by the Board's members. When asked whether he knew "if there ever existed any kind of business plan, written business plan, for the actual operation of the rail line," Scott Case responded "I'm not aware of a business plan." *See* Complainants' Ex. I, Deposition of Scott Case, October 28, 2003, at p. 22.

The absence of a business plan is particularly significant because none of the Board members had any experience in operating a railroad. *See* Complainants' Ex. K, Deposition of Patricia Haskell-Robinson, October 28, 2003, at p. 6-7. Furthermore, even though its members lacked any experience, GCEDC did not hire a consultant to provide guidance to them, either before or after acquiring the Line. *Id.* at p. 7. This is in marked contrast to the actions taken by the shippers who consulted with experienced operators in preparation for their submission of an OFA following the abandonment of the Line. *See* Attachments 8, 10, 11 to V.S. Groome.

In addition, as was confirmed by Dozier Brooks, no funding was ever provided for the operation of the rail. Furthermore, when questioned about the funding of operations, Brooks

had no recollection of any discussion of how the operations would be funded. *See* Complainants' Ex. F, Deposition of Dozier Brooks, November 19, 2003, at p. 9. As Brooks also testified, he advised Groome that because the Line was out of operation at the time it was purchased, it was his understanding that there was no common carrier obligation attached to the Line because it was not being operated. *Id.* at 13-15.

When asked whether the Board "had any information about the cost to run the line, not just to purchase," Joe Dill responded that he didn't remember looking at what it would cost to operate the Line. Complainants' Ex. J, Deposition of Joe Dill, November 19, 2003, at p. 18. The same is true of Patricia Haskell-Robinson who admitted that she had no recollection of an examination of how the Line was going to be funded. Complainants' Ex. K, Deposition of Patricia Haskell-Robinson, October 28, 2003, at pp. 11-12.

Nor had the Board looked at any information about any third party's ability to operate the Line when it acquired the Line. *Id.* at 18-19. In addition, even when GCEDC received grant money, none of those funds were used to repair the track. *See* Complainants' Ex. N, Deposition of Peter M. Strub, March 5, 2004, at p. 35.

Further insight into intent is gleaned from Strub's testimony. By way of background, Strub, under Rule 30(b)(6) of the South Carolina Rules of Civil Procedure, was designated by GCEDC as the person most knowledgeable concerning embargoes. In response to the question of "for what reasons in general may a rail line be embargoed," Strub responded that it was a matter of "the cost of operating the rail line versus the cost of maintaining the line in comparison to the revenue that is being generated by the line. ... That's all I'm aware of." *Id.* at p. 7. That understanding of the common carrier obligation runs counter to the well-established principle that "a railroad may not refuse to provide services merely because to do so would be

inconvenient or unprofitable.” *GS Roofing I*, 143 F.3d at 391, citing *General Foods*, 451 F. Supp. at 875; *Ethan Allen*, 431 F. Supp. at 743. In short, the intent underlying the refusal to provide service was based on a fundamental misconception and misunderstanding of the duty to “provide [] transportation or service on reasonable request.” 49 U.S.C. § 11101(a).

3. The Failure To Restore Service Was Unreasonable.

The third factor to be considered under the balancing test is the length of the embargo. Because no embargo was placed on the Line by GCEDC, and because GCEDC has never disclosed any intent to abandon the Line, this factor must be resolved in favor of Complainants. Although GCEDC in 2003 declared its desire to seek authority to “discontinue” service, that declaration, which occurred four years after GCEDC acquired the Line and only after GCEDC filed a suit in a state court, is not sufficient to absolve GCEDC of liability for the damages it caused G&A by not making its intent known at an earlier date. That GCEDC finally came clean cannot excuse its unlawful failure to honor its common carrier obligation.

The unreasonable nature of the refusal to restore service is exacerbated by the fact that the shippers on the Line, before the Line was purchased, acquainted the Board members with the need for rail service as well as their intent to purchase, repair and operate the Line “without the County’s assistance.” Memo from Rob Svets to Jay Tothacer, dated March 1, 1999 at p. 3, Attachment 18 to V.S. Groome; V.S. Mathena and attachments thereto. Nevertheless, without adequate planning, without proper funding and without any knowledge of the rail industry, GCEDC acquired the Line and preempted the shippers from taking advantage of this Board’s OFA procedures in order to purchase the Line for its NLV following its abandonment.¹⁰

¹⁰ The shipper’s intent and preparations are reflected in a series of letters written by Randy Mathena, who acted as the spokesperson for the shipper coalition. See Attachments 7 through 12 to V.S. Groome.

4. The Amount Of Traffic That Would Have Been Transported Via G&A's Facility Would Have Justified The Service.

G&A's facility is located only 2.25 miles from the interchange point with CSX. As a result, the funds necessary to sustain the rail operations would not be as high as if it were located at the end of the Line. As the record demonstrates, G&A received, on average, at least one car per day. Furthermore, had service been restored to the G&A facility, additional cars would have moved to Paper Cutter via G&A's facility, a proposal that was offered to Seals. In addition, GCEDC could have serviced Duke Power, which is located just south of the G&A facility, by restoring service over excepted track to the G&A facility. *See* Complainants' Ex. O, Letter dated March 22, 2001 to Lee Groome from C. J. Petty, Jr., Manager-Engineering/Tech Support, Duke Electric Transmission. The loss of rail service required Duke Electric to incur an additional \$100,000 of freight charges to transport a transformer from its facility, which is located at MP 1.8, just south of G&A's facility.

The Board should also note that these shippers were at the time ready, willing and able to advance funds to GCEDC that could have been used for repairs that would have allowed the restoration of rail service. *See* V.S. Groome at ¶ 52. As Groome has testified, "During a meeting with Gerald Seals, who was then the head of GCEDC, and Ms. Haskell-Robinson, Seals assured me and Randy Mathena that GCEDC had \$500,000 in the bank. He also confirmed that others, such as Duke Power Co. and Bell South, had offered additional assistance. I personally offered \$30,000 on the spot." *See also*, Complainants' Ex. F, Deposition of Dozier Brooks, November 19, 2003, at p. 10, "Mr. Groome and one other fellow that had a business on the rail came in and talked with us and indicated they would help us in the funding to help get this rail going." As he further stated, the offer of funding was to help pay for the purchase of the line "or operation." *Id.*

5. The Financial Condition Of The Carrier.

There is no credible evidence that GCEDC could not have prevailed upon the Greenville County Council, by who it was formed and with which it was closely intertwined with interlocking directorates, to appropriate the minor sum that would have been required to restore service as far as MP 2.25. In the first place, the June 1, 1999 Resolution of the Greenville County Council that created GCEDC and authorized it to acquire and operate the transportation facilities and services involved herein linked the Council with GCEDC through funding. And during his deposition, Gerald Seals admitted that he told Groome during the course of a meeting that "the county had the money to do the repairs to meet the minimum viability requirements, but that there was a process that ... the council had to go through in order for that money to be released for that purpose." Complainants' Ex. P, Deposition of Gerald Seals, December 22, 2003, at 75. Seals further testified that "yes, the county had the money in an absolute sense, but it had to be budgeted for that specific purpose. And that my intentions were to proceed with putting it in the budget for that purpose so that the bridges would be repaired." *Id.* at 76. That was never done. Had the minimum viability requirements been met and rail service been resumed over excepted track, consistent with the reasoning expressed in *GS Roofing I*, GCEDC would have satisfied its common carrier obligations. By failing to do so when money was available for that purpose, the obligation was violated.

II. G&A HAS SUFFERED FINANCIAL LOSSES AS A RESULT OF GCEDC'S UNLAWFUL VIOLATION OF ITS COMMON CARRIER OBLIGATION AND BY GCEDC'S FAILURE TO ISSUE A VALID EMBARGO.

The Complainants' right to recover damages arises from 49 U.S.C. § 11704, which reads as follows:

A rail carrier providing transportation subject to the jurisdiction of the Board under this part is liable for damages sustained by a

person as a result of an act or omission of that carrier in violation of this part.

Plainly, the statutory prerequisites are established in this case. By virtue of its acquisition of the Line, GCEDC became a common carrier subject to the jurisdiction of the Board. Second, Groome and G&A have suffered multiple damages as a result of GCEDC's unlawful failure to provide service in violation of § 11101(a).

Complainants seek damages for several factors including the cost of alternative transportation, the costs of mitigation associated with their efforts to prevent further damages from occurring, and lost profits. The right to recover each of these three categories of damages from common carriers is well settled. *See, e.g., Louisiana Railcar, Inc. v. Missouri Pacific Railroad Co., supra*, 5 I.C.C.2d 542; *Louisiana Railcar, Inc. v. Missouri Pacific Railroad Co.*, 7 I.C.C.2d 30 (1990); *GS Roofing Products Company, Inc. v. STB*, 262 F.3d 767, 777-79 (8th Cir. 2001) (*GS Roofing II*) (reversing the Board's decision for failing to award lost profits); *GS Roofing Products Company, Inc., Beazer West, Inc., D/B/A Gifford Hill & Company, Bean Lumber Company and Curt Bean Lumber Company v. Arkansas Midland Railroad Company and Pinsly Railroad Company*, STB Docket No. 41230 (May 3, 2000), slip op. at 21 (after erroneously failing to award lost profits, which led to the reversal of its decision by the Eighth Circuit, the ICC correctly "award[ed] damages based on the cost differentials for obtaining alternative transportation and the cost of construction for the interim transloading facility").

In its second *Louisiana Railcar* decision, 7 I.C.C. 2d at 34, the Commission reasoned as follows:

A party suffering loss from a breach of duty must do what a reasonable man would do to mitigate his loss. *United States v. United States F. & G. Co.*, 236 U.S. 512, 526 (1915); *Brady v. Baltimore & Ohio R. Co.*, 152 I.C.C. 327, 332 (1929).

There are limits to what constitutes reasonable mitigation. In particular, an injured party need not cease activity where cessation would unreasonably injure some other interest of the injured party. Simpson, *Contracts* (2d ed. 1965), § 199.* In *Restatement (Second) of Contracts* § 350 comment (g) (1979), the limits to the duty to mitigate are discussed as follows:

In some situations, it is reasonable for the injured party to rely on performance by the other party even after breach. This may be true, for example, if the breach is accompanied by assurances that performance will be forthcoming. In such a situation the injured party is not expected to arrange a substitute transaction although he may be expected to take some steps to avoid loss due to a delay in performance. Nor is it reasonable to expect him to take steps to avoid loss if those steps may cause other serious loss. He need not, for example, make other risky contracts, incur unreasonable expense or inconvenience or disrupt his business.

Corbin goes even further by asserting that a plaintiff has no duty at all to mitigate damages as long as defendant has not “definitely repudiated the contract and continues to assure the plaintiff that performance will take place.” *Corbin on Contracts*, § 1039.

(* footnote omitted).

When the foregoing principles are applied herein, it must be concluded that Groome, following GCEDC’s purchase of the Line, did not act unreasonably when he did not sell his building and move to another location, but instead waited for GCEDC to restore service. In the first place, he was aware that GCEDC had acquired the Line with knowledge that G&A and the other shippers needed rail service and that the shippers intended to acquire the Line pursuant to the Board’s OFA procedures in order to resume rail operations. As a result, Groome believed that rail service would be restored and had no reason to suspect that GCEDC would not restore service after it preempted the shippers from acquiring the Line by striking its own deal rather

than allow the shippers to fashion a private sector solution that would have avoided the need for public funding.

Second, after it acquired the Line, GCEDC did not file an embargo. As a result, GCEDC never complied with the governing procedures for a temporary cessation of service.

Third, after it acquired the Line, GCEDC did not file for abandonment. In light of his understanding of the law, namely that “the proper response to an unprofitable line is to obtain abandonment authority, not unilaterally to withdraw service,”¹¹ Groome acted reasonably when he assumed that the failure to seek abandonment conveyed the message that the Line would be reopened by GCEDC.

Fourth, GCEDC waited four years before it decided to seek authority to “discontinue” service. This, of course, was a misnomer in that no service had ever been offered. In any event, this was the first “official” indication that rail service would not be provided.

Fifth, there is no evidence that any GCEDC representative ever confirmed with an unambiguous statement that they never intended to restore service. Instead, Groome was led to believe that service would be restored. As he has testified (V.S. Groome at ¶ 53):

GCEDC deliberately misrepresented its position. During a meeting with Gerald Seals, who was then the head of GCEDC, and Ms. Haskell-Robinson, Seals assured me and Randy Mathena that GCEDC had \$500,000.00 in the bank. He also confirmed that others, such as Duke Power Co. and Bell South, had offered additional assistance. I personally offered \$30,000.00 on the spot. This was done in the presence of Gerald Seals, Pat Haskell-Robinson and Randy Mathena. This particular meeting was at the office of Mr. Seals.

As noted above, Gerald Seals, corroborated Groome’s testimony when he admitted that he told Groome during the course of a meeting that “the county had the money to do the repairs

¹¹ *Louisiana Railcar, Inc. v. Missouri Pacific R.R. Co.*, *supra*, 5 I.C.C.2d at 547, n.10.

to meet the minimum viability requirements, but that there was a process that ... the council had to go through in order for that money to be released for that purpose.” Complainants’ Ex. P, Deposition of Gerald Seals, December 22, 2003, at 75. Seals further testified that “yes, the county had the money in an absolute sense, but it had to be budgeted for that specific purpose. And that my intentions were to proceed with putting it in the budget for that purpose so that the bridges would be repaired.” *Id.* at 76.

Sixth, as Groome has also explained (V.S. Groome at ¶ 52):

had GCEDC disclosed its intentions and its inability to deal with the problem, of which it was fully aware when it acquired the line, I would have had two viable business options. First, I could have purchased the line at NLV. Second, I would not have leveraged myself financially and immediately moved operations. I personally own the building and was not simply renting. Although I later tried to sell the building, my efforts were of no avail as loss of rail had a condemning effect on value.

Unfortunately, because of GCEDC’s interference and subsequent duplicity, Groome and the other shippers were prevented from acquiring the Line at NLV, which they had intended to do once Raitex formally filed for abandonment.¹² Today, solely because of the inability to receive rail service at its Greenville facility, G&A is out of business with substantial debts and no assets.

Given the totality of these factors, Groome had no reason to believe that he had lost rail service. In the context of the statutory common carrier obligation, which imposes a statutory duty on a railroad to provide service and to cure emergency situations that render it incapable of providing service in a timely fashion, Groome acted reasonably when he decided not to sell his building and move to a different location. Of course, even if he had made such a decision, the permanent loss of rail service attributed to GCEDC’s failure to restore the Line had a definite

¹² See V.S. Mathena and Attachments thereto.

adverse impact on the marketability of the property. As Groome has testified (V.S. Groome at ¶ 50):

Prior to the date that I filed suit in South Carolina, GCEDC never disclosed that it did not intend to resume operations. Instead, I was led to believe that it would make the needed repairs and resume rail service. Because I relied on these misrepresentations, I did not try to sell my facility, but continued to try to hold on while I waited for rail service to resume. When I decided to place the facility on the market, the fact that rail service had ceased also hampered my ability to find a buyer.

Most importantly, Groome acted reasonably when he attempted to mitigate his damages by attempting to use a combination of rail and truck shipments. This entailed receiving the railcars at a third-party's warehouse, having that party work the rolls of paper crossdock and reloading them on a truck for delivery to G&A. This arrangement was not satisfactory as it not only increased costs, but it created additional problems. The shortcomings are described in Groome's Verified Statement as follows (V.S. Groome at ¶ 14):

In the first place, a single rail car transports the equivalent of up to four to four and a half truck trailers. Second, we could unload a rail car with the equivalent of four trucks of product about as quickly as we could unload a single truck. This is because you have to move far more slowly through an opening that is between 80 and 100 inches wide and between 100 inches and 108 inches high than an opening that has a span of 12 to 15 feet across and 12 feet high. Third, because an empty rail car weighs over 180,000 pounds, as compared with a trailer which may weigh between 10,000 and 12,000 pounds, a rail car can withstand far more punishment than a trailer. As a result, while our material handling equipment could quickly move into a railcar and remove a jumbo roll of paper that might weigh as much as 15,000 pounds, the same was not true when we unloaded a trailer. Fourth, when it lost direct rail service, Groome also lost business because we could no longer receive parent rolls (jumbo rolls) directly from the mill. These rolls are too large to go into trailers even if they could be cross-docked. We tried a few; however, because of safety considerations, it was difficult, at best, to get a flatbed to transport these huge rolls of paper. Fifth, not only would a jumbo roll not fit in a trailer, but the floors of the trailers could not withstand the combined weight of the equipment and the roll of paper. Sixth,

when we alone were handling the paper during the unloading process, there was far less damage to the paper rolls than we later experienced when we had to rely on third-parties to unload the rail cars at their facilities as part of the cross-dock operation required to transload the rolls into trailers for delivery to G&A's facility at 131 Pinsley Circle. Simply put, our employees both knew and cared about what we and they were doing. Seventh, another problem with having to transload is illustrated by a loss in excess of \$100,000.00 on one deal alone that occurred in early 1998.* The warehouse never notified us that the material had arrived without coating. My vendor would not accept the claim because it had been unloaded and the mill labels stripped leaving us no recourse. Had the load been delivered directly to the G&A facility by rail, this mistake would have been spotted immediately and the loss avoided.

(*As an aside, G&A is not seeking damages from GCEDC for the loss that occurred in 1998, which was prior to the date that GCEDC acquired the Line.)

As Groome has also explained (V.S. Groome at ¶ 15):

Attachment 31 hereto, which was prepared under my supervision, is based on G&A's books and records and reflects the additional freight and warehousing costs that were incurred as a result of trying to establish the cross docking or transloading process. The total of such charges is \$457,271.98. Of that amount, \$285,243 was incurred following GCEDC's purchase of the Line in June 1999. Again, while the transloading operation managed temporarily to keep G&A afloat, I viewed it as a stopgap measure until the Line could be repaired, which I viewed as a distinct possibility once GCEDC acquired the Line.

It is respectfully submitted that the \$285,243 that was spent in an attempt to mitigate damages is recoverable under the Board's decision in the *GS Roofing* case. Moreover, as the ICC recognized in *Louisiana Railcar, supra*, 7 I.C.C. 2d at 35, "[t]he longstanding general rule in contract law is that the burden of proof is on the defaulting party to show that the plaintiff did not mitigate damages."

The measure of damages that have been incurred by G&A since GCEDC acquired the Line in June, 1999, is reflected the adjusted analysis of losses incurred by G&A prepared by the

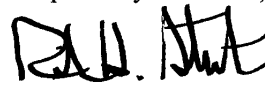
firm of Thombley & Simmons, P.C, Certified Public Accountants. By letter dated December 8, 2003, Thombley & Simmons forwarded its analysis of the losses incurred by G&A and Groome for the period of December 31, 1997 and July 31, 2003. The losses totaled \$3,538,002. That figure reflected the impact of the loss of rail service since early 1998.

Because the analysis included the period prior to GCEDC's purchase, it is necessary to adjust the figures (i) to eliminate the period between January 1, 1997 through June 1, 1999, and (ii) to expand the study from November 30, 2003 to November 30, 2004 to reflect the additional losses that have been incurred since July 31, 2003. When that is done, the losses incurred as a result of GCEDC's refusal to provide rail service through the end of November 2004 is \$3,207,167. The adjustments are reflected at Complainants' Exhibit Q, Complainants' Losses Incurred. The adjustments include the reduction of the additional freight and warehouse charges.

CONCLUSION

For all of the above-stated reasons, the Board should hold that (i) GCEDC violated its statutory common-carrier obligations; (ii) GCEDC is liable for damages suffered by G&A from June 4, 1999 through the present date; (iii) GCEDC should be required to pay Complainants' attorney fees; and (iv) GCEDC should be required to forfeit its ownership of the Line in favor of G&A.

Respectfully submitted,



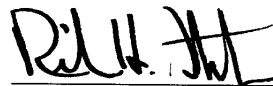
Richard H. Streeter
John Will Ongman
BARNES & THORNBURG LLP
Attorneys for Complainants
Lee K. Groome and
Groome & Associates, Inc.

Dated: December 21, 2004

CERTIFICATE OF SERVICE

This is to certify that on December 2~~1~~, 2004, the foregoing Memorandum In Support of
Complaint was hand delivered to the following:

William A. Mullins
David C. Reeves
Baker & Miller PLLC
2401 Pennsylvania Avenue, N.W.
Suite 300
Washington, D.C. 20037

A handwritten signature in black ink, appearing to read "R.H. Streeter", written over a horizontal line.

Richard H. Streeter

A

BEFORE THE
SURFACE TRANSPORTATION BOARD

STB Docket No. 42087

GROOME & ASSOCIATES, INC., AND LEE K. GROOME
v.
GREENVILLE COUNTY ECONOMIC DEVELOPMENT CORPORATION



VERIFIED STATEMENT OF LEE K. GROOME

1. My name is Lee K. Groome. I am the President, founder and majority shareholder of Groome & Associates, Inc. ("G&A"). Due to the refusal of the Greenville County Economic Development Corporation ("GCEDC") to honor its common carrier obligation by providing rail service to G&A, G&A was forced to discontinue operations on July 31, 2003. Although I have not chosen to seek the protection of the bankruptcy laws for it, G&A has a current negative net worth of \$388,157. In addition, I currently face confessed judgments and potential judgments in excess of \$350,000. In marked contrast, prior to the cessation of rail service, G&A was a profitable operation over a period of years. *See Attachment 28.* The difference in value is attributed solely to the loss of rail service due to GCEDC's refusal to provide rail service.

2. I currently reside at 351 Foothills Road, Greenville, S.C. 29617. I have personal knowledge of the facts that are set forth hereinafter and am duly authorized to present this Verified Statement on behalf of G&A. Because I have spent most of my life working in the paper industry, I have acquired a considerable amount of knowledge about the industry as a whole and of the niche market in which G&A existed.

3. I began working part-time in a paper mill owned by Caraustar Industries at age 16. I worked five days weekly and on Saturdays, averaging 28 hours weekly during the school years.

During summers, I worked 48 to 72 hours weekly, seven days when possible. I started as a mechanics apprentice and assisted in rebuilding machinery for the production of paper. I became a mechanic and often was the responsible person on the second shift for "light duty" repairs. I also acted as an "oiler" for operational machinery. These duties required knowledge of oil and coal fired boilers which provided energy for the paper mill. At some point in time, I was transferred to the paper laboratory where I worked seven days weekly, rotating shifts from first to third. I was solely responsible for paper quality, which required me to conduct multiple analyses through my shift. If the paper was out of customer specifications, I advised the Plant Superintendent of the necessary changes needed. It was my option to accept or reject this paper as it applied to customers' usage.

4. I was later promoted to assistant for the bookkeeper in the paper mill's office. I was trained in the basic double entry journal bookkeeping. I also did monthly cost analysis of the carpentry, mechanical shop, finished goods inventory, and customer samples. I also kept the time cards for all hourly laborers (97), procured all purchase orders, prepared site location drawings when new machinery was installed, and maintained chemical inventories. I literally kept the corporate minute books and typed the monthly P&Ls for the corporate headquarters in Atlanta.

5. In 1972, in order to obtain sales experience, I joined Ivan Allen Co., a stationer that sold printing and other consumables. After spending several years with Greenville Office Supply Company, McBride's Office Supply Company, running my own landscaping company and working for The Furniture Stripping Workshop, I joined Pitney Bowes in sales. They offered extensive sales training which enabled me to become their "Rookie Of The Year." I was with them for several years. Pitney Bowes specializes in postage meters, decelerators, copiers -- in

short, they are a Fortune 500 company, vertically integrated manufacturing their own equipment, marketing and leasing said products. They offer about 100 different types of machinery. After that I worked for Henley Paper Company.

6. In 1983, I started a company by the name of Ship Rite, which was in the business of manufacturing light-weight shipping pallets made of disposable paper that I hoped to patent. I was convinced bar coding and preprint papers would become the new rage of inventory controls (bar scanning for sales, etc.). PALLITE® became a registered name. I built the pilot line of machines to produce said product. This pallet could carry a dynamic load in excess of 3 tons (6,000 lbs.), with a static capacity (for stacking) of 12 tons. We palletized sugar, milk, computer parts, etc. on conventional automated machinery. I designed each PALLITE® to customer specifications.

7. In 1984, I joined Owen Brothers, which is now known as Southeastern Paperboard. This company sold linerboard and medium, solid bleach sulfate paperboard, and clay coated craft back, which is now known as clay coated SUS paperboard. Although I assisted Southeastern Paper to reduce warehouse space, made it more efficient, and helped it some with machinery situations, my primary duty involved sales. I became sales manager within one year and grew this company from 8 million dollars to 24 million in just under 3 years. I was also the liaison between the Greenville converting facility and the Atlanta Corporate Offices.

8. In 1986, I went to work for Papermasters, Inc. Papermasters was a dealer primarily in baled waste paper, which is the byproduct from the folding carton manufacturing process. During the time I was with Papermasters, I learned the grades of paper. This knowledge was cumulative of the knowledge I had previously acquired. I resigned to form G&A.

9. I founded G&A in 1988. The business began in my residence in Roswell, Georgia. Within three months I leased office space in Roswell, and subsequently moved the corporate office to Greenville, South Carolina.

10. I started G&A's warehousing and converting operation in Birmingham, Alabama, where I also maintained an office. During this period of time, I used an outside agent to perform the "converting process," which is the process by which a large roll of paper is trimmed down to the size that is required. For example, a roll of paper may be 100 inches wide, with a diameter of 72 inches, and may weight 12,000 to 15,000 pounds. In order to meet a customer's specifications, the roll is placed on a converting machine, otherwise known as a "slitter/rewinder." If G&A's customer required a 33-inch wide material, the large roll would be cut into three 33-inch rolls, with one inch of paper being trimmed from the master roll.

11. Although I hired an agent to perform the converting at his facility, I owned the rewinder that was used to perform the process. I paid him a toll of \$X per ton and also gave him the waste paper that resulted from the operations.

12. In 1992, I purchased the facility at 131 Pinsley Circle in Greenville, South Carolina 29617. A primary reason for choosing this particular building was its location on a line of railroad, with tracks running right to the building's four rail loading bays.

13. In 1992, the line was operated by the Greenville & Northern Railway Company ("G&N"), which was a wholly owned subsidiary of Pinsly Railroad Company. Most importantly, G&N interchanged with both CSX Transportation ("CSX") and Norfolk Southern Railway ("NS"), both of which served the paper mills from which I purchased the rolls of paper that G&A would convert. This provided G&A the ability to bring in its freight in the most

efficient manner and at the most competitive prices. Indeed, as later experiences would prove after rail service stopped, it was impossible to operate profitably using truck service.

14. In the first place, a single rail car transports the equivalent of up to four to four and a half truck trailers. Second, we could unload a rail car with the equivalent of four trucks of product about as quickly as we could unload a single truck. This is because you have to move far more slowly through an opening that is between 80 and 100 inches wide and between 100 inches and 108 inches high than an opening that has a span of 12 to 15 feet across and 12 feet high. Third, because an empty rail car weighs over 180,000 pounds, as compared with a trailer which may weigh between 10,000 and 12,000 pounds, a rail car can withstand far more punishment than a trailer. As a result, while our material handling equipment could quickly move into a railcar and remove a jumbo roll of paper that might weigh as much as 15,000 pounds, the same was not true when we unloaded a trailer. Fourth, when it lost direct rail service, Groome also lost business because we could no longer receive parent rolls (jumbo rolls) directly from the mill. These rolls are too large to go into trailers even if they could be cross-docked. We tried a few; however, because of safety considerations, it was difficult, at best, to get a flatbed to transport these huge rolls of paper. Fifth, not only would a jumbo roll not fit in a trailer, but the floors of the trailers could not withstand the combined weight of the equipment and the roll of paper. Sixth, when we alone were handling the paper during the unloading process, there was far less damage to the paper rolls than we later experienced when we had to rely on third-parties to unload the rail cars at their facilities as part of the cross-dock operation required to transload the rolls into trailers for delivery to G&A's facility at 131 Pinsley Circle. Simply put, our employees both knew and cared about what we and they were doing. Seventh, another problem with having to transload is illustrated by a loss in excess of \$100,000.00 on one deal alone that occurred in early 1998. The

warehouse never notified us that the material had arrived without coating. My vendor would not accept the claim because it had been unloaded and the mill labels stripped leaving us no recourse. Had the load been delivered directly to the G&A facility by rail, this mistake would have been spotted immediately and the loss avoided.

15. Attachment 25, which was prepared under my supervision, is based on G&A's books and records and reflects the additional freight and warehousing costs that were incurred as a result of trying to establish the cross docking or transloading process. The total of such charges is \$457,271.98. Of that amount, \$285,243 was incurred following GCEDC's purchase of the Line in June 1999. Again, while the transloading operation managed temporarily to keep G&A afloat, I viewed it as a stopgap measure until the Line could be repaired, which I viewed as a distinct possibility once GCEDC acquired the Line.

16. From its inception, G&A was involved in the brokerage and slitting of paper. I purchased rolls of paper directly from the papermills that manufactured the paper. To be precise, the commodity that I purchased that was delivered by rail to G&A consisted of bleached sulphate paper, coated on one or both sides, made of virgin fiber. G&A slit the rolls into various sizes for ultimate use in the food and pharmaceutical industries as wrapping or printing paper, both of which are regulated paper or paper products. It is my understanding that the particular products are classified as STCC 26213 and 26214.

17. G&A did not receive any scrap or waste paper. However, its manufacturing process, which consisted of trimming the rolls of virgin fibre paper, resulted in the creation of scrap paper as a by-product. The scrap paper was collected and baled. When a sufficient number of bales of scrap paper, classified as STCC 40241, were accumulated, they were shipped outbound to companies such as Kimberly-Clark, which used the waste to produce toilet tissue and facial

tissue. This recycling was possible because the rolls of paper that were purchased by G&A were made directly from trees, had a neutral pH (*i.e.*, no acidity), and are excellent for hygienic use of said products.

18. After I purchased the facility at 131 Pinsley Circle in 1992, I hired my brother Alan Groome, who is a master mechanic. Shortly thereafter, we moved the rewinder from Birmingham and installed it at the new facility. In addition, we purchased, built or rebuilt the necessary slitting and rewinding machines to produce paper in roll form from 2" to 120". By 1997, we were operating 3 different slitter/rewinders: a 124-inch slitter/rewinder; an 84-inch slitter/rewinder; and a 42-inch slitter/rewinder. With our 72-inch sheeter, we also had capacity to sheet paper. "Sheeting" is the process of taking master rolls and cutting them to a length and width appropriate for the customers' uses and sizes, then automatically stacking them on a wooden pallet with a wooden top cap. The palletized load is steel banded for security in transit and poly-wrapped for cleanliness. We also had a 33-inch laminator, so that we could laminate specialty grades of paper together, such as foil lamination. For example, we could take two substraights of paper and glue them together or we could put foil on top of a piece of paperboard to make a nice box for a department store such as Dillards.

19. The business steadily grew from the inception, which allowed me to expand production. It was imperative to have a facility with a rail siding. Indeed, the growth and expansion of the business could not have occurred without rail service. The two most important factors in G&A's business were cost of the rolls of paper and freight. There were, however, several other factors that contributed to the successful growth of the business. Industry trends favored us quite well. Water-based flexographic printing began at an unprecedented pace changing the printing process dramatically. Now nearly all inks are water-based, rather than oil-based, and computers mix ink

from press job-to-job, thereby allowing more latitude than before thought possible. Furthermore, the industry changed from offset sheet fed presses to web (paper on rolls) fed flexo water-based inks. Growth in this type of printing continues to grow at historical rates to this very day. We had truly found a growth opportunity limited only by our ability to perform with a knowledgeable staff and quality control (our average returns allowances and credits averaged less than 1% on an annualized basis). We put the proper personnel in place and were off and running.

20. By 1997 G&A was getting into some specialty items and niche markets, with 125 or more accounts. Its customers were the manufacturers of the finished folding cartons and wrappings that were sold to companies such as Bayer Asprin, Bristol-Myers, Krispy Kreme Doughnuts, Dunkin Donuts, D.D. Bean & Sons (the manufacturer of Hav-A-Tampa matches), and Breyers Ice Cream to name a few. Because G&A catered to companies that were manufacturing and selling to companies that were using consumable food grade products, its market was for all intents and purposes recession resistant. In fact, the solid-bleached product business is not as subject to economic fluctuations of the market as many other products as the demand tends not to fluctuate dramatically because it is a specialized grade of paper and people are always consuming fast food products.

21. On December 1996, the Pinsly Group announced that it would be willing to accept bids for the purchase or lease of its wholly owned subsidiary, G&N, through the close of business on January 31, 1997. *See Attachment1*. The basic information package that Pinsly attached to its solicitation for bids included a traffic history report. That report reflects the carloads and revenues of all of the shippers on the line, including G&A for the years 1994 through 1996. According to that report, G&A received 276 cars in 1994 that produced \$61,200 of revenues;

247 cars in 1995 that produced \$55,385 of revenues; and 249 cars in 1996 that produced \$56,309 of revenues. In each of the three years, G&N transported over 1,000 cars per annum.

22. I am aware that two qualified bidders submitted offers to the Pinsley Group. At my request, Bennie Ray Anderson, President of The Great Walton Railroad Company offered a bid on behalf of the shippers on the Line. In addition, Railtex submitted a bid for its subsidiary, South Carolina Central Railroad ("SCCR"). Pinsley chose Railtex. B.R. Anderson, who I had encouraged to submit a bid, was disappointed as his bid was quite competitive and he also had in his possession 11 miles of heavy gauge track available immediately to use as necessitated. Anderson also had personnel in place; and was willing to acquire the locomotives, repair equipment, dump trucks, backhoe, etc. -- all which were necessary to operate a railway -- that Pinsly was offering in this sale.

23. On May 1, 1997, the Board authorized SCCR to acquire the line. *See* STB Finance Docket No. 33391, *South Carolina Central Railroad Inc., Carolina Piedmont Division--Acquisition Exemption--Greenville & Northern Railway*. On December 4, 1997, SCCR placed an embargo on the line, effective immediately, citing "Damage to bridges." On December 12, 1997, it filed a Petition for Exemption seeking authority to abandon a portion of the line that it had acquired from the Pinsly Group. *See* STB Docket No. AB-312 (Sub-No. 2X), *South Carolina Central Railroad Company, Inc. d/b/a Carolina Piedmont Division--Abandonment Exemption--In Greenville County, South Carolina*.

24. On or about December 10, 1997, G&A was advised that an embargo had been placed on the line. Despite the embargo, which assertedly became effective at 11:59 p.m. December 4, 1997, G&A continued to receive rail service at its facility until February 9, 1998.

25. On December 11, 1997, Scott Sands, Director of Marketing for SCCR, forwarded a letter to me in which he indicated that SCCR had decided to update its existing tariff. *See Attachment 2.* The letter also stated that the company was looking forward to "continued business" from G&A. *See id.*

26. In a December 29, 1997 letter addressed to Randy Mathena, President, Paper Cutters, Inc. (a shipper located to the north of G&A), Forrest R. VanSchwartz, General Manager - Carolina Piedmont & South Carolina Central Railroads, explained "We have been able to provide almost normal service for your traffic billed prior to the embargo date. To insure (sic) safety over the bridges, CPDR is using idler cars between each loaded car to minimize weight on the bridges, switching the idlers in and out of each train - a time consuming and costly process - but necessary to fulfill our service commitment to you." *See Attachment 3.* VanSchwartz then outlined a proposed surcharge that would be imposed in order to generate additional cash to pay for the bridge repairs. I believe that this shows that SCCR deliberately misled the shippers on the line with respect to its inability to operate safely and repudiates the statement in the December 4, 1997 Embargo Notice that it was necessary to cease operations because of "Damage to bridges." Plainly, assuming that the bridges needed repairs, it was possible to operate safely over them at that time.

27. A further letter was faxed to the shippers on February 25, 1998 in which the statement was made that "[i]n the event support can not be gained, the GRN line will remain out of service under the existing embargo." The shippers on the line agreed to contribute to the repair of the two rail bridges. In return, they sought commitments that, among other things, SCCR would operate the line for a minimum of three years and would provide adequate service levels. These negotiations continued until the Fall of 1998. *See Attachment 4.* However, even though the

shippers on the line thereafter offered to fund the repairs if SCCR would agree to provide future service, their overtures were ignored.

28. In September 1998, Kent Reeves, SCCR's Acting General Manager, advised the shippers that Railtex would "soon start the abandonment process for the old Greenville and Northern Railroad." *See* Attachment 5.

29. On October 8, 1998, SCCR filed a new system diagram map with the Surface Transportation Board and announced that it anticipated abandoning the portion of the line between MP 2.1 in Greenville and MP 11.8 in Travelers Rest, South Carolina. *See* Attachment 6.

30. Even prior to the filing of the amended system diagram map, G&A and the other two shippers on the line, Paper Cutters, Inc. and Air Products and Chemicals, Inc., had begun working with members of the Greenville County Council (including several members who would later be placed on the Board of GCEDC) to acquaint those officials with the need for continued rail service and the damages they were incurring as a result of the loss of rail service. *See* Attachments 7 to 12. As reflected by his deposition testimony in a civil action filed in the Greenville County Court in South Carolina, Peter M. Strub, who was a member of the GCEDC Board, has admitted that he was made aware of G&A's need for rail service prior to the date that GCEDC acquired the line from Railtex. *See*, October 28, 2003 Deposition Testimony of Peter M. Strub, at 30 (Attachment 23). He also testified that he was aware that GCEDC had a common carrier obligation to provide service. *Id.* at 33.

31. On September 29, 1998, the County Council passed a formal Resolution which recognized the continuing need for rail service for the shippers on the line, including G&A. *See* Attachment 14.

32. On October 20, 1998, the County Council forwarded a letter to former Chairman Linda Morgan in which it was acknowledged that the “loss of these rail facilities and their adjoining rights-of-ways would significantly impact current industry along these lines....” *See* Attachment 15.

33. SCCR’s embargo expired as a matter of law on December 3, 1998. As I have been informed, the governing rules of the Association of American Railroads state that “Embargoes will remain in effect until cancelled but, unless cancelled, will automatically expire one year after effective date of issuance.” *See* Revised Circular TD-1, Association of American Railroads, Effective November 17, 2003. No additional embargo was ever filed after December 3, 1998 by SCCR or GCEDC following its acquisition of the line.

34. On January 29, 1999, Todd N. Cecil, Railtex’s Director-Real Estate, forwarded a letter to Dozier Brooks, Chairman of the Greenville County Council. Mr. Brooks would subsequently become GCEDC’s Chairman. In that letter, Railtex offered to sell “all of South Carolina Central’s assets between downtown Greenville and Travellers Rest (former G&N) for a net cash consideration of \$750,000. These assets would include all land, track and other track materials currently in place along the right-of-way.” *See* Attachment 16. The letter also contained the explicit statement that “the purchaser would assume all railroad common carrier shipping obligations, along with the estimated \$300,000 of expenditures to repair the G&N bridges.” *Id.*

35. On that same day, a similar letter was forwarded to the shippers on the line. *See* Attachment 17.

36. Between January and late May, the shippers’ representatives met with SCCR representatives to discuss the shippers’ interest in acquiring the line if it were to be abandoned. In addition, they made their intent to acquire the line known to the Greenville County Council

members who would later be named to GCEDC and to representatives of the Council. *See* Attachment 18. As summarized in a Memo to Jay Tothacer; members of the County Council Committee on Finance, from Rob Svets, dated March 1, 1999 (obtained through a FOIA request) *Id.*:

Randy Mathena, president of Paper Cutter's, Inc., has recently indicated the willingness of the companies located above the Northern Segment [identified as Paper Cutter's, Inc., Air Products, Inc., Scotts Company, Groome & Assoc., Inc., and Industrial Metal Processing] to negotiate financing for the upper 9.8 mile portion of the Northern Line. Mr. Mathena expressed his belief that these companies could arrange for the purchase, repair and operation of the 9.8 mile portion of the Northern Line without the County's assistance.

37. Subsequently, an Application For State Funded Rail Dollars, dated February 26, 1999, was forwarded to the South Carolina Department of Transportation in which it was acknowledged that "[b]usinesses along the sections in danger of abandonment are very interested in the line's immediate use for transport of finished goods, as well as the delivery of needed supplies for production." *See* Attachment 19.

38. In a memorandum addressed to members of the Greenville County Council, Council Memorandum #99-127, dated March 31, 1999, Gerald Seals, who would be appointed to the GCEDC, outlined the ongoing discussions with Railtex regarding the line. As he therein noted, "In addition to the acquisition cost, County Council would have to appropriate funds to assume railroad carrier shipping obligations for both segments plus the estimated \$300,000 of expenditures to repair the G&N bridges. *See* Attachment 20. Mr. Seals also noted that it would then cost \$100,000 - \$150,000 for "Required Miscellaneous Track Upgrades (Lump sum on the former G&N)." *Id.*

39. With obvious knowledge of the cost of the needed repairs, instead of allowing the shippers to acquire the line, on May 21, 1999, GCEDC filed its Verified Notice of Exemption to

acquire the former G&N line between MP 0.0, in Greenville, and MP 11.8 in Travelers Rest.

This is, of course, the line used to provide rail service to G&A, which is located at or near MP 4.0.

40. It is uncontroverted that prior to submitting its application to the Board, members of GCEDC's Board of Directors had been repeatedly advised that rail service was essential to G&A and that the lack of rail service was an economic detriment to its business. The contacts with the Greenville Council started as far back as 1997 when Randy Mathena, owner of Paper Cutters, created a task force for the shippers on the line including, but not limited to, G&A, Scotts Products, and Air Products (Fortune 500 who offered to cover up the carrier with rail traffic when they were ready). Other companies offered their financial assistance as well. At one point in 1997, Mr. Mathena and I, along with a delegation from the community, attended a subcommittee meeting chaired by Randy Blackwell to advise the county of possible cessation of service. They pledged their assistance from day one. The same evening, Blackwell asked us to speak to the full Greenville Council to advise them. We did so. This was followed by additional meetings at the Greenville Chamber of Commerce with County Council members present; the South Carolina Railway Association, a state entity; mayors of all surrounding cities affected; former professional railway persons such as Al Parr from Norfolk Southern, Chamber personnel, as well as Pat Haskell Robinson, then President of the Greenville Chamber of Commerce, who would later serve as a member of GCEDC, and B.R. Anderson, owner of The Great Walton Railway and Hartwell Railroad. There were also several such meetings at the Chamber, all prior to any loss of rail service.

41. Even though none of GCEDC's Board members had any previous experience with the operation of a railroad (*see* Deposition testimony of Patricia Haskell-Robinson, dated October

28, 2003, at p. 6) (Attachment 21), GCEDC did not hire a consultant with rail experience to advise the Board. *Id.* at 7. Nor did it prepare a specific business plan for the line. *See* Deposition of Scott Case, dated October 28, 2003, at p. 23 (Attachment 22).

42. On June 3, 1999, GCEDC acquired the line of railroad on which G&A's facility is located. GCEDC did not acquire any operating equipment. Furthermore, although GCEDC was aware of the need to appropriate funds to cover the cost of repairs, the only funds that were appropriated were the funds used to pay for the track that was acquired from Railtex. In addition, no funding was provided for the operation of the line. *See* Deposition of Dozier Brooks, dated November 19, 2003, at p. 9 (Attachment 23). There is no evidence that GCEDC ever prepared an operational plan for the former G&N line on which G&A is located which took into consideration the question of how the line would be operated in the absence of funds to perform the needed repairs.

43. After it acquired the line, and despite my repeated attempts to have rail service restored to G&A, GCEDC never provided rail service over any portion of the 11.8 miles of track between Greenville and Travelers Rest. In particular, it made no attempt to provide rail service between the point of interchange with Norfolk Southern and the G&A facilities, a distance of less than 3 miles.

44. After it acquired the line, and despite my repeated attempts to have rail service restored to G&A, GCEDC never repaired or rehabilitated the track so as to be able to honor its common carrier obligation to provide rail service over any portion of the 11.8 miles of track between Greenville and Travelers Rest. In particular, it made no attempt to repair or rehabilitate the track between the point of interchange with Norfolk Southern and the G&A facilities, a distance of less than 3 miles.

45. After it acquired the line, and despite my repeated attempts to have rail service restored to G&A, GCEDC never hired an operator to provide rail service over any portion of the 11.8 miles of track between Greenville and Travelers Rest. On August 9, 2000, The Great Walton Railroad Co., Inc. ("GWR"), after inspecting the line and estimating the cost of its rehabilitation, notified GCEDC that it was "prepared to place a locomotive in Greenville for service to the Greenville Northern customers," which would have included G&A. *See* Attachment 24. In addition, GWR advised GCEDC that the cost of all bridge repairs, not just two that had been singled out by SCCR, would cost less than \$200,000. The cost of track work from MP 0.0 to MP 7.0 (or an additional three miles beyond G&A) was estimated to be \$700,390.00. *Id.* As Mr. Anderson has explained, these expenditures were not required in order to resume rail operations to G&A. *See* Verified Statement of B.R. Anderson (Complainants' Exhibit C).

46. Although it refused to operate the line, GCEDC did not embargo the line. Nor did it seek to abandon the line.

47. Until June 30, 2003, GCEDC did not seek authority from the Surface Transportation Board to "discontinue" rail service. When it did, it falsely represented that (i) "No actual traffic has moved over the G&N Line since 1993 because one of the bridges washed out and the line is in extremely poor condition," and (ii) that "no formal complain has been filed by a user of rail service on the line." *See* STB No. AB 490(Sub-No. 0X), *Greenville County Economic Development Corporation-Verified Notice of Exemption*, filed June 30, 2003, at p. 1 (Attachment 26).

48. Both prior to and after the date that GCEDC acquired the line, I personally contacted each and every member of the GCEDC to establish meetings to discuss the plight of G&A and formulate a plausible working plan. These contacts have been admitted by GCEDC. *See*

Answer No. 2 to GCEDC's Response to Complainants' First, Second and Third Sets of Discovery Requests at p. 3. *See also*, Attachment 27, Letter addressed to Dozier Brooks, Chairman, GCEDC from Lee K. Groome. Initially, GCEDC Board Members repeatedly misled me by insisting that they intended to repair the line and restore rail service, even though GCEDC had no such intent. After it became apparent that GCEDC was not going to restore rail service, the Board members would not meet with me.

49. I also tried to meet with Mr. Scott Case, Vice Chair, Greenville County. He first refused on several occasions to even speak with me. Case finally agreed to meet me one-on-one. He stipulated that my counsel could not be present. I said "okay." He then wanted his counsel present. I said "okay." He called the day we were to meet and stated he had to go to Charlotte, N.C. for a funeral and would reschedule. Despite repeated calls, he never thereafter met with me.

50. I was able to set a meeting with the Greenville County Council on July 31, 2001 in Suite 100, County Square at 2:00 p.m. I had Mr. Mathena and my son John with me. After we arrived, we were told by their attorney that there would be no meeting.

51. Prior to the date that I filed suit in South Carolina, GCEDC never disclosed that it did not intend to resume operations. Instead, I was led to believe that it would make the needed repairs and resume rail service. Because I relied on these misrepresentations, I did not try to sell my facility, but continued to try to hold on while I waited for rail service to resume. When I decided to place the facility on the market, the fact that rail service had ceased also hampered my ability to find a buyer.

52. Because of the lack of rail service since June 4, 1999, G&A has suffered extensive financial losses. In order to quantify those losses, I asked the accounting firm of Thombley &

Simmons, P.C. to prepare a study that would detail the total losses that have been incurred as a result of the failure to restore rail service to G&A. They concluded that G&A suffered financial losses caused by the loss of rail service of over \$3.5 million. *See* Attachment 28.

53. By way of summary, had GCEDC disclosed its intentions and its inability to deal with the problem, of which it was fully aware when it acquired the line, I would have had two viable business options. First, I could have purchased the line at NLV. Second, I would not have leveraged myself financially and immediately moved operations. I personally own the building and was not simply renting. Although I later tried to sell the building, my efforts were of no avail as loss of rail had a condemning effect on value.

54. Furthermore, GCEDC deliberately misrepresented its position. During a meeting with Gerald Seals, who was then the head of GCEDC, and Ms. Haskell-Robinson, Seals assured me and Randy Mathena that GCEDC had \$500,000.00 in the bank. He also confirmed that others, such as Duke Power Co. and Bell South, had offered additional assistance. I personally offered \$30,000.00 on the spot. This was done in the presence of Gerald Seals, Pat Haskell-Robinson and Randy Mathena. This particular meeting was at the office of Mr. Seals, president of GCEDC.

FURTHER SAYETH THE AFFIANT NOT.

VERIFICATION

I, Lee K. Groome, hereby declare under penalty of perjury that the foregoing is true and correct. Executed on December 21, 2004.

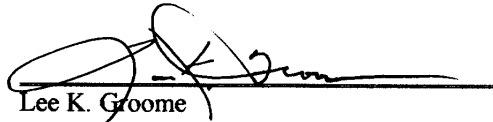

Lee K. Groome

TABLE OF CONTENTS

NO.	DESCRIPTION
1.	Letter dated December 19, 1996 from Pinsly Railroad Company regarding acceptance of bids for purchase or lease of Greenville & Northern Railway Company
2.	Letter dated December 11, 1997 from Scott Sands to Lee Groome regarding GRN Subdivision bridge situation and action plan
3.	Letter dated December 29, 1997 from Forrest R. VanSchwartz to Randy Mathena
4.	Letter dated February 25, 1998 from Forrest R. VanSchwartz to William Kernan, Lee Groome and Randy Mathena regarding bridge repairs on GRN line of Carolina Piedmont (CPDR)
5.	Letter dated September 27, 1998 from Kent Reeves to Randy Mathena regarding abandonment process for G&N
6.	Notice of filing of amended system diagram map dated October 8, 1998
7.	Letter dated 9/15/98 from Randy Mathena to Pat Haskell-Robinson
8.	Letter dated 10/12/98 from Randy Mathena to Greenville Chamber of Commerce
9.	Letter dated 11/06/98 from Randy Mathena to Pat Haskell Robinson and Brandy Birckbichler
10.	Letter dated 11/06/98 from Randy Mathena to Brandy [Birckbichler]
11.	Letter dated 11/13/98 from Randy Mathena to Pat Haskell Robinson, Lillian Brock Fleming and Paul Wickensimer
12.	Letter dated 11/20/98 from Randy Mathena to Pat Haskell Robinson and Brandy Birckbichler
13.	Page 30 of Deposition of Peter Strub
14.	Greenville County Resolution dated September 29, 1998
15.	Letter dated October 20, 1998 from Greenville County Council to Linda Morgan of STB protesting abandonment of railways in Greenville County

NO.	DESCRIPTION
16.	Letter dated January 29, 1999 from Todd Cecil to Dozier Brooks regarding SC Central Railroad Corridor -- Greenville to Travelers Rest, SC
17.	Letter dated January 29, 1999 from Todd Cecil to Randy Mathena, John Byl, Ron Kilbrough, Alen Groome and James Knight regarding SC Central Railroad Corridor -- Greenville to Travelers Rest, SC
18.	Memorandum dated March 1, 1999 from Rob Svets to Jay Tothacer and members of the County Council Committee on Finance regarding Abandonment of Rail Corridor from Downtown to Cedar Line Road
19.	Application For State Funded Rail Dollars dated February 26, 1999
20.	Council Memorandum. #99-127 dated March 31, 1999
21.	Deposition page 6 of Pat Haskell-Robinson
22.	Deposition pages 21 through 24 of Scott Case
23.	Deposition pages 9 through 12 of Dozier Brooks
24.	Letter dated August 9, 2000 from Charles Bishop to Gerald Seals
25.	Fr. and warehouse charges
26.	Verified Notice of Exemption dated June 30, 2003
27.	Letter dated June 26, 2001 from Lee Groome to Dozier Brooks
28.	Statement from Thombley & Simmons, P.C. dated December 8, 2003 regarding analysis of losses incurred by Groome & Associates from 12/31/97 to 7/31/03
29.	Embargo Notice

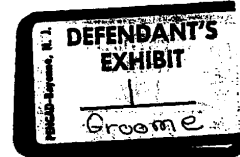


1



PINSLY RAILROAD COMPANY

Arkansas Midland Railroad
Florida Central Railroad
Florida Midland Railroad
Florida Northern Railroad
Greenville & Northern Railway
Monroe Valley Railroad
Railroad Distribution Service



December 19, 1996

To All Interested Parties:

Pinsly Railroad Company will be accepting bids for the purchase or lease of its wholly owned subsidiary, Greenville & Northern Railway Company, through the close of business on January 31, 1997. A basic information package for the line is enclosed, which includes a description of the line, map, summary of assets, traffic history, and customer contact list.

For further information, please contact David Kruschwitz, Director of Operations, at (413) 568-6426. To make arrangements to inspect the property, please contact Todd Biscan, General Manager, at (864) 232-6441. Inspections of the line will be available beginning January 6, 1996.

Please submit your bid to: Pinsly Railroad Company
53 Southampton Road
Westfield, MA 01085

Yours very truly,

John P. Levine
Vice President

JPL:ljs
Enclosures

GCEDC 0334

Maintenance of way vehicles and equipment consist of a 1985 GMC crewcab pickup, a 1974 Chevrolet Boom Dump Truck, a Case backhoe, Jackson Tamper, and Plasser ballast regulator, as well as additional small tools.

The general office is equipped with personal computers, including Railcar Management IRCS software, Minolta copier, fax machine, and answering machine.

FREIGHT TRAFFIC

GRN has seven active customers. See the attached list of customers, commodities handled and contact person.

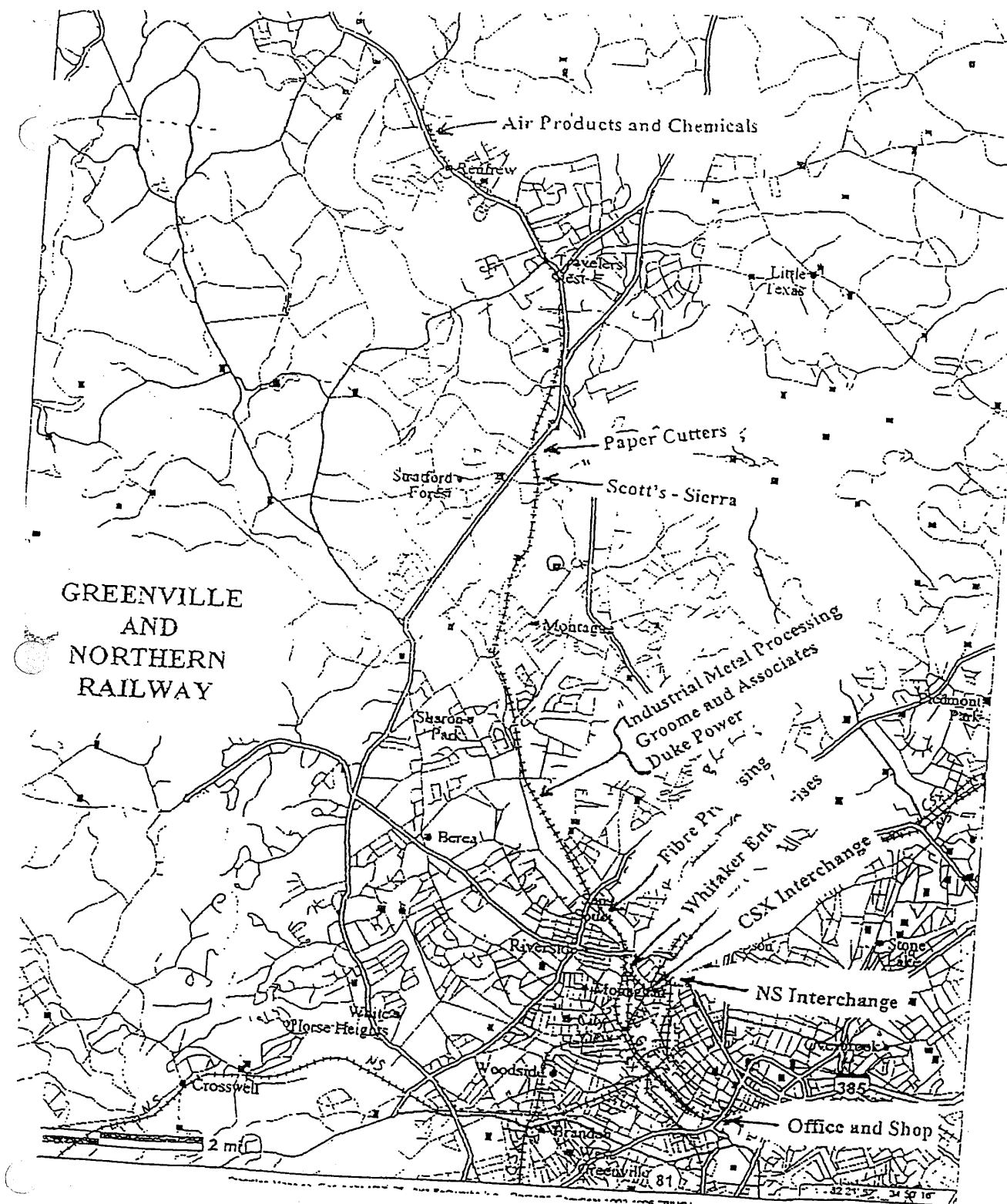
Freight traffic statistics, carloads and revenue for 1994 through 1996 are attached. In summary, 1994 traffic was 1642 carloads generating \$505,246, 1995 traffic was 1497 carloads generating \$509,970, and 1996 traffic is expected to be 1066 carloads generating \$413,704.

The largest customer of the Greenville and Northern in recent years has been Industrial Metal Processing. Midway through 1996 IMP made the decision to acquire a new facility between Spartanburg and Greenville located on CSX and to scale back its operations in Greenville due to pending stormwater runoff regulations. In 1997 IMP expects to ship between five and eight cars per month from its Greenville facility. In addition, IMP may ship 15-20 cars per month from its Greenville facility to its new facility.

OTHER REVENUES

Additional non-transportation revenues (crossing agreements, etc) are approximately \$6,000 per year.

GCEDC 0335



GCEDC 0336

GREENVILLE & NORTHERN RAILWAY

SELECTED FIXED ASSETS

Engine House
Station/Office

Computer System
Tractor/Backhoe
Rail Drill
Jackson Tamper (stripped)
Air Compressor
Plasser Ballast Regulator
Tie Insertor
Jackson Tamper

Locomotive #704 (GP8)
Locomotive #1 (SW1)

Dump Truck
1985 GMC Crew Cab Pickup

GREENVILLE & NORTHERN RAILWAY COMPANY

DESCRIPTION

The Greenville & Northern Railway (GRN) is a Class III carrier extending approximately 11 miles from downtown Greenville, South Carolina northwesterly to the town of Travelers Rest. (See attached map). It interchanges freight traffic in Greenville with CSX Transportation and with Norfolk Southern Railway. Approximately 1.8 miles of the line at the southern end immediately north of the GRN shop are out of service. Access to the shop is preserved via trackage rights over a parallel CSX spur for locomotives only.

The line is classified as excepted track per FRA regulations, with a maximum speed of 10 mph. Speed is restricted to 5 mph in some locations. Approximately 7.5 miles of the line are laid with 70 lb. jointed rail, with the northerly 3.5 miles laid with 56 lb. rail. The former NS Bleachery spur is laid with 70 lb. rail as well. Approximately 2200 new ties were installed in 1996.

There are 31 registered grade crossings. Four of the crossings are equipped with flashers, and the remainder are equipped with crossbucks.

Four timber pile trestles with an aggregate length of 860 feet are presently in use. Inspection reports will be available. There are also 4 trestles located on the out-of-service section.

A two-story wood frame office building at the southern terminus in downtown Greenville houses the general office. Adjacent to this is a two stall locomotive shop of concrete block construction which shares a wall with an unrelated business. A track scale is located in Berea at approximately Milepost 4. There are no other structures. There is no additional real estate beyond the right-of-way except where the office and shop are located. The right-of-way itself varies in width from 15' to 50' each side of center. Property taxes for 1996 totaled \$14,872.

Train operations are conducted on an as-needed basis. GRN has an FCC assigned radio frequency and radios are used for communication between the office and trains or maintenance personnel as well as between locomotive and ground personnel.

The line currently employs six full time personnel - four in operations and maintenance, an agent, and a general manager.

The line has two locomotives, a GP8 and a SW1. Both units are in service and current on their FRA inspections. There is no other rolling stock.

GCEDC 0338

GREENVILLE AND NORTHERN CARLOADS AND REVENUE - 1994													
	JAN	FEB	MAR	APR	MAY	JUN	JULY	AUG	SEPT	OCT	NOV	DEC	TOT
CARLOADS													
FIBRE	4	3	3	5	3	1	4	3	4	3	2	4	39
IMP	59	65	65	50	56	53	60	65	37	51	49	48	638
SCOTTS	22	19	23	17	14	16	7	5	8	12	11	14	168
GROOME	23	29	18	23	21	25	15	28	17	24	30	23	276
AIR PR	6	4	3	5	13	10	12	12	11	7	4	3	97
PAP CUT	2	1	3	1	3	4	2	6	1	4	3	3	32
WHITAKER						47	89	103	76	26	23	27	391
DUKE	116	121	115	101	110	156	179	211	166	127	125	126	1642
REVENUE													
FIBRE	\$1,032	\$774	\$774	\$1,290	\$774	\$256	\$1,032	\$774	\$1,032	\$774	\$516	\$1,032	\$10,062
IMP	\$20,080	\$22,100	\$22,100	\$17,000	\$19,040	\$18,020	\$17,000	\$16,700	\$12,580	\$17,340	\$10,060	\$16,320	\$216,920
SCOTTS	\$7,546	\$6,517	\$7,889	\$6,831	\$4,802	\$5,488	\$2,041	\$1,715	\$2,744	\$4,116	\$3,773	\$4,802	\$57,284
GROOME	\$5,046	\$6,372	\$3,054	\$1,962	\$4,584	\$5,496	\$1,321	\$6,310	\$3,788	\$5,412	\$6,735	\$5,220	\$81,200
AIR PR	\$4,216	\$2,800	\$2,163	\$3,005	\$9,373	\$7,210	\$0,552	\$0,662	\$7,931	\$5,047	\$5,047	\$5,047	\$69,742
PAP CUT	\$420	\$210	\$630	\$210	\$630	\$846	\$430	\$1,069	\$212	\$848	\$630	\$030	\$6,759
WHITAKER						\$9,876	\$13,091	\$22,021	\$16,114	\$5,200	\$4,600	\$5,400	\$82,269
DUKE	\$30,319	\$38,773	\$37,510	\$32,898	\$39,203	\$47,182	\$51,540	\$50,241	\$45,430	\$38,737	\$37,861	\$30,451	\$505,246
									\$1,029				\$1,029

GCEDC 0339

GREENVILLE AND NORTHERN CARLOADS AND REVENUE -1996													REVISED JAN 7, 1997 TO INCLUDE DEC 96 ACTUALS	
	JAN	FEB	MAR	APR	MAY	JUN	JULY	AUG	SEPT	OCT	NOV	DEC	TOT	
CARLOADS														
FIBRE	2	1	2	1	1	1	1	1					9	
IMP	59	54	48	65	68	42	45	46	33	36	2		506	
SCOTTS	17	20	12	12	8	8	7	7	10	7	13		142	
GROOME	20	21	20	21	22	21	16	12	22	27	21		249	
AIR PR	14	7	6	17	13	15	13	10	4	11	5		177	
PAP CUT	4	4	2	4	1	4	3	2		8	2		41	
WHITTAKER	4	4				1	1						10	
DUKE													0	
	120	111	90	120	112	92	86	77	72	50	43		1089	
REVENUE														
FIBRE	\$516	\$268	\$516	\$268		\$268	\$268	\$16,014	\$11,062	\$13,034	\$7,341	\$2,930	\$2,322	
IMP	\$21,246	\$19,516	\$17,362	\$23,510	\$24,652	\$15,130	\$16,210	\$2,401	\$2,401	\$2,401	\$4,547	\$2,930	\$182,900	
SCOTTS	\$5,831	\$6,860	\$4,118	\$4,118	\$2,744	\$2,714	\$2,401	\$2,711	\$3,130	\$2,401	\$4,547	\$2,930	\$182,900	
GROOME	\$3,604	\$4,793	\$4,518	\$4,702	\$4,983	\$4,843	\$3,579	\$2,711	\$4,092	\$6,081	\$4,717	\$5,856	\$48,962	
AIR PR	\$10,402	\$5,201	\$4,958	\$16,801	\$12,909	\$14,095	\$17,909	\$9,930	\$3,972	\$10,523	\$4,965	\$16,801	\$124,026	
PAP CUT	\$882	\$804	\$463	\$864	\$216	\$895	\$648	\$432	\$648	\$1,758	\$445	\$890	\$9,006	
WHITTAKER	\$840	\$840				\$210	\$210						\$2,100	
DUKE													\$0	
	\$40,321	\$38,332	\$31,933	\$50,331	\$45,504	\$30,983	\$36,215	\$32,118	\$24,904	\$34,456	\$15,400	\$33,928	\$426,433	

GCEDC 0341

GREENVILLE & NORTHERN RAILWAY
CUSTOMER INFORMATION

<u>CUSTOMER</u>	<u>COMMODITY</u>	<u>CONTACT</u>
Whitaker Enterprises, Inc. 1419 Hampton Avenue Extension Greenville, SC 29609	Cotton - Inbound	Linda Franco (864) 232-3831
Fibre Processing Company P. O. Box 3653 Greenville, SC 29602	Cotton Factory Sweepings, Waste Outbound	Tom Benston, Chairman Jerry Benston (864) 242-4284
Groome and Associates, Inc. P. O. Box 729 Travelers Rest, SC 29690	Scrap Paper, Pulpboard Inbound and Outbound	Lee Groome, CEO (864) 294-8001
Industrial Metal Processing P. O. Box 2304 Greenville, SC 29602	Scrap Iron - Outbound	Jimmy Knight, President (864) 246-1431
Cotts-Sierra Horticultural Products Company P. O. Box 967 Travelers Rest, SC 29690	Vermiculite, mineral Inbound	Ron Kilbaugh, Plant Mgr. (864) 834-7273
Paper Cutters, Inc. 840 N. Highway 25 By-Pass Travelers Rest, SC 29609	Scrap Paper, Pulpboard Inbound	Randy Mathena, President (864) 834-3193
Air Products and Chemicals, Inc. 1004 Geer Highway Travelers Rest, SC 29690	Synthetic Plastic Chemicals Inbound	Dave Acker, Plant Mgr. (864) 834-5122
Duke Power Company 125 W. McBee Avenue Greenville, SC 29602		(864) 242-3261
S. Finishing (not currently active) 335 Old Buncombe Road Greenville, SC 29609		Martin Fryml (864) 242-6400

GCEDC 0342

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Carolina Piedmont Division,
South Carolina Central Railroad

268 E. Main St., Laurens, South Carolina 29360
(864) 984-0040 • Fax: (864) 984-0043
Customer Service (800) 713-3859

Mr. Lee Groome
President

December 11, 1997

Dear Lee:

Thank you so much for your business this past year. With our new management completely in place and continued business from you, we are very excited about the upcoming year!

It has been a few years since we have analyzed our current tariff and evaluated our current carload business. We have decided to update the existing tariff. We will amend CPDR 8001 effective **January 1, 1998**. The following highlights some of the changes:

Intra-Line Switching- When an industry requests that a car is moved from the railroad's private tracks or an industry's leased storage track to the industry's track(s), the charge will be \$170 per car. (Rate increased from \$165 per car).

Special Request Switching- Customers forwarding or receiving traffic are afforded a single switch per day based on regular train service. Railroad provides those switches according to sequence of customer location in either a northbound or southbound progression. Customers requesting a second switch per day outside of the normal progression, will request this second switch through the CPDR's *Customer Satisfaction Center*. If request is granted, a charge of \$125 per car will be assessed. (Rate increased from \$93 per car).

Storage Charges- Cars not considered constructively placed at an industry track, private storage track, or the premises or tracks of the railroad, and for which no immediate movement instructions have been received will be considered stored. This applies to cars of any ownership. Stored cars are subject to a charge of \$35 per car per day to be computed from the first midnight after inbound interchange for cars received or from the first midnight after release from industry for cars not ready for outbound interchange. A partial storage day will be assessed charges as if a full day. Storage time ends when the car is delivered to interchange or constructively placed. (Rate increased from \$30 per car).

004077



Carolina Piedmont Division,
South Carolina Central Railroad

268 E. Main St., Laurens, South Carolina 29360
(864) 984-0040 • Fax: (864) 984-0043
Customer Service (800) 713-3859

- p.2 -

Haul of Empty Cars Not Used- When cars placed or tendered for loading are not used, the party ordering same will be subject to a charge of \$150 per car. (Rate increased from \$120 per car).

Loading of Pulpwood Cars- This item has been deleted from the tariff.

Intra-Plant Switching- When a car is moved from an industry track to another spot at the same facility, the charge will be \$100 per car per switch. (Rate increased from \$93 per car).

Hold Charge- All cars held at the request of a shipper or receiver prior to release or disposition of the cars subject to a holding charge of \$35 per car per day. (Rate increased from \$30 per car).

Inter-Terminal Switching- Inter-terminal switching means a switching movement from one railroad to another railroad when such movement is within the switching limits of the same station or industrial district. The charge for each inter-terminal switch will be \$125 per car. (Rate increased from \$112 per car).

Special Train- When an industry requests a dedicated train for movement of a loaded or empty car, a charge of \$57 per mile per train will be assessed. Any special train run on a weekend day or railroad holiday will be assessed an additional charge of \$1,200 per train. (Rate increased from \$54 per mile).

Please be advised that in fairness to all customers, there will be no exceptions nor special considerations granted as may or may not have happened in the past in regards to demurrage; storage of cars; release/placement date of cars; etc.

We will mail you a copy of the amended tariff soon. We want to be proactive in informing you of the changes. If you have any questions or concerns please feel free to contact myself or Vickie Miller our Office Manager.

Thanks again for your business. We look forward to being your first choice in quality transportation in 1998.

Sincerely,

A handwritten signature in dark ink, appearing to read "Scott Sands", written over a horizontal line.

Scott Sands
Director of Marketing

004078

3

The logo for Carolina Piedmont is a black square with the words "CAROLINA" and "PIEDMONT" in white, stacked vertically in a serif font.

Carolina Piedmont Division,
South Carolina Central Railroad

268 E. Main St., Laurens, South Carolina 29360
(803) 984-0040 • Fax: (803) 984-0043

December 29, 1997

Mr. Randy Mathena, President
Paper Cutters, Inc.
by fax to 864-834-3551

Dear Randy:

SUBJECT: GRN Subdivision bridge situation and action plan

Following the condemnation of the two bridges on the GRN line in early December, I have had the pleasure of talking with you about the Carolina Piedmont's (CPDR) plan to restore and maintain service on the line. At the request of several of our customers, we have developed an action and partnership plan to insure the continuation of service to our customers.

Since the condemnation, CPDR has been busy. We have been able to provide almost normal service for your traffic billed prior to the embargo date. To insure safety over the bridges, CPDR is using idler cars between each loaded car to minimize weight on the bridges, switching the idlers in and out of each train - a time consuming and costly process - but necessary to fulfill our service commitment to you.

In addition, our corporate engineering staff has aggressively pursued design of the replacement bridges, including all the environmental permits, flood and storm water runoff, and all the myriad factors that go into this type of construction. We have made great progress; the railroad has absorbed all the cost of this engineering effort in order to progress the work quickly.

AS TO THE FUTURE OF THE LINE: CPDR has made a significant investment in the GRN line, not only in the purchase cost, but in newly refurbished engines and significant expenditures for trackwork. If you have been along the line, you can see the results! Service quality has improved vastly; many of you were rightfully skeptical about our promises when we took over - recently several customers have told me that we have exceeded all expectations. We have every intention of continuing our commitment to, and investment in, the GRN line.

The bridge rebuilding costs, coupled with the other track upgrade costs, are, quite frankly, beyond the ability of CPDR to pay for on our own. We need your help, and truly believe that working together all of us can turn the GRN line into a win for all of us. Following is our initial proposal to get something "on the table" for additional discussion and negotiation:

000120

12/29

A...CPDR came to the GRN with a long term commitment. We want the line not only to continue in service, but to prosper! Our commitment has been shown in our ongoing investment in the property, with substantial capital expenditures proposed for 1998 and beyond. We will stay with you, and improve and grow with you. We're willing to enter an agreement to that effect - if we can get your help with the bridge rebuilding costs.

B...After considering a number of scenarios to amortize the cost of the bridge work, we're convinced that the fairest way to ask for your help is on a per car and tonnage per car basis. Based on the estimated repair cost of \$300,000.00, the surcharge plan detailed below will amortize the costs in two years, including a very reasonable cost of money through our corporate line of credit.

Based on 1997 business levels, we propose the following surcharge:

1998 estimated carloads	137	inbound & outbound	
average tons per car	55		
surcharge per ton	\$ 2	surcharge per car	\$ 110
annual surcharge cost	\$ 15,070	two year cost	\$ 30,140

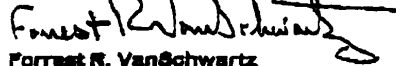
C...We will provide you with full details and costs when finalized, and an accounting of the surcharge fund use. No additional surcharge beyond the bridge repairs is anticipated by CPDR in the future.

D...In the event bridge costs exceed \$ 300,000.00 CPDR will pay 100% of the amount above \$ 300m. If the project comes in below the estimated cost, the surcharge will be suspended at the point repair costs are recovered.

Again, the above should be viewed as only a starting point for further discussion. I welcome your opinions and pledge CPDR to working with you in every way possible to get the GRN line going again, as soon as possible. You can reach me at 803-332-7584. I'd like to plan a meeting for more of your input the week of January 19, details will follow.

Thanking you for your consideration, we wish you a safe and prosperous 1998.

Yours very truly,



Forrest R. VanSchwartz

General Manager - Carolina Piedmont & South Carolina Central Railroads

000121

4



**Carolina Piedmont Division,
South Carolina Central Railroad**

268 E. Main St., Laurens, South Carolina 29360
(803) 984-0040 • Fax: (803) 984-0043

February 25, 1998

TO: Mr. William Kernan, Air Products Co.
Mr. Lee Groome, Groome & Associates ...via fax...
Mr. Randy Mathena, Paper Cutters Co.

SUBJECT: Bridge repairs on GRN line of Carolina Piedmont (CPDR)

Gentlemen:

We recently received bid quotations on the two condemned bridges, confirmed prices received with the scope of work, and reviewed the Railroad's current and future financial situation.

Lindsey Construction of Greenville was the low bidder on the bridge work, with a total price for the work quoted at \$ 235, 445.00. This, combined with the approximate repair cost on the other two bridges of \$ 60,000.00 is very close to the original "ballpark" estimate of \$ 300,000. John Horney, our bridge man, has done a terrific job in putting this together and I'm very grateful to him.

The sad fact remains that CPDR simply cannot accomplish this work on the basis of internal resources alone; while still plowing other capital investment funds into the long neglected track. The resources to do both just don't exist. We are in the same position as we were when we last met - we need your help to get the bridges fixed!

We are open to any plan which best fits our mutual situation and needs:

- 1...prepayment of costs by customers, in whole or in part
- 2...repair costs paid by CPDR, with per ton surcharge added to existing rates until costs are amortized; surcharge amount to be determined
- 3...any other plan you may propose

If the bridge issue can be resolved, CPDR pledges the following:

- a...invest approximately \$ 200,000 in 1998 track rehabilitation
- b...not seek increase in through rates for one year...we may seek a better division of the rate from CSXT or NS, but this does not effect the freight rates you pay
- c...continue operation of GRN line through year 2000, at least, with a "force majeure" relief clause if disaster strikes the line
- d...continue capital investment in track work in 1999 and 2000, amount

004097

Page 2...

at discretion of our Board of Directors
e...apply surcharge, or raise rate level or division, on any new business
we are able to gain on the line; and to aggressively market line
f...aggressively pursue any State or local funding we can obtain to pay
cost of track and/or bridge work. Presently, we not aware of any
State aid being available. We are working with the City of Greenville
on joint use of the right of way between downtown and Furman.

If customers choose to finance repair costs, CPDR has no way repay the debt
from earnings on the GRN line. Low volume of traffic and higher than normal
operating costs do not provide sufficient margin to repay the debt.

We do believe, however, that rail customers benefit, continually, through
access to rail service which keeps trucking costs in line. Without a doubt,
trucking costs will increase if rail service is not restored soon.

If you find that you can not support assistance for the bridge repairs, we do
understand - you have to make sound business decisions just as we do. In
the event support can not be gained, the GRN line will remain out of service
under the existing embargo. The longer this continues, the more it will cost to
eventually restore service due to heavy rains, erosion and vegetation growth.

We urge your early consideration of the above proposal and pledge ourselves
to working with you in any way possible to seek mutually beneficial solution. I
look forward to meeting with you at your convenience and truly thank you for
your ongoing support of the Carolina Piedmont GRN line.

Yours very truly,


Forrest R. VanSchwartz
General Manager

direct phone: 803-332-7584

fax 803-332-1222

004098

5

**Carolina Piedmont
Division Railroad**

268 East Main Street
Laurens, SC 29360

September 27, 1998

Mr. Randy Mathena
Paper Cutters, Inc.
840 North Highway 25 By Pass
Greenville, SC 29617

Dear Randy :

As we discussed on September 17, Railtex will soon start the abandonment process for the old Greenville and Northern Railroad. During the meeting with you and the other shippers on this line several questions arose. Listed below are our responses to those questions.

Question #1- How long does the process "normally" take? The first step is to change the system diagram map to show the segment of line that is an abandonment candidate. This is done through the Surface Transportation Board (STB) and takes about 60 days. The balance of the procedure is at least 120 days, so we are realistically looking at 6 months, minimum.

Question #2- What portion of the line are we actually putting up for abandonment? From milepost 2.0 to milepost 11.8 .

Question #3- Will Railtex's financial analysis of the viability of the line be made available to the shippers? The filing requirements dictate how much of this is made available. There are 2 filing processes, Application for Abandonment or Petition for Abandonment. The Application process is more detailed process and will include more detailed information but generally takes longer to complete. The Petition process is quicker but does not go into as much detail and generally is followed when there are fewer objections to the abandonment. Either process calls for some disclosure of financial information.

Questions #4- What are the Railtex estimates for repair of the line, over and above the bridge estimates? What is the net liquidation value of the line? While I do not have the figures to answer these questions now, they will probably be a part of the filing process

Question #5- Will there be public hearings on the abandonment. Generally, "hearings" are done through paper filings with the STB.

Question #6- What did Railtex pay for the GRN and will they share this with the shippers? Ours was a contractual arrangement with the seller and the line was bought as an ongoing commercial enterprise and as such the purchase price is irrelevant to the abandonment process.

Last Friday we discussed a possible meeting with the shippers on the line on Wednesday, October 7. You will advise me after the Chamber meeting on September 30 if this is needed. Meanwhile, please call if I can be of further assistance.

004113

September 27, 1998

Sincerely,

A handwritten signature in cursive script that reads "Kent Reaves".

Kent Reaves
Acting General Manager

cc: Mr. Lee Groome / Groome & Associates
Mr. John Byl / Air Products

6



October 8, 1998

Mr. Phillip T. Bradley
Chairman
South Carolina Public Service Commission
P.O. Drawer 11649
Columbia, SC 29211

*met -
Have you
received this?*

Re: STB No. AB-312
South Carolina Central Railroad, Inc.
Carolina Piedmont Division
Amended System Diagram Map

Dear Chairman Bradley:

Carolina Piedmont Division ("CPRD") is today filing with the U.S. Surface Transportation Board an amended system diagram map of its rail lines prepared in accordance with the provisions of 49 C.F.R. 1152, Subpart B. Pursuant to 49 C.F.R. 1152.12(b), a copy of CPRD's system diagram map must be served on the Governor, public service commission and designated state agency under 49 U.S.C. 22102(2) of each State within which CPDR owns or operates a line of railroad. A copy of CPRD's system diagram map accordingly is provided to you herewith.

If you have any questions regarding this matter, or would like to obtain additional copies of CPRD's system diagram map, please contact the undersigned.

Sincerely,

Sandy Franger
Director - Acquisitions
RailTex, Inc.

Attachments

000013

BEFORE THE
SURFACE TRANSPORTATION BOARD

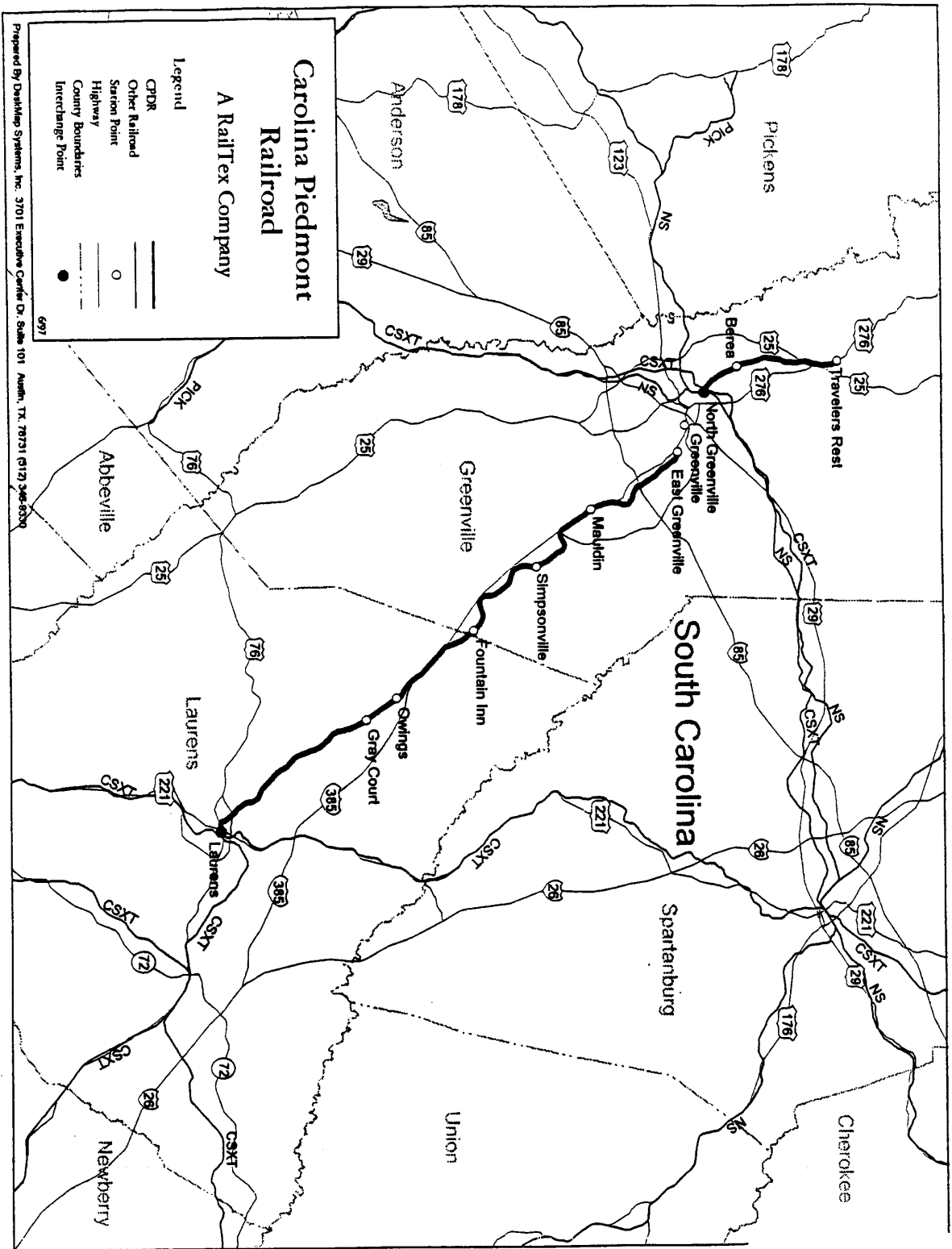
AB-312
South Carolina Central Railroad Company, Inc.
Carolina Piedmont Division
Line Description

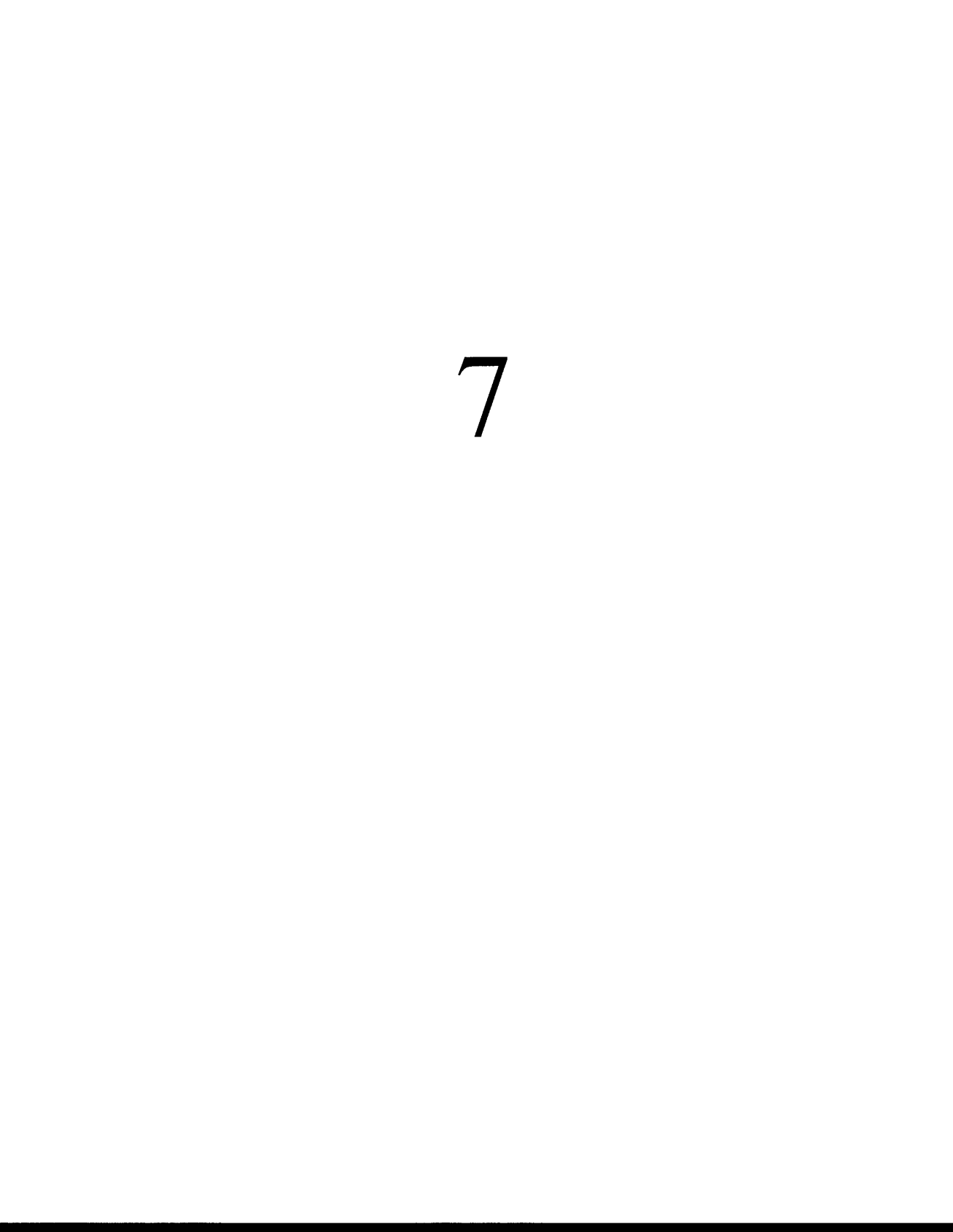
In accordance with the requirements of 49 C.F.R. 1152, Subpart B, Carolina Piedmont Division ("CPDR") hereby provides the following amended narrative description of its rail system, with each of its rail lines designated by the categories established in 49 C.F.R. 1152.10(b):

Category 1: Portions of line anticipated to be subject of an abandonment filing within the next three years.

(a) Designation:	GRN Subdivision
(b) State:	South Carolina
(c) Counties:	Greenville
(d) Mile Post Designations:	MP 2.1 in Greenville to MP 11.8 in Travelers Rest
(e) Station:	Berea, Fentress, Montague, North Greenville, Travelers Rest

000014





7

Paper Cutters, Inc.

840 NORTH HIGHWAY 25 BY PASS
GREENVILLE, SC 29617
(864) 834-3193 FAX (864) 834-3551

DATE: 09/15/98

TO: PAT HASKELL ROBINSON

COMPANY: GREENVILLE CHAMBER OF COMMERCE
24 CLEVELAND STREET
GREENVILLE, S.C. 29601

FAX NUMBER: 262-8549

PHONE NUMBER: 242-1050

FROM: RANDY MATHENA

RE: THE RAIL LINE FROM GREENVILLE TO TRAVELERS REST/MARIETTA

DEAR PAT,

I WOULD LIKE TO THANK YOU FOR A MOST INFORMATIVE MEETING AT THE CHAMBER LAST WEEK. IT IS HEARTENING TO KNOW THAT THERE ARE OTHERS IN GREENVILLE, WHO ARE CONCERNED ABOUT THE LONG TERM PROSPECTS OF THE OLD GREENVILLE NORTHERN RAILWAY.

WE AT PAPER CUTTERS BOUGHT LAND FOR OUR PRESENT SITE, BECAUSE OF THE RAILROAD. WE SPENT OVER \$30,000.00 TO INSTALL OUR RAIL SIDING. WE HAVE USED IT MORE THAN WE HAD EXPECTED, AND WE PROJECT THAT WE WILL USE IT EVEN MORE IN THE FUTURE. RAILTEX APPROACHED US UNANNOUNCED ON THE DAY THAT WE WERE TO MEET WITH ANOTHER PROSPECTIVE OPERATOR OF THE THEN GREENVILLE NORTHERN RAILWAY. SINCE THEY WERE IN OUR LOBBY, WE MET WITH THEM AND BASED UPON THEIR COMMITMENTS, WE TOLD THEM THAT WE WOULD SUPPORT THEM IF THEY WERE SELECTED AS THE PURCHASER.

THEY OPERATED PROFITABLY UNTIL THEY CEASED OPERATION AND THEN ANNOUNCED THAT THEY WERE CLOSING BECAUSE OF BRIDGE REPAIR COSTS. THEY ASKED THEIR CUSTOMERS TO BEAR THE BURDEN OF \$300,000.00 IN COSTS, WITH NO PLAN TO REPAY THE MONEY. I MADE PHONE CALLS AND WROTE LETTERS TO NO AVAIL. THEY NEVER RESPONDED IN ANY WAY. THIS WAS, I MIGHT ADD, AFTER A MEETING AT WHICH FOREST VAN SWARTZ TOLD US THAT THEY WERE VERY INTERESTED IN WORKING OUT A SOLUTION AND GOING BACK TO WORK.

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of pages > 2

To: Lee Groomer	From: Randy Mathena
Co.	Co.
Dept.	Phone #
Fax #	Fax #

004191

SINCE THAT MEETING AND NO RESPONSE TO MY CALLS AND LETTERS, I HAVE MET WITH THE FOLLOWING PEOPLE, IN AN EFFORT TO GET SOME ACTION:

NORFOLK SOUTHERN-GREENVILLE
RICHARD PICKENS
GARY RICE

NORFOLK SOUTHERN-CHARLESTON
DALE ASHLEY

NORFOLK SOUTHERN-RICHMOND
LEW MOSS

WESTVACO KRAFT-CHARLESTON
MIKE GRIFFITH

RAILTEX-LANCASTER
KENT REEVES-NEW ACTING MANAGER

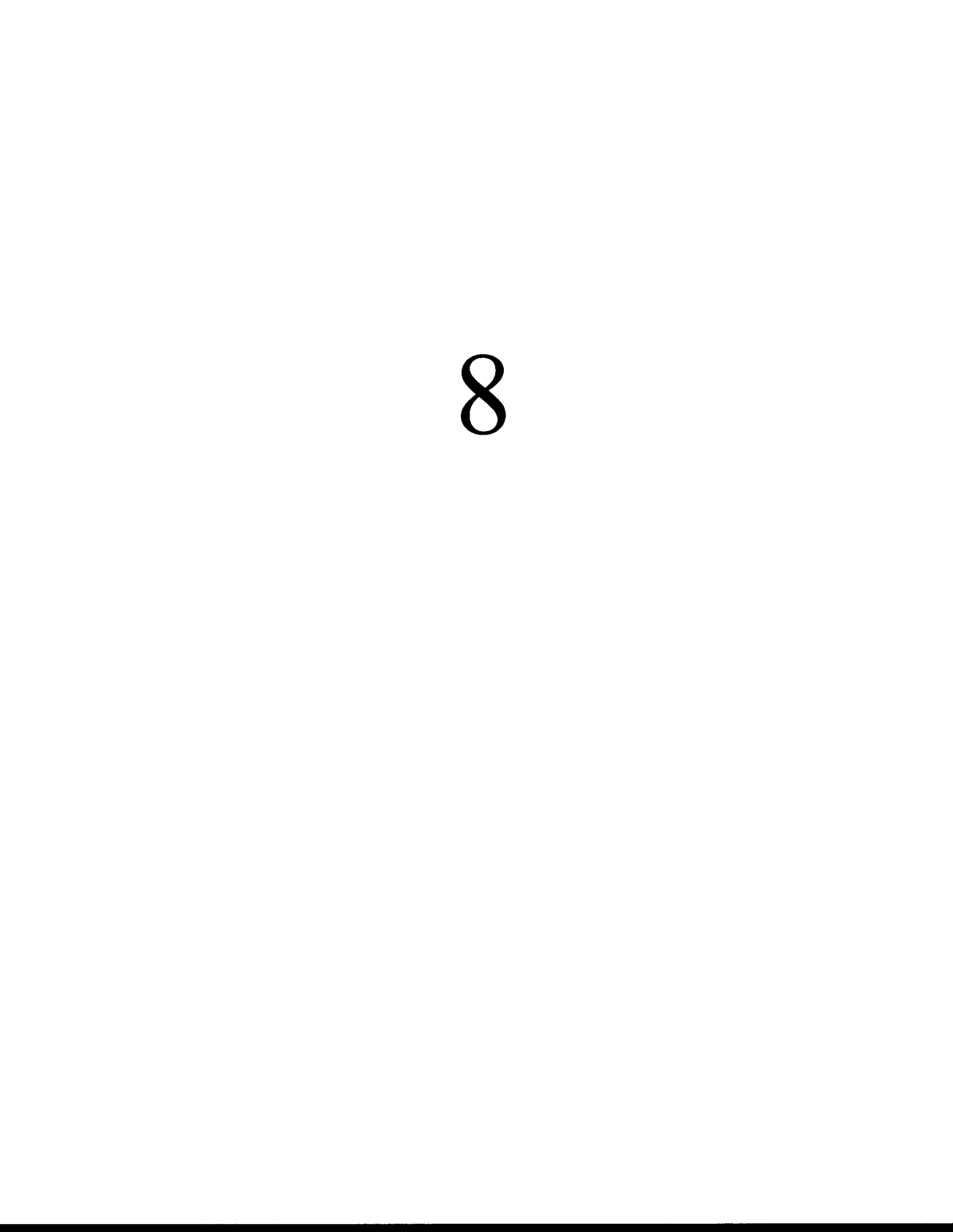
S.C. DEPARTMENT OF TRANSPORTATION
MIKE ELLISOR

I HAVE ACTED IN CONSORT WITH LEE GROOME OF GROOME PAPER AND BILL KERNAN OF AIR PRODUCTS. WE ARE ALL QUITE ANXIOUS AND INTERESTED IN GETTING OUR SERVICE BACK, IN THAT IT IS QUITE COSTLY FOR US TO USE TRUCK INSTEAD OF RAIL. WE WOULD LIKE A MEETING AS SOON AS POSSIBLE. MAYBE WE SHOULD GO THROUGH THE PROCESS OF DISCOVERY, IF NECESSARY, TO FERRET OUT THE TRUE FACTS OF THIS CASE. WE DO HAVE A LETTER FROM KENT REEVES, ACKNOWLEDGING THAT WE WOULD LIKE THE FIRST RIGHT OF REFUSAL ON THE PURCHASE OF THE LINE. THIS IN SOME WAY COMPLIES WITH THE (OPA) PROVISION UNDER 49 USC 10904, WHEREBY WE OFFER TO BUY THE RAIL LINE FOR THE (NLV) NET LIQUIDATION VALUE.

SINCERELY,

Randy Mathena
RANDY MATHENA

004192



8

Paper Cutters, Inc.

840 North Highway 25 By Pass
Greenville, SC 29617
(864) 834-3193 FAX (864) 834-3551

DATE: 10/12/98

TO: BRANDY AND THE CHAMBER STAFF

COMPANY: GREENVILLE CHAMBER OF COMMERCE

FAX NUMBER:

PHONE NUMBER:

FROM: RANDY MATHENA

RE: THE RAIL LINE PROJECT

DEAR BRANDY,

FOLLOWING ARE PEOPLE THAT I HAVE CONTACTED REGARDING THE RAIL LINE ISSUES:

1. FIELDSTON CONSULTANTS - TOM SCHMITZ AND DAVID OSGOOD 202-775-0240. DAVID GAVE ME THE CHAIRPERSON'S NAME AT THE SURFACE TRANSPORTATION BOARD AS LINDA MORGAN. HE SUGGESTED THAT I SEND HER OUR LETTER OF PROTEST AND COPY OUR SENATORS AND CONGRESSMAN. I PHONED THEM FIRST, AS HE SUGGESTED, AND THEN FAXED COPIES OF THE LETTER. I MAILED LINDA'S WITHOUT A PRIOR CALL. DAVID SAID THAT THEY WOULD BE HAPPY TO ASSIST US IN ANY WAY. I TOLD HIM THAT THE CHAMBER HAD CONTACTED SOMEONE, HOWEVER, I WOULD KEEP HIM POSTED ON OUR PROGRESS.
2. JOE BECKHAM CAME TO PCI FOR A VISIT AND OFFERED HIS SERVICES AS A MANAGER OF THE LINE. HE STATED THAT HE COULD HANDLE THE COMPLETE OVERHAUL OF THE LINE. HE WORKED FOR THE GREENVILLE NORTHERN RAIL LINE, BEFORE THEY SOLD. HE SEEMS TO BE A VERY WELL ORGANIZED INDIVIDUAL, A WELL DISCIPLINED PERSON WITH A ZEST FOR RAILROAD WORK. HE STATES THAT HE COULD RUN THE RAIL LINE AND OVERSEE THE ENTIRE REBUILD. HIS ULTIMATE WISH IS THAT THE LINE COULD SERVE FOOT/BIKE/COMMUTER/COMMERCIAL NEEDS. HE BELIEVES THAT THIS COULD VERY WELL HAPPEN. I ASKED HIM TO SEND ME A COPY OF HIS RESUME AND A LETTER ON HIS FEELINGS FOR THIS SUBJECT.
3. DAVID SHI AND I TALKED BY PHONE LAST WEEK, REGARDING THEIR INTEREST AND POSITION, REGARDING THE RAIL LINE. DAVID TOLD ME THAT THERE HAD BEEN SOME DISCUSSION, CONCERNING A GREENWAY. WHEN I MENTIONED THE POSSIBILITY OF A GREENWAY, A COMMUTER AND A COMMERCIAL LINE COMBINED, HE THOUGHT THAT THIS COULD VERY WELL BE THE ANSWER. HE ASKED ME TO PHONE BRAD WYCHE, WHO HAS SOME KNOWLEDGE AND INTEREST IN THE PROJECT. BRAD AND DAVID

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BOTH SEEMED TO BE QUITE WILLING SIT ON A COMMITTEE, TO RESEARCH THIS ENTIRE PROJECT. AS I RECALL, COUNTY COUNCIL HAS ASSIGNED FOUR PEOPLE; BLACKWELL, BROOKS, CLEVELAND AND KINGSBURY TO A COMMITTEE OF THIS TYPE. DAVID CAUTIONED THAT ALTHOUGH WE SHOULD WORK TOGETHER AS A TEAM, WE MIGHT BE BETTER OFF TO APPEAR THAT WE ARE ACTING INDEPENDENTLY. WE CAN DISCUSS.

4. I SPOKE WITH OUR ATTORNEY AT PAPER CUTTERS. HE THOUGHT THAT IT MIGHT BE BETTER FOR US TO CONSULT AN ATTORNEY WITH HEAVY EXPERIENCE IN THIS AREA. WE CAN DISCUSS.

9

Paper Cutters, Inc.

840 North Highway 25 By Pass
Greenville, SC 29617
(864) 834-3193 FAX (864) 834-3551

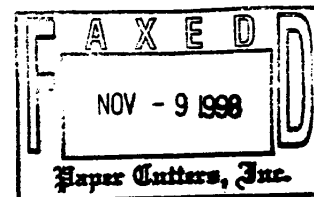
DATE: 11/06/98
TO: PAT HASKELL ROBINSON AND BRANDY BIRCKBICHLER
COMPANY: CHAMBER OF COMMERCE
FAX NUMBER:
PHONE NUMBER:
FROM: RANDY MATHENA
RE: EVALUATION MAP

DEAR PAT AND BRANDY,
WE NOW HAVE AN AGREEMENT WITH JIMMY FORBES AT COUNTY SQUARE,
CONCERNING THEIR PARTICIPATION IN THE RESEARCH ON AN EVALUATION
MAP. JIMMY HAS AGREED THAT IF WE SUPPLY THE LABOR TO RESEARCH THE
BLOCK MAPS AND GIVE HIM A LIST OF THESE BLOCK NUMBERS, HIS PEOPLE
WILL ENTER THESE NUMBERS INTO THE COMPUTER AND RENDER A LIST OF
THE PROPERTY OWNERS FROM AIR PRODUCTS TO THE END OF THE LINE IN
MAULDIN. PAPER CUTTERS WILL SUPPLY THE LABOR IN MARTHA JACKSON
AND MICHAEL ANDERSON, WHO ARE BOTH UP TO DATE ON THE FACTS
SURROUNDING THIS PROJECT. THEY ALSO HAVE HAD SOME EXPERIENCE IN
DOING THIS RESEARCH. WE WILL ASK FOR COPIES OF ALL BLOCKS, SUCH
THAT WE CAN PUT TOGETHER A MAP OF THE ENTIRE LINE, LISTING ALL
OWNERS AND RIGHT OF WAYS.

I WANT TO MAKE SURE THAT WE ACT IN CONCERT WITH THE REST OF THE
INTERESTED PARTIES. I WILL BE GLAD COME DOWN AND DISCUSS THIS IN
FURTHER DETAIL. I LOOK FORWARD TO HEARING FROM YOU AND I REMAIN
OPTIMISTIC.

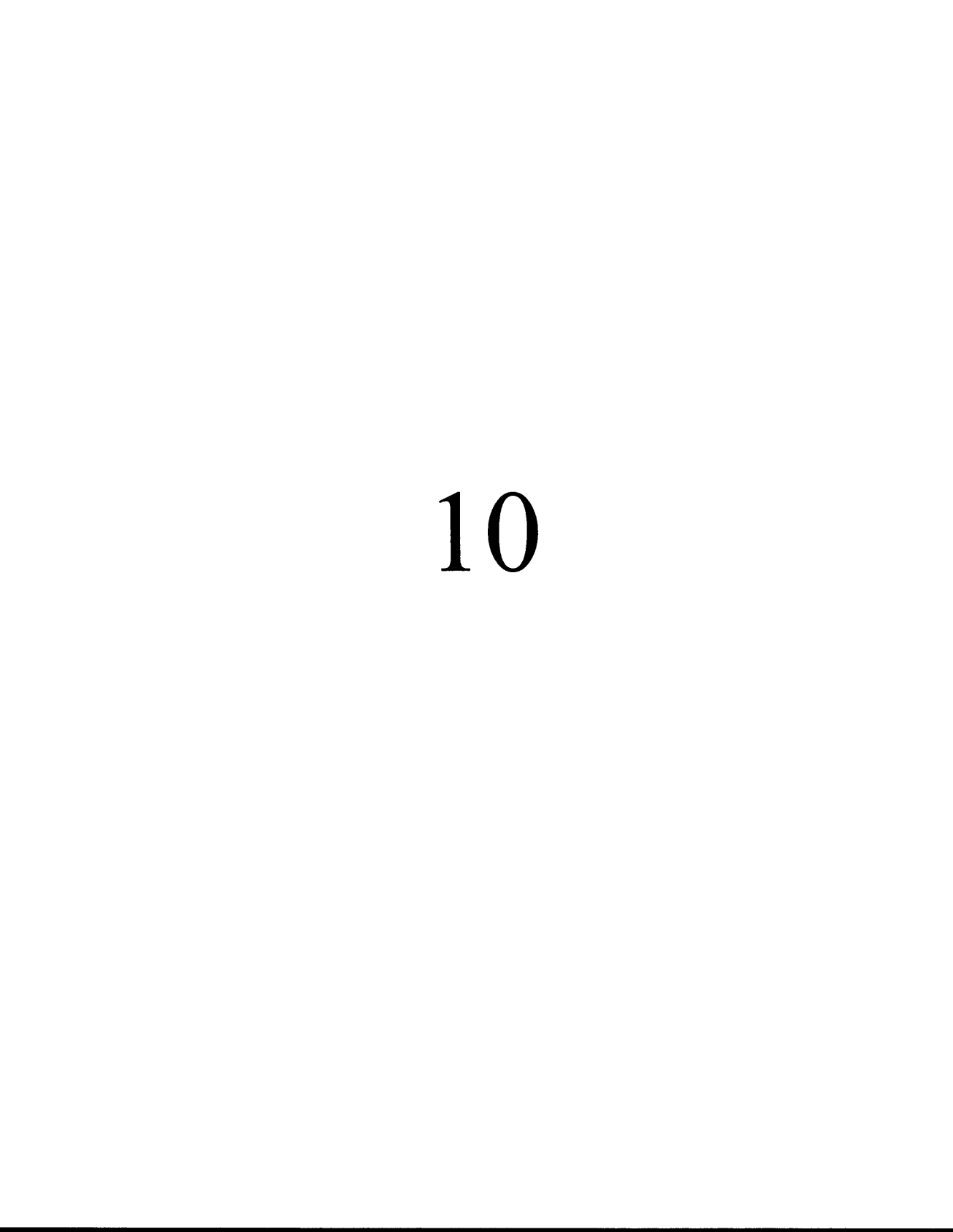
SINCERELY,


RANDY MATHENA



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004483



10

Paper Cutters, Inc.

840 North Highway 25 By Pass
Greenville, SC 29617
(864) 834-3193 FAX (864) 834-3551

DATE: 11/06/98
TO: BRANDY
COMPANY: CHAMBER OF COMMERCE
FAX NUMBER:
PHONE NUMBER:
FROM: RANDY MATHENA
RE: NOTES FROM 11/5/98

KENT REEVES CAME TO OUR OFFICE FOR A VISIT ON WEDNESDAY 11/5/98. I HAD SEVERAL QUESTIONS TO ASK OF HIM AS FOLLOWS:

1. WHAT IS RAILTEX PLANNING TO DO ON THE NORTHERN LINE?
THEY HAVE PLACED THE MILE MARKER 2.01 ON THE MAP WITH THE STB, WHICH IS THE FIRST STEP OF ABANDONMENT. THEY HAVE THREE YEARS IN WHICH TO COMPLETE THIS PROCESS. THEY HAVE NOT ACTUALLY FILED AT THIS POINT.
2. WHAT EXACTLY DOES RAILTEX WANT TO DO?
THEY WANT THE SHIPPERS AND COMMUNITY TO HAVE THE OPTION OF BUYING THE RAIL LINE, OUTSIDE THE LEGALITIES INVOLVED IN THE NEXT PROCESS. A DIRECT PURCHASE FROM RAILTEX.
3. WHAT FIGURE DO YOU HAVE IN MIND FOR THE LINE?
I WILL FIND OUT AND LET YOU KNOW.
4. EXACTLY WHAT IS INVOLVED IN THE OFFERING ON THE LINE?
THE ONLY THING LEFT IS THE TRACK, TIES, GRAVEL AND LAND.
5. DO YOU HAVE ACTUAL KNOWLEDGE OF WHAT LAND IS OWNED AND WHAT IS JUST A RIGHT OF WAY? BEYOND THAT CAN YOU PROVIDE US WITH A STRIP MAP OR VALUATION MAP?
I BELIEVE THAT WE HAVE ONE, I WILL CHECK AND LET YOU KNOW.

KENT WAS AS FORTHRIGHT AS HE COULD BE AND SEEMED QUITE CONCERNED ABOUT OUR WELFARE AND THEIR LACK OF STRAIGHT UP COMMUNICATION WITH US THROUGH THIS ENTIRE PROCESS.

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004484

AT 4:30PM ON 11/5/98 I PHONED BENNY RAY ANDERSON AND POSED SOME QUESTIONS TO HIM REGARDING THESE ISSUES>

1. CAN AN OWNER OF A RAIL LINE SELL TRACK, TIES, GRAVEL AND LAND, IF THEY DO NOT POSSES FEE SIMPLE TITLE TO THE LAND?
NO, THE LAND IS NOT GENERALLY GIVEN VALUE IN A RAIL LINE PURCHASE, BECAUSE IT IS GENERALLY NOT OWNED, SIMPLY USED THROUGH A RIGHT OF WAY.
2. BENNY IS FAXING ME AN ARTICLE, STATING THAT THE STB REFUSED AN ABANDONMENT PETITION FROM A RAIL OPERATOR, BECAUSE OF SO MUCH OPPOSITION FROM THE SHIPPERS AND COMMUNITY.

I SEE THIS AS A PIVOTAL MOVE BY THE STB, I FIRMLY BELIEVE THAT THE STB WILL ACT IN OUR FAVOR, WHEN THEY SEE ALL OF THE FACTS ON THE TABLE. FOR EXAMPLE: KENT TOLD ME THAT G & N SUPPLIED STUDIES ON THE NEEDED BRIDGE WORK IN THE PURCHASE AGREEMENT. RAILTEX SAYS THAT THEY DID NOT RECEIVE THEM. I PERSONALLY CANNOT ACCEPT THIS AS SOUND REASONING FOR EMBARGOING OUR LINE, SIMPLY BECAUSE THEY DID NOT DO THEIR HOMEWORK.

3. BENNY ASKED ME TO CHECK WITH OUR COUNSEL AND ASK, IF IT WOULD HELP FOR HIM TO WRITE A LETTER TO THE STB, STATING THAT HE WOULD BUY THE LINE, OPERATE THE LINE FOR THE CARRIERS OR THE COUNTY? HE IS IN THE POSITION TO DO WHATEVER IS NEEDED BY US. FURTHERMORE, HE STATES THAT HE BELIEVES IN THE FUTURE OF THIS LINE, IF WE PUT TOGETHER A VIABLE PLAN FOR RECONSTRUCTION AND DEVELOPMENT OF THE UNUSED INDUSTRIAL SITES ON THE LINE.

BENNY WAS MOST HELPFUL AND EVEN AT ARMS LENGTH, WAS WILLING TO HELP IN ANY WAY THAT HE CAN. I BELIEVE THAT HE THINKS THAT WE SHOULD SPEARHEAD THE DRIVE, IN LIGHT OF THE FACT THAT RAILTEX WOULD TRY TO EXTRACT A MUCH HIGHER PRICE FROM AN OPERATOR OF SHORT LINES.

I STILL BELIEVE THAT RAILTEX MAY SIMPLY HAVE NOTHING TO SELL ON ANY OF THE SECTIONS. I SAY THAT BECAUSE NO ONE HAS PRODUCED ANY PROOF OF OWNERSHIP ON ANY PARCELS.

004485

11

Paper Cutters, Inc.

840 North Highway 25 By Pass
Greenville, SC 29617
(864) 834-3193 FAX (864) 834-3551

DATE: 11/13/98

TO: PAT HASKELL ROBINSON, LILLIAN BROCK FLEMMING, PAUL WICKENSIMER
COMPANY: GREENVILLE CHAMBER OF COMMERCE, CITY & COUNTY COUNCILS
FAX NUMBER: 282-8509 241-3144 467-7358
PHONE NUMBER: 239-3725 241-3158 467-7115
FROM: RANDY MATHENA
RE: THE RAILROAD DEBACLE

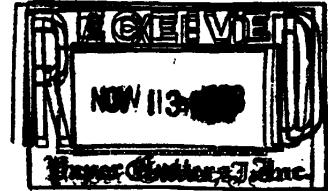
DEAR FRIENDS,

I WOULD LIKE TO SUMMARIZE MY THOUGHTS AND SUGGESTIONS, BASED UPON MANY PHONE CALLS, CONVERSATIONS AND DISCUSSIONS WITH PEOPLE OF STUDIED OPINIONS AND BACKGROUNDS. I STRONGLY SUGGEST THAT A MEETING TAKE PLACE WITH WHOMEVER YOU DEEM AS INTEGRAL PARTS OF THIS PURSUIT. AS A BEDROCK OF MY OPINION, I DO NOT BELIEVE THAT RAILTEX HAS THE RIGHT TO SELL THE RIGHT OF WAY THAT CROSSES THEIR OR ANYONE'S PROPERTY. I BELIEVE THAT WE SHOULD PETITION THE STB FOR TRANSFER OF THE RIGHT OF WAY AND OPERATING AUTHORITY TO GREENVILLE COUNTY. THIS WOULD NOT COME WITH INHERENT RESPONSIBILITY TO SPEND ONE DIME OF GOVERNMENT MONEY, SAVE THE COSTS OF ANY FILING FEES OR LITIGATION. ONCE WE HAVE ARRESTED THE LINE, WE COULD SIT DOWN AND PUT TOGETHER A LONG RANGE PLAN. IF IT IS PROPERLY ORCHESTRATED AND OFFERED AS A PROGRAM FINANCED BY PRIVATE FUNDS, I STRONGLY BELIEVE THAT IT WOULD BE A SUCCESS. TO SUPPORT MY BELIEF, I OFFER THE FOLLOWING FACTS, AS I BELIEVE THEM TO BE:

1. RAILTEX BOUGHT THIS PUBLIC SERVICE COMPANY WITH THE PROMISE THAT THEY WOULD SERVE THEIR CUSTOMERS. THEY HAVE NOW SOLD ALL OF THE ORIGINAL ASSETS AND BREACHED THEIR PROMISE AND IMPLIED CONTRACT WITH US. THIS LINE IS NOT A GOING CONCERN AND THERE IS OBVIOUSLY NO GOOD WILL. NOW THEY WANT TO BILK US. NOT.
2. I AM TOLD THAT THE RIGHT OF WAY IS NOT ASSIGNED VALUE IN THE PURCHASE OF A SHORT LINE. PER BENNY RAY ANDERSON
3. THE RIGHT OF WAY REMAINS IN EFFECT OVER "ALL" LAND, UNTIL THE STB AUTHORIZES ABANDONMENT. PER MY NOTES FROM THE STB

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004487



4. THE STB RECENTLY SET A PRECEDENT BY REFUSING THE ABANDONMENT OF A SHORT LINE IN TEXAS BY THE SOUTH ORIENT RAILROAD COMPANY BECAUSE OF CONSIDERABLE PUBLIC OPPOSITION. THEY SIMPLY ALLOWED DISCONTINUANCE OF SERVICE. A TRANSCRIPT OF THIS DECISION WAS MAILED TO US TODAY. I BELIEVE THAT THEY MAY HAVE SIMPLY TRANSFERRED THE RIGHT OF WAY AND OPERATING AUTHORITY TO THE COMMUNITY. PER A RECENT ARTICLE IN THE ASLRRA NEWSLETTER
5. WE CAN PETITION THE STB TO FORCE RAILTEX TO EITHER RESUME SERVICE OR FILE FOR ABANDONMENT, AFTER WHICH THE STB MIGHT DENY THEIR REQUEST AND TRANSFER AUTHORITY TO US, BASED UPON OUR OFFERING OF "ALL" OF THE PERTINENT FACTS. PER MY DISCUSSION WITH MEL CLEMMONS

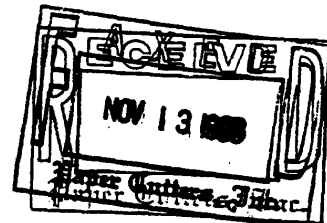
DR. BOB JONES SR. AND MY PARENTS TAUGHT ME A SERIES OF VALUABLE POLICIES WHILE I WAS GROWING UP AT BOB JONES UNIVERSITY AS FOLLOWS:

1. PRACTICE DUE DILIGENCE
2. "THE GREATEST ABILITY IS DEPENDABILITY"
3. "FINISH THE JOB"

RAILTEX HAS NOT PRACTICED ANY OF THESE DOCTRINES OF SOUND BUSINESS PRACTICE. QUITE HONESTLY I FIND THEIR ACTION OR INACTION DISGUSTING AND VERY UNPROFESSIONAL. A BETTER DESCRIPTION MIGHT BE UNETHICAL. IF THEY ARE NOT RESPONSIBLE ENOUGH TO FINISH THE JOB, THEY SHOULD GET OUT AND LET US DO IT OURSELVES. THEY DO NOT DESERVE ONE RED CENT FOR THIS RIGHT OF WAY, AND I FEEL VERY CONFIDENT THAT THE STB WOULD CONCUR WITH THIS EVALUATION. AS DONNA JARRELL OF WESTVACO SO EFFECTIVELY EXPLAINS, "DATA IS WHAT COUNTS". WE NEED TO COME TOGETHER AS A GROUP, GATHER THE FACTS, DEVELOP OUR POSITION AND FORCE THE ISSUE WITH VERACITY. I WILL BE HAPPY TO ACCOMPANY YOU OR GO BY MYSELF TO THE STB, TO TAKE MEL CLEMMONS UP ON HIS OFFER OF UNBIASED COUNSEL. I, LIKE PAT HASKELL ROBINSON, WILL DIE BEFORE I GIVE UP ON THIS VERY IMPORTANT VENTURE. THIS ENTIRE RAIL LINE BELONGS TO THE PEOPLE OF GREENVILLE, SOUTH CAROLINA.

WITH KINDEST REGARDS,

Randy Mathena
RANDY MATHENA



004488



12

Paper Cutters, Inc.

840 North Highway 25 By Pass
Greenville, SC 29617

(864) 834-3193 FAX (864) 834-3551

DATE: 11/20/98

TO: PAT HASKELL ROBINSON AND BRANDY BIRCKBICHLER

COMPANY: CHAMBER OF COMMERCE

FAX NUMBER:

PHONE NUMBER:

FROM: RANDY MATHENA

RE: NOTES FROM OUR MEETING OF 11/19/98

DEAR PAT AND BRANDY,

I FELT LIKE YESTERDAY'S MEETING WAS MOST PRODUCTIVE. I NOW KNOW PETER, RAY AND WALTER AND THEY SEEM TO BE VERY INTERESTED AND CAPABLE PLAYERS. IT DAWNED ON ME LAST NIGHT THAT THE CITY HAS AN INTEREST IN SECURING THE OWNERSHIP OF THE PROPERTY AND NOT JUST THE RIGHT OF WAY. PERSONALLY I SEE THE OWNERSHIP OF PROPERTY AND THE RIGHT OF WAY AS TWO DISTINCTLY DIFFERENT ISSUES. I CERTAINLY CONCUR THAT IT SHOULD NOT BE OUR GOAL TO TRY AND GET SOMEONE'S PROPERTY FOR NOTHING, HOWEVER THE RIGHT OF WAY IS THE LICENSED USE OF A PUBLIC DOMAIN. WITH THE POOR CONDITION OF THE RAIL, TIES, GRAVEL AND BRIDGES AND THE PROJECTED COSTS OF NECESSARY REPAIR, I FEEL THAT THE COUNTY SHOULD NOT HAVE TO PAY FOR A RIGHT OF WAY, THAT A PROFESSIONAL RAIL LINE DOES NOT SEE FIT FOR USE OR FURTHER INVESTMENT. THIS RAIL LINE IS GOING TO REQUIRE A COMPLETE REBUILD IN BOTH THE PHYSICAL AND BUSINESS SENSE. OPERATING RIGHTS ARE GRANTED BY THE STB, AND SHOULD NOT BE FOR SALE, IN MY HUMBLE OPINION. I REALLY DON'T MEAN TO SOUND HOSTILE OR PREDATORY.

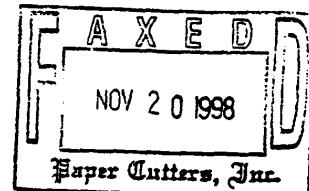
PER MY UNDERSTANDING FROM THE MEETING, YOU WOULD LIKE FOR ME TO:

1. RESEARCH THE PROPERTY OWNERS AND ASSES THE MOVE TO PROTEST THE LINE.
2. SECURE A COPY OF THE BID PACKAGE AND PRICE PAID FOR THE LINE BY RAILTEX, WHICH I BELIEVE TO BE PUBLIC KNOWLEDGE.
3. I THINK IT WOULD BE PRUDENT TO KNOW THE TAX VALUE OF THE THREE LINES, AND I ALSO BELIEVE THIS TO BE PUBLIC KNOWLEDGE.

THANKS FOR YOUR CONTINUED SUPPORT ON THIS PROJECT.

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003107



13

1 County Economic Development Council, LLC and
2 Greenville County Council. Do you know if you ever
3 saw that document?

4 A. I can't recall specifically if I have. I just --

5 Q. You don't remember?

6 A. -- don't remember.

7 Q. Okay. When did you first become aware of Mr.
8 Groome's complaint or demand for rail service to his
9 facility?

10 A. Probably since the inception of us putting together
11 I guess the proposal with Greenville County, I mean,
12 to not have the line abandoned and working together
13 to preserve it and not --

14 Q. And what year are we talking about?

15 A. I would say probably 1998.

16 Q. Prior to the County's actual purchase?

17 A. Yes.

18 Q. How about after you became a board member in June of
19 1999, did you meet with Mr. Groome prior to the
20 filing of this lawsuit about the rail service?

21 A. I believe Mr. Groome -- and, again, without looking
22 at minutes, may have attended a board meeting to
23 have some discussions with us. I believe there was
24 also -- and he called me, I think, one time to
25 express I think concerns about -- about the line.

14

* Read this packet

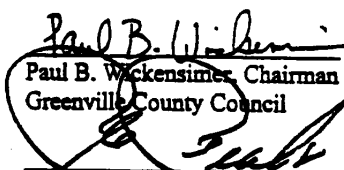
Resolution

Whereas, the abandonment of three segments of short line railroads in Greenville County, owned by Railtex of San Antonio, Texas, is pending before the U. S. Surface Transportation Board; and

Whereas, the loss of these rail facilities and their adjoining rights-of-ways would significantly impact current industry along these lines, as well as Greenville County's need to plan for alternative modes of transportation in our growing communities;

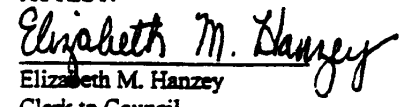
Now, Therefore, Be It Resolved, that Greenville County Council agrees that a need exists to preserve these rail line corridors, and will participate in establishing a comprehensive plan for rail preservation in conjunction with municipalities and businesses along these routes, as well as the South Carolina Department of Transportation.

DONE IN REGULAR MEETING THIS 29TH DAY OF SEPTEMBER, 1998.


Paul B. Wickensimer, Chairman
Greenville County Council


Gerald Seals
County Administrator

ATTEST:


Elizabeth M. Hanzey
Clerk to Council

001316

15



County of Greenville

"... At Your Service"

County Council
Phone: (864) 467-7116

FILE IN DOCKET

October 20, 1998

Ms. Linda Morgan
Surface Transportation Board
1925 K Street NW
Washington, DC 20423

Dear Ms. Morgan:

Greenville County Council recognizes that South Carolina is rapidly growing and that this rapid growth brings about considerable traffic problems on roads and highways. Therefore, Greenville County Council feels the need to state its position regarding the abandonment of rail lines in the County of Greenville.

Greenville County Council is hereby officially protesting the abandonment of railways in the County of Greenville. More specifically on the abandonment of railroad lines owned by Railtex of San Antonio, Texas which is pending before the U.S. Surface Transportation Board. The loss of these rail facilities and their adjoining rights-of-ways would significantly impact current industry along these lines, as well as the County's need to plan for alternative modes of transportation in our growing communities. Therefore, this protest seeks to preserve these rail lines for future use that would help to alleviate traffic problems and improve the quality of air and life in Upstate South Carolina.

Through this letter, our constituents are voicing their concerns also. Everyday, between 60,000 and 80,000 vehicles travel I-85 between Greenville and Spartanburg Counties in Upstate South Carolina. Greenville County, in conjunction with municipalities and businesses along these rail facilities and the South Carolina Department of Transportation, agree that a need exists to preserve these rail line corridors. These public and private entities will participate in establishing a long term comprehensive mass transportation plan for commuting in the area. This plan includes a feasibility study that will investigate the possibility of integrating automobiles, air service, commuter rail and local mass transit systems. Thus, County Council hopes that you reconsider any application to abandon railways in the County of Greenville.

RECEIVED
SURFACE TRANSPORTATION
BOARD
OCT 26 5 57 PM '98
CHANDLER MORGAN

001317

Linda Morgan
Surface Transportation Board
October 20, 1998
Page 2

We hope that you will understand our constituents concerns and County Council's position. We greatly appreciate your help and understanding on this matter. If you have any questions please do not hesitate to contact the County Council Office at the telephone number shown above.

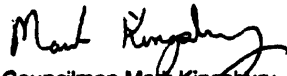
Sincerely yours,



Councilman Rick Blackwell
District 17



Councilman Stephen Selby
District 18



Councilman Mark Kingsbury
District 19



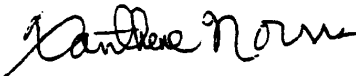
Councilman Scott Case
Vice-Chairman, District 20



Councilman Dana Sullivan
District 21



Councilman Paul Wickensimer
Chairman, District 22



Councilwoman Xanthe Norris
District 23



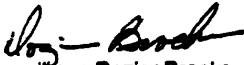
Councilman Wade Cleveland
District 24



Councilwoman Lottie Gibson
District 25



Councilman "Bunk" Johnson
District 26

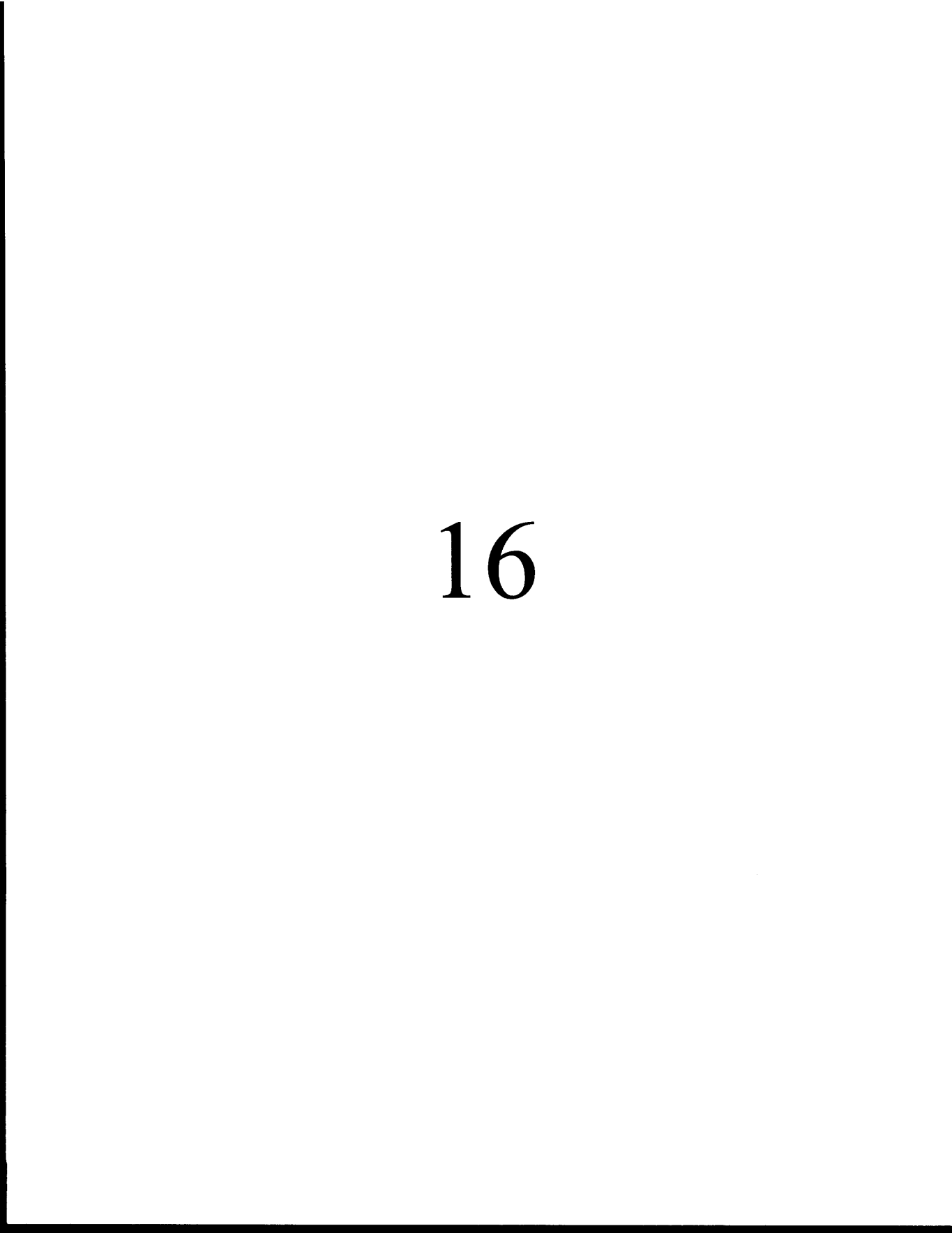


Councilman Dozier Brooks
District 27



Councilman Bob Cook
District 28

001318



16



In Reply Refer To:

WF 11414

WF 11415

January 29, 1999

Mr. Dozier Brooks
Chairman
Greenville County Council
301 University Ridge, Suite 100
Greenville, SC 29601

Dear Mr. Brooks:

It was a pleasure meeting with you last week to discuss the status of two railroad corridor segments owned by South Carolina Central Railroad Company, Inc. located in the Greenville vicinity. These two segments are identified as follows:

1. 3.29 miles located between North Pleasantburg Road and a point just north of the General Electric lead track in southeastern Greenville, and
2. The former Greenville & Northern Railroad running generally between downtown Greenville, along the Reedy River, and northward to Travelers Rest.

As we discussed, the entire 3.29 miles in southeastern Greenville and the southern-most 2 miles of the GNN corridor are the subject of formal, ongoing abandonment procedures. In addition, the former GNN corridor running generally between Cedar Lane and Travelers Rest was recently embargoed due to the physical condition of bridges along this line. In an effort to reach an agreement with affected shippers along this embargoed line, or any other interested party, we have delayed the process of abandoning this segment temporarily.

Since it has appeared to us that the most logical purchasers of these segments would be a consortium consisting of the County, State, City and shipper groups, we have attempted to engage in constructive dialogue with each of these parties and coordinate funding efforts to facilitate a sale transaction. Given your interest in this project, we will now look to the County to take an active role in coordinating the actions of all interested parties.

To confirm our discussion of last week, please be advised that we are willing to recommend to our Management the sale of all of South Carolina Central Railroad's assets between downtown Greenville and Travelers Rest (former G&N) for a net cash consideration of \$750,000. These assets would include all land, track and other track materials currently in place along the right-of-way. In addition, the purchaser would assume all railroad common carrier shipping obligations, along with the estimated \$300,000 of expenditures to repair the G&N bridges.

FROM : ROBINSON COMPANY

MAR. 10. 1999 5:15PM P 5
PHONE NO. : 864 233 6277

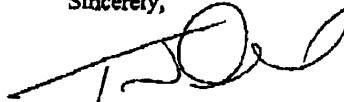
Mr. Dozier Brooks
January 29, 1999
Page 2

In a separate deal, or as part of a package with the G&N property, we are willing to recommend the sale of the entire 3.29 mile long segment in southeastern Greenville for a net cash consideration of no less than \$2,000,000. Again, the purchaser would assume all railroad common carrier obligations.

The above recommendations are contingent upon sale transactions closing by no later than April 30, 1999. This is a very tight time frame when considering the fact that Surface Transportation Board approval would be necessary for such a transaction.

I will be available for any further discussions and/or meetings in Greenville which might be deemed necessary to facilitate the completion of these transactions. If you have any further questions, you may contact me directly at (210) 841-7657.

Sincerely,

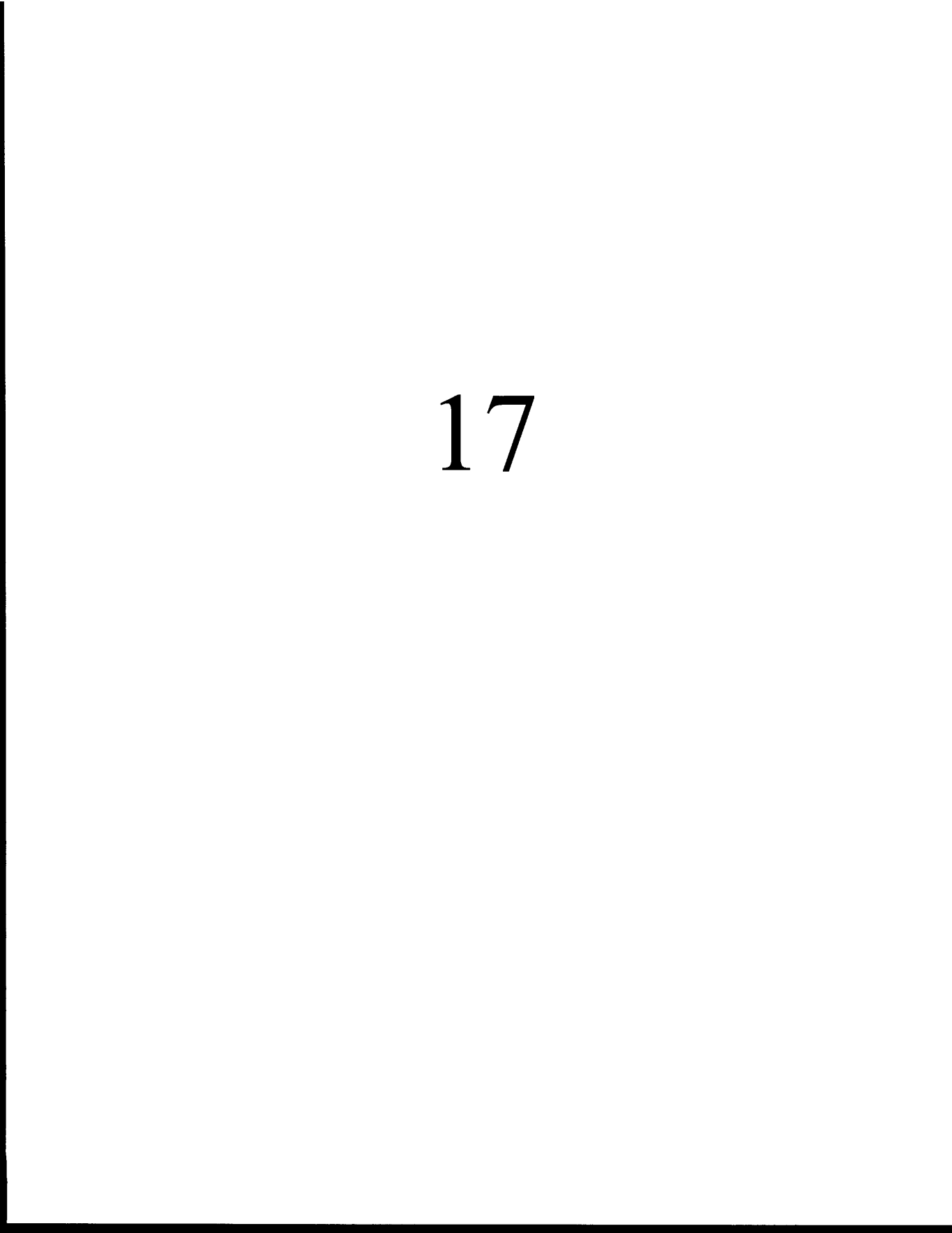


Todd N. Cecil
Director - Real Estate

TNC/dn
Enclosure

PS: At your request, I am enclosing herewith a copy of the deed by which South Carolina Central Railroad Company, Inc. obtained the former G&N Railroad property from the Pennsely group.

cc: Mr. Kent Reaves - SCCR
Senator Mike Fair
Mr. Greg Petersen
Ms. Pat Haskell-Robinson - GCOC
Ms. R. Brandy Birckbichler - GCOC
Mr. Jim Davis
Mr. Karl Morell
Mr. William McIlwain - SCDOT



17



In Reply Refer To:
WF 11414

January 29, 1999

Mr. Randy Mathena
Paper Cutter's Inc.
840 North Highway 25 By-Pass
Greenville, SC 29609

Mr. Alen Groome
Groome & Assoc., Inc.
P. O. Box 729
Travelers Rest, SC 29609

Mr. John Byl
Air Products, Inc.
Chemical Division
1004 Greer Hwy
Travelers Rest, SC 29690

Mr. James Knight
Industrial Metal Processing
P. O. Box 578
Lyman, SC 29365

Mr. Ron Kilbough
Scotts Company
P. O. Box 967
Travelers Rest, SC 29690

Re: South Carolina Central Railroad Corridor - Greenville to Travelers Rest, SC

The purpose of this letter is to inform all rail shippers located along the currently-embargoed SCCR rail corridor (located roughly between Cedar Lane and Travelers Rest) of the results of a meeting held January 21, 1999 at the offices of Paper Cutter's Inc. in Greenville.

At this meeting, Mr. Kent Reaves of the South Carolina Central Railroad and I indicated our willingness to recommend the sale of all of the railroad corridor assets between downtown Greenville and Travelers Rest for a net cash consideration of \$750,000. In addition, the purchaser of this property would assume common carrier responsibility for rail operations, meaning that, in effect, it would become the operator of the rail business along this corridor.

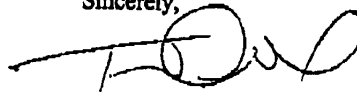
Attached is a copy of the deed by which South Carolina Central Railroad, Inc. obtained these assets from the Greenville & Northern Railroad a few years ago. It is these assets that would be made available for the above purchase price, less and excepting any property rights already conveyed by SCCR since the time of its acquisition.

The SCCR has delayed its abandonment of the embargoed section of the former G&N in the hope that a sale transaction could be negotiated which would maintain rail operations along this corridor. We are hopeful that the above proposal will meet with the approval of either the shippers, the County, State, City, or a consortium made up of any combination of these parties.

January 29, 1999
Page 2

We look forward to your response to this proposal, as well as to any other questions you may have regarding how such a transaction might be structured.

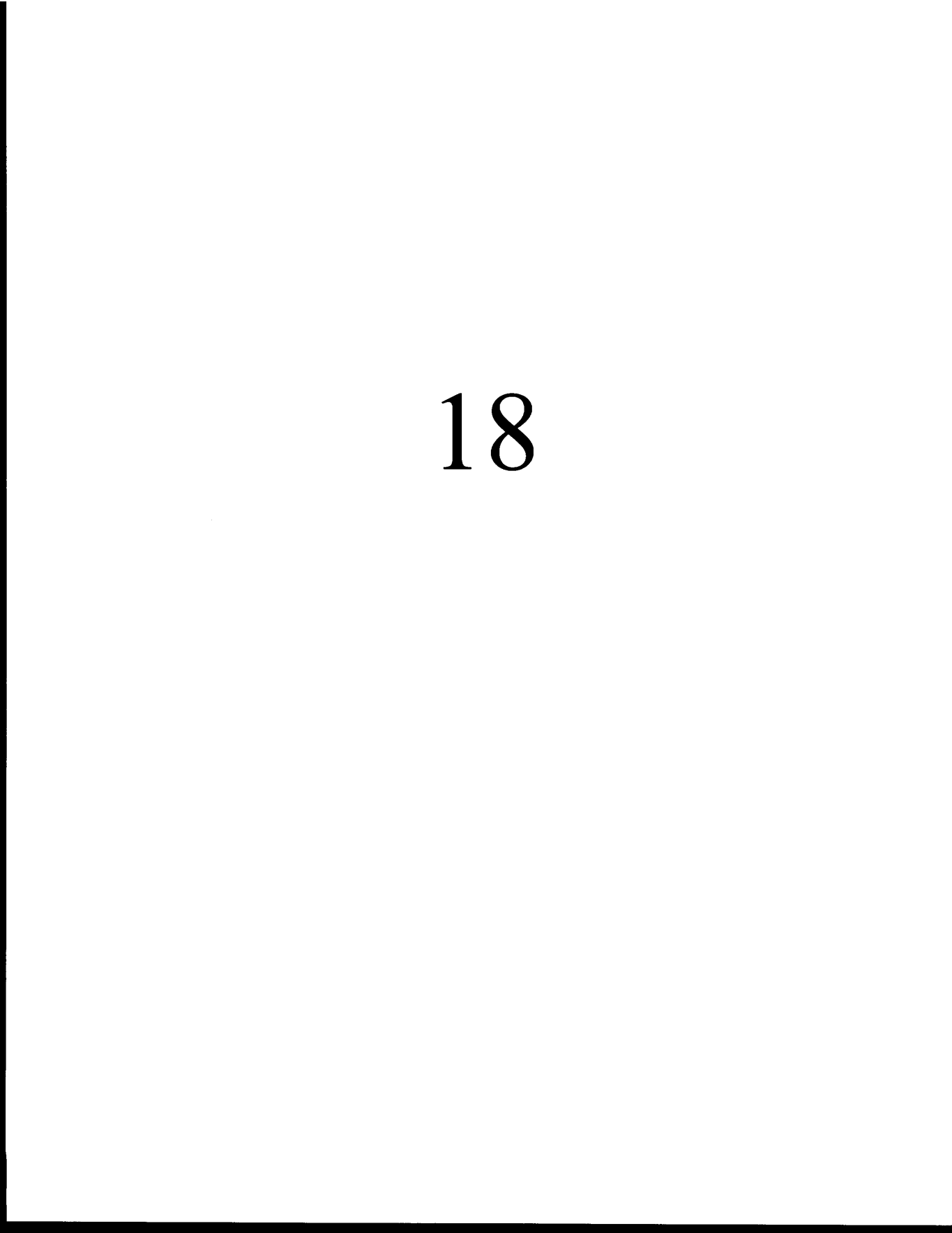
Sincerely,



Todd N. Cecil
Director - Real Estate

TNC/dn
Enclosure

cc: Senator Mike Fair
Mr. Greg Petersen
Mr. Dozier Brooks
Ms. Pat Haskell-Robinson - GCOC
Ms. R. Brandy Birckbichler - GCOC
Mr. Jim Davis
Mr. Karl Morell
Mr. William McIlwain - SCDOT
Mr. Kent Reaves - SCCR



18

FOI Act

**Haynsworth, Marion,
McKay, & Guérard
L.L.P.**

Memo

Re: Now the County Attorney's Report

To: Jay Tothacer, members of the County Council Committee on Finance
From: Rob Svets
CC: Kathy McKhrie
Date: March 1, 1999
Re: Abandonment of Rail Corridor from Downtown to Cedar Lane Road

INTRODUCTION

* This memorandum shall briefly discuss the issues facing the County with respect to the abandonment of a portion of the former Greenville and Northern Railroad running along the Reedy River from downtown Greenville to Cedar Lane Road (the "Northern Segment").¹ The Northern Segment is a two-mile stretch of the much larger South Carolina Central Railroad corridor running approximately 40 miles from Travelers Rest in the north to Laurens southeast of the County. The line is not, however, continuous. A gap of several miles located through downtown Greenville separates the northern and southern portions of the line (the northern portion of the line running from downtown Greenville to Travelers Rest shall hereinafter be called, the "Northern Line", and the southern portion running from a location just south of downtown Greenville and extending to Laurens shall hereinafter be called the "Southern Line"; and together the Northern Line and the Southern Line shall hereinafter be called the "Line"). A map detailing the exact location of the Line is attached for your convenience.

In December 1997, The South Carolina Central Railroad Company, Inc., d/b/a Carolina Piedmont Division ("CPD") began abandonment proceedings with the U.S. Surface Transportation Board ("STB") for the Northern Segment and a 3.29 mile segment located between North Pleasantburg Road and a point just north of the General Electric track in southeastern Greenville (the "Southern Segment").² On April 1, 1998, the STB granted the abandonment of these two segments; however prolonged negotiations to convert the Northern Segment into a federally-protected recreation trail have

¹ In April 1997, this portion of the old Greenville and Northern Railroad was purchased by the South Carolina Central Railroad Company, Inc. ("SCCR"). Negotiations for the sale of the line have been conducted with Railtex, a Texas Corporation. Railtex's affiliation with SCCR is not clear at this point.

² See the map attached hereto for the exact location of the Southern Segment. To the extent that the 3.29 mile portion of the rail corridor does not currently appear to be under consideration for immediate purchase or development by any party in such a manner that could destroy its future use as a rail line, this segment will not be discussed in detail in this memo.

Haynsworth, Marion, McKay, & Guérard L.L.P.

P.O. Box 2048 Greenville, SC 29602 (864) 240-3200 Fax: (864) 240-3300

extended the effective date of the abandonment until April 30, 1999. If these negotiations should fail to result in the preservation of the Northern Segment for trail use, this rail corridor, currently under the control of Railtex (unless specifically stated otherwise, the South Carolina Central Railroad Company, Inc., the Carolina Piedmont Division and Railtex shall hereinafter be referred to as "Railtex"), could be developed or used in such a manner so as to forever preclude its use as a rail transportation line. To the extent that the County is interested in preserving the corridor constituting the Line for use as a commercial rail line, a light rail system, or both, then serious consideration should be paid to the pending abandonment of the Northern Segment. This memo will describe the status of the Northern Segment, the interest from various parties in its future and some alternative courses of action available to the County.

RailTex had 1 yr. embargo to repair line

ADMINISTRATIVE PROCEEDINGS THROUGH THE STB AND RAILS TO TRAILS CONSERVANCY

On December 12, 1997, Railtex filed with the STB a petition for the abandonment of the Northern Segment and the Southern Segment.⁴ According to Railtex, there were no rail shippers located on the Northern Segment and no train had operated on the line since 1993.⁵ Further, the extremely poor condition of the Northern Segment required significant repairs in order to restore rail service.⁶ By decision served April 1, 1998, the STB approved Railtex's petition for abandonment of both segments. No protests or comments in opposition to the abandonment were received from any party in the time allotted for such actions. Offers of financial assistance to allow rail service to be continued were due by April 10, 1998. No offers were received by the STB. Although some concerns were raised that Railtex may have conducted the abandonment proceedings in bad faith by failing to notify potential shippers located on the Northern Line above the Northern Segment, this firm's research and correspondence with STB counsel have indicated that Railtex's behavior most likely followed the federal guidelines described in 49 U.S.C. 10903 et seq. On October 8, 1998, Railtex notified the STB of its intent to file for the abandonment of the remaining 9.8 mile portion of the Northern Line. To date, no formal petition for that portion has been submitted.

The abandonment was scheduled to become effective on May 1, 1998, but on April 21, 1998, the Rails to Trails Conservancy ("RTC") filed a request for the issuance of a notice of interim trail use under the National Trails System Act (the "Trails Act"). By decision served May 20, 1998, the STB imposed a trail use condition on the abandonment allowing the RTC and Railtex 90 days to negotiate a trail use agreement. Subsequently, by decision served August 4, 1998, the STB extended the time for negotiations to October 31, 1998. Negotiations continued and a local supporter of the Trails Act, Brad Wyche, became involved with the project. In October 1998, the STB, citing its position against extension periods exceeding 90 days except for good cause shown, granted a third extension for negotiations until April 30, 1999. If the RTC and Railtex are able to reach a trail use agreement, the Northern Segment will

³ As mentioned in footnote one, Railtex is negotiating the sale of the Northern Line and the Southern Segment. A title search would be required to determine whether Railtex maintains any direct ownership interest in the Northern or Southern Lines. The Greenville City Attorney's office undertook to accomplish this task some time ago, but the status of that body's progress is uncertain.

⁴ The effect of abandonment, with no reservation of a public use condition, would allow the owner of the rail line complete discretion as to the disposition of the property. The possibility would then arise that the rail corridor could be developed in such a manner as to preclude its future use as a rail line.

⁵ While no shippers are currently located on the Northern Segment, one company, Paper Cutters, Inc., owns property along the Northern Segment and has expressed an interest in developing its property and shipping on the line, if restored. In fact, Paper Cutters, Inc. currently operates along the approximately 9.8 mile portion of the Northern Line above the Northern Segment and claims an existing need for rail service at that location.

⁶ Repairs to the Northern Segment and the entire Northern Line will be expensive. For example, in a letter to Mr. Dozier Brooks dated January 29, 1999, Railtex's Real Estate Director, Todd Cecil, estimated \$300,000 of expenditures to repair only the bridges along entire Northern Line.

be rail banked under the Trails Act, which will preserve the right-of-way for the possible future resumption of rail service. In the meantime, the right-of-way may be converted into a recreational trail.

RAILTEX PROPOSALS TO INTERESTED PARTIES

The City of Greenville, the Greenville Chamber of Commerce, the South Carolina Department of Transportation and several of the companies currently located on the Northern Line above the Northern Segment have all expressed interest in the disposition of the Northern Line⁷. In a recent letter addressed to Mr. Dozier Brooks dated January 29, 1999, Railtex offered to sell the Northern Line for \$750,000. A recent appraisal of only the Northern Segment valued that two-mile strip at \$224,000.⁸ Mr. Wyche has informed me that Railtex will sell the Northern Segment for this appraised price. Randy Mathena, president of Paper Cutter's, Inc., has recently indicated the willingness of the companies located above the Northern Segment to negotiate financing for the upper 9.8 mile portion of the Northern Line. Mr. Mathena expressed his belief that these companies could arrange for the purchase, repair and operation of the 9.8 mile portion of the Northern Line without the County's assistance. Additionally, Mr. Mathena and the owners of the other companies along the Northern Line appear willing to cooperate with any and all efforts designed to bring light rail service, commercial shipping and/or trail use to the Northern Line.

In a separate deal, or as part of a package with the Northern Line, Railtex has also proposed the sale of the 3.29 mile Southern Segment for no less than \$2,000,000. The inflated price for the Southern Segment, while not fully investigated, is most likely due to its superior condition as compared to the Northern Segment and the potential for generating substantial revenues through heavy commercial traffic on the line. There does not appear to be any current interest in the acquisition or development of this Southern Segment by any outside parties, however, it must be noted that Railtex will be free to develop or dispose of this property as it chooses after April 30, 1999.

ISSUES SURROUNDING THE RAILS TO TRAILS CONSERVANCY (RTC)

As previously mentioned, the pending abandonment of the Northern Segment has been delayed in order to allow for the possible implementation of interim trail use/rail banking through the Trails Act. Railtex has apparently stipulated that it will agree to continue negotiations with the RTC so long as a buyer for the Northern Segment is found. Therefore, Brad Wyche, president of Upstate Forever and Chairman of the Board of Directors of the Department of Health and Environmental Control, has been soliciting groups of private investors (the "Investors") to purchase the Northern Segment and operate it under the Trails Act. In the event that the County is unable or unwilling to purchase the Northern Segment, it is quite possible that Mr. Wyche, through the investors will purchase the property for trail use.

If the investors successfully purchase the Northern Segment, it is far from certain that the Trails Act would provide a simple mechanism for the County to reclaim the rail corridor and reestablish rail service at a later date. Under the Trails Act, the owner of the rail corridor generally controls the right to restore rail service. In this situation, the investors would hold title to the Northern Segment and could, perhaps, grow to oppose the restoration of rail service through the Northern Segment. Several conversations with employees at the RTC have confirmed the possibility that such a situation could arise and recommended that the County take ownership of the rail corridor as a means of preventing the problem. The inability or unwillingness to take control of the line today could cause the County enormous

⁷ The companies located along the Northern Line above the Northern Segment include: Paper Cutter's, Inc., Air Products, Inc., Scotts Company, Groome & Assoc., Inc., and Industrial Metal Processing.

⁸ This appraisal dated July 20, 1998 was prepared for the City of Greenville by the Robinson Company.

expense and difficulty in the event that restoration of rail service through the Northern Segment is desired in the future.

Another potential issue surrounding the use of the Northern Segment as a recreational trail has been voiced by Pat Haskell-Robinson, the Greenville Chamber Transportation Committee chair. Ms. Haskell-Robinson fears the public outcry that could arise when a public body attempts to reclaim popular recreational lands for conversion into non-recreational uses. If the Northern Segment gains community-wide recognition and popularity as a recreational trail, then any attempt to convert the property back to a rail line would suffer defeat at the hands of the community. Allowing the Northern Segment to be used as a recreational trail could potentially be tantamount to giving it away, and once lost, such a right-of-way could only be had at an extraordinary cost.

COUNTY ALTERNATIVES

At this point, there are at least three (3) distinct alternatives available to the County. These alternatives can be summarized as follows:

(1) The County can take no action in this matter and risk either, (a) the permanent loss of the Northern Segment and perhaps the Northern Line as a potential location for rail service running through the County from Travelers Rest to Laurens, or (b) incurring the extraordinary expense and difficulty involved in reacquiring the Northern Segment from a private party at a later date.

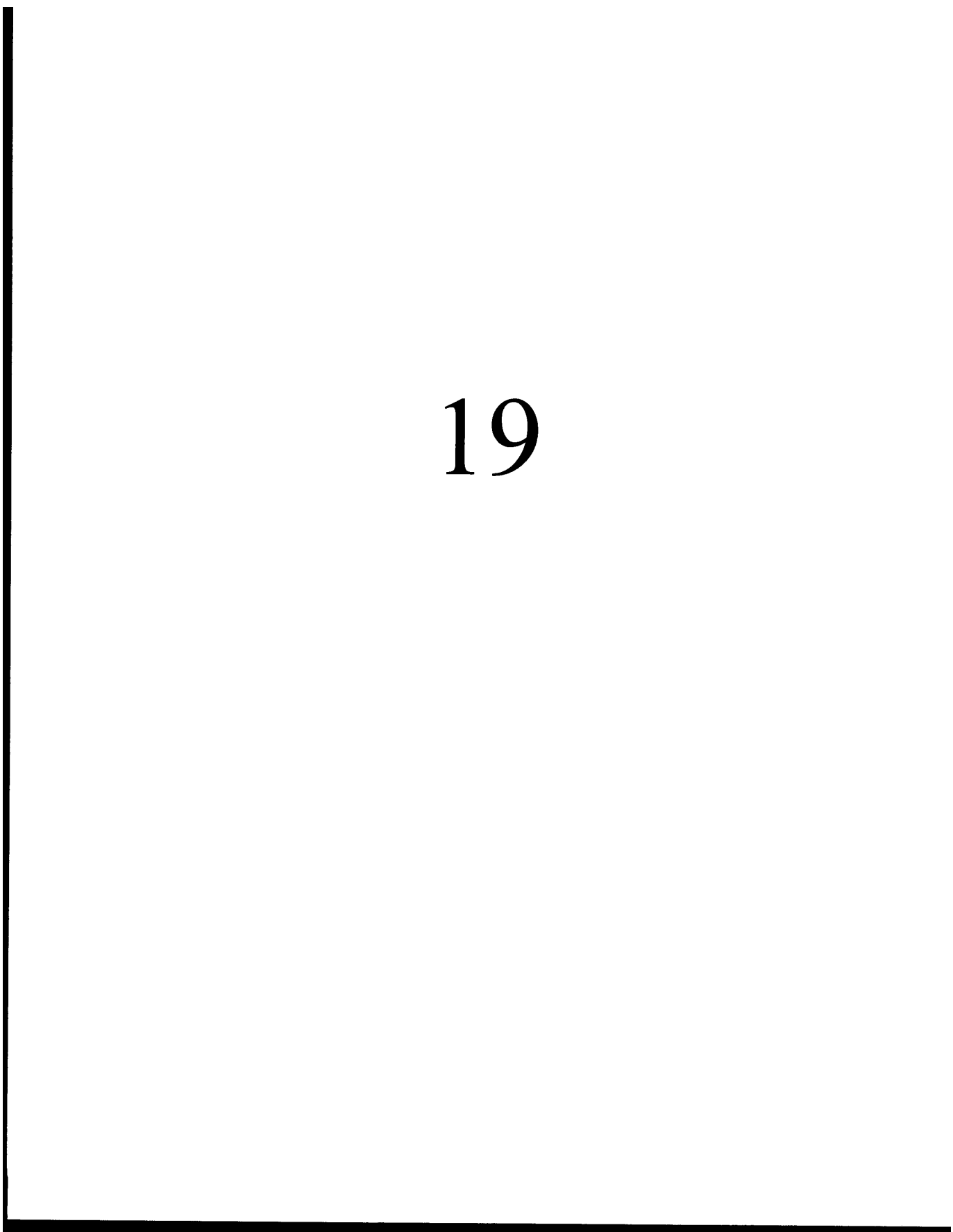
(2) The County could purchase the Northern Segment from Railtex for \$224,000 and place the corridor in the trail use/rail banking system under the Trails Act until such time as it decides to restore rail service to the area. If the County pursues this alternative, it would be responsible for the management of the Northern Segment under the Trails Act. Perhaps suitable management for the recreational area could be obtained through the assistance of Brad Wyche and Upstate Forever. If the County is unwilling to fund either the purchase or the management of the Northern Segment, perhaps other sources of funds could be obtained through the various parties interested in this endeavor. Time constraints related to this particular two-mile stretch of the Northern Line could prevent any such solicitation of funds; however, at such time as Railtex decides to abandon further portions of the Line, attempts to obtain funding from alternative sources could be pursued; and

(3) The County could attempt to purchase the Northern Segment from Railtex for \$224,000 without entering a trail use agreement with the RTC. In this way, control over the rail corridor could be maintained and the obligations surrounding the operation of the Northern Segment as a recreational trail could be avoided. The risk, however, exists that the failure of the County to act quickly and decisively could allow Brad Wyche and the Investors to consummate the purchase of the rail corridor. This private ownership group could create problems similar to those described in item (1) above.

If the County desires to pursue alternatives (2) or (3) described above, then County Council must begin to act as soon as possible. Suitable Appropriation and Acquisition ordinances must be drafted and approved for the purchase of the Northern Segment. These ordinances would require three readings and a public hearing. Title work to the property must be completed before consummation of any real estate transaction between the County and Railtex. If the County should agree to operate the property under the Trails Act, a trail use agreement in form acceptable to both the STB and RTC must also be negotiated. If work begins during the first week of March, the entire process could be completed before April 30th. However, recent conversations with both STB and RTC officials have indicated their willingness to grant one final extension beyond the current April 30th deadline in order to finalize a trail use agreement. Prior to granting such an extension, County Council would be required to provide a signed

statement indicating its willingness and present intent to negotiate in good faith with Railtex for the acquisition and management of a rail corridor for recreational trail use until such time as restoration of rail service is desired.

#61330v1



19

FROM : ROBINSON COMPANY
FAX-17-81 18.23 FROM RAILTEX

MAR. 10. 1999 5:13PM P 1
F. E. NO. : 864 233 6277

ID: 2108418207

PAGE 1/6



RAILTEX

4040 Broadway, Suite 200
San Antonio, Texas 78209
Phone: (210) 841-7800

FACSIMILE TRANSMISSION COVER SHEET

RETURN FAX TO (210) 841-8207

PLEASE DELIVER THE FOLLOWING PAGES TO:

NAME: Pat-Haskell Robinson

FAX NUMBER: 864 235-9074

FROM: Todd Cecil

DATE: 2/17/99 NUMBER OF PAGES: 5
(NOT INCLUDING THIS COVER)

COMMENTS: _____

OPERATOR: Pat SENDER PHONE NUMBER: (210) 841 - 7657

This Transmission is intended only for the addressee. It may contain privileged or confidential information. Any unauthorized disclosure is strictly prohibited. If you have received this transmission in error, please notify us immediately so that we may correct our transmission. Thank You.

APPLICATION FOR STATE FUNDED RAIL DOLLARS

The intent of this application is to request \$500,000 from the South Carolina Department of Transportation 100 Percent State Funded Rail Dollars allotment approved by the Commission in December 1998, for the purpose of railbanking rights-of-way in Greenville County for future use. Funds awarded will be used in conjunction with local funds and may be used for environmental studies in addition to rights-of-way purchase.

DATA

Rail rights-of-way to be purchased are located in Greenville County and can be identified by the following milepost markers:

- Section 1 — A segment of the South Carolina Central Railroad between mileposts AJK 585.34 and AJK 588.63 to the east of the City of Greenville from Highway 291 to the City of Mauldin at the General Electric Plant rail spur. (Approximately 3.29 miles)
- Section 2 — A segment of the Greenville and Northern Railroad between mileposts 0.0 and 2.0 in the City of Greenville, extending northward to Highway 183/Cedar Lane Road. (2 miles)
- Section 3 — A segment of the Greenville and Northern Railroad between mileposts 2.0 to 11.0 from Highway 183/Cedar Lane Road north through city of Travelers Rest. (9 miles)

Abandonment proceedings were begun in April 1998 on Sections 1 and 2. The negotiation period on these lines will expire April 30, 1999. Section 3 is a continuance of Section 2 and has been included as a package offered by the present owner. Abandonment proceedings have not begun on Section 3.

The County of Greenville, South Carolina, by its governing Council, will be the responsible party for this purchase and may be contacted by using the following information:

Greenville County Council
Attn: Dozier Brooks, Chairman
301 University Ridge, Suite 100
Greenville, SC 29601
phone, 864.467.7116
fax, 864.467.7358

APPLICATION FOR STATE FUNDED RAIL DOLLARS**February 26, 1999****Page 2****WORK DESCRIPTION**

The need for action regarding multi-modal transportation planning is becoming more evident as roads and highways across the state become increasingly overburdened by rising numbers of vehicles. There is a situation in Greenville County that, if ignored, will only add to this congestion. Greenville once had a functioning rail system on a line that began near the town of Slater-Marietta to the north and continued south through the current municipalities of Travelers Rest, Greenville, Mauldin, Simpsonville and Fountain Inn and on to Laurens, Newberry and Columbia. These lines are currently known as the Greenville and Northern and the Piedmont Northern/South Carolina Central, respectively.

Over the years portions of this line have been purchased and, in some cases, abandoned. This is a situation that unfortunately has occurred in Greenville County twice in the past. Those two portions of rail lines are located north of Travelers Rest to Slater-Marietta and from The Peace Center/Linky Stone Park to Highway 291 through the City of Greenville. They were abandoned and subsequently broken down and sold in pieces.

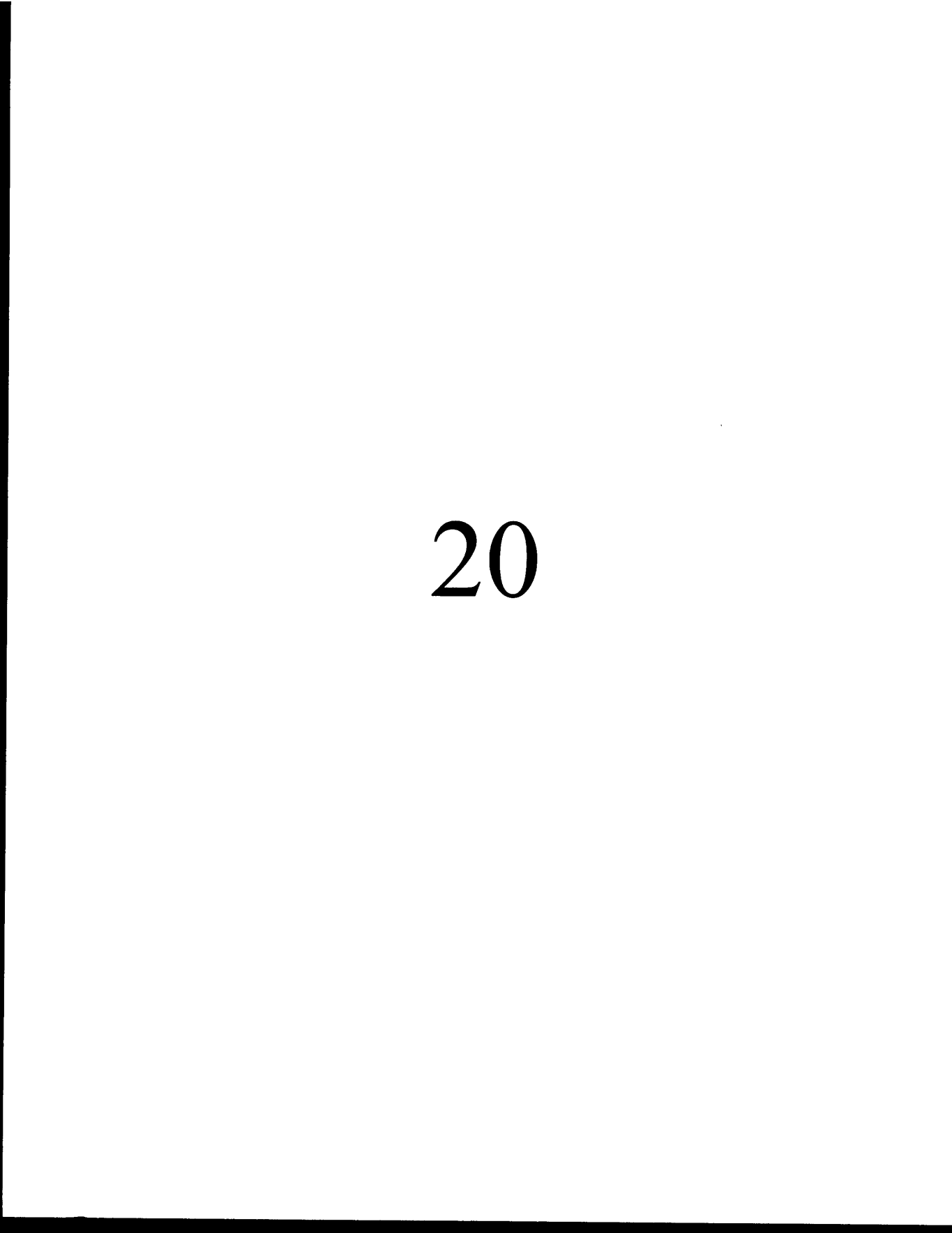
RailTex, a Texas company, owns two more sections of rail line that are currently at risk of abandonment. The first section starts behind the Peace Center at Linky Stone Park and extends north to Highway 183 in the Berea Community; the second section runs south from Highway 291 in the City of Greenville to the spur at the GE plant, just south of I-85. These sections are part of a larger system that crosses our county and connects us to the rest of the state and the Port of Charleston. Businesses along the sections in danger of abandonment are very interested in the line's immediate use for transport of finished goods, as well as the delivery of needed supplies for production. The potential use for passenger travel should also be considered. These corridors must be preserved to establish an alternative to highway transportation in the county.

The Greenville County Council proposes to purchase these lines, taking title in fee simple and/or rights-of-way easements, in an attempt to preserve the lines for future freight and passenger use. RailTex has made an offer to the County to sell these two segments, plus the nine mile continuance of the Greenville and Northern Railroad (mileposts 2.0 to 11.0) for \$2,750,000 (\$750,000 for the Greenville and Northern Railroad and \$2 million for the 3.29 miles of the South Carolina Central). This price is substantially higher than appraisals performed by the City of Greenville and therefore will be negotiated. Monies received from SCDOT, the County of Greenville and local municipalities affected by the line will contribute funds to the final selling price. This final price may include environmental mitigation studies and activities, where required.

APPLICATION FOR STATE FUNDED RAIL DOLLARS
February 26, 1999
Page 3

The Division of Mass Transit for the SCDOT has been kept informed of these negotiations and will be notified when an agreeable price is reached. It is the intent of the Greenville County Council to work with the SCDOT Division of Mass Transit to determine the best use for these segments once preserved.

Please contact me if you have any questions or comments regarding this proposal.



20



County of Greenville

"... At Your Service"

Gerald Seals
County Administrator
Phone: (864) 467-7105

COUNCIL MEMORANDUM #99-127

TO: Dozier Brooks, Chairman, Greenville County Council
Members—Greenville County Council

FROM: Gerald Seals, County Administrator

SUBJECT: Railroad Right-of-Way Acquisition

DATE: March 31, 1999

Pc: Jay Tothacer, County Attorney
Rebecca Davis, Clerk to County Council

Issue

This memorandum serves to summarize and outline the process the County has followed/will follow with regard to the railroad preservation and right-of-way acquisition of two rail line corridors segments owned by South Carolina Central Railroad Company, Inc. These two segments include:

1. the former Greenville & Northern Railroad (G&N) running generally between downtown Greenville, along the Reedy River, and northward to Travelers Rest. It begins near Westfield Street, in the City of Greenville, and extends to the northwest for a distance of 10,290 linear feet or 1.95 miles toward Cedar Lane Road. (Greenville Tax Map Sheets 54, 55, 56, 138, 140, and 141).
2. 3.29 miles located between North Pleasantburg Road and a point just north of the General Electric lead track in southeastern Greenville. This is the Carolina Piedmont Division Railroad Corridor segment, formerly known as the Charleston & Western Carolina Railroad. It begins just south of SC 291, in the City of Greenville, and extends to the southeast for a distance of 18,100 linear feet or 3.42 miles.¹ The total estimated area of the corridor is 77.128 acres. (Greenville Tax Map Sheets 282, 283, 258, 263, 273, M10.1, M10.3, and M10.5).

The following summarizes what County Council has accomplished up to date.

Background

September 29, 1998:

County Council passed a resolution wherein Greenville County Council agreed that a need exists to preserve rail line corridors. In addition, County Council agreed to participate in establishing a comprehensive plan for rail preservation in conjunction with municipalities and business along the routes, as well as the South Carolina Department of Transportation.

¹The appraiser determined that this segment is 3.42 miles instead of the 3.29 miles that Railtex reported.

- October 20, 1998: County Council stated its position regarding the preservation of rail lines and requested that the Surface Transportation Board and the South Carolina Department of Transportation reconsider any application to abandon railways in the County of Greenville.
- December 1, 1998: County Council approved \$5,000 to carry out a comprehensive transportation study.
- January 1999: Chairman of County Council Dozier Brooks met with representative of Railtex of San Antonio, TX to discuss the sale of the rail lines.
- March 18, 1999: Chairman of County Council Dozier Brooks corresponded with SCDOT Executive Director Elizabeth Mabry and requested funding assistance for \$500,000.00 of the 100 Percent State Funded Rail Dollars. Monies received from this allotment will be used in conjunction with county dollars to purchase, thus preserving, the two segments.

Status of discussions

It is my understanding that Railtex is prepared to sell all of South Carolina Central Railroad's assets' between downtown Greenville and Travelers Rest (former G&N) for a net cash consideration of \$750,000. These assets consist of an approximately 11.75-mile segment that includes the former G&N Railroad (1.95 miles segment for which the appraised value is \$224,000.00, see below). Neither the County nor the City of Greenville has done an appraisal for the additional 9.8-mile segment. According to Railtex, these assets would include all land, track and other track materials currently in place along the right-of-way. In addition, the purchaser would assume all railroad common carrier shipping obligations, along with the estimated \$300,000 of expenditures to repair the G&N bridges.

In a separate deal, or as part of a package with the G&N property, Railtex is also prepared to sell the entire 3.29 mile long segment in southeastern Greenville for a net cash consideration of no less than \$2,000,000. With the purchaser assuming all railroad common carrier obligations.

Railtex also indicated its willingness to sell is contingent upon the achievement of substantial progress toward closing prior to April 30, 1999 due to the fact that Surface Transportation Board approval would be necessary.

These selling prices are more than the appraised value. The Robinson Company of Greenville, Inc. (RCG) submitted separate appraisals for each segment to the City of Greenville. RCG estimated the market value of the segments in Fee Simple Interest, as if abandoned, and in "as is" condition as follows:

1. Former Greenville & Northern Railroad (1.95 miles segment)
(Greenville Tax Map Sheets 54, 55, 56, 138, 140, and 141)
(See Attachment "A" - July 9, 1998 Appraisal) \$ 224,000.00

Note: On October 29, 1998, Mr. A. Keith Batson from the Robinson Company submitted a letter to the City of Greenville with the following clarification (see attachment "B"):

"The value estimate I gave in [the] report was \$224,000. If the cost of removing the track materials, bridges and trestles is subtracted from the value estimate contained in [the] appraisal, the net liquidated value of the subject railroad corridor segment becomes \$199,000, rounded."

2. Carolina Piedmont Division Railroad Corridor segment,
formerly known as the Charleston & Western Carolina Railroad.
(3.29 miles segment) (Greenville Tax Map Sheets 282, 283, 258,
263, 273, M10.1, M10.3, and M10.5).
(See Attachment "C" - August 21, 1998 Appraisal) \$ 937,000.00

Total Appraised Value for
the 1.95 miles and the 3.29 miles segments \$1,161,000.00

The issue is whether Council wished to appropriate at least \$1,161,000.00 to acquire these railroad line corridors. Although Railtex indicated a willingness to negotiate the price, Railtex may ask for a price higher than the appraised value and closer to the price established in their offer which is:

1. Downtown Greenville and Travelers Rest (former G&N) \$ 750,000.00
 2. Carolina Piedmont Division Railroad Corridor segment
(track located southeastern Greenville) \$2,000,000.00
- Total Railtex offer \$2,750,000.00

In addition to the acquisition cost, County Council would have to appropriate funds to assume railroad carrier shipping obligations for both segments plus the estimated \$300,000 of expenditures to repair the G&N bridges. Should the County be the operating entity, these expenses would include (see Attachment "D"):

Existing Annual Revenues (45 carloads per month at \$300 per carload) (Would increase as business develops)	\$135,000
Estimated Annual Expenses (Includes labor, locomotives, car hire, etc.) (Assumes 2-day service only)	\$250,000
Required Bridge Repair	\$300,000
Required Miscellaneous Track Upgrades (Lump sum on the former G&N)	\$100,000 - \$150,000

However, Mr. Robert Svets from the Haynsworth Law firm and Ms. Pat Haskell-Robinson have indicated that the County may lease the railroad to a company and make that company completely responsible and liable for the repairs, operation and maintenance of the lines. If this would be the case, an agreement should be drafted in such a way that would allow the County to be free of any liabilities that may arise from an accident also.

In addition, Mr. Svets has indicated that Railtex claims that the company owns the land beneath these tracks; however, the City of Greenville searched the County's records and was not able to establish that indeed Railtex owns the land. It is the recommendation of Mr. Svets that a title search be conducted to determine who owns the land. This may involve an tremendous effort as the research would include searching records of adjacent properties too.

Source of Funding

The County will fund the purchase through the unreserved fund balance (supplemental appropriation). Private sector organizations along the G&N corridors have also indicated their willingness to contribute;

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however, the amount has not been determined yet. If approved, grant monies from the SCDOT "100 Percent State Funded Rail Dollars" will be also used toward the purchase of the railroad corridors, the County requested \$500,000.

The following is an outline of the process the County must follow to accomplish County Council directives.

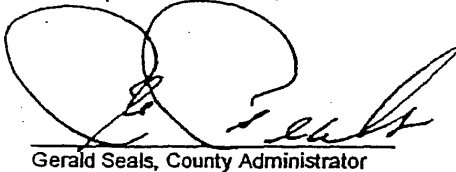
Process

To accomplish Council desires to acquire these railroad right-of-ways, the County must follow the usual procedures:

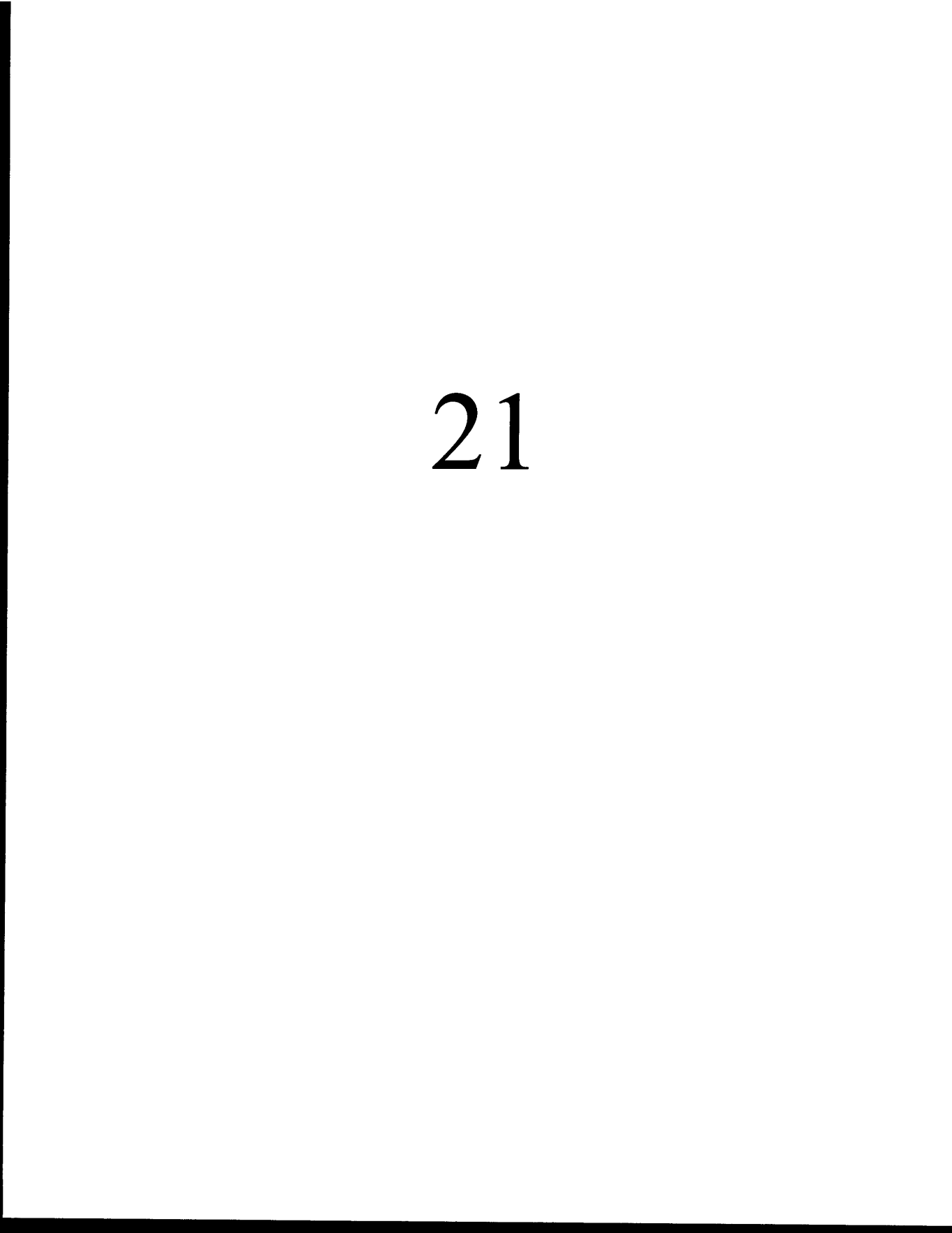
- County Council Intergovernmental Relations and Finance Committees must consider and discuss the following matters:
 - purchasing of railroad right-of-ways,
 - appropriating funds, and
 - authorizing the County Administrator to enter into discussions with Railtex to negotiate the sale price and into a purchase agreement.
- County Council must pass ordinance authorizing purchase, fund appropriation, and negotiations. Ordinance must follow schedules to be approved at Third reading.
- Council should discuss this item in executive session.

If you have any questions do not hesitate to contact me.

In the Spirit of Excellence,



Gerald Seals, County Administrator



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Page 5

- [1] minutes date back to June of 1999 when the board was
 [2] created?
 [3] A. I believe they do.
 [4] Q. Fair enough. And, again, we'll request those
 [5] through counsel, so we'll follow up on that. Mrs.
 [6] Haskell-Robinson, I've seen some newspaper articles
 [7] from the past about establishment of the rail line,
 [8] etcetera and some of the plans for the County. Will
 [9] you tell me just generally your initial involvement
 [10] in this project and how that came about?
 [11] A. We -- we were interested in preserving the line.
 [12] Q. Okay. And about what time do you think you became
 [13] involved in that process?
 [14] A. From the beginning.
 [15] Q. Before the Corporation was actually formed?
 [16] A. Yes.
 [17] Q. Who were some of the other community leaders who
 [18] were involved in that process?
 [19] A. The Chamber of Commerce.
 [20] Q. Any individuals in particular that you can remember
 [21] who were Chamber members?
 [22] A. Well, it was -- let's see. All right. David Brown
 [23] who was then the president; Max Metcalf who was then
 [24] -- what was his title. I can't remember his title.
 [25] Q. That's okay.

Page 6

- [1] A. Brandy Birckbichler who was his assistant. I think
 [2] she lives in New York. Gerald Seals.
 [3] Q. Was he the county administrator at that time?
 [4] A. Uh-huh (affirmative), uh-huh (affirmative).
 [5] MR. WHITE:
 [6] Yes or no?
 [7] WITNESS CONTINUES:
 [8] A. Oh, yes. Yes.
 [9] Q. I caught it, but sometimes it's hard for her to get,
 [10] so I appreciate that. During that process, did you
 [11] have a lot of discussions with the County Council
 [12] members about acquiring the line?
 [13] A. No.
 [14] Q. Was there, for lack of a better term, a lobbying
 [15] effort for the County to make the purchase?
 [16] A. We were obviously interested in preserving the line
 [17] for future use. And I suppose there were
 [18] compensations.
 [19] Q. Sure. Did you have any experience or expertise in
 [20] running a rail line?
 [21] A. No.
 [22] Q. Operation of a rail line, okay. Did anybody
 [23] involved in that initial project, this is before the
 [24] actual purchase of the line, have any previous
 [25] experience in the operation of a rail line?

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- [1] A. Not that I know of.
 [2] Q. Did you-all seek any or pay any consultant in that
 [3] area who had expertise in the operation of the rail
 [4] line?
 [5] A. You know, I can't -- I don't remember. No, I don't
 [6] -- I don't think so, but I wouldn't be positive of
 [7] that. I don't believe so.
 [8] Q. Yes, ma'am. Okay. How about -- what, if any,
 [9] appraisals were conducted of the land and/or the
 [10] equipment prior to the purchase in 1999?
 [11] A. The line had been appraised.
 [12] Q. By whom?
 [13] A. By my husband.
 [14] Q. And do you know generally when that was?
 [15] A. No. It must have been sometime in '98, '99,
 [16] somewhere in there.
 [17] Q. And what's your husband's name?
 [18] A. James Robinson.
 [19] Q. And is he part of The Robinson Company, were you-all
 [20] --
 [21] A. He assigned it to one of the appraisers. I don't
 [22] remember which one and it was done prior to us
 [23] discussing this. It was not done for the purchase.
 [24] Q. Okay. What was the purpose of it and what was it
 [25] done for?

Page 8

- [1] A. They were simply asked to appraise it. I don't
 [2] know.
 [3] Q. Is your husband an M.A.I.?
 [4] A. Uh-huh (affirmative).
 [5] Q. By whom was he retained to appraise it?
 [6] A. I don't know.
 [7] Q. Do you know if he was paid for the appraisal work?
 [8] A. Probably.
 [9] Q. But you don't know by whom?
 [10] A. No, I don't.
 [11] Q. Did you have any involvement in the selection of
 [12] your husband as the appraiser?
 [13] A. No.
 [14] Q. You don't even know who hired him?
 [15] A. No.
 [16] Q. Is that right?
 [17] A. No, I don't.
 [18] Q. And don't know who paid him?
 [19] A. No.
 [20] Q. So obviously you don't know the amount either --
 [21] A. No.
 [22] Q. -- that he received. Do you know the value of that
 [23] appraisal?
 [24] A. I -- I don't know. I don't -- well, let me say, I
 [25] don't remember.

22

Page 21

- [1] issue the grant to preserve the lines, others may
 [2] have and they may have come up with a different
 [3] solution. So I've - it is true that those rights-
 [4] of-way have been preserved.
 [5] Q. When did you become a board member; do you remember?
 [6] A. Two years ago, three years ago. I'd have to check
 [7] the record.
 [8] Q. Look back with me, Mr. Case.
 [9] A. Okay.
 [10] Q. And I think - is it 3?
 [11] A. Yes.
 [12] Q. Under the background that Mr. Seals provided in his
 [13] memo, down there at the bottom where he starts
 [14] talking about the resolution we looked at, the
 [15] bottom of the first page.
 [16] A. Right.
 [17] Q. He states that, "County Council agreed to
 [18] participate in establishing a comprehensive plan."
 [19] Do you know if any comprehensive plan was ever
 [20] actually established?
 [21] A. Well, I guess it depends on what you define as
 [22] comprehensive plan. And, of course, this is his
 [23] characterization of the resolution.
 [24] Q. Well, let me ask you this, maybe it'll short circuit
 [25] it; you can expand if you like.

Page 22

- [1] A. Sure, sure.
 [2] Q. Did you ever see any kind of written plan for the
 [3] operation of the rail line?
 [4] A. Well - and as I read this, it says for rail
 [5] preservation. And there certainly have been plans.
 [6] Written plans, I don't know. But certainly there
 [7] have been multiple plans. In fact, I would say the
 [8] mode of that corporate entity has been, since its
 [9] inception, the preservation of those rights-of-way.
 [10] Q. Right.
 [11] A. Evidences of that are grants we obtained to do
 [12] right-of-way title research. I mean, the whole
 [13] focus has been preserving those - those rights-of-
 [14] way. Now, I guess a person could quibble over
 [15] comprehensive, but, you know -
 [16] Q. How about, I know that says rail preservation and
 [17] you just talked about that. Do you know if there
 [18] ever existed any kind of business plan, written
 [19] business plan, for the actual operation of the rail
 [20] line?
 [21] A. I'm not aware of a business plan. I'm aware that
 [22] the corporate entity actually sought out the
 [23] feasibility of re-establishing rail service when the
 [24] - when the corporate entity that the County granted
 [25] the money to acquired the rail, there was no rail

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- [1] service and, as I recall, had not been for some
 [2] time. And I know we interviewed several operators,
 [3] talking about the corporate entity now, my capacity
 [4] as a board member, interviewed several operators to
 [5] ascertain the feasibility of restarting rail
 [6] service. And the road block, of course, was the
 [7] money needed to upgrade, repair, etcetera. So your
 [8] question, the answer to your simple question, was
 [9] there a business plan written out, I've never seen a
 [10] specific business plan written out. But certainly
 [11] the entity, in my capacity as a board member, much
 [12] of our efforts was towards re-establishing service
 [13] or at a minimum preserving those rail lines.
 [14] Q. Okay. I understand. And that was during your
 [15] tenure as a board member -
 [16] A. Yes.
 [17] Q. Is that correct?
 [18] A. Yes.
 [19] Q. And what would have all been sometime subsequent to
 [20] the purchase of the line in June of 1999, correct?
 [21] A. That's correct. That's correct.
 [22] Q. Do you know if any operators were contacted to
 [23] discuss operating the line prior to the purchase?
 [24] A. I do not know.
 [25] Q. To your knowledge that was not done?

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- [1] A. To my knowledge. But, again, keep in mind I was
 [2] pretty out of the loop given the position I had
 [3] taken -
 [4] Q. I understand.
 [5] A. - in the early stages.
 [6] Q. A few more questions about Mr. Seals' memo. On the
 [7] second page of it, December 1, 1998, there's a
 [8] reference to County Council approving \$5,000 to
 [9] carry out a comprehensive transportation study. Do
 [10] you recall what that was for?
 [11] A. I do not recall.
 [12] Q. Do you know to whom the \$5,000 went?
 [13] A. I do not.
 [14] Q. Are you aware of any of the comprehensive
 [15] transportation study ever having been done?
 [16] A. Not today, specifically, no. I mean, it wouldn't
 [17] surprise me that I might not have been pushing for
 [18] that.
 [19] Q. Sure.
 [20] A. Because my concern of getting a study done, putting
 [21] into context what the County was contemplating
 [22] undertaking, vis-a-vis the grant.
 [23] Q. On the status of discussions, Mr. Case, there's a
 [24] pretty detailed discussions concerning appraised
 [25] values, etcetera.

23

Page 9 1 Q. Yes. 2 A. -- so it would be a separate entity of the County 3 and so they would run it from the Economic 4 Development Corporation. 5 Q. Did you have any understanding as to the type of 6 entity or corporation that the Greenville County 7 Economic Development Corporation was going to 8 exist -- 9 A. All I knew was it was going to exist and operate 10 the rail. 11 Q. Was there any funding provided by the Council for 12 the operation of the rail? 13 A. No. 14 Q. Was there any discussion at the time of the 15 acquisition as to how the operation was going to be 16 funded? 17 A. I can't remember, but the money did come from the 18 County to purchase it. 19 Q. Yes, sir. 20 A. But I believe we paid a portion of that back. I'm 21 not sure. 22 Q. And you say "we"? 23 A. The Economic Development Corporation. And also at 24 the time that we were talking about buying this or 25 purchasing it, we had different organizations that	Page 11 1 Q. Did you have any response from them at all or any 2 discussions? 3 A. I don't remember getting anything, to tell you the 4 truth. 5 Q. When you say you wrote that as chairman, would that 6 have been chairman of the Council or chairman of 7 the Corporation or both? 8 A. Chairman of the Corporation. 9 Q. I think I had seen or maybe somebody had told us at 10 one of the deposition that you and maybe some other 11 members had visited San Antonio? 12 A. I went to San Antonio, but that was in 1999 to ask 13 Bush to run for president. 14 Q. Was that before or after the line was acquired, if 15 you remember? 16 A. I can't tell you for sure. 17 Q. Did they have something similar? 18 A. Not as I know of. I didn't go out there, no. 19 Q. You did not. I'm sorry, I misunderstood. 20 A. I did not go out there with the rail, no. I went 21 out there to encourage Governor Bush to run for 22 president. That's the reason I went out there. 23 Q. Okay. 24 A. Gerald may have went out there. I'm not sure. I 25 can't say for sure whether he did or not, but he
Page 10 1 was going to come in and help us with funding of 2 this to operate it. 3 Q. Tell me about that. What organizations? 4 A. The Chamber of Commerce for one. They were all 5 behind it. They were very much in favor of doing 6 this for the commuter rail. Mr. Groome and one 7 other fellow that had a business on the rail came 8 in and talked with us and indicated they would help 9 us in the funding to help get this rail going. 10 Q. Operation or -- 11 A. That's right. Help pay for it or operation, 12 whichever. 13 Q. You had mentioned that there was some work I think 14 specifically that needed to be done on the 15 trestles? 16 A. Right. 17 Q. What was your understanding how that was going to 18 be paid in connection with the purchase price? 19 A. We was going to have to find the money to do it. 20 That's the reason as chairman I wrote letters to 21 Duke Power, to the gas company, telephone 22 companies, because they use some of the taxes 23 locally without sending it into Columbia, to see if 24 they would help us fund some of this and never got 25 a favorable response.	Page 12 1 did have some negotiations. I'm not sure if he 2 made a trip to San Antonio or not. 3 Q. Have you ever met with any representatives of 4 RailTex? 5 A. Yes, sir. He came to Greenville County before we 6 bought that and talked about selling it to us for 7 about 3.7, or something like that I believe it was. 8 A couple three million dollars anyway. 9 Q. Okay. 10 A. I didn't have an interest at the price because we 11 didn't have the money. When it was negotiated 12 down, we did purchase it. 13 Q. Did you have any understanding, Mr. Brooks, at that 14 time, and I'm talking about 1999 when the purchase 15 occurred, as to what, if any, common carrier 16 obligations that the Development Corporation 17 assumed -- 18 A. No, sir, I did not. 19 Q. -- and acquired? You didn't have any understanding 20 about that? 21 A. No, sir. 22 Q. Did the Corporation seek any legal counsel with 23 regard to the legal requirements under State or 24 Federal law in assuming common carrier obligations? 25 A. I'm not sure they sought any. We had attorneys

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The Great Walton Railroad Co., Inc.

1081 North Cherokee Road
Social Circle, Georgia 30025



(770) 464-0761

August 9, 2000

Mr. Gerald Seals
President
Greenville County Economic
Development Corporation
2 Insignia Financial Plaza
75 Beattie Place
Greenville, SC 29601

Dear Mr. Seals:

The Great Walton Railroad Company is prepared to place a locomotive in Greenville for service to the Greenville Northern customers. Service would initially be on an as needed basis and as volume increases or new customers come on line, service would be adjusted accordingly as well as the addition of another locomotive if necessary to handle the volume.

The Great Walton Railroad Company presents the enclosed figures for your review relative to the infrastructure improvements that will be required on the Greenville Northern physical plant.

For bridge repairs, the cost would be \$199,982.90. This figure is for the following bridges: (1) Norris Metal, (2) Whitaker Warehouse, (3) Specialty Shearings, (4) Highway 253, and (5) Sewer Line. The costs are inclusive of replacing ties, guard timbers, caps (as needed), bracing (as needed), timber in back walls (as needed), building wing walls, cleaning drift from under all bridges and changing pilings.

For track work from MP 0.0 to MP 7.0 the cost would be \$700,390.00. This figure is broken down on the enclosed Appendix A. For track work from Paper Cutters to end of track at Travelers Rest, the cost would be \$596,655.50. Appendix B has the breakdown on these costs.

Please review these numbers and advise if you have any questions. The infrastructure improvements listed are those that would have to be undertaken to attain an operational status conducive to regular operations on the line for the customers involved and represent

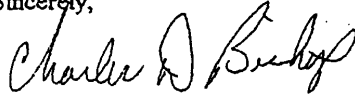
002200

August 9, 2000
Mr. Gerald Seals
Page 2

to the best of our knowledge the costs that GCEDC would incur in the rehabilitation of this line.

Your interest in the services of The Great Walton Railroad Company are appreciated. We look forward to working with your organization in the development of this line and to the opportunity of making the rail line a viable option for the industrial development of the area. If you need anything further or if we can be of any other assistance, please advise.

Sincerely,

A handwritten signature in cursive script, appearing to read "Charles D. Bishop".

Charles D. (Dave) Bishop

Enclosures

002201

25

Warehousing/Cross Docking Cost

Year	Month	Vendor	Frt/ Whse	Monthly Total	A/P Detail Payments/Yr
1998	Jan-Dec.	Faucett	F		\$22,845.25
		Piedmont	F		\$7,975.00
		Shaw Whse	W		\$4,796.60
		Wellpack	W		\$46,814.51
		Sunland	W		\$82,903.14
		Bearden	F		\$1,695.00
		Dunk Pye	F		\$5,000.00
1998	Total		W/F A/P		\$ 172,029.50
1999	Jan-Dec.	Wellpak	W		\$ 22,869.62
		Commercial	W		\$ 27,930.61
		Faucett	F		\$ 23,375.00
		Bilo	F		\$ 14,410.00
		C & C	F		\$ 2,300.00
		Pennco	W		\$ 9,893.57
		Dunk Pye	F		\$ 300.00
1999	Total		W/F A/P		\$101,078.80
2000	Jan-Dec.	Commerical	W		\$ 6,617.56
		Wellpak	W		\$ 35,449.57
		Faucett	F		\$ 30,063.50
		Bilo	F		\$ 7,500.00
2000	Total				\$79,630.63
2001	Jan.-Dec.	Wellpak	W		\$ 17,293.98
		Penno	W		\$ 320.36
		DSI	W		\$ 1,965.98
		Faucett	F		\$ 12,775.00
2001	Total				\$ 32,355.32
2002	Jan-Dec.	Wellpak	W		\$ 18,939.93
		Pennco	W		\$ 15,080.80
		DSI	W		\$ 100.00
		Faucett	F		\$ 25,296.37
2002	Total				\$ 59,417.10
2003	Jan-Dec.	Wellpak	W		\$ 5,153.00
		Pennco	W		\$ 507.63
		Faucett	F		\$ 7,100.00
2003	Total				\$ 12,760.63
		Grand Total			\$ 457,271.98

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VERIFIED NOTICE OF EXEMPTION
DEPARTMENT OF TRANSPORTATION

Surface Transportation Board

STB No. AB 490 (Sub-No. ---X)

Greenville County Economic Development Corporation-Verified Notice of Exemption



Greenville County Economic Development Corporation (GCEDC) is seeking to discontinue service on its Greenville and Northern (G&N) Railroad Line (the "G&N Line"). GCEDC proposes to consummate the discontinuance of this service on or about July 14, 2003. The discontinuance of service on the G&N Line is exempt under the requirements of 49 CFR 1152.50, as no local traffic has moved over the line for at least two years, any overhead traffic can be rerouted over other lines, and no formal complaint has been filed by a user of rail service on the line. No actual traffic has moved over the G&N Line since 1993 because one of the bridges partially washed out and the line is in extremely poor condition. See Surface Transportation Board Decision, STB Docket No. AB-312 (Sub-No. 2X), Mar. 30, 1998. A copy of this decision is attached hereto as Exhibit A.

GCEDC is seeking funds to repair the G&N Line, and if successful, GCEDC intends to make such repairs and to seek authorization from the Surface Transportation Board (the "Board") to renew rail service on the line. The G&N Line infrastructure is in need of repairs at an estimated cost of approximately \$8 million. The needed repairs include structural upgrades to seven structures/bridges, clearing and grubbing 52,000 lineal feet of rail right of way, several thousands of cross ties, 103,500 feet of #100 rail, and 28 road crossing upgrades among others. A report containing a statement of the needed repairs and their estimated cost is attached hereto as Exhibit B.

Office of Proceedings

JUN 30 2003

Part of
Record

FILED

JUN 30 2003

SURFACE
TRANSPORTATION BOARD

FEE RECEIVED

JUN 30 2003

SURFACE
TRANSPORTATION BOARD

GCEDC is a common carrier by railroad subject to 49 U.S.C. Subtitle IV, chapter 105.

As discussed above, GCEDC seeks Board approval of a discontinuance of service on the line. GCEDC does not desire abandonment of the line.

In compliance with 49 CFR §1152.22(a)(4), a detailed map of the subject line is attached hereto as Exhibit C.

Correspondence in connection with this notice should be sent to Phyllis Henderson, President of GCEDC, at the following address:

301 University Ridge, Suite 2400
Greenville, South Carolina 29601

The G&N Line runs from the City of Greenville, South Carolina, at mile marker 0.0 to the northern limits of the City of Traveler's Rest, South Carolina, at mile marker 11.8, for a distance of 11.8 miles. The G&N Line runs through United States Postal Service ZIP Codes 29690, 29609, 29613, 29617, 29611, and 29601 in Greenville, South Carolina and 29690 in Travelers Rest, South Carolina.

GCEDC is seeking a discontinuance of service, not an abandonment of the G&N Line. Thus, the information required in 49 CFR 1152.22(e)(4) is not applicable in this situation.

This action is exempt from the environmental and historic reporting requirements contained in 49 CFR §§1152.22(f) and 1152.20(d)(2). The proposed action will not exceed the thresholds set forth in 49 CFR §§1105.7 and 1105.8, since the line has not been operational for approximately ten years.

Since GCEDC has no employees and the line has not been in operation for approximately ten years, there will be no railroad employees affected by the proposed action. Thus, it is not necessary for action to be taken to protect employees. However, if GCEDC learns of any

employees who will be affected by the proposed action, it will take appropriate steps to adequately protect these employees, including those measures set forth in Oregon Short Line R. Co.-Abandonment-Goshen, 360 I.C.C. 91 (1979).

A Certificate of Service is attached hereto as Exhibit D, in compliance with 49 CFR §1152.50(d)(2).

VERIFICATION

STATE OF SOUTH CAROLINA

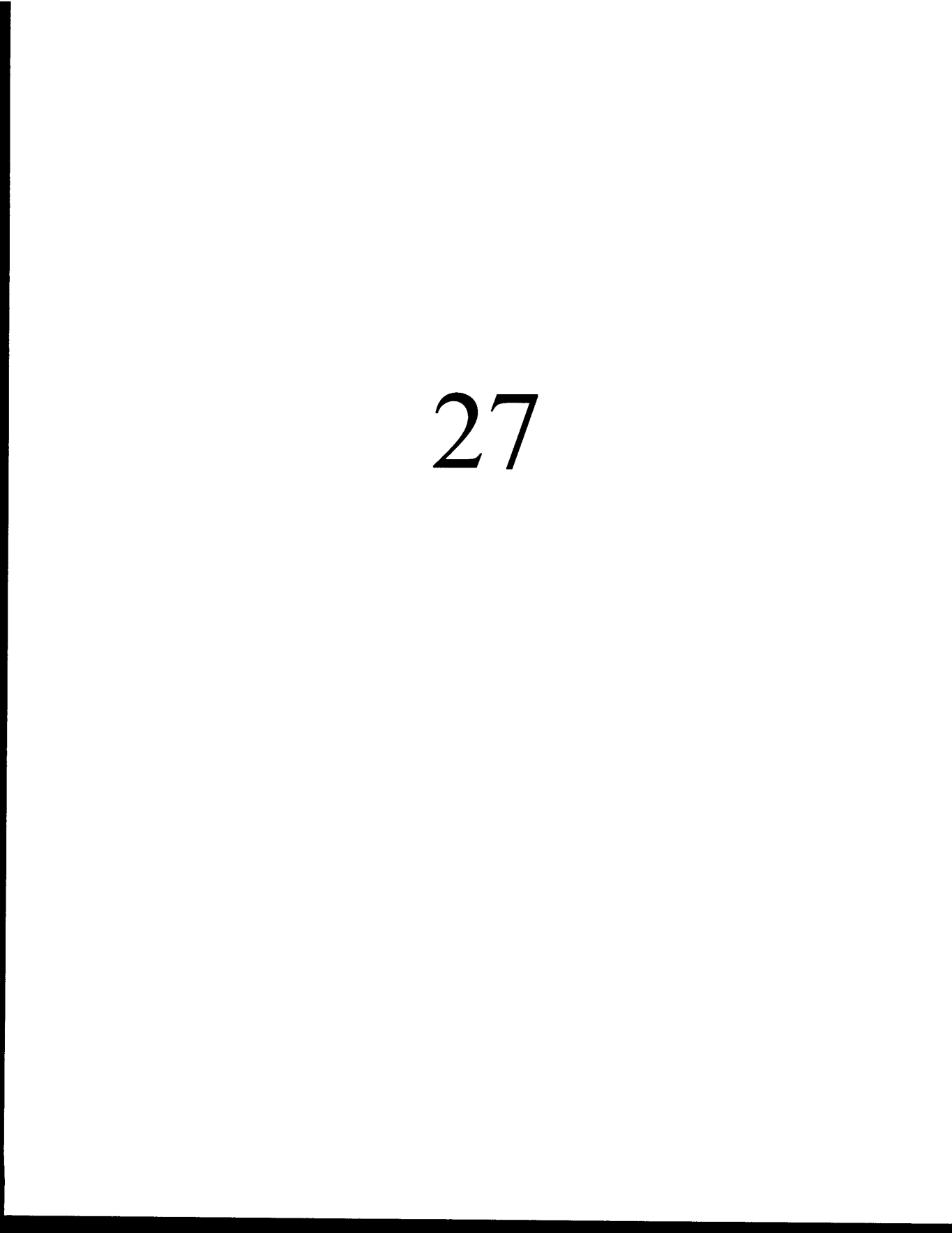
COUNTY OF GREENVILLE

Phyllis Henderson makes oath and says she is the President of the Greenville County Economic Development Corporation applicant herein; that she has been authorized by the applicant (or as appropriate, a court) to verify and file with the Surface Transportation Board the foregoing application in STB AB 490 (Sub-No. --); that she has carefully examined all of the statements in the application as well as the exhibits attached hereto and made a part thereof; that she has the knowledge of the facts and matters relied upon in the application; and that all representations set forth therein are true and correct to the best of her knowledge, information, and belief.

Phyllis Henderson

Subscribed and sworn to before me [Signature] and for the State and County above named, this 15 day of May, 2003.

My commission expires 10-31-2012.



27

GROOME &
Associates Inc.
PAPERBOARD CONVERTERS

Post Office Box 729 • Travelers Rest, SC 29690

June 26, 2001

Mr. Dozier Brooks, Chairman
Greenville County Council
C/o Mr. Gerald Seals
301 N. Main St.
Greenville, S.C. 29601

Mr. Brooks,

I would like to meet with the Executive Board of The Greenville County Economic Development Corporation to have an open "non binding" dialogue concerning the rail service to Groome Paperboard. We own the building, or would have moved asap allowing you to land bank the line until there was need.

Dozier, I am very much in a bind and would like to resolve this matter as expeditiously as possible, at the lowest cost for all parties concerned.

I look forward to hearing from you as soon as you can set this up. I will make myself available upon request.

I thank you in advance.

Cordially,


Lee K. Groome
President

28

THOMBLEY & SIMMONS, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

SUITE 100

308 LAWRENCE STREET

MARIETTA, GA 30060

PHONE: (770) 423-1834

FAX: (770) 423-1842

MEMBER
AMERICAN INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTSMEMBER
GEORGIA SOCIETY OF
CERTIFIED PUBLIC ACCOUNTANTS

December 8, 2003

Mr. Lee Groome, Chief Executive Officer
Groome & Associates, Inc.

VIA FACSIMILE

Dear Lee,

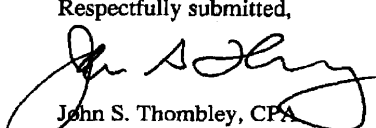
I have completed my analysis of losses incurred by Groome & Associates, Inc. and you, as they relate to the operations of the company.

These losses may increase with further analysis.

During the period of time from December 31, 1997 to July 31, 2003, losses to the company and to you are estimated as follows:

Lost Net Income & Operating Losses to the Company	\$ 1,419,358	Schedule 1
Salary Reduction to You Personally	1,083,467	Schedule 2
Office Rent Reduction to You Personally	447,000	Schedule 3
Profit Sharing Plan Elimination	281,550	Schedule 4
Additional Freight Costs	0	Schedule 5
Income Taxes and Penalties on Premature Profit		
Sharing Withdrawals Paid by You Personally	<u>140,271</u>	Schedule 6
Total Losses Through July 31, 2003	\$ 3,371,646	
Additional Losses for the Four Months Ended November 30, 2003	<u>166,356</u>	Schedule 7
Total Losses Through November 30, 2003	\$ <u>3,538,002</u>	

Respectfully submitted,


John S. Thombley, CPA
Thombley & Simmons, P.C.

JST/mla

GROOME & ASSOCIATES, INC.
SUPPORT FOR DECEMBER 8, 2003 LETTER
REGARDING LOSSES FROM 12-31-97 TO 7-31-03

Page 1 of 3

Schedule 1

Lost Net Income (62,007 (Exhibit A) x 5 7/12)

\$ 346,206

Actual Losses:

Retained Earnings 12-31-97 (Exhibit B)

\$ 571,604

Retained Earnings 7-31-03 (Deficit) (Exhibit C)

(501,548)

1,073,152

Total Lost Net Income and Operating Losses

\$ 1,419,358

Schedule 2

Salary Reduction (\$204,800 (Exhibit D) Per Year 1998-2002 & 7/12 of 2003 x 5 7/12)

\$ 1,143,467

Less: Salary Paid in 1998 (Exhibit I)

(60,000)

Total Salary Reduction

\$ 1,083,467

Schedule 3

Office Rent Reduction (Exhibit E)

\$ 447,000

Schedule 4

Profit Sharing Elimination 1998-2002 + 7/12 of 2003 (\$52,260 (Exhibit F) per Year x 5 7/12)

\$ 291,785

Less Amounts Paid for Administration:

For the Year Ended 7-31-98 (Exhibit P)

0

For the Year Ended 7-31-99 (Exhibit Q)

1,545

For the Year Ended 7-31-00 (Exhibit R)

1,988

For the Year Ended 7-31-01 (Exhibit S)

1,557

For the Year Ended 7-31-02 (Exhibit T)

5,145

10,235

Total Profit Sharing Elimination

\$ 281,550

Schedule 5

Additional Freight Costs (Cathy Hicks' Schedule - Exhibit G)

\$ 457,000

Less: Included in Loss in Schedule I

(457,000)

\$ 0

Schedule 6

Income Tax and Penalty on Premature Profit Sharing Withdrawal 2002:

Income Tax - Federal - Exhibit H

\$ 74,052

Penalty - Federal - Exhibit H

28,125

Income Tax - South Carolina - Exhibit H

18,094

Income Tax and Penalty on Premature Profit Sharing Withdrawal 2003 - Exhibit BB

20,000

\$ 140,271

Schedule 7

Monthly Losses Subsequent to July 31, 2003

Lost Net Income (\$62,007 x 1/12)

\$ 5,167

Salary Reduction (\$204,800 x 1/12)

17,067

Office Rent Reduction

15,000

Profit Sharing Elimination (\$52,260 x 1/12)

4,355

Total Monthly Losses Subsequent to July 31, 2003

\$ 41,589

There may be additional operating losses subsequent to July 31, 2003.

GROOME & ASSOCIATES, INC.
SUPPORT FOR DECEMBER 8, 2003 LETTER
REGARDING LOSSES FROM 12-31-97 TO 7-31-03

Page 2 of 3

Lost Net Income & Operating Losses to the Company:Net Income Per Financial Statements:

	<u>Exhibit A</u>
For the Year Ended July 31, 1993 (Exhibit W)	\$ 74,791
For the Year Ended July 31, 1994 (Exhibit X)	117,194
For the Year Ended July 31, 1995 (Exhibit Y)	68,579
For the Year Ended July 31, 1996 (Exhibit Z)	(9,354)
For the Year Ended July 31, 1997 (Exhibit AA)	<u>58,827</u>

Total Net Income for the Five Years Ended July 31, 1997 \$ 310,037

Average for One Year \$ 62,007

Salary ReductionSalaries Paid to Lee Groome:

	<u>Exhibit D</u>
For the Year Ended July 31, 1993 (Exhibit J)	\$ 154,000
For the Year Ended July 31, 1994 (Exhibit K)	260,000
For the Year Ended July 31, 1995 (Exhibit L)	200,000
For the Year Ended July 31, 1996 (Exhibit M)	80,000
For the Year Ended July 31, 1997 (Exhibit N)	<u>330,000</u>

Total for the 5 Years Ended July 31, 1997 \$ 1,024,000

Average for One Year \$ 204,800

Office Rent Reduction

	<u>Exhibit V</u> Amount Due	<u>Exhibit O</u> Amount Paid	<u>Exhibit E</u> Amount of Reduction
Calendar Year 1998 (12 @ \$15,000)	\$ 180,000	\$ 90,000	\$ 90,000
Calendar Year 1999 (12 @ \$15,000)	180,000	110,000	70,000
Calendar Year 2000 (12 @ \$15,000)	180,000	185,000	(5,000)
Calendar Year 2001 (12 @ \$15,000)	180,000	120,000	60,000
Calendar Year 2002 (12 @ \$15,000)	180,000	0	180,000
Calendar Year 2003 (7 @ \$15,000)	<u>105,000</u>	<u>53,000</u>	<u>52,000</u>
	<u>\$ 1,005,000</u>	<u>\$ 558,000</u>	<u>\$ 447,000</u>

Profit Sharing EliminationProfit Sharing Plan Contributions

	<u>Exhibit F</u>
For the Year Ended July 31, 1993 (Exhibit J)	\$ 46,410
For the Year Ended July 31, 1994 (Exhibit K)	80,689
For the Year Ended July 31, 1995 (Exhibit L)	84,000
For the Year Ended July 31, 1996 (Exhibit M)	0
For the Year Ended July 31, 1997 (Exhibit N)	<u>50,203</u>

Total for the 5 Years Ended July 31, 1997 \$ 261,302

Average for One Year \$ 52,260

GROOME & ASSOCIATES, INC.
SUPPORT FOR DECEMBER 8, 2003 LETTER
REGARDING LOSSES FROM 12-31-97 TO 7-31-03

Page 3 of 3

Periods Subsequent to 12-31-97:

- For the Year Ended July 31, 1998 (Exhibit P)
- For the Year Ended July 31, 1999 (Exhibit Q)
- For the Year Ended July 31, 2000 (Exhibit R)
- For the Year Ended July 31, 2001 (Exhibit S)
- For the Year Ended July 31, 2002 (Exhibit T)
- For the Year Ended July 31, 2003 (Exhibit U)

Dec 31, 1997

GROOME & ASSOCIATES, INC.

Page 1

2:03 pm

Balance Sheet

EXHIBIT B
PAGE 1 of 2

As of: December 31, 1997

ASSETS:

Current Assets:

FIRST UNION BANK - CHECKING	(\$7,111.82)	
ACCOUNTS RECEIVABLE - TRADE	1,119,614.25	
Inventory - Stock	1,570,505.27	
Inventory - Nonstock	(0.30)	

TOTAL Current Assets		\$2,683,007.40

Fixed Assets:

Autos & Trucks	153,164.12	
Machinery & equipment	582,440.41	
Furniture & office equipment	86,952.48	
Leasehold improvements	137,073.31	
Computer equipment	22,274.96	
Acc. dep/autos & trucks	(62,810.31)	
Acc. dep/ furniture & fixtures	(47,838.47)	
Acc. dep/leasehold improvement	(30,445.59)	
Acc. dep/ Machinery & equip.	(249,769.98)	
Acc. dep/Computer equipment	(10,211.64)	

TOTAL Fixed Assets		580,829.29

Other Assets:

Deposits	1,130.00	
Cash Surrender Value Life Ins.	63,791.00	

TOTAL Other Assets		64,921.00

TOTAL ASSETS

\$3,328,757.69
=====

LIABILITIES:

Current Liabilities:

Accounts payable - trade	\$891,716.61	
FUTA (940) payable	234.97	
SUTA (SC) payable	586.52	
Child Support Liability	0.01	
Sales tax payable	(82.94)	

TOTAL Current Liabilities		\$892,455.17

12/20/04 MON 17:02 FAX 770 423 1842

12/20/04 16:32 GROOME & ASSOCIATES + 17704231842

THOMBLEY & SIMMONS PC

007

NO.298 003

1997

GROOME & ASSOCIATES, INC.
Balance Sheet

Page 2

EXHIBIT B
PAGE 2 OF 2

As of: December 31, 1997

Other Liabilities:

Notes payable - First Union Cr	1,581,818.67
Federal income taxes payable	(3,375.00)
SC income taxes payable	(1,245.50)
Deferred Income Tax	57,000.00

TOTAL Other Liabilities

1,634,198.17

TOTAL LIABILITIES

2,526,653.34

CAPITAL:

Capital stock	230,500.00
Retained earnings	534,782.27
Year-to-Date Earnings	36,822.08

TOTAL CAPITAL

802,104.35

TOTAL LIABILITIES & CAPITAL

\$3,328,757.69

1120**U.S. Corporation Income Tax Return**Form
Department of the Treasury
Internal Revenue ServiceFor calendar year 2002 or tax year beginning 8/1, 2002, ending 7/31, 20 03

Instructions are separate. See page 20 for Paperwork Reduction Act Notice.

OMB No. 1545-0123

2002**A Check if a:**

- 1 Consolidated return (attach Form 951) ☐
- 2 Personal holding co. (attach Sch. PH) ☐
- 3 Personal service corp. (as defined in Regulations sec. 1.441-3(c) — see instructions) ☐

Use
IRS
label.
Other-
wise,
print or
type.

Name
GROOME & ASSOCIATES, INC.

Number, street, and room or suite no. (If a P.O. box, see page 7 of instructions.)
P.O. BOX 729

City or town, state, and ZIP code
TRAVELERS REST, SC 29690-0729

B Employer identification number
58-1810366

C Date incorporated
8/31/88

D Total assets (see page 8 of instructions)

E Check applicable boxes: (1) ☐ Initial return (2) ☐ Final return (3) ☐ Name change (4) ☐ Address change **\$ 590,439.97**

Income	1a Gross receipts or sales	5,085,722.29	b Less returns and allowances	98,573.08	c Bal	1c 4,987,149.21
	2 Cost of goods sold (Schedule A, line 8)					2 4,167,056.87
	3 Gross profit. Subtract line 2 from line 1c					3 820,092.34
	4 Dividends (Schedule C, line 19)					4
	5 Interest					5
	6 Gross rents					6
	7 Gross royalties					7
	8 Capital gain net income (attach Schedule D (Form 1120))					8
	9 Net gain or (loss) from Form 4797, Part II, line 18 (attach Form 4797)					9 127,000.00
	10 Other income (see page 9 of instructions — attach schedule)					10
	11 Total income. Add lines 3 through 10					11 947,092.34
Deductions (See instructions for limitations on deductions.)	12 Compensation of officers (Schedule E, line 4)					12 3,423.93
	13 Salaries and wages (less employment credits)					13 254,354.04
	14 Repairs and maintenance					14 24,369.05
	15 Bad debts					15 64,138.23
	16 Rents					16 53,000.00
	17 Taxes and licenses					17 51,731.59
	18 Interest					18 75,076.09
	19 Charitable contributions (see page 11 of instructions for 10% limitation)					19
	20 Depreciation (attach Form 4562)	20	32,158.83			
	21 Less depreciation claimed on Schedule A and elsewhere on return	21a	4,448.46			21b 27,710.37
	22 Depletion					22
	23 Advertising					23 3,706.45
	24 Pension, profit-sharing, etc., plans					24 1,483.00
	25 Employee benefit programs					25
	26 Other deductions (attach schedule)					26 269,122.88
	27 Total deductions. Add lines 12 through 26					27 828,115.63
	28 Taxable income before net operating loss deduction and special deductions. Subtract line 27 from line 11					28 118,976.71
	29 Less: a Net operating loss (NOL) deduction (see page 13 of instructions)	29a	118,976.71			
	b Special deductions (Schedule C, line 20)	29b				29c 118,976.71
Tax and Payments	30 Taxable income. Subtract line 29c from line 28					30 0.00
	31 Total tax (Schedule J, line 11)					31 0.00
	32 Payments: a 2001 overpayment credited to 2002	32a				
	b 2002 estimated tax payments	32b				
	c Less 2002 refund applied for on Form 4466	32c				
	d Bal	32d				
	e Tax deposited with Form 7004	32e				
	f Credit for tax paid on undistributed capital gains (attach Form 2439)	32f				
	g Credit for Federal tax on fuels (attach Form 4136). See instructions	32g				32h
	33 Estimated tax penalty (see page 14 of instructions). Check if Form 2220 is attached					33
	34 Tax due. If line 32h is smaller than the total of lines 31 and 33, enter amount owed					34 0.00
35 Overpayment. If line 32h is larger than the total of lines 31 and 33, enter amount overpaid					35	
36 Enter amount of line 35 you want: Credited to 2003 estimated tax ☒ Refunded ☐					36	

Sign Here

Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete. Declaration of preparer (other than taxpayer) is based on all information of which preparer has any knowledge.

Signature of officer

Date

Title

May the IRS discuss this return with the preparer shown below (see instructions)? ☒ Yes ☐ No**Paid Preparer's Use Only**

Preparer's signature

Date

Check if self-employed ☐

Preparer's SSN or PTIN

Firm's name (or yours if self-employed), address, and ZIP code

THOMBLEY & SIMMONS, P.C.
305 LAWRENCE ST., STE. 100, MARIETTA, GA 30060

EIN 58-1582344
Phone No. 770-423-1234

ISA
STF FED3903F 1

Form 1120 (2002)

EXHIBIT C
PAGE 2 OF 2

Form 1120 (2002)

Page 4

Note: The corporation is not required to complete Schedules L, M-1, and M-2 if Question 13 on Schedule K is answered "Yes."

Schedule L Balance Sheets per Books

	Beginning of tax year		End of tax year	
	(a)	(b)	(c)	(d)
Assets				
1 Cash		66,245.79		124.82
2a Trade notes and accounts receivable	697,393.00		323,760.00	
b Less allowance for bad debts	()	697,393.00	()	323,760.00
3 Inventories		716,654.72		103,864.23
4 U.S. government obligations				
5 Tax-exempt securities (see instructions)				
6 Other current assets (attach schedule)				
7 Loans to shareholders				
8 Mortgage and real estate loans				
9 Other investments (attach schedule)				
10a Buildings and other depreciable assets	704,871.34		695,341.02	
b Less accumulated depreciation	(518,621.75)	186,249.59	(533,780.10)	161,560.92
11a Depreciable assets				
b Less accumulated depletion	()		()	
12 Land (net of any amortization)				
13a Intangible assets (amortizable only)				
b Less accumulated amortization	()		()	
14 Other assets (attach schedule) . DEPOSITS		1,130.00		1,130.00
15 Total assets		1,667,673.10		590,439.97
Liabilities and Shareholders' Equity				
16 Accounts payable		667,182.04		372,388.97
17 Mortgages, notes, bonds payable in less than 1 year		1,226,201.87		429,073.87
18 Other current liabilities (attach schedule) . ACCRUED EXPENSES		306.87		25.00
19 Loans from shareholders		124,000.00		60,000.00
20 Mortgages, notes, bonds payable in 1 year or more				
21 Other liabilities (attach schedule)				
22 Capital stock: a Preferred stock				
b Common stock	230,500.00	230,500.00	230,500.00	230,500.00
23 Additional paid-in capital				
24 Retained earnings — Appropriated (attach schedule)				
25 Retained earnings — Unappropriated		(580,517.68)		(501,547.87)
26 Adjustments to shareholders' equity (attach schedule)				
27 Less cost of treasury stock		()		()
28 Total liabilities and shareholders' equity		1,667,673.10		590,439.97

Schedule M-1 Reconciliation of Income (Loss) per Books With Income per Return (see page 20 of instructions)

1 Net income (loss) per books	78,969.81	7 Income recorded on books this year not included on this return (itemize): Tax-exempt interest \$	
2 Federal income tax per books	0.00		
3 Excess of capital losses over capital gains			
4 Income subject to tax not recorded on books this year (itemize):			
5 Expenses recorded on books this year not deducted on this return (itemize):		8 Deductions on this return not charged against book income this year (itemize): a Depreciation	
a Depreciation	\$ 4,999.52	b Charitable contributions \$	
b Charitable contributions	\$ 2,852.00		
c Travel and entertainment	\$ 2,667.28		
OWNERS LIFE INS. \$ 27,088.10		9 Add lines 7 and 8	
COUNTRY CLUB DUES \$ 2,400.00		10 Income (line 28, page 1) — line 6 less line 9	118,976.71
6 Add lines 1 through 5	40,006.90		
	118,976.71		

Schedule M-2 Analysis of Unappropriated Retained Earnings per Books (Line 25, Schedule L)

1 Balance at beginning of year	(580,517.68)	5 Distributions: a Cash	
2 Net income (loss) per books	78,969.81	b Stock	
3 Other increases (itemize):		c Property	
		6 Other decreases (itemize):	
		7 Add lines 5 and 6	
4 Add lines 1, 2, and 3	(501,547.87)	8 Balance at end of year (line 4 less line 7)	(501,547.87)

Form 1120 (2002)

john thombley

From: "Cathy Hicks" <cathy@groomepaper.com>
To: <thombley@bellsouth.net>
Sent: Friday, December 05, 2003 4:32 PM
Subject: Revised

John, I hope this will work. Please call as soon as you receive. I want to leave for the day. Thanks, Cathy

Warehousing/Cross Docking Cost					
Year	Month	Vendor	Frt/ Whse	Monthly Total	A/P Detail Payments/Yr
1998	Jan-Dec.	Faucett	F		\$22,845.25
		Piedmont	F		\$7,975.00
		Shaw Whse	W		\$4,796.60
		Wellpak	W		\$46,814.51
		Sunland	W		\$82,903.14
		Bearden	F		\$1,695.00
		Dunk Pye	F		\$5,000.00
1998	Total		W/F A/P		\$ 172,029.50
1999	Jan-Dec.	Wellpak	W		\$ 22,869.62
		Commercial	W		\$ 27,930.61
		Faucett	F		\$ 23,375.00
		Bilo	F		\$ 14,410.00
		C & C	F		\$ 2,300.00
		Pennco	W		\$ 9,893.57
		Dunk Pye	F		\$ 300.00
1999	Total		W/F A/P		\$101,078.80
2000	Jan-Dec.	Commerical	W		\$ 6,617.56
		Wellpak	W		\$ 35,449.57
		Faucett	F		\$ 30,063.50
		Bilo	F		\$ 7,500.00
2000	Total				\$79,630.63
2001	Jan.-Dec.	Wellpak	W		\$ 17,293.98
		Penno	W		\$ 320.36
		DSI	W		\$ 1,965.98
		Faucett	F		\$ 12,775.00
2001	Total				\$ 32,355.32

12/5/03

2002	Jan-Dec.	Wellpak	W	\$ 18,939.93
		Pennco	W	\$ 15,080.80
		DSI	W	\$ 100.00
		Faucett	F	\$ 25,296.37
2002	Total			\$ 59,417.10
2003	Jan-Dec.	Wellpak	W	\$ 5,153.00
		Pennco	W	\$ 507.63
		Faucett	F	\$ 7,100.00
2003	Total			\$ 12,760.63
		Grand Total		\$ 457,271.98

1040

U.S. Individual Income Tax Return

2002

199

IRS Use Only - Do not write or staple in this space.

EXHIBIT H
PAGE 1 OF 3

Label (See instructions on page 21.)		For the year Jan. 1-Dec. 31, 2002, or other tax year beginning _____, 2002, ending _____		OMB No. 1546-0074																																																																		
TAXPAYER INFORMATION	Your first name and initial	Last name		Your social security number																																																																		
	LEE K	GROOME		248 92 1290																																																																		
	If a joint return, spouse's first name and initial	Last name		Spouse's social security number																																																																		
	MARGARET F	GROOME		250 88 7004																																																																		
	Home address (number and street). If you have a P.O. box, see page 21.			Apt. no.																																																																		
	351 FOOTHILLS DRIVE																																																																					
	City, town or post office, state, and ZIP code. If you have a foreign address, see page 21.			▲ Important! ▲ You must enter your SSN(s) above.																																																																		
	GREENVILLE, SC 29617																																																																					
Election Campaign Contribution (See page 21.)	Note. Checking "Yes" will not change your tax or reduce your refund. Do you, or your spouse if filing a joint return, want \$3 to go to this fund? You Spouse ▶ Yes No Yes No																																																																					
Filing Status	1 ☐ Single 2 ☒ Married filing jointly (even if only one had income) 3 ☐ Married filing separately. Enter spouse's SSN above and full name here. ▶ 4 ☐ Head of household (with qualifying person). (See page 21.) If the qualifying person is a child but not your dependent, enter this child's name here. ▶ 5 ☐ Qualifying widow(er) with dependent child (year spouse died ▶) (See page 21.)																																																																					
Exemptions	6a ☒ Yourself. If your parent (or someone else) can claim you as a dependent on his or her tax return, do not check box 6a b ☒ Spouse <table border="1" style="width: 100%; border-collapse: collapse; margin-top: 5px;"> <thead> <tr> <th colspan="2">(1) First name</th> <th>(2) Dependent's social security number</th> <th>(3) Dependent's relationship to you</th> <th>(4) Is it a qualifying child for child tax credit (see page 22)?</th> <th>No. of boxes checked on 6a and 6b</th> </tr> </thead> <tbody> <tr><td> </td><td> </td><td> </td><td> </td><td> </td><td> </td></tr> <tr><td> </td><td> </td><td> </td><td> </td><td> </td><td> </td></tr> <tr><td> </td><td> </td><td> </td><td> </td><td> </td><td> </td></tr> <tr><td> </td><td> </td><td> </td><td> </td><td> </td><td> </td></tr> <tr><td> </td><td> </td><td> </td><td> </td><td> </td><td> </td></tr> <tr><td> </td><td> </td><td> </td><td> </td><td> </td><td> </td></tr> <tr><td> </td><td> </td><td> </td><td> </td><td> </td><td> </td></tr> <tr><td> </td><td> </td><td> </td><td> </td><td> </td><td> </td></tr> <tr><td> </td><td> </td><td> </td><td> </td><td> </td><td> </td></tr> <tr><td> </td><td> </td><td> </td><td> </td><td> </td><td> </td></tr> </tbody> </table> No. of children on 6c who: • lived with you • did not live with you due to divorce or separation (see page 22) Dependents on 6c not entered above Add numbers on lines above ▶ 2				(1) First name		(2) Dependent's social security number	(3) Dependent's relationship to you	(4) Is it a qualifying child for child tax credit (see page 22)?	No. of boxes checked on 6a and 6b																																																												
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Total number of exemptions claimed	d Total number of exemptions claimed 2																																																																					
Income	<table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 75%;"> 7 Wages, salaries, tips, etc. Attach Form(s) W-2 8a Taxable interest. Attach Schedule B if required b Tax-exempt interest. Do not include on line 8a 9 Ordinary dividends. Attach Schedule B if required 10 Taxable refunds, credits, or offsets of state and local income taxes STMT 2 STMT 4 11 Alimony received STMT 5 12 Business income or (loss). Attach Schedule C or G-EZ 13 Capital gain or (loss). Attach Schedule D if required. If not required, check here ▶ ☐ 14 Other gains or (losses). Attach Form 4797 15a IRA distributions 15a b Taxable amount (see page 25) 15b 16a Pensions and annuities 16a b Taxable amount (see page 25) 16b 17 Rental real estate, royalties, partnerships, S corporations, trusts, etc. Attach Schedule E 18 Farm income or (loss). Attach Schedule F 19 Unemployment compensation 20a Social security benefits 20a b Taxable amount (see page 27) 20b 21 Other income. List type and amount (see page 29) 22 Add the amounts in the far right column for lines 7 through 21. This is your total income ▶ 22 </td> <td style="width: 25%; text-align: right; vertical-align: bottom;"> 7 8a 9 10 11 12 13 14 15b 16b 17 18 19 20b 21 22 </td> </tr> <tr> <td> 23 Educator expenses (see page 29) 24 IRA deduction (see page 29) 25 Student loan interest deduction (see page 31) 26 Tuition and fees deduction (see page 32) 27 Archer MSA deduction. Attach Form 8853 28 Moving expenses. Attach Form 3903 29 One-half of self-employment tax. Attach Schedule SE 30 Self-employed health insurance deduction (see page 33) 31 Self-employed SEP, SIMPLE, and qualified plans 32 Penalty on early withdrawal of savings 33a Alimony paid b Recipient's SSN 34 Add lines 23 through 33a 35 Subtract line 34 from line 22. This is your adjusted gross income ▶ </td> <td style="vertical-align: bottom;"> 33a 34 35 </td> </tr> </table>				7 Wages, salaries, tips, etc. Attach Form(s) W-2 8a Taxable interest. Attach Schedule B if required b Tax-exempt interest. Do not include on line 8a 9 Ordinary dividends. Attach Schedule B if required 10 Taxable refunds, credits, or offsets of state and local income taxes STMT 2 STMT 4 11 Alimony received STMT 5 12 Business income or (loss). Attach Schedule C or G-EZ 13 Capital gain or (loss). Attach Schedule D if required. If not required, check here ▶ ☐ 14 Other gains or (losses). Attach Form 4797 15a IRA distributions 15a b Taxable amount (see page 25) 15b 16a Pensions and annuities 16a b Taxable amount (see page 25) 16b 17 Rental real estate, royalties, partnerships, S corporations, trusts, etc. Attach Schedule E 18 Farm income or (loss). Attach Schedule F 19 Unemployment compensation 20a Social security benefits 20a b Taxable amount (see page 27) 20b 21 Other income. List type and amount (see page 29) 22 Add the amounts in the far right column for lines 7 through 21. This is your total income ▶ 22	7 8a 9 10 11 12 13 14 15b 16b 17 18 19 20b 21 22	23 Educator expenses (see page 29) 24 IRA deduction (see page 29) 25 Student loan interest deduction (see page 31) 26 Tuition and fees deduction (see page 32) 27 Archer MSA deduction. Attach Form 8853 28 Moving expenses. Attach Form 3903 29 One-half of self-employment tax. Attach Schedule SE 30 Self-employed health insurance deduction (see page 33) 31 Self-employed SEP, SIMPLE, and qualified plans 32 Penalty on early withdrawal of savings 33a Alimony paid b Recipient's SSN 34 Add lines 23 through 33a 35 Subtract line 34 from line 22. This is your adjusted gross income ▶	33a 34 35																																																														
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Adjusted Gross Income	275219.																																																																					

248-92-1290

Page 2

LEE K & MARGARET F GROOME

Tax and Credits

36 Amount from line 35 (adjusted gross income) **36 275219.**

37a Check if: ☐ You were 65 or older, ☐ Blind; ☐ Spouse was 65 or older, ☐ Blind. Add the number of boxes checked above and enter the total here **37a**

b If you are married filing separately and your spouse itemizes deductions, or you were a dual-status alien **37b**

38 Itemized deductions (from Schedule A) or your standard deduction (see left margin) **38 9039.**

39 Subtract line 38 from line 36 **39 266180.**

40 If line 38 is \$103,000 or less, multiply \$3,000 by the total number of exemptions claimed on line 6d. If line 38 is over \$103,000, see the worksheet on page 35 **40 2640.**

41 Taxable income. Subtract line 40 from line 39. If line 40 is more than line 39, enter -0- **41 263540.**

42 Tax. Check if any tax from: a ☐ Form(s) 9814 b ☐ Form 4972 **42 74052.**

43 Alternative minimum tax. Attach Form 6251 **43 0.**

44 Add lines 42 and 43 **44 74052.**

45 Foreign tax credit. Attach Form 1116 if required **45**

46 Credit for child and dependent care expenses. Attach Form 2441 **46**

47 Credit for the elderly or the disabled. Attach Schedule R **47**

48 Education credits. Attach Form 8863 **48**

49 Retirement savings contributions credit. Attach Form 8880 **49**

50 Child tax credit (see page 39) **50**

51 Adoption credit. Attach Form 8839 **51**

52 Credits from: a ☐ Form 8396 b ☐ Form 8859 **52**

53 Other credits. Check applicable box(es): a ☐ Form 3800 b ☐ Form 8801 c ☐ Specify **53**

54 Add lines 45 through 53. These are your total credits **54**

55 Subtract line 54 from line 44. If line 54 is more than line 44, enter -0- **55 74052.**

Other Taxes

56 Self-employment tax. Attach Schedule SE **56**

57 Social security and Medicare tax on tip income not reported to employer. Attach Form 4137 **57**

58 Tax on qualified plans, including IRAs, and other tax-favored accounts. Attach 5329 if required **58 28125.**

59 Advance earned income credit payments from Form(s) W-2 **59**

60 Household employment taxes. Attach Schedule H **60**

61 Add lines 55 through 60. This is your total tax **61 102177.**

Payments

62 Federal income tax withheld from Forms W-2 and 1099 **62 56250.**

63 2002 estimated tax payments and amount applied from 2001 return **63**

64 Earned income credit (EIC) **64**

65 Excess social security and tier 1 RRTA tax withheld (see page 58) **65**

66 Additional child tax credit. Attach Form 8812 **66**

67 Amount paid with request for extension to file (see page 56) **67**

68 Other payments from: a ☐ Form 2439 b ☐ Form 4136 c ☐ Form 8885 **68**

69 Add lines 62 through 68. These are your total payments **69 56250.**

Refund

70 If line 69 is more than line 61, subtract line 61 from line 69. This is the amount you overpaid **70**

71a Amount of line 70 you want refunded to you **71a**

b Routing number **71b**

c Type: ☐ Checking ☐ Savings **71c**

d Account number **71d**

72 Amount of line 70 you want applied to your 2003 estimated tax **72**

Amount You Owe

73 Amount you owe. Subtract line 69 from line 61. For details on how to pay, see page 57 **73 45927.**

74 Estimated tax penalty (see page 57) **74**

Third Party Designee

Do you want to allow another person to discuss this return with the IRS (see page 58)? ☒ Yes. Complete the following. ☐ No

Designee's name **PREPARER** Phone no. **SALES** Personal identification number (PIN) **HOMEMAKER**

Sign Here

Under penalties of perjury, I declare that I have examined this return and accompanying schedules and statements, and to the best of my knowledge and belief, they are true, correct, and complete. Declaration of preparer (other than taxpayer) is based on all information of which preparer has any knowledge.

Your signature **SALES** Date **04/11/03** Daytime phone number **259-92-6341**

Spouse's signature. If a joint return, both must sign. **SALES** Date **04/11/03** Daytime phone number **259-92-6341**

Paid Preparer's Use Only

Preparer's signature **THOMBLEY & SIMMONS, P.C.** Date **04/11/03** Check if self-employed ☐ Preparer's SSN or PTIN **58 1582344**

Firm's name (or yours if self-employed), address, and ZIP code **305 LAWRENCE ST., STE.100 MARIETTA, GA 30060** Phone no. **770-423-1234**

Do not write in this space - OFFICE USE

EXHIBIT H
SC1040 3 of 3
(Rev. 10/9/02) **2002**

SOUTH CAROLINA INDIVIDUAL INCOME TAX RETURN

For the year January 1-December 31, 2002, or other tax year beginning

2002 and ending

2003

Print Your first name and initial (Sr, Jr, 2nd, 3rd, 4th) **LEE K** **Last name** **GROOME** **Your Social Security number** **248 | 92 | 1290**

Spouse's first name and initial, if married filing jointly **MARGARET F** **Spouse's last name, if different** **GROOME** **Spouse's Social Security number** **250 | 88 | 7004**

Present home address (number and street, or P.O. Box) **351 FOOTHILLS DRIVE** **Apt. No.** **Area Code** **Daytime telephone** **Do not write in this space - OFFICE USE**

City, state and ZIP code **GREENVILLE, SC 29617** **County code**

If you do not wish to receive a booklet next year, but need a name and address label for your 2003 return, check here. ☐

Check here, if you are filing SC Schedule NR (Part year/Nonresident) ☐

Check this box if filing a composite return for partnership or "S" corporation. ☐

FEDERAL FILING STATUS (1) ☐ Single (3) ☐ Married filing separately. Enter spouse's SSN here: (2) ☒ Married filing jointly (4) ☐ Head of household (5) ☐ Widow(er) with dependent child

Federal Exemptions: Enter the number of exemptions from line 6(d) of your 2002 federal return. **2**

How many of the exemptions listed above were under the age of 6 years on December 31, 2002? **0**

Enter the number of taxpayers age 65 or older. **0**

	Dollars	Cents
1 Enter Federal taxable income from your federal form 1040, line 41; 1040A, line 27; or 1040EZ, line 6 and enter it on line 33 of this return. If zero or less, enter zero here and enter the negative amount on line 49 of this form.	263540	00
STOP! Resident filers complete lines 34 through 57 and enter total from line 57. Nonresident filers complete Schedule NR and enter total from line 43.		
2 South Carolina INCOME SUBJECT TO TAX. Do not enter an amount less than zero.	263540	00
3 TAX: Enter tax from SOUTH CAROLINA tax tables.	18094	00
4 TAX on Lump Sum Distribution (If using SC4972, please attach.)		00
5 TOTAL South Carolina tax. Add lines 3 and 4. Enter the total.	18094	00
6 Child and Dependent Care. (See instructions)		00
7 Two Wage Earner Credit (See instructions)		00
8 Other Non-refundable Credits. Attach SC1040TC.		00
9 TOTAL Non-refundable Credits. Add lines 6 through 8 and enter the total.		00
10 SUBTRACT line 9 from line 5. Enter the difference BUT NOT LESS THAN ZERO.	18094	00
11 SO INCOME TAX WITHHELD (Attach W-2 or SC41.)		00
14 NR sale of real estate		00
15 Other SC Withholding (Attach form 1099)		00
16 Tuition Tax Credit (Attach form 1-319)		00
17 ADD lines 11 through 16 and enter the total. These are your Total Payments/Credits.		00
18 If line 17 is LARGER than line 10, subtract line 10 from line 17 and enter the OVERPAYMENT.		00
19 If line 10 is LARGER than line 17, subtract line 17 from line 10 and enter the AMOUNT DUE.	18094	00
20 USE TAX (Due on Out-of-state Purchases. See page 12.)		00
21 Amount of line 18 to be credited to your 2003 ESTIMATED TAX.		00
22 Endangered Wildlife Fund		00
23 Children's Trust Fund		00
24 Eldercare Trust Fund		00
25 Veterans' Trust Fund		00
26 Gift of Life Trust Fund		00
27 DARE Fund		00
28 First Steps Fund		00
29 War Between States Heritage Trust Fund		00
30 ADD lines 20 through 29 and enter the total.		00
31 NET REFUND: If line 30 is larger than line 18, go to line 32. Otherwise, subtract line 30 from line 18 and enter the AMOUNT TO BE REFUNDED TO YOU.		00
32 NET DUE: ADD lines 19 and 30 and, if applicable, penalty amount. If line 30 is larger than line 18, subtract line 18 from line 30. Enter the AMOUNT YOU OWE. If subject to penalty for underpayment of Estimated Tax, attach Form SC2210. (See instructions). Attach a check or money order for the full amount payable to "SC Department of Revenue." Write your Social Security number and "2002 Form SC1040" on the payment.	18094	00

ATTACH A COMPLETE COPY OF YOUR FEDERAL RETURN ONLY IF you have income and/or (loss) on federal Schedules C, D, E, F or filed a SC Schedule NR.

PFK 277001 10-18-02

4

9510411 751951 GROLEE93

2002.05000 GROOME, LEE K

GROLEE91

1040

Department of the Treasury - Internal Revenue Service
U.S. Individual Income Tax Return

1998

(99)

IRS Use Only - Do not write or staple in this space.

EXHIBIT I

Label (See instructions on page 18.) Use the IRS label. Otherwise, please print or type.	For the year Jan. 1-Dec. 31, 1998, or other tax year beginning 1998, ending 19		OMB No. 1545-0074
	Your first name and initial LEE K	Last name GROOME	Your social security number 248 92 1290
	If a joint return, spouse's first name and initial MARGARET F	Last name GROOME	Spouse's social security number 250 88 7004
	Home address (number and street). If you have a P.O. box, see page 18. 351 FOOTHILLS DRIVE		Apt. no. ▲ IMPORTANT! ▲ You must enter your SSN(s) above.
City, town or post office, state, and ZIP code. If you have a foreign address, see page 18. GREENVILLE, SC 29617		Yes No Note: Checking "Yes" will not change your tax or reduce your refund.	
Presidential Election Campaign (See page 18.)	Do you want \$3 to go to this fund? ☐ Yes ☐ No		
If a joint return, does your spouse want \$3 to go to this fund? ☐ Yes ☐ No			

Filing Status Check only one box.	1 ☐ Single
	2 ☒ Married filing joint return (even if only one had income)
	3 ☐ Married filing separate return. Enter spouse's soc. sec. no. above and full name here. ▶
	4 ☐ Head of household (with qualifying person). If the qualifying person is a child but not your dependent, enter this child's name here. ▶
	5 ☐ Qualifying widow(er) with dependent child (year spouse died ▶ 19). (See page 18.)

Exemptions If more than six dependents, see page 19.	6a ☒ Yourself. If your parent (or someone else) can claim you as a dependent on his or her tax return, do not check box 6a.	No. of boxes checked on 6a and 6b 2
	b ☒ Spouse	No. of your children on 6b who: • lived with you 1 • did not live with you due to divorce or separation (see page 19)
	c Dependents:	Dependents on 6c not entered above
	(1) First name Last name (2) Dependent's social security number (3) Dependent's relationship to you (4) If qualifying child for child tax credit (see page 19)	Add numbers entered on lines above ▶ 3
	JOHN K GROOME 256 61 3429 CHILD X	

Income Attach Copy B of your Forms W-2, W-2G, and 1099-R here. If you did not get a W-2, see page 20. Enclose, but do not staple, any payment. Also, please use Form 1040-V.	7 Wages, salaries, tips, etc. Attach Form(s) W-2	7 60000.
	8a Taxable interest. Attach Schedule B if required	8a 4174.
	b Tax-exempt interest. DO NOT include on line 8a	8b
	9 Ordinary dividends. Attach Schedule B if required	9 1045.
	10 Taxable refunds, credits, or offsets of state and local income taxes	10
	11 Alimony received	11
	12 Business income or (loss). Attach Schedule C or C-EZ	12
	13 Capital gain or (loss). Attach Schedule D	13 <3000.>
	14 Other gains or (losses). Attach Form 4797	14
	15a Total IRA distributions	15a 3481. b Taxable amount (see page 22)
	16a Total pensions and annuities	16a b Taxable amount (see page 22)
	17 Rental real estate, royalties, partnerships, S corporations, trusts, etc. Attach Schedule E	17 <9726.>
	18 Farm income or (loss). Attach Schedule F	18
	19 Unemployment compensation	19
	20a Social security benefits	20a b Taxable amount (see page 24)
21 Other income. List type and amount - see page 24	21	
22 Add the amounts in the far right column for lines 7 through 21. This is your total income	22 52493.	

Adjusted Gross Income If line 33 is under \$30,000 (under \$10,000 if a child did not live with you), see EIC inst. on page 38.	23 IRA deduction (see page 25)	23
	24 Student loan interest deduction (see page 27)	24
	25 Medical savings account deduction. Attach Form 8853	25
	26 Moving expenses. Attach Form 3903	26
	27 One-half of self-employment tax. Attach Schedule SE	27
	28 Self-employed health insurance deduction (see page 28)	28
	29 Keogh & self-employed SEP plans and SIMPLE plans	29
	30 Penalty on early withdrawal of savings	30
	31a Alimony paid b Recipient's SSN ▶	31a
	32 Add lines 23 through 31a	32
33 Subtract line 32 from line 22. This is your adjusted gross income.	33 52493.	

EXHIBIT J
PAGE 1 OF 3

Form 1120		U.S. Corporation Income Tax Return		OMB No. 1545-0123					
Department of the Treasury Internal Revenue Service		For calendar year 1992 or tax year beginning AUG. 1, 1992, ending JULY 31, 93		1992					
Instructions are separate. See page 1 for Paperwork Reduction Act Notice.									
A Check if a: (1) Consolidated return (attach Form 961) ☐ (2) Personal holding co. (attach Sch. PH) ☐ (3) Personal service corp. (as defined in Temporary Regs. sec. 1.441-4T—see instructions) ☐		Use IRS label. Otherwise, please print or type. Name Groome & Associates, Inc. Number, street, and room or suite no. (if a P.O. box, see page 6 of instructions.) P.O. Box 729 City or town, state, and ZIP code Travelers Rest, SC 29690-0729		B Employer identification number 58-1810366 C Date incorporated 8/31/88 D Total assets (see Specific Instructions) \$ 2 341 278 74					
E Check applicable boxes: (1) ☐ Initial return (2) ☐ Final return (3) ☒ Change in address									
Income	1a	Gross receipts or sales	117 491 87	b	Less returns and allowances	195 253 95	c	Balance	10 922 237 92
	2	Cost of goods sold (Schedule A, line 8)							9 872 466 88
	3	Gross profit. Subtract line 2 from line 1c							1 049 771 04
	4	Dividends (Schedule C, line 19)							
	5	Interest							6 141 78
	6	Gross rents							
	7	Gross royalties							
	8	Capital gain net income (attach Schedule D (Form 1120))							
	9	Net gain or (loss) from Form 4797, Part II, line 20 (attach Form 4797)							16 712 16
	10	Other income (see instructions—attach schedule) Recovery of Bad Debts							8 839 00
	11	Total income. Add lines 3 through 10							1 081 463 98
Deductions (See instructions for limitations on deductions.)	12	Compensation of officers (Schedule E, line 4)							154 000 00
	13a	Salaries and wages		b	Less jobs credit		c	Balance	296 420 66
	14	Repairs							42 698 22
	15	Bad debts							
	16	Rents							67 560 00
	17	Taxes							45 441 02
	18	Interest							12 865 35
	19	Charitable contributions (see instructions for 10% limitation)							7 462 00
	20	Depreciation (attach Form 4562)			20	93 917 04			
	21	Less depreciation claimed on Schedule A and elsewhere on return			21a		21b		93 917 04
	22	Depletion							
	23	Advertising							3 431 32
	24	Pension, profit-sharing, etc., plans							46 410 04
	25	Employee benefit programs							
	26	Other deductions (attach schedule)							233 539 31
	27	Total deductions. Add lines 12 through 26							1 003 744 96
	28	Taxable income before net operating loss deduction and special deductions. Subtract line 27 from line 11							77 719 02
	29	Less: a Net operating loss deduction (see instructions)			29a		29b		
	30	Taxable income. Subtract line 29c from line 28							77 719 02
Tax and Payments	31	Total tax (Schedule J, line 10)							14 674 47
	32	Payments: a 1991 overpayment credited to 1992	32a	1 581 85					
	b	1992 estimated tax payments	32b	14 418 15					
	c	Less 1992 refund applied for on Form 4466	32c						
	d	Balance	32d	16 000 00					
	e	Tax deposited with Form 7004	32e						
	f	Credit from regulated investment companies (attach Form 2439)	32f						
	g	Credit for Federal tax on fuels (attach Form 4136). See instructions	32g						16 000 00
	33	Estimated tax penalty (see instructions). Check if Form 2220 is attached							
	34	Tax due. If line 32h is smaller than the total of lines 31 and 33, enter amount owed							
35	Overpayment. If line 32h is larger than the total of lines 31 and 33, enter amount overpaid							1 325 53	
36	Enter amount of line 35 you want: Credited to 1993 estimated tax								
Please Sign Here		Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete. Declaration of preparer (other than taxpayer) is based on all information of which preparer has any knowledge.							
Paid Preparer's Use Only		Signature of officer _____ Date _____ Title _____							
		Preparer's signature _____ Date 8/17/93 Check if self-employed ☐ Preparer's social security number 259 92 6341							
		Firm's name (or yours if self-employed) and address John S. Thombley, P.C. E.I. No. 58 1582344							
		305 Lawrence Street, Suite 100 ZIP code 30060							
		Marietta, GA Cat. No. 11450Q							

EXHIBIT J
PAGE 2 OF 3

Form 1120 (1992)

Page 2

Schedule A Cost of Goods Sold (See instructions.)

1	Inventory at beginning of year	1	
2	Purchases	2	
3	Cost of labor	3	Scheduled
4	Additional section 263A costs (attach schedule)	4	
5	Other costs (attach schedule)	5	
6	Total. Add lines 1 through 5	6	
7	Inventory at end of year	7	
8	Cost of goods sold. Subtract line 7 from line 6. Enter here and on page 1, line 2	8	9 872 466 88

9a Check all methods used for valuing closing inventory:

- (i) ☐ Cost (ii) ☐ Lower of cost or market as described in Regulations section 1.471-4
 (iii) ☐ Writedown of "subnormal" goods as described in Regulations section 1.471-2(c)
 (iv) ☐ Other (Specify method used and attach explanation.) ▶

b Check if the LIFO inventory method was adopted this tax year for any goods (if checked, attach Form 970) ▶ ☐

c If the LIFO inventory method was used for this tax year, enter percentage (or amounts) of closing inventory computed under LIFO

9c

d Do the rules of section 263A (for property produced or acquired for resale) apply to the corporation? ☐ Yes ☐ Noe Was there any change in determining quantities, cost, or valuations between opening and closing inventory? If "Yes," attach explanation ☐ Yes ☐ No**Schedule C Dividends and Special Deductions (See instructions.)**

	(a) Dividends received	(b) %	(c) Special deductions: (a) x (b)
1 Dividends from less-than-20%-owned domestic corporations that are subject to the 70% deduction (other than debt-financed stock)		70	
2 Dividends from 20%-or-more-owned domestic corporations that are subject to the 80% deduction (other than debt-financed stock)		80	
3 Dividends on debt-financed stock of domestic and foreign corporations (section 248A)		see instructions	
4 Dividends on certain preferred stock of less-than-20%-owned public utilities	41,178		
5 Dividends on certain preferred stock of 20%-or-more-owned public utilities	47,059		
6 Dividends from less-than-20%-owned foreign corporations and certain FSCs that are subject to the 70% deduction		70	
7 Dividends from 20%-or-more-owned foreign corporations and certain FSCs that are subject to the 80% deduction		80	
8 Dividends from wholly owned foreign subsidiaries subject to the 100% deduction (section 245(b))		100	
9 Total. Add lines 1 through 8. See instructions for limitation			
10 Dividends from domestic corporations received by a small business investment company operating under the Small Business Investment Act of 1958		100	
11 Dividends from certain FSCs that are subject to the 100% deduction (section 245(c)(1))		100	
12 Dividends from affiliated group members subject to the 100% deduction (section 243(a)(3))		100	
13 Other dividends from foreign corporations not included on lines 3, 6, 7, 8, or 11			
14 Income from controlled foreign corporations under subpart F (attach Form(s) 5471)			
15 Foreign dividend gross-up (section 78)			
16 IC-DISC and former DISC dividends not included on lines 1, 2, or 3 (section 248(d))			
17 Other dividends			
18 Deduction for dividends paid on certain preferred stock of public utilities (see instructions)			
19 Total dividends. Add lines 1 through 17. Enter here and on line 4, page 1 ▶			

20 Total deductions. Add lines 9, 10, 11, 12, and 18. Enter here and on line 29b, page 1 ▶

Schedule E Compensation of Officers (See instructions for line 12, page 1.)

Complete Schedule E only if total receipts (line 1a plus lines 4 through 10 on page 1, Form 1120) are \$500,000 or more.

(a) Name of officer	(b) Social security number	(c) Percent of time devoted to business	Percent of corporation stock owned		(f) Amount of compensation
			(d) Common	(e) Preferred	
1 Lee K. Groome	248-92-1290	100 %	100 %	%	154 000 00
		%	%	%	
		%	%	%	
		%	%	%	
		%	%	%	
2 Total compensation of officers					154 000 00
3 Compensation of officers claimed on Schedule A and elsewhere on return					
4 Subtract line 3 from line 2. Enter the result here and on line 12, page 1					154 000 00

EXHIBIT J
PAGE 3 OF 3
Page 4

Form 1120 (1992)

Schedule L Balance Sheets		Beginning of tax year		End of tax year	
	Assets	(a)	(b)	(c)	(d)
1	Cash		301 332 03		164 619 11
2a	Trade notes and accounts receivable	1 021 430 31		1 127 457 01	
b	Less allowance for bad debts	()	1 021 430 31	()	1 127 457 01
3	Inventories		230 872 85		404 049 07
4	U.S. government obligations				
5	Tax-exempt securities (see instructions)				
6	Other current assets (attach schedule)		2 031 06		1 735 05
7	Loans to stockholders		55 000 00		
8	Mortgage and real estate loans				
9	Other investments (attach schedule)				
10a	Buildings and other depreciable assets	373 531 46		732 954 90	
b	Less accumulated depreciation	(56 017 45)	317 514 01	(90 666 40)	642 288 50
11a	Depletable assets				
b	Less accumulated depletion				
12	Land (net of any amortization)		59 845 96		
13a	Intangible assets (amortizable only)				
b	Less accumulated amortization				
14	Other assets (attach schedule) Deposits		1 130 00		1 130 00
15	Total assets		1 989 156 22		2 341 278 74
Liabilities and Stockholders' Equity					
16	Accounts payable		1 614 538 95		1 615 800 02
17	Mortgages, notes, bonds payable in less than 1 year				75 000 00
18	Other current liabilities (attach schedule)		51 628 90		46 963 91
19	Loans from stockholders				224 500 00
20	Mortgages, notes, bonds payable in 1 year or more		7 000 00		17 000 00
21	Other liabilities (attach schedule)				
22	Capital stock: a Preferred stock				
	b Common stock	500 00	500 00	500 00	500 00
23	Paid-in or capital surplus				
24	Retained earnings—Appropriated (attach schedule)				
25	Retained earnings—Unappropriated		315 488 37		361 514 81
26	Less cost of treasury stock		()		()
27	Total liabilities and stockholders' equity		1 989 156 22		2 341 278 74

Note: You are not required to complete Schedules M-1 and M-2 below if the total assets on line 15, column (d) of Schedule L are less than \$25,000.

Schedule M-1 Reconciliation of Income (Loss) per Books With Income per Return (See instructions.)		
1	Net income (loss) per books	46 026 44
2	Federal income tax	14 674 47
3	Excess of capital losses over capital gains	
4	Income subject to tax not recorded on books this year (Itemize):	
5	Expenses recorded on books this year not deducted on this return (Itemize):	
a	Depreciation	\$
b	Contributions carryover	\$
c	Travel and entertainment	\$ 4 928 69
	Officers Life Ins.	36 785 35
	Deferred Inc. Tax	10 000 00
6	Add lines 1 through 5	51 714 04
		112 414 95
7	Income recorded on books this year not included on this return (Itemize):	
	Tax-exempt interest \$	
8	Deductions on this return not charged against book income this year (Itemize):	
a	Depreciation	\$34 695 93
b	Contributions carryover	\$
		34 695 93
9	Add lines 7 and 8	34 695 93
10	Income (line 28, page 1)—line 8 less line 9	77 719 02

Schedule M-2 Analysis of Unappropriated Retained Earnings per Books (Line 25, Schedule L)		
1	Balance at beginning of year	315 488 37
2	Net income (loss) per books	46 026 44
3	Other increases (Itemize):	
4	Add lines 1, 2, and 3	361 514 81
5	Distributions:	
	a Cash	
	b Stock	
	c Property	
6	Other decreases (Itemize):	
7	Add lines 5 and 6	
8	Balance at end of year (line 4 less line 7)	316 514 81

1120 Form Department of the Treasury Internal Revenue Service		U.S. Corporation Income Tax Return For calendar year 1993 or tax year beginning <u>AUG. 1, 1993</u> , ending <u>JULY 31, 19 94</u> ▶ Instructions are separate. See page 1 for Paperwork Reduction Act Notice.		EXHIBIT K Page 1 of 3 OMB No. 1546-0123 1993	
A Check if a: 1 Consolidated return (attach Form 851) ☐ 2 Personal holding co. (attach Sch. PH) ☐ 3 Personal service corp. (as defined in Temporary Regs. sec. 1.441-4T—see instructions) ☐		Use IRS label. Otherwise, please print or type. Name <u>Groome & Associates, Inc.</u> Number, street, and room or suite no. (If a P.O. box, see page 7 of instructions.) <u>P.O. Box 729</u> City or town, state, and ZIP code <u>Travelers Rest, SC 29690-0729</u>		B Employer identification number <u>58 1810366</u> C Date incorporated <u>8/31/88</u> D Total assets (see Specific Instructions)	
E Check applicable boxes: (1) ☐ Initial return (2) ☐ Final return (3) ☐ Change of address		\$ <u>2 355 319 39</u>			
Income		1a Gross receipts or sales <u>10 042 959 48</u>		b Less returns and allowances <u>338 089 82</u>	
		2 Cost of goods sold (Schedule A, line 8)		c Bal ▶ <u>9 704 869 66</u>	
		3 Gross profit. Subtract line 2 from line 1c		<u>8 225 947 32</u>	
		4 Dividends (Schedule C, line 19)		<u>1 478 922 34</u>	
		5 Interest		<u>1 995 20</u>	
		6 Gross rents			
		7 Gross royalties			
		8 Capital gain net income (attach Schedule D (Form 1120))			
		9 Net gain or (loss) from Form 4797, Part II, line 20 (attach Form 4797)			
		10 Other income (see Instructions—attach schedule)			
		11 Total income. Add lines 3 through 10		<u>1 480 917 54</u>	
Deductions (See instructions for limitations on deductions.)		12 Compensation of officers (Schedule E, line 4)		<u>260 000 00</u>	
		13a Salaries and wages		b Less employment credits	
		14 Repairs and maintenance		<u>393 738 98</u>	
		15 Bad debts		<u>26 061 50</u>	
		16 Rents		<u>28 854 30</u>	
		17 Taxes and licenses		<u>146 577 50</u>	
		18 Interest		<u>56 649 09</u>	
		19 Charitable contributions (see instructions for 10% limitation)		<u>25 637 03</u>	
		20 Depreciation (attach Form 4562)		<u>4 710 00</u>	
		21a Less depreciation claimed on Schedule A and elsewhere on return		<u>20 157 763 08</u>	
		22 Depletion		<u>21b 116 188 43</u>	
23 Advertising		<u>12 249 45</u>			
24 Pension, profit-sharing, etc., plans		<u>80 689 19</u>			
25 Employee benefit programs		<u>250 239 39</u>			
26 Other deductions (attach schedule)		<u>1 401 594 86</u>			
27 Total deductions. Add lines 12 through 26		<u>79 322 68</u>			
28 Taxable income before net operating loss deduction and special deductions. Subtract line 27 from line 11		29a		29c	
29 Less: a Net operating loss deduction (see instructions)		29b		29c	
30 Taxable income. Subtract line 29c from line 28		<u>79 322 68</u>			
31 Total tax (Schedule J, line 10)		<u>15 219 72</u>			
32 Payments: a 1992 overpayment credited to 1993		<u>32a 1 325 53</u>			
b 1993 estimated tax payments		<u>32b 14 674 47</u>			
c Less 1993 refund applied for on Form 4466		<u>32c</u>		d Bal ▶ <u>32d 16 000 00</u>	
e Tax deposited with Form 7004		<u>32e</u>			
f Credit from regulated investment companies (attach Form 2439)		<u>32f</u>			
g Credit for Federal tax on fuels (attach Form 4136). See instructions		<u>32g</u>		<u>32h 16 000 00</u>	
33 Estimated tax penalty (see instructions). Check if Form 2220 is attached		☐		<u>33</u>	
34 Tax due. If line 32h is smaller than the total of lines 31 and 33, enter amount owed		<u>34</u>			
35 Overpayment. If line 32h is larger than the total of lines 31 and 33, enter amount overpaid		<u>35 780 28</u>			
36 Enter amount of line 35 you want: Credited to 1994 estimated tax ▶		Refunded ▶		<u>36</u>	
Please Sign Here		Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete. Declaration of preparer (other than taxpayer) is based on all information of which preparer has any knowledge.			
Paid Preparer's Use Only		Signature of officer _____ Date _____ Title _____			
Preparer's signature _____		Date <u>8/10/94</u>		Check if self-employed ☐	
Firm's name (or yours if self-employed) and address <u>Thombley & Simmons, P.C.</u> <u>305 Lawrence Street, Suite 100</u> <u>Marietta, GA</u>		E.I. No. <u>58</u>		Preparer's social security number <u>92 6341</u>	
		ZIP code <u>30060</u>			

 Received in Office
 8/10/94

EXHIBIT 1C
PAGE 2 OF 3
Page 2

Form 1120 (1993)

Schedule A Cost of Goods Sold (See instructions.)

1	Inventory at beginning of year	1	
2	Purchases	2	Scheduled
3	Cost of labor	3	
4	Additional section 263A costs (attach schedule)	4	
5	Other costs (attach schedule)	5	
6	Total. Add lines 1 through 5	6	
7	Inventory at end of year	7	
8	Cost of goods sold. Subtract line 7 from line 6. Enter here and on page 1, line 2	8	

9a Check all methods used for valuing closing inventory:

☐ Cost ☒ Lower of cost or market as described in Regulations section 1.471-4

☐ Writedown of subnormal goods as described in Regulations section 1.471-2(c)

☐ Other (Specify method used and attach explanation.) ▶

b Check if the LIFO inventory method was adopted this tax year for any goods (if checked, attach Form 970) ▶ ☐

c If the LIFO inventory method was used for this tax year, enter percentage (or amounts) of closing inventory computed under LIFO 9c ☐

d Do the rules of section 263A (for property produced or acquired for resale) apply to the corporation? ☐ Yes ☒ No

e Was there any change in determining quantities, cost, or valuations between opening and closing inventory? If "Yes," attach explanation ☐ Yes ☒ No

Schedule C Dividends and Special Deductions (See instructions.)

	(a) Dividends received	(b) %	(c) Special deductions (a) x (b)
1	Dividends from less-than-20%-owned domestic corporations that are subject to the 70% deduction (other than debt-financed stock)	70	
2	Dividends from 20%-or-more-owned domestic corporations that are subject to the 80% deduction (other than debt-financed stock)	80	
3	Dividends on debt-financed stock of domestic and foreign corporations (section 246A)	See instructions	
4	Dividends on certain preferred stock of less-than-20%-owned public utilities	42	
5	Dividends on certain preferred stock of 20%-or-more-owned public utilities	48	
6	Dividends from less-than-20%-owned foreign corporations and certain FSCs that are subject to the 70% deduction	70	
7	Dividends from 20%-or-more-owned foreign corporations and certain FSCs that are subject to the 80% deduction	80	
8	Dividends from wholly owned foreign subsidiaries subject to the 100% deduction (section 245(b))	100	
9	Total. Add lines 1 through 8. See instructions for limitation		
10	Dividends from domestic corporations received by a small business investment company operating under the Small Business Investment Act of 1958	100	
11	Dividends from certain FSCs that are subject to the 100% deduction (section 245(c)(1))	100	
12	Dividends from affiliated group members subject to the 100% deduction (section 243(a)(3))	100	
13	Other dividends from foreign corporations not included on lines 3, 6, 7, 8, or 11		
14	Income from controlled foreign corporations under subpart F (attach Form(s) 5471)		
15	Foreign dividend gross-up (section 78)		
16	IC-DISC and former DISC dividends not included on lines 1, 2, or 3 (section 246(d))		
17	Other dividends		
18	Deduction for dividends paid on certain preferred stock of public utilities (see instructions)		
19	Total dividends. Add lines 1 through 17. Enter here and on line 4, page 1 ▶		

20 Total special deductions. Add lines 9, 10, 11, 12, and 18. Enter here and on line 29b, page 1 ▶

Schedule E Compensation of Officers (See instructions for line 12, page 1.)

Complete Schedule E only if total receipts (line 1a plus lines 4 through 10 on page 1, Form 1120) are \$500,000 or more.

(a) Name of officer	(b) Social security number	(c) Percent of time devoted to business	Percent of corporation stock owned		(f) Amount of compensation
			(d) Common	(e) Preferred	
1 Lee K. Groome	248-92-1290	100 %	100 %	%	260 000 00
		%	%	%	
		%	%	%	
		%	%	%	
2 Total compensation of officers					260 000 00
3 Compensation of officers claimed on Schedule A and elsewhere on return					
4 Subtract line 3 from line 2. Enter the result here and on line 12, page 1					260 000 00

12/20/04 MON 17:12 FAX 770 423 1842

THOMBLEY & SIMMONS PC

022

Form **1120****U.S. Corporation Income Tax Return**

For calendar year 1994 or tax year beginning 8/1, 1994, ending 7/31, 1995

OMB No. 1545-0123

1994Department of the Treasury
Internal Revenue Service

Instructions are separate. See page 1 for Paperwork Reduction Act Notice.

A Check if:

- 1 Consolidated return
(attach Form 991)
2 Personal holding co.
(attach Sch. FID)
3 Personal service corp.
(as defined in Temp.
Regs. sec. 1.441-4(f))

Use
IRS
label.
Other-
wise,
please
print
or type.**Name****GROOME & ASSOCIATES INC****Number, street, and room or suite no. (If a P.O. box, see page 8 of instructions.)****P O BOX 729****City or town, state, and ZIP code****TRAVELERS REST SC 29690-0729****B Employer identification number****58-1810366****C Date incorporated****8/31/88****D Total assets (see Specific
Instructions)****\$ 2678103.81****E Check applicable boxes:** (1) ☐ Initial return (2) ☐ Final return (3) ☐ Change of address

Income	1 a Gross receipts or sales	11745147.89	b Less returns and allowances	214446.56	e Bal	1e	11530701.33
	2 Cost of goods sold (Schedule A, line 8)					2	10136732.78
	3 Gross profit. Subtract line 2 from line 1c					3	1393968.55
	4 Dividends (Schedule C, line 19)					4	
	5 Interest					5	
	6 Gross rents					6	
	7 Gross royalties					7	
	8 Capital gain net income (attach Schedule D (Form 1120))					8	
	9 Net gain or (loss) from Form 4797, Part II, line 20 (attach Form 4797)					9	
	10 Other income (attach schedule)					10	4918.27
11 Total income. Add lines 3 through 10					11	1398886.82	
Deductions	12 Compensation of officers (Schedule E, line 4)					12	200000.00
	13 Salaries and wages (less employment credits)					13	363729.83
	14 Repairs and maintenance					14	19254.58
	15 Bad debts					15	33749.12
	16 Rents					16	196680.00
	17 Taxes and licenses					17	60586.45
	18 Interest					18	62927.29
	19 Charitable contributions					19	7422.27
	20 Depreciation (attach Form 4562)	20	132871.84			20	
	21 Less depreciation claimed on Schedule A and elsewhere on return	21a	44199.98			21b	88671.86
	22 Depletion					22	
	23 Advertising					23	9225.96
	24 Pension, profit-sharing, etc., plans					24	84000.00
	25 Employee benefit programs					25	
	26 Other deductions (attach schedule)					26	209179.08
	27 Total deductions. Add lines 12 through 26					27	1335426.44
	28 Taxable income before net operating loss deduction and special deductions. Subtract line 27 from line 11					28	63460.38
	29 Less: a Net operating loss deduction	29a				29c	
b Special deductions (Schedule C, line 20)	29b				29c		
Tax and Payments	30 Taxable income. Subtract line 29c from line 28					30	63460.38
	31 Total tax (Schedule J, line 10)					31	10865.09
	32 Payments: a 1993 overpayment credited to 1994	32a					
	b 1994 estimated tax payments	32b	15219.72				
	c Less 1994 refund applied for on Form 4405	32c					
	d Tax deposited with Form 7004	32d	15219.72				
	e Credit from regulated investment companies (attach Form 2439)	32e					
	f Credit for Federal tax on fuels (attach Form 4136)	32f					
	g Estimated tax penalty. Check if Form 2220 is attached	32g				32h	15219.72
	33 Tax due. If line 32h is smaller than the total of lines 31 and 33, enter amount owed					33	
34 Overpayment. If line 32h is larger than the total of lines 31 and 33, enter amount overpaid					34	4354.63	
35 Enter amount of line 35 you want Credited to 1995 estimated tax		4354.63	Refunded		35		

**Please
Sign
Here**

Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete. Declaration of preparer (other than taxpayer) is based on all information of which preparer has any knowledge.

Signature of officer

Date

Title

**Paid
Pre-
parer's
Use
Only**Preparer's
signature

Date

8/16/95

Check if
self-employed

Preparer's social security number

259 92 6341

Firm's name
(or yours if
self-employed)

THOMBLEY & SIMMONS PC

305 LAWRENCE ST STE 100

MARIETTA GA 30060

E.I. No.

ZIP code

58 1582344

30060

EXHIBIT L
PAGE 2 OF 3

Page 2

Form 1120 (1994)

Schedule A Cost of Goods Sold

1	Inventory at beginning of year	1	
2	Purchases	2	
3	Cost of labor	3	
4	Additional section 283A costs (attach schedule)	4	SCHEDULE
5	Other costs (attach schedule)	5	
6	Total. Add lines 1 through 5	6	
7	Inventory at end of year	7	
8	Cost of goods sold. Subtract line 7 from line 6. Enter here and on page 1, line 2	8	10136732.78

9a Check all methods used for valuing closing inventory:

- ☐ Cost ☐ Lower of cost or market as described in Regulations section 1.471-4
☐ Writedown of subnormal goods as described in Regulations section 1.471-2(c)
☐ Other (Specify method used and attach explanation.)

b Check if the LIFO inventory method was adopted this tax year for any goods (if checked, attach Form 970) ☐**c** If the LIFO inventory method was used for this tax year, enter percentage (or amounts) of closing inventory computed under LIFO **9c** ☐**d** Do the rules of section 263A (for property produced or acquired for resale) apply to the corporation? ☐ Yes ☐ No**e** Was there any change in determining quantities, cost, or valuations between opening and closing inventory? ☐ Yes ☐ No

If "Yes," attach explanation

Schedule C Dividends and Special Deductions

	(a) Dividends received	(b) %	(c) Special deductions (a) x (b)
1 Dividends from less-than-20%-owned domestic corporations that are subject to the 70% deduction (other than debt-financed stock)		70	
2 Dividends from 20%-or-more-owned domestic corporations that are subject to the 80% deduction (other than debt-financed stock)		80	
3 Dividends on debt-financed stock of domestic and foreign corporations (section 248A)		See instructions	
4 Dividends on certain preferred stock of less-than-20%-owned public utilities		42	
5 Dividends on certain preferred stock of 20%-or-more-owned public utilities		48	
6 Dividends from less-than-20%-owned foreign corporations and certain FSCs that are subject to the 70% deduction		70	
7 Dividends from 20%-or-more-owned foreign corporations and certain FSCs that are subject to the 80% deduction		80	
8 Dividends from wholly owned foreign subsidiaries subject to the 100% deduction (section 248(b))		100	
9 Total. Add lines 1 through 8.			
10 Dividends from domestic corporations received by a small business investment company operating under the Small Business Investment Act of 1958		100	
11 Dividends from certain FSCs that are subject to the 100% deduction (section 248(c)(1))		100	
12 Dividends from affiliated group members subject to the 100% deduction (sec. 248(b)(3))		100	
13 Other dividends from foreign corporations not included on lines 3, 6, 7, 8, or 11			
14 Income from controlled foreign corporations under subpart F (attach Form(s) 5471)			
15 Foreign dividend gross-up (section 78)			
16 IC-DISC and former DISC dividends not included on lines 1, 2, or 3 (section 248(d))			
17 Other dividends			
18 Deduction for dividends paid on certain preferred stock of public utilities			
19 Total dividends. Add lines 1 through 17. Enter here and on line 4, page 1.			

20 Total special deductions. Add lines 9, 10, 11, 12, and 18. Enter here and on line 29b, page 1**Schedule E Compensation of Officers** (See instructions for line 12, page 1.)

Complete Schedule E only if total receipts (line 1a plus lines 4 through 10 on page 1, Form 1120) are \$500,000 or more.

(a) Name of officer	(b) Social security number	(c) Percent of time devoted to business	Percent of corporation stock owned		(f) Amount of compensation
			(d) Common	(e) Preferred	
1 LEE K GROOME	248-92-1290	100.00	100.00		200000.00
2 Total compensation of officers					200000.00
3 Compensation of officers claimed on Schedule A and elsewhere on return					
4 Subtract line 3 from line 2. Enter the result here and on line 12, page 1					200000.00

Form-1120 (1994)

EXHIBIT L
PAGE 3 OF 3

Page 4

Schedule L Balance Sheets		Beginning of tax year		End of tax year	
Assets		(a)	(b)	(a)	(d)
1	Cash		573.36		1646.12
2a	Trade notes and accounts receivable	958468.69		1051469.82	
b	Less allowance for bad debts	()	958468.69	()	1051469.82
3	Inventories		650834.52		1014525.13
4	U.S. government obligations				
5	Tax-exempt securities				
6	Other current assets PREPAID EXPENSES		1105.40		5514.61
7	Loans to stockholders				
8	Mortgage and real estate loans				
9	Other investments REAL ESTATE		123966.40		
10a	Buildings and other depreciable assets	791602.98		775749.16	
b	Less accumulated depreciation	(172361.96)	619241.02	(171931.03)	603818.13
11a	Depletable assets				
b	Less accumulated depletion	()		()	
12	Land (net of any amortization)				
13a	Intangible assets (amortizable only)				
b	Less accumulated amortization	()		()	
14	Other assets DEPOSITS		1130.00		1130.00
15	Total assets		2355319.39		2678103.81
Liabilities and Stockholders' Equity					
16	Accounts payable		901611.93		814888.19
17	Mortgages, notes, bonds payable in less than 1 year		665988.16		1011254.29
18	Other current liabilities ACCRUED		80904.75		90772.95
19	Loans from stockholders EXPENSES				
20	Mortgages, notes, bonds payable in 1 year or more				
21	Other liabilities DEFERRED INCOME		33000.00		45000.00
22	Capital stock: a Preferred stock TAXES				
	b Common stock	230500.00	230500.00	230500.00	230500.00
23	Paid-in or capital surplus				
24	Retained earnings - Appropriated (attach schedule)				
25	Retained earnings - Unappropriated		443314.55		485688.38
26	Less cost of treasury stock		()		()
27	Total liabilities and stockholders' equity		2355319.39		2678103.81

Note: You are not required to complete Schedules M-1 and M-2 below if the total assets on line 15, column (d) of Schedule L are less than \$25,000.

Schedule M-1 Reconciliation of Income (Loss) per Books With Income per Return

1	Net income (loss) per books	42373.83	7	Income recorded on books this year not included on this return (itemize): Tax-exempt interest \$	
2	Federal income tax	10865.09			
3	Excess of capital losses over capital gains				
4	Income subject to tax not recorded on books this year (itemize):				
5	Expenses recorded on books this year not deducted on this return (itemize): DEFERRED INCOME TAX COUNTY CLERK'S DUES OFFICERS LIFE INS	2000.00 2396.00 1035.73 9878.68 42706.44	8	Deductions on this return not charged against book income this year (itemize): a Depreciation \$ b Contributions carryover \$	57775.39 57775.39
6	Add lines 1 through 5	67996.85	9	Add lines 7 and 8	57775.39
		121235.77	10	Income (line 28, page 1) - line 8 less line 9	63460.38

Schedule M-2 Analysis of Unappropriated Retained Earnings per Books (Line 25, Schedule L)

1	Balance at beginning of year	443314.55	5	Distributions: a Cash	
2	Net income (loss) per books	42373.83		b Stock	
3	Other increases (itemize):			c Property	
			6	Other decreases (itemize):	
4	Add lines 1, 2, and 3	485688.38	7	Add lines 5 and 6	
			8	Balance at end of year (line 4 less line 7)	485688.38

12/20/04 MON 17:16 FAX 770 423 1842

THOMBLEY & SIMMONS PC

025

Form **1120**Department of the Treasury
Internal Revenue Service

U.S. Corporation Income Tax Return

For calendar year 1995 or tax year beginning August 1, 1995, ending July 31, 1996

EXHIBIT
1064 OF 3
OMB No. 1545-0120

1995

Instructions are separate. See page 1 for Paperwork Reduction Act Notice.

A Check if a:		Name	B Employer identification number
1 Consolidated return (attach Form 991)	☐	Groome & Associates, Inc.	58-1810366
2 Personal holding co. (attach Sch. Pr)	☐	Number, street, and room or suite no. (if a P.O. box, see page 6 of instructions.)	C Date incorporated
3 Personal service corp. (as defined in Temp. Regs. sec. 1.441-4T)	☐	P.O. Box 729	8/31/88
		City or town, state, and ZIP code	D Total assets (see page 6 of instructions)
		Travelers Rest, SC 29690-0729	\$ 2,403,270.85
E Check applicable boxes:		(1) Initial return (2) Final return (3) Change of address	
1 Gross receipts or sales		9,038,191.15	1e 8,731,341.89
2 Cost of goods sold (Schedule A, line 8)			2 7,731,866.67
3 Gross profit. Subtract line 2 from line 1c			3 999,475.22
4 Dividends (Schedule C, line 19)			4
5 Interest			5
6 Gross rents			6
7 Gross royalties			7
8 Capital gain net income (attach Schedule D (Form 1120))			8
9 Net gain or (loss) from Form 4797, Part II, line 20 (attach Form 4797)			9
10 Other income (attach schedule)		Recovery of Bad Debts	10 5,002.50
11 Total income. Add lines 3 through 10			11 1,004,477.72
12 Compensation of officers (Schedule E, line 4)			12 80,000.00
13 Salaries and wages (less employment credits)			13 304,816.25
14 Repairs and maintenance			14 43,368.32
15 Bad debts			15
16 Rents			16 165,000.00
17 Taxes and licenses			17 51,086.16
18 Interest			18 91,314.00
19 Charitable contributions			19
20 Depreciation (attach Form 4562)		20 112,946.64	
21 Less depreciation claimed on Schedule A and elsewhere on return		21a 68,355.62	21b 44,591.02
22 Depletion			22
23 Advertising			23 5,808.37
24 Pension, profit-sharing, etc., plans			24
25 Employee benefit programs			25
26 Other deductions (attach schedule)			26 216,571.88
27 Total deductions. Add lines 12 through 26			27 1,002,556.00
28 Taxable income before net operating loss deduction and special deductions. Subtract line 27 from line 11			28 1,921.72
29 Less: a Net operating loss deduction		29a	29a
b Special deductions (Schedule C, line 20)		29b	29b
30 Taxable income. Subtract line 29c from line 28			30 1,921.72
31 Total tax (Schedule J, line 10)			31 288.26
32 Payments: a 1994 overpayment credited to 1995		32a 4,271.06	
b 1995 estimated tax payments		32b 9,645.37	
c Less 1995 refund applied for on Form 4466		32c	
d Tax deposited with Form 7004		32d 13,916.43	
e Credit from regulated investment companies (attach Form 2439)		32e	
f Credit for Federal tax on fuels (attach Form 4136)		32f	
g Credit for Federal tax on fuels (attach Form 4136)		32g	
33 Estimated tax penalty. Check if Form 2220 is attached			33 13,916.43
34 Tax due. If line 32h is smaller than the total of lines 31 and 33, enter amount owed			34
35 Overpayment. If line 32h is larger than the total of lines 31 and 33, enter amount overpaid			35 13,628.17
36 Enter amount of line 35 you want: Credited to 1995 estimated tax		300.00	36 13,328.17
36 Enter amount of line 35 you want: Refunded			
Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete. Declaration of preparer (other than taxpayer) is based on all information of which preparer has any knowledge.			
Sign Here		Signature of officer	Title
Preparer's signature		Date 8/26/96	Check if self-employed ☐
Firm's name (or yours if self-employed) and address		Preparer's social security number	259 92 6341
Thombley & Simmons, P.C.		E.I. No.	58 1582344
305 Lawrence Street, Suite 100		ZIP code	30060
Marietta, GA			

Form 1120 (1999)

EXHIBIT M
PAGE 2 OF 3

Page 2

Schedule A Cost of Goods Sold (See page 12 of instructions.)

1	Inventory at beginning of year	1	
2	Purchases	2	
3	Cost of labor	3	
4	Additional section 263A costs (attach schedule)	4	Schedule 1
5	Other costs (attach schedule)	5	
6	Total. Add lines 1 through 5	6	
7	Inventory at end of year	7	
8	Cost of goods sold. Subtract line 7 from line 6. Enter here and on page 1, line 2	8	7,731,866.67

9a Check all methods used for valuing closing inventory:

- (i) ☒ Cost as described in Regulations section 1.471-3
 (ii) ☐ Lower of cost or market as described in Regulations section 1.471-4
 (iii) ☐ Other (Specify method used and attach explanation.)

b Check if there was a writedown of subnormal goods as described in Regulations section 1.471-2(c)**c** Check if the LIFO inventory method was adopted this tax year for any goods (If checked, attach Form 970)**d** If the LIFO inventory method was used for this tax year, enter percentage (or amounts) of closing inventory computed under LIFO**e** Do the rules of section 263A (for property produced or acquired for resale) apply to the corporation?**f** Was there any change in determining quantities, cost, or valuations between opening and closing inventory?

If "Yes," attach explanation

Yes ☐ No ☐Yes ☐ No ☐**Schedule C Dividends and Special Deductions**

	(a) Dividends received	(b) %	(c) Special deductions (a) x (b)
1	Dividends from less-than-20%-owned domestic corporations that are subject to the 70% deduction (other than debt-financed stock)	70	
2	Dividends from 20%-or-more-owned domestic corporations that are subject to the 80% deduction (other than debt-financed stock)	80	
3	Dividends on debt-financed stock of domestic and foreign corporations (section 248A)	see instructions	
4	Dividends on certain preferred stock of less-than-20%-owned public utilities	42	
5	Dividends on certain preferred stock of 20%-or-more-owned public utilities	48	
6	Dividends from less-than-20%-owned foreign corporations and certain FSCs that are subject to the 70% deduction	70	
7	Dividends from 20%-or-more-owned foreign corporations and certain FSCs that are subject to the 80% deduction	80	
8	Dividends from wholly owned foreign subsidiaries subject to the 100% deduction (section 246(b))	100	
9	Total. Add lines 1 through 8		
10	Dividends from domestic corporations received by a small business investment company operating under the Small Business Investment Act of 1958	100	
11	Dividends from certain FSCs that are subject to the 100% deduction (section 246(c)(1))	100	
12	Dividends from affiliated group members subject to the 100% deduction (sec. 243(e)(3))	100	
13	Other dividends from foreign corporations not included on lines 3, 6, 7, 8, or 11		
14	Income from controlled foreign corporations under subpart F (attach Form(s) 5471)		
15	Foreign dividend gross-up (section 78)		
16	10-DISC and former DISC dividends not included on lines 1, 2, or 3 (section 246(d))		
17	Other dividends		
18	Deduction for dividends paid on certain preferred stock of public utilities		
19	Total dividends. Add lines 1 through 17. Enter here and on line 4, page 1		

20 Total special deductions. Add lines 9, 10, 11, 12, and 18. Enter here and on line 29b, page 1**Schedule E Compensation of Officers** Complete Schedule E only if total receipts (line 1a plus lines 4 through 10 on page 1, Form 1120) are \$500,000 or more.

(a) Name of officer	(b) Social security number	(c) Percent of time devoted to business	Percent of corporation stock owned		(f) Amount of compensation
			(d) Common	(e) Preferred	
1 Lee K. Groome	248-92-1290	100.000	100.000		80,000.00
2 Total compensation of officers					80,000.00
3 Compensation of officers claimed on Schedule A and elsewhere on return					
4 Subtract line 3 from line 2. Enter the result here and on line 12, page 1.					80,000.00

Form 1120 (1995)

EXHIBIT M
PAGE 3 OF 3

Page 4

Schedule L Balance Sheets

	Beginning of tax year		End of tax year	
	(a)	(b)	(c)	(d)
Assets				
1 Cash		1,646.12		
2a Trade notes and accounts receivable	1,051,469.82		689,086.78	
b Less allowance for bad debts		1,051,469.82		689,086.78
3 Inventories		1,014,525.13		1,041,784.65
4 U.S. government obligations				
5 Tax-exempt securities				
6 Other current assets Prepaid Expenses		5,514.61		17,526.45
7 Loans to stockholders				
8 Mortgage and real estate loans				
9 Other investments				
10a Buildings and other depreciable assets	775,749.16		914,010.41	
b Less accumulated depreciation	(171,931.03)	603,818.13	(260,267.44)	653,742.97
11a Depletable assets				
b Less accumulated depletion				
12 Land (net of any amortization)				
13a Intangible assets (amortizable only)				
b Less accumulated amortization				
14 Other assets Deposits		1,130.00		1,130.00
15 Total assets		2,678,103.81		2,403,270.85
Liabilities and Stockholders' Equity				
16 Accounts payable		814,888.19		668,403.92
17 Mortgages, notes, bonds payable in less than 1 year		1,011,254.29		976,402.62
18 Other current liabilities Accrued Expense		90,772.95		7,019.83
19 Loans from stockholders				
20 Mortgages, notes, bonds payable in 1 year or more				
21 Other liabilities Deferred Income Tax		45,000.00		53,000.00
22 Capital stock: a Preferred stock				
b Common stock	230,500.00	230,500.00	230,500.00	230,500.00
23 Paid-in or capital surplus				
24 Retained earnings - Appropriated (attach schedule)				
25 Retained earnings - Unappropriated		485,688.38		467,944.48
26 Less cost of treasury stock		()		()
27 Total liabilities and stockholders' equity		2,678,103.81		2,403,270.85

Note: You are not required to complete Schedules M-1 and M-2 below if the total assets on line 15, column (d) of Schedule L are less than \$25,000.

Schedule M-1 Reconciliation of Income (Loss) per Books With Income per Return

1 Net income (loss) per books	<17,743.90>	7 Income recorded on books this year not included on this return (itemize):	
2 Federal income tax	288.26	Tax-exempt interest \$	
3 Excess of capital losses over capital gains			
4 Income subject to tax not recorded on books this year (itemize):			
5 Expenses recorded on books this year not deducted on this return (itemize):		8 Deductions on this return not charged against book income this year (itemize):	
a Deferred Inc. \$ 8,000.00		a Depreciation	\$ 24,610.23
b Country Club \$ 2,376.00		b Contributions carryover	\$
c Travel and Dues \$ 5,447.59			
d Officer Life Ins. 28,164.00			
	43,987.59	9 Add lines 7 and 8	24,610.23
6 Add lines 1 through 5	26,531.95	10 Income (line 28, page 1) - line 6 less line 9	1,921.72

Schedule M-2 Analysis of Unappropriated Retained Earnings per Books (Line 25, Schedule L)

1 Balance at beginning of year	485,688.38	5 Distributions: a Cash	
2 Net income (loss) per books	<17,743.90>	b Stock	
3 Other increases (itemize):		c Property	
		6 Other decreases (itemize):	
4 Add lines 1, 2, and 3	467,944.48	7 Add lines 5 and 6	
		8 Balance at end of year (line 4 less line 7)	467,944.48

Form **1120**
Department of the Treasury
Internal Revenue Service

U.S. Corporation Income Tax Return

For calendar year 1996 or tax year beginning AUGUST 1, 1996, ending JULY 31, 1997

OMB No. 1545-0123
1996

- A Check if a:**
- 1 Consolidated return (attach Form 990) ☐
 - 2 Personal holding co. (attach Sch. PH) ☐
 - 3 Personal service corp. (as defined in Temp. Regs. sec. 1.441-4(f)) ☐

Instructions are separate. See page 1 for Paperwork Reduction Act Notice.

Name
GROOME & ASSOCIATES, INC.
Number, street, and room or suite no. (If a P.O. box, see page 6 of Instructions.)
P.O. BOX 729
City or town, state, and ZIP code
TRAVELERS REST, SC 29690-0729

B Employer identification number
58-1810366
C Date incorporated
08/31/88
D Total assets (see page 6 of Instructions)

E Check applicable boxes: (1) ☐ Initial return (2) ☐ Final return (3) ☐ Change of address **\$ 3,005,699.38**

1 ☐ Gross receipts or sales **9,710,597.40** 2 ☐ Less returns and allowances **188,681.21** **\$ Bal**

2 Cost of goods sold (Schedule A, line 8) **16 9,521,916.19**

3 Gross profit. Subtract line 2 from line 1c **2 8,029,578.13**

4 Dividends (Schedule C, line 19) **3 1,492,338.06**

5 Interest **4**

6 Gross rents **5**

7 Gross royalties **6**

8 Capital gain net income (attach Schedule D (Form 1120)) **7**

9 Net gain or (loss) from Form 4797, Part II, line 20 (attach Form 4797) **8 1,500.00**

10 Other income (attach schedule) **9 10,198.84**

11 Total income. Add lines 3 through 10 **10 1,504,036.90**

12 Compensation of officers (Schedule E, line 4) **11 330,000.00**

13 Salaries and wages (less employment credits) **12 258,639.98**

14 Repairs and maintenance **13 73,944.81**

15 Bad debts **14 9,030.28**

16 Rents **15 180,000.00**

17 Taxes and licenses **16 64,234.26**

18 Interest **17 86,713.53**

19 Charitable contributions **18 8,139.00**

20 Depreciation (attach Form 4562) **19 126,113.53**

21 Less depreciation claimed on Schedule A and elsewhere on return **20 85,817.79**

22 Depletion **21a 40,295.74**

23 Advertising **22 733.94**

24 Pension, profit-sharing, etc., plans **23 50,203.00**

25 Employee benefit programs **24**

26 Other deductions (attach schedule) **25 328,849.80**

27 Total deductions. Add lines 12 through 26 **26 1,430,784.34**

28 Taxable income before net operating loss deduction and special deductions. Subtract line 27 from line 11 **27 73,252.56**

29 Less: a Net operating loss deduction **28**

b Special deductions (Schedule C, line 20) **29a 29b 29c**

30 Taxable income. Subtract line 29c from line 28 **30 73,252.56**

31 Total tax (Schedule J, line 10) **31 13,313.14**

32 Payments: a 1996 overpayment credited to 1996 **32a 300.00**

b 1996 estimated tax payments **32b**

c Less 1996 refund applied for on Form 4466 **32c**

d Tax deposited with Form 7004 **32d 300.00**

e Credit from regulated investment companies (attach Form 2439) **32e**

f Credit for Federal tax on fuels (attach Form 4136) **32f**

g Estimated tax penalty. Check if Form 2220 is attached **32g 32h 300.00**

33 Tax due. If line 32h is smaller than the total of lines 31 and 33, enter amount owed **33 0.00**

34 Overpayment. If line 32h is larger than the total of lines 31 and 33, enter amount overpaid **34 13,013.14**

35 Enter amount of line 35 you want: Credited to 1997 estimated tax **35**

Refunded **36**

Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete. Declaration of preparer (other than taxpayer) is based on all information of which preparer has any knowledge.

Sign Here Signature of officer **Date** **This**

Paid Preparer's Use Only Preparer's signature **Date** **08/26/97** Check if self-employed **Preparer's social security number** **259 92 6341**

Firm's name (or yours if self-employed) and address **THOMBLEY & SIMMONS, P.C.** **E.I. No.** **58 1582344**

305 LAWRENCE STREET SUITE 100 **ZIP code** **30060**

MARIETTA, GA 30060

Form 1120 (1998)

EXHIBIT A1
PAGE 2 OF 3

Page 2

Schedule A Cost of Goods Sold (See page 12 of instructions.)

1	Inventory at beginning of year	1	
2	Purchases	2	
3	Cost of labor	3	SCHEDULE 1
4	Additional section 263A costs (attach schedule)	4	
5	Other costs (attach schedule)	5	
6	Total. Add lines 1 through 5	6	
7	Inventory at end of year	7	
8	Cost of goods sold. Subtract line 7 from line 6. Enter here and on page 1, line 2	8	8,029,578.13

a Check all methods used for valuing closing inventory:

- (i) ☒ Cost as described in Regulations section 1.471-3
 (ii) ☐ Lower of cost or market as described in Regulations section 1.471-4
 (iii) ☐ Other (Specify method used and attach explanation.) ▶

b Check if there was a writedown of subnormal goods as described in Regulations section 1.471-2(c) ▶ ☐**c** Check if the LIFO inventory method was adopted this tax year for any goods (if checked, attach Form 970) ▶ ☐**d** If the LIFO inventory method was used for this tax year, enter percentage (or amounts) of closing inventory computed under LIFO 9d**e** If property is produced or acquired for resale, do the rules of section 263A apply to the corporation? ☐ Yes ☒ No**f** Was there any change in determining quantities, cost, or valuations between opening and closing inventory? ☐ Yes ☒ No
If "Yes," attach explanation**Schedule C Dividends and Special Deductions**

	(a) Dividends received	(b) %	(c) Special deductions (a) x (b)
1 Dividends from less-than-20%-owned domestic corporations that are subject to the 70% deduction (other than debt-financed stock)		70	
2 Dividends from 20%-or-more-owned domestic corporations that are subject to the 80% deduction (other than debt-financed stock)		80	
3 Dividends on debt-financed stock of domestic and foreign corporations (section 248A)		see instructions	
4 Dividends on certain preferred stock of less-than-20%-owned public utilities		42	
5 Dividends on certain preferred stock of 20%-or-more-owned public utilities		48	
6 Dividends from less-than-20%-owned foreign corporations and certain FSCs that are subject to the 70% deduction		70	
7 Dividends from 20%-or-more-owned foreign corporations and certain FSCs that are subject to the 80% deduction		80	
8 Dividends from wholly owned foreign subsidiaries subject to the 100% deduction (section 246(b))		100	
9 Total. Add lines 1 through 8			
10 Dividends from domestic corporations received by a small business investment company operating under the Small Business Investment Act of 1958		100	
11 Dividends from certain FSCs that are subject to the 100% deduction (section 246(c)(1))		100	
12 Dividends from affiliated group members subject to the 100% deduction (sec. 243(a)(2))		100	
13 Other dividends from foreign corporations not included on lines 3, 6, 7, 8, or 11			
14 Income from controlled foreign corporations under subpart F (attach Form(s) 5471)			
15 Foreign dividend gross-up (section 78)			
16 IC-DISC and former DISC dividends not included on lines 1, 2, or 3 (section 246(d))			
17 Other dividends			
18 Deduction for dividends paid on certain preferred stock of public utilities			
19 Total dividends. Add lines 1 through 17. Enter here and on line 4, page 1 ▶			

20 Total special deductions. Add lines 9, 10, 11, 12, and 18. Enter here and on line 29b, page 1 N/A**Schedule E Compensation of Officers** Complete Schedule E only if total receipts (line 1a plus lines 4 through 10 on page 1, Form 1120) are \$500,000 or more.

(a) Name of officer	(b) Social security number	(c) Percent of time devoted to business	Percent of corporation stock owned		(f) Amount of compensation
			(d) Common	(e) Preferred	
LEE K. GROOME	248-92-1290	100.000	100.000		330,000.00
2 Total compensation of officers					330,000.00
3 Compensation of officers claimed on Schedule A and elsewhere on return					
4 Subtract line 3 from line 2. Enter the result here and on line 12, page 1					330,000.00

Form 1120 (1996)

Schedule M
Page 4

Schedule L Balance Sheets per Books		Beginning of tax year		End of tax year	
Assets		(a)	(b)	(c)	(d)
1 Cash					3,665.80
2a Trade notes and accounts receivable		689,086.78		1,032,155.27	
b Less allowance for bad debts		()	689,086.78	()	1,032,155.27
3 Inventories			1,041,784.65		1,256,271.15
4 U.S. government obligations					
5 Tax-exempt securities					
6 Other current assets Prepaid Expenses			17,526.45		
7 Loans to stockholders					
8 Mortgage and real estate loans					
9 Other investments					
10a Buildings and other depreciable assets		914,010.41		1,004,815.25	
b Less accumulated depreciation		(260,267.44)	653,742.97	(356,129.09)	648,686.16
11a Depletable assets					
b Less accumulated depletion		()		()	
12 Land (net of any amortization)					
13a Intangible assets (amortizable only)					
b Less accumulated amortization		()		()	
14 Other assets Cash Surrender Value			1,130.00		64,921.00
15 Total assets Officer's Life Ins.			2,403,270.85		3,005,699.38
Liabilities and Stockholders' Equity					
16 Accounts payable			668,403.92		497,306.31
17 Mortgages, notes, bonds payable in less than 1 year			976,402.62		1,610,563.55
18 Other current liabilities Accrued Expenses			7,019.83		75,547.25
19 Loans from stockholders					
20 Mortgages, notes, bonds payable in 1 year or more					
21 Other liabilities Deferred Income Taxes			53,000.00		57,000.00
22 Capital stock: a Preferred stock					
b Common stock		230,500.00	230,500.00	230,500.00	230,500.00
23 Paid-in or capital surplus					
24 Retained earnings - Appropriated (attach schedule)			467,944.48		534,782.27
25 Retained earnings - Unappropriated					
26 Less cost of treasury stock			()		()
27 Total liabilities and stockholders' equity			2,403,270.85		3,005,699.38

Note: You are not required to complete Schedules M-1 and M-2 below if the total assets on line 15, column (d) of Schedule L are less than \$25,000.

Schedule M-1 Reconciliation of Income (Loss) per Books With Income per Return

1 Net income (loss) per books	37,658.69	7 Income recorded on books this year not included on this return (itemize):	
2 Federal income tax	13,313.14	Tax-exempt interest \$	
3 Excess of capital losses over capital gains			
4 Income subject to tax not recorded on books this year (itemize):			
5 Expenses recorded on books this year not deducted on this return (itemize):		8 Deductions on this return not charged against book income this year (itemize):	
a Income taxes \$	4,000.00	a Depreciation \$	23,190.28
b Contributions \$	24,852.00	b Charitable contributions \$	
c Travel and entertainment \$	9,674.01	b Carryover \$	
CLUB DUES	6,945.00		
	45,471.01		23,190.28
6 Add lines 1 through 5	96,442.84	9 Add lines 7 and 8	23,190.28
		10 Income (line 28, page 1) - line 6 less line 9	73,252.56

Schedule M-2 Analysis of Unappropriated Retained Earnings per Books (Line 25, Schedule L)

1 Balance at beginning of year	467,944.48	5 Distributions: a Cash	
2 Net income (loss) per books	37,658.69	b Stock	
3 Other increases (itemize):		c Property	
Transfer In of CSV on Officer's Life Insurance	29,179.10	6 Other decreases (itemize):	
	29,179.10		
4 Add lines 1, 2, and 3	534,782.27	7 Add lines 5 and 6	534,782.27
		8 Balance at end of year (line 4 less line 7)	

SCHEDULE E
(Form 1040)Department of the Treasury
Internal Revenue Service (99)**Supplemental Income and Loss**(From rental real estate, royalties, partnerships,
S corporations, estates, trusts, REMICs, etc.)

▶ Attach to Form 1040 or Form 1041.

▶ See instructions for Schedule E (Form 1040).

EXHIBIT D
PAGE 1 OF 6
OMB No. 1545-0074
1998
Attachment
Sequence No. 13

Name(s) shown on return

Your social security number

LEE K & MARGARET F GROOME**248-92-1290****Income or Loss From Rental Real Estate and Royalties** Note: Report income and expenses from your business of renting
personal property on Schedule C or C-EZ. Report farm rental income or loss from Form 4835 on page 2, line 39.

1	Show the kind and location of each rental real estate property:	2	For each rental real estate property listed on line 1, did you or your family use it during the tax year for personal purposes for more than the greater of: • 14 days or • 10% of the total days rented at fair rental value? (See page E-1.)	Yes	No
A	OFFICE BUILDING GREENVILLE, SC				X
B					
C					

Income:		Properties			Totals
		A	B	C	(Add columns A, B, and C.)
3	Rents received	3	90000.		3 90000.
4	Royalties received	4			4
Expenses:					
5	Advertising	5			
6	Auto and travel (see page E-2)	6			
7	Cleaning and maintenance	7			
8	Commissions	8			
9	Insurance	9			
10	Legal and other professional fees	10			
11	Management fees	11			
12	Mortgage interest paid to banks, etc. (see page E-2)	12	74563.		12 74563.
13	Other interest	13			
14	Repairs	14			
15	Supplies	15			
16	Taxes	16	9092.		
17	Utilities	17			
18	Other (list) ▶	18			
19	Add lines 5 through 18	19	83655.		19 83655.
20	Depreciation expense or depletion (see page E-3)	20	16071.		20 16071.
21	Total expenses. Add lines 19 and 20	21	99726.		
22	Income or (loss) from rental real estate or royalty properties. Subtract line 21 from line 3 (rents) or line 4 (royalties). If the result is a (loss), see page E-3 to find out if you must file Form 990.	22	<9726.>		
23	Deductible rental real estate loss. Caution: Your rental real estate loss on line 22 may be limited. See page E-3 to find out if you must file Form 990. Real estate professionals must complete line 42 on page 2	23	<9726.>		
24	Income. Add positive amounts shown on line 22. Do not include any losses	24			0.
25	Losses. Add royalty losses from line 22 and rental real estate losses from line 23. Enter the total losses here	25			9726.
26	Total rental real estate and royalty income or (loss). Combine lines 24 and 25. Enter the result here. If Parts II, III, IV, and line 39 on page 2 do not apply to you, also enter this amount on Form 1040, line 17. Otherwise, include this amount in the total on line 40 on page 2	26			<9726.>

921491

10-28-98

LHA For Paperwork Reduction Act Notice, see Form 1040 Instructions.

13590312 751951 GROLEE93

042 GROOME, LEE K

Schedule E (Form 1040) 1998

GROLEE91

SCHEDULE E**(Form 1040)**Department of the Treasury
Internal Revenue Service (99)**Supplemental Income and Loss**(From rental real estate, royalties, partnerships,
S corporations, estates, trusts, REMICs, etc.)

▶ Attach to Form 1040 or Form 1041.

▶ See instructions for Schedule E (Form 1040).

NO. 139
EXHIBIT D
ADDITIONAL
OMB No. 1545-0074**1999**Amendment
Supplement No. 13

Name(s) shown on return

Your social security number

LEE K & MARGARET F GROOME**248-92-1290****Part I** **Income or Loss From Rental Real Estate and Royalties** *Note: Report income and expenses from your business of renting personal property on Schedules C or C-E. Report farm rental income or loss from Form 4828 on page 2, line 39.*

1	2	Yes	No
A OFFICE BUILDING GREENVILLE, SC	For each rental real estate property listed on line 1, did you or your family use it during the tax year for personal purposes for more than the greater of: • 14 days, or • 10% of the total days rented at fair rental value? (See page E-1.)	A	X
B LLBTS - REAL ESTATE LITCHFIELD, SC		B	X
C		C	

Income:	Proportion			Totals (Add columns A, B, and C.)
	A	B	C	
3 Rents received	3 110000.	3 <2870.>	3	3 107130.
4 Royalties received	4		4	
Expenses:				
5 Advertising	5			
6 Auto and travel (see page E-2)	6			
7 Cleaning and maintenance	7			
8 Commissions	8			
9 Insurance	9			
10 Legal and other professional fees	10			
11 Management fees	11			
12 Mortgage interest paid to banks, etc. (see page E-2)	12			12
13 Other interest	13 74875.			
14 Repairs	14			
15 Supplies	15			
16 Taxes	16 9349.			
17 Utilities	17			
18 Other (list) ▶	18			
19 Add lines 5 through 18	19 84225.			19 84225.
20 Depreciation expense or depletion (see page E-3)	20 16071.			20 16071.
21 Total expenses. Add lines 19 and 20	21 100296.			
22 Income or (loss) from rental real estate or royalty properties. Subtract line 21 from line 3 (rents) or line 4 (royalties). If the result is a (loss), see page E-3 to find out if you must file Form 9988.	22 9704.	22 <2870.>		
23 Deductible rental real estate loss. <i>Caution:</i> Your rental real estate loss on line 23 may be limited. See page E-3 to find out if you must file Form 9988. Real estate professionals must complete line 42 on page 2	23	23 <2870.>		
24 Income. Add positive amounts shown on line 22. Do not include any losses	24			24 9704.
25 Losses. Add royalty losses from line 22 and rental real estate losses from line 23. Enter the total losses here	25			25 <2870.>
26 Total rental real estate and royalty income or (loss). Combine lines 24 and 25. Enter the result here. If Parts II, III, IV, and line 39 on page 2 do not apply to you, also enter this amount on Form 1040, line 17. Otherwise, include this amount in the total on line 40 on page 2	26			26 6834.

SCHEDULE E
(Form 1040)**Supplemental Income and Loss**(From rental real estate, royalties, partnerships,
S corporations, estates, trusts, REMICs, etc.)Department of the Treasury
Internal Revenue Service (99)

▶ Attach to Form 1040 or Form 1041.

▶ See instructions for Schedule E (Form 1040).

Attachment
Sequence No. 13**2000**

Name(s) shown on return

Your social security number

LEE K & MARGARET F GROOME

248-92-1290

Part I **Income or Loss From Rental Real Estate and Royalties** *Note: Report income and expenses from your business of renting personal property on Schedule C or C-EZ. Report farm rental income or loss from Form 4835 on page 2, line 39.*

1	Show the kind and location of each rental real estate property:	2	For each rental real estate property listed on line 1, did you or your family use it during the tax year for personal purposes for more than the greater of: • 14 days, or • 10% of the total days rented at fair rental value? (See page E-1.)	Yes	No
A	OFFICE BUILDING GREENVILLE, SC				X
B					
C					

Income:	Properties			Totals (Add columns A, B, and C.)
	A	B	C	
3 Rents received	3 185000.			3 185000.
4 Royalties received	4			4
Expenses:				
5 Advertising	5			
6 Auto and travel (see page E-2)	6			
7 Cleaning and maintenance	7			
8 Commissions	8			
9 Insurance	9			
10 Legal and other professional fees	10			
11 Management fees	11			
12 Mortgage interest paid to banks, etc. (see page E-2)	12 109437.			12 109437.
13 Other interest	13			
14 Repairs	14			
15 Supplies	15			
16 Taxes	16 9485.			
17 Utilities	17			
18 Other (list) ▶	18			
19 Add lines 5 through 18	19 118922.			19 118922.
20 Depreciation expense or depletion (see page E-3)	20 16071.			20 16071.
21 Total expenses. Add lines 19 and 20	21 134993.			
22 Income or (loss) from rental real estate or royalty properties. Subtract line 21 from line 3 (rents) or line 4 (royalties). If the result is a (loss), see page E-3 to find out if you must file Form 6198.	22 50007.			
23 Deductible rental real estate loss. Caution: Your rental real estate loss on line 22 may be limited. See page E-3 to find out if you must file Form 8582. Real estate professionals must complete line 42 on page 2	23			
24 Income. Add positive amounts shown on line 22. Do not include any losses				24 50007.
25 Losses. Add royalty losses from line 22 and rental real estate losses from line 23. Enter total losses here				25
26 Total rental real estate and royalty income or (loss). Combine lines 24 and 25. Enter the result here. If Parts II, III, IV, and line 39 on page 2 do not apply to you, also enter this amount on Form 1040, line 17. Otherwise, include this amount in the total on line 40 on page 2				26 50007.

021491
15-18-00

LHA For Paperwork Reduction Act Notice, see Form 1040 instructions. 11

10590327 751951 GROLEE93

2000.05000 GROOME, LEE K

Schedule E (Form 1040) 2000
GROLEE91

SCHEDULE E
(Form 1040)**Supplemental Income and Loss**(From rental real estate, royalties, partnerships,
& corporations, estates, trusts, REMICs, etc.)Department of the Treasury
Internal Revenue Service (99)

▶ Attach to Form 1040 or Form 1041.

▶ See instructions for Schedule E (Form 1040).

2001
OMB No. 1545-0074**2001**Attachment
Sequence No. 13

Name(s) shown on return

Your social security number

LEE K & MARGARET F GROOME**248-92-1290****Part I** **Income or Loss From Rental Real Estate and Royalties** Note. If you are in the business of renting personal property, use
Schedule C or C-EZ (see page E-1). Report farm rental income or loss from Form 4835 on page 2, line 39.

1	Show the kind and location of each rental real estate property:	2	For each rental real estate property listed on line 1, did you or your family use it during the tax year for personal purposes for more than the greater of: • 14 days, or • 10% of the total days rented at fair rental value? (See page E-1.)	Yes	No
A	OFFICE BUILDING GREENVILLE, SC				X
B					
C					

Income:		Properties			Totals
		A	B	C	(Add columns A, B, and C.)
3	Rents received	3	120000.		3 120000.
4	Royalties received	4			4
Expenses:					
5	Advertising	5			
6	Auto and travel (see page E-2)	6			
7	Cleaning and maintenance	7			
8	Commissions	8			
9	Insurance	9			
10	Legal and other professional fees	10			
11	Management fees	11			
12	Mortgage interest paid to banks, etc. (see page E-2)	12	84092.		12 84092.
13	Other interest	13			
14	Repairs	14			
15	Supplies	15			
16	Taxes	16	11352.		
17	Utilities	17			
18	Other (list) ▶	18			
19	Add lines 5 through 18	19	95444.		19 95444.
20	Depreciation expense or depletion (see page E-3)	20	16071.		20 16071.
21	Total expenses. Add lines 19 and 20	21	111515.		
22	Income or (loss) from rental real estate or royalty properties. Subtract line 21 from line 3 (rents) or line 4 (royalties). If the result is a (loss), see page E-3 to find out if you must file Form 990-B	22	8485.		
23	Deductible rental real estate loss. Caution. Your rental real estate loss on line 22 may be limited. See page E-3 to find out if you must file Form 990-B. Real estate professionals must complete line 42 on page 2	23			
24	Income. Add positive amounts shown on line 22. Do not include any losses	24			8485.
25	Losses. Add royalty losses from line 22 and rental real estate losses from line 23. Enter total losses here	25			
26	Total rental real estate and royalty income or (loss). Combine lines 24 and 25. Enter the result here. If Parts II, III, IV, and line 39 on page 2 do not apply to you, also enter this amount on Form 1040, line 17. Otherwise, include this amount in the total on line 40 on page 2	26			8485.

121461 10-22-01

LHA For Paperwork Reduction Act Notice, see Form 1040 instructions.
09220409 751951 GROLEE93

2001.04000 GROOME, LEE K

Schedule E (Form 1040) 2001
GROLEE91

SCHEDULE E
(Form 1040)Department of the Treasury
Internal Revenue Service (99)**Supplemental Income and Loss**(From rental real estate, royalties, partnerships,
S corporations, estates, trusts, REMICs, etc.)

▶ Attach to Form 1040 or Form 1041.

▶ See instructions for Schedule E (Form 1040).

EXHIBIT D
PAGE 5 OF 6
OMB No. 1545-0074**2002**Attachment
Sequence No. 13

Name(s) shown on return

Your social security number

LEE K & MARGARET F GROOME

248-92-1290

Part I **Income or Loss From Rental Real Estate and Royalties** Note. If you are in the business of renting personal property, use
Schedule C or C-EZ (see page E-3). Report farm rental income or loss from Form 4835 on page 2, line 39.

1	Show the kind and location of each rental real estate property:	2	For each rental real estate property listed on line 1, did you or your family use it during the tax year for personal purposes for more than the greater of:	Yes	No
A	OFFICE BUILDING GREENVILLE, SC		• 14 days or	A	X
B			• 10% of the total days rented at fair rental value?	B	
C			(See page E-3.)	C	

Income:	Properties			Totals (Add columns A, B, and C.)
	A	B	C	
3 Rents received	3			3
4 Royalties received	4			4
Expenses:				
5 Advertising	5			
6 Auto and travel (see page E-4)	6			
7 Cleaning and maintenance	7			
8 Commissions	8			
9 Insurance	9			
10 Legal and other professional fees	10			
11 Management fees	11			
12 Mortgage interest paid to banks, etc. (see page E-4)	12	50577.		12 50577.
13 Other interest	13			
14 Repairs	14			
15 Supplies	15			
16 Taxes	16			
17 Utilities	17			
18 Other (list) ▶	18			
19 Add lines 5 through 18	19	50577.		19 50577.
20 Depreciation expense or depletion (see page E-4)	20	16071.		20 16071.
21 Total expenses. Add lines 19 and 20	21	66648.		
22 Income or (loss) from rental real estate or royalty properties. Subtract line 21 from line 3 (rents) or line 4 (royalties). If the result is a (loss), see page E-5 to find out if you must file Form 990.	22	<66648.>		
23 Deductible rental real estate loss. Caution. Your rental real estate loss on line 22 may be limited. See page E-5 to find out if you must file Form 990. Real estate professionals must complete line 42 on page 2	23	0		
24 Income. Add positive amounts shown on line 22. Do not include any losses	24			0.
25 Losses. Add royalty losses from line 22 and rental real estate losses from line 23. Enter total losses here	25			0.
26 Total rental real estate and royalty income or (loss). Combine lines 24 and 25. Enter the result here. If Parts II, III, IV, and line 39 on page 2 do not apply to you, also enter this amount on Form 1040, line 17. Otherwise, include this amount in the total on line 40 on page 2	26			0.

221491 11-01-02 LHA For Paperwork Reduction Act Notice, see Form 1040 Instructions.

Schedule E (Form 1040) 2002

09510411 751951 GROLEE93

2002.05000 GROOME, LEE K

GROLEE91

12/20/04 MON 17:26 FAX 770 423 1842

4:34 pm

THOMBLEY & SIMMONS PC
ASSOCIATES, INC.
Income Statement

036
NO.142 001
Page 1

SCHEDULE O
PAGE 6A OF 6

January 1, 2003
July 31, 2003

Income		
Sales (income)	\$0.20	0.0%
Sales - Brokered	2,543,144.05	101.7%
Sales discounts & allowances	(34,795.65)	-1.4%
TOTAL Income	2,508,348.60	100.3%
Adjustments		
Sales Discounts - Early Paymen	(7,227.32)	-0.3%
TOTAL Adjustments	(7,227.32)	-0.3%
NET INCOME	2,501,121.28	100.0%
Cost of Goods Sold		
COS - Materials	1,908,222.17	76.3%
Plant labor salaries	126,043.93	5.0%
Warehouse expense	4,245.05	0.2%
Freight - (warehouse exp)	9,591.20	0.4%
COS - Freight	90,471.61	3.6%
COS - Processing costs	15,186.69	0.6%
TOTAL Cost of Goods Sold	2,153,760.65	86.1%
GROSS PROFIT	347,360.63	13.9%
Expenses		
Salaries - officer	3,423.93	0.1%
OTHER OFFICE SALARIES	20,543.58	0.8%
ACTION PAYROLL FEES	2,035.00	0.1%
Accounting	9,000.00	0.4%
COMPUTER(CONSULTING EXP)	2,848.37	0.1%
Advertising	2,299.95	0.1%
Office salaries	38,218.65	1.5%
Sales salaries	83,302.74	3.3%
Auto expenses	18,665.36	0.7%
Bad Debt Expense	64,138.23	2.6%
Bank charges	2,630.06	0.1%
CREDIT CHECKS-NEW ACTS	1,824.78	0.1%
Consulting	571.50	0.0%
Class/seminars	1,546.04	0.1%
Contributions	747.00	0.0%
Depreciation	22,345.00	0.9%

12/20/04 MON 17:27 FAX 770.423.1842
4:34 pm

THOMBLEY & SIMMONS PC
ASSOCIATES, INC.
Income Statement

037
NO.142 082
Page 2

SCHMIDT 0
PAGE 6 B OF 6

	January 1, 2003	July 31, 2003
Dues & subscriptions	6,269.07	0.3%
Gifts	1,367.13	0.1%
Insurance - group (health)	18,074.74	0.7%
Insurance - Workmen's comp	4,900.52	0.2%
Insurance - disability	2,397.29	0.1%
Insurance-Aflac	752.00	0.0%
Life insurance - Groome	14,327.50	0.6%
Interest - Life Ins Cash	7,252.00	0.3%
Insurance - property	6,291.26	0.3%
Interest expense	25,929.02	1.0%
LEGAL EXPENSES	31,372.06	1.3%
RAILROAD EXPENSE	434.28	0.0%
Meals & entertainment	5,342.84	0.2%
MISCELLANEOUS EXPENSE	2,214.92	0.1%
Office expense	8,258.49	0.3%
Warehouse supplies	3,712.60	0.1%
Postage & freight	3,240.27	0.1%
Rent	53,000.00	2.1%
Repairs & maintenance / office	902.00	0.0%
Repairs & maintenance	8,999.67	0.4%
Mat'l handling equipment rep.	830.90	0.0%
Production supplies	9,760.01	0.4%
Taxes & licenses	13,344.40	0.5%
Taxes, payroll	22,915.19	0.9%
Telephone	11,833.93	0.5%
Travel & lodging	7,586.74	0.3%
Utilities	10,414.05	0.4%
TOTAL Expenses	555,863.07	22.2%
OPERATING PROFIT	(208,502.44)	-8.3%
Other Income & Expenses		
GAIN/LOSS SALE OF ASSET	127,000.00	5.1%
TOTAL Other Income & Expenses	127,000.00	5.1%
PROFIT BEFORE TAXES	(81,502.44)	-3.3%
NET PROFIT	(\$81,502.44)	-3.3%

Form 1120		U.S. Corporation Income Tax Return		OMB No. 1545-0123	
Department of the Treasury Internal Revenue Service		For calendar year 1997 or tax year beginning 8/1, 1997, ending 7/31, 1998		1997	
A Check if a: 1 Consolidated return (attach Form 981) 2 Personal holding co. (attach Sch. PH) 3 Personal service corp. (as defined in Temporary Regs. sec. 1.441-4T—see instructions)		B Employer identification number 58-1810366		C Date incorporated 8/31/88	
D Total assets (see page 5 of instructions)		E Check applicable boxes: (1) ☐ Initial return (2) ☐ Final return (3) ☐ Change of address		\$ 3,173,882.82	
1a Gross receipts or sales		9,939,497.89		b Less returns and allowances	
2 Cost of goods sold (Schedule A, line 8)				355,707.28	
3 Gross profit. Subtract line 2 from line 1c				c Bal	
4 Dividends (Schedule C, line 19)				1c 9,583,790.61	
5 Interest				2 8,743,766.63	
6 Gross rents				3 840,023.98	
7 Gross royalties				4	
8 Capital gain net income (attach Schedule D (Form 1120))				5	
9 Net gain or (loss) from Form 4797, Part II, line 18 (attach Form 4797)				6	
10 Other income (see page 6 of instructions — attach schedule)		MISCELLANEOUS		7	
11 Total income. Add lines 3 through 10				8	
12 Compensation of officers (Schedule E, line 4)				9 (8,041.21)	
13 Salaries and wages (less employment credits)				10 29.24	
14 Repairs and maintenance				11 832,012.01	
15 Bad debts				12 120,000.00	
16 Rents				13 319,090.67	
17 Taxes and licenses				14 49,382.98	
18 Interest				15 11,402.67	
19 Charitable contributions (see page 8 of instructions for 10% limitation)				16 159,000.00	
20 Depreciation (attach Form 4562)		20 99,927.67		17 69,632.17	
21 Less depreciation claimed on Schedule A and elsewhere on return		21a 54,084.67		18 141,705.22	
22 Depletion				19	
23 Advertising				20	
24 Pension, profit-sharing, etc., plans				21b 45,843.00	
25 Employee benefit programs				22	
26 Other deductions (attach schedule)				23 2,326.06	
27 Total deductions. Add lines 12 through 26				24	
28 Taxable income before net operating loss deduction and special deductions. Subtract line 27 from line 11				25	
29 Less: a Net operating loss deduction (see page 9 of instructions)		29a		26 332,289.11	
b Special deductions (Schedule C, line 20)		29b		27 1,250,671.88	
30 Taxable income. Subtract line 29c from line 28				28 (418,659.87)	
31 Total tax (Schedule J, line 10)				29c	
32 Payments: a 1996 overpayment credited to 1997		32a		30 (418,659.87)	
b 1997 estimated tax payments		32b 13,500.00		31 0.00	
c Less 1997 refund applied for on Form 4466		32c		32	
d Tax deposited with Form 7004		32d 13,500.00		33	
e Credit for tax paid on undistributed capital gains (attach Form 2439)		32e		34	
f Credit for Federal tax on fuels (attach Form 4136). See instructions		32f		35	
g Estimated tax penalty (see page 10 of instructions). Check if Form 2220 is attached		32g		36	
33 Tax due. If line 32h is smaller than the total of lines 31 and 33, enter amount owed				32h 13,500.00	
34 Overpayment. If line 32h is larger than the total of lines 31 and 33, enter amount overpaid				33	
35 Enter amount of line 35 you want: Credited to 1998 estimated tax				34 0.00	
Refunded				35 13,500.00	
36				36 13,500.00	

Sign Here

Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete. Declaration of preparer (other than taxpayer) is based on all information of which preparer has any knowledge.

Signature of officer _____ Date _____ Title _____

Paid Preparer's Use Only

Preparer's signature _____ Date 08/26/98 Check if self-employed ☐ Preparer's social security number 259-92-6341

Firm's name (or yours if self-employed) and address THOMBLEY & SIMMONS, P.C. 305 LAWRENCE ST, SUITE 100 MARIETTA, GA EIN 58-1582344 ZIP code 30060

Form 1120 (1997)

SUBMIT P
MOE 20F 2

Page 4

Schedule L Balance Sheets per Books		Beginning of tax year		End of tax year	
Assets		(a)	(b)	(c)	(d)
1	Cash		3,665.80		0
2a	Trade notes and accounts receivable	1,032,155.27		1,175,259.62	
b	Less allowance for bad debts	()	1,032,155.27	()	1,175,259.62
3	Inventories		1,256,271.15		1,395,218.89
4	U.S. government obligations				
5	Tax-exempt securities (see instructions)				
6	Other current assets (attach schedule)				
7	Loans to stockholders				
8	Mortgage and real estate loans				
9	Other investments (attach schedule)				
10a	Buildings and other depreciable assets	1,004,815.25		915,541.11	
b	Less accumulated depreciation	(356,129.09)	648,686.16	(389,628.80)	525,912.31
11a	Depletable assets				
b	Less accumulated depletion	()		()	
12	Land (net of any amortization)				
13a	Intangible assets (amortizable only)				
b	Less accumulated amortization	()		()	
14	Other assets (attach schedule) Deposits & CSV - Life Ins.		64,921.00		77,492.00
15	Total assets		3,005,699.38		3,173,882.82
Liabilities and Stockholders' Equity					
16	Accounts payable		497,306.31		612,471.22
17	Mortgages, notes, bonds payable in less than 1 year ..		1,610,563.55		2,167,994.37
18	Other current liabilities (attach schedule) Accrued Exp.		75,547.25		73,975.57
19	Loans from stockholders				
20	Mortgages, notes, bonds payable in 1 year or more ..				
21	Other liabilities (attach schedule)		57,000.00		
22	Capital stock: a Preferred stock				
b	Common stock	230,500.00	230,500.00	230,500.00	230,500.00
23	Additional paid-in capital				
24	Retained earnings — Appropriated (attach schedule) ..				
25	Retained earnings — Unappropriated		534,782.27		155,519.66
26	Adjustments to shareholders' equity (attach schedule) ..				
27	Less cost of treasury stock		()		()
28	Total liabilities and stockholders' equity		3,005,699.38		3,173,882.82

Note: You are not required to complete Schedules M-1 and M-2 below if the total assets on line 15, column (d) of Schedule L are less than \$25,000.

Schedule M-1 Reconciliation of Income (Loss) per Books With Income per Return (See page 15 of instructions.)

1	Net income (loss) per books	(391,069.88)	7	Income recorded on books this year not included on this return (itemize):	
2	Federal income tax			Tax-exempt interest \$	
3	Excess of capital losses over capital gains			Def Tax Credit 57,000.00	
4	Income subject to tax not recorded on books this year (itemize):			Fed Tax Refunds 24,466.49	81,466.49
5	Expenses recorded on books this year not deducted on this return (itemize):		8	Deductions on this return not charged against book income this year (itemize):	
a	Depreciation \$ 6,919.44		a	Depreciation \$	
b	Contributions carryover \$ 31,336.00		b	Contributions carryover \$	
c	Travel and entertainment \$ 8,676.06				
	Country Club Dues 6945.00				
		53,876.50	9	Add lines 7 and 8	81,466.49
6	Add lines 1 through 5	(337,193.38)	10	Income (line 28, page 1) — line 6 less line 9	(418,659.87)

Schedule M-2 Analysis of Unappropriated Retained Earnings per Books (Line 25, Schedule L)

1	Balance at beginning of year	534,782.27	5	Distributions: a Cash	
2	Net income (loss) per books	(391,069.88)		b Stock	
3	Other increases (itemize):			c Property	
	Increase in CSV Life Ins		6	Other decreases (itemize):	
	In Excess of Premiums	11,807.27	7	Add lines 5 and 6	
4	Add lines 1, 2, and 3	155,519.66	8	Balance at end of year (line 4 less line 7)	155,519.66

Form **1120**

U.S. Corporation Income Tax Return

For calendar year 1998 or tax year beginning 8/1, 1998, ending 7/31, 19 99

Instructions are separate. See page 1 for Paperwork Reduction Act Notice.

1998Department of the Treasury
Internal Revenue Service

- Check if a:
- 1 Consolidated return (attach Form 951)
- 2 Personal holding co. (attach Sch. PH)
- 3 Personal service corp. (as defined in Temporary Regs. sec. 1.441-4T — see instructions)

Use
IRS
label.
Other-
wise,
print or
type.

Name
GROOME & ASSOCIATES, INC.

Number, street, and room or suite no. (if a P.O. box, see page 5 of instructions.)
P.O. BOX 729

City or town, state, and ZIP code
TRAVELERS REST, SC 29690-0729

B Employer identification number
58-1810366

C Date incorporated
8/31/88

D Total assets (see page 5 of instructions)

E Check applicable boxes: (1) ☐ Initial return (2) ☐ Final return (3) ☐ Change of address\$ **2,181,890.12**

Income	1a	Gross receipts or sales	5,701,586.96	b Less returns and allowances	185,793.03	c Bal	5,515,793.93
	2	Cost of goods sold (Schedule A, line 8)					5,009,607.29
	3	Gross profit. Subtract line 2 from line 1c					506,186.64
	4	Dividends (Schedule C, line 19)					
	5	Interest					
	6	Gross rents					
	7	Gross royalties					
	8	Capital gain net income (attach Schedule D (Form 1120))					
	9	Net gain or (loss) from Form 4797, Part II, line 18 (attach Form 4797)					121,316.85
	10	Other income (see page 6 of instructions — attach schedule)		MISCELLANEOUS			1,564.16
	11	Total income. Add lines 3 through 10					629,067.65
Deductions (See instructions for limitations on deductions.)	12	Compensation of officers (Schedule E, line 4)					
	13	Salaries and wages (less employment credits)					209,945.88
	14	Repairs and maintenance					19,348.22
	15	Bad debts					81,066.45
	16	Rents					53,000.00
	17	Taxes and licenses					37,113.73
	18	Interest					133,736.24
	19	Charitable contributions (see page 8 of instructions for 10% limitation)					
	20	Depreciation (attach Form 4562)	20	94,225.81			
	21	Less depreciation claimed on Schedule A and elsewhere on return	21a	56,023.10			38,202.71
	22	Depletion					
Tax and Payments	23	Advertising					810.00
	24	Pension, profit-sharing, etc., plans					1,545.00
	25	Employee benefit programs					
	26	Other deductions (attach schedule)					201,082.33
	27	Total deductions. Add lines 12 through 26					775,850.56
	28	Taxable income before net operating loss deduction and special deductions. Subtract line 27 from line 11					-146,782.91
	29	Less: a Net operating loss deduction (see page 9 of instructions)	29a				
		b Special deductions (Schedule C, line 20)	29b				
	30	Taxable income. Subtract line 29c from line 28					-146,782.91
	31	Total tax (Schedule J, line 12)					0.00
	32	Payments: a 1997 overpayment credited to 1998	32a				
	b 1998 estimated tax payments	32b					
	c Less 1998 refund applied for on Form 4466	32c					
	d Tax deposited with Form 7004	32d					
	e Credit for tax paid on undistributed capital gains (attach Form 2439)	32e					
	f Credit for Federal tax on fuels (attach Form 4136). See instructions	32f					
	g Credit for Federal tax on fuels (attach Form 4136). See instructions	32g					
33	Estimated tax penalty (see page 10 of instructions). Check if Form 2220 is attached					0.00	
34	Tax due. If line 32h is smaller than the total of lines 31 and 33, enter amount owed					0.00	
35	Overpayment. If line 32h is larger than the total of lines 31 and 33, enter amount overpaid						
36	Enter amount of line 35 you want: Credited to 1999 estimated tax						

Sign
Here

Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete. Declaration of preparer (other than taxpayer) is based on all information of which preparer has any knowledge.

Signature of officer

Date

Title

Paid
Preparer's
Use OnlyPreparer's
signature

Date

Check if
self-employed ☐

Preparer's social security number

Firm's name (or
yours if self-employed)
and address

THOMBLEY & SIMMONS, P.C.

EIN

58-1582344

305 LAWRENCE ST., STE.100, MARIETTA, GA

ZIP code

30060

EXHIBIT Q
MADE 20F2 Page 4

Form 1120 (1998)

Schedule L Balance Sheets per Books		Beginning of tax year		End of tax year	
Assets		(a)	(b)	(c)	(d)
1	Cash		0		0
2a	Trade notes and accounts receivable	1,175,259.62		735,168.76	
b	Less allowance for bad debts	()	1,175,259.62	()	735,168.76
3	Inventories		1,395,218.89		976,840.59
4	U.S. government obligations				
5	Tax-exempt securities (see instructions)				
6	Other current assets (attach schedule)				
7	Loans to stockholders				
8	Mortgage and real estate loans				
9	Other investments (attach schedule)				
10a	Buildings and other depreciable assets	915,541.11		751,088.13	
b	Less accumulated depreciation	(389,628.80)	525,912.31	(382,881.36)	368,206.77
11a	Depletable assets				
b	Less accumulated depletion	()		()	
12	Land (net of any amortization)				
13a	Intangible assets (amortizable only)				
b	Less accumulated amortization	()		()	
14	Other assets (attach schedule)	CSV-LIFE INS.	77,492.00		101,674.00
15	Total assets		3,173,882.82		2,181,890.12
Liabilities and Stockholders' Equity					
16	Accounts payable		612,471.22		558,925.33
17	Mortgages, notes, bonds payable in less than 1 year		2,167,994.37		1,284,915.42
18	Other current liabilities (attach schedule)	ACCRUED EXPENSE	7,397.57		790.78
19	Loans from stockholders				170,000.00
20	Mortgages, notes, bonds payable in 1 year or more				
21	Other liabilities (attach schedule)				
22	Capital stock: a Preferred stock				
b	Common stock	230,500.00	230,500.00	230,500.00	230,500.00
23	Additional paid-in capital				
24	Retained earnings — Appropriated (attach schedule)				
25	Retained earnings — Unappropriated		155,519.66		-63,241.41
26	Adjustments to shareholders' equity (attach schedule)		()		()
27	Less cost of treasury stock				
28	Total liabilities and stockholders' equity		3,173,882.82		2,181,890.12

Note: You are not required to complete Schedules M-1 and M-2 below if the total assets on line 15, column (d) of Schedule L are less than \$25,000.

Schedule M-1 Reconciliation of Income (Loss) per Books With Income per Return (See page 16 of instructions.)

1	Net income (loss) per books	-218,761.07	7	Income recorded on books this year not included on this return (itemize): Tax-exempt interest \$	
2	Federal income tax		8	Deductions on this return not charged against book income this year (itemize): a Depreciation	
3	Excess of capital losses over capital gains		b	Contributions carryover	
4	Income subject to tax not recorded on books this year (itemize):		9	Add lines 7 and 8	
5	Expenses recorded on books this year not deducted on this return (itemize): a Depreciation	\$ 37,879.78	10	Income (line 28, page 1) — line 8 less line 9	-146,782.91
b	Contributions carryover	\$ 7,713.00			
c	Travel and entertainment	\$ 13,210.69			
	OWNERS LIFE INS.	\$ 11,074.69			
	COUNTRY CLUB DUE \$	2,100.00			
		71,978.16			
6	Add lines 1 through 5	-146,782.91			

Schedule M-2 Analysis of Unappropriated Retained Earnings per Books (Line 25, Schedule L)

1	Balance at beginning of year	155,519.66	5	Distributions: a Cash	
2	Net income (loss) per books	-218,761.07	b	Stock	
3	Other increases (itemize):		c	Property	
			6	Other decreases (itemize):	
			7	Add lines 5 and 6	
4	Add lines 1, 2, and 3	-63,241.41	8	Balance at end of year (line 4 less line 7)	-63,241.41

EXHIBIT R
TABLE 1 OF 2
OMB No. 1545-0123

Form 1120 **U.S. Corporation Income Tax Return**

For calendar year 1999 or tax year beginning 8/1, 1999, ending 7/31, 2000

Department of the Treasury Internal Revenue Service **1999**

Instructions are separate. See page 1 for Paperwork Reduction Act Notice.

A Check if a: 1 Consolidated return (attach Form 9511) ☐ 2 Personal holding co. (attach Sch. PH) ☐ 3 Personal service corp. (as defined in Temporary Regs. sec. 1.441-4T - see instructions) ☐		Use IRS label. Other-wise, print or type. Name GROOME & ASSOCIATES, INC. Number, street, and room or suite no. (if a P.O. box, see page 5 of instructions.) P.O. BOX 729 City or town, state, and ZIP code TRAVELERS REST, SC 29690-0729	B Employer identification number 58-1810366 C Date incorporated 8/31/88 D Total assets (see page 6 of instructions)
---	--	---	--

E Check applicable boxes: (1) ☐ Initial return (2) ☐ Final return (3) ☐ Change of address \$ **22,653,401.50**

Income	1a	Gross receipts or sales	7,503,059.29	b	Less returns and allowances	94,316.29	c	Net sales	7,408,743.00
	2	Cost of goods sold (Schedule A, line 8)		3	Gross profit. Subtract line 2 from line 1c		4	Dividends (Schedule C, line 19)	
	5	Interest		6	Gross rents		7	Gross royalties	
	8	Capital gain net income (attach Schedule D (Form 1120))		9	Net gain or (loss) from Form 4797, Part II, line 18 (attach Form 4797)		10	Other income (see page 7 of instructions - attach schedule)	MISCELLANEOUS
	11	Total income. Add lines 3 through 10		12	Compensation of officers (Schedule E, line 4)		13	Salaries and wages (less employment credits)	211,811.49
	14	Repairs and maintenance		15	Bad debts		16	Rents	180,000.00
	17	Taxes and licenses		18	Interest		19	Charitable contributions (see page 9 of instructions for 10% limitation)	37,354.18
	20	Depreciation (attach Form 4562)	53,000.33	21a	Less depreciation claimed on Schedule A and elsewhere on return	24,444.99	21b	Depreciation	28,555.34
	22	Depletion		23	Advertising		24	Pension, profit-sharing, etc., plans	1,460.00
	25	Employee benefit programs		26	Other deductions (attach schedule)		27	Total deductions. Add lines 12 through 26	1,988.00
	Deductions (See instructions for limitations on deductions.)	28	Taxable income before net operating loss deduction and special deductions. Subtract line 27 from line 11		29a	Less: a Net operating loss (NOL) deduction (see page 11 of instructions)	229,918.67	29b	b Special deductions (Schedule C, line 20)
29c			229,918.67	30	Taxable income. Subtract line 29c from line 28		31	Total tax (Schedule J, line 12)	0.00
32a		Payments: a 1998 overpayment credited to 1999		32b	b 1999 estimated tax payments		32c	c Less 1999 refund applied for on Form 4456	
32d		d Tax deposited with Form 7004		32e	f Credit for tax paid on undistributed capital gains (attach Form 2439)		32f	g Credit for Federal tax on fuels (attach Form 4136). See instructions	
32g			0.00	32h	Estimated tax penalty (see page 12 of instructions). Check if Form 2220 is attached	☐	33	Tax due. If line 32h is smaller than the total of lines 31 and 33, enter amount owed	0.00
34		Overpayment. If line 32h is larger than the total of lines 31 and 33, enter amount overpaid		35	Enter amount of line 35 you want: Credited to 2000 estimated tax		36	Refunded	
Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete. Declaration of preparer (other than taxpayer) is based on all information of which preparer has any knowledge.									

Sign Here	Signature of officer	Date	Title
	Preparer's signature	8/22/00	Check if self-employed ☐ Preparer's SSN or PTIN 259-92-6341
Paid Preparer's Use Only	Firm's name (or yours if self-employed) and address	EIN	ZIP code
	THOMBLEY & SIMMONS, P.C. 305 LAWRENCE ST., STE.100, MARIETTA, GA	58-1582344	30060

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Form 1120 (1999)

Form 1120 (1999)

EXHIBIT R
PAGE 2 OF 2 Page 4

Schedule L Balance Sheets per Books		Beginning of tax year		End of tax year	
Assets		(a)	(b)	(c)	(d)
1	Cash		0		0
2a	Trade notes and accounts receivable	735,168.76		877,056.07	
b	Less allowance for bad debts	()	735,168.76	()	877,056.07
3	Inventories		976,840.59		1,330,062.72
4	U.S. government obligations				
5	Tax-exempt securities (see instructions)				
6	Other current assets (attach schedule)				
7	Loans to shareholders				
8	Mortgage and real estate loans				
9	Other investments (attach schedule)				
10a	Buildings and other depreciable assets	751,088.13		774,928.61	
b	Less accumulated depreciation	(382,881.36)	368,206.77	(428,775.90)	346,152.71
11a	Depletable assets				
b	Less accumulated depletion	()		()	
12	Land (net of any amortization)				
13a	Intangible assets (amortizable only)				
b	Less accumulated amortization	()		()	
14	Other assets (attach schedule) DEPOSITS & CSV-LIFE INS.		101,674.00		100,130.00
15	Total assets		2,181,890.12		2,653,401.50
Liabilities and Shareholders' Equity					
16	Accounts payable		558,925.33		550,025.54
17	Mortgages, notes, bonds payable in less than 1 year		1,284,915.42		1,781,648.66
18	Other current liabilities (attach schedule) ACCRUED EXPENSE		790.78		1,460.40
19	Loans from shareholders		170,000.00		
20	Mortgages, notes, bonds payable in 1 year or more				
21	Other liabilities (attach schedule)				
22	Capital stock: a Preferred stock				
	b Common stock	230,500.00	230,500.00	230,500.00	230,500.00
23	Additional paid-in capital				
24	Retained earnings—Appropriated (attach schedule)				
25	Retained earnings—Unappropriated		(63,241.41)		89,766.90
26	Adjustments to shareholders' equity (attach schedule)				
27	Less cost of treasury stock		()		()
28	Total liabilities and shareholders' equity		2,181,890.12		2,653,401.50

Note: The corporation is not required to complete Schedules M-1 and M-2 if the total assets on line 15, col. (d) of Schedule L are less than \$25,000.

Schedule M-1 Reconciliation of Income (Loss) per Books With Income per Return (See page 18 of instructions.)

1	Net income (loss) per books	153,008.31	7	Income recorded on books this year not included on this return (itemize): Tax-exempt interest \$	
2	Federal income tax				
3	Excess of capital losses over capital gains				
4	Income subject to tax not recorded on books this year (itemize):				
5	Expenses recorded on books this year not deducted on this return (itemize):		8	Deductions on this return not charged against book income this year (itemize):	
a	Depreciation	\$ 28,801.70	a	Depreciation	\$
b	Contributions carryover	\$ 6,772.00	b	Contributions carryover	\$
c	Travel and entertainment	\$ 4,685.42			
	OWNERS LIFE INS.	\$ 34,551.24			
	COUNTRY CLUB DUES	\$ 2,100.00			
6	Add lines 1 through 5	76,910.36	9	Add lines 7 and 8	
		229,918.67	10	Income (line 28, page 1) — line 6 less line 9	229,918.67

Schedule M-2 Analysis of Unappropriated Retained Earnings per Books (Line 25, Schedule L)

1	Balance at beginning of year	(63,241.41)	5	Distributions: a Cash	
2	Net income (loss) per books	153,008.31		b Stock	
3	Other increases (itemize):			c Property	
			6	Other decreases (itemize):	
4	Add lines 1, 2, and 3	89,766.90	7	Add lines 5 and 6	
			8	Balance at end of year (line 4 less line 7)	89,766.90

EXHIBIT S
PAGE 2 OF 2 Page 4

Form 1120 (2000)

Schedule L Balance Sheets per Books		Beginning of tax year		End of tax year	
Assets		(a)	(b)	(c)	(d)
1	Cash		0		130,255.25
2a	Trade notes and accounts receivable	877,056.07		560,887.31	
b	Less allowance for bad debts	()	877,056.07	()	560,887.31
3	Inventories		1,330,062.72		617,993.53
4	U.S. government obligations				
5	Tax-exempt securities (see instructions)				
6	Other current assets (attach schedule)				
7	Loans to shareholders				
8	Mortgage and real estate loans				
9	Other investments (attach schedule)				
10a	Buildings and other depreciable assets	774,928.61		703,629.36	
b	Less accumulated depreciation	(428,775.90)	346,152.71	(459,248.42)	244,380.94
11a	Depletable assets				
b	Less accumulated depletion	()		()	
12	Land (net of any amortization)				
13a	Intangible assets (amortizable only)				
b	Less accumulated amortization	()		()	
14	Other assets (attach schedule) DEPOSITS & CSV-LIFE INS.		100,130.00		1,130.00
15	Total assets		2,653,401.50		1,554,647.03
Liabilities and Shareholders' Equity					
16	Accounts payable		550,025.54		577,305.25
17	Mortgages, notes, bonds payable in less than 1 year		1,781,648.66		1,253,031.87
18	Other current liabilities (attach schedule) ACCRUED EXPENSE		1,460.40		1,444.71
19	Loans from shareholders				140,000.00
20	Mortgages, notes, bonds payable in 1 year or more				
21	Other liabilities (attach schedule)				
22	Capital stock: a. Preferred stock				
	b. Common stock	230,500.00	230,500.00	230,500.00	230,500.00
23	Additional paid-in capital				
24	Retained earnings — Appropriated (attach schedule)				
25	Retained earnings — Unappropriated		89,766.90		(647,634.80)
26	Adjustments to shareholders' equity (attach schedule)				
27	Less cost of treasury stock		()		()
28	Total liabilities and shareholders' equity		2,653,401.50		1,554,647.03

Note: The corporation is not required to complete Schedules M-1 and M-2 if the total assets on line 15, col. (d) of Schedule L are less than \$25,000.

Schedule M-1 Reconciliation of Income (Loss) per Books With Income per Return (See page 20 of instructions.)

1	Net income (loss) per books	(737,401.70)	7	Income recorded on books this year not included on this return (itemize):	
2	Federal income tax			Tax-exempt interest \$	
3	Excess of capital losses over capital gains			CASH SURRENDER VALUE IN EXCESS OF PREMIUMS	68,558.00
4	Income subject to tax not recorded on books this year (itemize):		8	Deductions on this return not charged against book income this year (itemize):	
5	Expenses recorded on books this year not deducted on this return (itemize):			a. Depreciation	\$
a	Depreciation	\$ 43,465.40		b. Contributions carryover \$	
b	Contributions carryover	\$ 2,477.00			
c	Travel and entertainment	\$ 4,413.24			
	OWNERS LIFE INS.	\$ 27,087.80			
	COUNTRY CLUB DUES	\$ 2,100.00			
		79,543.44	9	Add lines 7 and 8	68,558.00
6	Add lines 1 through 5	(657,858.26)	10	Income (line 28, page 1) — line 8 less line 9	(726,416.26)

Schedule M-2 Analysis of Unappropriated Retained Earnings per Books (Line 25, Schedule L)

1	Balance at beginning of year	89,766.90	5	Distributions: a. Cash	
2	Net income (loss) per books	(737,401.70)		b. Stock	
3	Other increases (itemize):			c. Property	
			6	Other decreases (itemize):	
			7	Add lines 5 and 6	
4	Add lines 1, 2, and 3	(647,634.80)	8	Balance at end of year (line 4 less line 7)	(647,634.80)

EXHIBIT T
PAGE 1 OF 2
OMB No. 1545-0023

Form 1120
Department of the Treasury
Internal Revenue Service

U.S. Corporation Income Tax Return

For calendar year 2001 or tax year beginning AUGUST 1, 2001, ending JULY 31, 20 02
▶ Instructions are separate. See page 20 for Paperwork Reduction Act Notice.

2001

A Check if: 1 Consolidated return (attach Form 951) ☐ 2 Personal holding co. (attach Sch. PH) ☐ 3 Personal service corp. (as defined in Temporary Regs. sec. 1.441-4T — see instructions) ☐	Use IRS label. Otherwise, print or type.	Name GROOME & ASSOCIATES, INC. Number, street, and room or suite no. (If a P.O. box, see page 7 of instructions.) P.O. BOX 729 City or town, state, and ZIP code TRAVELERS REST, SC 29690-0729	B Employer identification number 58-1810366 C Date incorporated 8/31/88 D Total assets (see page 8 of instructions)
--	---	--	--

E Check applicable boxes: (1) ☐ Initial return (2) ☐ Final return (3) ☐ Name change (4) ☐ Address change \$ 1,667,673.10

Income	1a Gross receipts or sales <u>4,298,798.99</u> b Less returns and allowances <u>69,509.97</u> c Bal ▶ 2 Cost of goods sold (Schedule A, line 8) 2 4,229,289.02 3 Gross profit. Subtract line 2 from line 1c 3 3,439,481.33 4 Dividends (Schedule C, line 19) 4 789,807.69 5 Interest 5 6 Gross rents 6 7 Gross royalties 7 8 Capital gain net income (attach Schedule D (Form 1120)) 8 9 Net gain or (loss) from Form 4797, Part II, line 18 (attach Form 4797) 9 10 Other income (see page 8 of instructions — attach schedule) 10 11 Total income. Add lines 3 through 10 11 789,807.69
Deductions (See instructions for limitations on deductions.)	12 Compensation of officers (Schedule E, line 4) 12 13 Salaries and wages (less employment credits) 13 236,629.90 14 Repairs and maintenance 14 25,492.54 15 Bad debts 15 1,870.89 16 Rents 16 15,000.00 17 Taxes and licenses 17 31,575.72 18 Interest 18 89,658.71 19 Charitable contributions (see page 10 of instructions for 10% limitation) 19 20 Depreciation (attach Form 4562) 20 26,624.06 21 Less depreciation claimed on Schedule A and elsewhere on return 21a 4,903.82 21b 21,720.24 22 Depletion 22 23 Advertising 23 4,119.95 24 Pension, profit-sharing, etc., plans 24 5,145.00 25 Employee benefit programs 25 26 Other deductions (attach schedule) 26 223,189.04 27 Total deductions. Add lines 12 through 26 27 654,401.99 28 Taxable income before net operating loss deduction and special deductions. Subtract line 27 from line 11 28 135,405.70 29 Less: a Net operating loss (NOL) deduction (see page 13 of instructions) 29a 135,405.70 b Special deductions (Schedule C, line 20) 29b 29c 135,405.70
Tax and Payments	30 Taxable income. Subtract line 29c from line 28 30 0.00 31 Total tax (Schedule J, line 11) 31 0.00 32 Payments: a 2000 overpayment credited to 2001 32a b 2001 estimated tax payments 32b c Less 2001 refund applied for on Form 4466 32c () d Bal ▶ 32d e Tax deposited with Form 7004 32e f Credit for tax paid on undistributed capital gains (attach Form 2439) 32f g Credit for Federal tax on fuels (attach Form 4136). See instructions 32g 32h 33 Estimated tax penalty (see page 14 of instructions). Check if Form 2220 is attached 33 34 Tax due. If line 32h is smaller than the total of lines 31 and 33, enter amount owed 34 0.00 35 Overpayment. If line 32h is larger than the total of lines 31 and 33, enter amount overpaid 35 36 Enter amount of line 35 you want: Credited to 2002 estimated tax ▶ Refunded ▶ 36

Sign Here
Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete. Declaration of preparer (other than taxpayer) is based on all information of which preparer has any knowledge.

Signature of officer _____ Date _____ Title _____

Preparer's signature _____ Date 08/27/02 Check if self-employed ☐ Preparer's SSN or PTIN 259-92-6341

Paid Preparer's Use Only
Firm's name (or yours if self-employed), address, and ZIP code THOMBLEY & SIMMONS, P.C.
305 LAWRENCE ST., STE. 100, MARIETTA, GA 30060
 EIN 58-1582344 Phone no. 770-423-1234

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Form 1120 (2001)

Form 1120 (2001)

EXHIBIT T
PAGE 2 OF 2

Page 4

Schedule L Balance Sheets per Books		Beginning of tax year		End of tax year	
Assets		(a)	(b)	(c)	(d)
1	Cash		130,255.25		66,245.79
2a	Trade notes and accounts receivable	560,887.31		697,393.00	
b	Less allowance for bad debts	()	560,887.31	()	697,393.00
3	Inventories		617,993.53		716,654.72
4	U.S. government obligations				
5	Tax-exempt securities (see instructions)				
6	Other current assets (attach schedule)				
7	Loans to shareholders				
8	Mortgage and real estate loans				
9	Other investments (attach schedule)				
10a	Buildings and other depreciable assets	703,629.36		704,871.34	
b	Less accumulated depreciation	(459,248.42)	244,380.94	(518,621.75)	186,249.59
11a	Depletable assets	()		()	
b	Less accumulated depletion	()		()	
12	Land (net of any amortization)				
13a	Intangible assets (amortizable only)	()		()	
b	Less accumulated amortization	()		()	
14	Other assets (attach schedule) DEPOSITS		1,130.00		1,130.00
15	Total assets		1,554,647.03		1,667,673.10
Liabilities and Shareholders' Equity					
16	Accounts payable		577,305.25		667,182.04
17	Mortgages, notes, bonds payable in less than 1 year		253,031.87		226,201.87
18	Other current liabilities (attach schedule) ACCRUED EXPENSE		1,444.71		306.87
19	Loans from shareholders		140,000.00		124,000.00
20	Mortgages, notes, bonds payable in 1 year or more				
21	Other liabilities (attach schedule)				
22	Capital stock: a Preferred stock				
	b Common stock	230,500.00	230,500.00	230,500.00	230,500.00
23	Additional paid-in capital				
24	Retained earnings — Appropriated (attach schedule)				
25	Retained earnings — Unappropriated		(647,634.80)		(580,517.68)
26	Adjustments to shareholders' equity (attach schedule)				
27	Less cost of treasury stock		()		()
28	Total liabilities and shareholders' equity		1,554,647.03		1,667,673.10

Note: The corporation is not required to complete Schedules M-1 and M-2 if the total assets on line 15, col. (d) of Schedule L are less than \$25,000.

Schedule M-1 Reconciliation of Income (Loss) per Books With Income per Return (See page 20 of instructions.)

1	Net income (loss) per books	67,117.12	7	Income recorded on books this year not included on this return (itemize): Tax-exempt interest \$	
2	Federal income tax per books				
3	Excess of capital losses over capital gains				
4	Income subject to tax not recorded on books this year (itemize):				
5	Expenses recorded on books this year not deducted on this return (itemize): a Depreciation \$ 32,749.27 b Charitable contributions. \$ 3,002.00 c Travel and entertainment \$ 3,349.31 OWNERS LIFE INS. \$ 27,088.00 COUNTRY CLUB DUES \$ 2,100.00	68,288.58	8	Deductions on this return not charged against book income this year (itemize): a Depreciation \$ b Charitable contributions \$	
6	Add lines 1 through 5	135,405.70	9	Add lines 7 and 8	
			10	Income (line 28, page 1) — line 6 less line 9	135,405.70

Schedule M-2 Analysis of Unappropriated Retained Earnings per Books (Line 25, Schedule L)

1	Balance at beginning of year	(647,634.80)	5	Distributions: a Cash	
2	Net income (loss) per books	67,117.12		b Stock	
3	Other increases (itemize)			c Property	
			6	Other decreases (itemize):	
4	Add lines 1, 2, and 3	(580,517.68)	7	Add lines 5 and 6	
			8	Balance at end of year (line 4 less line 7)	(580,517.68)

1120
Form
Department of the Treasury
Internal Revenue Service

U.S. Corporation Income Tax Return

For calendar year 2002 or tax year beginning 8/1, 2002, ending 7/31, 2003
 ▶ Instructions are separate. See page 20 for Paperwork Reduction Act Notice.

SCHEDULE C
PAGE 1 OF 2
OMB No. 1545-0123
2002

A Check if a: 1 Consolidated return (attach Form 951) ☐ 2 Personal holding co. (attach Sch. PH) ☐ 3 Personal service corp. (as defined in Regulations sec. 1.441-3(c) — see instructions) ☐		Use IRS label. Otherwise, print or type. Name GROOME & ASSOCIATES, INC. Number, street, and room or suite no. (if a P.O. box, see page 7 of instructions.) P.O. BOX 729 City or town, state, and ZIP code TRAVELERS REST, SC 29690-0729	B Employer identification number 58-1810366 C Date incorporated 8/31/88 D Total assets (see page 3 of instructions)
--	--	---	--

E Check applicable boxes: (1) ☐ Initial return (2) ☐ Final return (3) ☐ Name change (4) ☐ Address change **\$ 590,439.97**

Income	1a	Gross receipts or sales	5,085,722.29	b Less returns and allowances	98,573.08	c Bal ▶	1c	4,987,149.21
	2	Cost of goods sold (Schedule A, line 8)					2	4,167,056.87
	3	Gross profit. Subtract line 2 from line 1c					3	820,092.34
	4	Dividends (Schedule C, line 19)					4	
	5	Interest					5	
	6	Gross rents					6	
	7	Gross royalties					7	
	8	Capital gain net income (attach Schedule D (Form 1120))					8	
	9	Net gain or (loss) from Form 4797, Part II, line 18 (attach Form 4797)					9	127,000.00
	10	Other income (see page 9 of instructions — attach schedule)					10	
	11	Total income. Add lines 3 through 10					11	947,092.34
Deductions (See instructions for limitations on deductions.)	12	Compensation of officers (Schedule E, line 4)					12	3,423.93
	13	Salaries and wages (less employment credits)					13	254,354.04
	14	Repairs and maintenance					14	24,369.05
	15	Bad debts					15	64,138.23
	16	Rents					16	53,000.00
	17	Taxes and licenses					17	51,731.59
	18	Interest					18	75,076.09
	19	Charitable contributions (see page 11 of instructions for 10% limitation)					19	
	20	Depreciation (attach Form 4562)	20	32,158.83				
	21	Less depreciation claimed on Schedule A and elsewhere on return	21a	4,448.46	21b	27,710.37		
	22	Depletion					22	
	23	Advertising					23	3,706.45
	24	Pension, profit-sharing, etc., plans					24	1,483.00
	25	Employee benefit programs					25	
	26	Other deductions (attach schedule)					26	269,122.88
	27	Total deductions. Add lines 12 through 26					27	828,115.63
	28	Taxable income before net operating loss deduction and special deductions. Subtract line 27 from line 11					28	118,976.71
	Tax and Payments	29	Less: a Net operating loss (NOL) deduction (see page 13 of instructions)	29a	118,976.71	29b	118,976.71	29c
30		Taxable income. Subtract line 29c from line 28					30	0.00
31		Total tax (Schedule J, line 11)					31	0.00
32		Payments: a 2001 overpayment credited to 2002	32a					
b 2002 estimated tax payments		32b						
c Less 2002 refund applied for on Form 4468		32c						
d Bal ▶		32d						
e Tax deposited with Form 7004		32e						
f Credit for tax paid on undistributed capital gains (attach Form 2439)		32f						
g Credit for Federal tax on fuels (attach Form 4136). See instructions		32g						
33	Estimated tax penalty (see page 14 of instructions). Check if Form 2220 is attached					33		
34	Tax due. If line 32h is smaller than the total of lines 31 and 33, enter amount owed					34	0.00	
35	Overpayment. If line 32h is larger than the total of lines 31 and 33, enter amount overpaid					35		
36	Enter amount of line 35 you want: Credited to 2003 estimated tax ▶ Refunded ▶					36		

Sign Here

Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete. Declaration of preparer (other than taxpayer) is based on all information of which preparer has any knowledge.

Signature of officer _____ Date _____	Title _____ Date 8/28/03	Check if self-employed ☐ Preparer's SSN or PTIN 259-92-6341
Paid Preparer's Use Only Preparer's signature _____ Firm's name (or yours if self-employed), address, and ZIP code THOMBLEY & SIMMONS, P.C. 305 LAWRENCE ST., STE. 100, MARIETTA, GA 30060	EIN 58-1582344 Phone No. 770-423-1234	

Form 1120 (2002)

SCHEDULE L
PAGE 2 OF 2
 Page 4

Note: The corporation is not required to complete Schedules L, M-1, and M-2 if Question 13 on Schedule K is answered "Yes."

Schedule L Balance Sheets per Books		Beginning of tax year		End of tax year	
Assets		(a)	(b)	(c)	(d)
1	Cash		66,245.79		124.82
2a	Trade notes and accounts receivable	697,393.00		323,760.00	
b	Less allowance for bad debts	()	697,393.00	()	323,760.00
3	Inventories		716,654.72		103,864.23
4	U.S. government obligations				
5	Tax-exempt securities (see instructions)				
6	Other current assets (attach schedule)				
7	Loans to shareholders				
8	Mortgage and real estate loans				
9	Other investments (attach schedule)				
10a	Buildings and other depreciable assets	704,871.34		695,341.02	
b	Less accumulated depreciation	(518,621.75)	186,249.59	(533,780.10)	161,560.92
11a	Depletable assets				
b	Less accumulated depletion	()		()	
12	Land (net of any amortization)				
13a	Intangible assets (amortizable only)				
b	Less accumulated amortization	()		()	
14	Other assets (attach schedule) .. DEPOSITS		1,130.00		1,130.00
15	Total assets		1,667,673.10		590,439.97
Liabilities and Shareholders' Equity					
16	Accounts payable		667,182.04		372,388.97
17	Mortgages, notes, bonds payable in less than 1 year		1,226,201.87		429,073.87
18	Other current liabilities (attach schedule) .. ACCRUED EXPENSES		306.87		25.00
19	Loans from shareholders		124,000.00		60,000.00
20	Mortgages, notes, bonds payable in 1 year or more				
21	Other liabilities (attach schedule)				
22	Capital stock: a Preferred stock				
	b Common stock	230,500.00	230,500.00	230,500.00	230,500.00
23	Additional paid-in capital				
24	Retained earnings — Appropriated (attach schedule)				
25	Retained earnings — Unappropriated		(580,517.68)		(501,547.87)
26	Adjustments to shareholders' equity (attach schedule)				
27	Less cost of treasury stock		()		()
28	Total liabilities and shareholders' equity		1,667,673.10		590,439.97

Schedule M-1 Reconciliation of Income (Loss) per Books With Income per Return (see page 20 of instructions)					
1	Net income (loss) per books	78,969.81	7	Income recorded on books this year not included on this return (itemize):	
2	Federal income tax per books	0.00		Tax-exempt interest \$	
3	Excess of capital losses over capital gains				
4	Income subject to tax not recorded on books this year (itemize):				
5	Expenses recorded on books this year not deducted on this return (itemize):		8	Deductions on this return not charged against book income this year (itemize):	
a	Depreciation	\$ 4,999.52	a	Depreciation	\$
b	Charitable contributions	\$ 2,852.00	b	Charitable contributions	\$
c	Travel and entertainment	\$ 2,667.28			
	OWNERS LIFE INS.	\$ 27,088.10	9	Add lines 7 and 8	
6	ADD LINES 1 THROUGH 5	40,006.90	10	Income (line 28, page 1) — line 6 less line 9	118,976.71
		118,976.71			

Schedule M-2 Analysis of Unappropriated Retained Earnings per Books (Line 25, Schedule L)					
1	Balance at beginning of year	(580,517.68)	5	Distributions: a Cash	
2	Net income (loss) per books	78,969.81		b Stock	
3	Other increases (itemize):			c Property	
			6	Other decreases (itemize):	
			7	Add lines 5 and 6	
4	Add lines 1, 2, and 3	(501,547.87)	8	Balance at end of year (line 4 less line 7)	(501,547.87)

12/20/04 MON 17:34 FAX 770 423 1842

THOMBLEY & SIMMONS PC

050

GROOME &
Associates Inc.
PAPERBOARD CONVERTERS

EXHIBIT V

Post Office Box 729
Travelers Rest, SC 29690
131 Pinesley Circle
Greenville, SC 29609
800-451-3266
803-294-8001
Fax 803-294-9368

122 Chalkville Rd.
Suite 202-A
Trussville, AL 35173
800-248-1928
205-655-5251
205-655-5250
Fax 205-655-5254

March 28, 1994

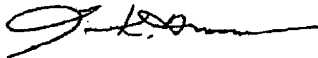
Pursuant to notice duly given, a meeting of the Board of Directors for Groome & Associates, Incorporated was held with all members present.

The Director assumed the chair and opened the meeting.

Resolved: The Board of Directors agreed that the monthly lease payment to Lee K. Groome would be increased to \$15,000.00 effective April 1, 1994.

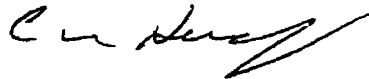
There being no further business before the Board, the motion to adjourn was made and carried.

Lee K. Groome CEO




Lee K. Groome Secretary

Eric W. Hudgins, President



GROOME AND ASSOCIATES, INCORPORATED
STATEMENT OF INCOME AND RETAINED EARNINGS
For the Year Ended July 31, 1993
(See Accompanying Accountant's Report)

EXHIBIT W

Sales		\$ 11 117 491 87
Less: Returns and Allowances		<u>195 253 95</u>
Net Sales		\$ 10 922 237 92
Cost of Sales:		
Labor	\$ 160 619 73	
Materials	8 781 017 24	
Freight	493 008 59	
Processing	340 019 46	
Production Supplies	24 858 25	
Rewinder and Bailer Expense	<u>72 943 61</u>	<u>9 872 466 88</u>
Gross Profit		\$ 1 049 771 04
General and Administrative Expenses		<u>900 256 85</u>
Profit from Operations		\$ 149 514 19
Other Income:		
Interest Income	\$ 6 141 78	
Gain on Sale of Fixed Assets	16 712 16	
Recovery of Bad Debts	<u>8 839 00</u>	<u>31 692 94</u>
		\$ 181 207 13
Other Deductions:		
Contributions	\$ 8 462 00	
Interest Expense	12 865 35	
Moving Expense	1 893 00	
Officers' Life Insurance	36 785 35	
Profit Sharing Contribution	<u>46 410 04</u>	<u>106 415 74</u>
Net Income Before Income Taxes		\$ 74 791 39
Income Taxes:		
Current	\$ 18 764 95	
Deferred	<u>10 000 00</u>	<u>28 764 95</u>
Net Income		\$ 46 026 44
Retained Earnings - August 1, 1992		<u>315 488 37</u>
Retained Earnings - July 31, 1993		<u>\$ 361 514 81</u>

EXHIBIT X

GROOME AND ASSOCIATES, INCORPORATED
STATEMENT OF INCOME AND RETAINED EARNINGS
For the Year Ended July 31, 1994
(See Accompanying Accountants' Report)

Sales		\$10,042,959.48
Less: Returns and Allowances		<u>338,089.82</u>
Net Sales		\$ 9,704,869.66
Cost of Sales:		
Labor	\$ 214,277.46	
Materials	7,147,813.99	
Depreciation - Machinery & Equipment	41,574.65	
Freight	507,781.49	
Processing	206,099.32	
Production Supplies	36,089.04	
Rewinder and Bailer Expense	9,339.20	
Warehouse Expense	<u>62,972.17</u>	<u>8,225,947.32</u>
Gross Profit		\$ 1,478,922.34
General and Administrative Expenses		<u>1,182,720.51</u>
Profit From Operations		\$ 296,201.83
Other Income:		
Interest Income		<u>1,995.20</u>
		\$ 298,197.03
Other Deductions:		
Contributions	\$ 4,720.00	
Bad Debts	28,854.30	
Interest Expense	25,637.03	
Moving Expense	2,787.73	
Officers' Life Insurance	38,314.44	
Profit Sharing Contribution	<u>80,689.19</u>	<u>181,002.69</u>
Net Income Before Income Taxes		\$ 117,194.34
Income Taxes:		
Current	\$ 19,394.60	
Deferred	<u>16,000.00</u>	<u>35,394.60</u>
Net Income		\$ 81,799.74
Retained Earnings - August 1, 1993		<u>361,514.81</u>
Retained Earnings - July 31, 1994		<u>\$ 443,314.55</u>

Groome and Associates, Incorporated
STATEMENT OF INCOME AND RETAINED EARNINGS
 For the Year Ended July 31, 1995
 (See Accompanying Accountants' Report)

EXHIBIT Y

Sales		\$ 11,745,147.89
Less: Returns and Allowances		<u>214,448.56</u>
Net Sales		\$ 11,530,701.33
Cost of Sales:		
Labor	\$ 250,275.25	
Materials	9,348,371.84	
Depreciation - Machinery and Equipment	44,199.98	
Freight	352,941.69	
Processing	45,408.75	
Production Supplies	43,733.80	
Rewinder and Bailer Expense	13,125.29	
Warehouse Expense	<u>38,876.18</u>	<u>10,136,732.78</u>
Gross Profit		\$ 1,393,968.55
General and Administrative Expenses		<u>1,098,467.03</u>
Profit from Operations		\$ 295,501.52
Other Income:		
Gain on Sale of Fixed Assets		<u>4,918.27</u>
		\$ 300,419.79
Other Deductions:		
Bad Debts	\$ 33,749.12	
Contributions	8,458.00	
Interest Expense	62,927.29	
Officers' Life Insurance	42,706.44	
Profit Sharing Contribution	<u>84,000.00</u>	<u>231,840.85</u>
Net Income Before Provision for Income Taxes		\$ 68,578.94
Income Taxes:		
Federal	\$ 14,205.11	
State	<u>12,000.00</u>	<u>26,205.11</u>
Net Income		\$ 42,373.83
Retained Earnings - August 1, 1994		<u>443,314.55</u>
Retained Earnings - July 31, 1995		\$ <u>485,688.38</u>

The notes to financial statements are an integral part of this report.

Grooms and Associates, Incorporated
STATEMENT OF INCOME AND RETAINED EARNINGS
 For the Year Ended July 31, 1996
 (See Accompanying Accountants' Report)

EXHIBIT Z

Sales		\$ 8,038,191.15
Less: Returns and Allowances		<u>308,849.26</u>
Net Sales		\$ 8,731,341.89
Cost of Sales:		
Labor	\$ 293,934.39	
Materials	6,962,712.61	
Depreciation - Machinery and Equipment	49,224.83	
Freight	323,482.15	
Processing	16,449.94	
Production Supplies	32,075.95	
Rewinder and Bailer Expense	413.56	
Warehouse Expense	<u>34,442.45</u>	<u>7,712,735.88</u>
Gross Profit		\$ 1,018,606.01
General and Administrative Expenses		<u>913,484.43</u>
Profit from Operations		\$ 105,121.58
Other Income:		
Recovery of Bad Debts		<u>5,002.50</u>
		\$ 110,124.08
Other Deductions:		
Interest Expense	\$ 91,314.00	
Officers' Life Insurance	<u>28,164.00</u>	<u>119,478.00</u>
Net Income (Loss) Before Provision for Income Taxes		\$ (9,353.92)
Income Taxes:		
Current	\$ 389.98	
Deferred	<u>8,000.00</u>	<u>8,389.98</u>
Net Income (Loss)		\$ (17,743.90)
Retained Earnings - August 1, 1995		<u>485,688.38</u>
Retained Earnings - July 31, 1996		\$ <u>467,944.48</u>

The notes to financial statements are an integral part of this report.

THOMBLEY & SIMMONS, Incorporated
STATEMENT OF INCOME AND RETAINED EARNINGS
 For the Year Ended July 31, 1997
(See Accompanying Accountants' Report)

EXHIBIT AA

Sales		\$ 9,710,597.40
Less: Returns and Allowances		<u>188,681.21</u>
Net Sales		\$ 9,521,916.19
Cost of Sales:		
Labor	\$ 340,544.46	
Materials	7,155,334.32	
Depreciation - Machinery and Equipment	57,318.59	
Freight	369,921.64	
Processing	17,889.38	
Production Supplies	40,283.34	
Rewinder and Baller Expense	193.37	
Warehouse Expense	<u>19,593.83</u>	<u>8,001,076.93</u>
Gross Profit		\$ 1,520,839.26
General and Administrative Expenses		<u>1,294,773.48</u>
Profit from Operations		\$ 226,065.80
Other Income:		
Gain on Sale of Fixed Asset	\$ 1,500.00	
Miscellaneous Income	<u>10,198.84</u>	<u>11,698.84</u>
		\$ 237,764.64
Other Deductions:		
Bad Debts	\$ 9,030.28	
Contributions	32,991.00	
Interest Expense	86,713.53	
Profit Sharing Contribution	<u>50,203.00</u>	<u>178,937.81</u>
Net Income Before Provision for Income Taxes		\$ 58,826.83
Income Taxes:		
Current	\$ 17,168.14	
Deferred	<u>4,000.00</u>	<u>21,168.14</u>
Net Income		\$ 37,658.69
Retained Earnings - August 1, 1996	\$ 467,944.48	
Cash Surrender Value Increase in Excess of Premiums Paid.	<u>29,179.10</u>	<u>497,123.58</u>
Retained Earnings - July 31, 1997		\$ 534,782.27

The notes to financial statements are an integral part of this report.

29

To: Connie F. Greer at UP
To: Dick A. Hillestad at UP
To: Rob Laseter at UP
To: Charles T. Schramm at UP

ASSOCIATION OF AMERICAN RAILROADS
EMBARGO NOTICES FOR December 4, 1997
CONSECUTIVE SHEET 243

Number & Issuing Agency	Commodity	Destination Gateway or Territory	Consigned or Reconsigned To or Intended For
CPDR Carolina Piedmont Division, South Carolina Central RR Emb. No.1-97 EFFECTIVE 12-4-97	All traffic	To, from or via the following stations located on the GRN Sub- division (former Greenville & Northern Railway) located in the state of South Carolina: Berea Fentress Montague North Greenville Travelers Rest	

CAUSE: Damage to bridges.

EXCEPTION: None.

BNSF
Burlington
Northern
Santa Fe
Rwy. Co.
Emb. No.25-97
CANCELLED
12-4-97

NOTE: Original Emb. on Consecutive
Sheet #222, 10-29-97.

CANCELLATION
Destined Brownsville, TX.

BNSF
Burlington
Northern
Santa Fe
Rwy. Co.
Emb. No.26-97
CANCELLED
12-4-97

NOTE: Last shown on Consecutive
Sheet #230, 11-13-97

CANCELLATION
Routed from BNSF to TM at Corpus
Christi, TX and Flatonina, TX
destined to Laredo, TX.

J. J. Carroll

003126

B

BEFORE THE
SURFACE TRANSPORTATION BOARD

STB Docket No. 42087

GROOME & ASSOCIATES, INC., AND LEE K. GROOME
v.
GREENVILLE COUNTY ECONOMIC DEVELOPMENT CORPORATION



VERIFIED STATEMENT OF RANDY MATHENA

1. My name is Randy Mathena. I am the President and majority shareholder of Paper Cutters, Inc. ("Paper Cutters") My business address is 840 North Highway 25 By Pass, Greenville, SC 29617. I have personal knowledge of the facts that are set forth hereinafter and am duly authorized to present this Verified Statement.

2. Paper Cutters is located at MP 5.4 on a line of railroad that stretches from Greenville to Travers Rest, South Carolina ("the Line"). The Line is currently owned by the Greenville County Economic Development Corporation, which I understand is the Respondent in this Complaint proceeding brought by Lee Groome and Groome & Associates, Inc. ("G&A"). G&A is located at MP 2.2, which is south of Paper Cutters.

3. On December 4, 1997, Carolina Piedmont Division, South Carolina Central Railroad ("SCCR"), the former owner of the Line, filed an embargo on the line. Although the embargo was effective on that date, the railroad continued to operate over the Line for another two months. Later in December, I received a letter from SCCR's General Manager in which he informed me that SCCR would be willing to restore service if the shippers would pay for the cost of replacing two bridges and repairing a couple of other bridges. I subsequently became the spokesperson for the coalition of shippers on the Line as we attempted to negotiate with the

railroad. The shippers agreed to help fund the cost of the repairs and the cost of replacing the two bridges. In return, we asked for certain guarantees, including continued service from SCCR. SCCR, which is a subsidiary of Railtex, never responded to our offer.

4. Despite our efforts to negotiate a deal with SCCR, we were not able get SCCR to restore service. In October 1998, SCCR filed a new system diagram map with the STB and announced that it anticipated abandoning the portion of the Line between MP 2.1 in Greenville and MP 11.8, which would include the segment of track used by Paper Cutters, G&A and all of the other shippers on the Line.

5. I also communicated on a regular basis with the Chamber of Commerce and the Greenville County Council as we tried to resolve the problem with the railroad. Because I felt it was in the shippers' best interest to do so, I also kept members of both entities informed of the shippers dealings with SCCR and actively solicited their assistance. *See Attachments hereto.*

6. Because I was not that familiar with the rights of the shippers, or the obligations of the railroad, I contacted Mel Clemens, who I understand is the Director of the Office of Compliance and Enforcement of the Surface Transportation Board. Based on my conversations with Clemens, I learned that it would be possible for the shippers to acquire the Line through an offer of financial assistance ("OFA") after SCCR filed for authority to abandon it. Based on that information, our coalition adopted a strategy of waiting for SCCR to file for abandonment authority so that we could acquire the Line for its NLV, which I understood was the value of the track materials, minus the cost of removal, plus any value of land that SCCR owned in fee simple. It was my further understanding that because SCCR did not hold a fee simple interest, the land would have no value for purposes of the OFA. I also confirmed my understanding by

speaking with B. R. Anderson, a short line operator who was interested in providing service over the Line for the shippers.

7. During the course of communications with Greenville County and the Chamber of Commerce, I made it very clear that the shippers had adopted the strategy of waiting for an abandonment proceeding to be filed before the STB before we would make our offer to acquire the Line.

8. On January 29, 1999, the shippers received a letter from SCCR, which mentioned a previous meeting and which offered to sell the railroad corridor between Greenville and Travelers Rest for \$750,000. Because we believed that the NLV was considerably less than \$750,000, we chose to wait for the abandonment proceeding and did not accept the offer. I did inform members of the County Council that the shippers were willing to finance the purchase of the Line and that we believed we could arrange for the purchase, repair and operation of the line without assistance from the County. Based on conversations with an experienced short line operator, we estimated the cost of repairs associated with the entire line. This was done because we felt that with adequate rail service, the Line could attract additional customers and thereby cover the cost of the purchase and the rehabilitation of the Line. Because we were also interested in making the Line acceptable for passenger service, our cost estimates exceeded the cost of repairs that would have been needed to restore service over excepted track, which is how the Line was operated before SCCR filed its embargo in December 1997.

9. A couple of months later, we learned that the Greenville County Council had agreed to acquire the Line. Because we believed, based on repeated conversations with members of the Council, that the County would restore rail service following its acquisition of the Line, the

shippers did not contest the sale to the County. However, by purchasing the Line, the County effectively short-circuited our plans to purchase the Line for its NLV.

10. GCEDC acquired the Line in June 1999. Thereafter, I attended a meeting at the office of Gerald Seals, who was then the head of GCEDC. The meeting was also attended by Mr. Groome and Ms. Haskell-Robinson, who was also a member of the Board of GCEDC. During that meeting, Seals assured me and Mr. Groome that GCEDC had \$500,000.00 in the bank. He also confirmed that others, such as Duke Power Co. and Bell South, had offered additional assistance. During that meeting, Groome personally offered \$30,000.00 on the spot. This was done in the presence of Gerald Seals, Pat Haskell-Robinson and myself.

FURTHER SAYETH THE AFFIANT NOT.

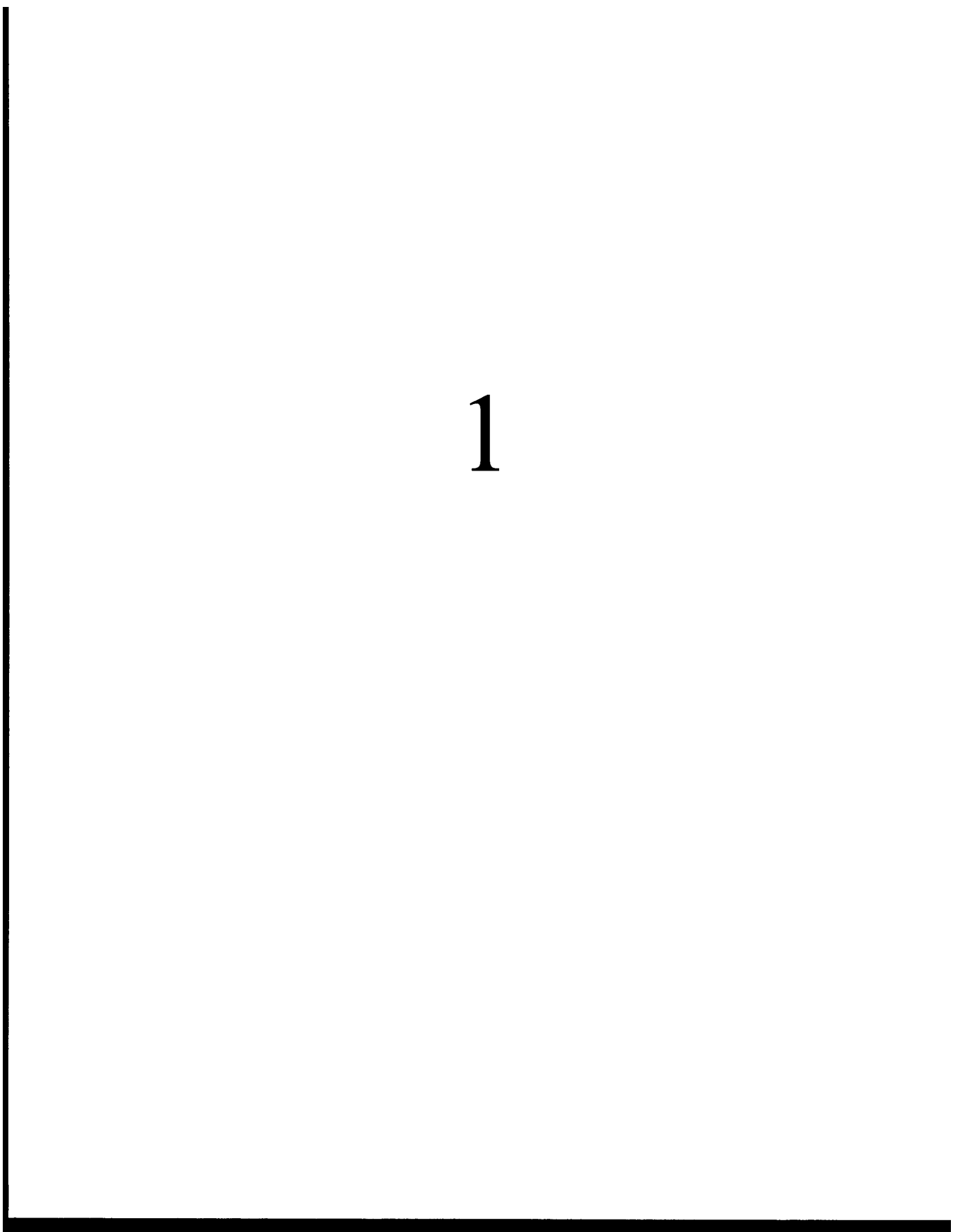
VERIFICATION

I, Randy Mathena, hereby declare under penalty of perjury that the foregoing is true and correct. Executed on December 20, 2004.


Randy Mathena

TABLE OF CONTENTS

NO.	DESCRIPTION
1.	Letter dated September 21, 1998 to Lee Groome, John Byl, Bill Kernan and Randy Pearson from Randy Mathena regarding purchase of Carolina Piedmont Division from Railtex
2.	Letter dated September 26, 1998 from Randy Mathena regarding Kent Reeves replies to our questions at the last meeting on 9/23/98
3.	Letter dated October 9, 1998 to Forest Van Swartz from Randy Mathena regarding rebuild of railroad
4.	Letter dated October 9, 1998 to Pat Haskell Robinson from Randy Mathena regarding rail line from Greenville to Travelers Rest/Marietta
5.	Letter dated October 28, 1998 from Randy Mathena regarding notes from Mathena's talk with Mel Clemens
6.	Letter dated November 6, 1998 to Brandy from Randy Mathena regarding notes from 11/5/98 meeting with Kent Reeves
7.	Letter dated January 5, 1999 to David Ross from Randy Mathena regarding railroad and CD
8.	Letter dated February 23, 1999 to Brandy, Pat and Dozier from Randy Mathena regarding Paper Cutter's position on the 11 mile rail line
9.	Letter dated March 15, 1999 to Linda Morgan, Mel Clemens, Paul Graham, Nancy Bieter from Randy Mathena regarding rail line MP 2.1 Greenville, SC to MP 11.8 Travelers Rest, SC
10.	Letter dated April 28, 1999 to Pat Haskell Robinson, Brandy Birkbichler and Gerald Seals from Randy Mathena regarding meeting on 5/28/99



1

SEPTEMBER 21, 1998

TO: LEE GROOME, JOHN BYL, BILL KERNAN AND RANDY PEARSON

FROM: RANDY MATHENA

RE: PURCHASE OF CAROLINA PIEDMONT DIVISION FROM RAILTEX

PURSUANT TO OUR MEETING WITH KENT REEVES AND J.R. SMITH, WE DECIDED THAT I WOULD PROVIDE A DOCUMENT WHICH OUTLINES OUR INTENTIONS AND WE SHOULD POSSIBLY SEEK LEGAL COUNSEL, AS RAILTEX HAS DECIDED TO SEEK PERMISSION TO ABANDON THE CAROLINA PIEDMONT DIVISION WHICH SERVES GROOME PAPER, PAPER CUTTERS INC AND AIR PRODUCTS.

THIS FEASIBILITY STUDY IS FOR THE PURPOSE OF DETERMINING WHO SHOULD BE INVOLVED IN THE PURCHASE OF THE NOW IDLED CAROLINA PIEDMONT DIVISION. I WILL OUTLINE THE FACTS, AS WE KNOW THEM BELOW AND SUBMIT THEM FOR YOUR CONSIDERATION. AS DELETIONS, ADDITIONS OR CHANGES ARE MADE, I WILL ADJUST THE DOCUMENT ACCORDINGLY.

UNDER THE (OFA) PROVISION, 49 USC 10904, WE THE CUSTOMERS OF THE CAROLINA PIEDMONT DIVISION, WANT TO STUDY OUR RIGHTS TO PURCHASE THE RAIL LINE, BEFORE IT IS ABANDONED BY RAILTEX THE PARENT COMPANY. OBVIOUSLY WE WILL UNDERTAKE A STUDY, TO DETERMINE IF WE WILL BUY THE LINE AS A GROUP OR AS INDIVIDUALS. WE MAY ALSO BRING TO THE TABLE ANOTHER OPERATOR OF SMALL LINES, WHO MAY HAVE AN INTEREST IN BUYING THE LINE AND RUNNING IT THEMSELVES.

004445

THE FACTS AS WE KNOW THEM ARE AS FOLLOWS:

WE HAVE THE OPTION TO BUY THE LINE FOR THE NET LIQUIDATION VALUE. KENT REEVES HAS ASSURED US THAT HE WILL FORWARD TO US ANY AND ALL INFORMATION THAT WE SHOULD HAVE BY LAW, APPLICABLE TO THE (OFA) PROVISION.

OUR UNDERSTANDING IS THAT WE WOULD PAY THE NLV, WHICH IS THE VALUE OF THE TRACK, CROSS TIES AND GRAVEL LESS THE COST OF LABOR, TO REMOVE AND SELL THESE ASSETS.

TO THIS NLV, WE WOULD ADD THE COST OF COMPLETE RESTORATION OF THE LINE FROM MILE MARKER ONE TO AIR PRODUCTS, THE COST OF AN ENGINE AND LABOR COSTS OF THE EMPLOYEES REQUIRED TO OPERATE THE LINE.

IT IS OUR UNDERSTANDING THAT WE WOULD RECEIVE AN EASEMENT CROSSING ALL LAND FOR AS LONG AS THE RAIL LINE IS OPERATED.

THE POTENTIAL COSTS AND INCOME TO PAY FOR THE RAIL LINE AND RECONSTRUCTION IS AS FOLLOWS:

COST OF RAIL LINE AT NLV	\$100,000.00
COST OF RECONSTRUCTION	\$2,000,000.00
COST OF A NEW ENGINE	\$100,000.00
TOTAL	\$2,200,000.00

004446

POTENTIAL INCOME:

GROOME PAPER 22 CARS/MONTH AT \$450.00 PER CAR = \$9,900.00
PAPER CUTTERS 10 CARS/MONTH AT \$500.00 PER CAR = \$5,000.00
AIR PRODUCTS 16 CARS/MONTH AT \$600.00 PER CAR = \$9,600.00

TOTAL MONTHLY INCOME \$24,500.00

POTENTIAL MONTHLY COSTS:

MONTHLY LABOR	\$12,000.00
(3 EMPLOYEES AT \$25.00/HOUR AT 40 HOURS/WEEK)	
LESS MONTHLY REPAYMENT NOTE/ BOND ISSUE	\$10,000.00
(\$10,000.00 X 12 MONTHS X 20 YEARS)	
MAINTENANCE AND FUEL COSTS	\$2,400.00

BREAKEYEN -0-

THIS SCENARIO ASSUMES 120 HOURS OF LABOR PER WEEK,
HOWEVER, THE ENGINE WOULD ONLY RUN TO THE YARD TWICE PER
WEEK. IT IS ALSO BASED ON ONLY THREE CUSTOMERS. IT IS SAFE
TO ASSUME THAT THERE WOULD BE ADDITIONAL CUSTOMERS AND
OTHER POTENTIAL INCOME SOURCES AS THE LINE AND BUSINESS
CLIMATE DEVELOP.

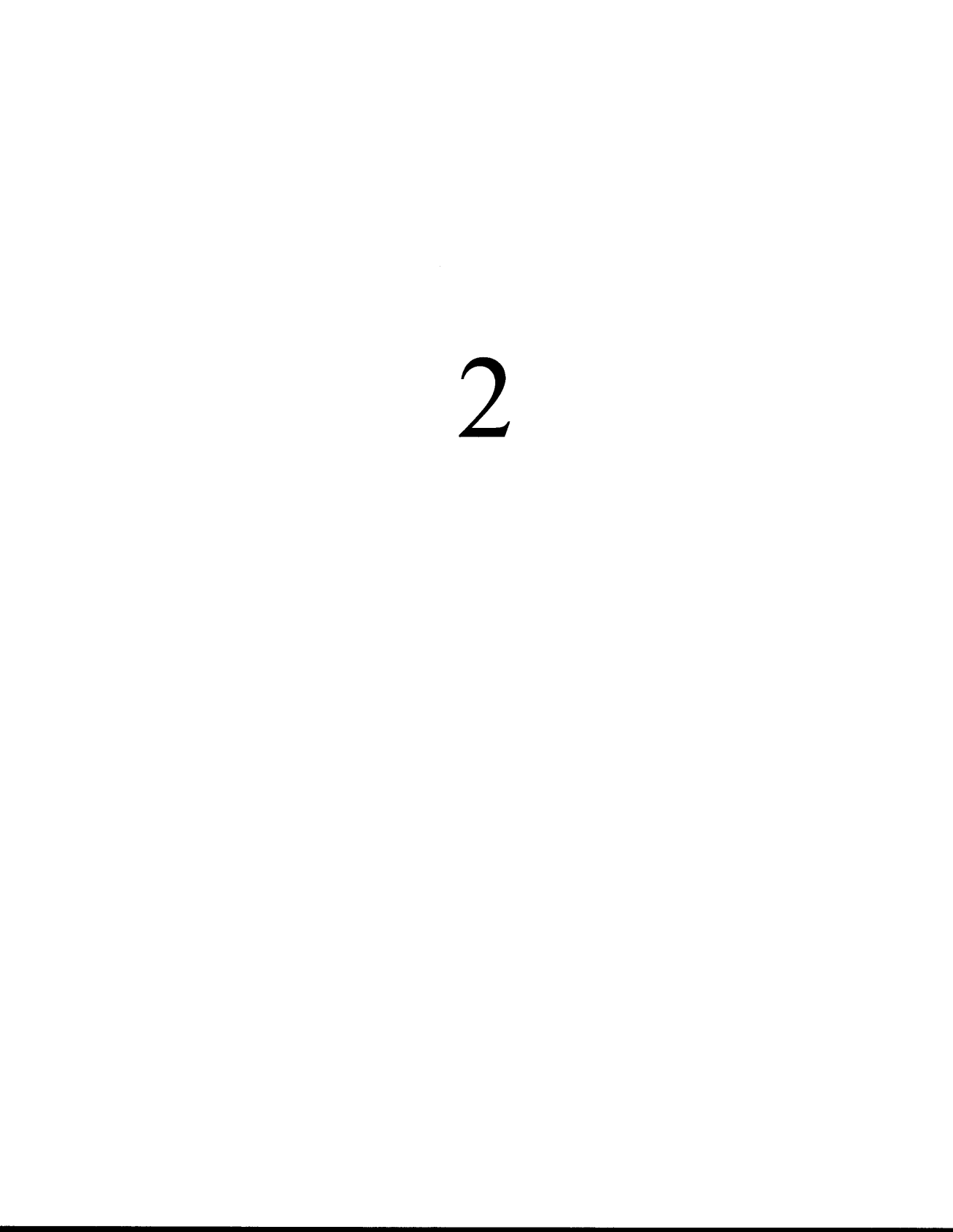
PLEASE REMEMBER THAT THIS IS ONLY A STARTING POINT,
HOWEVER, IT DOES NOT LOOK AS BLEAK AS WE MIGHT HAVE
ANTICIPATED.

004462

**PARTIES WHO MAY HAVE AN INTEREST IN THIS PROJECT ARE AS
FOLLOWS:**

**PAPER CUTTERS INC
GROOME PAPER
AIR PRODUCTS
CITY OF TRAVELERS REST
CITY OF GREENVILLE
GREENVILLE CHAMBER OF COMMERCE
FURMAN UNIVERSITY
GREENVILLE DOWNTOWN BUSINESS ASSOCIATION
OTHER INDUSTRIAL PROPERTIES ADJACENT TO THE RAIL LINE
THE HARTWELL RAIL LINE**

**I DO NOT FEEL THAT ANY OF US ARE INTERESTED IN OWNING AND
RUNNING A SHORT LINE RAILROAD, HOWEVER, I PERSONALLY DON'T
WANT TO SEE US LOOSE THIS SHORT LIVED OPTION TO INSURE THAT
WE HAVE AT LEAST THE OPPORTUNITY TO PRESERVE OUR VESTED
INTERESTS. TRUTHFULLY, IF WE EXERCISE OUR OPTION TO
PURCHASE FOR NLV, WE ARE ONLY GAMBLING THE NLV PRICE.
THEN WE AT LEAST HAVE THE OPTION AND POWER TO REWORK
THE LINE, SELL IT OR LOOSE OUR NLV INVESTMENT.**



2

9/26/98

FROM: RANDY MATHENA

RE: KENT REEVES REPLIES TO OUR QUESTIONS AT THE LAST
MEETING ON 9/23/98

1. ABANDONMENT CAN TAKE 60, 120 OR 180 DAYS.
2. THIS PROCESS CAN BE HANDLED BY:
PETITION WHICH PROVIDES FOR FULL DISCLOSURE
OR BY APPLICATION WHICH MAY PROVIDE SOME FACTS
3. THE AREA IN QUESTION RUNS FROM MILE MARKER 2.0 TO 11.8
4. CAN WE PRESENTLY HAVE THE VALUE? - NO WE CAN NOT.
5. ALL COMMUNICATIONS ARE GENERALLY MADE VIA PAPER
FILINGS.
6. NLV SEEMS TO INCLUDE THE SALVAGE VALUE PLUS THE VALUE
OF THE RIGHT OF WAY, PLUS THEIR EXPENDITURES ON TRACK
REPAIR.

KENT MADE THE STATEMENT THAT, THEIR LATITUDE IN AND
SPEED IN MAKING DECISIONS IS BASED ON WHAT KIND OF
RESISTANCE, WE THE CUSTOMERS PUT FORTH. IT IS MY PERSONAL
JUDGEMENT THAT WE NEED QUALIFIED LEGAL COUNSEL, SUCH
THAT WE TAKE ADVANTAGE OF EVERY TACTICAL MOVE
AVAILABLE TO US IN THIS PROCESS. EVERYONE CONCURS.

KENT REEVES CAN BE REACHED FOR QUESTIONS AT 843-332-7584.

004448

ONCE A DEAL IS REACHED, ANY NEWCOMERS WILL RECEIVE RATES THAT HAVE BUILT IN PARTICIPATION IN THE PLAN.

THERE IS THE POSSIBILITY THAT WE COULD BE REIMBURSED FOR SOME OR ALL OF THE MONEYS THAT WE SPEND ON THE REBUILD. WE SHOULD REQUIRE THE ENTIRE AMOUNT TO BE REIMBURSED OVER A TWO YEAR PERIOD.

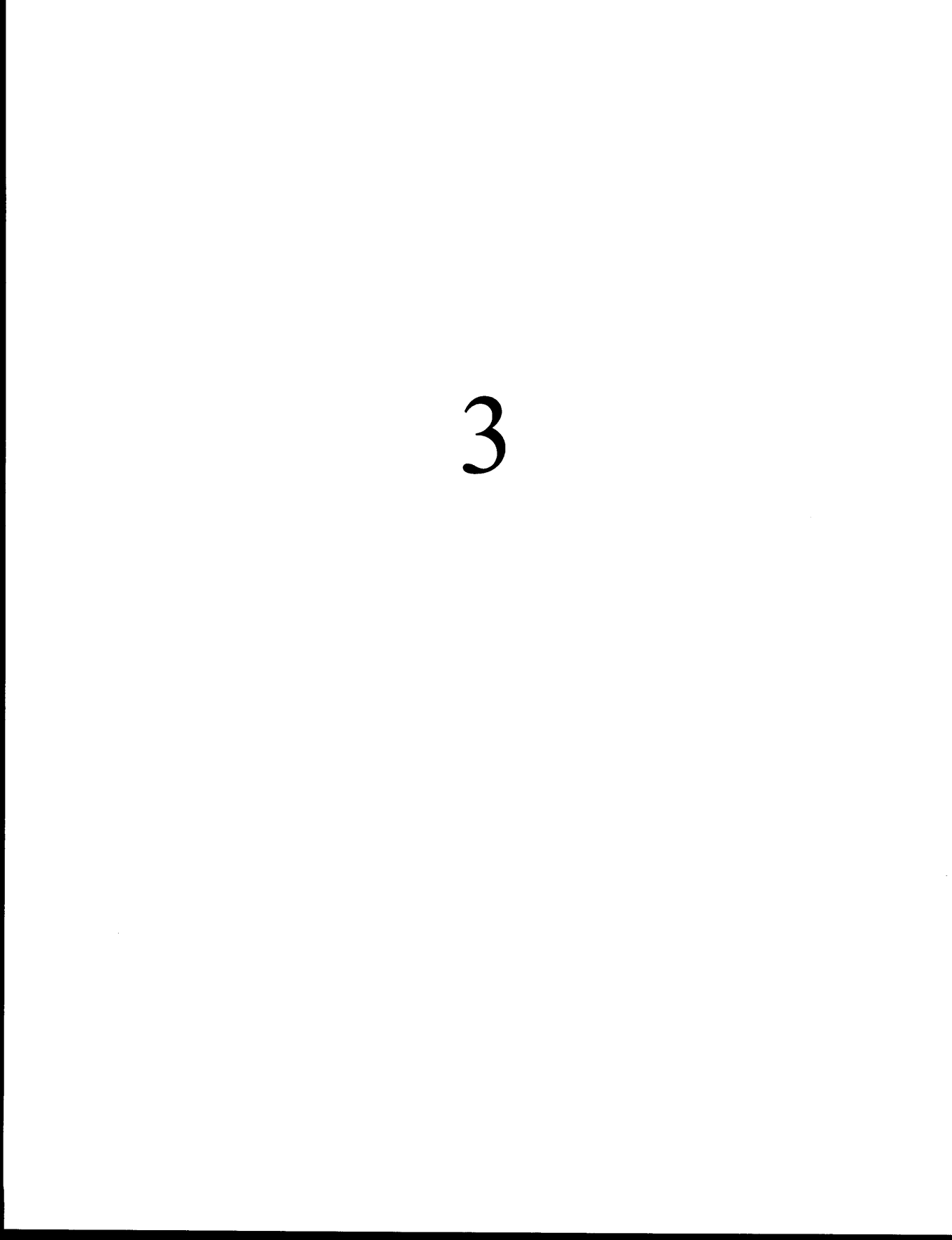
THE RAILROAD WILL COMMIT AN ADDITIONAL \$200,000.00 TO TRACK REPLACEMENT. THIS WOULD BEGIN AS SOON AS THE BRIDGE REBUILD STARTS.

THE STATE OF SOUTH CAROLINA IS LOOKING HARD AT THE RAILROAD'S POINT OF ORIGIN TO FURMAN UNIVERSITY AS A RECIPIENT OF STATE/FEDERAL GRANT MONEY FOR COMMUTER SERVICE. OUR COMMITMENT TO THE RAILROAD, COULD POSSIBLY MAKE THAT MORE LIKELY. THAT WOULD RAISE THE VALUE OF OUR PROPERTIES OVERALL.

THERE IS COMMON BELIEF AMONG ALL PLAYERS, THAT THE STATE OF OUR ECONOMY IN THE UPSTATE PROVE THAT RAIL SERVICE COULD ONLY HASTEN THE SPEED OF INDUSTRIAL GROWTH IN THIS AREA.

CAROLINA PIEDMONT COMMITS THAT THE RATES FOR FUTURE CARS WOULD REMAIN THE SAME AS THEY WERE WHEN SERVICE STOPPED. OUR PARTICIPATION IN THE REBUILD COULD BE SEPARATE AND STRUCTURED IN A NUMBER OF DIFFERENT WAYS.

004440



3

Paper Cutters, Inc.

840 NORTH HIGHWAY 25 BY PASS
GREENVILLE, SC 29617
(864) 834-3193 FAX (864) 834-3551

DATE: 10/09/98
TO: FOREST VAN SWARTZ
COMPANY: CAROLINA PIEDMONT RAILROAD
FAX NUMBER: 803-332-1222
PHONE NUMBER: 803-332-7584
FROM: RANDY MATHENA
RE: OUR POSITION ON REBUILD OF THE RAILROAD

DEAR FOREST,
WE HAVE NOW HAD DISCUSSIONS WITH GROOME PAPER, AIR PRODUCTS,
WESTVACO AND NORFOLK SOUTHERN. I CANNOT SPEAK FOR THE GENERAL
CONSENSUS, BUT ON THE PART OF PAPER CUTTERS, I COMMIT THE FOLLOWING:

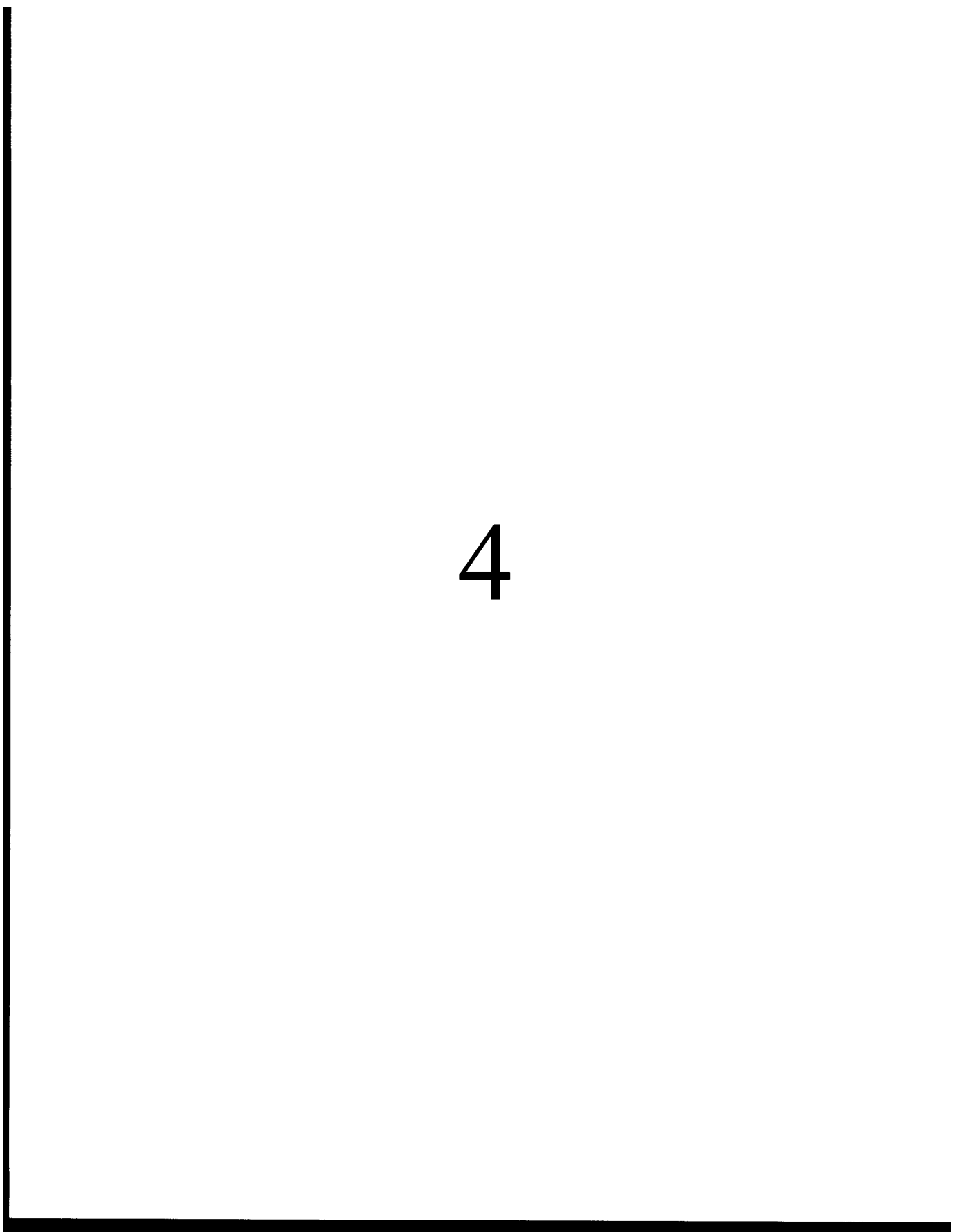
1. WE WILL PARTICIPATE BY \$100,000.00 IN THE REBUILD OF THE RAIL LINE, CONTINGENT ON THE COMMITMENT OF BOTH NORFOLK SOUTHERN AND AIR PRODUCTS. WE WOULD ALSO REQUIRE ALL INCOMING RAIL SHIPMENTS BE MADE BY NORFOLK SOUTHERN WHERE POSSIBLE DURING THE COURSE OF THIS COMMITMENT. THIS MONEY SHOULD BE COLLECTED ON A PER CAR BASIS OVER A TWO YEAR PERIOD.
2. OUR COMMITMENT IS BASED ON REPAYMENT OF THE \$100,000.00 WITH INTEREST AT PRIME RATE. THE REPAYMENT SHOULD BE MADE OVER THE TWO YEAR PERIOD FOLLOWING THE TWO YEAR REBUILD PERIOD.
3. ANY CUSTOMER USING THE SERVICE DURING THE REBUILD PERIOD SHOULD PAY AN EQUAL UP CHARGE AND THIS AMOUNT SHOULD BE DEDUCTED FROM THE \$300,000.00.
4. IN LIGHT OF THE FACT THAT \$300,000.00 IS SUCH A LARGE PERCENTAGE OF THE FINANCE OF THE ENTIRE PROJECT, WE SHOULD BE PRIVY TO YOUR FINANCIALS UNTIL WE ARE REPAID IN FULL. THIS IS A MATTER OF DUE DILIGENCE ON OUR PART.

IT IS MY OWN PERSONAL OPINION THAT WE SHOULD NOT HAVE BEEN PUT INTO THIS POSITION TO BEGIN WITH AND THIS ENTIRE PROCESS OF SEARCHING FOR A RESOLUTION HAS TAKEN WAY TOO LONG. IF OUR PROPOSAL IS NOT ACCEPTABLE, WE WILL SIMPLY USE TRUCKS AND RESEARCH OTHER ALTERNATIVES FOR RAIL SERVICE.

SINCERELY,

CUSTOM CONVERTERS OF PAPER & PAPERBOARD

003145



4

Paper Cutters, Inc.

840 NORTH HIGHWAY 25 BY PASS
GREENVILLE, SC 29617
(864) 834-3193 FAX (864) 834-3551

DATE: 10/09/98

TO: PAT HASKELL ROBINSON

COMPANY: GREENVILLE CHAMBER OF COMMERCE
24 CLEVELAND STREET
GREENVILLE, S.C. 29601

FAX NUMBER: 282-8549

PHONE NUMBER: 242-1050

FROM: RANDY MATHENA

RE: THE RAIL LINE FROM GREENVILLE TO TRAVELERS REST/MARIETTA

DEAR PAT,

I WOULD LIKE TO THANK YOU FOR A MOST INFORMATIVE MEETING AT THE CHAMBER LAST WEEK. IT IS HEARTENING TO KNOW THAT THERE ARE OTHERS IN GREENVILLE, WHO ARE CONCERNED ABOUT THE LONG TERM PROSPECTS OF THE OLD GREENVILLE NORTHERN RAILWAY.

WE AT PAPER CUTTERS BOUGHT LAND FOR OUR PRESENT SITE, BECAUSE OF THE RAILROAD. WE SPENT OVER \$30,000.00 TO INSTALL OUR RAIL SIDING. WE HAVE USED IT MORE THAN WE HAD EXPECTED, AND WE PROJECT THAT WE WILL USE IT EVEN MORE IN THE FUTURE. RAILTEX APPROACHED US UNANNOUNCED ON THE DAY THAT WE WERE TO MEET WITH ANOTHER PROSPECTIVE OPERATOR OF THE THEN GREENVILLE NORTHERN RAILWAY. SINCE THEY WERE IN OUR LOBBY, WE MET WITH THEM AND BASED UPON THEIR COMMITMENTS, WE TOLD THEM THAT WE WOULD SUPPORT THEM IF THEY WERE SELECTED AS THE PURCHASER.

THEY OPERATED PROFITABLY UNTIL THEY CEASED OPERATION AND THEN ANNOUNCED THAT THEY WERE CLOSING BECAUSE OF BRIDGE REPAIR COSTS. THEY ASKED THEIR CUSTOMERS TO BEAR THE BURDEN OF \$300,000.00 IN COSTS, WITH NO PLAN TO REPAY THE MONEY. I MADE PHONE CALLS AND WROTE LETTERS TO NO AVAIL. THEY NEVER RESPONDED IN ANY WAY. THIS WAS, I MIGHT ADD, AFTER A MEETING AT WHICH FOREST VAN SWARTZ TOLD US THAT THEY WERE VERY INTERESTED IN WORKING OUT A SOLUTION AND GOING BACK TO WORK.

CUSTOM CONVERTERS OF PAPER & PAPERBOARD

000186

SINCE THAT MEETING AND NO RESPONSE TO MY CALLS AND LETTERS, I HAVE MET WITH THE FOLLOWING PEOPLE, IN AN EFFORT TO GET SOME ACTION:

NORFOLK SOUTHERN-GREENVILLE
RICHARD PICKENS
GARY RICE

NORFOLK SOUTHERN-CHARLESTON
DALE ASHLEY

NORFOLK SOUTHERN-RICHMOND
LEW MOSS

WESTVACO KRAFT-CHARLESTON
MIKE GRIFFITH

RAILTEX-LANCASTER
KENT REEVES-NEW ACTING MANAGER

S.C. DEPARTMENT OF TRANSPORTATION
MIKE ELLISOR

I HAVE ACTED IN CONSORT WITH LEE GROOME OF GROOME PAPER AND BILL KERNAN OF AIR PRODUCTS. WE ARE ALL QUITE ANXIOUS AND INTERESTED IN GETTING OUR SERVICE BACK, IN THAT IT IS QUITE COSTLY FOR US TO USE TRUCK INSTEAD OF RAIL. WE WOULD LIKE A MEETING AS SOON AS POSSIBLE. MAYBE WE SHOULD GO THROUGH THE PROCESS OF DISCOVERY, IF NECESSARY, TO FERRET OUT THE TRUE FACTS OF THIS CASE. WE DO HAVE A LETTER FROM KENT REEVES, ACKNOWLEDGING THAT WE WOULD LIKE THE FIRST RIGHT OF REFUSAL ON THE PURCHASE OF THE LINE. THIS IN SOME WAY COMPLIES WITH THE (OFA) PROVISION UNDER 49 USC 10904, WHEREBY WE OFFER TO BUY THE RAIL LINE FOR THE (NLV) NET LIQUIDATION VALUE.

SINCERELY,

LANDY MATHENA

000187

5

Paper Cutters, Inc.

840 North Highway 25 By Pass
Greenville, SC 29617
(864) 834-3193 FAX (864) 834-3551

DATE: 10/28/98

TO: ALL CONCERNED

COMPANY: CUSTOMERS, CHAMBER OF COMMERCE AND COUNTY COUNCIL

FAX NUMBER:

PHONE NUMBER:

FROM: RANDY MATHENA

RE: NOTES FROM MY TALK WITH MEL CLEMENS

ON 10/28/98 I RECEIVED A CALL FROM MEL CLEMENS, WHO HEADS THE OFFICE OF COMPLIANCE & ENFORCEMENT A DIVISION OF THE SURFACE TRANSPORTATION BOARD. MEL SPENT NEARLY AN HOUR ON THE PHONE WITH ME AND WAS VERY HELPFUL. HE TOLD ME THAT I COULD CALL ANYTIME AND I WAS WELCOME TO COME AND MEET WITH HIM IN WASHINGTON, D.C. THIS DIVISION'S GOAL IS TO MEDIATE IN SITUATIONS LIKE OURS, TO HELP PARTIES COME TO TERMS, WITHOUT GOING TO A FULL STB HEARING. THEY ARE UNBIASED AND ARE THERE TO COUNSEL BOTH SIDES.

MELVIN F. CLEMENS JR.

DIRECTOR OF THE OFFICE OF COMPLIANCE AND ENFORCEMENT

SURFACE TRANSPORTATION BOARD

1925 K STREET NW SUITE 780

WASHINGTON, D.C. 20423-0001

202-565-1575

NOTES:

THE TWO SECTIONS ALREADY ABANDONED CANNOT BE REVERTED, HOWEVER, ACCORDING TO THE PAPER WORK THAT WE RECEIVED FROM THE STB, IN RESPONSE TO OUR LETTERS, THE DECISION WAS BASED ON ERRONEOUS INFORMATION GIVEN BY RAILTEX. IT CLEARLY STATES THAT THERE WERE NO SHIPPERS ON THE NORTHERN LINE. I AM FORWARDING A COPY TO CARL BENTZEL AT THE OFFICE OF FRITZ HOLLINGS FOR HIS REVIEW. THE STB HAS ALSO BEN CONTACTED BY THE OFFICE OF STROM THURMOND DUE TO LETTERS AND CALLS FROM OUR GROUP.

Custom Converters of Paper & Paperboard

000800

CONCERNING THE NORTHERN LINE, WE HAVE SEVERAL OPTIONS AS FOLLOWS:

1. WE CAN ATTEMPT TO NEGOTIATE A DEAL DIRECTLY WITH RAILTEX.
WE SHOULD FIRST WRITE A STUDIED ANALYSIS ON THE VALUE OF THE LINE
AND COPY MEL'S OFFICE.
2. WE CAN WRITE THE STB AND ASSERT THAT SERVICE IS INADEQUATE,
ASKING THE STB TO REQUIRE THE SALE OF THE LINE TO US.
3. WE CAN WAIT UNTIL RAILTEX APPLIES FOR ABANDONMENT AND EXERCISE
OUR RIGHT TO OFA (OFFER FINANCIAL ASSISTANCE) OR REQUEST TO BUY
THE LINE FOR NLY.

RAILTEX HAS THE LINE UNDER EMBARGO UNTIL EARLY DECEMBER, AT WHICH
POINT THEY CAN RENEW THE EMBARGO FOR ANOTHER YEAR. THIS COULD GO
ON FOREVER. WHILE THEY HAVE THE LINE EMBARGOED, THEY ARE IN THEIR
BEST NEGOTIATING POSITION. IF THE STB FEELS THAT RAILTEX HAS NO
INTENTION OF RUNNING THE LINE AGAIN, THEY MAY STEP IN AND REQUIRE
THE ABANDONMENT PROCESS.

OUR STUDIED ANALYSIS LETTER WOULD SERVE AS OUR POSITION, SHOULD THE
NLY PROCESS TAKE PLACE. HERE THE STB MAKES A DECISION BASED UPON
ALL OF THE FACTS AND DEVELOPS A CONSTITUTIONAL MINIMUM VALUE FOR
WHICH THE LINE WOULD SELL. OUR POSITION WOULD BE SUPPORTED BY THE
FACT THAT THERE IS NO GOING CONCERN. SINCE THERE IS NO GOING CONCERN
AND IF THE LAND UNDER THE TRACK IS BY RIGHT OF WAY ONLY, THERE IS
VERY LITTLE VALUE TO THE LINE, BECAUSE THE ONLY THING LEFT IS THE
TRACK WHICH IS WORTH LESS THAN THE LABOR TO REMOVE IT. IT APPEARS
THAT WE WOULD BE ABLE TO BUY FOR THE LOWEST VALUE POSSIBLE. I PLAN
TO RESEARCH THE OWNERSHIP/RIGHT OF WAY ISSUE AND PRESENT THE
FACTS TO OUR GROUP. JOE BECKHAM HAS OFFERED TO ASSIST US IN THIS
STUDY. HE WORKED FOR THE GREENVILLE NORTHERN RAILWAY AND HAS A
DEEP AND SINCERE INTEREST IN SEEING THE LINE BROUGHT BACK TO LIFE.
HE ALSO WOULD LIKE TO BE A PART OF THE LINE. HE HAS BEEN MOST
HELPFUL.

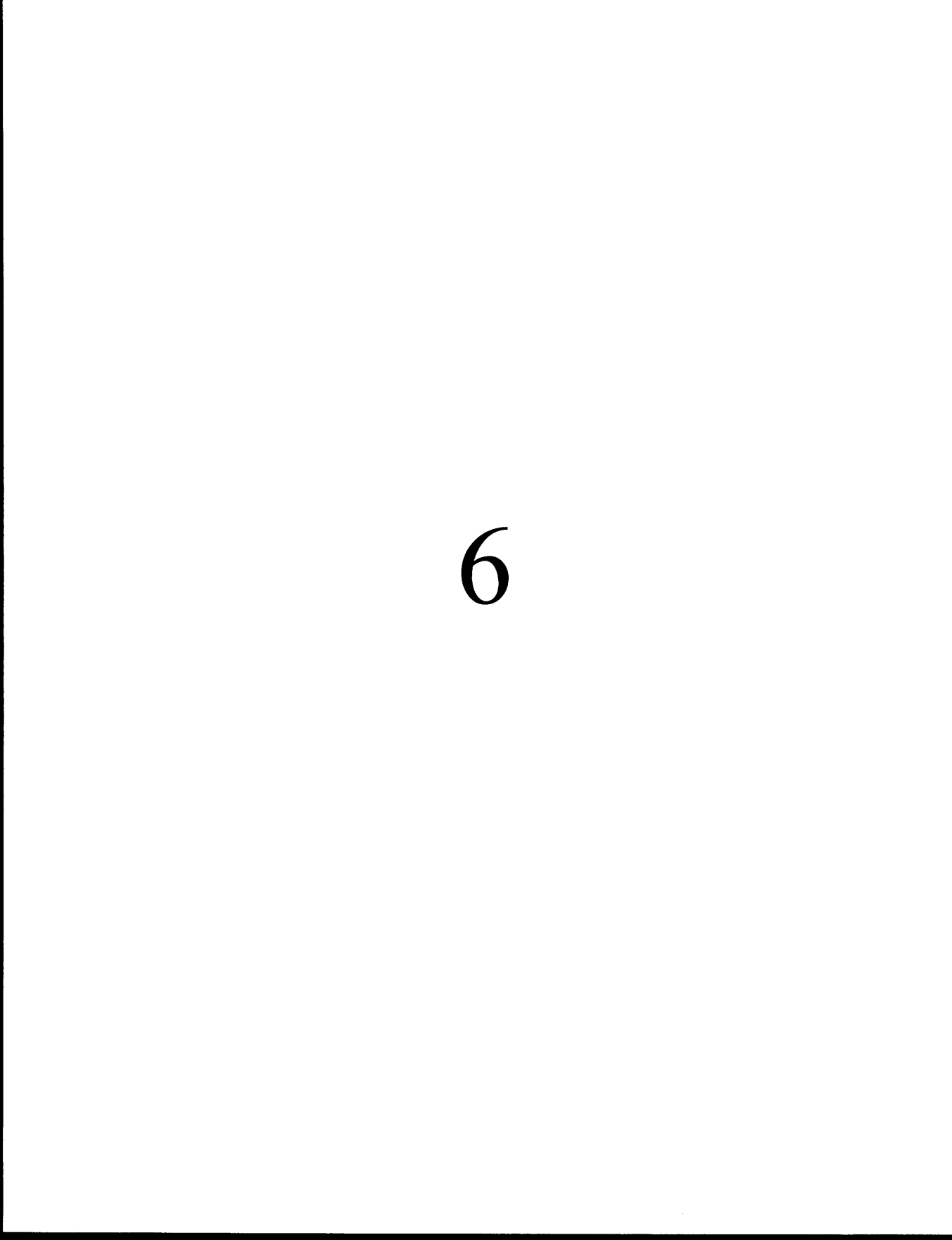
ALTERNATIVE 1 WOULD NOT REQUIRE AN ADVERSIAL RELATIONSHIP BETWEEN OUR GROUP AND RAILTEX. ALTERNATIVE 2 DEFINITELY WOULD DO SO AND "COULD" REQUIRE ATTORNEYS AND LITIGATION. ALTERNATIVE 3 WOULD REQUIRE WAITING AND PATIENCE. THE STB MIGHT STEP IN IF WE KEPT THEM ADVISED AND APPRAISED OF THE EVENTS.

ON ANOTHER NOTE, I PRESSED MEL ON THE QUESTION OF, CAN WE HAVE A GREENWAY AND COMMUTER/COMMERCIAL LINE AT THE SAME TIME? HE STATED THAT THIS IS POSSIBLE, HOWEVER, IT COULD BE A TRICKY PROCESS. WE AGREED THAT THIS PROGRAM SHOULD BE LAUNCHED UNDER THE AUSPICE OF COUNTY COUNCIL AND THE CHAMBER OF COMMERCE FOR REASONS THAT I CAN SHARE LATER.

IT APPEARS THAT WE SHOULD BAND TOGETHER AS A GROUP AND PLAN A STRATEGY BY WHICH WE CAN PROVE OUR POSITION, THAT WE HAVE BEEN UNDER SERVICED AND THAT WE SHOULD HAVE THE RIGHT TO TAKE THE LINE OVER AND REBUILD IT FOR PUBLIC SERVICE TO OUR COMMUNITY. IF RAILTEX IS NOT INTERESTED IN GIVING US THIS SERVICE, THEY SHOULD NOT BE ABLE TO CAPITALIZE ON THE SALE OF THE IDLED LINE, BEYOND WHAT THEY ACTUALLY HAVE LEGAL OWNERSHIP TITLE TO.

PLEASE CALL ME IF I CAN EXPLAIN DETAILS FURTHER OR ANSWER ANY QUESTIONS. I MIGHT AGAIN ADD THAT I PERSONALLY DO NOT FEEL THAT WE SHOULD NECESSARILY LEAN ON GOVERNMENT FOR FINANCIAL RECOURSES, BUT FOR THEIR SUPPORT THROUGH COMMITTEE. WE HAVE A TEAM THAT WILL BUY THE NORTHERN LINE.

000802



6

Paper Cutters, Inc.

840 North Highway 25 By Pass
Greenville, SC 29617
(864) 834-3193 FAX (864) 834-3551

DATE: 11/06/98
TO: BRANDY
COMPANY: CHAMBER OF COMMERCE
FAX NUMBER:
PHONE NUMBER:
FROM: RANDY MATHENA
RE: NOTES FROM 11/5/98

KENT REEVES CAME TO OUR OFFICE FOR A VISIT ON WEDNESDAY 11/5/98. I HAD SEVERAL QUESTIONS TO ASK OF HIM AS FOLLOWS:

1. WHAT IS RAILTEX PLANNING TO DO ON THE NORTHERN LINE?
THEY HAVE PLACED THE MILE MARKER 2.01 ON THE MAP WITH THE STB, WHICH IS THE FIRST STEP OF ABANDONMENT. THEY HAVE THREE YEARS IN WHICH TO COMPLETE THIS PROCESS. THEY HAVE NOT ACTUALLY FILED AT THIS POINT.
2. WHAT EXACTLY DOES RAILTEX WANT TO DO?
THEY WANT THE SHIPPERS AND COMMUNITY TO HAVE THE OPTION OF BUYING THE RAIL LINE, OUTSIDE THE LEGALITIES INVOLVED IN THE NEXT PROCESS. A DIRECT PURCHASE FROM RAILTEX.
3. WHAT FIGURE DO YOU HAVE IN MIND FOR THE LINE?
I WILL FIND OUT AND LET YOU KNOW.
4. EXACTLY WHAT IS INVOLVED IN THE OFFERING ON THE LINE?
THE ONLY THING LEFT IS THE TRACK, TIES, GRAVEL AND LAND.
5. DO YOU HAVE ACTUAL KNOWLEDGE OF WHAT LAND IS OWNED AND WHAT IS JUST A RIGHT OF WAY? BEYOND THAT CAN YOU PROVIDE US WITH A STRIP MAP OR VALUATION MAP?
I BELIEVE THAT WE HAVE ONE, I WILL CHECK AND LET YOU KNOW.

KENT WAS AS FORTHRIGHT AS HE COULD BE AND SEEMED QUITE CONCERNED ABOUT OUR WELFARE AND THEIR LACK OF STRAIGHT UP COMMUNICATION WITH US THROUGH THIS ENTIRE PROCESS.

Custom Converters of Paper & Paperboard

003325

AT 4:30PM ON 11/5/98 I PHONED BENNY RAY ANDERSON AND POSED SOME QUESTIONS TO HIM REGARDING THESE ISSUES>

1. CAN AN OWNER OF A RAIL LINE SELL TRACK, TIES, GRAVEL AND LAND, IF THEY DO NOT POSSESS SIMPLE TITLE TO THE LAND?
NO, THE LAND IS NOT GENERALLY GIVEN VALUE IN A RAIL LINE PURCHASE, BECAUSE IT IS GENERALLY NOT OWNED, SIMPLY USED THROUGH A RIGHT OF WAY.
2. BENNY IS FAXING ME AN ARTICLE, STATING THAT THE STB REFUSED AN ABANDONMENT PETITION FROM A RAIL OPERATOR, BECAUSE OF SO MUCH OPPOSITION FROM THE SHIPPERS AND COMMUNITY.

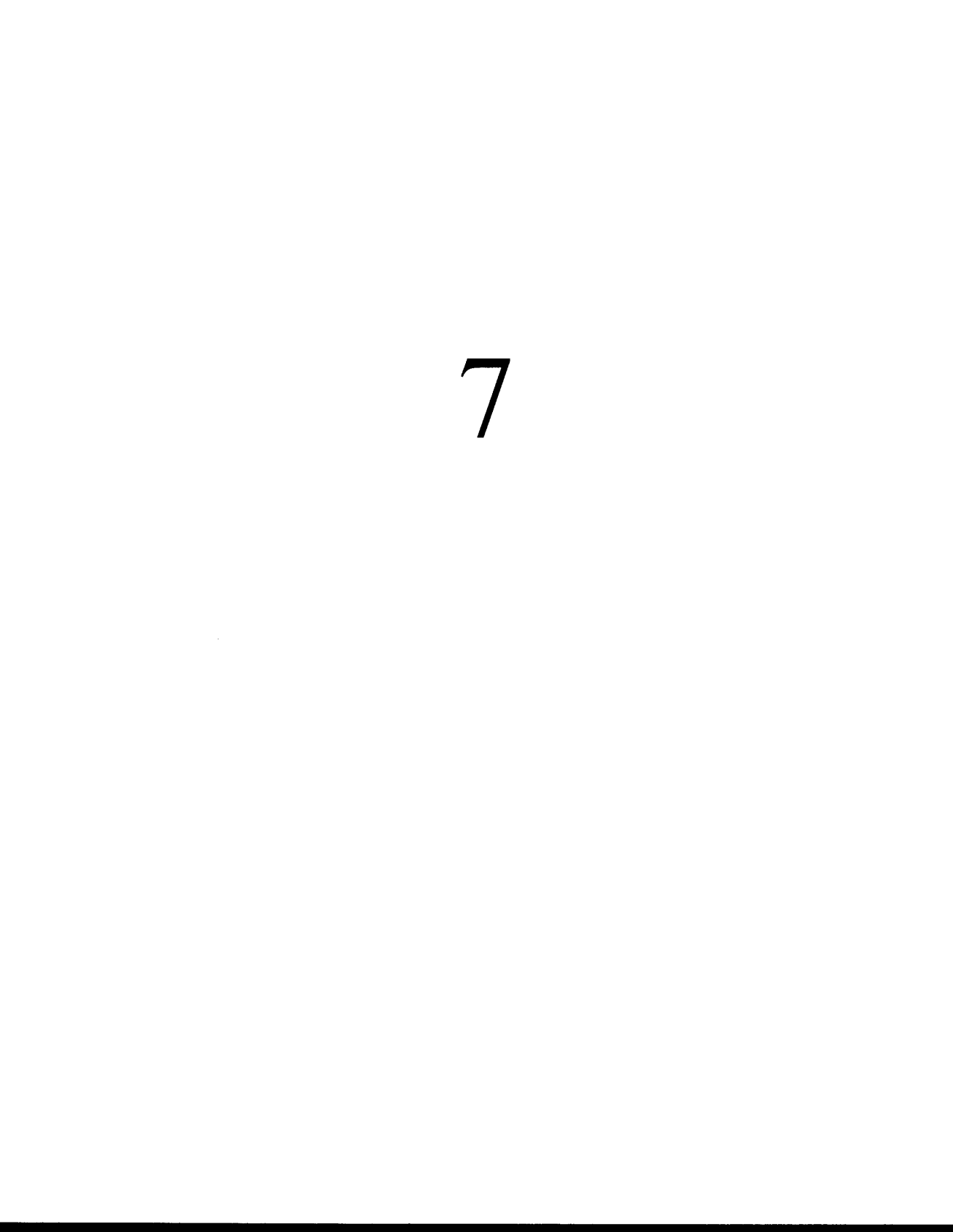
I SEE THIS AS A PIVOTAL MOVE BY THE STB, I FIRMLY BELIEVE THAT THE STB WILL ACT IN OUR FAVOR, WHEN THEY SEE ALL OF THE FACTS ON THE TABLE. FOR EXAMPLE: KENT TOLD ME THAT G & N SUPPLIED STUDIES ON THE NEEDED BRIDGE WORK IN THE PURCHASE AGREEMENT. RAILTEX SAYS THAT THEY DID NOT RECEIVE THEM. I PERSONALLY CANNOT ACCEPT THIS AS SOUND REASONING FOR EMBARGOING OUR LINE, SIMPLY BECAUSE THEY DID NOT DO THEIR HOMEWORK.

3. BENNY ASKED ME TO CHECK WITH OUR COUNSEL AND ASK, IF IT WOULD HELP FOR HIM TO WRITE A LETTER TO THE STB, STATING THAT HE WOULD BUY THE LINE, OPERATE THE LINE FOR THE CARRIERS OR THE COUNTY? HE IS IN THE POSITION TO DO WHATEVER IS NEEDED BY US. FURTHERMORE, HE STATES THAT HE BELIEVES IN THE FUTURE OF THIS LINE, IF WE PUT TOGETHER A VIABLE PLAN FOR RECONSTRUCTION AND DEVELOPMENT OF THE UNUSED INDUSTRIAL SITES ON THE LINE.

BENNY WAS MOST HELPFUL AND EVEN AT ARMS LENGTH, WAS WILLING TO HELP IN ANY WAY THAT HE CAN. I BELIEVE THAT HE THINKS THAT WE SHOULD SPEARHEAD THE DRIVE, IN LIGHT OF THE FACT THAT RAILTEX WOULD TRY TO EXTRACT A MUCH HIGHER PRICE FROM AN OPERATOR OF SHORT LINES.

I STILL BELIEVE THAT RAILTEX MAY SIMPLY HAVE NOTHING TO SELL ON ANY OF THE SECTIONS. I SAY THAT BECAUSE NO ONE HAS PRODUCED ANY PROOF OF OWNERSHIP ON ANY PARCELS.

003326



7

Paper Cutters, Inc.

840 North Highway 25 By Pass
Greenville, SC 29617
(864) 834-3193 FAX (864) 834-3551

DATE: 01/05/99
TO: DAVID ROSS
COMPANY: NARRAMORE ASSOCIATES
FAX NUMBER: 232-5202
PHONE NUMBER: 232-9503 242-9881
FROM: RANDY MATHENA
RE: RAILROAD AND CD

DEAR DAVID,

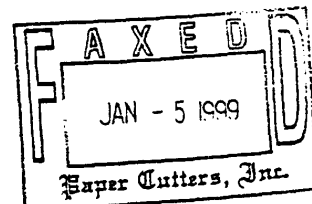
AS I LISTENED TO YOU TALK ABOUT YOUR RESEARCH ON THE POSSIBILITIES FOR RAIL SERVICE IN GREENVILLE, I THOUGHT ABOUT HOW UNUSUAL IT IS THAT I AM INVOLVED WITH THE CHAMBER OF COMMERCE, COUNTY COUNCIL AND CITY COUNCIL REGARDING RAIL RENEWAL FROM TRAVELERS REST THROUGH GREENVILLE AND ENDING IN MAULDIN. THIS LINE PROBABLY SHOULD HAVE A MAIN STATION IN THE HEART OF GREENVILLE, AS WE HAVE BEEN TOLD THAT HIGH SPEED RAIL WILL RUN FROM GREENSBORO TO ATLANTA THROUGH GREENVILLE. THERE IS ALSO TALK OF A LINE CONNECTING DOWNTOWN GREENVILLE TO THE GSP AIRPORT, RUNNING ALSO TO DOWNTOWN SPARTANBURG.

WHEN I MENTIONED YOUR WORK TO BRANDY AT THE CHAMBER, SHE WAS VERY INTERESTED IN MAYBE TALKING WITH YOU AT SOME POINT TO GET YOUR THOUGHTS AND IDEAS. IF YOU ARE OPEN TO THIS POSSIBILITY, PLEASE LET ME KNOW.

I ALSO WANT TO THANK YOU FOR THE CD. I LISTENED TO IT OVER THE WEEKEND AND SELECTED CUT #4. THEY ARE A YOUNG BAND, AND I CAN HEAR TALENT IN THEIR MUSIC. I LOOK FORWARD TO TALKING WITH BLAKE MORE THE NEXT TIME I SEE HIM. PLEASE WISH HIM THE BEST FOR ME AND GIVE ZACK MY REGARDS.

SINCERELY,

Randy Mathena
RANDY MATHENA



Custom Converters of Paper & Paperboard

003345



8

Paper Cutters, Inc.

840 North Highway 25 By Pass
Greenville, SC 29617
(864) 834-3193 FAX (864) 834-3551

DATE: 02/23/99
TO: BRANDY, PAT AND DOZIER
COMPANY: CHAMBER OF COMMERCE AND COUNTY COUNCIL
FAX NUMBER:
PHONE NUMBER:
FROM: RANDY MATHENA
RE: PAPER CUTTER'S POSITION ON THE 11 MILE RAIL LINE

DEAR BRANDY, PAT AND DOZIER,
FOLLOWING IS AN OUTLINE ON OUR POSITION AT PAPER CUTTERS INC,
REGARDING THE RAIL LINE BEING CONSIDERED FOR ABANDONMENT THIS LINE
IS SUPPOSED TO BE SERVING PAPER CUTTERS INC, GROOME PAPER AND AIR
PRODUCTS. I WANT YOU TO KNOW THAT THIS IS THE POSITION THAT I WOULD
TAKE, IF PAPER CUTTERS SHOULD BE IN THE POSITION OF MAKING AN HONEST
ASSESSMENT OF THE FACTS AND A FAIR OFFER TO BUY THE LINE AS IT
EXISTS TODAY. THIS IS THE SAME POSITION THAT I WOULD SUGGEST THE
COUNTY TAKE, SHOULD YOU WANT TO ACQUIRE THE LINE AND NOT PUT UNDUE
PRESSURE ON THE CARRIERS TO BEAR THE BURDEN OF PAYING \$750,000.00
FOR NOTHING. I WILL EXPLAIN THIS AS FOLLOWS:

EXHIBITS:

- #1 LETTER FROM CAROLINA PIEDMONT ASKING THE CARRIERS TO PAY FOR
THE BRIDGE REPAIRS.
- #2 LETTER FROM PAPER CUTTERS ACCEPTING THE REQUEST FOR
ASSISTANCE IN BRIDGE REPAIRS WITH PAYBACK PLAN.
- #3 FILLING OF DIAGRAM MAP FOR THE NINE MILES FROM THE NORFOLK
SOUTHERN SWITCH YARD TO AIR PRODUCTS
- #4 LETTER FROM RAILTEX OFFERING SALE OF 11 MILE RAIL LINE
- #5 NOTES FROM MY CALL TO PAUL GRAHAM OF THE STB ON 2/14/99
- #6 OVERVIEW: ABANDONMENTS & ALTERNATIVES TO ABANDONMENTS
SUPPLIED FROM THE OFFICE OF PUBLIC SERVICES

Custom Converters of Paper & Paperboard

004657

1. RAILTEX BOUGHT THE LINE WITH THE PROMISE TO SERVE THEIR CUSTOMERS AND WITH AMPLE TIME TO DUE DILIGENCE BEFORE THEIR PURCHASE AND PROMISE.
2. RAILTEX ASKED THE CUSTOMERS TO PAY FOR \$300,000.00 IN BRIDGE REPAIRS, AND WHEN WE ASKED FOR REPAYMENT, CONTINGENT UPON THEIR SUCCESS AND PROFITABILITY, THEY DECIDED INSTEAD TO EMBARGO THE LINE. THE EMBARGO TOOK PLACE IN DECEMBER OF 1997. I DO NOT BELIEVE THAT THEY RENEWED THEIR EMBARGO IN DECEMBER OF 1998, HOWEVER, I BELIEVE THAT THEY TOOK THE FIRST STEP IN THE ABANDONMENT PROCESS, WHICH IS THE SYSTEM DIAGRAM MAP OR NOTICE OF INTENT. SEE EXHIBITS #1, #2, #3
3. RAILTEX IN A MEETING HELD AT PAPER CUTTERS ON JANUARY 21, 1999 OFFERED FOR SALE THE ELEVEN MILE RAIL LINE FOR \$750,000.00. FOR THIS SUM THE BUYER WOULD RECEIVE THE STOCK OF THEIR COMPANY, THE ASSETS AND THE COMMON CARRIER RAIL LINE AUTHORITY. WE WERE TOLD ON THREE DIFFERENT OCCASIONS THAT THERE IS NO REAL ESTATE OWNED ON THIS LINE. SEE EXHIBIT #4
4. BASED ON INFORMATION THAT I RECEIVED DURING A PHONE CONVERSATION WITH THE STB ON FEBRUARY 14, 1999, IT IS MY UNDERSTANDING THAT THE SHIPPERS CAN REQUEST THROUGH THE STB THAT RAILTEX EITHER GIVE US RAIL SERVICE OR ABANDON THE LINE. IF THEY CHOOSE TO ABANDON THE LINE, WE HAVE THE OPTION OF OFA. SEE EXHIBIT #5
5. IF RAILTEX DECIDES NOT TO TAKE OUR FINANCIAL ASSISTANCE AND RUN THE LINE, THEY MUST SELL THE LINE TO US FOR NET LIQUIDATION VALUE. SEE EXHIBIT #6
6. NET LIQUIDATION VALUE IS COMPRISED OF THE FOLLOWING:
 1. THE VALUE OF THE REAL ESTATE
 2. THE VALUE OF THE ASSETSFROM OUR DISCUSSIONS AND BASED ON THE LETTER THAT I RECEIVED FROM RAILTEX, IT IS CLEAR TO ME THAT THERE IS NO REAL ESTATE OWNED AND THERE ARE NO ASSETS THAT WE WOULD NEED OR WANT. SEE EXHIBIT #6

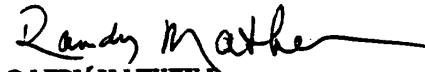
CONCLUSION: I CONCLUDE FROM THE ABOVE INFORMATION THAT THE RAIL LINE IN ITS PRESENT CONDITION HAS NO VALUE. THIS CONCLUSION IS BASED ON THE FACT THAT RAILTEX WOULD NOT INVEST \$300,000.00 TO REPAIR THE BRIDGES AND OPERATE THE LINE. THE VALUE OF THE RAIL LINE IS LONG TERM AND IS BASED ON THE POSSIBILITY OF THE THREE USES (COMMERCIAL, COMMUTER AND GREENWAY) BECOMING A REALITY. THIS WOULD TAKE YEARS OF CAREFUL PLANNING AND PREPARATION. THE SEED FOR THIS PROJECT IS THE COMMERCIAL RAIL LINE. THE BURDEN OF PROOF FOR THIS PROJECT WOULD BE ON THE SHOULDERS OF THE CUSTOMERS PRESENTLY ON THE LINE. THE AMOUNT OF PRESSURE IS DIRECTLY RELATED TO THE AMOUNT OF MONEY SPENT ON ACQUIRING AND REPAIRING THE RAIL LINE. IF THERE IS NO OTHER PLAN TO ACQUIRE THIS LINE, WE WILL APPLY FOR THE LINE, CONTINGENT UPON OUR RESEARCH, MODEL, BUSINESS PLAN AND FEASIBILITY STUDY. BECAUSE OF THE ABOVE LISTED FACTS, WE WILL NOT ACCEPT OR COUNTER OFFER THE LETTER FROM RAILTEX. WE WILL SIMPLY DEAL DIRECTLY WITH THE STB. THEY PRESIDE OVER SITUATIONS OF THIS NATURE AND THEIR JUDGEMENT SHOULD BE FAIR AND IMPARTIAL. BASED UPON THEIR ASSESSMENT, WE WOULD DECIDE EITHER TO OR NOT TO ACQUIRE THE RAIL LINE. BECAUSE I FEEL THAT THIS IS A FAIR OFFER, AND BECAUSE I FEEL THAT THE TAXPAYER'S MONEY DESERVES THE SAME TYPE FRUGALITY, I SUGGEST THAT THE COUNTY CONSIDER THE SAME APPROACH.

I PLAN TO APPROACH THE STB AND BEGIN CONVERSATIONS DIRECTLY RELATED TO OUR PLAN. I WILL ALSO BE SIT QUIETLY AND DEFER TO THE WISHES OF THE COUNTY, IF THAT IS YOUR WISH. I WOULD BE HAPPY TO WORK ON BEHALF OF THE COUNTY, IF I AM NEEDED. I DO NOT, HOWEVER, WISH TO BE PARTY TO PAYING EVEN \$1.00 MORE THAN THE STB'S ASSESSMENT. I WOULD LIKE TO HEAR YOUR THOUGHTS, SHOULD YOU CARE TO SHARE THEM WITH ME.

PLEASE KNOW THAT IT IS MY STUDIED OPINION, THAT RAILTEX HAS GOTTEN THEIR INVESTMENT FROM THEIR PURCHASE, BREACHED THEIR PROMISE TO SERVE THE CUSTOMERS ON OUR LINE AND DETERMINED THAT THE LINE IS NOT EVEN WORTH THE INVESTMENT OF \$300,000.00 TO KEEP IT IN OPERATION. WE MADE THEM REPEAT THREE DIFFERENT TIMES THE STATEMENT THAT THERE IS NO LAND ON THE NINE MILE LINE AND NO ASSETS. FROM MY DISCUSSIONS WITH THE STB ON SEVERAL OCCASIONS, I AM SATISFIED THAT WE DO NOT NEED AN ATTORNEY. THIS IS A SIMPLE MATTER AND TIME IS RUNNING OUT. I HAVE DEFERRED TO THE CHAMBER AND COUNTY COUNCIL IN ALL OF MY DISCUSSIONS WITH THE MEDIA AND WITH RAILTEX. IF YOU FEEL THAT IT WOULD BE BEST FOR PAPER CUTTERS TO MAKE A MOVE ON THE LINE SERVING US, I WILL DO SO. I HAVE NO HIDDEN AGENDA, HOWEVER, I KNOW WHAT NEEDS TO BE SAID. I FEEL QUITE CONFIDENT THAT THE STB WOULD RULE IN OUR FAVOR. I AM WILLING TO START THE WORK IMMEDIATELY, WRITE THE POSITION PAPER, PRESENT IT TO THE STB AND PREVAIL IN SECURING THE NINE AND MAYBE THE ENTIRE ELEVEN MILE LINE FOR PRESERVATION AS PRIMARILY A COMMERCIAL SERVER TO INDUSTRY, AS A GREENWAY, AND ULTIMATELY A LIGHT RAIL LINE, WHEN AND IF THE COUNTY DECIDES THAT THIS IS A FEASIBLE PROJECT. THIS WILL NOT COST THE COUNTY ANY MONEY, HOWEVER, I WOULD LIKE SOME ASSISTANCE WITH VARIANCES ON FEES COLLECTED ON THE TYPE RESEARCH NEEDED TO CLEAR THE ISSUE OF WHO OWNS THE PROPERTY UNDER THE TWO MILE SECTION.

I MUST ALSO TELL YOU THAT I PERSONALLY FEEL THAT ANY AND ALL TRANSACTIONS OF THIS NATURE MUST BE WIN-WIN DEALS. I ONLY WANT WHAT IS FAIR FOR THE COUNTY OF GREENVILLE. I DO NOT FEEL THAT WE NEED TO SPEND THE TAXPAYERS DOLLARS, NOR SHOULD WE EXPECT TO TAX THEM IN ANY WAY FOR THIS PROJECT. THE PRIVATE SECTOR SHOULD HANDLE THIS UNDER THE AUSPICES OF THE CHAMBER AND COUNTY COUNCIL. ALL FACTIONS CAN WIN IN THIS PROGRAM.

SINCERELY,


RANDY MATHENA

004660



**Carolina Piedmont Division,
South Carolina Central Railroad**

268 E. Main St., Laurens, South Carolina 29360
(803) 984-0040 • Fax: (803) 984-0043

December 29, 1997

Mr. Randy Mathena, President
Paper Cutters, Inc.
by fax to 864-834-3551

Exhibit #1 Page 1 of 2

Dear Randy:

SUBJECT: GRN Subdivision bridge situation and action plan

Following the condemnation of the two bridges on the GRN line in early December, I have had the pleasure of talking with you about the Carolina Piedmont's (CPDR) plan to restore and maintain service on the line. At the request of several of our customers, we have developed an action and partnership plan to insure the continuation of service to our customers.

Since the condemnation, CPDR has been busy. We have been able to provide almost normal service for your traffic billed prior to the embargo date. To insure safety over the bridges, CPDR is using idler cars between each loaded car to minimize weight on the bridges, switching the idlers in and out of each train - a time consuming and costly process - but necessary to fulfill our service commitment to you.

In addition, our corporate engineering staff has aggressively pursued design of the replacement bridges, including all the environmental permits, flood and storm water runoff, and all the myriad factors that go into this type of construction. We have made great progress; the railroad has absorbed all the cost of this engineering effort in order to progress the work quickly.

AS TO THE FUTURE OF THE LINE: CPDR has made a significant investment in the GRN line, not only in the purchase cost, but in newly refurbished engines and significant expenditures for trackwork. If you have been along the line, you can see the results! Service quality has improved vastly; many of you were rightfully skeptical about our promises when we took over - recently several customers have told me that we have exceeded all expectations. We have every intention of continuing our commitment to, and investment in, the GRN line.

The bridge rebuilding costs, coupled with the other track upgrade costs, are, quite frankly, beyond the ability of CPDR to pay for on our own. We need your help, and truly believe that working together all of us can turn the GRN line into a win for all of us. Following is our initial proposal to get something "on the table" for additional discussion and negotiation:

004661

12/29

A...CPDR came to the GRN with a long term commitment. We want the line not only to continue in service, but to prosper! Our commitment has been shown in our ongoing investment in the property, with substantial capital expenditures proposed for 1998 and beyond. We will stay with you, and improve and grow with you. We're willing to enter an agreement to that effect - if we can get your help with the bridge rebuilding costs.

B...After considering a number of scenarios to amortize the cost of the bridge work, we're convinced that the fairest way to ask for your help is on a per car and tonnage per car basis. Based on the estimated repair cost of \$300,000.00, the surcharge plan detailed below will amortize the costs in two years, including a very reasonable cost of money through our corporate line of credit.

Based on 1997 business levels, we propose the following surcharge:

1998 estimated carloads 137 inbound & outbound

average tons per car 55

surcharge per ton \$ 2 surcharge per car \$ 110

annual surcharge cost \$ 15,070 two year cost \$ 30,140

C...We will provide you with full details and costs when finalized, and an accounting of the surcharge fund use. No additional surcharge beyond the bridge repairs is anticipated by CPDR in the future.

D...In the event bridge costs exceed \$ 300,000.00 CPDR will pay 100% of the amount above \$ 300m. If the project comes in below the estimated cost, the surcharge will be suspended at the point repair costs are recovered.

Again, the above should be viewed as only a starting point for further discussion. I welcome your opinions and pledge CPDR to working with you in every way possible to get the GRN line going again, as soon as possible. You can reach me at 803-332-7584. I'd like to plan a meeting for more of your input the week of January 19, details will follow.

Thanking you for your consideration, we wish you a safe and prosperous 1998.

Yours very truly,



Forrest R. VanSchwartz
General Manager - Carolina Piedmont & South Carolina Central Railroads

004662

Randy Pearson

Paper Cutters, Inc.

840 NORTH HIGHWAY 25 BY PASS
GREENVILLE, SC 29617
(864) 834-3193 FAX (864) 834-3551

DATE: 06/05/98
TO: FOREST VAN SWARTZ
COMPANY: CAROLINA PIEDMONT RAILROAD
FAX NUMBER: 803-332-1222
PHONE NUMBER: 803-332-7584
FROM: RANDY MATHENA
RE: OUR POSITION ON REBUILD OF THE RAILROAD

Exhibit # 2

DEAR FOREST,
WE HAVE NOW HAD DISCUSSIONS WITH GROOME PAPER, AIR PRODUCTS,
WESTVACO AND NORFOLK SOUTHERN. I CANNOT SPEAK FOR THE GENERAL
CONSENSUS, BUT ON THE PART OF PAPER CUTTERS, I COMMIT THE FOLLOWING:

1. WE WILL PARTICIPATE BY \$100,000.00 IN THE REBUILD OF THE RAIL LINE, CONTINGENT ON THE COMMITMENT OF BOTH NORFOLK SOUTHERN AND AIR PRODUCTS. WE WOULD ALSO REQUIRE ALL INCOMING RAIL SHIPMENTS BE MADE BY NORFOLK SOUTHERN WHERE POSSIBLE DURING THE COURSE OF THIS COMMITMENT. THIS MONEY SHOULD BE COLLECTED ON A PER CAR BASIS OVER A TWO YEAR PERIOD.
2. OUR COMMITMENT IS BASED ON REPAYMENT OF THE \$100,000.00 WITH INTEREST AT PRIME RATE. THE REPAYMENT SHOULD BE MADE OVER THE TWO YEAR PERIOD FOLLOWING THE TWO YEAR REBUILD PERIOD.
3. ANY CUSTOMER USING THE SERVICE DURING THE REBUILD PERIOD SHOULD PAY AN EQUAL UP CHARGE AND THIS AMOUNT SHOULD BE DEDUCTED FROM THE \$300,000.00.
4. IN LIGHT OF THE FACT THAT \$300,000.00 IS SUCH A LARGE PERCENTAGE OF THE FINANCE OF THE ENTIRE PROJECT, WE SHOULD BE PRIVY TO YOUR FINANCIALS UNTIL WE ARE REPAID IN FULL. THIS IS A MATTER OF DUE DILIGENCE ON OUR PART.

IT IS MY OWN PERSONAL OPINION THAT WE SHOULD NOT HAVE BEEN PUT INTO THIS POSITION TO BEGIN WITH AND THIS ENTIRE PROCESS OF SEARCHING FOR A RESOLUTION HAS TAKEN WAY TOO LONG. IF OUR PROPOSAL IS NOT ACCEPTABLE, WE WILL SIMPLY USE TRUCKS AND RESEARCH OTHER ALTERNATIVES FOR RAIL SERVICE.

SINCERELY,

Randy

CUSTOM CONVERTERS OF PAPER & PAPERBOARD

JUN -5 1998

004663

Post-It® brand fax transmittal memo 7671		of pages » 3	
To	BRANDY BIGEWSICH	From	Bill McEwen
Co.	Greenville CoFC	Co.	SCDOT
Dept.		Phone	803-737-0531
Fax	864-282-0509	Fax	

October 8, 1998

Ms. Elizabeth S. Mabry
Executive Director
South Carolina Department of Transportation
P.O. Box 191
Columbia, SC 29202

Exhibit #3
Page 1 of 2

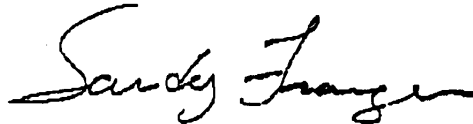
Re: STB No. AB-312
South Carolina Central Railroad, Inc.
Carolina Piedmont Division
Amended System Diagram Map

Dear Ms. Mabry:

Carolina Piedmont Division ("CPRD") is today filing with the U.S. Surface Transportation Board an amended system diagram map of its rail lines prepared in accordance with the provisions of 49 C.F.R. 1152, Subpart B. Pursuant to 49 C.F.R. 1152.12(b), a copy of CPRD's system diagram map must be served on the Governor, public service commission and designated state agency under 49 U.S.C. 22102(2) of each State within which CPDR owns or operates a line of railroad. A copy of CPRD's system diagram map accordingly is provided to you herewith.

If you have any questions regarding this matter, or would like to obtain additional copies of CPRD's system diagram map, please contact the undersigned.

Sincerely,



Sandy Franger
Director - Acquisitions
RailTex, Inc.

Attachments

OCT. -14' 98(WED) 11:00
10/14/1998 09:43

GREENVILLE CHAMBER OF COMMERCE
803737214539

TEL: 864 282 8509
MASS TRANSIT

P. 005
PAGE 02/03

**BEFORE THE
SURFACE TRANSPORTATION BOARD**

**AB-312
South Carolina Central Railroad Company, Inc.
Carolina Piedmont Division
Line Description**

In accordance with the requirements of 49 C.F.R. 1152, Subpart B, Carolina Piedmont Division ("CPDR") hereby provides the following amended narrative description of its rail system, with each of its rail lines designated by the categories established in 49 C.F.R. 1152.10(b):

Category 1: Portions of line anticipated to be subject of an abandonment filing within the next three years.

(a) Designation:	GRN Subdivision
(b) State:	South Carolina
(c) Counties:	Greenville
(d) Mile Post Designations:	MP 2.1 in Greenville to MP 11.8 in Travelers Rest
(e) Station:	Berea, Fentress, Montague, North Greenville, Travelers Rest

004665



Exhibit # 4
Page 1 of 2

In Reply Refer To:

WF 11414

January 29, 1999

Mr. Randy Mathena
Paper Cutter's Inc.
840 North Highway 25 By-Pass
Greenville, SC 29609

Mr. Alen Groome
Groome & Assoc., Inc.
P. O. Box 729
Travelers Rest, SC 29609

Mr. John Byl
Air Products, Inc.
Chemical Division
1004 Greer Hwy
Travelers Rest, SC 29690

Mr. James Knight
Industrial Metal Processing
P. O. Box 578
Lyman, SC 29365

Mr. Ron Kilbough
Scotts Company
P. O. Box 967
Travelers Rest, SC 29690

Re: South Carolina Central Railroad Corridor - Greenville to Travelers Rest, SC

The purpose of this letter is to inform all rail shippers located along the currently-embargoed SCCR rail corridor (located roughly between Cedar Lane and Travelers Rest) of the results of a meeting held January 21, 1999 at the offices of Paper Cutter's Inc. in Greenville.

At this meeting, Mr. Kent Reaves of the South Carolina Central Railroad and I indicated our willingness to recommend the sale of all of the railroad corridor assets between downtown Greenville and Travelers Rest for a net cash consideration of \$750,000. In addition, the purchaser of this property would assume common carrier responsibility for rail operations, meaning that, in effect, it would become the operator of the rail business along this corridor.

Attached is a copy of the deed by which South Carolina Central Railroad, Inc. obtained these assets from the Greenville & Northern Railroad a few years ago. It is these assets that would be made available for the above purchase price, less and excepting any property rights already conveyed by SCCR since the time of its acquisition.

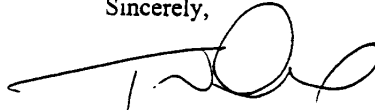
The SCCR has delayed its abandonment of the embargoed section of the former G&N in the hope that a sale transaction could be negotiated which would maintain rail operations along this corridor. We are hopeful that the above proposal will meet with the approval of either the shippers, the County, State, City, or a consortium made up of any combination of these parties.

004666

January 29, 1999
Page 2

We look forward to your response to this proposal, as well as to any other questions you may have regarding how such a transaction might be structured.

Sincerely,

A handwritten signature in black ink, appearing to read 'Todd N. Cecil', with a long horizontal stroke extending to the left.

Todd N. Cecil
Director - Real Estate

TNC/dn
Enclosure

cc: Senator Mike Fair
Mr. Greg Petersen
Mr. Dozier Brooks
Ms. Pat Haskell-Robinson - GCOC
Ms. R. Brandy Birckbichler - GCOC
Mr. Jim Davis
Mr. Karl Morell
Mr. William McIlwain - SCDOT
Mr. Kent Reaves - SCCR

004667

Paper Cutters, Inc.

840 North Highway 25 By Pass
Greenville, SC 29617
(864) 834-3193 FAX (864) 834-3551

Exhibit # 5
page 1 of 2

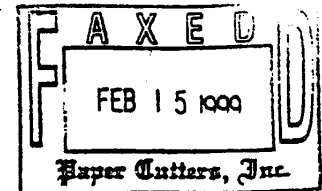
DATE: 02/14/99
TO: BRANDY, PAT AND DOZIER
COMPANY: CHAMBER AND COUNTY COUNCIL
FAX NUMBER:
PHONE NUMBER:
FROM: RANDY MATHENA
RE: MY DISCUSSION WITH PAUL GRAHAM OF THE STB AT 202-565-1580

I MADE A CALL TO MEL CLEMMONS, WHO WAS OUT OF THE OFFICE FOR THE NEXT TWO WEEKS. I PRESSED FURTHER AND TALKED WITH PAUL GRAHAM FROM THE SAME OFFICE. PAUL WAS MOST HELPFUL AND GAVE ME A GREAT DEAL OF INFORMATION AND ASSISTANCE, AS WELL AS CLARIFICATION ON SOME OF MY LONG HELD BELIEFS, AS FOLLOWS:

1. RAILTEX MAY NOT HAVE APPLIED FOR AN EXTENSION ON THEIR EMBARGO, WHICH EXPIRED IN EARLY DECEMBER 1998.
2. WE SHOULD PROBABLY WAIT UNTIL ABANDONMENT TAKES PLACE TO SUBMIT A PAPER OUTLINING OUR POSITION, AS THE STB BECOMES THE MEDIATOR AT THAT POINT.
3. UNDER THE OFFER OF FINANCIAL ASSISTANCE, WE ARE REQUESTING THAT THE STB ALLOW US TO PURCHASE THE LINE FOR NET LIQUIDATION VALUE, WHICH IS COMPRISED OF THE FOLLOWING:
COMPANY STOCK: WE DO NOT WANT NOR NEED.
LAND: WE HAVE BEEN TOLD THEIR IS NONE.
ASSETS: THERE ARE NONE.
OPERATING AUTHORITY: WE CAN APPLY FOR AND BUY FOR \$2,000.00
COMMON CARRIER AUTHORITY: WE CAN APPLY FOR AS ABOVE.
TRACK AND TIES: HAS ONLY LOW VALUE. LESS THAN \$1,000.00.
WE SIMPLY WRITE TO THE STB, ASKING THEM TO FORCE RAILTEX TO GIVE US SERVICE OR ABANDON THE LINE, AFTER WHICH WE EXERCISE OUR RIGHT OF OFA, AS A CUSTOMER ON THE LINE.
4. I HAVE BEEN GIVEN THE NAME OF NANCY BIETER AT 202-565-1591.
NANCY IS AN ATTORNEY FOR THE STB. SHE WILL SEND US A HAND OUT BOOKLET ON THE OFA PROCESS. WE CAN ALSO LOOK UP THIS AND OTHER INFORMATION ON THE SUBJECT AT WWW.ACCESS.GPO.GOV/NARA. WE THEN FOLLOW LINKS TO CODE OF FEDERAL REGULATIONS CFR, TITLE 49, SECTION 1152.27, FINANCIAL ASSISTANCE PROCEDURES.

Custom Converters of Paper & Paperboard

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Paper Cutters, Inc.

840 NORTH HIGHWAY 25 BY PASS
GREENVILLE, SC 29617
(864) 834-3193 FAX (864) 834-3551

*Shannon
Selle
Rm*

DATE: 03/15/99

TO: LINDA MORGAN, MEL CLEMENS, PAUL GRAHAM, NANCY BIETER
COMPANY:

FAX NUMBER: 202-565-9015

PHONE NUMBER: 202-565-1504

FROM: RANDY MATHENA

RE: RAILLINE MP 2.1 GREENVILLE, S.C. TO MP 11.8 TRAVELERS REST, S.C.

DEAR STB MEMBERS,

PAPER CUTTERS INC WOULD LIKE TO GO ON RECORD STATING THAT WHEN AND IF RAILTEX ABANDONS THE ABOVE MENTIONED RAIL LINE, WE WOULD LIKE TO MAKE AN OFFER OF FINANCIAL ASSISTANCE. WE ARE AWARE THAT GREENVILLE COUNTY IS STUDYING A MOVE OF THEIR OWN, AND WE WILL FULLY SUPPORT THEIR EFFORT. IT IS OUR HOPE THAT SHOULD THE COUNTY DECIDE OTHERWISE, THEY WOULD GIVE US THEIR SUPPORT. WE HAVE A COMMITMENT FROM WACHOVIA BANK, IN THE EVENT THAT WE DEVELOP A SOUND AND LONG TERM PLAN. THIS PLAN WOULD BE DILIGENTLY STUDIED AND BASED ON FRUGAL AND FEASIBLE FACTS AND PROJECTIONS.

IF IT BECOMES OBVIOUS THAT WE NEED TO DEMAND SERVICE OR ABANDONMENT, WE WILL ACT ACCORDINGLY. WE DO INDEED FEEL THAT WE CAN PUT TOGETHER A MODEL AND PLAN FOR REBUILDING AND PRESERVING THE LINE WITH THE GOAL OF SERVING COMMERCIAL, COMMUTER AND RECREATIONAL INTERESTS.

WE APPRECIATE YOUR CONTINUED CONSULTATION AND ASSISTANCE IN THIS EFFORT. PLEASE DO NOT HESITATE TO CALL US SHOULD YOU HAVE ANY QUESTIONS OR ADVISE. WE WILL FOLLOW YOUR INTERNET WEB SITE FOR ANY PUBLISHINGS REGARDING THIS ISSUE.

SINCERELY,

Randy Mathena

RANDY MATHENA

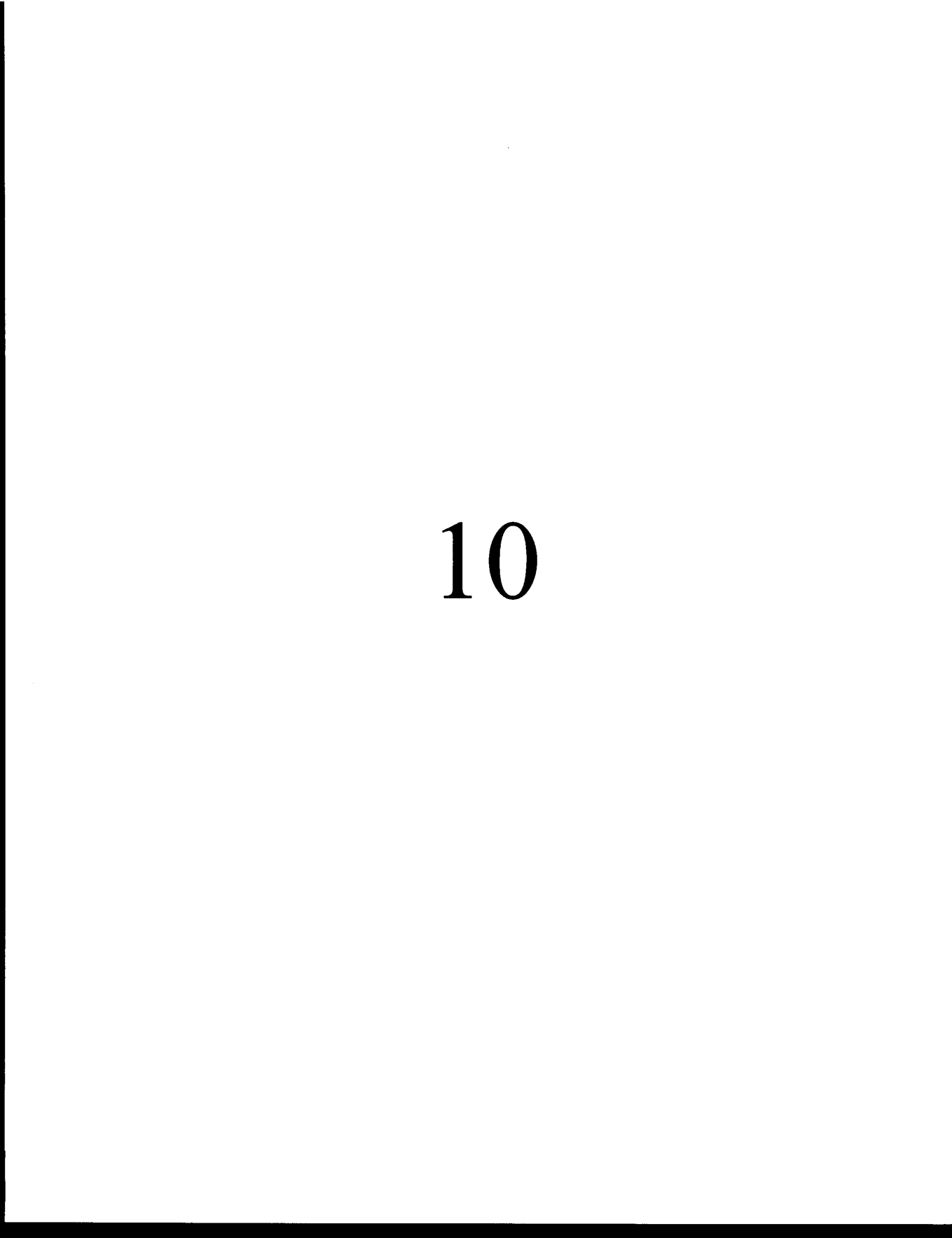
*Faxed
3-14-99
Rm*

CC: WADE CLEVELAND OF GREENVILLE COUNTY COUNCIL
BRANDY BIRCKBICHLER OF GREENVILLE CHAMBER OF COMMERCE

CUSTOM CONVERTERS OF PAPER & PAPERBOARD

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004589



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Paper Cutters, Inc.

840 NORTH HIGHWAY 25 BY PASS
GREENVILLE, SC 29617
(864) 834-3193 FAX (864) 834-3551

DATE: 04/28/99

TO: PAT HASKELL ROBINSON, BRANDY BIRKBICHLER AND GERALD SEALS
COMPANY: CHAMBER OF COMMERCE, GREENVILLE COUNTY ADMINISTRATOR

FAX NUMBER:

PHONE NUMBER:

FROM: RANDY MATHENA

RE: MEETING ON 5/28/99

1. WHO WILL BE RUNNING THE RAILROAD?
2. I SUBMIT THE FOLLOWING PEOPLE, WHO HAVE EXPRESSED A SINCERE INTEREST IN HELPING REBUILD THE RAIL LINE. THESE PEOPLE HAVE EITHER HARD EXPERIENCE IN THE CONSTRUCTION OF A RAIL LINE, PLANNING OF A RAIL LINE SYSTEM OR SIMPLY A LOVE FOR RAIL.

DAVID ROSS DEVELOPED A MODEL FOR THE POSSIBILITY OF A LIGHT RAIL SYSTEM IN GREENVILLE, WHILE IN GRADUATE SCHOOL AT CLEMSON UNIVERSITY GRADUATE SCHOOL OF ENGINEERING. HE IS A GREENVILLE NATIVE AND HAS AGREED TO SHARE HIS WORK WITH US.

JOE BECKHAM - AN ARDENT SUPPORTER OF THIS RAIL LINE. HE WORKED FOR THE GREENVILLE & NORTHERN RAIL LINE FOR SEVERAL YEARS AND HAS FIRST HAND EXPERIENCE AND KNOWLEDGE OF THIS TYPE WORK. HE IS DOGMATIC ABOUT THE NEED TO DO THE JOB CORRECTLY.

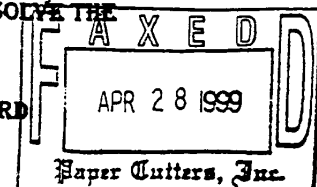
MIKE ANDERSON - A NATIVE OF GREENVILLE AND A GRADUATE OF LANDER COLLEGE, MIKE HAS BEEN A CLOSE CONFIDENT AND A GREAT SOURCE OF SUPPORT IN OUR STUDY AND ANALYSIS OF THE LINE. MIKE HAS A VAST KNOWLEDGE OF THE HISTORY OF GREENVILLE AND HE HAS AN OVERWHELMING DESIRE TO BE A PART OF THE TEAM THAT RESURRECTS THE LINE.

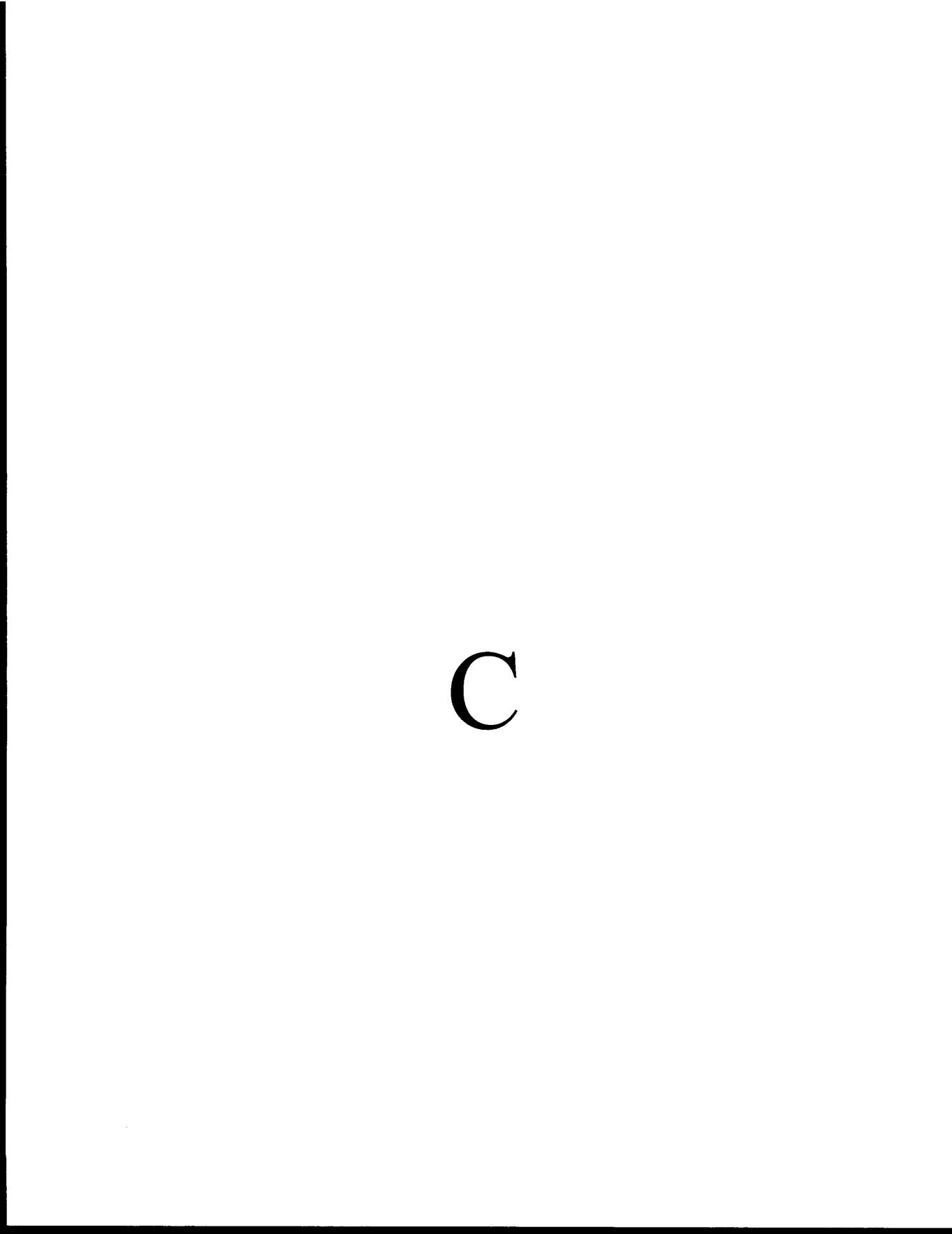
THE MANAGEMENT TEAM AT PAPER CUTTERS INC. WE HAVE A VESTED INTEREST IN THE REBUILD OF THE LINE. BEYOND THIS, WE ARE AFRAID OF NOTHING.

IN THE END, THERE MAY NOT BE A PROFESSIONAL GROUP THAT HAS AN INTEREST IN THIS LINE. IT IS MY PERSONAL OPINION THAT IT MAY TAKE A NEIGHBORHOOD TO RAISE A RAIL LINE. I BELIEVE THAT IT CAN BE HANDLED BY A GROUP OF LAY PEOPLE, IF WE HAVE FIRE IN OUR GUTS. PLEASE REMEMBER THAT THE BRIDGES ALONE WILL NOT SOLVE THE PROBLEM.

CUSTOM CONVERTERS OF PAPER & PAPERBOARD

003063



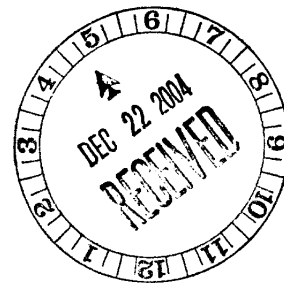


C

BEFORE THE
SURFACE TRANSPORTATION BOARD

STB Docket No. 42087

GROOME & ASSOCIATES, INC., AND LEE K. GROOME
v.
GREENVILLE COUNTY ECONOMIC DEVELOPMENT CORPORATION



VERIFIED STATEMENT OF BENNIE RAY ANDERSON, SR.

1. My name is Bennie Ray Anderson, Sr. I am the President of The Great Walton Railroad Company, Inc. ("GWR") and the Hartwell Railroad Company ("Hartwell"), both of which are located in Georgia. My business address is 1081 North Cherokee Road, Social Circle, Georgia 30025. I have personal knowledge of the facts that are set forth hereinafter and am duly authorized to present this Verified Statement on behalf of Groome & Associates ("G&A").

2. I have been involved in the railroad industry since 1987 and am knowledgeable about track and bridge maintenance and railroad operations. In 1987, I established the GWR when I purchased a former CSX ten-mile segment from Social Circle to Monroe, Georgia. In 1989, I entered into a lease agreement with Norfolk Southern to operate a 27-mile track between Covington and Shady Dale, Georgia. In 1990, I purchased Hartwell. In 1995, I completed the purchase of a 48.5-mile segment of Norfolk Southern track from Toccoa to Elberton, Georgia. These railroads currently handle in excess of 8,000 cars a year.

3. My railroads have always put the customer first as we work with their needs and requirements. I have tried to instill the mindset that everyone, from the president on down, will pitch in to get the job done, whether it involves train operations or in other areas. The focus is to provide service and responsiveness that customers have not been used to with Class I railroads.

4. In 1996, Lee Groome asked me to consider placing a bid to purchase a line of railroad from the Pinsly Group that ran between MP 0.0 at Greenville and MP 11.8 at Travelers Rest, South Carolina ("the Line"). Based on the financial data provided by Pinsly and my inspection of the Line, I concluded that the Line could be profitably operated. I submitted a bid to Pinsly. Unfortunately, my bid was rejected in favor of a competitive bid. At the time, the Line was being operated even though it was in need of some repairs. There was nothing to indicate that Pinsly regarded operations over the Line to be unsafe.

5. I am aware that the successful bidder, the Carolina Piedmont Division, South Carolina Central Railroad Co. ("SCCR"), operated the Line and provided service to G&A until February 1998. I am also aware that it placed an embargo on the Line with the AAR that became effective December 4, 1997 at 11:59 p.m. SCCR cited "Damage to bridges" as the basis for the embargo. On December 12, 1997, SCCR filed a Petition for Exemption seeking authority to abandon a 2-mile portion of the Line that it had acquired from the Pinsly Group. *See* STB Docket No. AB-312 (Sub-No. 2X), *South Carolina Central Railroad Company, Inc. d/b/a Carolina Piedmont Division--Abandonment Exemption--In Greenville County, South Carolina*. I am not aware that it ever filed to abandon the segment of track north of MP 2.0.

6. I question the validity of the embargo for multiple reasons. First, when Pinsly sold the Line, it was classified as excepted track. However, there was no claim that the Line was unsafe. In fact, the drawings prepared for GCEDC by TranSystems Corporation in November 1999 show that the rail condition was "good" for all but .2 of a mile at a location well beyond the G&A facility. *See* Attachment 1, hereto (GCEDC 0104-0119 and 0351- 0354).

7. Second, although it embargoed the line because of “damage to bridges,” that did not cause SCCR to cease rail operations over the bridges. Instead, it continued to operate over them for two full months.

8. Because it had published a notification with AAR that the bridges were unsafe due to the unspecified “damage,” continued operations created a substantial risk of liability in the event an accident occurred while in the course of operating over the allegedly defective bridge that caused an employee to suffer personal injury or death. In addition, it is likely that its insurance carrier would have declined coverage if the bridges had collapsed causing a locomotive and its crew to fall into the water. Not only was the operator subjecting itself to catastrophic losses in terms of personal injury liability by continuing operations for months after the embargo was placed, the potential environmental damages could be severe.

9. That the operator was able to operate safely for over two months after placing the embargo speaks for itself. As the SCCR’s General Manager explained to one of the shippers in a letter dated December 29, 1997, all that was necessary in order to operate safely was to take certain precautions, such as placing idler cars between each loaded car to minimize weight on the bridges.

10. I also question the 1997 conclusion that it would have been necessary to replace the two bridges that were cited to “justify” the embargo at a cost of \$235,445. After we inspected those bridges two and a half years later, we estimated that it would cost less than \$200,000 to repair five bridges on the Line, which included the bridge that was identified as bridge 1.1 by SCCR. *See* Letter to Gerald Seals, President, Greenville County Economic Development Corporation, from Charles D. (Dave) Bishop, dated August 9, 2000. I estimate that bridge 1.1 could have been repaired in 2000 for less than \$70,000.

11. It would not have been necessary to rehabilitate the entire line in order to provide rail service to G&A, which was located at MP 4.26. (I note that when SCCR acquired the Line that it renumbered the mileposts so that MP 0.0 was located at the point of interchange with CSX and G&A was located at MP 2.26). Thus, it would have been necessary to repair only the portion of the Line between MP 0.0 and MP 2.26, the point at which G&A was located, a total of only 2.26 miles. As a result, the estimate that we prepared for GCEDC in August 2000 vastly overstates the cost of repairs that were needed to restore service only to the G&A facility. Also, because GCEDC wanted to run passenger trains, our estimate reflects the cost of rehabilitating the Line to Class I standards and greatly exceeds the estimated cost of the minimal repairs needed to provide service over excepted track, which is how the track was rated by its previous operators.

12. I have reviewed the track profile prepared by TranSystems Corporation in November 1999. As reflected by that document, the track between the point of interchange with Norfolk Southern and the G&A facility was in "good" condition. While the alignment was said to be poor, that would have been addressed by replacing crossties and adding ballast. According to the track profile prepared by TranSystems in 1999, with the exception of .1 of a mile between MP 3.35 and 3.45 where it would have been necessary to replace 1 out of 2 crossties, it would have been necessary to replace 1 out of 3 crossties over the remaining portion of the track. *See* GCEDC 0351 through GCEDC 0354 and GCEDC 0107. The cost of capital improvements to rehabilitate the Line, when depreciated over the life of the crossties, would have been justified by the revenues to be earned.

13. Had GCEDC hired GWR to be its operator in August 2000, GWR could have immediately restored service at that time without having to substantially rework the rail between the points of interchange with CSX and Norfolk Southern and the G&A facility. Admittedly, the

service would have been over excepted track, which is the same service that had previously been provided by G&N and SCCR. However, because the trip would have only been less than 2.5 miles, it would have taken less than an hour to deliver loaded cars to G&A. The overwhelming majority of repairs to the remainder of the Line could have been deferred until such time as revenues would have increased to the point of warranting them. Because the locomotive shed had been located to the south of the point of interchange, it would have been necessary to relocate the shed. That was not a problem because G&A had space available at its facility, which Lee Groome offered to make available for use as a locomotive shed.

14. I am also aware that GCEDC has claimed that it would take over \$7 million to make the Line operational. Based on my personal inspection of the Line and our own estimate, the February 23, 2003 estimate prepared for GCEDC in the course of litigation is baseless. In any event, it was unnecessary to repair the entire line in order to provide rail service to G&A.

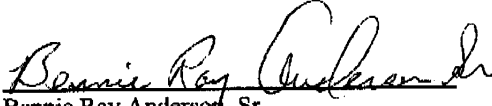
15. After we presented our proposal, GCEDC made no commitment, financially or otherwise, to have GWR restore service. At the time, the only thing that GCEDC appeared to want to know was how much GWR would pay for the right to operate the Line. No consideration was given to G&A's need for rail service.

16. I am aware that the shippers on the Line were considering purchasing the Line before GCEDC decided to purchase it. I reviewed the shippers estimates and concluded, based on my own past experience, that operations over the Line could be profitable if an effort were made to provide reliable rail service. In 1999, because I believed that the Line could be financially viable, I remained ready, willing and able to work with the shippers on the Line to restore the rail service that they needed.

FURTHER SAYETH THE AFFIANT NOT.

VERIFICATION

I, Bennie Ray Anderson, Sr., hereby declare under penalty of perjury that the foregoing is true and correct. Executed on December __, 2004.


Bennie Ray Anderson, Sr.



D

A RESOLUTION

AUTHORIZING GREENVILLE COUNTY TO INCUR CERTAIN EXPENDITURES RELATED TO THE FURTHERANCE OF THE GOVERNMENTAL POWERS OF GREENVILLE COUNTY, SOUTH CAROLINA, THE ECONOMIC DEVELOPMENT OF GREENVILLE COUNTY, AND TO PROVIDE A MEANS FOR THE ACQUISITION OF CERTAIN REAL ESTATE AND RATIFYING THE APPOINTMENT OF THE MEMBERS OF THE BOARD OF DIRECTORS OF THE GREENVILLE COUNTY ECONOMIC DEVELOPMENT CORPORATION AND AUTHORIZING THE CORPORATION TO PERFORM CERTAIN FUNCTIONS AND TO INCUR CERTAIN EXPENDITURES RELATED TO THE PURPOSES OF THE CORPORATION AS DETERMINED BY THIS RESOLUTION OTHER MATTERS RELATED THERETO.

WHEREAS, the Greenville County Economic Development Corporation (the "Corporation"), a public benefit non-profit corporation, has been created and organized under the laws of the State of South Carolina to operate exclusively for the benefit of, to perform the functions of, and to carry out the purposes of owning, leasing, constructing, acquiring and operating buildings, equipment, public utilities, and transportation services and facilities functionally related to the promotion of the economic development of Greenville County and in furtherance of the governmental powers of Greenville County, South Carolina (the "County"); and

WHEREAS, the County desires to appoint a Board of Directors (the "Board") and provide the method of election of officers responsible for the management of the business and affairs of the Corporation (the "Officers"); and

WHEREAS, it is anticipated that the Corporation will purchase real property by and through a Purchase and Sale Agreement, dated as of June __, 1999 (the "Purchase Agreement"), in substantially the form attached hereto as Exhibit A, by and between the Corporation, as purchaser, and South Carolina Central Railroad Company, Inc. ("SCCR"), as seller; and

WHEREAS, it is anticipated that the Corporation will, commencing with the purchase of the real property enter into an Operating Agreement, dated as of June __, 1999 (the "Operating Agreement"), in substantially the form attached hereto as Exhibit B, by and between the Corporation, as owner of the underlying realty, and South Carolina Central Railroad Company, Inc. (SCCR), as operator; and

WHEREAS, the County Council anticipates that the Corporation will incur certain expenditures with respect to the economic development of Greenville County and the acquisition of the real estate.

NOW, THEREFORE, BE IT RESOLVED by the County Council of the County as follows:

Section 1. The County Council of the County hereby elects the following persons to the Board of the Corporation:

Patricia Haskell-Robinson	Three year Term
Peter M. Strub	Two year term
Dozier Brooks (Ex-Officio)	
Paul Wickensimer (Ex Officio)	
Stephen Selby (Ex-Officio)	

The Directors shall serve staggered terms as follows: two members of the Board of Directors of the Corporation shall be elected at large. Each at large director shall be appointed to a three year term, which terms shall initially be staggered as provided above. Mr. Brooks shall serve as an Ex-Officio member of the Board of Directors of the Corporation as the Chairman of County Council of the County; Mr. Wickensimer shall serve Ex-Officio as Chairman of the Intergovernmental Relations Committee of Greenville County and Mr. Selby shall serve as Ex-Officio member of the Board of Directors of the Corporation as a member at large of the County Council of the County. All Ex Officio members shall serve with the right to vote.

Section 2. The acquisition of the railroad right of way is necessary to promote and enhance the economic development of the County, provide for the future growth of the County with appropriately planned growth corridors and to provide for a higher quality of life for the citizens of the County. The County Council finds and determines that the acquisition of appropriate infrastructure lands, rights of way and corridors is essential to the orderly economic development of the County.

Section 3. From and after the execution and delivery of the documents hereinabove authorized, each Officer of the Corporation is hereby authorized, empowered and directed to do all such acts and things and to execute all such documents as may be necessary to carry out and comply with the provisions of said documents as are anticipated to be executed hereunder, and are

further authorized to take any and all further actions to execute and deliver any and all other documents as may be necessary in the execution and delivery of the Purchase Agreement and the Operating Agreement. The purchase of an insurance policy or policies, the payment of any transfer taxes and any other incidental expenses associated with the execution and delivery of the documents are hereby authorized and approved.

Section 4. The source of funds for expenditures with respect to the consummation of the transactions proposed by the Purchase Agreement and the Operating Agreement will be capital improvement or reserve funds of the County.

Done in meeting duly assembled this 1st day of June, 1999.

GREENVILLE COUNTY, SOUTH CAROLINA

(SEAL)

By: 
Chairman of County Council

By: 
County Administrator

ATTEST:

Acting Clerk to County Council

E

ENTERED
Office of the Secretary

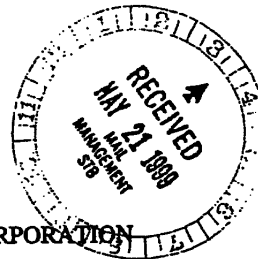
MAY 24 1999

Part of
Public Record

BEFORE THE
SURFACE TRANSPORTATION BOARD

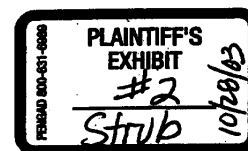
FINANCE DOCKET NO. 33752

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GREENVILLE COUNTY ECONOMIC DEVELOPMENT CORPORATION
—ACQUISITION EXEMPTION—
SOUTH CAROLINA CENTRAL RAILROAD COMPANY, INC., CAROLINA PIEDMONT
DIVISION

VERIFIED NOTICE OF EXEMPTION
Pursuant to 49 C.F.R. § 1150.31, Et Seq.



FEE RECEIVED
MAY 21 1999
SURFACE
TRANSPORTATION BOARD

FILED

MAY 21 1999

SURFACE
TRANSPORTATION BOARD

ROBERT J. SVETS
Counsel for Greenville County Economic
Development Corporation
A.J. Tothacer, Jr.
Attorney for Greenville County
Greenville County Square
301 University Ridge, Suite 100
Greenville, SC 29601
(864) 467-7110

Dated: May 21, 1999

BEFORE THE
SURFACE TRANSPORTATION BOARD

FINANCE DOCKET NO. 33752



GREENVILLE COUNTY ECONOMIC DEVELOPMENT CORPORATION
—ACQUISITION EXEMPTION—
SOUTH CAROLINA CENTRAL RAILROAD COMPANY, INC., CAROLINA PIEDMONT
DIVISION

VERIFIED NOTICE OF EXEMPTION
Pursuant to 49 C.F.R. § 1150.31, Et Seq.

The Greenville County Economic Development Corporation ("Greenville County"), a non-carrier, files this Notice of Exemption pursuant to 49 C.F.R. Part 1150, Subpart D—Exempt Transactions, to permit Greenville County to acquire two sections of rail line totaling 15.09 miles that are currently owned and operated by South Carolina Central Railroad Company Inc., Carolina Piedmont Division ("CPDR"), in South Carolina.

In support of this Notice of Exemption, Greenville County submits the following information as required by 49 C.F.R. § 1150.33:

- (a) Full name and address of applicant:

Greenville County Economic Development Corporation
Greenville County Square
301 University Ridge, Suite 100
Greenville, SC 29601

(b) Applicant's Representative:

ROBERT J. SVETS
Counsel for Greenville County Economic Development Corporation
A.J. Tothacer, Jr.
Attorney for Greenville County
Greenville County Square
301 University Ridge, Suite 100
Greenville, SC 29601
(864) 467-7110

(c) Statement of Agreement:

Greenville County will shortly enter into an agreement with CPDR to acquire the rail line.

(d) The operator of the property:

As part of the Purchase and Sale Agreement between Greenville County and CPDR, CPDR will retain an easement for continued rail freight service over the 3.29-mile rail line located between milepost AJK 585.34, in East Greenville, and milepost AJK 588.63, in Greenville, South Carolina ("Southern Line"). Consequently, CPDR will continue to be the operator of the Southern Line. Greenville County is currently seeking an operator for the 11.8-mile section of rail line located between milepost 0.0, in Greenville, and milepost 11.8, in Traveler's Rest, South Carolina ("Northern Line"). As soon as Greenville County reaches an agreement with the operator of the Northern Line, the operator will file a notice of exemption to operate the Northern Line.

(e) Summary of proposed transaction:

Greenville County seeks to acquire two sections of rail line located in Greenville County, South Carolina, totaling 15.09 miles, from CPDR.

(1) The name and address of the railroad transferring the subject property is:

South Carolina Central Railroad Company Inc.,
Carolina Piedmont Division
268 E. Main Street
Laurens, South Carolina 29360

(2) Greenville County's acquisition of the rail line is expected to be consummated on or shortly after May 28, 1999.

(3) The two sections of rail line being acquired by Greenville County are located in Greenville County, South Carolina as follows:

(1) between milepost AJK 585.34, in East Greenville, and milepost AJK 588.63, in Greenville; and

(2) between milepost 0.0, in Greenville, and milepost 11.8, in Traveler's Rest.

(4) The length of the rail line being acquired is 15.09 miles.

(f) A map of the rail line being acquired is attached as Exhibit 1.

(g) Greenville County hereby certifies that its projected revenues as a result of this transaction will not exceed those that would qualify it as a Class III rail carrier. Greenville County further certifies that its annual rail freight revenue as a result of this transaction will

not exceed \$5 million. Accordingly, the requirements of 49 C.F.R. § 1150.32(e) do not apply to this transaction.

A caption summary, as required by 49 C.F.R. § 1150.34, is attached.

ENVIRONMENTAL AND HISTORIC IMPACTS

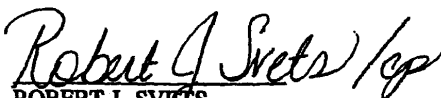
Greenville County is acquiring the rail line from CPDR in order to preserve the corridor for rail freight operations and for a light rail system that may be established to serve the County. Greenville County plans to continue rail freight operations on the line through service provided by third party operators. Further Surface Transportation Board ("STB") approval is required for Greenville County to abandon, and the respective operators to discontinue, any service, and there are no plans to dispose of or alter properties subject to STB jurisdiction that are 50 years old or older. Hence, this Notice of Exemption does not require an historic report under 49 C.F.R. § 1105.8(b)(1).

Greenville County's acquisition of the rail line will not result in significant changes in carrier operations. There will not be a diversion of: (1) more than 1,000 rail carloads a year to motor carriage; or (2) an average of 50 carloads per mile per year for any part of this line to motor carriage. This transaction will not result in: (1) an increase in rail traffic of at least 100 percent or an increase of at least eight trains a day on any segment of the line; (2) an increase of rail yard activity of at least 100 percent; or (3) an average increase in truck traffic of more than 10 percent of the average daily traffic or 50 vehicles a day. Greenville County's acquisition of the rail line will not affect a Class I or nonattainment area under the Clean Air Act. In any event, the thresholds of 49 C.F.R. § 1105.7(e)(5)(ii) will not be exceeded.

Finally, the transportation of ozone depleting materials is not contemplated. Therefore, no environmental documentation is required under 49 C.F.R. § 1105.6(c)(2).

This action will not significantly affect either the quality of the human environment or energy conservation.

Respectfully submitted,

A handwritten signature in cursive script, appearing to read "Robert J. Svets /cp".

ROBERT J. SVETS

Counsel for Greenville County Economic
Development Corporation

A.J. Tothacer, Jr.

Attorney for Greenville County

Greenville County Square

301 University Ridge, Suite 100

Greenville, SC 29601

(864) 467-7110

Dated: May 21, 1999

A large, bold, black letter 'F' is centered on a white background. The letter is rendered in a serif font, with a thick vertical stem and a horizontal crossbar. The overall appearance is that of a minimalist logo or a stylized letter.

STATE OF SOUTH CAROLINA)
IN THE COURT OF COMMON PLEAS
COUNTY OF GREENVILLE)

Groome & Associates, Inc.,)
and Lee K. Groome.)

Plaintiffs,)

-vs-) C.A. NO. 01-CP-23-2351

Greenville County Economic)
Development Corporation.)

Defendant.)

DEPOSITION OF DOZIER BROOKS

Pursuant to notice and/or agreement of the parties, the deposition of Dozier Brooks was taken commencing at the hour of 1:10 p.m. on the 19th day of November, 2003, at the law offices of Haynsworth, Sinkler, Boyd, 75 Beattie Place, Greenville, South Carolina.

REPORTED BY: LEISA K. GEBHARD, R.P.R.

CANNON COURT REPORTING
112 Manly Street
Greenville, South Carolina 29601
(864) 232-9517

Page 3

1 DOZIER BROOKS, having been first duly sworn, was
2 examined and deposed as follows:

3 EXAMINATION BY MR. SIMMONS:

4 Q. Mr. Brooks, good afternoon again. We just met a
5 few minutes ago before we started. My name is John
6 Simmons.

7 A. Right.

8 Q. I appreciate you coming this afternoon. My firm is
9 representing Mr. Groome and his company in this
10 pending lawsuit. Have you ever had your deposition
11 taken before, Mr. Brooks?

12 A. Yes.

13 Q. So you know kind of the ground rules. If you will,
14 let's reach some understanding as we go along. If
15 you do not understand my question, if you would
16 please ask me to restate it.

17 A. Sure.

18 Q. And also, if you would, please give verbal
19 responses to the court reporter rather than "uh-huh
20 or "unh-unh." And also, if you will, Mr. Brooks,
21 be sure that you give verbal responses rather than
22 shaking your head because she can't take that down.

23 A. Sure.

24 Q. And, finally, you and I need to be sure we don't
25 speak over each other. If you'll let me finish my

Page 2

APPEARANCES:

John S. Simmons, Esquire
Law Offices of John S. Simmons, L.L.C.
1711 Pickens Street
Post Office Box Five
Columbia, South Carolina 29201

..... On Behalf of the Plaintiffs

Andrew J. White, Esquire
Haynsworth, Sinkler, Boyd, P.A.
75 Beattie Place, 11th Floor
Post Office Box 2048
Greenville, South Carolina 29602

..... On Behalf of the Defendant

STIPULATIONS:

This deposition is being taken pursuant to South Carolina
Rules of Civil Procedure. The deponent waives the right
to read and sign the transcript of the deposition.

INDEX

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Examination by Mr. Simmons 313

INDEX TO EXHIBITS

PAGE LINE

Plaintiff's Exhibit No. 1, Letter to Elizabeth
Mabry, SCDOT, from Dozier Brooks dated
September 28, 2000, attached hereto..... 17/4

Page 4

1 question before answering, and I'll similarly let
2 you say your piece on anything you want. And if I
3 cut you off, Mr. Brooks, please just let me know
4 because that's not my intention.

5 A. Okay.

6 Q. Are you currently a County Council member?

7 A. Yes.

8 MR. WHITE:

9 Do we have the same stipulations as
10 Mrs. Henderson's deposition?

11 MR. SIMMONS:

12 We do, Mr. White.

13 EXAMINATION RESUMED BY MR. SIMMONS:

14 Q. Tell me, Mr. Brooks, how long you've been on
15 Council?

16 A. Since 1997, sworn in on January 6th, I guess it
17 was.

18 Q. Of '97?

19 A. '97.

20 Q. And what district do you represent?

21 A. District 27.

22 Q. Can you tell me just generally where that is, what
23 area of the County?

24 A. That's the southeastern portion, southeastern
25 quadrant from Laurens County, Spartanburg County,

1 (Pages 1 to 4)

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1 up to basically Highway 296 back to Woodruff Road
 2 and back in on 14 to 385 and down 385.
 3 Q. I think at some period of time since then, you have
 4 served as the chairman of the Council; is that
 5 right?
 6 A. Served four years.
 7 Q. In what time period was that?
 8 A. 1999 until 2002.
 9 Q. So you were chairman of the Council at the time the
 10 railroad was --
 11 A. Sure did.
 12 Q. During the time you were chairman of the County
 13 Council, did you also serve on the Greenville
 14 County Economic Development Board?
 15 A. I did serve as the chairman.
 16 Q. Do those duties run together?
 17 A. Yes. The chairman always served on the Board.
 18 Q. And is that by some act or resolution that you know
 19 of?
 20 A. I believe it's by the bylaws that was drafted in
 21 1999 when we bought it.
 22 Q. Tell me a little bit, Mr. Brooks, about your
 23 employment background. Other than your public
 24 service as a Council member, what do you do or what
 25 have you done?

1 A. I'm retired now, but I worked in civil engineering
 2 as a designer and construction manager for about 26
 3 years.
 4 Q. With whom did you work?
 5 A. The last firm I was with was Gray Engineering, and
 6 before that was Paul O'Neal Engineering, and before
 7 that Enwright & Associates.
 8 Q. How long have you been retired?
 9 Since 1996 when I went on Council.
 10 Q. Have you been engaged in any sort of private
 11 business since your retirement?
 12 A. I worked as a consultant for a short while for the
 13 City of Mauldin.
 14 Q. With your civil engineering background, have you in
 15 the past worked in connection with any rail
 16 service?
 17 A. No, sir.
 18 Q. In anticipation and preparation for today's
 19 deposition, have you reviewed any documents?
 20 A. No, sir.
 21 Q. And your last service on the Development
 22 Corporation Board would have been last year?
 23 A. Right, ended when the new chairman took over in
 24 January.
 25 Q. And that's Ms. Henderson?

1 A. Uh-huh (affirmative).
 2 Q. Mr. Brooks, let me direct your attention back to
 3 1999 when the rail line was acquired. What was
 4 your position as a Council member on the
 5 acquisition of that line? Were you in favor of it?
 6 A. Yes, I was.
 7 Q. Can you tell me generally why you were in favor of
 8 it?
 9 A. Well, for a commuter, light rail and commuter
 10 service in the future. And when we bought it, our
 11 understanding was it was not -- my understanding
 12 was it was not in service, and the rail service
 13 was set on it. They had contacted me and wanted
 14 two or three million dollars for it. And then
 15 Gerald Seals, we got him involved, and he worked
 16 out the -- negotiated the deal to buy it for I
 17 think 1.3 or something like that.
 18 Q. Okay.
 19 A. And I was in favor, as I said, for the commuter
 20 service to get some cars off the road.
 21 Q. You said it was your understanding at the time you
 22 purchased it that it was not in service --
 23 A. Right --
 24 Q. -- is that right?
 25 A. -- because we had some documents, I believe, papers

1 stating that it needed work on the trestles.
 2 Particularly I believe one of them was \$300,000 or
 3 something like that to repair it. I'm not sure
 4 what the figure was. It was a huge figure to
 5 repair that trundle.
 6 Q. Did you have an understanding of when the line was
 7 last in service?
 8 A. I can't say whether I remember whether there
 9 anything said about when the last service was or
 10 not. I can't say.
 11 Q. You don't know. Do you know if you ever reviewed
 12 any documents at or about the time of the
 13 acquisition that indicated when it was last in
 14 service?
 15 A. No, I do not.
 16 Q. And I think you mentioned, Mr. Brooks, that you
 17 thought the purchase was approximately \$1.3
 18 million; is that right?
 19 A. I believe it was something like that. I'm not
 20 exact, but I think it was close to that.
 21 Q. What was the source of those funds? Where did they
 22 come from?
 23 A. They came from the County. The County gave the
 24 funds to purchase it and open up the Economic
 25 Development Corporation --

- 1 Q. Yes.
 2 A. -- so it would be a separate entity of the County
 3 and so they would run it from the Economic
 4 Development Corporation.
 5 Q. Did you have any understanding as to the type of
 6 entity or corporation that the Greenville County
 7 Economic Development Corporation was going to
 8 exist --
 9 A. All I knew was it was going to exist and operate
 10 the rail.
 11 Q. Was there any funding provided by the Council for
 12 the operation of the rail?
 13 A. No.
 14 Q. Was there any discussion at the time of the
 15 acquisition as to how the operation was going to be
 16 funded?
 17 A. I can't remember, but the money did come from the
 18 County to purchase it.
 19 Q. Yes, sir.
 20 A. But I believe we paid a portion of that back. I'm
 21 not sure.
 22 Q. And you say "we"?
 23 A. The Economic Development Corporation. And also at
 24 the time that we were talking about buying this or
 25 purchasing it, we had different organizations that

- 1 was going to come in and help us with funding of
 2 this to operate it.
 3 Q. Tell me about that. What organizations?
 4 A. The Chamber of Commerce for one. They were all
 5 behind it. They were very much in favor of doing
 6 this for the commuter rail. Mr. Groome and one
 7 other fellow that had a business on the rail came
 8 in and talked with us and indicated they would help
 9 us in the funding to help get this rail going.
 10 Q. Operation or --
 11 A. That's right. Help pay for it or operation,
 12 whichever.
 13 Q. You had mentioned that there was some work I think
 14 specifically that needed to be done on the
 15 trestles?
 16 A. Right.
 17 Q. What was your understanding how that was going to
 18 be paid in connection with the purchase price?
 19 A. We was going to have to find the money to do it.
 20 That's the reason as chairman I wrote letters to
 21 Duke Power, to the gas company, telephone
 22 companies, because they use some of the taxes
 23 locally without sending it into Columbia, to see if
 24 they would help us fund some of this and never got
 25 a favorable response.

- 1 Q. Did you have any response from them at all or any
 2 discussions?
 3 A. I don't remember getting anything, to tell you the
 4 truth.
 5 Q. When you say you wrote that as chairman, would that
 6 have been chairman of the Council or chairman of
 7 the Corporation or both?
 8 A. Chairman of the Corporation.
 9 Q. I think I had seen or maybe somebody had told us at
 10 one of the deposition that you and maybe some other
 11 members had visited San Antonio?
 12 A. I went to San Antonio, but that was in 1999 to ask
 13 Bush to run for president.
 14 Q. Was that before or after the line was acquired, if
 15 you remember?
 16 A. I can't tell you for sure.
 17 Q. Did they have something similar?
 18 A. Not as I know of. I didn't go out there, no.
 19 Q. You did not. I'm sorry, I misunderstood.
 20 A. I did not go out there with the rail, no. I went
 21 out there to encourage Governor Bush to run for
 22 president. That's the reason I went out there.
 23 Q. Okay.
 24 A. Gerald may have went out there. I'm not sure. I
 25 can't say for sure whether he did or not, but he

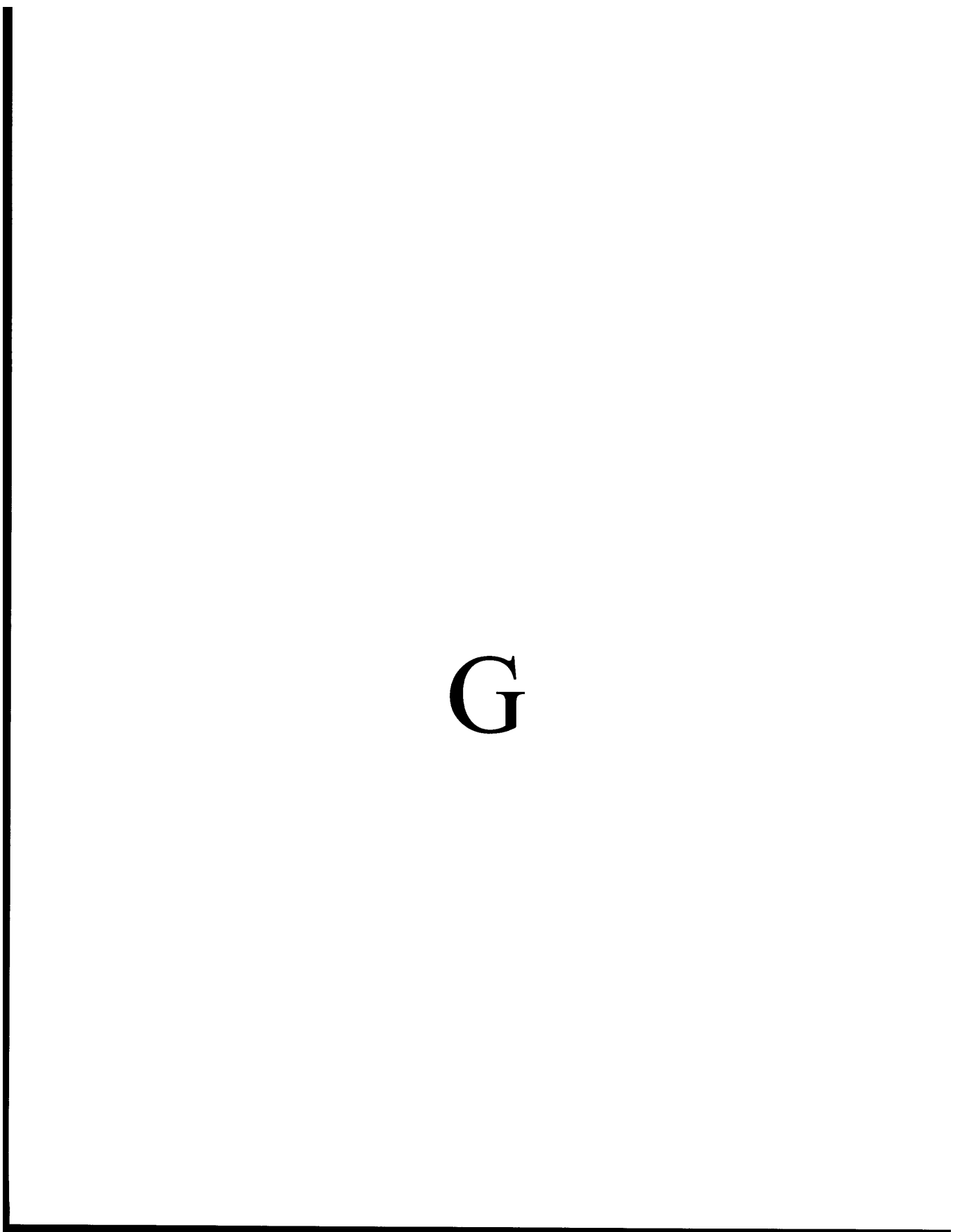
- 1 did have some negotiations. I'm not sure if he
 2 made a trip to San Antonio or not.
 3 Q. Have you ever met with any representatives of
 4 RailTex?
 5 A. Yes, sir. He came to Greenville County before we
 6 bought that and talked about selling it to us for
 7 about 3.7, or something like that I believe it was.
 8 A couple three million dollars anyway.
 9 Q. Okay.
 10 A. I didn't have an interest at the price because we
 11 didn't have the money. When it was negotiated
 12 down, we did purchase it.
 13 Q. Did you have any understanding, Mr. Brooks, at that
 14 time, and I'm talking about 1999 when the purchase
 15 occurred, as to what, if any, common carrier
 16 obligations that the Development Corporation
 17 assumed --
 18 A. No, sir, I did not.
 19 Q. -- and acquired? You didn't have any understanding
 20 about that?
 21 A. No, sir.
 22 Q. Did the Corporation seek any legal counsel with
 23 regard to the legal requirements under State or
 24 Federal law in assuming common carrier obligations?
 25 A. I'm not sure they sought any. We had attorneys

- 1 draw up the contract and the bylaws such as that,
 2 which was Haynsworth. But with the Federal, I'm
 3 not sure. I can't answer that.
 4 Q. And when you left as president of the Development
 5 Corporation Board at the end of 2002, did you have
 6 any understanding at that time as to whether the
 7 Development Corporation had any common carrier
 8 obligations?
 9 A. We had had some discussions because Mr. Groome had
 10 called several times and had tried to come to
 11 meetings a couple times to talk about this, that
 12 there was obligations, but nobody showed me any
 13 evidence there was.
 14 Q. So what did you think as of December 2002?
 15 A. I thought it was out of operation before we even
 16 bought it.
 17 Q. Did you have an understanding if it was out of
 18 operation, then there was no common carrier
 19 obligation?
 20 A. That's right.
 21 Q. That's correct?
 22 A. That's correct.
 23 Q. Did you ever personally talk with Mr. Groome?
 24 A. He called me I believe once or twice.
 25 Q. Do you remember when?

- 1 A. Gosh, I do not. It was after -- when he was --
 2 gosh. I can't say for sure because I was at the
 3 lake at one time, and he called me on my cell phone
 4 talking about it. That was in maybe 2000 I think.
 5 I'm not sure.
 6 Q. So you think it was a time period you were Council
 7 chairman and --
 8 A. Yes. It was during that time, yes.
 9 Q. And do you recall the substance of the
 10 conversation?
 11 A. I do not. He was trying to get service for his
 12 business. That was the main thing he was calling
 13 for.
 14 Q. So he did tell you during the telephone
 15 conversation he wanted service --
 16 A. Right.
 17 Q. -- to his business?
 18 A. Uh-huh (affirmative).
 19 Q. What was your response?
 20 A. I thought it was out of operation when we bought
 21 it. That's about the best I could say.
 22 Q. So you told him because it was out of operation
 23 when you bought it -- and let me finish my question
 24 before you answer it because she has to get it
 25 down. Okay? It's my understanding that basically

- 1 you told him because it was out of operation when
 2 you all bought it, then you didn't think that there
 3 was any obligation to provide service then?
 4 A. At that time I did not.
 5 Q. Do you have any different understanding --
 6 A. No --
 7 Q. -- today?
 8 A. -- do not.
 9 Q. And, again, Mr. Brooks, if you will, please, for
 10 the court reporter's benefit, let me finish the
 11 question.
 12 A. Sure.
 13 Q. I know when you have a conversation a lot of times
 14 you know what the person is going to say and you're
 15 probably right, but she needs to get it down from
 16 me first and from you second. She can't write them
 17 all down.
 18 A. Okay.
 19 Q. And in 1999 when you voted on this as a County
 20 Council member and County Council chairman, do you
 21 recall which Council members, if any, were in
 22 opposition to acquiring the line?
 23 A. I do know there was a couple, but I couldn't say
 24 who they were. It was not a unanimous vote.
 25 Q. Do you remember having any conversations with any

- 1 specific members of Council trying to persuade them
 2 to vote?
 3 A. No, not a bit.
 4 Q. Who did you talk with, if anybody, third-party wise
 5 about running the line?
 6 A. Personally I haven't talked to anyone, but we did
 7 have, I believe Peter -- I can't even think of his
 8 last name.
 9 Q. Strub, Mr. Strub?
 10 A. Strub, and talked with Pat Haskell-Robinson about
 11 operating it and gave us a price to get it in shape
 12 to operate.
 13 Q. Do you know with whom they spoke?
 14 A. I can't even remember the name.
 15 Q. Do you recall whether they had given you any
 16 documentation about that?
 17 A. We did receive that in our package when we had
 18 meetings, but I can't remember the name.
 19 Q. And did you have some discussion during your
 20 meetings --
 21 A. Yes --
 22 Q. -- about that?
 23 A. -- but we didn't have the money to do it.
 24 Q. So that should be reflected in the minutes of the
 25 meetings?



G

BRIDGE REPLACEMENT

BRIDGE NO. 1.10 and Bridge 2.90

GREENVILLE, SOUTH CAROLIANA

BID FORM

The following Bid Form must be completed and submitted in a sealed envelope marked "GREENVILLE BRIDGE BIDS." Bids must be submitted to:

Mr. John J. Horney, P.E.
Director Structures
Railtex
San Antonio, TX 78209

no later than 12:00 noon on Tuesday, February 3, 1998.

By signing this Bid Form, the Contractor acknowledges that they have received the bid documents including: a) Letter of Invitation; b) Instruction to Bidders; c) Specifications; d) Plans; and e) Bid Form.

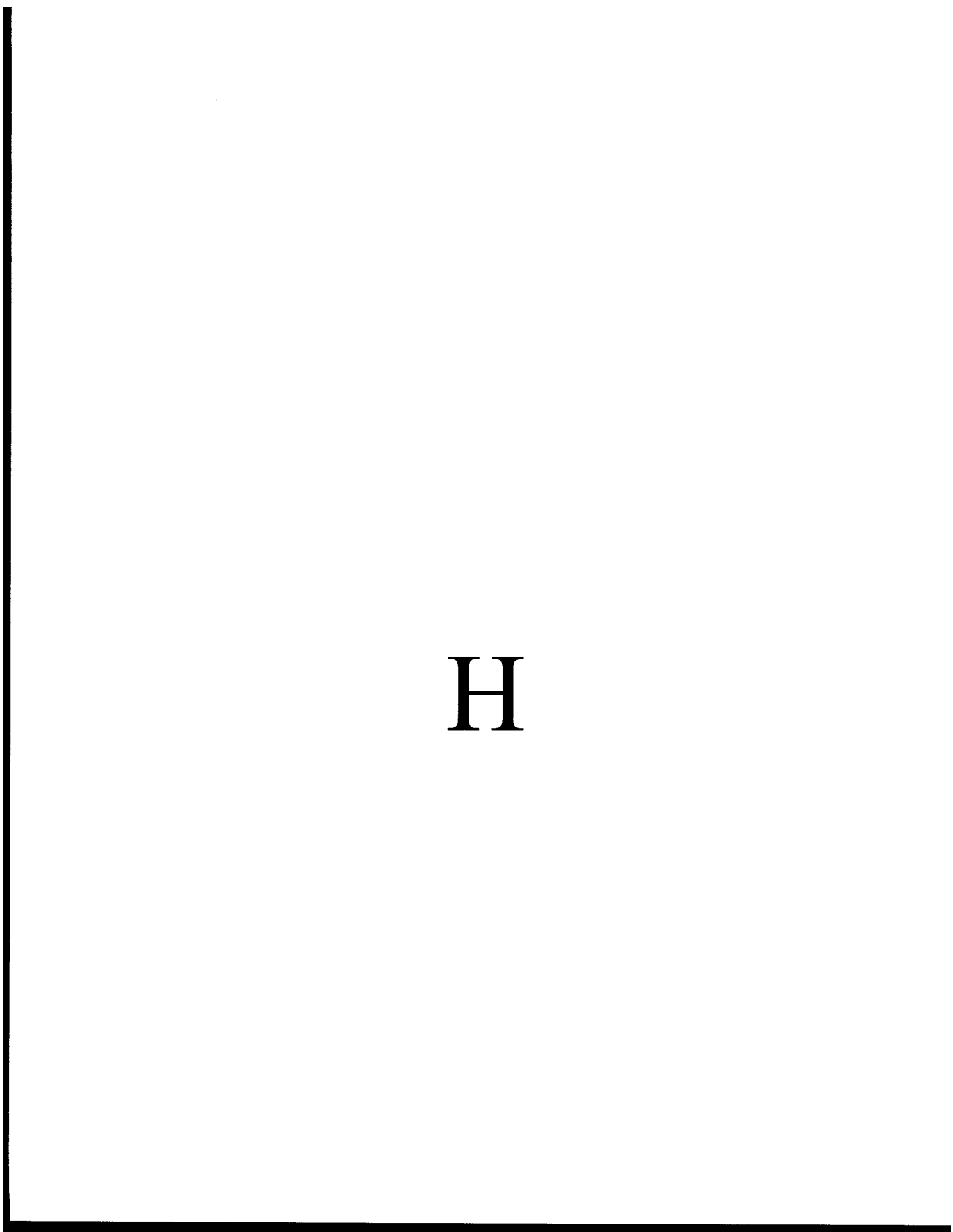
This Bid will be in effect for sixty (60) days following the date of submittal. The winning Contractor must sign a Contract between themselves and the Carolina Piedmont Railroad.

SCHEDULE OF VALUES

BRIDGE 1.1

<u>DESCRIPTION</u>	<u>LUMP SUM</u>
MOBILIZATION.....	\$ <u>15,000.00</u>
STEEL H-PILE.....	\$ <u>33,477.63</u>
STRUCTURAL STEEL.....	\$ <u>60,707.10</u>
TIMBER DECK INSTALLATION.....	\$ <u>17,159.78</u>
BRIDGE REMOVAL	\$ <u>4,500.00</u>
GRADING.....	\$ <u>5,680.00</u>
DEMOBILIZATION	\$ <u>1,000.00</u>
TOTAL BRIDGE 1.1.....	\$ <u>137,024.61</u>

GCEDC 0080



H

Title: equity owner
P.O. Box 2048
Greenville, SC 29602

2. Identify all members of the GCEDC who communicated with Lee K. Groome regarding rail service or the failure to provide rail service on The Line and describe the contents of those communications.

Answer:

Peter M. Strub

Prior to GCEDC's purchase of the Line (June, 1999) and afterwards, Mr. Groome on several occasions spoke to Mr. Strub about the Line. Mr. Groome expressed his desire that rail service be re-commenced on the Line and stated that lack of rail service on the Line was an economic detriment to his business.

Gerald Seals
Former Employer: Greenville County
Title: Executive Director
Present Employer: Total Facilities Management
Title: unknown
301 N. Main Street
Greenville, SC 29601
864 272.3655

Prior to GCEDC's purchase of the Line (June, 1999) and afterwards, Mr. Groome on several occasions spoke to Mr. Seals about the Line. Mr. Groome expressed his desire that rail service be re-commenced on the Line and stated that lack of rail service on the Line was an economic detriment to his business. Mr. Groome also expressed his desire that Greenville County pay for the improvements necessary to restore the Line to service.

Patricia Haskell-Robinson
The Robinson Company of Greenville, Inc.
Title: unknown
610 N. Main Street
Greenville, SC 29601
864.233.6277

Prior to GCEDC's purchase of the Line (June, 1999) and afterwards, Mr. Groome on several occasions spoke to Ms. Haskell-Robinson about the Line. Mr. Groome expressed his desire that rail service be re-commenced on the Line.

Dozier Brooks
Incumbent Member of Greenville County Council

301 University Ridge, Suite 2400
Greenville, SC 29601
864.240.467.7409

Mr. Groome may have spoken to Mr. Brooks about the Line and expressed his desire that rail service be re-commenced on the Line.

3. Identify all due diligence conducted by Defendant in connection with the purchase of The Line.

Answer:

With respect to due diligence prior to the purchase of the Line:

(a) Greenville County (not GCEDC) obtained the following real estate appraisals of the Line performed by The Robinson Company of Greenville, Inc.: (i) July 9, 1998, appraisal re 1.95 miles of the Line; (ii) April 20, 1999, appraisal re the entire Line.

(b) Greenville County (not GCEDC) at or around March 31, 1999, estimated the costs of performing repairs to the Line (see Memorandum of Jay Tothacer, County Attorney, dated March 31, 1999, provided herewith).

4. Identify all appraisals conducted in connection with the 1999 purchase of The Line and identify all amounts paid to such appraiser.

Answer:

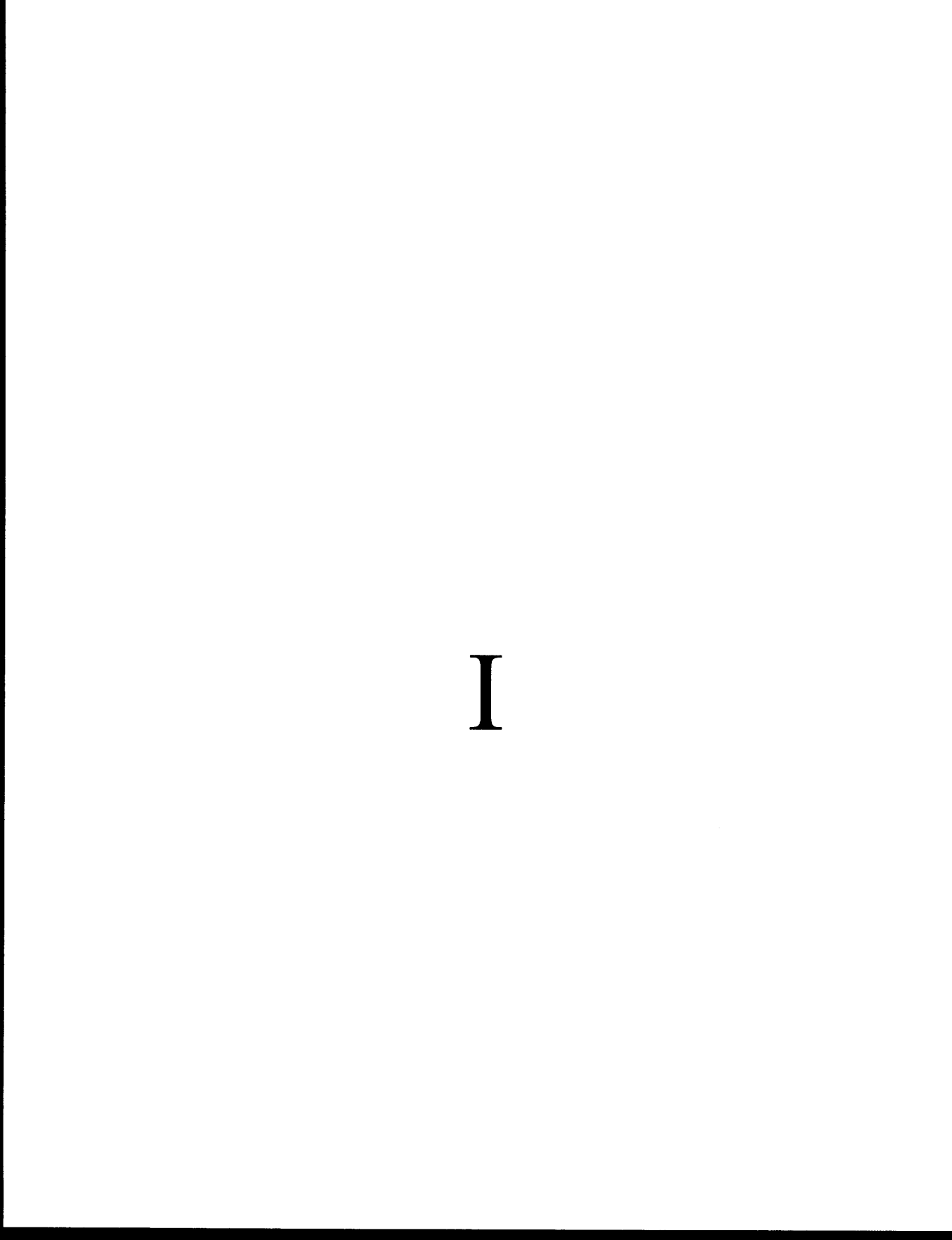
See answer to Interrogatory 3(a) above for a description of the appraisals. GCEDC did not pay for the appraisals and has no information regarding their cost.

5. Identify all documents that reflect defects on that portion of The Line between the points of interchange with CSX Transportation and Norfolk Southern Railway and the Complainants' Business Location that would have caused rail services to be unsafe as of June 1, 1999.

Answer:

The following documents, all produced herewith, identify defects in the Line existing as of June 1, 1999:

- (a) Railtex memorandum (To Chris Dodge, from John Homey; December 4, 1997)



I

SCOTT CASE

CANNON COURT REPORTING

Page 1 to Page 44

**CONDENSED TRANSCRIPT AND CONCORDANCE
PREPARED BY:**

CANNON COURT REPORTING
112 Manly Street
Greenville, SC 29601
Phone: 864-232-9517
FAX: 864-233-9493

Page 13

- [1] Q. Is that, just glancing through there, -
 [2] A. Sure.
 [3] Q. - all of the Council members at that time; does it
 [4] look like it?
 [5] A. Let's see, well, two, four, six, eight, ten -
 [6] twelve, so that should be.
 [7] Q. A unanimous consensus there, okay. Do you recall
 [8] this document?
 [9] A. I don't specifically recall it, although I generally
 [10] recall the situation surrounding it.
 [11] Q. And that is, that it appeared that Railtex had or
 [12] may be filing a notice of abandonment?
 [13] A. Right. We were all generally aware of that.
 [14] Q. And is it fair to say that this letter suggests that
 [15] Council members did not think that abandonment of
 [16] the rail line would be good for the County?
 [17] A. Well, yes, in this context. We were concerned about
 [18] the preservation of the lines. I don't know that we
 [19] had gotten full briefing at this point in time. I
 [20] certainly don't specifically remember as to what was
 [21] happening with the railroad, whether it was
 [22] currently operating or not. But the issue, the
 [23] burning issue, that we were being pressed with is
 [24] the idea that if the lines were abandoned it would
 [25] - we would forever lose those rights-of-way along

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- [1] those lines. And to get it back up in operation,
 [2] you know, would have been more problematic.
 [3] Q. Is it fair to say that this letter also indicates
 [4] that the County Council members weren't concerned
 [5] about the businesses along these lines?
 [6] A. I'm looking to the letter to see if there was a - I
 [7] don't - I mean, I think the - I think the biggest
 [8] dynamic at this point, the Chamber had taken a group
 [9] of folks out to Portland; there was a lot of
 [10] discussion about light rail, okay. And the biggest
 [11] concern was, in the eventuality that light rail came
 [12] through Greenville - of course, there was a lot of
 [13] funding being talked about at that time, etcetera.
 [14] The preservation of the rail line, I think, was the
 [15] driving focus. I don't frankly know that we knew
 [16] that there were any businesses currently using the
 [17] operations of the line.
 [18] Q. How about in the second paragraph, the third
 [19] sentence, starting with, "The loss of -"
 [20] A. "The loss of these rail facilities and their
 [21] adjoining rights-of-ways would significantly impact
 [22] current industry along these lines, as well as the
 [23] County's need to -" okay. I mean, I -
 [24] Q. Would you agree that indicates that Council took
 [25] into consideration and wrote to the Surface

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- [1] Transportation Board that there were current
 [2] industry along the lines who may be affected by
 [3] abandonment?
 [4] A. Well, again, I don't think that was the mentality of
 [5] Council when they signed the letter. I think our
 [6] driving force - even though I agree that that
 [7] statement would seem to lend to that, I think the
 [8] driving force in the discussion in the community at
 [9] that time surrounding this was the preservation of
 [10] those rights-of-way.
 [11] Q. Do you know who drafted that letter?
 [12] A. You know, I do not.
 [13] Q. Typically in that sort of situation and in that time
 [14] frame, how would that have worked?
 [15] A. Probably the Chair, the then Chair would have -
 [16] Q. And I'm sorry, who was -
 [17] Q. - put this together. Paul Wickensimer at this
 [18] time.
 [19] Q. Is he still a Council member?
 [20] A. He is not.
 [21] Q. Did he not offer for re-election or was he defeated
 [22] at some point?
 [23] A. No. He actually ran and was elected to Clerk of
 [24] Court. So he's the existing Clerk of Court.
 [25] Q. Okay. How about Exhibit Number 3 here?

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- [1] A. Uh-huh (affirmative).
 [2] Q. Looks like a four-page document.
 [3] A. Okay.
 [4] Q. From County Council to the County Administrator with
 [5] a date of March 31st, 1999.
 [6] A. You mean from the County Administrator to the
 [7] Council?
 [8] Q. Yes, I'm sorry.
 [9] A. Okay.
 [10] Q. I had it backwards. Do you recall this document?
 [11] And I know it was some time period -
 [12] A. Not specifically, but if you'll give me a minute to
 [13] glance at it, I'll see whether I can resurrect those
 [14] brain cells.
 [15] Q. Take your time.
 [16] A. (Reviews document). Okay.
 [17] Q. Do you recall, now having reviewed it, ever having
 [18] seen this in the -
 [19] A. I can't say that I specifically recall. I'm sure -
 [20] I mean, we get a lot of information each week, so
 [21] I'm not -
 [22] Q. I know you do.
 [23] A. - trying to -
 [24] Q. No, I know you do.
 [25] A. I mean, I - it was addressed to all of us. I'm

Page 21

- [1] issue the grant to preserve the lines, others may
 [2] have and they may have come up with a different
 [3] solution. So I've -- it is true that those rights-
 [4] of-way have been preserved.
 [5] Q. When did you become a board member; do you remember?
 [6] A. Two years ago, three years ago. I'd have to check
 [7] the record.
 [8] Q. Look back with me, Mr. Case.
 [9] A. Okay.
 [10] Q. And I think -- is it 3?
 [11] A. Yes.
 [12] Q. Under the background that Mr. Seals provided in his
 [13] memo, down there at the bottom where he starts
 [14] talking about the resolution we looked at, the
 [15] bottom of the first page.
 [16] A. Right.
 [17] Q. He states that, "County Council agreed to
 [18] participate in establishing a comprehensive plan."
 [19] Do you know if any comprehensive plan was ever
 [20] actually established?
 [21] A. Well, I guess it depends on what you define as
 [22] comprehensive plan. And, of course, this is his
 [23] characterization of the resolution.
 [24] Q. Well, let me ask you this, maybe it'll short circuit
 [25] it; you can expand if you like.

Page 22

- [1] A. Sure, sure.
 [2] Q. Did you ever see any kind of written plan for the
 [3] operation of the rail line?
 [4] A. Well -- and as I read this, it says for rail
 [5] preservation. And there certainly have been plans.
 [6] Written plans, I don't know. But certainly there
 [7] have been multiple plans. In fact, I would say the
 [8] mode of that corporate entity has been, since its
 [9] inception, the preservation of those rights-of-way.
 [10] Q. Right.
 [11] A. Evidences of that are grants we obtained to do
 [12] right-of-way title research. I mean, the whole
 [13] focus has been preserving those -- those rights-of-
 [14] way. Now, I guess a person could quibble over
 [15] comprehensive, but, you know --
 [16] Q. How about, I know that says rail preservation and
 [17] you just talked about that. Do you know if there
 [18] ever existed any kind of business plan, written
 [19] business plan, for the actual operation of the rail
 [20] line?
 [21] A. I'm not aware of a business plan. I'm aware that
 [22] the corporate entity actually sought out the
 [23] feasibility of re-establishing rail service when the
 [24] -- when the corporate entity that the County granted
 [25] the money to acquired the rail, there was no rail

Page 23

- [1] service and, as I recall, had not been for some
 [2] time. And I know we interviewed several operators,
 [3] talking about the corporate entity now, my capacity
 [4] as a board member, interviewed several operators to
 [5] ascertain the feasibility of restarting rail
 [6] service. And the road block, of course, was the
 [7] money needed to upgrade, repair, etcetera. So your
 [8] question, the answer to your simple question, was
 [9] there a business plan written out, I've never seen a
 [10] specific business plan written out. But certainly
 [11] the entity, in my capacity as a board member, much
 [12] of our efforts was towards re-establishing service
 [13] or at a minimum preserving those rail lines.
 [14] Q. Okay. I understand. And that was during your
 [15] tenure as a board member --
 [16] A. Yes.
 [17] Q. Is that correct?
 [18] A. Yes.
 [19] Q. And what would have all been sometime subsequent to
 [20] the purchase of the line in June of 1999, correct?
 [21] A. That's correct. That's correct.
 [22] Q. Do you know if any operators were contacted to
 [23] discuss operating the line prior to the purchase?
 [24] A. I do not know.
 [25] Q. To your knowledge that was not done?

Page 24

- [1] A. To my knowledge. But, again, keep in mind I was
 [2] pretty out of the loop given the position I had
 [3] taken --
 [4] Q. I understand.
 [5] A. -- in the early stages.
 [6] Q. A few more questions about Mr. Seals' memo. On the
 [7] second page of it, December 1, 1998, there's a
 [8] reference to County Council approving \$5,000 to
 [9] carry out a comprehensive transportation study. Do
 [10] you recall what that was for?
 [11] A. I do not recall.
 [12] Q. Do you know to whom the \$5,000 went?
 [13] A. I do not.
 [14] Q. Are you aware of any of the comprehensive
 [15] transportation study ever having been done?
 [16] A. Not today, specifically, no. I mean, it wouldn't
 [17] surprise me that I might not have been pushing for
 [18] that.
 [19] Q. Sure.
 [20] A. Because my concern of getting a study done, putting
 [21] into context what the County was contemplating
 [22] undertaking, vis-a-vis the grant.
 [23] Q. On the status of discussions, Mr. Case, there's a
 [24] pretty detailed discussions concerning appraised
 [25] values, etcetera.

Page 25

- [1] A. Right, right.
 [2] Q. And with your position at that time, do you recall
 [3] having done any kind of detailed financial
 [4] examination of those numbers?
 [5] A. No, no.
 [6] Q. Do you think you did not do that because of your
 [7] opposition?
 [8] A. That's correct. It was being handled by others.
 [9] Q. Let me ask you this, down about four paragraphs,
 [10] right before the numbered paragraphs begin; there's
 [11] a notation there, these selling prices are more than
 [12] the appraised value. The Robinson Company of
 [13] Greenville, Incorporated submitted separate
 [14] appraisals and then goes down to discuss those. Do
 [15] you know who retained The Robinson Company to
 [16] perform these appraisals?
 [17] A. I do not know. Now, it makes reference in that
 [18] paragraph that it was for the City of Greenville -
 [19] or maybe that's a geographical designation, okay. I
 [20] - I don't know. I don't know.
 [21] Q. You don't recall County Council retaining The
 [22] Robinson Company to do this appraisal?
 [23] A. I do not. And I'll add that with not necessarily be
 [24] unusual in that we don't get involved in the
 [25] procurement process. So if the services of an

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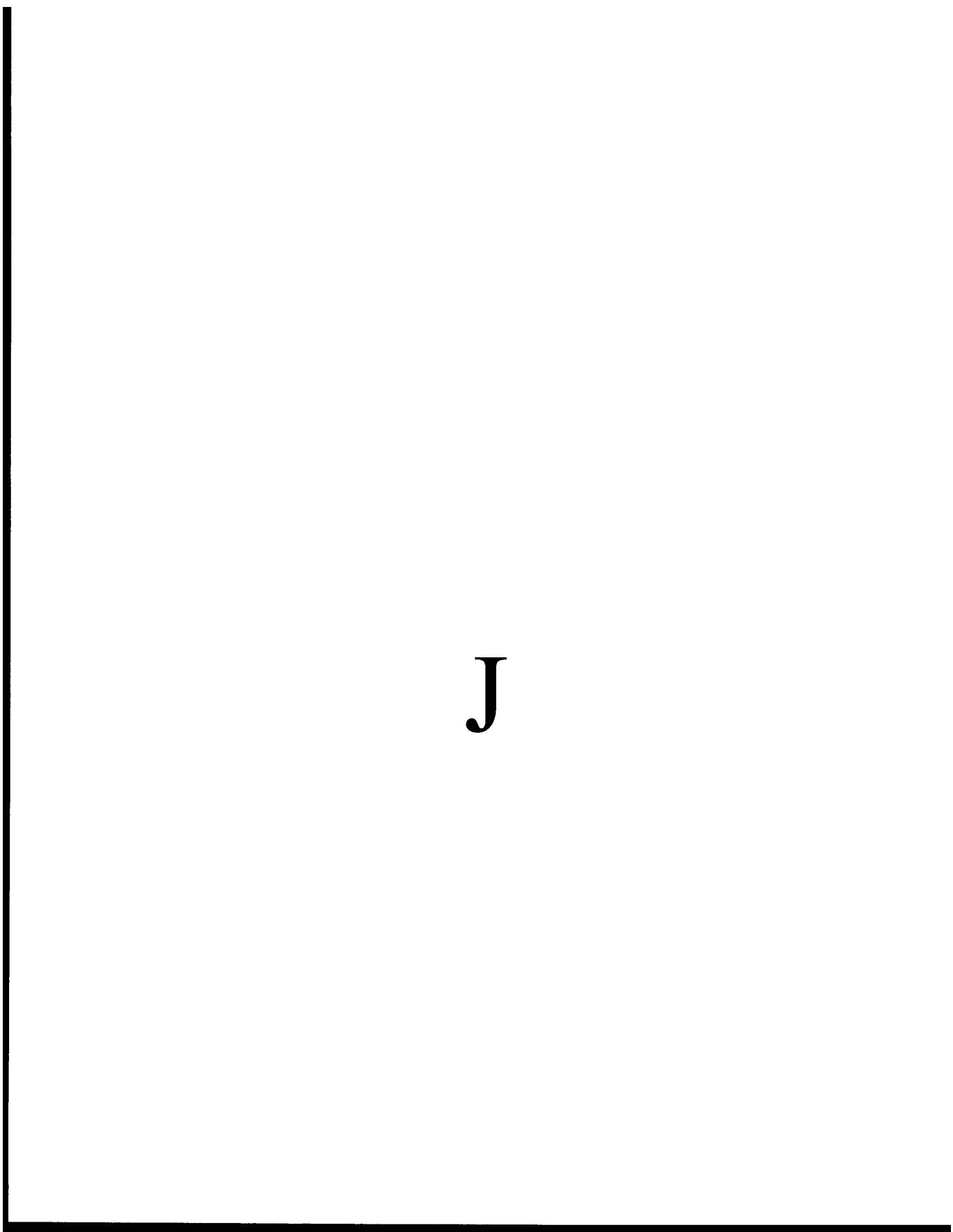
- [1] appraiser were needed, for instance, there would be
 [2] a process the procurement area would go through to
 [3] - to get those services. We don't get involved in
 [4] those procurement activities.
 [5] Q. To your knowledge has the County ever used The
 [6] Robinson Company?
 [7] A. To my knowledge, no. I mean, I've got a letter
 [8] sitting here in front of me says they did, but did I
 [9] ever know, no.
 [10] Q. You don't remember voting on that?
 [11] A. No, no.
 [12] Q. On the next page, Mr. Case, I'm jumping around a
 [13] little bit, but the third paragraph up from the
 [14] bottom states that an attorney here from "Haynsworth
 [15] Law Firm and Ms. Pat Haskell-Robinson have indicated
 [16] the County may lease the railroad to a company and
 [17] make that company completely responsible and liable
 [18] for the repairs, operation and maintenance -" Do
 [19] you see that?
 [20] A. I do see that, yes.
 [21] Q. Do you recall any discussion about that at the -
 [22] A. No.
 [23] Q. Prior to the acquisition?
 [24] A. I don't. But, again, I was pretty out of the loop
 [25] on all that, so -

Page 27

- [1] Q. You don't remember raising that issue as part of
 [2] your opposition, though?
 [3] A. I don't. Because my opposition was pretty simple.
 [4] I felt like - I mean, as I've stated before, the
 [5] opposition was really to the idea that we were
 [6] giving a grant to -
 [7] Q. More funding than anything else?
 [8] A. That's right, that's right.
 [9] Q. Now, in retrospect, and particularly as a board
 [10] member, do you think that the County and the
 [11] Corporation adequately investigated the operation of
 [12] the rail line prior to the purchase?
 [13] A. Well, again, the whole goal was to preserve the
 [14] rights-of-way, okay. So when you - when you talk
 [15] about operating, I don't think anyone ever
 [16] anticipated, contemplated that the County would be
 [17] in the business of operating a rail line, okay. I
 [18] think the County anticipated it was giving a grant.
 [19] And I'm speaking on behalf of my colleagues who
 [20] supported it. I think they anticipated that they
 [21] were basically taking an action to preserve those
 [22] railway right-of-ways and that not to do so would be
 [23] imprudent, okay. So it's tough for me to make a
 [24] valued judgment on, did they do enough research
 [25] about operating a railroad? I - I don't think that

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- [1] was on their radar.
 [2] Q. Okay. Now, in retrospect, and as a board member, is
 [3] it your understanding that the Corporation assumed
 [4] common carrier liabilities under state and federal
 [5] law?
 [6] A. I'm not familiar with those terms.
 [7] Q. You don't - you still today do not know whether the
 [8] Greenville County Economic Development Corporation
 [9] is a common carrier under state and federal law?
 [10] A. I am not, no. We may have discussed that but not in
 [11] those terms.
 [12] Q. Let me show you Exhibit Number 4, Mr. Case.
 [13] A. Sure.
 [14] Q. And if you could tell me - you can correct me if
 [15] I'm wrong, but it sort of looks like a press
 [16] release, if you will. I'm not sure that's what that
 [17] is.
 [18] A. It's not labeled that, but, you know, -
 [19] Q. And it's dated April the 20th, 1999. I mean, do you
 [20] know? I mean, do you have any - take your time, as
 [21] much as you need -
 [22] A. Okay.
 [23] Q. - in glancing through that, what this document was
 [24] used for?
 [25] A. I don't know. I mean, typically a press release is



J

STATE OF SOUTH CAROLINA)
IN THE COURT OF COMMON PLEAS
COUNTY OF GREENVILLE)

Groome & Associates, Inc.,)
and Lee K. Groome.)

)
Plaintiffs,)

-vs-) C.A. NO. 01-CP-23-2351

)
Greenville County Economic)
Development Corporation,)

)
Defendant.)

DEPOSITION OF JOE DILL

Pursuant to notice and/or agreement of the parties, the deposition of Joe Dill was taken commencing at the hour of 11:35 a.m. on the 19th day of November, 2003, at the law offices of Haynsworth, Sinkler, Boyd, 75 Beattie Place, Greenville, South Carolina.

REPORTED BY: LEISA K. GEBHARD, R.P.R.

CANNON COURT REPORTING
112 Manly Street
Greenville, South Carolina 29601
(864) 232-9517

Page 3

1 JOE DILL, having been first duly sworn, was examined
2 and deposed as follows:

3 EXAMINATION BY MR. SIMMONS:

4 Q. Mr. Dill, good morning again. We just met. My
5 name is John Simmon. I'm representing Mr. Groome
6 and his company in this litigation. Have you ever
7 had your deposition taken before, Mr. Dill?

8 A. Yes.

9 Q. As just a few ground rules, first of all, the South
10 Carolina Rules require that I instruct you that if
11 you do not understand my question, if you will,
12 please, sir, direct that to me and tell me to
13 restate it, and I'll do so. Okay?

14 A. Okay.

15 Q. And also, sir, if you will please give a verbal
16 response, a "yes" or "no" to the court reporter,
17 because she can't take down head shakes.

18 A. We don't do this (indicating)?

19 Q. Right. And, also, if you'll be careful, we all
20 have a tendency sometimes to say "uh-huh" and
21 "unh-unh," and they're a little bit difficult for
22 her to comprehend also. Okay?

23 A. All right.

24 Q. Fair enough?

25 A. Yes.

Page 2

APPEARANCES:

John S. Simmons, Esquire
Law Offices of John S. Simmons, L.L.C.
1711 Pickens Street
Post Office Box Five
Columbia, South Carolina 29201
..... On Behalf of the Plaintiffs
Andrew J. White, Esquire
Haynsworth, Sinkler, Boyd, P.A.
75 Beattie Place, 11th Floor
Post Office Box 2048
Greenville, South Carolina 29602
..... On Behalf of the Defendant

STIPULATIONS:

This deposition is being taken pursuant to South Carolina Rules of Civil Procedure. The deponent waives the right to read and sign the transcript of the deposition.

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(None offered)

Page 4

1 MR. WHITE:

2 Our usual stipulations as to -- the same as in
3 Ms. Henderson's deposition?

4 MR. SIMMONS:

5 They are, Andy.

6 EXAMINATION RESUMED BY MR. SIMMONS:

7 Q. Mr. Dill, you are currently a County Council
8 member; is that right?

9 A. That's true.

10 Q. How long have you been on the Council?

11 A. Five years.

12 Q. Had you ever offered for an elected position before
13 you became a Council member?

14 A. I was on the School Board for 12 years, Greenville
15 County School Board.

16 Q. Which district do you represent?

17 A. Seventeen. That's the northern part of the county.

18 Q. Is that covering in the Travelers Rest area at all?

19 A. That covers the city of Travelers Rest. My
20 boundary and Mark Kingsbury's join on 276 up
21 through Travelers Rest.

22 Q. And, Mr. Dill, do you know where Groome &
23 Associates is located?

24 A. Uh-huh (affirmative).

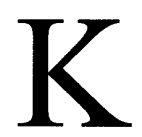
25 Q. Is that part of --

1 Council member and a Corporation board member about
2 what you think should be done with the line today?
3 A. My personal feeling about it and the way that my
4 community feels through Travelers Rest, we needed
5 to do away with that part of the line and turn it
6 over to parks, walking trails. There's even talk
7 of a rubber tire vehicle carrying people up and
8 down through there. Now, as far as the part of the
9 track up to where Paper Cutters and the other
10 people are at, I think it would be a -- if there
11 was money available, that would be a good thing to
12 do is put it back operating, but I don't know where
13 the money is coming from. That's the big issue
14 with me. If the money was available, I think it
15 would be wise to put it operational.
16 Q. Okay.
17 A. But I know the people through Travelers Rest don't
18 want no train.
19 Q. Yes, sir. And those are your constituents; right?
20 A. That's right.
21 Q. Where did the \$1.2 million come from back in '99?
22 A. It came from the general fund -- no, probably a
23 capital expenditure.
24 Q. Was your vote against that provision related to the
25 amount of money or just the concept in general or a

1 combination thereof?
2 A. I didn't have a problem with preserving the right
3 of way. I had a problem with spending taxpayers'
4 money to do that, and I figured there's a better
5 way to do it.
6 Q. How about -- and, again, I didn't mean to cut you
7 off. You looked like you may have wanted to say
8 something else.
9 A. No, that was the end of it.
10 Q. Would that have been regardless? Say it had been
11 half that, \$600,000, would that have changed your
12 outlook on it?
13 A. No. If there had been a federal grant or something
14 like that that was on the table, I would have
15 considered that, some kind of matching funds, but I
16 didn't agree with buying the railroad track.
17 Q. Back in 1999 when you were looking at that issue,
18 do you know whether or not you had any information
19 about the cost to run the line, not just to
20 purchase but did you look at any cost to actually
21 run the line at that time?
22 A. We looked at what it would cost to put it back
23 operational. But as far as to operate it, no, I
24 don't remember that.
25 Q. Do you know whether or not in 1999 before you

1 purchased it, you looked at any information about
2 any third party's ability to run the line?
3 A. No. We never did that, not to my knowledge. It
4 might have been discussed --
5 Q. Right.
6 A. -- by people outside the room, but I don't remember
7 that.
8 Q. And, Mr. Dill, I think I've looked at some point in
9 time maybe at some of the minutes and the
10 committees. Do you know what, if any, committee
11 that this provision came out of in 1999?
12 A. To the provision to buy the railroad?
13 Q. Yes, sir.
14 A. It was Mr. Blackwell's committee.
15 Q. What was it called, do you remember?
16 A. I don't remember the name of it.
17 Q. What was his position on it?
18 A. He was chairman. He was on Council. I took his
19 place. He came off when I came on, and this was
20 all finalized before I came.
21 Q. Did you run against him or --
22 A. No.
23 Q. -- he retired or quit?
24 A. He decided not to run.
25 Q. I apologize, Mr. Dill, I didn't ask you this

1 before. Can you tell me a little bit about your
2 employment background aside from Council and the
3 Corporation?
4 A. I run an auto repair shop.
5 Q. How long have you been in business with that?
6 A. Thirty years, I guess. And I'm the minister of
7 music at Blue Ridge Baptist Church. I've been
8 doing that 24 years.
9 Q. Near Travelers Rest or that part of Greenville?
10 A. Next to Greer.
11 Q. Are you originally from this area?
12 A. I was born in Travelers Rest, Coleman Hospital.
13 Q. I'm not familiar with that one.
14 A. It's gone.
15 MR. SIMMONS:
16 Mr. Dill, I think that's it, and I appreciate you
17 coming in. Thank you for your patience.
18 (There being no further questions, the deposition
19 concluded at 12:00 p.m.)
20
21
22
23
24
25



K

PATRICIA HASKELL-ROBINSON

CANNON COURT REPORTING

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**CONDENSED TRANSCRIPT AND CONCORDANCE
PREPARED BY:**

***CANNON COURT REPORTING
112 Manly Street
Greenville, SC 29601
Phone: 864-232-9517
FAX: 864-233-9493***

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- [1] minutes date back to June of 1999 when the board was
[2] created?
[3] A. I believe they do.
[4] Q. Fair enough. And, again, we'll request those
[5] through counsel, so we'll follow up on that. Mrs.
[6] Haskell-Robinson, I've seen some newspaper articles
[7] from the past about establishment of the rail line,
[8] etcetera and some of the plans for the County. Will
[9] you tell me just generally your initial involvement
[10] in this project and how that came about?
[11] A. We -- we were interested in preserving the line.
[12] Q. Okay. And about what time do you think you became
[13] involved in that process?
[14] A. From the beginning.
[15] Q. Before the Corporation was actually formed?
[16] A. Yes.
[17] Q. Who were some of the other community leaders who
[18] were involved in that process?
[19] A. The Chamber of Commerce.
[20] Q. Any individuals in particular that you can remember
[21] who were Chamber members?
[22] A. Well, it was -- let's see. All right. David Brown
[23] who was then the president. Max Metcalf who was then
[24] -- what was his title. I can't remember his title.
[25] Q. That's okay.

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- [1] A. Brandy Bircbichler who was his assistant. I think
[2] she lives in New York. Gerald Seals.
[3] Q. Was he the county administrator at that time?
[4] A. Uh-huh (affirmative), uh-huh (affirmative).
[5] MR. WHITE:
[6] Yes or no?
[7] WITNESS CONTINUES:
[8] A. Oh, yes. Yes.
[9] Q. I caught it, but sometimes it's hard for her to get,
[10] so I appreciate that. During that process, did you
[11] have a lot of discussions with the County Council
[12] members about acquiring the line?
[13] A. No.
[14] Q. Was there, for lack of a better term, a lobbying
[15] effort for the County to make the purchase?
[16] A. We were obviously interested in preserving the line
[17] for future use. And I suppose there were
[18] compensations.
[19] Q. Sure. Did you have any experience or expertise in
[20] running a rail line?
[21] A. No.
[22] Q. Operation of a rail line, okay. Did anybody
[23] involved in that initial project, this is before the
[24] actual purchase of the line, have any previous
[25] experience in the operation of a rail line?

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- [1] A. Not that I know of.
[2] Q. Did you--all seek any or pay any consultant in that
[3] area who had expertise in the operation of the rail
[4] line?
[5] A. You know, I can't -- I don't remember. No, I don't
[6] -- I don't think so, but I wouldn't be positive of
[7] that. I don't believe so.
[8] Q. Yes, ma'am. Okay. How about -- what, if any,
[9] appraisals were conducted of the land and/or the
[10] equipment prior to the purchase in 1999?
[11] A. The line had been appraised.
[12] Q. By whom?
[13] A. By my husband.
[14] Q. And do you know generally when that was?
[15] A. No. It must have been sometime in '98, '99,
[16] somewhere in there.
[17] Q. And what's your husband's name?
[18] A. James Robinson.
[19] Q. And is he part of The Robinson Company, were you--all
[20] --
[21] A. He assigned it to one of the appraisers. I don't
[22] remember which one and it was done prior to us
[23] discussing this. It was not done for the purchase.
[24] Q. Okay. What was the purpose of it and what was it
[25] done for?

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- [1] A. They were simply asked to appraise it. I don't
[2] know.
[3] Q. Is your husband an M.A.I.?
[4] A. Uh-huh (affirmative).
[5] Q. By whom was he retained to appraise it?
[6] A. I don't know.
[7] Q. Do you know if he was paid for the appraisal work?
[8] A. Probably.
[9] Q. But you don't know by whom?
[10] A. No, I don't.
[11] Q. Did you have any involvement in the selection of
[12] your husband as the appraiser?
[13] A. No.
[14] Q. You don't even know who hired him?
[15] A. No.
[16] Q. Is that right?
[17] A. No, I don't.
[18] Q. And don't know who paid him?
[19] A. No.
[20] Q. So obviously you don't know the amount either --
[21] A. No.
[22] Q. -- that he received. Do you know the value of that
[23] appraisal?
[24] A. I -- I don't know. I don't -- well, let me say, I
[25] don't remember.

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- [1] Q. Did you look at it?
 [2] A. At the appraisal?
 [3] Q. Yes, ma'am.
 [4] A. No.
 [5] Q. What exactly do you do at The Robinson Company?
 [6] A. At the time we bought the railroad, I was the CEO,
 [7] broker in charge and had a residential division.
 [8] Q. Okay. Were you ever or are you a licensed
 [9] appraiser?
 [10] A. Appraiser?
 [11] Q. Yes, ma'am.
 [12] A. No.
 [13] Q. Okay. You just handle -- there's a brokerage arm
 [14] and an appraisal arm of the business?
 [15] A. Three divisions, residential at that time, which has
 [16] been sold.
 [17] Q. Yes, ma'am.
 [18] A. Appraisal and commercial, very little commercial.
 [19] Q. Okay. What was your understanding of the status of
 [20] the rail line at the time the Corporation purchased
 [21] it in June of 1999?
 [22] A. Railtex had applied, as I understand it, for
 [23] abandonment with the authority. In fact, it had not
 [24] been operating.
 [25] Q. Do you know how long it had not been operating up to

Page 10

- [1] that time? Yes, ma'am.
 [2] A. (Indicates negative).
 [3] MR. WHITE:
 [4] Speak.
 [5] MR. SIMMONS:
 [6] Yes or no. You're shaking your head, no, but let's
 [7] make sure.
 [8] WITNESS CONTINUES:
 [9] A. No, I don't. No, uh-uh (negative), several years I
 [10] guess. I don't know.
 [11] Q. Do you know if anyone with the Corporation did any
 [12] investigation to determine the last time the rail
 [13] was used?
 [14] A. I remember a discussion about it, but I don't --
 [15] Gerald Seals probably knows that; I don't.
 [16] Q. It's my understanding the Corporation had no
 [17] employees; is that right?
 [18] A. The Corporation?
 [19] Q. Yes, ma'am.
 [20] A. The GCEDC?
 [21] Q. Yes, ma'am.
 [22] A. No.
 [23] Q. And you weren't compensated --
 [24] A. Uh-uh (negative).
 [25] Q. -- as a board member, that was completely

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- [1] voluntary?
 [2] A. No, never have been.
 [3] Q. Okay. And it's my understanding at the time you-all
 [4] acquired it in June of '99, it being the rail line,
 [5] it was subject to an embargo; is that right?
 [6] A. Yeah, I guess that's what it was.
 [7] Q. Okay.
 [8] A. I don't -- something like that.
 [9] Q. And do you know when that embargo expired?
 [10] A. No. I don't remember.
 [11] Q. Do you know, from the time that you acquired it up
 [12] until today, if the Corporation, Greenville County
 [13] Economic Development Corporation, has ever provided
 [14] service on the line since its owned it?
 [15] A. No.
 [16] Q. It has not?
 [17] A. It has not.
 [18] Q. Okay. And why is that?
 [19] A. Because we haven't had the money to redo the track
 [20] and the trestles.
 [21] Q. Okay. Looking back to the time period of June of
 [22] 1999 when the Corporation acquired the line, what,
 [23] if any, examination was done as to how the line was
 [24] going to be funded?
 [25] A. As to how it was going to be funded?

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- [1] Q. Yes, ma'am.
 [2] A. I don't remember that discussion.
 [3] Q. Do you know if there were any plans, business plans
 [4] for instance, on funding of the line?
 [5] A. At that time the County had said that they had --
 [6] that they would contribute money for the trestles
 [7] and -- but I don't know about the line itself. I
 [8] don't remember any discussion about the line itself,
 [9] except that it would take money.
 [10] Q. To your knowledge were any discussions like that
 [11] ever had, as to where the funding was going to come
 [12] from?
 [13] A. We discussed state money, federal money. I guess
 [14] that's what it was.
 [15] Q. Mostly grants?
 [16] A. Uh-huh (affirmative).
 [17] Q. Okay. I want to jump over a little bit and talk
 [18] specifically about Mr. Groome; do you know Mr.
 [19] Groome?
 [20] A. I have met the man, but I don't know him, no.
 [21] Q. Have you ever had any either telephone
 [22] conversations, number one, or face-to-face
 [23] discussions with Mr. Groome about rail service out
 [24] to his place?
 [25] A. He attended a board meeting and he called me on the

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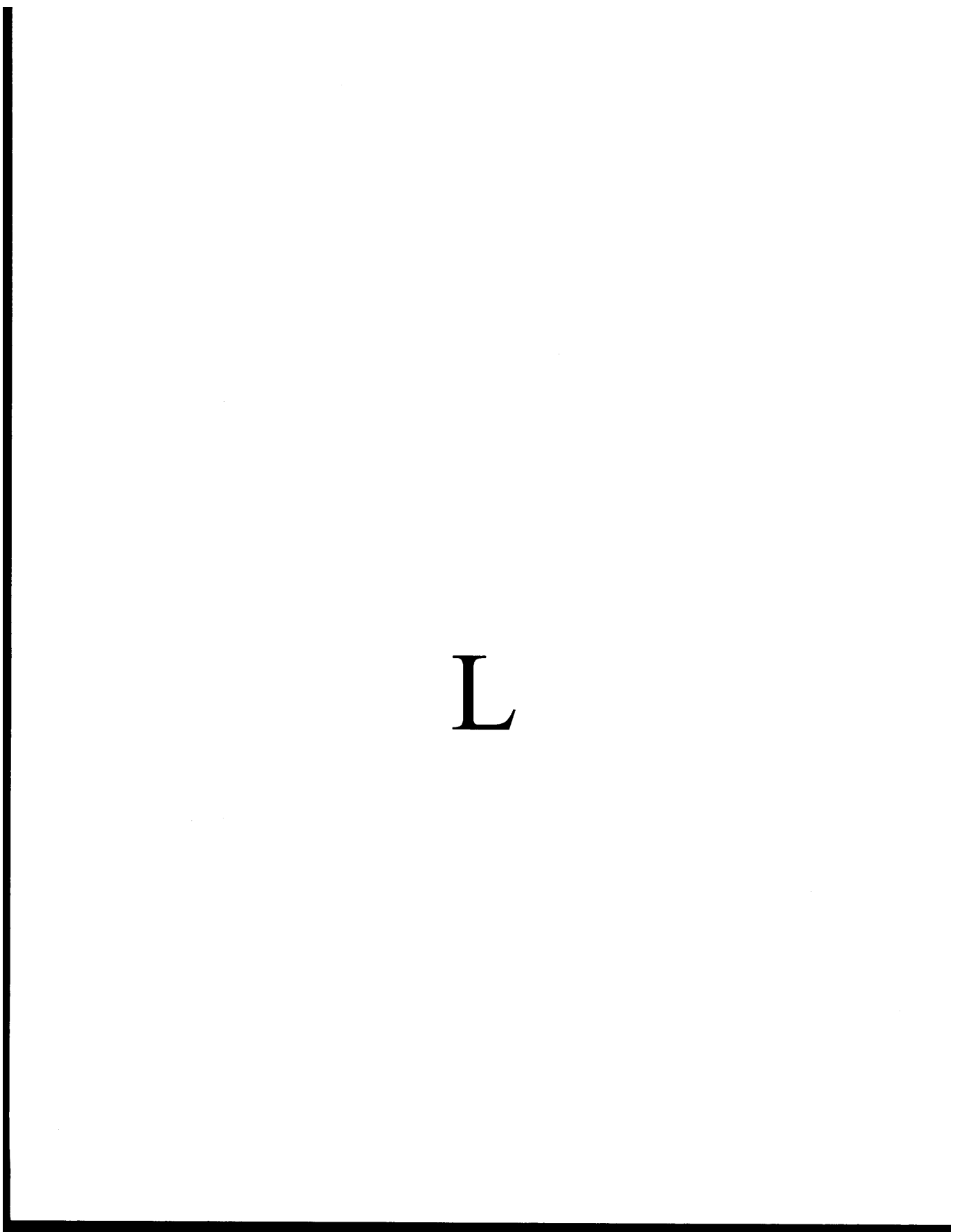
- [1] Q. But you didn't talk, have never talked to him about
[2] this case?
[3] A. No.
[4] Q. You've talked to Senator Thomas ---
[5] A. When?
[6] Q. --- a good bit, hadn't you, in the last few years?
[7] A. No.
[8] MR. SIMMONS:
[9] Okay. Mrs. Haskell-Robinson, that's all I have and
[10] I appreciate your time.
[11] WITNESS:
[12] Well, you're more than welcome.
[13] MR. WHITE:
[14] No questions.
[15] MR. SIMMONS:
[16] That's all.
[17] (There being no further questions at this time, the
[18] deposition was concluded at 11:25 a.m.)

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- [1] CERTIFICATE
[3] I, the undersigned, B. Dale Campbell, Notary Public
[4] in and for the State of South Carolina, do hereby certify
[5] that the foregoing deposition was taken on the 28th day
[6] of October, 2003;
[7] That the within deponent was sworn to tell the truth
[8] and that the foregoing is an accurate transcription of
[9] the testimony taken under oath;
[10] I further certify that I am neither Counsel nor
[11] Solicitor to any of the parties in said suit, nor
[12] interested in the event of the cause.
[13] IN WITNESS WHEREOF, I have hereunto set my hand and
[14] seal this 5th day of November, 2003.
[17] B. DALE CAMPBELL
NOTARY PUBLIC FOR SOUTH CAROLINA
[18] MY COMMISSION EXPIRES: 8/16/2004

Page 19

- [1] Cannon Court Reporting
112 Manly Street
[2] Greenville, South Carolina 29601
(864) 232-9517
[3] FAX (864) 233-9493
[4] November 5, 2003
[5] Andrew J. White, Esquire
Haynsworth Sinclair Boyd, PA
[6] 11th Floor, 75 Beattie Place
P.O. Box 2048
[7] Greenville, South Carolina 29602
[8] RE: State of SC, County of Greenville Groome &
Associates, Inc. and Lee K. Groome vs.
[9] GCEDC, 01-CP-23-2351
[10] Dear Mr. White:
[11] Enclosed is a copy of the transcript of the testimony
of Patricia Haskell-Robinson taken in the above-
captioned case, along with the signature sheet you have
[12] requested.
After the deponent has read the transcript, please ask
[14] her to sign the signature sheet in the presence of a
notary public and return it to this office for filing
[15] with the original transcript. If the deponent feels
there are any necessary changes to the transcript,
[16] please indicate the page and line number along with the
requested change. All changes will be checked against
[17] our taped recording of his testimony for accuracy.
[18] Should you fail to return the signature sheet to this
office within thirty days, the original transcript must
[19] be filed without the deponent's signature.
[20] If you need assistance or further instructions, please
feel free to call this office.
Very truly yours,
Cannon Court Reporting
[24] Barbara L. Gray
[25] CC: John S. Simmons, Esquire



L

**Greenville County Economic Development Corporation (GCEDC)
Board of Directors Meeting
September 20, 2000 Minutes
Conference Room A, County Square
301 University Ridge, Greenville, SC 29601**

Board of Directors present: Scott Case
Peter Strub
Patricia Haskell-Robinson
Dozier Brooks
Stephen Selby

Board of Director absent: None

President: Gerald Seals

Legal Counsel: Andy White

1. Review and approval of April 19, 2000 minutes.

Board members approved the minutes as presented.

2. Plans for future use of rail tracks in Travelers Rest. (Travelers Rest residents: Mayor Mann Batson, Tom Gibson, and Ken Sprouse).

Councilor Joseph Dill requested for the GCEDC Board to address plans for future railroad use in Travelers Rest. He also mentioned that someone was measuring and changing signs recently.

GCEDC President Gerald Seals addressed the group and commented that the Board's general policy is to preserve the railroad for future light rail use and that this line can be activated at some point. The acquisition of the lines occurred last Fall and currently the Board is struggling with policies of the former owner and trying to gain some understanding of what an asset a railroad is for the community. The Board is also discussing what is going to take to make the line operational.

Mr. Stephen Selby read the GCEDC's mission statement and background of the GCEDC's policy.

Mayor Mann Batson addressed the Board and indicated that there are minor problems with the line. Mayor Batson also indicated that he supported the acquisition of the rail lines and that it is his understanding that the GCEDC is to develop the line. Mayor Batson referred to the following issues:

- Maintenance of the right-of-way: the weeds are too high and this makes Travelers Rest unsightly. The grass and bushes have been cut once last summer and once this summer.

- Natural gas for merchants: the people in Travelers Rest would benefit from having natural gas lines. A request has been made to the Board.

Regarding this matter, Mr. Dozier Brooks indicated that the GCEDC gave permission to Piedmont Natural Gas (PNG) for the company to lay down the gas lines under the GCEDC's specifications and policies. But, PNG decided to take an alternate route.

Travelers Rest Administrator Cliff Gaddy indicated that the alternate route is not practical for PNG.

Mr. Peter Strub also indicated that the GCEDC's specifications are in compliance with federal regulations and that the 25-foot distance is standard. He also indicated that any damage caused by the gas lines when the rail line is in operation is responsibility of PNG. The point is that PNG does not want to incur in the annual fee to the GCEDC and the GCEDC does not have control over PNG.

Mr. Gaddy also addressed the issue of cars leaving the parking lot of the Shops at Main Street. The engineers the City of Travelers Rest consulted indicated that the "cheapest" way to do it is to put gravel at the rail road crossing and direct traffic from behind the parking lot to a public road. The City of Travelers Rest would agree to take the gravel when the rail line is back in operations. Putting a formal crossing would be more costly for the city.

Mr. Selby indicated that just putting gravel would create too much liability.

Legal counsel Andy White indicated that parties crossing this portion of the rail line would take responsibility.

Mr. Gaddy indicated that Travelers Rest would take that responsibility.

Mr. Seals requested that Mr. Gaddy submit a map of the crossing for legal review. The Board will then make a decision. Mr. Gaddy agreed.

Mr. Tom Gibson made a presentation before the Board on issues facing Travelers Rest residents on the railroad. He gathered the following comments from residents:

- Railroad is a nuisance to Travelers Rest.
- There are no businesses for railroads in Travelers Rest.
- How much railroad business would benefit Greenville?
- If the railroad business is so valuable for many industries, they can purchase the railroad for a good value.
- No one has made a statement that the railroad is valuable in Travelers Rest.
- Residents do not like noise of horns and vibrations.
- How can you beautify a town if you cannot cut the weeds or grass?
- Why GCEDC bought the railroad if other private business could not make a profit out of it?
- How can you repair the railroad bed and bring it to operations?

- Railroads cannot run more than 5-6 miles/hour because the railroad would jump out of tracks.
- The previous railroad owner wanted to charge \$53,000 to a local business for a driveway cut (the business does not longer exist).
- The parking lot at the Shops at 27 Main Street is still a problem.
- Who is liable for any litigation?

3. Greenville Airport Commission encroachment request. (Gerald Seals, Peter Strub and Andy White)

The Commission requested permission to encroach on the railroad right-of-way to install an approach lighting system. The Commission had encroached previously on the right-of-way when Seaboard was the owner and paid an annual fee. The commission has not received a bill for the last several years.

Legal counsel Andy White has been working with the Commission's counsel in drafting two (2) separate agreements for the encroachment. The fee is \$2.50/linear foot. The agreement should be drafted in a manner that the Commission is responsible for safety and landscaping issues. The design of tower must be so that is not possible to climb and making sure that, if there are any incidents, these are not due to GCEDC negligence.

Landscaping should be made in a way that nothing would create a sight clearance problem and it would be plant material that does not required a lot of maintenance. The landscape clause could be reviewed annually, if not to the satisfaction to GCEDC. Another alternative is that GCEDC would plant and then charge the Commission.

It was also discusses the term of the agreement. A long-term agreement is fine if it is subject to review annually according to the CPI index.

Motion:

Accept the plan submitted by the Airport Commission allowing to construction the towers. There will be two (2) utility agreements with one fee and the agreement will include the landscaping provision. The agreements will be adjusted according to the CPI index.

Motion approved.

4. City of Greenville:

(a) Request for annexation of railroad right-of-way. (Greg Strait, Economic Development)

This is an administrative request from the City of Greenville to annex the parcels owned by GCEDC. This would assist in correcting city limit lines, boundaries so the city can identify who is responsible for fire protection and law enforcement.

Several questions arose:

- What further annexation activities would this trigger?
- The request requires an analysis of what problems/issues would this bring?
- Does this request need County Council approval?
- The Board would like to see all the parcels identified at one time.

- Would not it be better to de-annex those parcels and let them come back to the county? (The de-annexation process would require a vote of city residents).

City staff will come back with the additional information requested.

- (b) Discussion on railroad trestle near Westfield Street. (Kathleen Kempe, Assistant City Attorney and Bill Lee, Public Works Department, City of Greenville)

Ms. Kempe explained that the trestle in question is located between Hudson Street and Westfield Street.

Mr. Brooks provided a quick overview of the deal with SCDOT regarding on the trestle on Woodruff Road. SCDOT would take the trestle out but when GCEDC puts rail service on line SCDOT would have to come back and put the trestle in place.

Mr. Bill Lee, from the City's Public Works Division, explained that there are two trestles the city is looking. The trestle in question is on a second rail line.

Mr. Seals indicated that he is not sure the trestle belongs to the GCEDC although is on its right-of-way.

Mr. Lee indicated that this trestle has been a nightmare and causing flooding problems. In August 1995, October 1997 and last year in October, the river overflowed five or six times a year. Flooding occurs on City's complexes on Willard and Hudson Streets, CSX terminal and all that area five or six times a year due to this trestle. It is in a "S" turn causing flooding from Westfield Road. He has been cleaning the area each time there is a flooding. The trestle needs to be removed by the city on a cost-shared basis.

Ms. Haskell-Robinson indicated that this trestle might not belong to GCEDC. GCEDC purchased the lower line not the upper line.

Mr. Brooks indicated that if it is on the right of way, GCEDC owes both of them. GCEDC bought everything that it is on the right of way. Mr. Seals confirmed this statement.

City and GCEDC need to verify if indeed the trestle is on the GCEDC right of way.

Mr. Lee requested that board members need to look at it quickly so City can clean it out and then make a decision about removing the trestle.

Mr. Brooks asked Mr. Seals to set up a date for board members to go out there with Mr. Lee. Mr. Seals will let every one know the date for board members and Mr. Lee can go out there and inspect.

Board members expressed that they are not sure if this trestle belongs to GCEDC.

5. Report from Greenville Chamber of Commerce on federal funding. (John DeWorken)

Mr. John DeWorken informed the Board that the federal government has the Railroad Rehabilitation Program and that GCEDC could apply for this funding. He also mentioned that there a possibility of taking the payment for purchasing the lines as

matching funds. The Chamber has also inquired Congressman DeMint's office and Senator Holland's office about information on grants for railroads.

Mr. Seals mentioned that most application processes with the federal government require individual environmental assessments. GCEDC cannot use one that is already done with its application. He also mentioned that this is a loan program not a grant program.

Mr. Case indicated that it would be cost effective for GCEDC to borrow the money from the County and not from the federal government since the County has a "AAA" bond rating and the cost of the loan from the County would be less than the cost of the loan from the federal government.

Mr. Brooks indicated that before doing any work on federal funding, the Chamber should notify GCEDC first.

No action taken.

6. Proposal from possible operator for G&N rail line. (Gerald Seals)

The proposal includes:

- Placement of a locomotive on the line to services customers already there, and
- Make repairs to the line.

The proposal does not indicate that the fee the only two industries would pay would be enough to pay his operating expenses. The possible operator, however, has verbally mentioned that the two customers would pay for his operating costs.

Mrs. Patricia Haskell-Robinson indicated that there is a potential for the next five years, i.e., warehouse could be rehabilitated.

Mr. Seals indicated that it could be a good idea to bring the two industries and find out how would they support the development of the line and how far would that help go.

Mr. Seals would inform the possible operator that this is on hold until the Board discusses this matter with the two industries.

Mrs. Haskell-Robinson will look into the possibility of state grants to fund a feasibility study of the G&N line and do a revenue analysis.

7. Rail Grade Crossing Program – SCDOT May 17, 2000 letter. (Gerald Seals)

Legal counsel Andy White will draft a response letter to the May 17, 2000 SCDOT correspondence.

8. Procurement Process. (Andy White, Nick Nicholson)

The Board discussed the procurement process. Because railroads are highly regulated by the federal government, it is better to have clear regulations governing this process.

The Board will adopt a procurement process similar to the County's by resolution during the next meeting.

9. Amendments to GCEDC By-Laws. (Andy White)

It is not necessary to amend the GCEDC By Laws.

10. Crossing deficiency at Hampton Avenue and Cedar Lane Road (183). (Patricia Haskell-Robinson)

This crossing is not on GCEDC's right-of-way.

Mrs. Haskell-Robinson indicated that there has been a previous attempt to close this crossing. However, a railroad operator assisted in halting this attempt.

Mrs. Haskell-Robinson will draft a letter to SCDOT and notify Norfolk Southern that GCEDC needs that connection for the northern line.

11. Change of mailing address (for information only). (Patricia Haskell-Robinson)

GCEDC has a new mailing address: 301 North Main Street, Suite 1700, Greenville, SC 29601. Mr. Seals indicated that his office will be probably moving to another suite in about two months.

12. Executive Session.

13. Old/New Business.

Mr. Strub indicated that SCDOT would provide him with the plans for the bridge on the Woodruff Road widening project near Laurens Road. As soon as he gets the plans, he will present them to the Board.

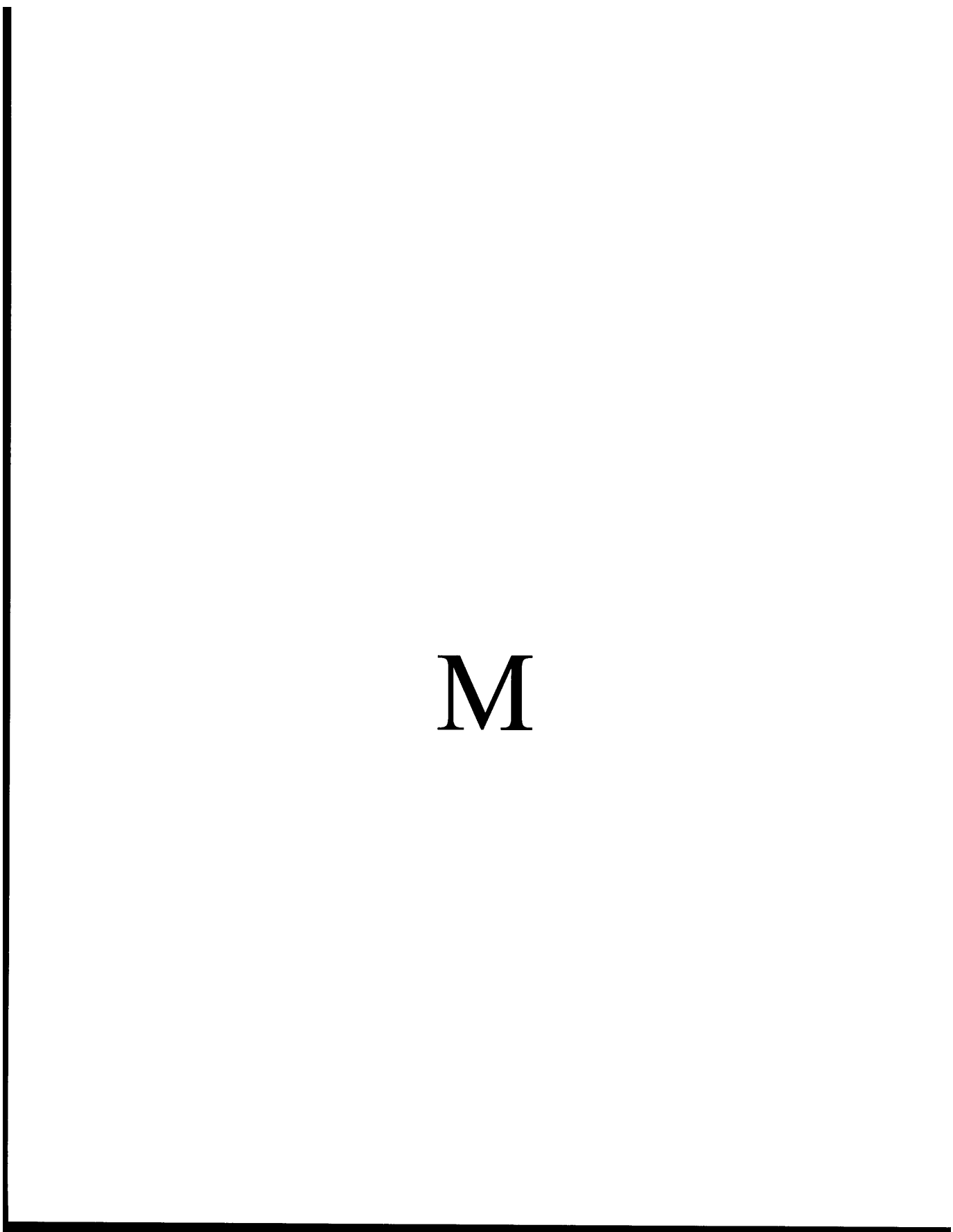
14. Next GCEDC – Board of Directors' meeting:

Date: October 18, 2000 Time: 4 p.m., Location: Conference Room "A".

The Board of Directors of the Greenville County Economic Development Corporation approved these minutes:

☒ Without amendments on 10/18/2000

☐ With the following amendments on _____



M

**Greenville County Economic Development Corporation (GCEDC)
Board of Directors Meeting
Minutes
July 21, 1999 - 3:00 p.m.**

Board of Directors Present: Peter Strub
Patricia Haskell-Robinson
Dozier Brooks
Stephen Selby

Board of Directors Absent: Paul B. Wickensimer

President: Gerald Seals

Legal Counsel: Wesley Crum

- Board of Directors reviewed the draft encroachment application. Final application document will be submitted at a later date for approval.
- Board of Directors reviewed and approved the GCEDC Rail Corridor Preservation Policy with corrections suggested.

7/15/

GREENVILLE COUNTY ECONOMIC DEVELOPMENT CORPORATION
Rail Corridor Preservation Policy

The preservation of rail corridors through the acquisition of strategic corridors by Greenville County Economic Development Corporation ("GCEDC") is in the public interest for the people of Greenville County and is an integral and necessary part of a balanced transportation system.

I. Background

GCEDC is charged with preserving transportation corridors. Preservation of railroad corridors for future freight and passenger transportation requires that the integrity of the rights of way be maintained. Therefore, GCEDC must develop a systematic approach to supervise and manage the public's interest in maintaining the corridor as suitable for the purpose of active rail or cooperative transportation.

II. Corporate Statement

GCEDC shall have the responsibility to the public to maintain rights of way in the rail corridor in such a manner as to allow for transportation use. GCEDC shall own the land encompassing the rail corridor. GCEDC must not become active in the operation of the railroad itself.

If an operator is under contract to operate a designated segment of the corridor, such operator shall be solely responsible for developing a rail corridor maintenance and management plan.

Where an operator has not been engaged, GCEDC shall develop a rail corridor maintenance and management plan. This plan shall include and address, but is not limited to, the following areas: interim rail line uses and changes (if applicable); annual budget for maintenance, enhancements, signs, etc.; land development and/or revitalization along the line, potentially including commercial, industrial, and residential development; buffers between the right of ways and residential, commercial, and industrial areas; public safety, whether by foot, bicycle, motoring, etc.; encroachment and utility matters; hazardous materials disposal, dumping, and litter control along the corridor lines.

III. Encroachments

Removal

In instances of an unauthorized encroachment where an agreement cannot be reached with a property owner, GCEDC shall initiate any and all steps necessary to remove the encroachment. GCEDC may assist in the removal if necessary and appropriate. Any expense incurred by GCEDC throughout the removal process shall be the sole

responsibility of the party encroaching on the right of way. GCEDC may take legal action for the purpose of recovering appropriate removal costs and expenses.

At such time as the rail corridor may be returned to active transportation use, any existing encroachments interfering with the intended use of the rail corridor shall be removed, relocated, or adjusted. GCEDC shall require the removal or adjustment of any interfering encroachment upon GCEDC giving written notice for a minimum term of not less than one-hundred twenty (120) business days.

Reimbursable Costs

The encroachment agreement applicant shall be exclusively responsible to GCEDC for any unusual costs or expenses incurred by GCEDC in reaching an encroachment agreement. Such expenses and costs may include, but are not limited to, expenses and costs associated with a survey, rent study, appraisal actual costs, and all administrative costs.

Performance and indemnity bonds may be required from the applicant of an encroachment agreement or the applicant's contractor before construction may begin on the railroad corridor right of way. When requiring a performance and indemnity bond, GCEDC shall at all times follow the existing bond requirement guidelines maintained by the South Carolina Department of Highways and Public Transportation ("SCDOT") in SCDOT's Access and Roadside Management Standards.

IV. Uses of the Rail Corridor

Private Use

Upon entering into a suitable agreement with GCEDC, a property owner adjacent to the preserved rail corridor shall be permitted to use and maintain the corridor to the centerline of the right of way for private, non-commercial use until such time as GCEDC notifies such property owner that the corridor shall be returned to cooperative transportation use. Other than the standard application amount and amounts necessary to restore the right of way or rail line to its initial condition, reimbursement costs shall not be required. If the track remains in place, the adjacent property owner may use and maintain GCEDC's right of way up to a point not to exceed fifteen (15) feet from the centerline of the track until such time as the rail corridor is returned to active rail or cooperative transportation use.

Existing Nonconforming Use

a. Assignments

Historically, the railroads have allowed the use of the railroads' property for private and commercial use. Commercial use of the rail corridor property shall be handled by GCEDC in a professional and business like manner using appropriate rental or lease

agreements. No use will be permitted which interferes with the use of any portion of the corridor as an active railroad within the meaning of the Federal Surface Transportation Board.

b. Agreements

The general policy of GCEDC shall be that real property owned by GCEDC, as with any other County agency, may not be sold, leased, or otherwise rented at a rate less than the fair market value to any private entity that operates, or is established to operate, for profit. Therefore, if GCEDC's property is used for commercial ventures of any kind, an agreement based on current fair market value must be executed. Provided, a minimum yearly rate of \$100.00 shall be charged for any commercial encroachment. Rates shall be based on comparable industry standards and land values in the areas adjoining the rail corridors. Any and all funds collected by GCEDC shall be earmarked for corridor management and maintenance. All agreements shall be cancelable if the use becomes incompatible with the use of the rail line for railroad purposes.

GCEDC shall periodically review and assess its existing commercial agreements. As a result of such review, GCEDC may accordingly adjust the rates and terms of the commercial agreements based on a full consideration of fair market value.

V. Other Uses

As the owner of the property encompassing the railroad corridor, GCEDC shall attempt to accommodate the recreational use of its property in addition to the railroad corridor's primary use for transportation purposes. To foster the potential recreational uses of the railroad corridor, GCEDC shall explore the possibility of installing a multi-purpose trail in conjunction with the rail corridors. Any and all uses of the railroad corridor must be safe to all users. GCEDC shall make reasonable attempts to utilize vacant space alongside the railroad. Such vacant spaces shall be separated by either significant and substantial grading, fencing, or pr vegetative screening. GCEDC shall fully explore the possible dual use of the rail corridor through the assistance and participation of the citizens of Greenville County.

VI. Adjacent Property Development

GCEDC will coordinate with local planning agencies to encourage land development which shall be harmonious with the development of the preserved rail corridors and future transit options. Provided the requests of the adjoining land owners shall not interfere with the development of the transit options.

VII. Crossings

The safety of the traveling public, whether by foot, bike, motor vehicle, or transit use, is of the utmost importance. If an operator is under contract to operate a designated segment of the corridor, such operator shall be solely responsible for making any and all decisions regarding crossings.

Where an operator has not been engaged, GCEDC shall make relevant decisions regarding crossings. GCEDC shall make every reasonable effort not to land lock property owners. GCEDC shall not be responsible for the safety or design of requested crossings or travelways. GCEDC shall discourage new at-grade street and driveway crossings for rail corridors owned by GCEDC. GCEDC shall request that local government entities along these rail corridors discourage new crossings in adopted plans, zoning changes, site plan approvals, and building construction approvals. GCEDC shall encourage the consolidation and closure of crossings where practicable.

GCEDC shall employ the expertise of County Engineer to be responsible for limited at-grade crossings when issuing driveway permits and installing driveway pipes and related fixtures that access property along preserved rail corridors. Driveways along preserved rail corridors shall not be installed or initiated without the prior written approval of GCEDC and County Engineer.

VIII. Federal Enhancement Corridors

Rail corridors that are purchased with Federal funds must follow Federal guidelines for right of way disposition. Applicants for agreements shall be exclusively responsible for any and all administrative, appraisal, and any Federal enhancement fees associated with the review of potential new at-grade crossings, leases, licenses, or utility encroachments of rail corridors owned by GCEDC. GCEDC shall establish appropriate requirements and procedures for the review and recommendation of new crossing applications.

IX. Clearing the Railroad Right of Way....

Unauthorized use, littering, clearing or cleaning of the rail corridor right of way shall be strictly prohibited.

If an operator is under contract to operate a designated section of the corridor, such operator shall be solely responsible for clearing and maintaining the railroad right of way.

If an operator has not been engaged to operate a designated section of the corridor, the responsibility for the maintenance of the corridor shall remain with GCEDC.

X. Removal of Materials

Removal of railroad ballast or other track materials shall not be permitted without written authorization from GCEDC. Theft of railroad materials shall be prosecuted to the fullest extent of the law. All material removed from the corridor without written authorization shall be either replaced promptly or compensation paid based on the current market value of the material.

XI. Hazardous Material

If an operator is under contract to operate a designated section of the corridor, such operator shall be solely responsible for any and all hazardous materials stored or transported on the corridor.

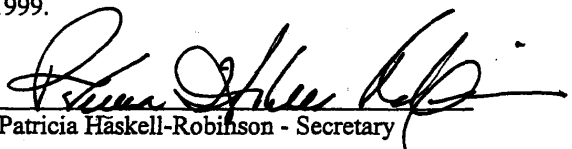
If an operator has not been engaged to operate a designated section of the corridor, GCEDC shall adopt appropriate policies relating to hazardous materials. Disposal of hazardous material on the corridor is strictly prohibited. The storing or transportation of hazardous material on a right of way shall be permitted only in such instances as are in compliance with the permits, rules, and regulations of the South Carolina Department of Health and Environmental Control ("SCDHEC") and the South Carolina Department of Transportation..

Should a spill occur, the applicant shall be responsible for the cleanup of any hazardous material to the satisfaction of SCDHEC or the Federal Surface Transportation Board. The responsible party shall hold GCEDC, SCDHEC and the Federal Surface Transportation Board harmless from all costs, fees, fines, or assessments incurred or imposed as a result of the spill.

XII Dumping

Dumping shall be strictly prohibited on the rail corridor. Any individuals or other parties discovered dumping on the right of way shall be prosecuted to the fullest extent of the law. The party responsible for unauthorized dumping of materials shall be fully liable for the resulting cleanup. Any and all costs associated with the cleanup shall be the exclusive responsibility of the responsible party.

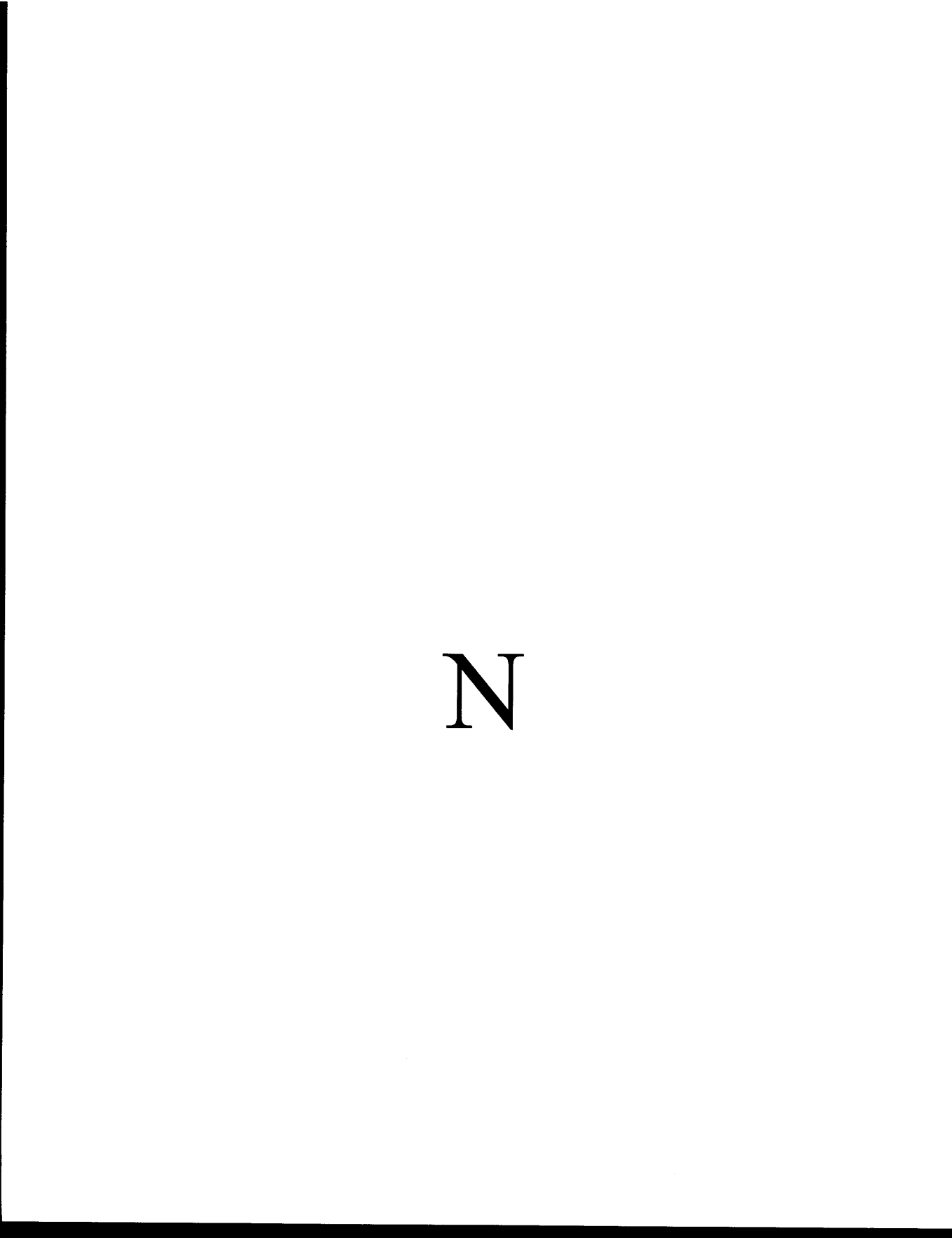
Adopted, this 21st day of July, 1999.


Patricia Haskell-Robinson - Secretary

ATTEST:

Gerald Seals, President
Greenville County Economic Development Corporation

GCEDC 0066



N

STATE OF SOUTH CAROLINA)
COUNTY OF GREENVILLE)

IN THE COURT OF COMMON PLEAS

Groome & Associates, Inc.)
and Lee K. Groome,)

Plaintiff,)

-vs-)

Greenville County)
Economic Development)
Corporation,)

Defendant.)

COPY

01-CP-23-2351

DEPOSITION OF PETER M. STRUB

Pursuant to notice and/or agreement of the parties,
the deposition of Peter M. Strub Chase was taken
commencing at the hour of 9:05 a.m. on the 28th day of
October, 2003, at the office of the Haynsworth Sinclair
Boyd, PA, 11th Floor, 75 Beattie Place, Greenville, South
Carolina.

REPORTED BY: B. Dale Campbell

CANNON COURT REPORTING
112 Manly Street
Greenville, South Carolina 29601

(864) 232-9517

1 A. Located in Greenville.

2 Q. Were you involved in any acquisition of any rail
3 line in that area?

4 A. No.

5 Q. So the work was limited to design?

6 A. Not even design. It was just -- I mean, looking at
7 the planning, say looking at a corridor and trying
8 to determine what needed to be done to get it down
9 to two hours or less travel time.

10 Q. Okay, I understand. What's the status of that
11 project?

12 A. Currently right now I believe it's actually going
13 through the environmental and parts of it being
14 designed.

15 Q. Are you still involved with that?

16 A. No.

17 Q. Tell me, Mr. Strub, you're -- I understand you're
18 currently the treasurer of the Economic Development
19 Corporation; is that correct?

20 A. That's correct.

21 Q. Can you work backwards and give me your history on
22 the board?

23 A. I've been on the board since its inception around
24 June of 1999, I believe, when the rail line was
25 purchased. And from that time frame operated as the

1 it says. That first sentence says that, the "County
2 is acquiring the rail line -- in order to preserve
3 the corridor for rail freight operations and for a
4 light rail system that may be established to serve
5 the County." Is that correct?

6 A. Yes.

7 Q. Was that your understanding that that was the intent
8 of the purchase of the line?

9 A. To preserve the corridor, yes.

10 Q. And for a light rail system established to serve the
11 County?

12 A. At a future date, yes.

13 Q. Has there ever been any traffic over the line since
14 the Corporation's purchase?

15 A. Any type?

16 Q. Yes, sir.

17 A. No.

18 Q. The next sentence says the, "County plans to
19 continue rail freight operations -- through service
20 provided by third party operators;" is that correct?

21 A. That was our intent.

22 Q. And that's never been done, correct?

23 A. Yes.

24 Q. Okay. And further it says that, "("STB") approval
25 is required for --" the "County to abandon, and the

1 mean, listening to him. And that's -- that's all I
2 recall. I mean --

3 Q. Were you sympathetic to his position?

4 A. I would say that I understood, I mean, his issues
5 and his concerns. If -- and I don't recall, but
6 more than likely I stated that, I mean, we're in a
7 -- caught between a rock and a hard place, that our
8 effort was to -- not to have a line abandoned. If
9 the line was abandoned, I mean, service would never
10 have the potential of ever being reinstated. So, I
11 mean, our goal was to preserve the line, to be able
12 to operate rail service on the line and, I mean,
13 we've been working very diligently in trying to
14 obtain funds to get it back, to rehabilitate it and
15 get it back into operation. But until somebody gave
16 us a pot of money, I mean, our hands were tied.

17 Q. Did you believe at the time you were having
18 discussions with Mr. Groome that the Corporation had
19 an obligation as a common carrier to provide rail
20 service to Mr. Groome?

21 MR. WHITE:

22 Object to the form of the question.

23 WITNESS CONTINUES:

24 A. Restate the question.

25 Q. Yes, sir. When you had this conversation with Mr.

1 (Court reporter marks Plaintiff's Exhibit Number 5,
2 Rehabilitation of the Greenville and Northern Railroad,
3 dated 2-27-03, attached hereto)

4 EXAMINATION CONTINUED BY MR. SIMMONS:

5 Q. Mr. Strub, I think we're on Number 5; is that
6 correct?

7 A. That's correct.

8 Q. Yes, sir. This is a one-page document captioned,
9 "Rehabilitation of the Greenville and Northern
10 Railroad (County of Greenville, South Carolina);" is
11 that correct?

12 A. That's correct.

13 Q. Are you familiar with this document?

14 A. I prepared it.

15 Q. Okay. And just tell me briefly what it represents.

16 A. Basically our cost estimate. Working with an
17 upstate rail contractor, construction contractor,
18 that went out and took a look at the line, what it
19 would cost to rehabilitate our northern section of
20 the line.

21 Q. This is just the northern section?

22 A. It's 9.8 miles.

23 Q. Who is the contractor with whom you worked?

24 A. J.B. Russell & Sons.

25 Q. And any particular contact person?

1 never had any service. I mean, and that, I mean,
2 service was stopped prior to us obtaining this.
3 That, I mean, our goal was to preserve the rights-
4 of-way and the opportunity to provide rail. We'd
5 been working diligently in trying to seek funding.

6 Q. Sure.

7 A. And we haven't been able to do so, so far. And as a
8 result, I mean -- I mean, he led me, I mean, to one
9 of either two actions that we could do, either
10 abandon it or the discontinuance of service. And in
11 talking with him, I mean, in order to preserve the
12 rights-of-way, I mean, the discontinuance of service
13 was the appropriate action to take.

14 Q. So he did not suggest to you that it's inappropriate
15 for a common carrier to file for a discontinuance of
16 service when it has not provided service; is that
17 what you're saying?

18 A. Yes, I believe so.

19 Q. Finally on that group of exhibits, which I think we
20 numbered 9, there's a letter dated May 16th
21 addressed to you from Mr. Clemens; did you receive
22 that one?

23 A. Uh-huh (affirmative).

24 Q. And he talks about -- I mean, you had said, we'd
25 plan to file a notice for discontinuance, correct?

O

425 Fairforest Way
Greenville, SC 29607
March 22, 2001



Lee Groome
PO Box 729
Travelers Rest, SC 29690

Subject: Rail line needs

Dear Lee,

I have been talking with Doug Ward and find both our companies have a common need and interest. I will attempt to describe our need to you so you can possibly use this on your behalf to reactivate the no longer used Rail Track.

Duke Energy has a large substation located close to the rail line called our North Greenville Substation. When we built this substation some 30+ years ago we built a rail spur from the center of our substation out to the main track with a switch to allow equipment to be brought into the station or removed from the station. This has worked well until recently. Last year we had a major transformer to fail in the Newberry area and needed to transport one of the large transformers from our North Greenville substation to the Newberry area. When we contacted CSX to make the arrangements to bring a rail car into our station to load the unit onto, we found that the rail is now owned by Greenville County. Since it has not been maintained, we cannot get a major rail carrier to cross this section to our spur/switch to enter our substation. As a result we had to contract to have it transported by truck from the substation to the nearest rail siding where it could be loaded onto a rail car. This was quite a surprise and cost an additional \$100,000 to move. We will have a replacement transformer coming back into the station later this year with the same problem and the same added expense.

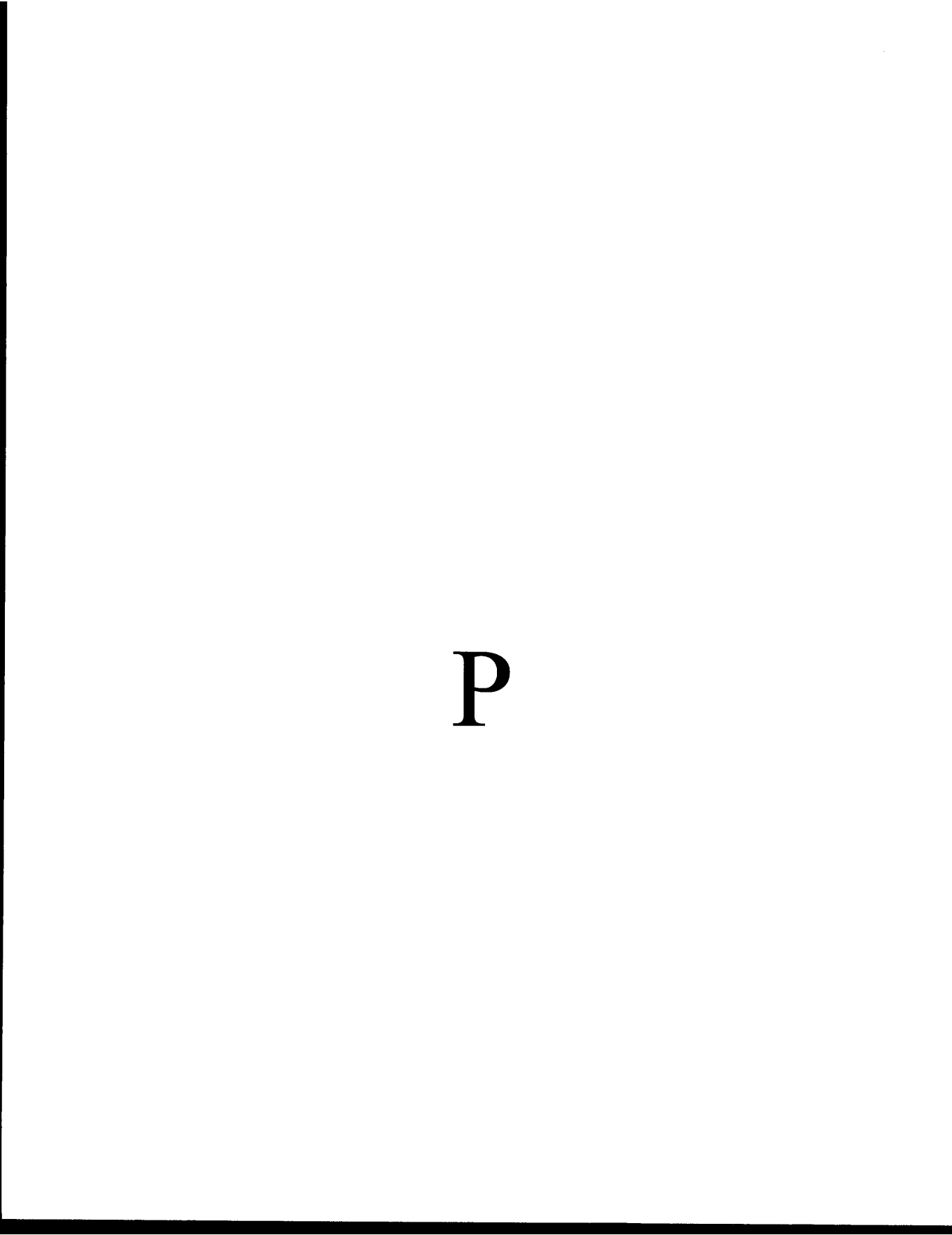
It would be much more economical to use this rail to carry items into or away from our substation. And I think your plant could use this rail to pick up / deliver items to your plant.

I hope this helps you understand our common interest in returning this rail line to an operational status.

Sincerely,

A handwritten signature in black ink, appearing to read 'C. J. Petty, Jr.'.

C. J. Petty, Jr. PE
Manager - Engineering/Tech Support



P

GERALD SEALS

STATE OF SOUTH CAROLINA IN THE COURT OF COMMON PLEAS
COUNTY OF GREENVILLE CASE NO. 01-CP-23-2351

GROOME & ASSOCIATES, INC. AND
LEE K. GROOME,

Plaintiffs,

vs.

GREENVILLE COUNTY ECONOMIC
DEVELOPMENT CORPORATION,

Defendant.

COPY

DEPOSITION OF GERALD SEALS

DATE TAKEN: December 22nd, 2003

TIME BEGAN: 2:09 p.m.

TIME ENDED: 4:12 p.m.

LOCATION:

Haynsworth Sinkler Boyd, P.A.
75 Beattie Place
Greenville, South Carolina

REPORTED BY: Deanna M. Bair, CCR
Certified Verbatim Reporter
Notary Public for South Carolina

1 put it into a certain condition so it could
2 operate.

3 Q. Did you agree with that?

4 A. I didn't agree or disagree.

5 Q. And why not?

6 A. Not my job.

7 Q. Whose job was it?

8 A. Council, it's a policy issue.

9 Q. Okay. Did you tell Mr. Groome or Mr. Mathena
10 during these meetings that the county already had
11 half of the money to make the repairs?

12 A. My -- that's not my recollection. My recollection
13 is that I don't recall how much it was to do the
14 repair. What I recall is that I may have said
15 that the county had the money to do the repairs to
16 meet the minimum viability requirements, but that
17 there was a process that needed to -- the council
18 had to go through in order for that money to be
19 released for that purpose. We talked specifically
20 about what did that mean. I would have --
21 meaning, the discussion turned from Mr. Groome's
22 perspective to where -- he was very intense and
23 adamant about, what about all of this money, all
24 the surplus the county was sitting on, and why
25 couldn't the county just use that money.

1 And so we had a lot of discussions about, yes,
2 the county had the money in an absolute sense, but
3 it had to be budgeted for that specific purpose.
4 And that my intentions were to proceed with
5 putting it in the budget for that purpose so that
6 the bridges would be repaired.

7 Q. Okay. Did you ever speak with anybody at Greg
8 Walton about operating the line?

9 A. I don't know.

10 Q. You don't remember that?

11 A. I don't know. It's possible.

12 Q. Do you remember talking to any other potential
13 operators?

14 A. I remember, yes, there was more than one.

15 Q. Do you remember any names of anyone you talked
16 with?

17 A. No, I don't remember actually sitting down in a
18 meeting with -- I remember that we -- there may
19 have been some sort of correspondence put out.
20 How formal the solicitation was, I don't recall
21 without looking at the file. And I believe that
22 there were at least two, perhaps three, entities
23 approached in an informal preliminary way about
24 whether or not they might be available to operate
25 a line.

Q

GROOME & ASSOCIATES, INC.
SUPPORT FOR DECEMBER 8, 2003 LETTER
REGARDING LOSSES FROM 6/1/99 TO 7-31-03

Schedule 1

Lost Net Income (62,007 (Exhibit A) x4 1/6)		\$	258,363
Actual Losses:			
Retained Earnings 7-31-99 (Exhibit B)	\$(63,241)		
Retained Earnings 7-31-03 (Deficit) (Exhibit C)	<u>(501,548)</u>		<u>438,307</u>
Total Lost Net Income and Operating Losses		\$	<u>696,670</u>

Schedule 2

Salary Reduction (\$204,800 (Exhibit D) Per Year 2000-2002 and 7/12 of 1999 and 2003 and 5 7/12)		\$	853,333
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Schedule 3

Office Rent Reduction (Exhibit E)		\$	<u>357,000</u>
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Schedule 4

Profit Sharing Elimination 2000-2002 + 7/12 of 1999 + 7/12 of 2003 (\$52,260 (Exhibit F) per Year x 4 1/6)		\$	217,750
Less Amounts Paid for Administration			
For the Year Ended 7-31-00 (Exhibit R)	1,988		
For the Year Ended 7-31-01 (Exhibit S)	1,557		
For the Year Ended 7-31-02 (Exhibit T)	<u>5,145</u>		<u>8,690</u>
Total Profit Sharing Elimination		\$	<u>226,440</u>

Schedule 5

Additional Freight Costs (Cathy Hicks Schedule - Exhibit G)		\$	285,243
Less: Included in Loss in Schedule I			<u>(285,243)</u>
		\$	<u>0</u>

Schedule 6

Income Tax and Penalty on Premature Profit Sharing Withdrawal 2002:			
Income Tax - Federal Exhibit H	\$ 74,052		
Penalty - Federal - Exhibit H	28,125		
Income Tax - South Carolina - Exhibit H	18,094		
Income Tax and Penalty on Premature Profit Sharing Withdrawal 2003 Exhibit BB	<u>20,000</u>	\$	<u>140,271</u>

Schedule 7

Monthly Losses Subsequent to July 31, 2003			
Loss Net Income (\$62,007 x 1/12)		\$	5,167
Salary Reduction (\$204,800 x 1/12)			17,067
Office Rent Reduction			15,000
Profit Sharing Elimination (\$52,260 x 1/12)			<u>4,355</u>
Total Monthly Losses Subsequent to July 31, 2003		\$	<u>41,589</u>
Additional Losses Subsequent to July 31, 2003.			
\$41,589 x 16		\$	<u>665,424</u>
Total		\$	3,207,167