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September 15, 2006

By UPS overnight mail
(Monday delivery)

Vernon A. Williams, Secretary
Surface Transportation Board
Case Control Unit, Suite 713
1925 K Street, N.W.
Washington, DC 20423-0001

Re: Finance Docket No. 34890, *PYCO Industries, Inc. -- Feeder Line Application --
Lines of South Plains Switching, Ltd. Co.*

Dear Mr. Williams:

Enclosed please find an original and 10 copies of Statement In Response To PYCO's Feeder Line Application To Acquire "All-SAW", for filing with the Board in the above referenced matter.

Very truly yours,

Tom McFarland

Thomas F. McFarland
Attorney for South Plains
Switching, Ltd. Co.

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cc: All parties of record



217553

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BEFORE THE
SURFACE TRANSPORTATION BOARD



217553
PYCO INDUSTRIES, INC. -- FEEDER)
LINE APPLICATION -- LINES OF) FINANCE DOCKET
SOUTH PLAINS SWITCHING, LTD. CO.) NO. 34890

ENTERED
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Part of
Public Record

**STATEMENT IN RESPONSE TO PYCO'S FEEDER LINE
APPLICATION TO ACQUIRE "ALL-SAW"**

SOUTH PLAINS SWITCHING, LTD. CO.
P.O. Box 64299
Lubbock, TX 79464-4299

Respondent

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Attorney for Respondent

DATE FILED: September 18, 2006

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BEFORE THE
SURFACE TRANSPORTATION BOARD

PYCO INDUSTRIES, INC. -- FEEDER	)	
LINE APPLICATION -- LINES OF	)	FINANCE DOCKET
SOUTH PLAINS SWITCHING, LTD. CO.	)	NO. 34890

**STATEMENT IN RESPONSE TO PYCO'S FEEDER LINE
APPLICATION TO ACQUIRE "ALL-SAW"**

Pursuant to the procedural schedule adopted in the Board's decision served August 16, 2006, as amended by decision served August 18, 2006, Respondent SOUTH PLAINS SWITCHING, LTD. CO. (SAW) hereby files its Statement in Response to a Feeder Line Application to Acquire "All-SAW"^{1/} filed by PYCO Industries, Inc. (PYCO). The filing of this Statement reactivates the procedural schedule in the decision served August 16, 2006.

FORMAT

SAW first sets forth its Statement of Position on whether public convenience and necessity (PC&N) permits or requires sale of All-SAW. SAW then sets out its Statement of Position and Supporting Argument on the constitutional minimum value (CMV) of All-SAW. That is followed by the following supporting verified statements:

^{1/} "All-SAW" refers to all of SAW's rail lines.

TAB NO.	WITNESS	SUBJECT MATTER
1	Joseph J. Plaistow	Constitutional Minimum Value
2	Edward W. Landreth	No Rail Replacement Or Other Track Rehabilitation Required
3	Delilah Wisener	Net Liquidation Value; No Traffic Diversion From Application Of Surcharge
4	Dennis Olmstead	No Likelihood Of Significant Traffic In 286K Railcars; No Traffic Diversion From Application Of Surcharge

STATEMENT OF POSITION ON PC&N OF SALE OF ALL-SAW

SAW does not oppose a finding that PC&N permits sale of All-SAW.^{2/} SAW takes that position because it would be difficult for SAW to continue to provide rail service when a number of its shippers have publicly supported forced sale of its rail lines, and because sale of All-SAW is more consistent with PC&N than dividing up SAW, as proposed under Alternative Two. In taking that position, however, SAW does not acknowledge that it acted in the abusive and retaliatory manner alleged in the statements of shippers who support forced sale of SAW. Nor does SAW concede that any such actions, if proven, would constitute a valid basis for a finding of inadequate rail service to shippers who did not themselves experience such actions.

^{2/} SAW continues to oppose a finding that PC&N permits sale of trackage constituting Alternative Two (*see* SAW Statement filed August 2, 2006). SAW also opposes PYCO's late-filed attempt to expand the trackage sought to be acquired under Alternative Two by means of "modification" (*see* SAW Motion filed August 21, 2006).

**STATEMENT OF POSITION AND ARGUMENT ON
CONSTITUTIONAL MINIMUM VALUE OF ALL-SAW**

Statement of Position

The Board should find that the CMV of All-SAW is its GCV of \$8,537,903, which is the present value of SAW's future earnings, taking into account (1) SAW's revenues from traffic transported in 2005; (2) application of surcharges that SAW can assess at any time in its discretion; and (3) revenues of \$75 per car on traffic for Jarvis Metals Company at Burris, TX that BNSF has agreed to pay to SAW pursuant to a haulage arrangement. (Tab 1 at 9, 30, Ex. 50). All of those revenues are required to be taken into account in determining the GCV of SAW because they are tangible assets of SAW that contribute to SAW's prospective earning power.

In no event should the CMV of All-SAW be found to be less than \$6 Million, even if the effect of SAW's surcharges were to be erroneously omitted in the calculation of SAW's GCV, or SAW's GCV were to be determined to be less than \$6 Million for any other erroneous reason.^{3/} Under settled agency precedent, the NLV of All-SAW is \$6 Million based on an unqualified offer to purchase SAW in that amount. That would be the CMV of All-SAW as the higher of NLV and GCV in the event that GCV were to be erroneously determined to be less than \$6 Million.

^{3/} As noted, the CMV of All-SAW is \$8,537,903 taking into account revenues from 2005 traffic, surcharges and Jarvis traffic. The CMV of All-SAW would be \$8,161,052 if revenues from the Jarvis traffic were to be omitted. (Tab 1, Ex. 56). The CMV of All-SAW would be \$4,336,926 if revenues from the surcharges were to be omitted. (*Id.*, Ex. 62). The CMV of All-SAW would be \$3,958,547 if revenues from both the Jarvis traffic and the surcharges were to be omitted. (*Id.*, Ex. 68).

Argument

I. The Applicable Legal Standards

A. The Statute

It is provided in 49 U.S.C. § 10907(b)(1) that where a rail line is required to be sold under that statute, the sale price shall be “not less than the constitutional minimum value” of the line. It is provided in 49 U.S.C. § 10907(b)(2) that — :

For purposes of this subsection, the constitutional minimum value of a particular railroad line shall be presumed to be not less than the net liquidation value of such line or the going concern value of such line, whichever is greater.

According to the statute, therefore, the sale price is to be the higher amount as between GCV and NLV.

B. Case Law

In all prior feeder line cases, the rail lines have been valued at NLV. That has been the case because unlike All-SAW, those rail lines were not being operated profitably at the time of their sale. The NLVs of those rail lines were determined in accordance with legal standards that have become settled as a result of their application in those cases, as well as in numerous offer-of-financial-assistance (OFA) cases under 49 U.S.C. § 10904.

In most such cases, the NLV of the rail line is determined by adding (1) the net value of the track materials in the line; and (2) the fair market value for nonrail use of the land in the right-of-way to which the rail carrier has marketable title. However, the best evidence of NLV of a rail line is the price in an executed sale contract or in an unqualified purchase offer for the line. *1411 Corporation -- Aband. Exempt. -- in Lancaster County, PA*, 2001 STB LEXIS 800 at *6 (Docket No. AB-581X, served Oct. 18, 2001) (signed option to purchase); *Portland Traction Co.*

-- *Aband. Exempt. -- in Multnomah and Clackamas Counties, OR*, 1990 ICC LEXIS 16 at *10-13 (Docket No. AB-225 [Sub-No. 2X], served Jan. 10, 1990) (executed sales contract); *Baltimore & O.R. Co. -- Aband. & Discon. -- in Montgomery County, MD & DC*, 1988 ICC LEXIS 774 at *23 (Docket No. AB-19 [Sub-No. 112], served Aug. 17, 1988) (unqualified offer to purchase); *Florida E. Coast Ry. Co. -- Aband. -- in St. John & Putnam Counties, FL*, 1987 ICC LEXIS 35 at *17 (Docket No. AB-70 [Sub-No. 2], served Dec. 8, 1987) (agreement in principle to purchase); and *Washington & Old Dominion R. Abandonment - Virginia*, 331 ICC 587, 600 (1968) (firm commitment for purchase).

In *Caddo Antoine, et al. - Feeder Li. Acq. - Arkansas Midland RR*, 4 STB 326 (1999) (*Caddo I*), the Board initially valued a 3-mile segment of a 52-mile rail line at GCV in view of the profitable operation of that segment, viz., at 340:

. . . (T)he southernmost portion of the line on which AMR profitably serves IP also plainly has a GCV. That GCV has to be taken into account in order to compensate AMR if it is to be deprived of the opportunity to serve IP in the event of a forced sale of the Norman Branch . . . Although we are requiring AMR to sell the entire line, because it served IP at a profit, the only fair way to value this line to provide AMR the constitutional minimum value is to add the GCV of the part of the line that has a GCV (the southernmost part on which AMR serves IP) to the NLV of the remaining portion of the line.

In determining the GCV of the 3-mile segment in *Caddo I*, the Board capitalized the rail carrier's net earnings on that segment in the most recent calendar year by application of the pretax cost of capital of the railroad industry in that year, i.e., revenues of \$425,660 minus expenses of \$297,000 equals net earnings of \$128,660 divided by cost of capital of 17.7 percent = GCV of \$726,893 (4 STB at 341).

Capitalization of historical earnings does not adequately portray GCV. It is necessary to consider the present value of a future stream of a company's earnings to properly reflect GCV. The following from *Valuing Business, The Analysis and Appraisal of Closely Held Companies*, Pratt, Reilly and Schweihs, 4th Ed., Copyright 2000, at 28-29, is quoted in the verified statement of SAW Witness Joseph Plaistow in this proceeding (Tab 1 at 6):

The truth is that, when earnings have once been "realized," so that they can be expressed with some approach to accuracy in the company's accounts, they are already water under the mill and have no direct bearing on what the property in question is now worth. Value, under any plausible theory of capitalized earning power, is necessarily forward looking. It is an expression of the advantage that an owner of the property may expect to secure from the ownership in the future. The past earnings are therefore beside the point, save as a possible index of future earnings. (Emphasis in original).

The Board did not have occasion to value the 3-mile segment of line in *Caddo I* on that basis because evidence of the present value of future earnings was not of record in that case.

In *Caddo Antoine, et al. - Feeder Li. Acq. - Arkansas Midland RR*, 4 STB 610 (*Caddo II*), the Board on reconsideration vacated its valuation of the 3-mile segment at GCV, and valued the entire rail line at NLV. The Board did so on the ground that the record did not contain sufficient evidence to permit the Board to calculate a GCV for the segment with any degree of accuracy (*id.* at 619-623). Thus, in vacating valuation at GCV, the Board did not find that such valuation was inappropriate for a profitable rail line, but instead determined that valuation at NLV was necessary where the evidence was insufficient to permit valuation at GCV.

II. Application Of The Legal Standards To The Facts

A. All-SAW Is Properly Valued At GCV Because Its Operation Is Shown To Be Profitable

Where, as here, operation of a rail line is shown to be profitable, the line is properly valued at GCV assuming, as is almost always the case, that GCV is a higher amount than the line's NLV. *Caddo I, supra*, 4 STB at 340; 49 U.S.C. § 10907(b)(2).

Here, profitable operation of All-SAW is conclusively proven in SAW's evidence. We say "conclusively" because the \$503,555 profit of All-SAW in 2005 set forth in the verified statement of SAW Witness Plaistow was derived directly from the books and records of SAW that are kept in the normal course of SAW's business (Tab 1 at 4; Tab 3 at 1). Those books and records contain actual SAW traffic, revenues and expenses for that most recent calendar year (Tab 3 at 1). There was no need to rely on any surrogate to estimate SAW's financial results. It was not necessary for SAW to allocate revenues or expenses. Mr. Plaistow was provided with copies of SAW's federal income tax returns and Texas franchise tax public information reports, which he converted to profit and loss statements (Tab 1 at 8). Those financial data provide the best evidence of SAW's operating profitability.

The fact that All-SAW is operated profitably is not disputed. Thus, PYCO acknowledges a profit ("cash flow") in the most recent year of operation of All-SAW, based on revenues derived from BNSF and expenses derived from the Uniform Rail Costing System (URCS) (VS Banks, Table 8). PYCO also acknowledges an annual profit for All-SAW, based on revenues derived from SAW's books and records and normalized future maintenance costs substituted for maintenance costs in URCS. (*Id.*).

PYCO's evidence is unreliable in material respects. First, PYCO estimated the GCV of "an efficient and economical short line freight enterprise," and the viability of a "railroad freight enterprise, such as SAW" (VS Banks at 5 and 6), rather than the viability and value of SAW itself. (Tab 1 at 11). PYCO thereby determined the profitability and value of SAW to PYCO as the buyer, rather than the profitability and value of SAW to SAW as the seller. (*Id.*). Under the seminal decision of the United States Supreme Court in *United States v. Miller*, 317 US 369 (1942), at 375, the financial results of SAW posited by PYCO are disqualified from consideration for that reason.

Secondly, URCS is relevant only for determining the costs of particular transportation services, not for identifying the overall expenses of a rail carrier (Tab 1 at 11). There is no need nor justification for using URCS to estimate a rail carrier's overall expenses where, as here, evidence of SAW's total operating expenses is readily available from SAW's financial statements. (*Id.*). Thus, the profit posited by PYCO is tainted as a result of use of URCS to estimate SAW's operating expenses.

In addition, the normalized maintenance costs that PYCO substituted for URCS maintenance costs are excessive. In *Conrail - Aban. - bet. Warsaw and Valp. Counties, IN*, 9 I.C.C.2d 1299 (1993) at 1304, the Board's predecessor found that reasonable costs for normalized maintenance of FRA Class I track amount to \$6,500 per mile. The normalized

maintenance costs used by PYCO total \$20,085 per mile (VS Banks, Table 8), more than three times a reasonable amount.^{4/}

In light of those substantial defects in PYCO's evidence, and in view of the high degree of reliability of SAW's evidence of profitability derived directly from SAW's books and records, the Board should find that SAW realized an operating profit of \$503,555 in 2005, predicated on the evidence contained in the Statement of SAW Witness Plaistow.

B. The GCV Of All-SAW Is Properly Determined By Means Of The Present Value Of Future Earnings

GCV is "value as a going concern - value in continued use, as a mass assemblage of income producing assets, and as a going concern business enterprise." *Valuing a Business, The Analysis and Appraisal of Closely Held Companies*, Pratt, Reilly & Schweihs, 4th Ed., Copyright 2000, at 33 (referred to hereafter as "*Valuing a Business*"); Tab 1 at 29.

In determining the GCV of SAW, prospective earnings are the relevant criterion, not realized earnings, which are relevant only as an index of future earnings (Tab 1 at 29). In

^{4/} Normalized maintenance costs at \$6,500 per mile would equate to \$100,555 per year, which is almost precisely the amount of maintenance costs resulting from use of URCS, i.e., \$100,463 (VS Banks, Table 8). Use of a reasonable level of normalized maintenance costs and accurate SAW revenues would increase profitability to nearly \$900,000 per year, and increase GCV to over \$6 million, even using URCS and capitalized historical earnings, viz.

Profit using revenues derived from BNSF and expenses derived from URCS	\$528,973
Plus: Added revenues derived from SAW	338,717
Minus: Normalized maintenance shortfall in URCS	<u>(92)</u>
Total Profit	\$867,598
Pre-tax Cost of Capital	<u>.141</u>
GCV	\$6,153,177

other words, GCV is a measure of SAW's future earning power, not its capitalized historic earnings. (*Id.*). As stated in *Valuing a Business, supra* (Tab 1 at 6):

The truth is that, when earnings have once been "realized," so that they can be expressed with some approach to accuracy in the company's accounts, they are already water under the mill and have no direct bearing on what the property in question is now worth. Value, under any plausible theory of capitalized earning power, is necessarily forward looking. It is an expression of the advantage that an owner of the property may expect to secure from the ownership in the future. The past earnings are therefore beside the point, save as a possible index of future earnings. (Emphasis in original).

As stated in *Business Valuation Methods*, American Institute of CPAs, 1990, at 17-6:

... The price ... for the business will generally be related to the future earnings the business is expected to produce ... (whereas) "(t)he best indicator of future business performance is its actual past history" (Tab 1 at 29).

It necessarily follows that GCV is more accurately determined by the present value of the future stream of a company's earnings than by capitalizing the historic earnings of that company. (Tab 1 at 15).

The Board determined GCV in *Caddo I, supra*, by means of capitalizing historic earnings, but that was driven by the unavailability of evidence of the rail carrier's current and future earnings (Tab 1 at 17-18). SAW's financial witness in the present case was a financial witness in the *Caddo* case. In *Caddo*, the financial evidence was submitted in 1997 and 1998, based on operating results from 1994, which was the latest year available. The Board accepted that evidence of GCV in *Caddo I*, but rejected it as out of date in *Caddo II*. It certainly cannot be said that GCV must be determined by means of capitalizing historic earnings as a result of the subsequently-discarded use of that method in *Caddo I*, where there was no evidence of current and future earnings that is readily available in the record in the present case (Tab 1 at 18).

Based on the authorities cited above and the evidence in Mr. Plaistow's Statement, the Board should find that the GCV of All-SAW is properly determined by means of the present value of SAW's future earnings.

C. There Is No Justification For Reducing The GCV Of All-SAW For Rail Replacement And Track Rehabilitation Costs

In his Table 8, PYCO Witness Banks has subtracted huge amounts from his GCV of All-SAW for "rehabilitate track with 90# rail" and "rehabilitate track with 112#/115# rail." Mr. Banks apparently derived the amounts of that rehabilitation from Table 13 of PYCO Witness Davis' statement although the rehabilitation amounts in the Tables of those PYCO witnesses do not jibe with each other.^{5/}

The purported justification for the alleged rehabilitation is "to return (the) tracks to FRA Class I standards, upgraded to handle 286,000 pound rail cars" (VS Davis at 5). It appears from the headings for 112#/115# rail in Table 13, which contains the notation "(286K Capable)", and the absence of such a notation in the heading for 90# rail, that rehabilitation with 90-pound rail replacement is alleged to be required "to return the tracks to FRA Class I standards," and that rehabilitation with 112-pound or 115-pound rail replacement is alleged to be required "to upgrade the tracks to handle 286K railcars."

There is no justification whatsoever for reducing GCV of All-SAW by any amount for rehabilitation, let alone by the huge amounts in Mr. Banks' Table 8. SAW's trackage is being

^{5/} The rehabilitation cost with 90# rail is \$3,858,000 in Mr. Davis' Table 13, but is \$4,056,000 in Mr. Banks' Table 8. The rehabilitation cost with 112#/115# rail is \$6,258,000 in Mr. Davis' Table 13, but is \$6,599,000 in Mr. Banks' Table 8. The discrepancy is not addressed in the verified statement of either Mr. Davis or Mr. Banks.

operated successfully in its current satisfactory physical condition without derailments or other track failures (Tab 4 at 4). As stated by the Board in *Caddo I, supra*, (4 STB at 341-342):

Our GCV estimate does not include costs associated with rehabilitating the approximately 3-mile southern portion on which AMR continues to serve IP. Inasmuch as trains are regularly using that portion of the line to serve IP, we have assumed that the amount of rehabilitation on that portion will be minimal . . . (Emphasis added).

SAW's trackage is shown to fully comply with FRA Class I track standards at present. SAW recently reclassified its track from excepted status to FRA Class I. (Tab 3 at 4-5, Appdx. DW-6). A recent inspection by SAW's expert on track conditions confirms that SAW's tracks are in full compliance with FRA Class I track safety standards. (Tab 2 at 15-17). That expert is highly qualified to so testify. He has been qualified to inspect railroad track for 35 years, and received an FRA certification card as a qualified inspector upon adoption of the FRA track safety standards 28 years ago. (*Id.*, at 2, Attachment B). He is considerably more experienced and qualified than PYCO's witness on track conditions (Compare Tab 2 at 2 and Attachments A and B with VS Davis, Exhibit A). Further support for the testimony of SAW's expert in that respect is provided by FRA's most recent inspection of the All-SAW trackage in October, 2005, which showed minimal minor defects from FRA requirements, which have been remedied (Tab 2, Attach. 4), and SAW's track inspection report for August, 2006, for All-SAW, which shows virtually no FRA defects and on-the-spot correction of the few defects found (Tab 2, Attach. 6).

As demonstrated in detail in Mr. Landreth's statement (Tab 2 at 11-14), PYCO's evidence does not establish a need for any rehabilitation, either to comply with FRA Class I track safety standards, or to accommodate railcars having gross weight on rail of 286,000 pounds (286K). That is the case for the following reasons (*id.*):

1. The location of the 9.63-miles of rail, ties, and ballast allegedly requiring replacement is not identified, so as to permit inspection and rebuttal by SAW;
2. There is no explanation why that mileage requires rail replacement, while SAW's remaining rail does not;
3. FRA Class I standards do not require replacement of rail except to cure rail defects identified in 49 C.F.R. § 213.113 and related provisions; no such defects are identified in PYCO's evidence;
4. There is no legal or regulatory requirement that rail be upgraded to 112-pound or 115-pound rail in order to transport 286K rail cars;
5. 286K railcars can be safely transported over 85-pound and 90-pound rail at 10 mph if the track is adequately substructured; SAW operates at a speed no greater than 10 mph, and its trackage is adequately substructured;
6. FRA Class I standards do not require replacement of crossties except to remedy defects identified in 49 C.F.R. § 213.109; no such defects are identified in PYCO's evidence;
7. FRA Class I standards do not require replacement of ballast except to cure defects identified in 49 C.F.R. § 213.103, 49 C.F.R. § 213.334 and related provisions; no such defects are identified in PYCO's evidence;
8. The location of 38 turnouts allegedly requiring replacement is not identified, so as to permit inspection and rebuttal by SAW;
9. There is no explanation why those turnouts require replacement, while SAW's remaining turnouts do not;

10. FRA Class I standards do not require replacement of turnouts except to remedy defects identified in 49 C.F.R. § 213.133 and related provisions; no such defects are identified in PYCO's evidence;
11. The location of 24 public grade crossings and 7 private grade crossings allegedly requiring replacement is not identified, so as to permit inspection and rebuttal by SAW;
12. There is no explanation why those crossings require replacement, while SAW's remaining crossings do not;
13. FRA Class I standards do not apply to grade crossings;
14. The legal requirement for public grade crossings is that they be passable and comfortably crossed by the motoring public, and that they have adequate flanges to prevent derailments; PYCO has not identified any public crossing at which such conditions do not exist.
15. The legal requirements for private grade crossings are a matter of contract between SAW and the adjoining landowners; PYCO has not shown that SAW is in violation of its contractual responsibilities as to any private road crossing;
16. PYCO's evidence does not identify the nature of claimed "miscellaneous renewal," nor its relationship to FRA Class I standards, so as to permit inspection and rebuttal by SAW;
17. Rail weights of 112-pound and 115-pound may be required for transportation of recurring volume shipments of 286K railcars at substantial speeds; in contrast,

SAW transports only isolated shipments in 286K cars at a speed not to exceed 10 mph;

18. Numerous Class III rail carriers are transporting 286K railcars over 85-pound and 90-pound rail without derailments or other track failures;
19. There is no need nor justification to replace SAW's 85-pound and 90-pound rail with 112-pound and 115-pound rail to accommodate 286K railcars because it is highly unlikely that SAW's shippers will ship or receive more than a few isolated 286K cars in the foreseeable future. Except for a few carloads of grain for Attebury Grain, the gross weight on rail of shipments transported by SAW does not exceed 263K at present, and is not expected to exceed that weight in the foreseeable future. SAW's 85-pound and 90-pound rail is adequate for transportation of those shipments. It is not legally required, nor would it be economically warranted, to replace the rail on the short segment of track over which a few shipments of grain in 286K cars could be transported for Attebury Grain in the future. It is obvious that it would not be necessary, nor warranted, to replace such rail on virtually all of the other SAW trackage over which no 286K cars would be likely to be transported in the foreseeable future;
20. PYCO's evidence does not identify the basis for the asserted need for bridge replacement in Mr. Davis' Table 13 so as to permit inspection and rebuttal by SAW. Guidelines for bridge maintenance and rehabilitation are contained in 49 C.F.R. Part 213, Appendix C. PYCO has not attempted to relate its claim of need for bridge replacement to those guidelines. Mr. Landreth's inspection of the

involved bridge did not reveal any distress or indication of structural fatigue that would require its replacement.

Thus, the huge costs for rail replacement and rehabilitation argued for by PYCO have not been substantiated. Consequently, those costs should be rejected for the same reasons recently explained by the Board in *CSX Transp., Inc. -- Aband. Exempt. -- in Anderson County, SC*, 2006 STB LEXIS 444 at *10-11 (Docket No. AB-55 [Sub-No. 664X], served August 15, 2006, slip op. at 4:

Second, CSXT has not provided persuasive and substantiated information in support of its high rehabilitation costs that it contends makes continued operation of the line unprofitable. CSXT's cost estimates are questionable because: (1) CSXT's rehabilitation proposal installs more than the required ties per mile to qualify as FRA Class I track; (2) CSXT appears to indicate in its tie replacement numbers that none of the existing ties in the track meet FRA Class I standards, even though track inspection reports indicate few, if any, tie problems; (3) CSXT includes costs to renew virtually all existing road crossings, including repaving, even though road crossings are not covered by FRA standards; and (4) CSXT proposes resurfacing the entire line, even though inspection reports show only two occurrences of corrections made for track alignment or surface. Accordingly, we are unable to determine the extent to which rehabilitation of the line is necessary or the reasonableness of the associated cost estimates. (footnote omitted).

There is thus no basis for a finding that huge amounts are required for rail replacement and rehabilitation of SAW's trackage when the evidence shows that (1) SAW is successfully providing rail service over that trackage without derailments or other track failures; (2) SAW's trackage is fully compliant with FRA Class I track safety standards; (3) SAW's 90-pound and 85-pound rail is adequate for transportation of 286K railcars at SAW's permissible train speed of 10 mph; and (4) there is no legal requirement nor economic justification for replacement of SAW's rail with 112-pound or 115-pound rail because it is highly unlikely that SAW's shippers will ship

or receive more than a few isolated 286K cars in the foreseeable future. Accordingly, the Board should find that it is not appropriate to reduce the GCV of All-SAW by the amounts claimed to be required for rail replacement and track rehabilitation, or by any other amount.

It would be too late for PYCO on rebuttal to attempt to provide support for the entries in Table 13 of PYCO Witness Davis, the absence of which disqualifies those items from consideration. Any such support was required to be provided in PYCO's case-in-chief, so that SAW would have a fair opportunity for response. If PYCO were to attempt to file such support in its rebuttal statement, it would be improper new evidence subject to being stricken. *See Malone Freight Lines, Inc. v. United States*, 204 F.Supp. 745, 755 (N.D., Ala., S.D., 1962) ("We hold that such evidence was not in rebuttal of any facts appearing in any statements but served merely to aid plaintiff's case in chief after its deficiencies had been pointed out by protestants. Under the Commission's General Rules of Practice, it was proper to strike such evidence.").

D. SAW Reasonably And Accurately Determined The Present Value Of SAW's Future Earnings

The methodology used by SAW Witness Plaistow to determine the present value of SAW's future earning is well-recognized in business valuations. (Tab 1 at 5-7). It is referred to as the perpetuity formula because it is designed to measure a company's earnings into the future.

Under that formula, SAW's earnings were first determined for a 10-year period from 2006 through 2015, using projections of traffic, revenues and expenses explained below. Those future earnings were discounted back to the beginning of 2006 by application each year of the latest available after-tax cost of capital of the rail industry. A terminal value was then projected for earnings in all years beyond 2015. The terminal value was determined by dividing earnings

in 2015 by the discount rate, net of the expected growth rate. The growth rate is the percentage increase of 2015 earnings over 2014 earnings. The resulting terminal value was then discounted back to the beginning of 2006. The present value of SAW's future earnings is the sum of those present values for the future. That represents the GCV of All-SAW in accordance with recognized principles of business valuation. (Tab 1 at 8-10).

The projections of future traffic, revenues and expenses used by SAW Witness Plaistow in determining All-SAW's future earnings are reasonable and accurate. SAW's future traffic was projected on the basis of the Upland Cotton Production Index (UPCI), applied to agricultural-related traffic in 2005, and on the basis of projected increases in railroad-industry ton-miles on non-agricultural traffic. The UPCI was used for agricultural traffic because cotton-related commodities constitute the predominant traffic transported by SAW. The UPCI projects that cotton production will decline by 9.4 percent in 2006 compared to 2005, then rise gradually over the next ten years. However, even in 2015, cotton production is predicted to be only 92.4 percent of 2005 cotton production. (Tab 1 at 8-10).

The traffic projection used by SAW reflects that decreased future agricultural traffic compared to traffic in 2005. That is a highly conservative projection because (1) actual traffic transported by SAW during the first six months of 2006 was essentially unchanged compared to the same period of 2005 (down less than 1%), and would have increased had PYCO's traffic been considered; (2) SAW's growth rate in carloads during 2000-2005 was 137 percent compared to the growth of cotton production during that period of 34 percent; and (3) SAW's shippers seek to substitute other crops for cotton when cotton production declines -- an example

is Southern Cotton Oil Company's plan to ship trainloads of gluten feed in lieu of some cotton-related traffic in 2006. (Tab 1 at 12-13).

Revenues for traffic transported by SAW in 2005 were indexed for the future by application of 50 percent of the change forecasted by Global Insight in the fourth quarter, year-over-year Railroad Cost Adjustment Factor-Unadjusted (RCAF-U). That is the basis for change in SAW's divisions of revenue that is specified in SAW's Line Sale Agreement with BNSF. Global Insight forecasts quarterly changes in the RCAF-U through 2008, and annual changes for years thereafter. Those forecasts were used in indexing revenues. (Tab 1 at 8-10).

There are two revenue sources that are required to be taken into account in determining the GCV of All-SAW in addition to the revenues from traffic that SAW actually transported in 2005. The first is haulage revenue on traffic for Jarvis Metals Company (Jarvis) at Burris, TX. BNSF physically serves Jarvis, but a Texas Court recently ruled that BNSF conveyed the track that serves Jarvis to SAW. BNSF has recently proposed to continue to physically serve Jarvis, but to pay \$75 per car on Jarvis traffic to SAW under a haulage arrangement. SAW has accepted that proposal. SAW soon will begin to receive \$75 per car on all traffic for Jarvis under the haulage arrangement. (Tab 3 at 2-3). It is evident that the Jarvis haulage revenues must be taken into account in determining the GCV of All-SAW because those revenues are an asset of SAW that contributes to SAW's prospective earning power. (Tab 3 at 3). SAW Witness Plaistow has calculated a GCV for All-SAW that includes those Jarvis haulage revenues with and without revenues from full application of SAW's authorized surcharges. (Tab 1, Ex. 50, 62).

The second revenue source is surcharge revenues, represented by SAW's authority to assess a surcharge of \$60 per car on shipments of less than 27 cars at a time, and \$40 per car on

shipments of 27 or more cars. SAW's revenues in 2005 reflect collection of a surcharge of \$20 per car on PYCO's traffic, which moves in shipments of less than 27 cars at a time. To date, SAW has elected not to assess the full authorized surcharge of \$60 per car on PYCO traffic, and has elected not to assess any surcharge on the traffic of its other shippers. Nevertheless, those additional surcharge revenues must be taken into account in determining the GCV of All-SAW because they are an asset of SAW that can be realized solely at SAW's discretion at any time. (Tab 3 at 3-4). SAW Witness Plaistow has calculated a GCV for All-SAW that includes those surcharge revenues, with and without inclusion of revenues from the Jarvis traffic. (Tab 1, Ex. 50, 56).

There is absolutely no legal or factual basis for a contention that application of SAW's authorized surcharges would divert rail traffic from SAW. It has already been determined in litigation that assessment of surcharges by SAW would not divert traffic. Pursuant to the Line Sale Agreement between BNSF and SAW, BNSF retained the right to make through freight rates to or from points on SAW and to consent or not to any surcharge sought to be assessed by SAW. However, the Agreement provides that BNSF's consent is not to be unreasonably withheld. (Tab 3 at 3).

BNSF withheld its consent to SAW's request to assess the surcharges at issue here on the ground that those surcharges would cause traffic to be diverted. A jury in a Texas Court found that BNSF unreasonably withheld that consent, thus finding in effect that the surcharges would not cause traffic diversion. The Court entered judgment in accordance with the jury's verdict. (Tab 3 at 3-4).

BNSF then provided its written consent to assessment of SAW's surcharges, but at the same time appealed the judgment on the ground that the evidence conclusively established that its refusal to consent was reasonable because assessment of the surcharge would have diverted rail traffic. The Court of Appeals denied BNSF's appeal, finding that the evidence was legally and factually sufficient to support the jury's finding. (Tab 3 at 4; Appdx. DW-4, DW-5).

According to the jury's verdict and the Court of Appeals decision, therefore, it has been determined as a matter of fact and law that assessment of SAW's surcharges would not divert rail traffic from BNSF and SAW.

Assessment of SAW's surcharge would not cause traffic diversion for the additional reason that such traffic is captive to BNSF, and thus is not susceptible to diversion to truck transportation. PYCO would be estopped to contend otherwise as to its traffic and other cotton-related traffic, having argued strenuously throughout proceedings regarding alternative rail service that its shipments are rail-dependent, such that they cannot be transported by truck. Transportation of aggregates, the other major commodity transported by SAW, is also rail-dependent because gravel pits located within the range of economical truck transportation do not produce the quality of aggregates required by the local market. (Tab 4 at 5).

SAW's surcharge would not divert traffic for the added reasons that it would be a very small portion of total freight charges. The \$60-per-car surcharge would increase the average BNSF freight charge for consumer products by only 5 percent (the \$40-per-car surcharge would increase that charge by only 3.5 percent). Much greater increases by BNSF in total freight charges resulting from fuel surcharges and freight rate increases have not resulted in diversion of BNSF-SAW traffic. On the contrary, BNSF-SAW traffic has increased dramatically while

absorbing those increases. It is reasonable to conclude, therefore, that the much more modest increase in freight charges that would result from SAW's surcharge would not divert BNSF-SAW rail traffic. (Tab 4 at 5).

SAW's expenses were forecast based on publicly-available projected changes in the RCAF-U index. That is a common method of forecasting future expenses in the railroad industry. (Tab 1 at 8-10). There would be minimal increased expenses associated with haulage revenues on Jarvis' traffic and with application of SAW's authorized surcharges. (*Id.*).

In summary, SAW's traffic was projected on the basis of forecasted cotton production for agricultural commodities and on the basis of projected railroad ton-miles for non-agricultural traffic. SAW's revenues were projected on the basis of one-half of forecasted increases in the RCAF-U. SAW's expenses were projected on the basis of 100 percent of forecasted increases in the RCAF-U. All of those projections are conservative, reasonable and accurate.

E. The NLV Of All-SAW Is \$6 Million

SAW received an unqualified offer from Pioneer Railcorp to purchase All-SAW for \$6 Million. That was an arm's-length offer that was submitted in good faith. There is no affiliation of any kind between Pioneer and SAW. That offer was not solicited by SAW. Pioneer's representative initially contacted SAW's representative to inquire whether SAW would consider sale of its rail lines. The Pioneer offer is conditioned solely on standard due diligence and regulatory approval. (Tab 3 at 1, Appdx. DW-1).

SAW also received a purchase offer from US Rail Partners, Ltd. at \$6 Million. That, too, was an arm's-length offer made in good faith. There is no affiliation of any kind between US Rail Partners and SAW. (Tab 3 at 1-2; Appdx. DW-2 and DW-3).

Those offers establish that SAW would have received \$6 Million as the purchase price for its rail lines in a voluntary purchase outside of this feeder line proceeding. Under established agency precedent, SAW is entitled to receive at least that amount as the purchase price in a forced sale under the feeder line statute. *See* cases cited at pages 4 and 5 hereof.

The unqualified offer of Pioneer Railcorp to purchase All-SAW for \$6 Million provides the best evidence of the NLV of All-SAW. (*See* the cases cited at pages 4 and 5 hereof, *supra*). As the Board's predecessor said in the *Portland Traction* case, *supra*, 1990 ICC LEXIS 16 at *22:

... (I)n *Georgetown Branch*, *supra*, we found that despite deficiencies in the railroad's evidence, previous offers from the local government and the United States Park Service persuasively supported the carrier's NLV of the line ...

Consequently, The Board should find that the NLV of All-SAW is \$6 Million.

F. The Board Should Find That The CMV Of All-SAW Is Its GCV Of \$8,537,903, But In No Event Less Than Its NLV Of \$6 Million

In accordance with established principles of business valuation applied by SAW Witness Plaistow, the Board should find that the CMV of All-SAW is SAW's GCV of \$8,537,903. It is appropriate to value All-SAW at GCV because all parties acknowledge that All-SAW is being operated profitably. That GCV was appropriately determined on the basis of the present value of SAW's future earnings. The authorities on business valuation agree that that manner of valuation is appropriate because GCV is based on the prospective earning power of a business, not on its realized historical earnings. That GCV appropriately includes all elements of SAW's prospective earning power, i.e., its net revenues from transportation in 2005; the revenues that it can earn at any time by assessing surcharges to which BNSF has consented; and the revenues that

BNSF has agreed to pay for hauling traffic for Jarvis. Omission of any element of that earning power would erroneously undervalue SAW's GCV because it would fail to take into account all of SAW's revenue-producing assets. There is no legal or evidentiary basis for reducing that GCV for the cost of rail replacement or track rehabilitation. There is compelling evidence that SAW's surcharges would not cause traffic diversion.

In no event can the CMV of All-SAW be determined to be less than \$6 Million, even if the revenue effect of SAW's surcharges were to be erroneously omitted in the determination of GCV, or SAW's GCV were to be erroneously determined to be less than \$6 Million for any other reason. The NLV of All-SAW has been shown to be \$6 Million based on an unqualified offer to purchase SAW in that amount, which constitutes the best evidence of NLV under settled agency precedent. The CMV of All-SAW would be \$6 Million as the higher of GCV or NLV under 49 U.S.C. § 10907(b)(2) in the event that the GCV of All-SAW were to be erroneously determined to be less than \$6 Million. (*See* note 3, *supra*).

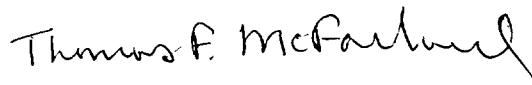
CONCLUSION AND REQUESTED RELIEF

WHEREFORE, for the reasons stated, the Board should find that the CMV of All-SAW is its GCV of \$8,537,903, but in no event less than its NLV of \$6 Million.

Respectfully submitted,

SOUTH PLAINS SWITCHING, LTD. CO.
P.O. Box 64299
Lubbock, TX 79464-4299

Respondent

A handwritten signature in black ink, reading "Thomas F. McFarland". The signature is written in a cursive style with a large, sweeping "M" and "F".

THOMAS F. McFARLAND
THOMAS F. McFARLAND, P.C.
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Attorney for Respondent

DATE FILED: September 18, 2006

**VERIFIED STATEMENT OF
JOSEPH J. PLAISTOW**

I. INTRODUCTION

My name is Joseph J. Plaistow. I am the same Joseph J. Plaistow that filed a verified statement concerning going concern value ("GCV") on August 2, 2006 in STB Finance Docket No. 34890 ("Alternative Two Proceeding"). I am an economist and a Vice President of the economic consulting firm of L. E. Peabody & Associates, Inc. The Firm's offices are located at 1501 Duke Street, Suite 200, Alexandria, Virginia 22314. My qualifications and experience were attached to my August 2, 2006 verified statement in the Alternative Two Proceeding. For convenience of reference, I have attached a copy of that Exhibit No. 1.

a. **Background of Proceeding**

The Alternative Two Proceeding involved the PYCO Industries, Inc. ("PYCO") feeder line application ("FLA") to acquire the portion of South Plains Switching Ltd., Co. ("SAW") permitting PYCO through its selected short line operator West Texas and Lubbock Railway Company ("WTLC") to provide service to a limited group of customers, that is, PYCO, Attebury Grain ("Attebury") and Farmers Compress ("Compress").

The "All-SAW Option", involving PYCO's attempt to purchase the entirety of All-SAW's rail lines serving every All-SAW customer, is the subject of the instant verified statement regarding All-SAW's GCV. While the All-SAW Option is the focus of this statement, its foundation is the documents underlying the GCV analysis I submitted in the Alternative Two Proceeding. Because many of the All-SAW Option spreadsheets derive

from the Alternative Two spreadsheets, I am submitting slightly revised versions of the Alternative Two spreadsheets.¹

b. The Assignment

I have been asked by SAW and South Plains Lamesa Railroad, Ltd. (collectively, these two companies will be referred to herein as SAW²) to reply to the Verified Statements of Charles H. Banks (hereinafter "Banks") testifying on behalf of PYCO regarding his determination of the GCV of the rail lines that PYCO seeks to acquire from SAW through the feeder line provisions of the Interstate Commerce Commission Termination Act ("ICCTA"). Mr. Banks filed verified statements on May 3, 2006 in STB Finance Docket

¹ Exhibit Nos. 2 through 31 from the Alternative Two Proceeding are being resubmitted as revised exhibits for ease of understanding the All-SAW Option Exhibits. Please note that in examining this re-submission, we uncovered two minor data entry errors which slightly altered the estimated Alternative Two GCVs. We also have been informed that some rock movements (626 carloads in 2005) moved from Slaton, TX, not Lubbock, TX. The revenues and carloads associated with these rock movements were never included in the Alternative Two revenues. The expenses associated with these movements have now been eliminated. *See infra*. Alternative Two revenues have now also been made more conservative by adopting the USDA's National Agricultural Statistics Service and USDA Baseline Projections of February 2006, Table 15 to project carloads of agricultural commodities traffic and revenues into the future. *See* the Traffic and Revenue Data discussion of revenue projections, *infra*, for an explanation of the conservative nature of my revenue projections. After making these changes for the Alternative Two Full Surcharge scenario, the GCV decreased from \$8,053,614 to \$6,306,121. For the Alternative Two \$20 PYCO Surcharge scenario, the GCV decreased from \$5,463,649 to \$4,522,784.

² Both of these companies are owned by Larry and Delilah Wisener, and are operated as partnerships. Virtually all the assets and cash flows of the combined SAW/SLAL (with the exception of the rock movements referenced in the immediately preceding footnote) flow through the books of SLAL. The only cash flows that appear on SAW's books are those related to the operations at Slaton, TX, approximately 15 miles from SAW's operations in Lubbock, TX. The track between Lubbock and Slaton, TX is owned and operated by BNSF Railway, SAW's only connection. None of the operations or cash flows at Slaton, TX are relevant to this proceeding or to the cash flows in and around Lubbock, TX. SLAL's federal income tax return and SLAL's Texas Franchise Tax Public Information Report are the source financial documents upon which I relied to calculate the GCV's herein.

No. 34844 - PYCO Industries, Inc., et al. - Feeder Line Application - Lines of South Plains Switching, Ltd. Co. and on August 11, 2006 in STB Finance Docket No. 34890 - PYCO Industries, Inc., et al. - Feeder Line Application - Lines of South Plains Switching, Ltd. Co.

I have also been asked by SAW to reply to the GCV portions of the filings of the Keokuk Junction Railway Co. ("KJRY") and, in particular, to the Verified Statements of J. Michael Carr - President, CEO and Chief Financial Officer of Pioneer Railcorp ("Pioneer"), KJRY's parent company. KJRY filed its statements on August 4, 2006 in STB Finance Docket No. 34890 and on August 16, 2006 in STB Finance Docket Nos. 34890 and 34922.

The feeder line procedures require the STB to determine the constitutional minimum value of a line to the seller of that line, not to the buyer.³ The constitutional minimum is defined as "not less than the net liquidation value ["NLV"] of such line or the going concern value of such line, whichever is greater" (49 U.S.C. 10907 (b)(2)).

While regulatory requirements must consider both the NLV and the GCV, the realities of the business world call for determining All-SAW's value based on its GCV. This is because each of the parties to this proceeding (SAW, PYCO, and KJRY) have explicitly stated their intentions to operate All-SAW as a going concern. None of the parties intend

³ 4 S.T.B. 326, 340 (Caddo Antoine and Little Missouri Railroad Company - Feeder Line Acquisition - Arkansas Midland Railroad Company Line Between Gurdon and Birds Mill, AR—hereinafter "Caddo") states, "GCV is defined as what a line is worth as an operating business, not its break-up value. ETC's projections may or may not prove correct, but in any case, the relevant GCV here is what the line is worth to AMR [the seller] as a going concern not its projected value to an acquiring company [the buyer]. *United States v. Miller*, 317 U.S. 369, 375 (1942)."

to liquidate All-SAW because it is a profitable short line railroad handling more than 14,000 carloads in 2005 and producing earnings before taxes and depreciation of more than \$500,000. Under these circumstances the business value of All-SAW to SAW, PYCO, or KJRY is the present value of the future cash flows that All-SAW will generate. NLV is not part of the business decision of any of the prospective owners.

I have determined the GCV of All-SAW to SAW, the seller of the feeder line. My GCV is based on SAW's actual financial performance while operating All-SAW and uses SAW's actual, accurate financial statements recording the revenues realized and expenses incurred by SAW providing service to its shippers.

Similarly, the GCV's submitted in my August 2, 2006 verified statement were also grounded in the actual financial performance of SAW providing service to the portion of All-SAW required to serve PYCO, Attebury and Compress. For clarity and to distinguish it from All-SAW, I gave SAW serving PYCO, Attebury and Compress (that is, the customers that were the subject of the Alternative Two proceeding) the name NEW. None of my GCV's have been based on the financial performance of a hypothetical carrier providing service.

I refer to PYCO as the buyer regarding STB Finance Docket No. 34890 and to KJRY as the buyer regarding STB Finance Docket No. 34922.

To determine All-SAW's GCV, I relied upon SAW's federal income tax returns and Texas Franchise Tax Public Information Reports filed by SAW in the normal course of business.

c. The Going Concern Value Concept

As the Board said in *Caddo*, “GCV is defined as what a line is worth as an operating business....the relevant GCV here is what the line is worth to [the seller] as a going concern not its projected value to an acquiring company [the buyer].” 4 S.T.B. 326, 340.

“*Fair Market Value* is defined by the ASA [American Society of Appraisers] as “the amount at which property would change hands between a willing seller and a willing buyer when neither is acting under compulsion and when both have reasonable knowledge of the relevant facts.”⁴ This definition comports to that found in the Internal Revenue Code and Revenue Ruling 59-60.”⁵ The “concept of fair market value means the price at which a transaction could be expected to take place under *conditions existing at the valuation date*.” (Emphasis in original)⁶

The premise of value being used herein is “[v]alue as a going concern __ Value in continued use, as a mass assemblage of income producing assets, and as a going-concern business enterprise.”⁷ Both PYCO and KJRY have made it clear that they want to buy All-SAW and to operate it as a going concern. Neither has expressed any desire to buy All-SAW and then to liquidate its assets, that is, the premise of value is not liquidation. This

⁴ American Society of Appraisers, Business Valuation Standards - Definitions

⁵ Valuing a Business, The Analysis and Appraisal of Closely Held Companies, Shannon P. Pratt, Robert F. Reilly, and Robert P. Schweih, Fourth Edition, Copyright 2000, pp. 28-29.

⁶ Ibid, page 29.

⁷ Ibid, page 33.

“selection of the appropriate premise of value is an important step in defining the appraisal assignment.”⁸

Another issue that must be addressed when determining the GCV of a business is the relevance of “realized earnings” or of “prospective earnings”. The following addresses this issue:

“The truth is that, when earnings have once been “realized,” so that they can be expressed with some approach to accuracy in the company’s accounts, they are already water under the mill and have no direct bearing on what the property in question is now worth. Value, under any plausible theory of capitalized earning power, is necessarily forward looking. It is an expression of the advantage that an owner of the property may expect to secure from the ownership in the future. The past earnings are therefore beside the point, save as a possible index of future earnings.”⁹ (Emphasis in original)

In other words, to value All-SAW as a going concern, prospective, not historical, earnings are relevant. Further, under the circumstances herein, GCV is the relevant concept for both PYCO and KJRY to take into consideration. The GCV of All-SAW is the value that PYCO and KJRY should be willing to pay for All-SAW because GCV expresses the value of acquiring the earning power of All-SAW.

Under these circumstances, it makes no sense for PYCO to claim that it really believes that All-SAW’s GCV is negative \$4,338,560 (or negative \$1,936,312) (see Banks, Table 9, page 17) and then to claim that the Board should set All-SAW’s price at the NLV of \$2,059,800 which PYCO would be willing to pay. (See PYCO’s August 11, 2006 argument, page 2.) PYCO plans to operate All-SAW as a going concern, not to liquidate All-SAW.

⁸ Ibid, page 33.

⁹ Ibid, pp. 42 and 43 quoting James C. Bonbright, Valuation of Property, pp. 249-50.

Why would PYCO pay \$2,059,800 for a property that it intends to operate when it believes the property has a GCV of between negative \$1,936,312 and negative \$4,338,560? The answer is that PYCO would not pay \$2,059,800 for a property that is worth less than \$0. The fact that PYCO is willing to pay \$2,059,800 proves that even PYCO does not believe Banks' GCV estimate.

KJRY views PYCO's absurd and contradictory value claims as PYCO "trying to "low-ball" SAW's worth and basically steal SAW's assets through the regulatory process by paying an artificially low value." (See KJRY's August 16, 2006 filing in STB Finance Docket Nos. 34890 and 34922, page 11.)

GCV measures the compensation that SAW should receive for the involuntary taking of property that SAW currently owns. Any amount less than that would constitute the taking of private property without due process of law.

The remainder of this verified statement is organized under the following topical headings:

II. Summary and Findings

III. Critique of Banks/Carr

IV. Historical Financial Performance

V. Going Concern Value

VI. Conclusion

II. SUMMARY AND FINDINGS

First, I listed the many shortcomings of the testimony of Mr Banks and Mr. Carr including the fact that both verified statements are irrelevant since they did not determine the GCV to the seller of All-SAW and NEW.

Second, I determined the MOW expenses incurred by SAW over the period 2000 - 2005 and demonstrated that SAW's actual MOW expenses exceed the amounts that Mr. Banks and Mr. Carr claim are required. SAW's historical MOW expenses also exceed the benchmarks used by the Board and the Interstate Commerce Commission to evaluate the adequacy of MOW expenses.

Third, I determined the historical financial performance of All-SAW using SAW's actual financial statements developed in the normal course of business. I converted these statements to profit and loss statements. (See Revised Exhibits No.36 through 43). I find that in 2005, All-SAW produced \$503,555 Earnings Before Taxes and Depreciation. (See Exhibit No. 36)

Fourth, I determined the future cash flows of All-SAW (see my Exhibit Nos. 50, 565, 62, and 68) by projecting All-SAW's cash flows over the 10 years from 2006 through 2015 starting with the base historical cash flows in 2005 which, in turn, are based on the historical profit and loss statements developed in Exhibit Nos. 36 through 43. I also reflect the impact on cash flows of All-SAW's terminal value which is based on the cash flows in all the years succeeding 2015. In projecting 2005 cash flows into 2006-2015, I forecasted All-SAW's revenue based on SAW's current revenue adjustment formula with BNSF, that is, based on

50% of the change in the RCAF-U. I forecasted All-SAW's expenses based on the change in the RCAF-A index; I forecasted the change in carloads of agricultural commodities based on the Upland Cotton Production Index; and I forecasted the change in carloads of non-agricultural commodities based on the change in railroad industry ton-miles.

Fifth, I determined the All-SAW GCV's under 4 scenarios:

- 1) a Full Surcharge Scenario in which all surcharges currently authorized were charged to all current customers and BNSF paid All-SAW a haulage fee of \$75 per carload for every carload handled by BNSF for Jarvis Metals at Burris, TX;
- 2) a Full Surcharge Scenario in which all surcharges currently authorized were charged to all current customers (not including the Burris traffic);
- 3) a \$20 PYCO Surcharge Scenario in which only the \$20 surcharge on PYCO traffic was applied (and that surcharge was applied in the latter part of 2005 and in succeeding years) and BNSF paid All-SAW a haulage fee of \$75 per carload for every carload handled by BNSF for Jarvis Metals at Burris, TX; and
- 4) a \$20 PYCO Surcharge Scenario in which only the \$20 surcharge on PYCO traffic was applied, and that surcharge was applied in the latter part of 2005 and in succeeding years. No Jarvis Metals at Burris traffic is included.

I find that the GCV's of the 4 scenarios are as follows:

1. The GCV of All-SAW under the Full Surcharge Scenario including the Burris traffic is \$8,537,903. (See Exhibit No. 50.)
2. The GCV of All-SAW under the Full Surcharge Scenario excluding the Burris traffic is \$8,161,052. (See Exhibit No. 56.)
3. The GCV of All-SAW under the \$20 PYCO Surcharge Scenario including the Burris traffic is \$4,336,926. (See Exhibit No. 62.)
4. The GCV of All-SAW under the \$20 PYCO Surcharge Scenario excluding the Burris traffic is \$3,958,547. (See Exhibit No. 68.)

I have also submitted Revised Exhibit Nos. 2 through 31 reflecting adjustments for the rock movements and the more conservative carload indexing procedure, *see supra*. I find that the GCV's of the 2 Alternative Two scenarios submitted August 2, 2006 are as follows:

1. The GCV of NEW under the revised Full Surcharge Scenario is \$6,306,121. (See Revised Exhibit No. 20.)
2. The GCV of NEW under the revised \$20 PYCO Surcharge Scenario is \$4,522,784. (See Revised Exhibit No. 26.)

These are the amounts that SAW should be compensated under each scenario if it is forced by the Board to sell All-SAW or NEW to PYCO or KJRY under the feeder line statutes.

III. CRITIQUE OF BANKS/CARR

c. Critique of Banks'/Carr's Points in Common

Banks' August 11, 2006 statement at page 5 states that he "...estimated the GCV of an efficient and economical short line railroad freight enterprise providing switching services..." Actually, Banks determined the value of a hypothetical stand-alone company whose short line operator is WTLC. He did not determine the value of All-SAW to SAW, the seller, operated by SAW, the short line railroad. The fact that Banks determined the value of All-SAW to PYCO, the buyer, not to SAW, the seller, renders the Banks analysis of GCV irrelevant to this proceeding. KJRY's GCV estimate is also irrelevant to this proceeding for the same reason.

KJRY endorses the Banks' GCV and, thus, adopts the concept of determining the value of All-SAW to the buyer. The fact that KJRY then properly modifies the Banks' GCV to eliminate much of the rehabilitation and maintenance of way ("MOW") costs included by Banks does not render KJRY's GCV analysis as relevant.

Banks and KJRY are wrong because:

- i. PYCO and KJRY assume that GCV should be calculated assuming WTLC provided the service. They should have calculated GCV assuming SAW, the seller, provided the service;
- ii. PYCO and KJRY use the Surface Transportation Board's ("STB's") Uniform Railroad Costing System ("URCS") formula to determine the relevant cost related cash flows of All-SAW, but URCS is not appropriate for determining the costs of a company such as All-SAW; it is relevant only for determining the costs of transportation services provided, usually traffic movements;
- iii. PYCO and KJRY determine "an estimated total variable cost..." (see Banks, May 3, 2006, p. 13) of providing WTLC's operations to the customers, and "exclude the

variable depreciation, rent and lease costs and return on investment costs that are typically included in URCS computations and fixed costs that SAW might incur." (See Banks, May 3, 2006, p. 13);

- iv. PYCO's and KJRY's cash flows are based upon the hypothetical operations of WTLC (see Banks' May 3, 2006 Prospective Rail Service Plant, pp. 8 and 9) , not the actual operations of SAW, the seller, as is appropriate; and
- v. PYCO and KJRY calculate only the cash flows associated with WTLC operations for 2006 and assume that capitalizing those cash flows at a rate of 14.1% yields a valid GCV, instead of projecting All-SAW's cash flows over perpetuity and then taking the present value of each year's cash flows to determine All-SAW's GCV.
- vi. Banks' procedure makes the unwarranted assumption that carloads will continue at the 2005 and 2006 rates in perpetuity.

SAW traffic is down by a minor amount so far in 2006 (see Exhibit No. 32), but most of that decrease is due to the loss of the PYCO traffic which, I understand, is ahead of last year even without PYCO's third quarter, traditionally its strongest quarter. Comparing the first six months of 2006 with the first six months of 2005 shows that SAW carloads exclusive of PYCO traffic have decreased less than 1% to 3,731 carloads from 3,756 carloads. I believe that if SAW were still handling the PYCO traffic, SAW's carloadings for 2006 would be ahead of those for 2005. Nevertheless, the argument that SAW carloadings are affected by agricultural crop production is appealing¹⁰, so my new projections reflect this.

While PYCO and KJRY assume constant carloadings, my August 2, 2006 statement assumed carloadings increasing with the projected growth in rail ton-miles. The instant statement applies the growth rate of rail ton-miles only to the non-agricultural traffic

¹⁰ See KJRY's August 4, 2006 filing, pages 35 and 36.

(approximately one-third of total SAW traffic), but for agricultural traffic (approximately two-thirds of total SAW traffic) replaces the growth in rail ton-miles projection index with the projected change in cotton production. I was unable to find projections for Texas cotton production, but the upland cotton production index of the National Agricultural Statistics Service, USDA and USDA Baseline Projections, February 2006, Table 15 ("Upland Cotton Production Index") projects that cotton traffic will be down 9.4% in 2006 from 2005, and then gradually rise over the next ten years. However, even in 2015 U.S. cotton production is only predicted to be 92.4% of 2005 levels. (*See* Exhibit No. 33) This 9.4% decrease is far greater than the less than 1% decrease actually being experienced by SAW (on non-PYCO traffic) or the increase that SAW would have been realizing had SAW retained the PYCO traffic. However, to be conservative, I have used this baseline to project All-SAW agricultural carloadings.

My new index understates actual All-SAW carloadings for at least three additional reasons: 1) SAW's actual growth rate during the period 2000 - 2005 has greatly exceeded the growth rate indicated by the Upland Cotton Production Index. That is, SAW carloads have grown 137% (*see* Revised Exhibit No. 3) over that time period while the Upland Cotton Production Index has grown only 34% (*see* Exhibit No. 33); 2) SAW carloadings are not solely related to cotton production, and 3) SAW shippers substitute other crops for cotton when cotton productions are down.

In this proceeding, SAW's financial statements have been made available in my August 2, 2006 verified statement and in the instant statement. In the business world, financial

statements such as these are routinely used to develop the GCV's of acquisition candidates. Whenever such financial statements are available, there is no need to manufacture financial statements by relying on URCS. SAW's actual, accurate financial statements reflect real-world operations and expenses and provide far more credible evidence of SAW's financial status and income generating capability.

At page 11, KJRY criticizes the method I used to calculate GCV. KJRY characterizes my method as "discounting [the] value of hypothetical future earnings". Evidently KJRY does not realize that it too discounted the "value of hypothetical future earnings". The difference between KJRY's and my GCV is the earnings stream discounted. We both discounted a "hypothetical future earnings" stream using a discount rate determined during the STB's most recent cost of capital proceeding. The earnings stream that KJRY discounted was future earnings based solely upon its base year, presumably 2006. KJRY assumed that every year thereafter, All-SAW's earnings would be identical to its base year earnings. The earnings stream that I discounted was based on my detailed projections of All-SAW's future earnings drawing upon all currently available information related to those earnings. KJRY ignored this information.

To determine GCV, Banks and Carr relied upon the capitalization of earnings method – a valid method, but it is overly simplistic and not justified in this instance. Capitalization is the conversion of a "schedule of income into a principal amount, called *capitalized value*,

by dividing by a rate of interest."¹¹ The trouble with the capitalization of earnings method is that it assumes that the future earnings that you are capitalizing will continue unchanged in perpetuity. One look at SAW's historical earnings (*see* Exhibit No. 36) shows that assuming flat earnings is a bad assumption. SAW's Earnings Before Taxes and Depreciation have increased from \$74,417 to \$503,555 (that is, by \$429,138) between 2000 and 2005, an increase of 577%!!! While it would be overly optimistic to assume that SAW could sustain that growth rate, it would be overly pessimistic to assume, as Banks and Carr have done, that SAW's earnings would stay constant.

b Additional Critique of Banks GCV

Banks' August 11 Supplemental Verified Statement makes no specific criticism of my GCV determination procedure. Banks does not rebut my showing regarding the adverse financial effects that would be suffered by SAW as a result of the NEW FLA (*see* my August 2, 2006 statement, pages 20-24). In fact, Banks does not even rebut the necessity to determine GCV to the seller, not to the buyer.

c. Additional Critique of Carr's GCV

Similarly, KJRY only makes a feeble, undocumented, and unsupportable attempt to rebut my GCV determination. At page 22, KJRY states, "...that the shedding of more than half of the number of carloads handled is likely to lead to a proportionate reduction in costs." I provided a detailed, documented explanation of the relationship between carload volume

¹¹ Dictionary of Finance and Investment Terms, Barrons Financial Guides, copyright 1991, page 59.

and costs (*see* my August 2, 2006 statement at pages 12-20). KJRY supplies no basis for its false claim and does not rebut any of my documented explanations. In fact, KJRY's claim contradicts its own statement that I cite, *infra*, regarding operating economies.

KJRY then goes on to state, "Also, it is unclear whether Mr. Plaistow treated SAW's surcharges or potential surcharges in the same manner when he assessed the supposed impact of the application on SAW as he did in calculating his asserted GCV of the Lines." On the contrary, my Exhibit No. 17 made it clear that the adverse effect of the NEW FLA on SAW was based on actual 2005 SAW operations which include actual surcharges applied in 2005. Each of my GCV scenarios also clearly states what surcharges are being applied.

Much of what KJRY and its Witness Carr state regarding GCV are contradictory and difficult to understand. At pages 34 and 35 of his August 4, 2006 verified statement, KJRY's witness Carr states that Mr. Plaistow based his GCV of NEW "on the hypothetical results of a stand alone carrier, which he calls "NEW," operating the lines." Mr. Carr did not understand that NEW is a portion of SAW and not a "stand-alone carrier" producing "hypothetical results". Mr. Carr also did not understand that he should have determined the GCV of All-SAW and NEW to the seller, not to the buyer as he and Mr. Banks have done.

At page 10 of its August 4 statement, KJRY states, "It is the line's worth to the seller, not its projected value to the buyer, which is determinative. [*Caddo*], citing United States v. Miller, 317 U.S. 369, 375, (1942)." Then KJRY proceeds to determine the value to the buyer, not to the seller. KJRY adopts a modified version of the Banks GCV estimate (I

showed that Banks determined the GCV to the buyer, not the seller) when at page 10 KJRY states, "Therefore, based on adjustments to Mr. Banks' GCV estimate, Mr. Carr concludes that the GCV of the Lines is \$935,044.74"

At page 10, KJRY was estimating the value of NEW. In my August 2, 2006 filing, I showed that the value of NEW is greater than the value of the limited remaining customers, that is, NEW may be more valuable than All-SAW without NEW because NEW is incremental to SAW and requires very little additional resources and expenses to handle the NEW traffic over what is required to handle the other SAW shippers' traffic. At page 17 of its August 4 filing, KJRY indicates that it agrees with this concept when it states,

"KJRY believes that there are significant operating economies available if all of SAW's customers - not just PYCO, Attebury Grain, and Farmers' Cooperative Compress - are served by the same carrier. Those economies include at least operating efficiencies and elimination of duplicative management functions."

KJRY cannot seriously believe that the value of NEW is only \$935,044.74 when it has already offered SAW \$6,000,000 for All-SAW (*see infra*) and the value of NEW is greater than the value of All-SAW without NEW.

Other portions of KJRY's testimony indicate that it just doesn't understand the Going Concern Value concept. At page 11, KJRY states, "Moreover, Mr. Plaistow's method of calculating GCV - discounted value of hypothetical future earnings - is contrary to the Board's methodology evidenced in *Caddo*, described above." I was the witness in *Caddo*, and the Board basically adopted my evidence in its ruling. The circumstances of *Caddo* were very different than they are herein. My *Caddo* evidence was submitted in 1997 and

1998, and it was based on financials from 1994, the latest year available. In *Caddo* I used a GCV evaluation procedure that was driven by the availability of information, and the Board adopted it. KJRY and Witness Carr misinterpret the *Caddo* ruling to mean that the GCV procedure used in *Caddo* is the only appropriate GCV procedure. KJRY and Witness Carr are wrong.

The Board's regulations call for GCV to be determined, but they rightly do not specify that only one GCV determination procedure must be used. In the instant proceeding, one of the sources I used in the selection of the GCV procedure is Valuing a Business, The Analysis and Appraisal of Closely Held Companies, Shannon P. Pratt, Robert F. Reilly, and Robert P. Schweih, Fourth Edition, Copyright 2000.¹² That text is 924 pages long and most of it deals with determining GCV. Suffice it to say, there is no one right way to determine GCV, and the GCV procedure I selected for the instant proceeding is far superior to the one I used in *Caddo*. The greater availability of actual financial statements in the instant proceeding allowed me to use the superior GCV procedure herein.

One final point, KJRY Witness Carr claims no expertise with regard to URCS (*see Carr Verified Statement*, August 4, 20006 at pages 31 and 32), so it is difficult to understand why he blindly adopts Banks' use of URCS in the determination of the GCV. In and of itself, Carrs' adoption of Banks' URCS analysis invalidates KJRY's GCV determination.

d. Rehabilitation and MOW

¹² The GCV procedure that I have used herein was adopted by the United States District Court for the Northern District of Illinois Eastern Division in No. 02 C 2850, *Heartland Rail Corporation v Railroad Development Corporation*.

Banks errs by deducting from his GCV estimate, the cost of increased MOW and rehabilitation of All-SAW. As explained by SAW Witness Ed Landreth, these increased maintenance and rehabilitation costs should not have been deducted since SAW shows that Banks' increased expenditures are not required under the circumstances that apply in this feeder line application. Because the track and facilities that PYCO seeks to acquire are in satisfactory condition and have been providing good service to its shippers over the years, Banks should have determined the GCV of the fixed plant in its current, satisfactory condition since that is the plant that has been used to produce the cash flows of operations over the historical period (see Exhibit Nos. 36 through 43) and the cash flows of operations over the future years (see Exhibits Nos. 50, 56, 62, and 68).

With regard to MOW and rehabilitation costs, KJRY does not make this same mistake. Mr. Carr states "...a line comprised of 90# rail is capable of handling 286,000 pound cars under certain operating conditions."¹³ (See KJRY's August 4, 2006 filing, pages 12 and 13.) At page 34 of that same filing, Mr. Carr states, "My principal difference with Mr. Banks is that his estimates of rehabilitation expense, which was the main expense that led to his attributing a negative GCV to the Lines, are not reasonable or prudent, in my opinion."

At page 37, Mr. Carr states, "Likewise, Mr. Banks' projected track maintenance costs (annual and routine maintenance, but not his projected rehabilitation costs) are generally in line with figures with which I am familiar on some shortlines." The annual figures that both

¹³ SAW meets these "certain operating conditions" requirements by restricting its operations to 10 mph or less.

Mr. Carr and Mr. Banks use (*see* Carr, page 37, and Banks' May 3, 2006 statement, pages 37 and 38 for the Alternative Two scenario and pages 47 and 48 for the All-SAW scenario) are \$95,838 (that is, \$53,760 routine maintenance plus \$42,078 program maintenance) for the Alternative Two scenario and \$200,223 (that is, \$89,600 routine maintenance plus \$110,623 program maintenance) for the All-SAW scenario.¹⁴

SAW Exhibit No. 34, Calculation of SAW Maintenance of Way per Track Mile, shows that SAW MOW expenditures in 2005 were \$409,103, more than double the sum of routine and program maintenance that both Mr. Carr and Mr. Banks employ in their GCV calculations. Furthermore, the average MOW expense over the previous 5 years has been \$215,015 which is also greater than Mr. Carr's and Mr. Banks' MOW estimates, and SAW incurred those expenditures when traffic levels were significantly lower than they were in 2005 and 2006.

Further, SAW's MOW is reasonable when compared with normalized maintenance costs from abandonment proceedings ruled upon by the Board. For example, Docket No. AB-167 - Abandonment - Between Warsaw and Valparaiso, in Sosciusko, Marshall, Starke, La Porte and Porter Counties, IN, December 21, 1993, states:

"Overall, Conrail's normalized maintenance costs, approximately \$6,500 per track-mile, appear to be reasonable compared to other recent abandonments. *See, e.g.,* Docket No. AB-117 (Sub-No. 6), Elgin, Joliet and Eastern Railway Company - AB - Will County, IL..." at 3.

¹⁴ In Banks' August 11, 2006 Supplemental Verified Statement, he increases his estimate of the All-SAW scenario required track maintenance costs from \$200,223 to \$310,714 (*see* Banks' Table 8 and Davis' Tables 15 and 16). This increased amount is still less than the \$409,103 that SAW expended on MOW in 2005. SAW Witness Landreth explains why Davis and Banks are wrong.

SAW Exhibit No. 34 shows that SAW expended \$22,728 per track-mile in 2005 on MOW. That is more than 3 times the benchmark MOW amount from Docket No. AB-167 just cited. Further, in the five previous years 2000 - 2004, SAW's MOW averaged \$11,945 per track-mile, nearly double the abandonment benchmark of \$6,500 per track mile.

IV. HISTORICAL FINANCIAL PERFORMANCE

e. **Traffic and Revenue Data**

My August 2, 2006 verified statement described the procedures I used to determine traffic and revenue amounts. In that statement, traffic and revenue were calculated for NEW's three shippers PYCO, Attebury, and Compress and for All-SAW. The instant statement focuses on the All-SAW portion, but the description of the procedures used applies here also.

The instant statement adds revenue from Jarvis Metals at Burris, TX that was not included in my August 2, 2006 verified statement. Regarding this traffic, SAW Witness Delilah Wisener explains that BNSF has agreed to pay SAW \$75 per carload for every carload of Jarvis Metals traffic that BNSF handles. Ms. Wisener informed me that Jarvis Metals traffic in 2005 was 625 carloads (*see* Exhibit No. 35). SAW provides no transportation services at Burris (and is prevented from doing so because of BNSF labor agreements), so the only expenses that SAW incurs because of the Jarvis Metals at Burris traffic is increased taxes on profits.

In the instant verified statement, I have made an additional adjustment to remove revenues and expenses associated with traffic handled at Slaton, Texas. The following explains the derivation of this adjustment:

SAW performs interchange services at Slaton, Texas that are not a part of the cash flows relevant for either the Alternative Two or the All-SAW proceeding. However, this service is performed using SAW train crewmen and locomotives. Therefore, the

revenues received for performing this service and the cost associated with providing this service must be removed from the revenues and operating expenses developed for SAW.

The adjustment to the haulage revenues originally provided by SAW was calculated based on data provided by SAW. For each year between 2001 and 2005, SAW provided the revenue per car and the number of cars interchanged at Slaton. There were not any cars interchanged at Slaton during 2000.

The revenue calculated for the interchange traffic at Slaton in each year was subtracted from the haulage revenue amount provided by SAW for that particular year. The pro-forma operating results reported in Revised Exhibit Nos. 36 and 37 reflect the net haulage revenue excluding the operations at Slaton.

All-SAW's traffic and revenue amounts are reported in Exhibit No. 36.

f. Operating Expenses - All-SAW's Operations

My August 2, 2006 statement also described the procedures I used to determine operating expense amounts. In that statement, operating expenses were calculated for NEW's shippers and for All-SAW. The instant statement focuses on the All-SAW portion, which was based on All-SAW's actual operating expense data for the years 2000 through 2005 provided by SAW from its financial accounting records.

In the instant verified statement, I have made an additional adjustment to remove expenses associated with traffic handled at Slaton, TX. These adjustments are reflected in Exhibit Nos. 38 through 43. The following explains the derivation of these adjustments (*see* also Exhibit Nos. 44 and 45):

SAW operating expenses related to both locomotives and train crews were adjusted to exclude costs associated with providing interchange services at Slaton. Expenses associated with the SAW train crews and locomotives were apportioned to the interchange operation at Slaton based on a prorate of train employee hours and locomotive service hours, respectively. The SAW crews used to perform the interchanges at Slaton are based in Lubbock, Texas, while the locomotives involved in the interchange are stationed at Slaton. Each interchange requires that the crew make two trips between Lubbock and Slaton, one to forward the cars through interchange and a second to receive the cars back through interchange.

To facilitate the operating expense adjustments described below, SAW provided the following operating data: (1) the total train employee hours for each year, 2001 through 2005, (2) an estimate of the total time required for each interchange, (3) the one way travel time for the crew between Lubbock and Slaton, (4) the locomotive time per interchange operation, (5) the total number of interchanges occurring in each year, (6) the number of interchanges of trains with thirty or more cars, (7) details of two special interchanges, (8) the percentage of trains operated with three man and two man crews, and (9) the crew and equipment requirements for the different categories of interchanges.

1. Train Crew Expense Adjustment Procedure

The adjustment for crew related expenses was based on the ratio of the train employee hours consumed in the interchange operation to the total SAW train employee hours. The train employee hours at Slaton were developed using data provided by SAW.

SAW estimated four hours of crew time for one complete interchange, i.e., both trips to Slaton. The number of train employees used in the operation depends on the number of cars interchanged at one time. For interchanges of less than thirty cars, a single crew of three persons was dispatched to Slaton. If the interchange cut were thirty or more cars, two crews were dispatched. The total time for each crew remained at four hours. With the exception of the two special interchanges in 2003 of wind towers, the train employee hours were calculated as follows: (1) for interchanges of less than 30 cars, the number of interchanges was multiplied by four hours and the product was multiplied by three employees; (2) for interchanges of 30 cars or more, the number of interchanges was multiplied by four hours and the product was multiplied by six employees. In 2003, SAW had two interchanges of wind towers. For these interchanges SAW provided the number of hours per day worked, the number of train employees, and the number of days required to complete the operations. The train employee hours calculated for each type of interchange were summed for each year.

The total hours spent by SAW train employees in interchange service at Slaton were divided by the total SAW train employee hours provided by SAW to calculate the percentage of hours at Slaton.

2. Train Crew Expense Adjustment Application

The categories of operating expense that are effected by the service at Slaton are Employee Medical, Health Insurance, Payroll Taxes, and Payroll. Some of these categories of operating expense cover different numbers and types of employees.

Employee Medical expense only relates to train employees. Therefore, the ratio developed of train employee hours at Slaton to the SAW total train employee hours was applied to the expenses in this category to compute the adjustment amount.

Health Insurance expense covers ten SAW employees. The first step was to calculate the ratio of train employees to total employees covered by the expense. There were six train employees, so 60 percent of the expense are related to train employees. The ratio developed of train employee hours at Slaton to the SAW total train employee hours was applied to the percent of the expense applicable to train employees. For example, if 5 percent of the train employee hours were applicable to operations at Slaton, then 5 percent was multiplied by 60 percent to calculate an adjustment factor of 3 percent. The 3 percent would be applied to the total Health Insurance expense.

Payroll Taxes and Payroll expense cover eight employees. The same procedure described above for Health Insurance was applied for Payroll Taxes and Payroll, except that the six train employees constituted 75 percent of the employees covered by the expense.

3. Locomotive Expense Adjustment Procedure

The adjustment factor that was applied to locomotive expenses was developed by calculating the ratio of the locomotive hours incurred in completing the interchanges at Slaton to the SAW system total locomotive hours in each year, 2001 through 2005.

The SAW system locomotive hours were developed using the total train employee hours and the percentage of time three man crews and two man crews were used.

SAW provided information that they operate three man crews 80 percent of the time and two man crews 20 percent of the time. The total train employee hours were multiplied by the 80 percent and 20 percent factors to calculate the total employee hours in each crew category, i.e. 3 man and 2 man crews. The total train employee hours in three man crews was divided by three to determine the locomotive hours in which 3 man crews were used. The same procedure was applied to the total train employee hours associated with 2 man crews. The locomotive hours in each year were calculated by summing the locomotive hours for 3 man crews and 2 man crews for the SAW total system.

SAW provided the following information regarding the use of locomotives in interchange service at Slaton: (1) the locomotive used in the interchanges were stationed at Slaton; (2) the locomotives incur two hours for each complete interchange, excluding the wind towers movement in 2003; (3) interchanges of less than thirty cars used one locomotive; and (4) interchanges of more than thirty cars used two locomotives. As previously discussed, SAW provided the number of interchanges in each type. The locomotive hours for interchanges of less than 30 cars were calculated by multiplying the number of interchanges by 2 hours and multiplying this product by one locomotive. The locomotive hours for interchanges of more than 30 cars were calculated by multiplying the number of interchanges by 2 hours and multiplying this product by two locomotives. The locomotive hours incurred in providing the two interchanges of wind towers were based on data provided by SAW. SAW provided the number of hours per day the

operation required, the number of days required to complete the interchanges, and that two locomotives were running during the operation, even though only one was being used at any one time. The locomotive hours calculated for each category of interchange were summed in each year.

The total locomotive hours spent in providing the interchange service at Slaton was divided by the total SAW locomotive hours to calculate the percentage of locomotive expenses chargeable to the operations at Slaton. This procedure was completed for each year 2001 through 2005.

4. Locomotive Expense Adjustment Application

The categories of operating expense that were effected by the service at Slaton are Locomotive Oil, Non- Taxed Diesel Fuel, Operating Supplies, and Locomotive Repair and Maintenance. The percentage of the SAW's total locomotive hours incurred performing interchange operations at Slaton was applied to each of these expense categories in each year.

All-SAW's operating expenses are reported in Exhibits Nos. 36 through 43. These operating expenses were incurred by All-SAW during its provision of service to its customers.

V. GOING CONCERN VALUE

I estimated the GCV of the four All-SAW (and revised the 2 Alternative Two NEW GCV's) scenarios. The American Society of Business Appraisers defines GCV as "...the value of a business enterprise that is expected to continue to operate into the future." And, as stated in Business Valuation Methods "[t]he price...for the business will generally be related to the future earnings the business is expected to produce," where "[t]he best indicator of future business performance is its actual past history."¹⁵

As quoted *supra*, in The Going Concern Value Concept section, James C. Bonbright stated, "*Value, under any plausible theory of capitalized earning power, is necessarily forward looking. It is an expression of the advantage that an owner of the property may expect to secure from the ownership in the future.*" (Emphasis in original)¹⁶

During 2006, two private corporations evaluated the advantage that they could secure if they owned All-SAW and the cash flows that All-SAW would generate, that is, they made estimates of the GCV of All-SAW. Both of these corporations then offered SAW \$6,000,000. These offers came from KJRY, a subsidiary of Pioneer Railcorp, and from US Rail Partners, Ltd. ("USRP"). The details of these offers are covered in Witness Wisener's verified statement at pages 1 and 2 and in her Appendix DW-2 which is a copy of the verified statement of John K. Howell, President of USRP, submitted in STB Finance Docket Nos. 34844 and 34802 on May 26, 2006.

¹⁵ Business Valuation Methods, The American Institute of Certified Public Accountants, Inc. 1990, p. 17-6.

¹⁶ James C. Bonbright, Valuation of Property, pp. 249-50.

PYCO has used its unjustified FLA filing to interfere with the workings of the free enterprise system. This interference seriously hurt the chances of SAW to negotiate a fair sales price for All-SAW by throwing up roadblocks to the freely offered \$6,000,000 bids. Surely the framers of the FLA procedures had not intended such interference with free enterprise. The Board has also expressed its preference to minimize interference with free enterprise. In recent years the Board has professed its preference for reaching solutions through negotiations, not litigation. The Board now requires parties to some maximum rate proceedings to participate in mediation in an attempt to reach a settlement and to minimize litigation. And if mediation fails, the Board has instituted technical conferences between the opposing parties to settle by mutual agreement issues such as the magnitude of traffic and operating characteristics, the quantification of which otherwise often proves to be expensive and rancorous.

PYCO's meddling with free enterprise must not be rewarded.

Based upon my development of All-SAW's pro forma financial statements from SAW's actual past history, as well as forecasts of prices, volume, and costs using publicly available data sources, I conclude that All-SAW has the following GCV's under the four All-SAW scenarios:

1. A GCV of \$8,537,903 under the Full Surcharge Scenario including the Burris traffic. (See Exhibit No. 50.)
2. A GCV of \$8,161,052 under the Full Surcharge Scenario excluding the Burris traffic. (See Exhibit No. 56.)
3. A GCV of \$4,336,926 under the \$20 PYCO Surcharge Scenario including the Burris traffic. (See Exhibit No. 62.)

4. A GCV of \$3,958,547 under the \$20 PYCO Surcharge Scenario excluding the Burris traffic. (See Exhibit No. 68.)

As explained in my August 2, 2006 testimony, the Full Surcharge Scenarios assume that as of the beginning of 2006 and thereafter, the company charges all customers with blocks of 27+ cars a surcharge of \$40 per car and charges all customers without blocks of 27+ cars a surcharge of \$60 per car (*see* Exhibits Nos. 50 and 56). The \$20 PYCO Surcharge scenarios assume that the company charges neither the \$40 surcharge nor the \$60 surcharge, but only a \$20 surcharge that is applied to PYCO cars only.¹⁷ (*See* Exhibits Nos. 62 and 68).

a. Net Present Value of Cash Flows

My August 2, 2006 verified statement explained the procedures I used to determine the net present value of the future cash flows from each scenario (*see* page 25). Those same procedures were applied herein.

The overall going concern value was calculated by summing all of the discounted cash flows from 2006 to 2015, as well as the terminal value.

¹⁷ The \$20 PYCO surcharge was instituted to cover the additional costs associated with PYCO's excessive use of the SAW yard for storage of PYCO cars. This excessive storage of cars created untenable operating conditions in SAW's yard.

b. Forecasted Revenues

My August 2, 2006 verified statement explained the procedures I used to forecast revenues for each scenario (*see* page 25-26). Those same procedures were applied herein with exceptions explained in the Summary and Finding section at pages 8-10, *supra*.

Forecast carload volume indexes are detailed in Exhibit No. 51. Forecasted Total Revenues for the various scenarios for the year 2006 are detailed as follows:

1. Revenues of \$2,717,753 under the Full Surcharge Scenario including the Burris traffic. (See Exhibit No. 50.)
2. Revenues of \$2,669,188 under the Full Surcharge Scenario excluding the Burris traffic. (See Exhibit No. 56.)
3. Revenues of \$2,095,442 under the \$20 PYCO Surcharge Scenario including the Burris traffic. (See Exhibit No. 62.)
4. Revenues of \$2,046,877 under the \$20 PYCO Surcharge Scenario excluding the Burris traffic. (See Exhibit No. 68.)

c. Forecasted Operating Expenses

My August 2, 2006 verified statement explained the procedures I used to forecast operating expenses for each scenario (*see* page 26). Those same procedures were applied herein with the same exception as that detailed above regarding revenues. I now use the change in rail ton-miles to adjust non-agricultural carloads and the Upland Cotton Production Index to adjust agricultural carload volumes and operating expenses.

Forecasted Total Operating Expenses for the various scenarios for the year 2006 are detailed as follows:

1. Operating expenses of \$1,463,423 under the Full Surcharge Scenario including the Burris traffic. (See Exhibit No. 50.)

2. Operating expenses of \$1,461,287 under the Full Surcharge Scenario excluding the Burris traffic. (See Exhibit No. 56.)
3. Operating expenses of \$1,463,423 under the \$20 PYCO Surcharge Scenario including the Burris traffic. (See Exhibit No. 62.)
4. Operating expenses of \$1,461,287 under the \$20 PYCO Surcharge Scenario excluding the Burris traffic. (See Exhibit No. 68.)

d. Capital Expenditures and Depreciation

My August 2, 2006 verified statement explained the procedures I used to forecast capital expenditures for each scenario (*see* pages 27-28). Those same procedures were applied herein with the same exception as that detailed above regarding revenues. I now use the rail ton-mile increase for the non-agricultural carloads and the Upland Cotton Production Index for the agricultural carloads to adjust capital expenditures. Forecasted 2006 Capital Spending was \$57,610 for each of the various scenarios and is detailed as follows:

1. Capital expenditures under the Full Surcharge Scenario including the Burris traffic is shown at Exhibit No. 52.
2. Capital expenditures under the Full Surcharge Scenario excluding the Burris traffic is shown at Exhibit No. 58.
3. Capital expenditures under the \$20 PYCO Surcharge Scenario including the Burris traffic is shown at Exhibit No. 64.
4. Capital expenditures under the \$20 PYCO Surcharge Scenario excluding the Burris traffic is shown at Exhibit No. 70.

e. Changes to Net Working Capital

My August 2, 2006 verified statement explained the procedures I used to forecast Changes to Net Working Capital for each scenario (*see* page 29). Those same procedures were applied herein. Details of the changes in net working capital calculations can be found in Exhibit No. 54 for the Full Surcharge Scenario; Exhibit No. 60 for the Full Surcharge Scenario with the Burris traffic; Exhibit No. 66 for the \$20 PYCO Surcharge Scenario; and Exhibit No. 72 for the \$20 PYCO Surcharge Scenario with the Burris traffic.

f. Discount Rate

My August 2, 2006 verified statement explained my selection and application of the discount rate (*see* page 29). Those same procedures were applied herein.

g. No Increased Maintenance or Rehabilitation

My August 2, 2006 verified statement explained why it is not appropriate to increase maintenance expenses and rehabilitation over historical levels (*see* pages 29-31). That same explanation applies here. I used All-SAW's actual, historical MOW expenses from its financial statements produced in the ordinary course of business. My GCV's reflect those maintenance costs. It makes no sense to estimate MOW expenses as Witnesses Banks and Carr have done when actual MOW expenses have been adequate and are available.

In SAW's instant filing, SAW's witness Delilah Wisener explains why PYCO Witness Banks is wrong when he states that All-SAW's rail requires replacement in order to transport 286,000 pound (286K) gross weight on rail ("GWOR"). In addition, SAW Witness Landreth also explained why rail replacement to transport 286K cars is not necessary. Witness Landreth also describes his inspection of SAW's track and rebuts PYCO Witness Davis regarding specific instances of alleged track and track structure defects. Witness Landreth shows that historical MOW has been adequate to maintain All-SAW track in its current condition which, in turn, is adequate for the SAW's traffic circumstances. Witness Landreth also explains that the current condition of SAW's track qualifies that track as FRA Class I track when operated at 10 mph or less. SAW Witness Dennis Olmstead explains that upgrading SAW's track to handle 286K cars is not necessary from a marketing point of view and that the percentage of 286K traffic handled or to be handled by All-SAW is minute.

VI. CONCLUSION

The GCV's of All-SAW under the 4 scenarios are as follows:

1. The GCV of All-SAW under the Full Surcharge Scenario including the Burris traffic is \$8,537,903. (See Exhibit No. 50.)
2. The GCV of All-SAW under the Full Surcharge Scenario excluding the Burris traffic is \$8,161,052. (See Exhibit No. 56.)
3. The GCV of All-SAW under the \$20 PYCO Surcharge Scenario including the Burris traffic is \$4,336,926. (See Exhibit No. 62.)
4. The GCV of All-SAW under the \$20 PYCO Surcharge Scenario excluding the Burris traffic is \$3,958,547. (See Exhibit No. 68.)

These values are based on the actual accounting records of SAW and reflect SAW's intention in 2006 and after to apply a \$60 per car surcharge to all traffic except cars that are handled in blocks of 27 cars or more. For cars in blocks of 27 or more, SAW's intention is to apply a \$40 per car surcharge. These determinations of GCV do not reflect a downward adjustment for increased maintenance and rehabilitation costs because SAW has maintained its track and structures to an adequate standard.

Witnesses Banks and Carr estimates of GCV must be rejected as irrelevant because they did not determine the GCV of All-SAW to SAW, the seller. Banks and Carr determined the GCV of a hypothetical railroad that was operated by WTLC.

VERIFICATION

COMMONWEALTH OF VIRGINIA)
)
CITY OF ALEXANDRIA)

I, Joseph J. Plaistow, verify under penalty of perjury that I have read the foregoing Verified Statement of Joseph J. Plaistow, that I know the contents thereof, and that the same are true and correct. Further, I certify that I am qualified and authorized to file this statement.

Joseph & Pleasant

Joseph J. Plaistow

Sworn to and subscribed
before me this day of September 15, 2006.

Hanna K. Hall

Donna D. Davis
Notary Public for the State of Virginia

My Commission expires: March 31, 2007

LIST OF EXHIBITS*

<u>Exhibit No.</u> (1)	<u>Exhibit Description</u> (2)
1	Qualifications of Joseph Plaistow
Revised 2	Pro-Forma Income Statement for NEW Shipper Operations
Revised 3	Calculation of NEW Shipper Revenues
Revised 4	South Plains Lamesa Railroad, Ltd. Expenses in Year 2000
Revised 5	South Plains Lamesa Railroad, Ltd. Expenses in Year 2001
Revised 6	South Plains Lamesa Railroad, Ltd. Expenses in Year 2002
Revised 7	South Plains Lamesa Railroad, Ltd. Expenses in Year 2003
Revised 8	South Plains Lamesa Railroad, Ltd. Expenses in Year 2004
Revised 9	South Plains Lamesa Railroad, Ltd. Expenses in Year 2005
Revised 10	Basis of Expense Allocations to NEW Shipper Operations
Revised 11	Pro-Forma Income Tax Calculations for NEW Shipper Operations
Revised 12	Pro-Forma Franchise Tax Calculations for NEW Shipper Operations
Revised 13	Annual Changes in the Depreciation Reserve Representing Track and Locomotives

* Exhibits 17, 18 and 19 are not revised from the August 2, 2006 Statement

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Revised 14	Calculation of Tax Liability for NEW Shipper Operations Using Individual Tax Rates
Revised 15	Annual Capital Investment Representing Track and Locomotives of NEW Shipper Operations
Revised 16	Calculations of the Percent NEW Shipper Revenues are to the Toal Revenues
Revised 20	NEW Going Concern Value - Full Surcharge
Revised 21	NEW Revenue Forecast - Full Surcharge
Revised 22	NEW Capital Expenditures and Depreciation - Full Surcharge
Revised 23	Estimate and Allocate Underappreciated Assets - Full Surcharge
Revised 24	NEW Changes to Networking Capital - Full Surcharge
Revised 25	NEW GCV Forecasts Indexes - Full Surcharge
Revised 26	NEW Going Concern Value - \$20 PYCO Surcharge
Revised 27	NEW Revenue Forecast - \$20 PYCO Surcharge
Revised 28	NEW Capital Expenditures and Depreciation - \$20 PYCO Surcharge
Revised 29	Estimate and Allocate Underappreciated Assets - \$20 PYCO Surcharge
Revised 30	NEW Changes to Net Working Capital - \$20 PYCO Surcharge

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36A	Pro Forma Income Statement for SAW System Excluding Slaton Operations
36B	SAW Excl. Slaton Pro-Forma P & L Statement
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QUALIFICATIONS OF JOSEPH PLAISTOW

Mr. Plaistow is a Vice President and principal of L.E. Peabody & Associates, Inc., an economic consulting firm whose principal office is located at 1501 Duke Street, Suite 200, Alexandria, VA 22314.

Mr. Plaistow graduated in 1967 from Michigan Technological University with a Bachelor of Science Degree in Metallurgical Engineering. In 1972 he graduated from the University of Minnesota with a Masters Degree in Business Administration. He is a member of Tau Beta Pi (the national honorary engineering fraternity), Alpha Sigma Mu (the national honorary metallurgical fraternity), Phi Eta Sigma (a national academic honor society), and Phi Kappa Phi (a national academic honor society). He is also a member of the Association for Transportation Law, Logistics and Policy, and is a past President of the Washington Chapter and National Secretary of the Cost Analysis Chapter of the Transportation Research Forum.

In 1998, Mr. Plaistow joined L.E. Peabody & Associates, Inc., where he advises clients on transportation economics, rate structures, and rate reasonableness determinations. He came to L.E. Peabody & Associates, Inc. after serving as Vice President of Snavely King Majoros O'Connor & Lee, Inc. where from 1988 to 1998 he provided economic consulting services in the transportation field. In 1987 and 1988, he was Vice President, FMI, Inc., managing the efficient operation of refrigerated boxcars.

From 1972 to 1987, Mr. Plaistow was employed by the Burlington Northern Railroad ("BN") (now BNSF) as Director of Costs and Economic Analysis in the Finance Department, as Director of Equipment and Service, and as Director of Planning and Equipment in the Food and Manufactured Products Business Unit of the Marketing Department. From 1967 to 1970, Mr. Plaistow was a metallurgical engineer for Pickands Mather designing processing facilities in the iron mining region of northern Minnesota.

While at BN, Mr. Plaistow determined the variable cost of operations using both internal management and regulatory costing procedures. In the late 1970's and early 1980's, he directed the team that designed a complete replacement of BN's management costing systems including the institution of separate and distinct systems for the costing of coal, intermodal, and general freight.

The management costing system renovation at BN preceded the replacement of Rail Form A with URCS for regulatory costing in the railroad industry. Mr. Plaistow participated on behalf of BN in industry meetings evaluating the early versions of URCS components as they went through their developmental stages. He also testified on behalf of BN in numerous ICC proceedings regarding the economic principles underlying the implementation of maximum-rate principles including the proper application of cost of capital and capital investment analyses and procedures.

Throughout his 33-year career in transportation, Mr. Plaistow has become thoroughly familiar with the economic analysis of railroad operations and service from the perspective of both the shipper and the transportation provider. He has testified

before the Board and its predecessor many times on cost and economic issues, including the presentation of evidence on transportation costs in maximum rate reasonableness cases. He has also made public presentations and written published articles in the areas of transportation economics, maximum rate regulation, corporate investment policies, competitive effects of mergers, and the competitive access issue.¹

¹ See, e.g., “Strategic Railroad Issues - Service & Pricing” presented at the Seventh Annual Burns & McDonnell Coal-Fired Generation Symposium, April 26, 2006, “Recent Rail Mergers - What Was Promised - What Was Delivered”, Rail Customer Forum, March 1, 2000, “The Effects of Increased Competition and Improved Service on the Railroad Industry and Its Customers”, Alliance for Rail Competition, November 1999, “Competitive Effects of Railroad Mergers” Journal of the Transportation Research Forum, Spring, 1999, “A Layman’s Guide to Economic Terms in Stand-Alone Costing”, Transportation Practitioner’s Journal, Summer 1994; “Regulation as a Substitute for Competition”, College of St. Thomas, St. Paul, MN, May 5, 1980; “Are Internal Rate of Return and Other Investment Analyses Misleading?”, Railroad Capital Investment Conference, St. Charles, Illinois, November 5, 1979; “Analyzing Large Incremental Investments”, Cost Analysts Organization Meeting, Lexington, KY, May, 1978; and “Railroad’s Opportunity to Earn a Fair Return”, ICC Practitioner’s Journal, March-April, 1976.

Pro Forma Income Statement For NEW Shipper Operations

<u>Ln. No.</u>	<u>Item</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>
1.	Haulage Revenue	\$360,755	\$439,319	\$419,373	\$386,379	\$315,230	\$840,325
2.	PYCO Other Revenue	\$0	\$0	\$0	\$0	\$0	\$49,445
3.	Total Revenues	\$360,755	\$439,319	\$419,373	\$386,379	\$315,230	\$889,770
4.	Transportation Expense	\$94,018	\$117,806	\$76,561	\$86,442	\$105,671	\$140,004
5.	Locomotive Maintenance	\$15,477	\$17,874	\$16,685	\$11,440	\$17,396	\$26,576
6.	Maintenance of Way Expense	\$23,663	\$33,383	\$63,199	\$66,518	\$35,410	\$66,142
7.	General and Administrative Expense	\$20,850	\$28,407	\$27,740	\$29,836	\$30,309	\$57,089
8.	Total Operating Expense (Sum of Lines 4 - 7)	\$154,007	\$197,469	\$184,186	\$194,236	\$188,786	\$289,811
9.	Earnings Before Taxes and Depreciation	\$206,748	\$241,849	\$235,187	\$192,143	\$126,444	\$599,959
10.	Depreciation	\$12,994	\$8,528	\$9,639	\$20,013	\$22,262	\$22,262
11.	Income Taxes	\$48,138	\$60,819	\$55,907	\$34,009	\$15,546	\$170,516
12.	Net Income After Taxes and Depreciation	\$145,616	\$172,502	\$169,640	\$138,122	\$88,637	\$407,181

Calculation of NEW Shipper Revenues

Ln. No.	ITEM	YEAR						
		<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
1.	Revenue per car							
2.	First 5,000 carloads	\$125.00	\$128.15	\$129.12	\$130.91	\$132.03	\$137.22	\$142.72
3.	Carloads over 5,000	\$110.00	\$112.77	\$113.62	\$115.21	\$116.18	\$120.75	\$125.60
4.	Blocks of 27 cars or more	\$40.00	\$41.01	\$41.32	\$41.89	\$42.25	\$43.91	\$45.67
5.	Revenue surcharge per car						\$20.00	\$60.00
6.	Carloads	5,922	7,857	8,616	6,330	6,541	14,048	
7.	Non- NEW Shippers single car	1,932	2,444	2,897	2,297	2,562	4,094	
8.	Non- NEW Shippers 27 or more	715	1,388	1,634	851	1,178	2,769	
9.	Total Non-NEW Shippers	2,647	3,832	4,531	3,148	3,740	6,863	
10.	NEW Shippers single car	2,703	3,274	3,015	2,873	2,193	6,636	
11.	NEW Shippers 27 or more	572	751	1,070	309	608	549	
12.	Total NEW Shippers	3,275	4,025	4,085	3,182	2,801	7,185	
13.	Total Cars at single rate (L.7 + L.10)	4,635	5,718	5,912	5,170	4,755	10,730	
14.	NEW Cars							
15.	Number in over 5,000 rate (L.13 - 5,000)	0	718	912	170	0	5,730	
16.	Number in first 5,000 rate (L.10 - L.15)	2,703	2,556	2,103	2,703	2,193	906	
17.	Number in blocks 27 or more (L.11)	572	751	1,070	309	608	549	
18.	NEW Revenue							
19.	Carloads over the 5,000 limit (L.15 x L. 3)	\$0	\$80,969	\$103,621	\$19,586	\$0	\$691,898	
20.	Carloads within the 5,000 limit (L. 16 x L. 2)	\$337,875	\$327,551	\$271,539	\$353,850	\$289,542	\$124,321	
21.	Carloads in blocks of 27 or more (L. 17 x L. 4)	\$22,880	\$30,799	\$44,212	\$12,944	\$25,688	\$24,107	
22.	Total Haulage Revenue	\$360,755	\$439,319	\$419,373	\$386,379	\$315,230	\$840,325	
23.	PYCO Other Revenue						\$49,445	
24.	NEW Revenue	\$360,755	\$439,319	\$419,373	\$386,379	\$315,230	\$889,770	

Source: Carload data provided by Dennis Olmstead
Revenue per carload provided by South Plains Lamesa Railroad, Ltd.
PYCO Other revenue provided by South Plains Lamesa Railroad, Ltd.

South Plains Lamesa Railroad, Ltd Expenses in Year 2000

Ln. No.	Expense Category	Total SAW Expense	Slaton Expense	SAW excl Slaton	NEW		Operating Expense Groups			
					Allocation 1/	Expense	Transp	Loco	MOW	G&A
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)
1.	Advertising	\$1,544	\$0	\$1,544	0.00%	\$0				
2.	Auto Expenses	\$2,516	\$0	\$2,516	0.00%	\$0				
3.	Car Hire	\$14,099	\$0	\$14,099	0.00%	\$0				
4.	Donations	\$4,100	\$0	\$4,100	0.00%	\$0				
5.	Dues, Subscriptions & Fees	\$4,117	\$0	\$4,117	0.00%	\$0				
6.	Employee Bonus	\$0	\$0	\$0	0.00%	\$0				
7.	Employee Medical Drug Screening Other	\$323	\$0	\$323	50.00%	\$162	\$162			
8.	Freight Fuel	\$3,592	\$0	\$3,592	0.00%	\$0				
9.	Auto Gas and Oil	\$17,825	\$0	\$17,825	0.00%	\$0				
10.	Locomotive Oil	\$2,049	\$0	\$2,049	37.50%	\$768	\$768			
11.	Non-Taxed Diesel	\$34,051	\$0	\$34,051	37.50%	\$12,769	\$12,769			
12.	Taxed Diesel	\$950	\$0	\$950	0.00%	\$0				
	Insurance									
13.	General Liability	\$26,540	\$0	\$26,540	0.00%	\$0				
14.	Health	\$30,146	\$0	\$30,146	30.00%	\$9,044				\$9,044
15.	Other	\$13,985	\$0	\$13,985	0.00%	\$0				
	Lease Payments									
16.	Computer Lease	\$4,369	\$0	\$4,369	0.00%	\$0				
17.	Equipment Lease	\$19,396	\$0	\$19,396	0.00%	\$0				
18.	Radio Lease	\$4,035	\$0	\$4,035	0.00%	\$0				
19.	Vehicle Lease	\$0	\$0	\$0	0.00%	\$0				
	Legal and Professional									
20.	Attorney's Fees	\$19,489	\$0	\$19,489	0.00%	\$0				
21.	Consulting Fees	\$3,600	\$0	\$3,600	0.00%	\$0				
22.	Materials	\$45,379	\$0	\$45,379						
23.	Maint. Agreements	\$5,876	\$0	\$5,876	0.00%	\$0				
24.	Maint. Of Way	\$39,503	\$0	\$39,503	32.74%	\$12,934			\$12,934	
25.	Office Expense	\$15,441	\$0	\$15,441	0.00%	\$0				
26.	Operating Supplies	\$27,327	\$0	\$27,327	37.50%	\$10,248		\$10,248		
	Payroll Taxes									
27.	941 Taxes	\$16,806	\$0	\$16,806	37.50%	\$6,302	\$6,302			
28.	CT-1 Taxes	\$48,473	\$0	\$48,473	37.50%	\$18,177	\$18,177			
29.	DC1 Taxes	\$0	\$0	\$0	37.50%	\$0				
30.	Payroll Expenses	\$148,904	\$0	\$148,904	37.50%	\$55,839	\$55,839			
31.	Repair and Maintenance	\$59,532	\$0	\$59,532						
32.	Locomotive Repairs	\$13,945	\$0	\$13,945	37.50%	\$5,229		\$5,229		
33.	Maint. Agreements	\$4,875	\$0	\$4,875	0.00%	\$0				
34.	Maint. Of Way	\$32,769	\$0	\$32,769	32.74%	\$10,729			\$10,729	
35.	Other Maintenance	\$7,943	\$0	\$7,943	0.00%	\$0				
	Taxes									
36.	FranchiseTax 2/			\$9,130	100.00%	\$9,130				\$9,130
37.	Property Tax	\$8,173	\$0	\$8,173	32.74%	\$2,676				\$2,676
38.	Other	\$6,186	\$0	\$6,186	0.00%	\$0				
39.	Telephone	\$18,057	\$0	\$18,057	0.00%	\$0				
40.	Travel and Entertainment	\$138	\$0	\$138	0.00%	\$0				
41.	Utilities	\$6,280	\$0	\$6,280	0.00%	\$0				
42.	Total Expenses					\$154,007	\$94,018	\$15,477	\$23,663	\$20,850
43.	Total Expenses excluding Franchise taxes					\$144,878	\$94,018	\$15,477	\$23,663	\$11,720

Data provides by South Plains Lamesa Railroad, Ltd

1/ Source for allocation percentages is Revised Exhibit No. 10.

2/ Source for Franchise Tax calculation is Revised Exhibit No. 12.

South Plains Lamesa Railroad, Ltd Expenses in Year 2001

Ln. No. (1)	Expense Category (2)	Total SAW Expense (3)	Slaton Expense (4)	SAW excl Slaton (5)	NEW		Operating Expense Groups			
					Allocation 1/ (6)	Expense (7)	Transp (8)	Loco Maint (9)	MOW (10)	G&A (11)
1.	Advertising	\$2,872		\$2,872	0.00%	\$0				
2.	Auto Expenses	\$3,513		\$3,513	0.00%	\$0				
3.	Car Hire	\$2,651		\$2,651	0.00%	\$0				
4.	Donations	\$3,560		\$3,560	0.00%	\$0				
5.	Dues, Subscriptions & Fees	\$8,283		\$8,283	0.00%	\$0				
6.	Employee Bonus	\$0		\$0	0.00%	\$0				
7.	Employee Medical Drug Screening Other	\$229	\$9	\$220	50.00%	\$110	\$110			
8.	Freight Fuel	\$2,606		\$2,606	0.00%	\$0				
9.	Auto Gas and Oil	\$18,702	\$60	\$18,642	0.00%	\$0				
10.	Locomotive Oil	\$3,226	\$681	\$2,545	37.50%	\$954	\$954			
11.	Non-Taxed Diesel	\$36,823		\$36,823	37.50%	\$13,809	\$13,809			
12.	Taxed Diesel	\$1,335		\$1,335	0.00%	\$0				
	Insurance									
13.	General Liability	\$37,733		\$37,733	0.00%	\$0				
14.	Health	\$45,726	\$1,117	\$44,609	30.00%	\$13,383				\$13,383
15.	Other	\$12,988		\$12,988	0.00%	\$0				
	Lease Payments									
16.	Computer Lease	\$4,901		\$4,901	0.00%	\$0				
17.	Equipment Lease	\$23,949		\$23,949	0.00%	\$0				
18.	Radio Lease	\$5,291		\$5,291	0.00%	\$0				
19.	Vehicle Lease	\$7,338		\$7,338	0.00%	\$0				
	Legal and Professional									
20.	Attorney's Fees	\$0		\$0	0.00%	\$0				
21.	Consulting Fees	\$0		\$0	0.00%	\$0				
22.	Materials	\$66,288		\$66,288						
23.	Maint. Agreements	\$8,584		\$8,584	0.00%	\$0				
24.	Maint. Of Way	\$57,704		\$57,704	32.74%	\$18,893			\$18,893	
25.	Office Expense	\$13,435		\$13,435	0.00%	\$0				
26.	Operating Supplies	\$29,729	\$550	\$29,179	37.50%	\$10,942		\$10,942		
	Payroll Taxes									
27.	941 Taxes	\$33,485	\$1,022	\$32,463	37.50%	\$12,174	\$12,174			
28.	CT-1 Taxes	\$54,584	\$1,666	\$52,918	37.50%	\$19,844	\$19,844			
29.	DC1 Taxes	\$0		\$0	37.50%	\$0				
30.	Payroll Expenses	\$195,062	\$5,955	\$189,107	37.50%	\$70,915	\$70,915			
31.	Repair and Maintenance	\$80,396		\$80,396						
32.	Locomotive Repairs	\$18,832	\$348	\$18,484	37.50%	\$6,932		\$6,932		
33.	Maint. Agreements	\$6,583		\$6,583	0.00%	\$0				
34.	Maint. Of Way	\$44,254		\$44,254	32.74%	\$14,490			\$14,490	
35.	Other Maintenance	\$10,727		\$10,727	0.00%	\$0				
36.	Rent on Equipment	\$16,347		\$16,347	0.00%	\$0				
	Taxes									
37.	FranchiseTax 2/			\$10,994	100.00%	\$10,994				\$10,994
38.	Property Tax	\$12,308		\$12,308	32.74%	\$4,030				\$4,030
39.	Other	\$2,696		\$2,696	0.00%	\$0				
40.	Telephone	\$14,200		\$14,200	0.00%	\$0				
41.	Travel and Entertainment	\$2,024		\$2,024	0.00%	\$0				
42.	Utilities	\$8,283		\$8,283	0.00%	\$0				
43.	Total Expenses					\$197,469	\$117,806	\$17,874	\$33,383	\$28,407
44.	Total Expenses excluding Franchise taxes					\$186,475	\$117,806	\$17,874	\$33,383	\$17,413

Data provides by South Plains Lamesa Railroad, Ltd

1/ Source for allocation percentages is Revised Exhibit No. 10.

2/ Source for Franchise Tax calculation is Revised Exhibit No. 12.

South Plains Lamesa Railroad, Ltd Expenses in Year 2002

Ln. No. (1)	Expense Category (2)	Total SAW Expense (3)	Slaton Expense (4)	SAW excl Slaton (5)	NEW		Operating Expense Groups			
					Allocation 1/ (6)	Expense (7)	Transp (8)	Loco Maint (9)	MOW (10)	G&A (11)
1.	Advertising	\$1,522		\$1,522	0.00%	\$0				
2.	Auto Expenses	\$2,848		\$2,848	0.00%	\$0				
3.	Donations	\$2,688		\$2,688	0.00%	\$0				
4.	Dues, Subscriptions & Fees	\$2,456		\$2,456	0.00%	\$0				
	Employee Medical									
5.	Drug Screening	\$356	\$15	\$341	50.00%	\$171	\$171			
6.	Hearing Screening	\$162	\$7	\$155	50.00%	\$78	\$78			
7.	Freight	\$2,982		\$2,982	0.00%	\$0				
	Fuel									
8.	Auto Gas and Oil	\$12,971		\$12,971	0.00%	\$0				
9.	Locomotive Oil	\$3,043	\$60	\$2,983	37.50%	\$1,119	\$1,119			
10.	Non-Taxed Diesel	\$35,304	\$695	\$34,609	37.50%	\$12,978	\$12,978			
11.	Taxed Diesel	\$1,102		\$1,102	0.00%	\$0				
	Insurance									
12.	General Liability	\$51,937		\$51,937	0.00%	\$0				
13.	Health	\$34,899	\$907	\$33,992	30.00%	\$10,198				\$10,198
14.	Property Office Buildings	\$0		\$0	0.00%	\$0				
15.	Other	\$17,790		\$17,790	0.00%	\$0				
	Lease Payments									
16.	Computer Lease	\$4,677		\$4,677	0.00%	\$0				
17.	Equipment Lease	\$29,245		\$29,245	0.00%	\$0				
18.	Radio Lease	\$6,194		\$6,194	0.00%	\$0				
19.	Vehicle Lease	\$16,144		\$16,144	0.00%	\$0				
	Legal and Professional									
20.	Attorney's Fees	\$0		\$0	0.00%	\$0				
21.	Other	\$0		\$0	0.00%	\$0				
22.	Materials	\$159,555		\$159,555						
23.	Maint. Agreements	\$20,661		\$20,661	0.00%	\$0				
24.	Maint. Of Way	\$138,894		\$138,894	32.74%	\$45,476			\$45,476	
25.	Office Expense	\$29,182		\$29,182	0.00%	\$0				
26.	Operating Supplies	\$22,354	\$440	\$21,914	37.50%	\$8,218		\$8,218		
	Payroll Taxes									
27.	941 Taxes	\$211	\$7	\$204	37.50%	\$77	\$77			
28.	CT-1 Taxes	\$11,765	\$382	\$11,383	37.50%	\$4,269	\$4,269			
29.	Payroll Expenses	\$159,505	\$5,182	\$154,323	37.50%	\$57,871	\$57,871			
30.	Rent on Equipment	\$12,837		\$12,837	0.00%	\$0				
31.	Repair and Maintenance	\$98,337		\$98,337						
32.	Locomotive Repairs	\$23,035	\$454	\$22,581	37.50%	\$8,468		\$8,468		
33.	Maint. Agreements	\$8,052		\$8,052	0.00%	\$0				
34.	Maint. Of Way	\$54,130		\$54,130	32.74%	\$17,723			\$17,723	
35.	Other Maintenance	\$13,121		\$13,121	0.00%	\$0				
	Taxes									
36.	FranchiseTax 2/			\$10,628	100.00%	\$10,628				\$10,628
37.	Property Tax	\$21,119		\$21,119	32.74%	\$6,915				\$6,915
38.	Other	\$1,963		\$1,963	0.00%	\$0				
39.	Telephone	\$13,003		\$13,003	0.00%	\$0				
40.	Travel and Entertainment	\$1,147		\$1,147	0.00%	\$0				
41.	Utilities	\$6,082		\$6,082	0.00%	\$0				
42.	Total Expenses					\$184,186	\$76,561	\$16,685	\$63,199	\$27,740
43.	Total Expenses excluding Franchise taxes					\$173,558	\$76,561	\$16,685	\$63,199	\$17,112

Data provides by South Plains Lamesa Railroad, Ltd

1/ Source for allocation percentages is Revised Exhibit No. 10.

2/ Source for Franchise Tax calculation is Revised Exhibit No. 12.

South Plains Lamesa Railroad, Ltd Expenses in Year 2003

Ln. No. (1)	Expense Category (2)	Total SAW Expense (3)	Slaton Expense (4)	SAW excl Slaton (5)	NEW		Operating Expense Groups			
					Allocation 1/ (6)	Expense (7)	Transp (8)	Loco Maint (9)	MOW (10)	G&A (11)
1.	Advertising	\$540		\$540	0.00%	\$0				
2.	Auto Expenses	\$5,416		\$5,416	0.00%	\$0				
3.	Donations	\$8,021		\$8,021	0.00%	\$0				
4.	Dues, Subscriptions & Fees	\$2,498		\$2,498	0.00%	\$0				
	Employee Medical									
5.	Drug Screening	\$50	\$4	\$46	50.00%	\$23	\$23			
6.	Other	\$303	\$21	\$282	50.00%	\$141	\$141			
7.	Freight	\$3,117		\$3,117	0.00%	\$0				
	Fuel									
8.	Auto Gas and Oil	\$14,693		\$14,693	0.00%	\$0				
9.	Locomotive Oil	\$1,979	\$168	\$1,811	37.50%	\$679	\$679			
10.	Non-Taxed Diesel	\$34,551	\$2,932	\$31,619	37.50%	\$11,857	\$11,857			
11.	Taxed Diesel	\$1,549		\$1,549	0.00%	\$0				
	Insurance									
12.	General Liability	\$45,997		\$45,997	0.00%	\$0				
13.	Health	\$52,806	\$2,224	\$50,582	30.00%	\$15,175				\$15,175
14.	Property Office Buildings	\$1,924		\$1,924	0.00%	\$0				
15.	Other (Vehicle)	\$687		\$687	0.00%	\$0				
	Lease Payments									
16.	Computer Lease	\$5,488		\$5,488	0.00%	\$0				
17.	Equipment Lease	\$4,689		\$4,689	0.00%	\$0				
18.	Radio Lease	\$5,134		\$5,134	0.00%	\$0				
19.	Vehicle Lease	\$17,424		\$17,424	0.00%	\$0				
	Legal and Professional									
20.	Attorney's Fees	\$113,253		\$113,253	0.00%	\$0				
21.	Other	\$11,161		\$11,161	0.00%	\$0				
22.	Materials	\$183,175		\$183,175						
23.	Maint. Agreements	\$23,720		\$23,720	0.00%	\$0				
24.	Maint. Of Way	\$159,455		\$159,455	32.74%	\$52,208			\$52,208	
25.	Miscellaneous	\$1,468		\$1,468	0.00%	\$0				
26.	Office Expense	\$40,994		\$40,994	0.00%	\$0				
	Operating Supplies									
27.	Employee Safty Work Wear	\$691	\$59	\$632	50.00%	\$316		\$316		
28.	Other (locomotives)	\$13,818	\$1,173	\$12,645	37.50%	\$4,742		\$4,742		
	Payroll Taxes									
29.	941 Taxes	\$9,940	\$523	\$9,417	37.50%	\$3,531	\$3,531			
30.	CT-1 Taxes	\$49,583	\$2,611	\$46,972	37.50%	\$17,615	\$17,615			
31.	Payroll Expenses	\$148,051	\$7,795	\$140,256	37.50%	\$52,596	\$52,596			
32.	Rent on Equipment	\$11,457		\$11,457	0.00%	\$0				
33.	Repair and Maintenance	\$79,395		\$79,395						
34.	Locomotive Repairs	\$18,598	\$1,578	\$17,020	37.50%	\$6,382		\$6,382		
35.	Maint. Agreements	\$6,501		\$6,501	0.00%	\$0				
36.	Maint. Of Way	\$43,703		\$43,703	32.74%	\$14,309			\$14,309	
37.	Other Maintenance	\$10,593		\$10,593	0.00%	\$0				
	Taxes									
38.	FranchiseTax 2/			\$8,111	100.00%	\$8,111				\$8,111
39.	Property Tax	\$20,008		\$20,008	32.74%	\$6,551				\$6,551
40.	Other	\$1,361		\$1,361	0.00%	\$0				
41.	Telephone	\$12,017		\$12,017	0.00%	\$0				
42.	Travel and Entertainment	\$2,434		\$2,434	0.00%	\$0				
43.	Utilities									
44.	Electric	\$3,090		\$3,090	0.00%	\$0				
45.	Trash	\$980		\$980	0.00%	\$0				
46.	Other	\$347		\$347	0.00%	\$0				
47.	Total Expenses					\$194,236	\$86,442	\$11,440	\$66,518	\$29,836
48.	Total Expenses excluding Franchise taxes					\$186,125	\$86,442	\$11,440	\$66,518	\$21,726

Data provides by South Plains Lamesa Railroad, Ltd

1/ Source for allocation percentages is Revised Exhibit No. 10.

2/ Source for Franchise Tax calculation is Revised Exhibit No. 12.

South Plains Lamesa Railroad, Ltd Expenses in Year 2004

Ln. No. (1)	Expense Category (2)	Total SAW Expense (3)	Slaton Expense (4)	SAW excl Slaton (5)	NEW		Operating Expense Groups			
					Allocation 1/ (6)	Expense (7)	Transp (8)	Loco Maint (9)	MOW (10)	G&A (11)
1.	Advertising	\$1,057		\$1,057	0.00%	\$0				
2.	Auto Expenses	\$2,375		\$2,375	0.00%	\$0				
3.	Car Hire	\$33		\$33	0.00%	\$0				
4.	Donations	\$11,666		\$11,666	0.00%	\$0				
5.	Dues, Subscriptions & Fees	\$1,665		\$1,665	0.00%	\$0				
6.	Employee Bonus	\$1,000		\$1,000	0.00%	\$0				
	Employee Medical									
7.	Drug Screening	\$369	\$16	\$353	50.00%	\$177	\$177			
8.	Other	\$319	\$14	\$305	50.00%	\$153	\$153			
9.	Freight	\$3,171		\$3,171	0.00%	\$0				
	Fuel									
10.	Auto Gas and Oil	\$16,313		\$16,313	0.00%	\$0				
11.	Locomotive Oil	\$3,336	\$66	\$3,270	37.50%	\$1,226	\$1,226			
12.	Non-Taxed Diesel	\$36,354	\$717	\$35,637	37.50%	\$13,364	\$13,364			
13.	Taxed Diesel	\$12		\$12	0.00%	\$0				
	Insurance									
14.	General Liability	\$60,121		\$60,121	0.00%	\$0				
15.	Health	\$61,070	\$1,590	\$59,480	30.00%	\$17,844				\$17,844
16.	Other	\$5,933		\$5,933	0.00%	\$0				
	Lease Payments									
17.	Computer Lease	\$5,588		\$5,588	0.00%	\$0				
18.	Equipment Lease	\$10,856		\$10,856	0.00%	\$0				
19.	Radio Lease	\$3,267		\$3,267	0.00%	\$0				
20.	Vehicle Lease	\$11,027		\$11,027	0.00%	\$0				
	Legal and Professional									
21.	Attorney's Fees	\$105,730		\$105,730	0.00%	\$0				
22.	Consulting Fees	\$4,392		\$4,392	0.00%	\$0				
23.	Materials	\$71,672		\$71,672						
24.	Maint. Agreements	\$9,281		\$9,281	0.00%	\$0				
25.	Maint. Of Way	\$62,391		\$62,391	32.74%	\$20,428			\$20,428	
26.	Office Expense	\$48,988		\$48,988	0.00%	\$0				
27.	Operating Supplies	\$27,849	\$549	\$27,300	37.50%	\$10,238		\$10,238		
	Payroll Taxes									
28.	941 Taxes	\$859	\$28	\$831	37.50%	\$312	\$312			
29.	CT-1 Taxes	\$7,692	\$250	\$7,442	37.50%	\$2,791	\$2,791			
30.	DC1 Taxes	\$13,178	\$429	\$12,749	37.50%	\$4,781	\$4,781			
31.	Payroll Expenses	\$228,417	\$7,434	\$220,983	37.50%	\$82,869	\$82,869			
32.	Repair and Maintenance	\$83,130								
33.	Locomotive Repairs	\$19,472	\$384	\$19,088	37.50%	\$7,158		\$7,158		
34.	Maint. Agreements	\$6,807		\$6,807	0.00%	\$0				
35.	Maint. Of Way	\$45,759		\$45,759	32.74%	\$14,982			\$14,982	
36.	Other Maintenance	\$11,092		\$11,092	0.00%	\$0				
	Taxes									
37.	FranchiseTax 2/			\$4,909	100.00%	\$4,909				\$4,909
38.	Hazmat Permit	\$550		\$550	0.00%	\$0				
39.	Property Tax	\$23,077		\$23,077	32.74%	\$7,556				\$7,556
40.	Other	\$1,800		\$1,800	0.00%	\$0				
41.	Telephone	\$12,238		\$12,238	0.00%	\$0				
42.	Travel and Entertainment	\$809		\$809	0.00%	\$0				
43.	Utilities	\$4,466		\$4,466	0.00%	\$0				
44.	Total Expenses					\$188,786	\$105,671	\$17,396	\$35,410	\$30,309
45.	Total Expenses excluding Franchise taxes					\$183,877	\$105,671	\$17,396	\$35,410	\$25,400

Data provides by South Plains Lamesa Railroad, Ltd

1/ Source for allocation percentages is Revised Exhibit No. 10.

2/ Source for Franchise Tax calculation is Revised Exhibit No. 12.

South Plains Lamesa Railroad, Ltd Expenses in Year 2005

Ln. No. (1)	Expense Category (2)	Total SAW Expense (3)	Slaton Expense (4)	SAW excl Slaton (5)	NEW		Operating Expense Groups			
					Allocation 1/ (6)	Expense (7)	Transp (8)	Loco Maint (9)	MOW (10)	G&A (11)
1.	Advertising	\$902		\$902	0.00%	\$0				
2.	Auto Expenses	\$2,889		\$2,889	0.00%	\$0				
3.	Car Hire	\$0		\$0	0.00%	\$0				
4.	Contract Labor	\$124,324		\$124,324	0.00%	\$0				
5.	Donations	\$11,628		\$11,628	0.00%	\$0				
6.	Dues, Subscriptions & Fees	\$2,614		\$2,614	0.00%	\$0				
7.	Employee Medical									
8.	Drug Screening	\$272	\$13	\$259	50.00%	\$130	\$130			
9.	Other	\$62	\$3	\$59	50.00%	\$30	\$30			
10.	Freight	\$5,212		\$5,212	0.00%	\$0				
	Fuel									
11.	Auto Gas and Oil	\$25,576		\$25,576	0.00%	\$0				
12.	Locomotive Oil	\$6,905	\$155	\$6,750	37.50%	\$2,531	\$2,531			
13.	Non-Taxed Diesel	\$66,788	\$1,498	\$65,290	37.50%	\$24,484	\$24,484			
14.	Taxed Diesel	\$13		\$13	0.00%	\$0				
	Insurance									
15.	General Liability	\$52,401		\$52,401	0.00%	\$0				
16.	Health	\$47,930	\$1,419	\$46,511	30.00%	\$13,953				\$13,953
17.	Vehicle and Other	\$6,164		\$6,164	0.00%	\$0				
	Lease Payments									
18.	Computer Lease	\$4,942		\$4,942	0.00%	\$0				
19.	Equipment Lease	\$21,771		\$21,771	0.00%	\$0				
20.	Radio Lease	\$0		\$0	0.00%	\$0				
21.	Telephone Lease	\$1,242		\$1,242	0.00%	\$0				
	Legal and Professional									
22.	Accountant's Fees	\$3,280		\$3,280	0.00%	\$0				
23.	Attorney's Fees	\$155,113		\$155,113	0.00%	\$0				
24.	Consulting Fees	\$13,010		\$13,010	0.00%	\$0				
25.	Other	\$17,033		\$17,033	0.00%	\$0				
26.	Materials	\$115,676		\$115,676						
27.	Maint. Agreements	\$14,979		\$14,979	0.00%	\$0				
28.	Maint. Of Way	\$100,697		\$100,697	32.74%	\$32,970			\$32,970	
29.	Office Expense	\$61,218		\$61,218	0.00%	\$0				
30.	Operating Supplies	\$29,382	\$659	\$28,723	37.50%	\$10,771		\$10,771		
	Payroll Taxes									
31.	941 Taxes	\$20,514	\$759	\$19,755	37.50%	\$7,408	\$7,408			
32.	CT-1 Taxes	\$72,927	\$2,699	\$70,228	37.50%	\$26,336	\$26,336			
33.	Payroll Expenses	\$219,000	\$8,104	\$210,896	37.50%	\$79,086	\$79,086			
34.	Rent on Equipment	\$6,372		\$6,372	0.00%	\$0				
	Repair and Maintenance									
35.	Locomotive Repairs	\$43,114	\$967	\$42,147	37.50%	\$15,805		\$15,805		
36.	Maint. Agreements	\$15,071		\$15,071	0.00%	\$0				
37.	Maint. Of Way	\$101,315		\$101,315	32.74%	\$33,172			\$33,172	
38.	Other Maintenance	\$24,558		\$24,558	0.00%	\$0				
	Taxes									
39.	FranchiseTax 2/			\$27,221	100.00%	\$27,221				\$27,221
40.	Property Tax	\$48,607		\$48,607	32.74%	\$15,915				\$15,915
41.	Other	\$15,266		\$15,266	0.00%	\$0				
42.	Telephone	\$12,537		\$12,537	0.00%	\$0				
43.	Travel and Entertainment	\$7,428		\$7,428	0.00%	\$0				
44.	Utilities	\$5,549		\$5,549	0.00%	\$0				
45.	Total Expenses					\$289,811	\$140,004	\$26,576	\$66,142	\$57,089
46.	Total Expenses excluding Franchise taxes					\$262,590	\$140,004	\$26,576	\$66,142	\$29,868

Data provided by South Plains Lamesa Railroad, Ltd

1/ Source for allocation percentages is Revised Exhibit No. 10.

2/ Source for Franchise Tax calculation is Revised Exhibit No. 12.

Basis of Expense Allocations to NEW Shipper Operations

Data was provided by Delilah Wisener of the South Plains Lamesa Railroad, Ltd.

Ln. No.

Locomotives:

1.	Total locomotives	8
2.	Locomotives eliminated after NEW application	3
3.	Allocation of Locomotive Expenses	37.50%

Personnel:

1.	Total Personnel	11
2.	Personnel covered by health insurance	10
3.	Personnel eliminated after NEW application	3
4.	Allocation of health insurance costs	30.00%

Allocation of payroll and payroll taxes

1.	Salaried employees excl. 3R	8
2.	Personnel eliminated after NEW	3
3.	Allocation of payroll and payroll taxes	37.50%

1.	Locomotive personnel	6
2.	Locomotives personnel eliminated after NEW	3
3.	Allocation of Locomotive personnel	50.00%

1.	Maintenance of way personnel	2
2.	Maintenance of way personnel eliminated after NEW	0
3.	Allocation of maintenance of way personnel	0.00%

1.	Office personnel	3
2.	Office personnel eliminated after NEW	0
3.	Allocation of office personnel	0.00%

Track Mile Related Expenses

1.	Total SAW track miles operated (95,040 feet of track)	18.0000
2.	Track miles in NEW (31,117.7 feet of track)	5.8935
3.	Maintenance of way allocation	32.74%
Total miles of track received from SAW NEW track received from SAW witness Ed Landreth.		

Maintenance of Way Materials

2005 Repair and Maintenance Data

1.	Monthly Maintenance Agreements	\$15,071
2.	Maintenance of Way	<u>\$101,315</u>
3.	Total Repair and Maint. Track Related	\$116,386
4.	Maintenance of Way Percent	87.05%

Repair and Maintenance Expenses

2005 Repair and Maintenance

1.	Locomotive Repairs	\$43,114
2.	Monthly Maintenance Agreements	\$15,071
3.	Maintenance of Way	\$101,315
4.	Other Repair and Maintenance	<u>\$24,558</u>
5.	Total Repair and Maintenance Expense	\$184,058
Percent Allocation of Repairs and Maint.		
6.	Locomotive Repairs	23.42%
7.	Monthly Maintenance Agreements	8.19%
8.	Maintenance of Way	55.05%
9.	Other Repair and Maintenance	13.34%
10.	Total Repair and Maintenance Expense	100.00%

Proforma Income Tax Calculations for NEW Shipper Operations

Ln. No.	Item	Year						Six Year Total
		2000	2001	2002	2003	2004	2005	
1.	Revenues	\$360,755	\$439,319	\$419,373	\$386,379	\$315,230	\$889,770	
	Less Deductions:							
2.	Operating Expenses excl Franchise Tx	\$144,878	\$186,475	\$173,558	\$186,125	\$183,877	\$262,590	
3.	Franchise Tax	\$9,130	\$10,994	\$10,628	\$8,111	\$4,909	\$27,221	1/
4.	Depreciation	\$12,994	\$8,528	\$9,639	\$20,013	\$22,262	\$22,262	2/
5.	Total Operating Expenses (L.2 + L.3 L.4)	\$167,001	\$205,998	\$193,826	\$214,249	\$211,047	\$312,073	
6.	Taxable Business Income (L.1 - L.5)	\$193,754	\$233,321	\$225,548	\$172,130	\$104,182	\$577,697	
7.	Standard Deduction	\$7,350	\$7,600	\$7,850	\$9,500	\$9,700	\$10,000	
8.	Exemptions	\$5,600	\$5,800	\$6,000	\$6,100	\$6,200	\$6,400	
9.	Net Taxable Income (L.6 -(L.7+ L.8)	\$180,804	\$219,921	\$211,698	\$156,530	\$88,282	\$561,297	\$1,418,533
10.	Tax Liability	\$48,138	\$60,819	\$55,907	\$34,009	\$15,546	\$170,516	\$384,936 3/
11.	Effective Tax Rate (L.10 / L.9)	26.6244%	27.6551%	26.4090%	21.7267%	17.6088%	30.3790%	27.1362%

1/ Franchise Tax is sourced to Revised Exhibit No. 12, Line 3 for the applicable year.

2/ Depreciation is sourced to Revised Exhibit No. 13 for the applicable year.

3/ Taxes are calculated at the individual tax rate. See Revised Exhibit No. 14.

Proforma Franchise Tax Calculations for NEW Shipper Operations

<u>Ln. No.</u>	<u>Item</u>	<u>Year</u>					
		<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>
1.	Taxable Business Income 1/	\$202,884	\$244,315	\$236,176	\$180,241	\$109,092	\$604,919
2.	Tax rate on taxable income 2/	0.045	0.045	0.045	0.045	0.045	0.045
3.	Franchise Tax Liability (L. 1 x L. 2)	\$9,130	\$10,994	\$10,628	\$8,111	\$4,909	\$27,221

1/ Taxable income is sourced to Revised Exhibit No. 11, Line 1 minus Lines 2 and 4.

2/ Source of tax rate is Texas Corporation Franchise Tax Report, Line 29.

Annual Changes in the Depreciation Reserve Representing Track and Locomotives

Ln. No.	Year and Asset	Annual Depreciation Charges			NEW Pct. 2/	NEW Depreciation
		January 1	December 31	Net Change		
(1)	(2)	(3)	(4)	(5)	(6)	(7)
1.	Year 2000					
2.	Depreciable Reserve	\$282,795	\$322,480	\$39,685	32.74%	\$12,994
3.	Year 2001					
4.	Depreciable Reserve	\$322,480	\$348,527	\$26,047	32.74%	\$8,528
5.	Year 2002					
6.	Depreciable Reserve	\$348,527	\$377,968	\$29,441	32.74%	\$9,639
7.	Year 2003					
8.	Depreciable Reserve	\$377,968	\$439,091	\$61,123	32.74%	\$20,013
9.	Year 2004					
10.	Depreciable Reserve	\$439,091	\$507,083	\$67,992	32.74%	\$22,262
11.	Year 2005 1/					
12.	Depreciable Reserve	\$507,083	\$575,075	\$67,992	32.74%	\$22,262
13.	Total Change 2000 through 2005 (Sum of Lines 2, 4, 6, 8, 10, and 12)			\$292,280		\$95,697
14.	Average Annual Depreciation (L. 13 / 6 Years)			48713.3333		15949.56747

Source: Depreciation data is sourced to SAW's Federal Tax Returns for the years 2000 through 2004.

1/ The change in depreciation reserve for 2005 is assumed to be the same as the 2004 change.

2/ The NEW percent is based on the ratio of track miles in NEW to the total track miles operated by SAW.
See Revised Exhibit No. 10, Track Mile Related Expenses.

Calculation of Tax Liability For NEW Shipper Operations
Using Individual Tax Rates

Year 2000

Income Bracket	Income	Rate	IncTax
0-43,850	\$43,850	0.150	\$6,578
43,850-105,950	\$62,100	0.280	\$17,388
105,950-161,450	\$55,500	0.310	\$17,205
161,450-288,350	\$19,354	0.360	\$6,967
Over 288,350		0.396	
Total	\$180,804		\$48,138

Year 2001

Income Bracket	Income	Rate	IncTax
0-45,200	\$45,200	0.150	\$6,780
45,200-109,250	\$64,050	0.275	\$17,614
109,250-166,500	\$57,250	0.305	\$17,461
166,500-297,350	\$53,421	0.355	\$18,964
Over 297,350		0.391	
Total	\$219,921		\$60,819

Year 2002

Income Bracket	Income	Rate	IncTax
0-12,000	\$12,000	0.100	\$1,200
12,000-46,700	\$34,700	0.150	\$5,205
46,700-112,850	\$66,150	0.270	\$17,861
112,850-171,950	\$59,100	0.300	\$17,730
171,950-307,050	\$39,748	0.350	\$13,912
Over 307,050		0.386	
Total	\$211,698		\$55,907

Year 2003

Income Bracket	Income	Rate	IncTax
0-14,000	\$14,000	0.100	\$1,400
14,000-56,800	\$42,800	0.150	\$6,420
56,800-114,650	\$57,850	0.250	\$14,463
114,650-174,700	\$41,880	0.280	\$11,726
174,700-311,950		0.330	
Over 311,950		0.350	
Total	\$156,530		\$34,009

Year 2004

Income Bracket	Income	Rate	IncTax
0-14,300	\$14,300	0.100	\$1,430
14,300-58,100	\$43,800	0.150	\$6,570
58,100-117,250	\$30,182	0.250	\$7,546
117,250-178,650		0.280	
178,650-319,100		0.330	
Over 319,100		0.350	
Total	\$88,282		\$15,546

Year 2005

Income Bracket	Income	Rate	IncTax
0-14,600	\$14,600	0.100	\$1,460
14,600-59,400	\$44,800	0.150	\$6,720
59,400-119,950	\$60,550	0.250	\$15,138
119,950-182,800	\$62,850	0.280	\$17,598
182,800-326,450	\$143,650	0.330	\$47,405
Over 326,450	\$234,847	0.350	\$82,196
Total	\$561,297		\$170,516

Annual Capital Investment Representing Track and Locomotives of NEW Shipper Operations

Ln. No. (1)	Year and Asset (2)	Capital Investment			NEW Pct. 2/ (6)	NEW Investment (7)
		January 1 (3)	December 31 (4)	Net Change (5)		
1.	Year 2000					
2.	Depreciable Property	\$515,779	\$515,779	\$0	32.74%	\$0
3.	Year 2001					
4.	Depreciable Property	\$515,779	\$529,727	\$13,948	32.74%	\$4,567
5.	Year 2002					
6.	Depreciable Property	\$529,727	\$549,127	\$19,400	32.74%	\$6,352
7.	Year 2003					
8.	Depreciable Property	\$549,127	\$600,862	\$51,735	32.74%	\$16,939
9.	Year 2004					
10.	Depreciable Property	\$600,862	\$665,127	\$64,265	32.74%	\$21,041
11.	Year 2005 1/					
12.	Depreciable Property	\$665,127	\$729,392	\$64,265	32.74%	\$21,041
13.	Total Change 2000 through 2005 (Sum of Lines 2, 4, 6, 8, 10, and 12)			\$213,613		
14.	Total Change 2003 through 2005 (Sum of Lines 8, 10, and 12)			\$180,265		
15.	Average Annual Investment 2000-2005 (L. 13 / 6 Years)			\$35,602	32.74%	\$11,657
16.	Average Annual Investment 2003-2005 (L. 14 / 3 years)			\$60,088	32.74%	\$19,674

Source: Investment data is sourced to SAW's Federal Tax Returns for the years 2000 through 2004.

1/ The change in capital investment for 2005 is assumed to be the same as the 2004 change.

2/ The NEW percent is based on the ratio of track miles in NEW to the total track miles operated by SAW.
See Revised Exhibit No. 10, Track Mile Related Expenses.

Calculation of the Percent NEW Shipper Revenues are to the Total Revenues

Ln. No.	ITEM	YEAR						
		2000	2001	2002	2003	2004	2005	2006
1.	Revenue per car							
2.	First 5,000 carloads	\$125.00	\$128.15	\$129.12	\$130.91	\$132.03	\$137.22	\$142.72
3.	Carloads over 5,000	\$110.00	\$112.77	\$113.62	\$115.21	\$116.18	\$120.75	\$125.60
4.	Blocks of 27 cars or more	\$40.00	\$41.01	\$41.32	\$41.89	\$42.25	\$43.91	\$45.67
5.	Revenue surcharge per car						\$20.00	\$60.00
6.	Carloads							
7.	Non- NEW Shippers single car	1,932	2,444	2,897	2,297	2,562	4,094	
8.	Non- NEW Shippers 27 or more	715	1,388	1,634	851	1,178	2,769	
9.	Total Non-NEW Shippers	2,647	3,832	4,531	3,148	3,740	6,863	
10.	NEW Shippers single car	2,703	3,274	3,015	2,873	2,193	6,636	
11.	NEW Shippers 27 or more	572	751	1,070	309	608	549	
12.	Total NEW Shippers	3,275	4,025	4,085	3,182	2,801	7,185	
13.	Total Cars at single rate (L.7 + L.10)	4,635	5,718	5,912	5,170	4,755	10,730	
14.	NEW Cars							
15.	Number in over 5,000 rate (L.13 - 5,000)	0	718	912	170	0	5,730	
16.	Number in first 5,000 rate (L.10 - L.15)	2,703	2,556	2,103	2,703	2,193	906	
17.	Number in blocks 27 or more (L11)	572	751	1,070	309	608	549	
18.	NEW Revenue							
19.	Carloads over the 5,000 limit (L.15 x L. 3)	\$0	\$80,969	\$103,621	\$19,586	\$0	\$691,898	
20.	Carloads within the 5,000 limit (L. 16 x L. 2)	\$337,875	\$327,551	\$271,539	\$353,850	\$289,542	\$124,321	
21.	Carloads in blocks of 27 or more (L. 17 x L. 4)	\$22,880	\$30,799	\$44,212	\$12,944	\$25,688	\$24,107	
22.	Total Haulage Revenue	\$360,755	\$439,319	\$419,373	\$386,379	\$315,230	\$840,325	
23.	PYCO Other Revenue						\$49,445	
24.	NEW Revenue	\$360,755	\$439,319	\$419,373	\$386,379	\$315,230	\$889,770	
25.	Non-NEW Revenue							
26.	Non- NEW Shippers 27 or more (L.8 x L.4)	\$28,600	\$56,922	\$67,517	\$35,648	\$49,771	\$121,587	
27.	Carloads within the 5,000 limit (L. 7 x L. 2)	\$241,500	\$313,199	\$374,061	\$300,700	\$338,261	\$561,779	
28.	Total Non-NEW Haulage Revenue	\$270,100	\$370,120	\$441,578	\$336,349	\$388,031	\$683,365	
29.	Total Revenues (L. 24 + L. 28)	\$630,855	\$809,439	\$860,951	\$722,728	\$703,261	\$1,573,136	
30.	NEW Pct. Of Revenues (L.24 / L. 29)	57.19%	54.27%	48.71%	53.46%	44.82%	56.56%	

Source: Carload data provided by Dennis Olmstead
Revenue per carload provided by South Plains Lamesa Railroad, Ltd.
PYCO Other revenue provided by South Plains Lamesa Railroad, Ltd.

Revised Exhibit 20 - NEW Going Concern Value - Full Surcharge

Ln. No. (1)	Item (2)	2005 (3)	2006 (4)	2007 (5)	2008 (6)	2009 (7)	2010 (8)	2011 (9)	2012 (10)	2013 (11)	2014 (12)	2015 (13)	Terminal Value 4/ (14)
1.	Total Revenues 1/	\$889,770	\$1,199,236	\$1,214,608	\$1,224,537	\$1,229,567	\$1,223,962	\$1,236,266	\$1,244,785	\$1,259,901	\$1,269,075	\$1,284,076	
2.	Transportation Expense 2/	\$140,004	\$128,490	\$130,917	\$132,474	\$133,666	\$133,698	\$135,828	\$137,186	\$139,644	\$141,181	\$143,423	
3.	Locomotive Maintenance 2/	\$26,576	\$24,391	\$24,851	\$25,147	\$25,373	\$25,379	\$25,784	\$26,041	\$26,508	\$26,800	\$27,225	
4.	Maintenance of Way Expense 2/	\$66,142	\$60,703	\$61,849	\$62,585	\$63,148	\$63,163	\$64,169	\$64,811	\$65,972	\$66,698	\$67,758	
5.	General and Administrative Expense 2/	\$57,089	\$57,832	\$58,352	\$58,761	\$59,289	\$59,882	\$60,541	\$61,146	\$61,941	\$62,623	\$63,311	
6.	Total Operating Expense (Sum of Lines 2 - 5)	\$289,811	\$271,414	\$275,970	\$278,966	\$281,476	\$282,123	\$286,322	\$289,185	\$294,066	\$297,301	\$301,717	
7.	Earnings Before Taxes and Depreciation (L. 1 - L. 6)	\$599,959	\$927,821	\$938,638	\$945,571	\$948,090	\$941,839	\$949,944	\$955,600	\$965,835	\$971,774	\$982,358	
8.	Depreciation 3/	\$22,262	\$18,529	\$18,504	\$18,248	\$17,982	\$17,906	\$17,811	\$17,570	\$17,500	\$17,651	\$17,866	
9.	Earnings before Taxes (L. 7 - L. 8)	\$577,697	\$909,293	\$920,134	\$927,323	\$930,108	\$923,933	\$932,133	\$938,030	\$948,335	\$954,123	\$964,492	
10.	Income Taxes 4/	\$170,516	\$318,252	\$322,047	\$324,563	\$325,538	\$323,376	\$326,247	\$328,311	\$331,917	\$333,943	\$337,572	
11.	Net Income After Taxes and Depreciation (L. 9 - L. 10)	\$407,181	\$591,040	\$598,087	\$602,760	\$604,570	\$600,556	\$605,887	\$609,720	\$616,417	\$620,180	\$626,920	
12.	Plus: Depreciation (L. 8)	\$22,262	\$18,529	\$18,504	\$18,248	\$17,982	\$17,906	\$17,811	\$17,570	\$17,500	\$17,651	\$17,866	
13.	Plus: Decreases in Net Working Capital 5/	\$0	\$0	\$0	\$0	\$0	-\$521	\$0	\$0	\$0	\$0	\$0	
14.	Less: Capital Expenditures 3/	\$21,041	\$18,056	\$16,884	\$17,085	\$17,239	\$17,243	\$17,517	\$17,693	\$18,010	\$18,208	\$18,497	
15.	Less: Increases in Net Working Capital 5/	\$39,460	\$27,322	\$901	\$578	\$270	\$0	\$675	\$471	\$853	\$495	\$882	
16.	Total Available Cash Flow (L. 11 + L. 12 + L. 13 - L. 14 - L. 15)	\$368,942	\$564,191	\$598,806	\$603,346	\$605,104	\$600,699	\$605,505	\$609,125	\$615,055	\$619,128	\$625,407	\$6,883,272
17.	Discount Factor at 10.1% 6/	1.00	0.91	0.82	0.75	0.68	0.62	0.56	0.51	0.46	0.42	0.38	0.38
18.	Present Value of Cash Flows (L. 16. x L. 17)		\$512,435	\$493,982	\$462,068	\$441,795	\$371,296	\$339,933	\$310,596	\$284,850	\$260,432	\$238,940	\$2,629,794
19.	Cumulative Present Value of Cash Flows (Sum of L. 18, Cols (3) - (14)												

1/ See revenue forecast

2/ Expenses are increased by forecast cotton production, as well as by RCAF-A increases

3/ See Exhibit 22

4/ Multiplied by 35% per highest marginal tax rate

5/ See Exhibit 24

6/ After tax cost of capital from U.S. Surface Transportation Board's June 21, 2005 decision in Ex Parte 558 Sub No. 8 (1 + (1 + 10.1%)

7/ Terminal value = 2015 Cash Flows + (10.1% discount rate - ((2015 Cash Flow + 2014 Cash Flow) - 1))

Revised Exhibit 21 - NEW Revenue Forecast - Full Surcharge

Ln. No.	ITEM	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
1.	Revenue per car 1/	\$137.22	\$142.72	\$143.49	\$144.26	\$145.12	\$146.06	\$147.23	\$148.71	\$150.34	\$151.92	\$153.51
2.	First 5,000 carloads											
3.	Carloads over 5,000	\$120.75	\$125.60	\$126.28	\$126.95	\$127.71	\$128.54	\$129.57	\$130.87	\$132.31	\$133.70	\$135.10
4.	Blocks of 27 cars or more	\$43.91	\$45.67	\$45.92	\$46.16	\$46.44	\$46.74	\$47.11	\$47.59	\$48.11	\$48.61	\$49.12
5.	Revenue surcharge per car - Not in 27+ blocks	\$20.00	\$60.00	\$60.00	\$60.00	\$60.00	\$60.00	\$60.00	\$60.00	\$60.00	\$60.00	\$60.00
5.b.	Revenue surcharge per car - 27+ blocks		\$40.00	\$40.00	\$40.00	\$40.00	\$40.00	\$40.00	\$40.00	\$40.00	\$40.00	\$40.00
6.	Carloads	14,048										
7.	Non- NEW Shippers single car	4,094	3,709	3,745	3,764	3,764	3,727	3,745	3,745	3,764	3,764	3,782
8.	Non- NEW Shippers 27 or more	2,769	2,509	2,533	2,546	2,546	2,521	2,533	2,533	2,546	2,546	2,558
9.	Total Non-NEW Shippers	6,863	6,218	6,279	6,309	6,309	6,248	6,279	6,279	6,309	6,309	6,340
10.	NEW Shippers single car	6,636	6,012	6,071	6,101	6,101	6,042	6,071	6,071	6,101	6,101	6,130
11.	NEW Shippers 27 or more	549	497	502	505	505	500	502	502	505	505	507
12.	Total NEW Shippers	7,185	6,509	6,573	6,605	6,605	6,541	6,573	6,573	6,605	6,605	6,637
13.	Total Cars at single rate (L.7 + L.10)	10,730	9,721	9,816	9,864	9,864	9,769	9,816	9,816	9,864	9,864	9,912
14.	NEW Cars											
15.	Number in over 5,000 rate (L.13 - 5,000)	5,730	4,721	4,816	4,864	4,864	4,769	4,816	4,816	4,864	4,864	4,912
16.	Number in first 5,000 rate (L.10 - L.15)	906	1,291	1,255	1,236	1,236	1,273	1,255	1,255	1,236	1,236	1,218
17.	Number in blocks 27 or more (L.11)	549	497	502	505	505	500	502	502	505	505	507
18.	NEW Revenue											
19.	Carloads over the 5,000 limit (L.15 x (L.3 + L.5))	\$691,898	\$876,253	\$897,205	\$909,359	\$913,064	\$899,133	\$913,070	\$919,311	\$935,409	\$942,166	\$958,292
20.	Carloads within the 5,000 limit (L.16 x (L.2 + L.5))	\$124,321	\$261,693	\$255,287	\$252,534	\$253,604	\$262,264	\$259,983	\$261,830	\$260,058	\$262,010	\$260,100
21.	Carloads in blocks of 27 or more (L.17 x (L.4 + L.5b))	\$24,107	\$42,611	\$43,152	\$43,486	\$43,625	\$43,355	\$43,754	\$43,991	\$44,468	\$44,723	\$45,198
22.	Total Haulage Revenue	\$840,325	\$1,180,557	\$1,195,644	\$1,205,379	\$1,210,294	\$1,204,751	\$1,216,808	\$1,225,132	\$1,239,935	\$1,248,899	\$1,263,590
23.	PYCO \$20 Surcharge 3/	\$29,000										
24.	PYCO Other Revenue	\$20,445	\$18,679	\$18,964	\$19,158	\$19,273	\$19,211	\$19,459	\$19,653	\$19,966	\$20,176	\$20,486
25.	NEW Revenue	\$889,770	\$1,199,236	\$1,214,608	\$1,224,537	\$1,229,567	\$1,223,962	\$1,236,266	\$1,244,785	\$1,259,901	\$1,269,075	\$1,284,076

Source: Carload data provided by Dennis Olmstead
Revenue per carload provided by South Plains Lamesa Railroad, Ltd.
PYCO Other revenue provided by South Plains Lamesa Railroad, Ltd.
1/ Forecasted revenue per carload is increased by 50% RCAF-U per SAW rate escalation
2/ Carloads are increased by U.S. Department of Agriculture ("USDA") forecasted upland cotton production
3/ PYCO surcharge is included with applicable \$60 and \$40 surcharges after 2005

Revised Exhibit 22 - NEW Capital Expenditures and Depreciation - - Full Surcharge

Line No.	Item	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
1.	Capital Spending 1/	\$0	\$4,567	\$6,352	\$16,939	\$21,041	\$21,041	\$18,056	\$16,884	\$17,085	\$17,239	\$17,243	\$17,517	\$17,693	\$18,010	\$18,208	\$18,497
Depreciation																	
2.	Prior Investments 2/																
3.	2000 Additions 3/	\$0	\$0	\$0	\$0	\$0	\$0	\$4,025	\$2,874	\$1,725	\$575						
4.	2001 Additions 3/		\$653	\$1,118	\$799	\$570	\$408	\$407	\$408	\$204							
5.	2002 Additions 3/			\$908	\$1,556	\$1,111	\$793	\$567	\$567	\$567	\$283						
6.	2003 Additions 3/				\$2,421	\$4,148	\$2,963	\$2,116	\$1,513	\$1,511	\$1,513	\$755					
7.	2004 Additions 3/					\$3,007	\$5,153	\$3,680	\$2,628	\$1,879	\$1,877	\$1,879	\$938				
8.	2005 Additions 3/						\$3,007	\$5,153	\$3,680	\$2,628	\$1,879	\$1,877	\$1,879	\$938			
9.	2006 Additions 3/							\$2,580	\$4,422	\$3,158	\$2,255	\$1,612	\$1,611	\$1,612	\$805		
10.	2007 Additions 3/								\$2,413	\$4,135	\$2,953	\$2,109	\$1,508	\$1,506	\$1,508	\$753	
11.	2008 Additions 3/									\$2,441	\$2,463	\$2,988	\$2,134	\$1,526	\$1,524	\$1,526	\$762
12.	2009 Additions 3/											\$4,222	\$3,015	\$2,153	\$1,539	\$1,538	\$1,539
13.	2010 Additions 3/											\$2,464	\$4,223	\$3,016	\$2,154	\$1,540	\$1,538
14.	2011 Additions 3/												\$2,503	\$4,290	\$3,064	\$2,168	\$1,564
15.	2012 Additions 3/													\$2,528	\$4,333	\$3,094	\$2,210
16.	2013 Additions 3/														\$2,574	\$4,411	\$3,150
17.	2014 Additions 3/															\$4,459	\$4,459
18.	2015 Additions 3/															\$2,602	\$2,643
19.	Forecasted Depreciation 4/							\$18,529	\$18,504	\$18,248	\$17,982	\$17,906	\$17,811	\$17,570	\$17,500	\$17,651	\$17,866

1/ 2006 capital spending uses average 2003 - 2005 capital spending

Capital spending is escalated by the RCAF-A and by forecasted upland cotton production

2/ See Exhibit 23

3/ Each year capital expenditures are depreciated via MACRS table below for 7 year life.

4/ Sum Lines 2 - 18

MACRS 7-Year Tax Deprec.	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8
	14.29%	24.49%	17.49%	12.49%	8.93%	8.92%	8.93%	4.46%

Revised Exhibit 23 - Estimate and Allocate Undepreciated Assets - Full Surcharge

Estimate Undepreciated 1/1/2000 NEW Assets

1. SAW 1/1/2000 Depreciable Assets 1/	\$515,779
2. SAW 12/31/05 Depreciation Reserve 1/	\$575,075
3. SAW Depreciation of 01/01/00 - 12/31/05 Investment (-L. 16)	<u>(\$87,392)</u>
4. SAW Depreciation Applied to 1/1/2000 Assets (L. 2 + L. 3)	\$487,683
5. Undepreciated 1/1/2000 SAW Assets (L. 1 - L. 4)	\$28,096
6. NEW Allocation 1/	32.74%
7. NEW Undeprec. 1/1/2000 SAW Assets @ 12/31/05 (L. 5 x L. 6)	<u>\$9,199</u>

Calculate Depreciation of 2000 - 2005 SAW Investment for line 3

Year	2000	2001	2002	2003	2004	2005
8. Investment 1/	\$0	\$13,948	\$19,400	\$51,735	\$64,265	\$64,265
Depreciation						
9. 2000 Additions 2/	\$0	\$0	\$0	\$0	\$0	\$0
10. 2001 Additions 2/		\$1,993	\$3,416	\$2,440	\$1,742	\$1,246
11. 2002 Additions 2/			\$2,772	\$4,751	\$3,393	\$2,423
12. 2003 Additions 2/				\$7,393	\$12,670	\$9,048
13. 2004 Additions 2/					\$9,183	\$15,738
14. 2005 Additions 2/						\$9,183
15. Depreciation of 2000 - 2005 Investment 3/	\$0	\$1,993	\$6,188	\$14,583	\$26,989	\$37,639
16. Total Depreciation 4/						<u>\$87,392</u>

Allocate Undepreciated 1/1/2000 investment after 12/31/05

17.	Average Investment 2000 - 2005 1/							\$11,657
18.	Undepreciated Assets (L. 7)							\$9,199
	<u>Generation</u>	<u>Investment</u>	<u>Year 5</u>	<u>Year 6</u>	<u>Year 7</u>	<u>Year 8</u>	<u>Total</u>	
19.	Generation 1 5/	\$11,657	\$1,041	\$1,040	\$1,041	\$520		
20.	Generation 2 5/	\$11,657	\$1,040	\$1,041	\$520			
21.	Generation 3 5/	\$11,657	\$1,041	\$520				
22.	Generation 4 5/	\$11,657	\$520					
23.	Allocate Avg Investment 6/		\$3,642	\$2,601	\$1,561	\$520	\$8,323	
24.	Allocate Residual 7/		\$383	\$274	\$164	\$55	\$876	
25.	Allocate Undeprec. Assets 8/		\$4,025	\$2,874	\$1,725	\$575	\$9,199	

1/ From SAW Pro Forma

2/ L. 8 x MACR depreciation schedule

3/ Sum Lines 9 - 14

4/ Sum Line 15, years 2000 - 2005

5/ Assume that \$9,199 represents previous years' investment amounts that are in the final years of depreciation

Assume that these previous years' investments were \$11,657 per average 2000 - 2005 investment, and are depreciated per 7 year MACRS schedules

6/ Sum Lines 19 - 22

7/ (L. 18 - L. 23_{Total}) x (L. 23_{year} + L. 23_{Total})

8/ L. 23 + L. 24

MACRS Schedule	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8
	14.29%	24.49%	17.49%	12.49%	8.93%	8.92%	8.93%	4.46%

Revised Exhibit 24 - NEW Changes to Net Working Capital - Full Surcharge

<u>Line No.</u>	<u>Item</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
1.	Estimated Change in Acc'ts Receivable 1/	(\$47,878)	(\$25,789)	(\$1,281)	(\$827)	(\$419)	\$467	(\$1,025)	(\$710)	(\$1,260)	(\$764)	(\$1,250)
2.	Estimated Change in Acc'ts Payable 2/	\$8,419	(\$1,533)	\$380	\$250	\$209	\$54	\$350	\$239	\$407	\$270	\$368
3.	Change in Net Working Capital (L. 1 + L. 2)	(\$39,460)	(\$27,322)	(\$901)	(\$578)	(\$210)	\$521	(\$675)	(\$471)	(\$853)	(\$495)	(\$882)
<u>1/ ((Revenues_{year + 12}) - (Revenues_{year - 1 + 12})) x -1</u>												
<u>2/ (Operating Expenses_{year + 12}) - (Operating Expenses_{year - 1 + 12})</u>												

Revised Exhibit 25 - NEW GCV Forecasts Indexes - Full Surcharge

<u>Line No.</u>	<u>Item</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)
1.	RCAF-A % Chg 1/		1.3%	0.9%	0.7%	0.9%	1.0%	1.1%	1.0%	1.3%	1.1%	1.1%
2.	RCAF-A Index	1.00	1.01	1.02	1.03	1.04	1.05	1.06	1.07	1.08	1.10	1.11
3.	4Q RCAF-U 1/	118.50	120.50	121.80	123.10							
4.	RCAF-U % Chg 1/		1.7%	1.1%	1.1%	1.2%	1.3%	1.6%	2.0%	2.2%	2.1%	2.1%
5.	50% RCAF-U 2/		0.8%	0.5%	0.5%	0.6%	0.7%	0.8%	1.0%	1.1%	1.1%	1.1%
6.	50% RCAF-U Index		1.00	1.01	1.01	1.02	1.02	1.03	1.04	1.05	1.06	1.08
7.	50% RCAF-U 2005 Base	1.00	1.01	1.01	1.02	1.03	1.03	1.04	1.05	1.06	1.07	1.08
8.	Upland Cotton Production 3/	22,517	20,400	20,600	20,700	20,700	20,500	20,600	20,600	20,700	20,700	20,800
9.	Upland Cotton Production Index	1.00	0.91	0.91	0.92	0.92	0.91	0.91	0.91	0.92	0.92	0.92

1/ June 2006 Global Insight Forecast

2/ Per SAW rate escalation, rates are increased 50% of change of each year's 4Q RCAF-U. Global Insight forecast provides quarterly forecasts until 2008, so use annual change beyond that time

3/ U.S. Department of Agriculture Baseline Projections to 2015, Appendix Table 7 (1,000 480-lb bales)

Revised Exhibit 26 - NEW Going Concern Value - \$20 PYCO Surcharges

Ln. No. (1)	Item (2)	2005 (3)	2006 (4)	2007 (5)	2008 (6)	2009 (7)	2010 (8)	2011 (9)	2012 (10)	2013 (11)	2014 (12)	2015 (13)	Terminal Value 4/ (14)
1.	Total Revenues 1/	\$889,770	\$926,426	\$939,124	\$947,715	\$952,745	\$949,815	\$960,782	\$969,302	\$983,080	\$992,253	\$1,005,917	
2.	Transportation Expense 2/	\$140,004	\$128,480	\$130,917	\$132,474	\$133,666	\$133,698	\$135,828	\$137,186	\$139,644	\$141,181	\$143,423	
3.	Locomotive Maintenance 2/	\$26,576	\$24,391	\$24,851	\$25,147	\$25,373	\$25,379	\$25,784	\$26,041	\$26,508	\$26,800	\$27,225	
4.	Maintenance of Way Expense 2/	\$66,142	\$60,703	\$61,849	\$62,585	\$63,148	\$63,163	\$64,169	\$64,811	\$65,972	\$66,698	\$67,758	
5.	General and Administrative Expense 2/	\$57,089	\$57,832	\$58,352	\$58,761	\$59,289	\$59,682	\$60,541	\$61,146	\$61,941	\$62,623	\$63,311	
6.	Total Operating Expense (Sum of Lines 2 - 5)	\$289,811	\$271,414	\$275,970	\$278,966	\$281,476	\$282,123	\$286,322	\$289,185	\$294,066	\$297,301	\$301,717	
7.	Earnings Before Taxes and Depreciation (L. 1 - L. 6)	\$599,959	\$655,012	\$663,154	\$668,750	\$671,269	\$667,692	\$674,460	\$680,116	\$689,014	\$694,953	\$704,200	
8.	Depreciation 3/	\$22,262	\$18,529	\$18,504	\$18,248	\$17,982	\$17,906	\$17,811	\$17,570	\$17,500	\$17,651	\$17,866	
9.	Earnings before Taxes (L. 7 - L. 8)	\$577,697	\$636,483	\$644,650	\$650,501	\$653,287	\$649,786	\$656,649	\$662,546	\$671,513	\$677,302	\$686,334	
10.	Income Taxes 4/	\$170,516	\$222,769	\$225,627	\$227,675	\$228,650	\$227,425	\$229,827	\$231,891	\$235,030	\$237,056	\$240,217	
11.	Net Income After Taxes and Depreciation (L. 9 - L. 10)	\$407,181	\$413,714	\$419,022	\$422,826	\$424,636	\$422,361	\$426,822	\$430,655	\$436,484	\$440,246	\$446,117	
12.	Plus: Depreciation (L. 8)	\$22,262	\$18,529	\$18,504	\$18,248	\$17,982	\$17,906	\$17,811	\$17,570	\$17,500	\$17,651	\$17,866	
13.	Plus: Decreases in Net Working Capital 5/	\$0	\$0	\$0	\$0	\$0	-\$298	\$0	\$0	\$0	\$0	\$0	
14.	Less: Capital Expenditures 3/	\$21,041	\$18,056	\$16,894	\$17,085	\$17,239	\$17,243	\$17,517	\$17,693	\$18,010	\$18,208	\$18,497	
15.	Less: Increases in Net Working Capital 5/	\$39,460	\$4,588	\$679	\$466	\$210	\$0	\$564	\$471	\$741	\$495	\$771	
16.	Total Available Cash Flow (L. 11 + L. 12 + L. 13 - L. 14 - L. 15)	\$368,942	\$409,599	\$419,964	\$423,523	\$425,170	\$422,727	\$426,551	\$430,061	\$435,233	\$439,194	\$444,715	\$5,029,026
17.	Discount Factor at 10.1% 6/	1.00	0.91	0.82	0.75	0.68	0.62	0.56	0.51	0.46	0.42	0.38	0.38
18.	Present Value of Cash Flows (L. 16 x L. 17)		\$372,025	\$346,448	\$317,333	\$289,343	\$261,290	\$239,468	\$219,290	\$201,569	\$184,744	\$169,906	\$1,921,369
19.	Cumulative Present Value of Cash Flows (Sum of L. 18, Cols (3) - (14))	\$4,522,784											

1/ See revenue forecast

2/ Expenses are changed by U.S. Department of Agriculture ("USDA") forecasted upland cotton production, as well as by RCAF-A increases

3/ See Exhibit 27

4/ Multiplied by 35% per highest marginal tax rate

5/ See Exhibit 29

6/ After tax cost of capital from U.S. Surface Transportation Board's June 21, 2005 decision in Ex Parte 558 Sub No. 8 (1 + (1 + 10.1%))

7/ Terminal value = 2015 Cash Flows + (10.1% discount rate - ((2015 Cash Flow + 2014 Cash Flow) - 1))

Revised Exhibit 27 - NEW Revenue Forecast - \$20 PYCO Surcharge

<u>Ln. No.</u>	<u>ITEM</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
1.	Revenue per car											
2.	First 5,000 carloads	\$137.22	\$142.72	\$143.49	\$144.26	\$145.12	\$146.06	\$147.23	\$148.71	\$150.34	\$151.92	\$153.51
3.	Carloads over 5,000	\$120.75	\$125.60	\$126.28	\$126.95	\$127.71	\$128.54	\$129.57	\$130.87	\$132.31	\$133.70	\$135.10
4.	Blocks of 27 cars or more	\$43.91	\$45.67	\$45.92	\$46.16	\$46.44	\$46.74	\$47.11	\$47.59	\$48.11	\$48.61	\$49.12
5.	PYCO Surcharge	\$20.00	\$20.00	\$20.00	\$20.00	\$20.00	\$20.00	\$20.00	\$20.00	\$20.00	\$20.00	\$20.00
6.	Carloads	14,048										
7.	Non- NEW Shippers single car	4,094	3,709	3,745	3,764	3,764	3,727	3,745	3,745	3,764	3,764	3,782
8.	Non- NEW Shippers 27 or more	2,769	2,509	2,533	2,546	2,546	2,521	2,533	2,533	2,546	2,546	2,558
9.	Total Non-NEW Shippers	6,863	6,218	6,279	6,309	6,309	6,248	6,279	6,279	6,309	6,309	6,340
10.	NEW Shippers single car	6,636	6,012	6,071	6,101	6,101	6,042	6,071	6,071	6,101	6,101	6,130
11.	NEW Shippers 27 or more	549	497	502	505	505	500	502	502	505	505	507
12.	Total NEW Shippers	7,185	6,509	6,573	6,605	6,605	6,541	6,573	6,573	6,605	6,605	6,637
13.	Total Cars at single rate (L. 7 + L. 10)	10,730	9,721	9,816	9,864	9,864	9,769	9,816	9,816	9,864	9,864	9,912
14.	NEW Cars											
15.	Number in over 5,000 rate (L. 13 - 5,000)	5,730	4,721	4,816	4,864	4,864	4,769	4,816	4,816	4,864	4,864	4,912
16.	Number in first 5,000 rate (L. 10 - L. 15)	906	1,291	1,255	1,236	1,236	1,273	1,255	1,255	1,236	1,236	1,218
17.	Number in blocks 27 or more (L. 11)	549	497	502	505	505	500	502	502	505	505	507
18.	PYCO Cars	5,950	5,391	5,443	5,470	5,470	5,417	5,443	5,443	5,470	5,470	5,496
19.	NEW Revenue											
20.	Carloads over the 5,000 limit (L. 15 x L. 3)	\$691,898	\$592,981	\$608,215	\$617,510	\$621,215	\$613,002	\$624,081	\$630,322	\$643,560	\$650,317	\$663,584
21.	Carloads within the 5,000 limit (L. 16 x L. 2)	\$124,321	\$184,239	\$180,015	\$178,352	\$179,423	\$185,900	\$184,710	\$186,558	\$185,876	\$187,828	\$187,009
22.	Carloads in blocks of 27 or more (L. 17 x L. 4)	\$24,107	\$22,716	\$23,062	\$23,298	\$23,437	\$23,362	\$23,664	\$23,900	\$24,280	\$24,535	\$24,913
23.	Total Haulage Revenue	\$840,325	\$799,935	\$811,291	\$819,160	\$824,075	\$822,264	\$832,455	\$840,779	\$853,717	\$862,681	\$875,505
24.	PYCO \$20 Surcharge	\$29,000	\$107,812	\$108,869	\$109,397	\$109,397	\$108,340	\$108,869	\$108,869	\$109,397	\$109,397	\$109,926
25.	PYCO Other Revenue	\$20,445	\$18,679	\$18,964	\$19,158	\$19,273	\$19,211	\$19,459	\$19,653	\$19,966	\$20,176	\$20,486
26.	NEW Revenue	\$889,770	\$926,426	\$939,124	\$947,715	\$952,745	\$949,815	\$960,782	\$969,302	\$983,080	\$992,253	\$1,005,917

Source: Carload data provided by Dennis Olmstead

Revenue per carload provided by South Plains Lamessa Railroad, Ltd.

PYCO Other revenue provided by South Plains Lamessa Railroad, Ltd.

1/ Forecasted revenue per carload is increased by 50% RCAF-U per SAW rate escalation

2/ Carloads are changed for forecasted upland cotton production

Revised Exhibit 28 - NEW Capital Expenditures and Depreciation - \$20 PYCO Surcharge

Line No.	Item	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
1.	Capital Spending 1/	\$0	\$4,567	\$6,352	\$16,939	\$21,041	\$21,041	\$18,056	\$16,864	\$17,085	\$17,239	\$17,243	\$17,517	\$17,693	\$18,010	\$18,208	\$18,497
Depreciation																	
2.	Prior Investments 2/							\$4,025	\$2,874	\$1,725	\$575						
3.	2000 Additions 3/	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$204							
4.	2001 Additions 3/		\$653	\$1,118	\$799	\$570	\$408	\$407	\$408	\$567	\$283	\$755	\$938				
5.	2002 Additions 3/			\$908	\$1,556	\$1,111	\$793	\$567	\$567	\$1,511	\$1,513	\$1,879	\$1,879	\$938			
6.	2003 Additions 3/				\$2,421	\$4,148	\$2,963	\$2,116	\$1,513	\$1,511	\$1,513	\$1,879	\$1,879	\$938			
7.	2004 Additions 3/					\$3,007	\$2,963	\$3,680	\$2,628	\$1,879	\$1,877	\$1,879	\$1,879	\$938			
8.	2005 Additions 3/						\$3,007	\$5,153	\$3,680	\$2,628	\$1,879	\$1,879	\$1,879	\$938			
9.	2006 Additions 3/							\$2,580	\$4,422	\$3,158	\$2,255	\$1,612	\$1,611	\$1,612	\$805		
10.	2007 Additions 3/								\$2,413	\$4,135	\$2,953	\$2,109	\$1,508	\$1,506	\$1,508	\$753	
11.	2008 Additions 3/									\$2,441	\$2,463	\$2,988	\$2,134	\$1,526	\$1,524	\$1,526	\$762
12.	2009 Additions 3/											\$4,222	\$3,015	\$2,153	\$1,539	\$1,538	\$1,538
13.	2010 Additions 3/												\$4,223	\$3,016	\$2,154	\$1,540	\$1,538
14.	2011 Additions 3/												\$2,503	\$4,290	\$3,064	\$2,188	\$1,564
15.	2012 Additions 3/													\$2,528	\$4,333	\$3,094	\$2,210
16.	2013 Additions 3/														\$2,574	\$4,411	\$3,150
17.	2014 Additions 3/															\$4,411	\$3,150
18.	2015 Additions 3/															\$2,602	\$4,459
19.	Forecasted Depreciation 4/							\$18,529	\$18,504	\$18,248	\$17,982	\$17,906	\$17,811	\$17,570	\$17,500	\$17,651	\$17,866

1/ 2006 capital spending uses average 2003 - 2005 capital spending

Capital spending is escalated by the RCAF-A and forecasted changes in upland cotton production

2/ See Exhibit 28

3/ Each year capital expenditures are depreciated via MACRS table below for 7 year life.

4/ Sum Lines 2 - 18

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8
MACRS 7-Year Tax Deprec.	14.29%	24.49%	17.49%	12.49%	8.93%	8.92%	8.93%	4.46%

Revised Exhibit 29 - Estimate and Allocate Undepreciated Assets - \$20 PYCO Surcharge

Estimate Undepreciated 1/1/2000 NEW Assets

1. SAW 1/1/2000 Depreciable Assets 1/	\$515,779
2. SAW 12/31/05 Depreciation Reserve 1/	\$575,075
3. SAW Depreciation of 01/01/00 - 12/31/05 Investment (-L. 16)	<u>(\$87,392)</u>
4. SAW Depreciation Applied to 1/1/2000 Assets (L. 2 + L. 3)	\$487,683
5. Undepreciated 1/1/2000 SAW Assets (L. 1 - L. 4)	\$28,096
6. NEW Allocation 1/	32.74%
7. NEW Undeprec. 1/1/2000 SAW Assets @ 12/31/05 (L. 5 x L. 6)	\$9,199

Calculate Depreciation of 2000 - 2005 SAW Investment for line 3

Year	2000	2001	2002	2003	2004	2005
8. Investment 1/	\$0	\$13,948	\$19,400	\$51,735	\$64,265	\$64,265
Depreciation						
9. 2000 Additions 2/	\$0	\$0	\$0	\$0	\$0	\$0
10. 2001 Additions 2/		\$1,993	\$3,416	\$2,440	\$1,742	\$1,246
11. 2002 Additions 2/			\$2,772	\$4,751	\$3,393	\$2,423
12. 2003 Additions 2/				\$7,393	\$12,670	\$9,048
13. 2004 Additions 2/					\$9,183	\$15,738
14. 2005 Additions 2/						\$9,183
15. Depreciation of 2000 - 2005 Investment 3/	\$0	\$1,993	\$6,188	\$14,583	\$26,989	\$37,639
16. Total Depreciation 4/						\$87,392

Allocate Undepreciated 1/1/2000 investment after 12/31/05

17. Average Investment 2000 - 2005 1/		\$11,657					
18. Undepreciated Assets (L. 7)		\$9,199					
	<u>Generation</u>	<u>Investment</u>	<u>Year 5</u>	<u>Year 6</u>	<u>Year 7</u>	<u>Year 8</u>	<u>Total</u>
19.	Generation 1 5/	\$11,657	\$1,041	\$1,040	\$1,041		
20.	Generation 2 5/	\$11,657	\$1,040	\$1,041	\$520	\$520	
21.	Generation 3 5/	\$11,657	\$1,041	\$520			
22.	Generation 4 5/	\$11,657	\$520				
23. Allocate Avg Investment 6/		\$3,642	\$2,601		\$1,561	\$520	\$8,323
24. Allocate Residual 7/		\$383	\$274		\$164	\$55	\$876
25. Allocate Undeprec. Assets 8/		\$4,025	\$2,874		\$1,725	\$575	\$9,199

1/ From SAW Pro Forma

2/ L. 8 x MACRS depreciation schedule

3/ Sum Lines 9 - 14

4/ Sum Line 15, years 2000 - 2005

5/ Assume that \$9,199 represents previous years' investment amounts that are in the final years of depreciation

Assume that these previous years' investments were \$11,657 per average 2000 - 2005 investment, and are depreciated per 7 year MACRS schedules

6/ Sum Lines 19 - 22

7/ (L. 18 - L. 23_{Total}) x (L. 23_{year} + L. 23_{Total})

8/ L. 23 + L. 24

MACRS Schedule	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8
	14.29%	24.49%	17.49%	12.49%	8.93%	8.92%	8.93%	4.46%

Revised Exhibit 30 - NEW Changes to Net Working Capital - \$20 PYCO Surcharge

<u>Line No.</u>	<u>Item</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
1.	Estimated Change in Accts Receivable 1/	(\$47,878)	(\$3,055)	(\$1,058)	(\$716)	(\$419)	\$244	(\$914)	(\$710)	(\$1,148)	(\$764)	(\$1,139)
2.	Estimated Change in Accts Payable 2/	\$8,419	(\$1,533)	\$380	\$250	\$209	\$54	\$350	\$239	\$407	\$270	\$368
3.	Change in Net Working Capital (L. 1 + L. 2)	(\$39,460)	(\$4,588)	(\$679)	(\$466)	(\$210)	\$298	(\$564)	(\$471)	(\$741)	(\$495)	(\$771)
<u>1/ ((Revenues_{year ÷ 12}) - (Revenues_{year - 1 ÷ 12})) x -1</u>												
<u>2/ (Operating Expenses_{year ÷ 12}) - (Operating Expenses_{year - 1 ÷ 12})</u>												

Revised Exhibit 31 - NEW GCV Forecasts Indexes - \$20 PYCO Surcharge

<u>Line No.</u>	<u>Item</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)
1.	RCAF-A % Chg 1/		1.3%	0.9%	0.7%	0.9%	1.0%	1.1%	1.0%	1.3%	1.1%	1.1%
2.	RCAF-A Index	1.00	1.01	1.02	1.03	1.04	1.05	1.06	1.07	1.08	1.10	1.11
3.	4Q RCAF-U 1/	118.50	120.50	121.80	123.10							
4.	RCAF-U % Chg 1/		1.7%	1.1%	1.1%	1.2%	1.3%	1.6%	2.0%	2.2%	2.1%	2.1%
5.	50% RCAF-U 2/		0.8%	0.5%	0.5%	0.6%	0.7%	0.8%	1.0%	1.1%	1.1%	1.1%
6.	50% RCAF-U Index		1.00	1.01	1.01	1.02	1.02	1.03	1.04	1.05	1.06	1.08
7.	50% RCAF-U Index Base 2005	1.00	1.01	1.01	1.02	1.03	1.03	1.04	1.05	1.06	1.07	1.08
8.	Upland Cotton Production 3/	22,517	20,400	20,600	20,700	20,700	20,500	20,600	20,600	20,700	20,700	20,800
9.	Upland Cotton Production Index	1.00	0.91	0.91	0.92	0.92	0.91	0.91	0.91	0.92	0.92	0.92

1/ June 2006 Global Insight Forecast

2/ Per SAW rate escalation, rates are increased 50% of change of each year's 4Q RCAF-U. Global Insight forecast provides quarterly forecasts until 2008, so use annual change beyond that time

3/ U.S. Department of Agriculture Baseline Projections to 2015, Appendix Table 7 (1,000 480-lb bales)

Exhibit 32 - All-SAW Carloads - 6 Months 2006 v. 6 Months 2005

Line No. (1)	Client (2)	6 Mo. 2006 (3)	6 Mo. 2005 (4)	Difference (5)
1	Other	0	0	0
2	ABC Supply	0	0	0
3	Acme Brick	2	0	2
4	ADM (Scotoil)	340	475	-135
5	Atterbury Grain	54	429	-375
6	BNSF Error	0	0	0
7	Brite Trucking	61	84	-23
8	Brunson Brick	77	0	77
9	Chevron	0	0	0
10	CO2 Services	0	0	0
11	Cont. Grain	0	0	0
12	Dodson Lumber	38	27	11
13	Eagle Picher	0	0	0
14	Farmers Compress	389	358	31
15	Furrs	7	7	0
16	Georgia Pacific (Blink)	111	129	-18
17	Goets	0	2	-2
18	Hanson Rock	635	1,332	-697
19	Hi-Plains Bag	12	15	-3
20	Intl Fibre Pack	9	11	-2
21	Mayfield Van Lines	0	0	0
22	Pantex	10	7	3
23	Payless Cashways	0	0	0
24	PYCO 1/	412	2,946	-2,534
25	Rob Bondwarehouse	47	50	-3
26	Russell Womack	52	44	8
27	Southplains Warehouse	0	0	0
28	Tiernet Metals	8	2	6
29	Suprime/Purina	0	0	0
30	Vulcan	1,765	659	1,106
31	Stock (Walker) L	95	105	-10
32	Wilkerson Storage	0	0	0
33	84 Lumber Co.	14	8	6
34	BO or Unknown	<u>5</u>	<u>12</u>	<u>-7</u>
35	Total	4,143	6,702	-2,559
36	Without PYCO	3,731	3,756	

Exhibit No. 33 - Upland Cotton Production Index

Appendix table 7--Upland cotton: Production, by State, 1965/66-2005/06

Crop year	TX	U.S.	TX	U.S.	
(1)	(2)	(3)	(4)	(5)	
1965	4,632	14,850			
1966	3,156	9,484			
1967	2,740	7,374			
1968	3,499	10,847			
1969	2,831	9,913			
1970	3,191	10,135			
1971	2,579	10,379			
1972	4,246	13,608			
1973	4,673	12,896			
1974	2,462	11,450			
1975	2,382	8,247			
1976	3,307	10,517			
1977	5,465	14,277			
1978	3,792	10,762			
1979	5,515	14,531			
1980	3,320	11,018			
1981	5,645	15,566			
1982	2,700	11,864			
1983	2,380	7,677			
1984	3,680	12,851			
1985	3,910	13,277			
1986	2,535	9,525			
1987	4,635	14,475			
1988	5,215	15,077			
1989	2,870	11,504			
1990	4,965	15,147			
1991	4,710	17,216			
1992	3,265	15,710			
1993	5,095	15,764			
1994	4,915	19,324			
1995	4,460	17,532			
1996	4,345	18,414			
1997	5,140	18,245			
1998	3,600	13,476			
1999	5,050	16,294			
2000	3,940	16,799	1.000000	1.000000	
2001	4,260	19,602	1.081218	1.166855	
2002	5,040	16,530	1.279188	0.983987	
2003	4,330	17,823	1.098985	1.060956	
2004	7,740	22,505	1.964467	1.339663	
2005	7,800	22,517	1.979695	1.340377	
2006		20,400		1.214358	90.6%
2007		20,600		1.226263	91.5%
2008		20,700		1.232216	91.9%
2009		20,700		1.232216	91.9%
2010		20,500		1.220311	91.0%
2011		20,600		1.226263	91.5%
2012		20,600		1.226263	91.5%
2013		20,700		1.232216	91.9%
2014		20,700		1.232216	91.9%
2015		20,800		1.238169	92.4%

 Sources: National Agricultural Statistics Service, USDA and
 USDA Baseline Projections, February 2006, Table 15.

Exhibit No. 34 - SAW MOW Per Track Mile

<u>Line No.</u>	<u>MOW Category</u>	<u>Year</u>					
		<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>
1.	Maint. Of Way Materials	\$39,503	\$57,704	\$138,894	\$159,455	\$62,391	\$100,697
2.	Maint. Of Way Repairs and Maint	\$32,769	\$44,254	\$54,130	\$43,703	\$45,759	\$101,315
3.	Transfer to 3R	\$78,145	\$116,600	\$123,000	\$124,000	\$94,600	\$124,150
4.	Transfer to 3R MOW Portion 1/	\$52,097	\$77,733	\$82,000	\$82,667	\$63,067	\$82,767
5.	Transfers to Track Repair	\$38,950	\$0	\$0	\$0	\$0	\$0
6.	Contract Labor	\$0	\$0	\$0	\$0	\$0	\$124,324
7.	Total MOW Expense (Sum of Lines 1 through 6)	\$163,319	\$179,692	\$275,024	\$285,825	\$171,217	\$409,103
8.	Miles of Road Operated by SAW	18.00	18.00	18.00	18.00	18.00	18.00
9.	MOW Expense per Mile Operated (Line 7 / Line 8)	\$9,073	\$9,983	\$15,279	\$15,879	\$9,512	\$22,728

1/ Transfer to 3R represents the salaries for three SAW personnel: two MOW employees and one office employee. Two-thirds of the expense is attributed to MOW.

Exhibit No. 35
Cars Handled by BNSF per Month in 2005
Jarvis Metals at Burris, TX

<u>Month</u>	<u>Cars Handled</u>	<u>Revenue</u>
(1)	(2)	(3)
Jan	46	3,450
Feb	51	3,825
Mar	53	3,975
Apr	43	3,225
May	55	4,125
Jun	52	3,900
Jly	50	3,750
Aug	59	4,425
Sep	54	4,050
Oct	57	4,275
Nov	59	4,425
Dec	<u>46</u>	3,450
Total	625	46,875

Pro Forma Income Statement For SAW System Excluding Slaton Operations

<u>Ln. No.</u> (1)	<u>Item</u> (2)	<u>2000</u> (3)	<u>2001</u> (4)	<u>2002</u> (5)	<u>2003</u> (6)	<u>2004</u> (7)	<u>2005</u> (8)
1.	Haulage Revenue	\$672,017	\$869,243	\$996,237	\$779,655	\$699,738	\$1,784,719
2.	Surcharge Revenue	\$0	\$0	\$0	\$0	\$0	\$49,445
3.	Other Operating Revenue	\$23,823	\$21,415	\$36,192	\$109,431	\$163,732	\$131,890
4.	Contract Work	\$107,516	\$120,715	\$110,185	\$110,371	\$92,465	\$34,505
5.	Total Revenues (Sum of Lines 1 - 4)	\$803,356	\$1,011,373	\$1,142,614	\$999,457	\$955,935	\$2,000,559
6	Transportation Expense	\$305,392	\$387,850	\$266,308	\$288,139	\$323,185	\$429,651
7	Locomotive Maintenance	\$41,272	\$47,663	\$44,495	\$17,019	\$46,388	\$70,870
8	Maintenance of Way Expense	\$211,653	\$247,058	\$373,676	\$382,546	\$233,101	\$516,678
9	General and Administrative Expense	\$170,622	\$222,444	\$238,535	\$327,297	\$372,129	\$479,805
10	Total Operating Expense (Sum of Lines 6 - 9)	\$728,939	\$905,014	\$923,014	\$1,015,001	\$974,803	\$1,497,004
11	Earnings Before Taxes and Depreciation	\$74,417	\$106,359	\$219,600	-\$15,544	-\$18,868	\$503,555
12	Depreciation	\$39,685	\$26,047	\$29,441	\$61,123	\$67,992	\$67,992
13	Income Taxes						
14	Earnings Before Taxes and After Depreciation	\$34,732	\$80,312	\$190,159	-\$76,667	-\$86,860	\$435,563

SAW Excl Slaton Pro-Forma P & L Statement

<u>Ln. No.</u>	<u>Item</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
	Revenues:						
1.	Haulage	\$672,017	\$869,243	\$996,237	\$779,655	\$699,738	\$1,784,719
2.	Surcharge and Other PYCO Revenues	\$0	\$0	\$0	\$0	\$0	\$49,445
3.	Track Jobs	\$107,516	\$120,715	\$110,185	\$110,371	\$92,465	\$34,505
4.	Car Storage	\$23,823	\$21,415	\$30,251	\$98,202	\$139,900	\$131,890
5.	Reclaim	\$0	\$0	\$5,940	\$11,229	\$23,832	\$0
6.	Total Revenues (Sum L.1 - L.5)	\$803,356	\$1,011,373	\$1,142,614	\$999,457	\$955,935	\$2,000,559
	Operating Expenses						
7.	Transp	\$305,392	\$387,850	\$266,308	\$288,139	\$323,185	\$429,651
8.	Loco Maint	\$41,272	\$47,663	\$44,495	\$17,019	\$46,388	\$70,870
9.	MOW	\$133,508	\$130,458	\$250,676	\$258,546	\$138,501	\$392,528
10.	G&A	\$168,985	\$218,660	\$229,575	\$327,297	\$372,129	\$459,281
11.	Transfer to 3R	\$78,145	\$116,600	\$123,000	\$124,000	\$94,600	\$124,150
12.	Total Operating Expenses excl Franchise Taxes Sum of Lines 7 through 11)	\$727,302	\$901,230	\$914,054	\$1,015,001	\$974,803	\$1,476,480
13.	Franchise Tax	\$1,637	\$3,784	\$8,960	\$0	\$0	\$20,524
14.	Depreciation	\$39,685	\$26,047	\$29,441	\$61,123	\$67,992	\$67,992
15.	Total Operating Expenses (L.12 + L.13 + L.14)	\$768,624	\$931,061	\$952,455	\$1,076,124	\$1,042,795	\$1,564,996
16.	Net Operating Income Before Taxes (L.6 - L.15)	\$34,732	\$80,312	\$190,159	-\$76,667	-\$86,860	\$435,563

Data provided by South Plains Lamesa Railroad, Ltd

SAW Incl Burris and Excl Slaton Pro-Forma P & L Statement

<u>Ln. No.</u> (1)	<u>Item</u> (2)	<u>2000</u> (3)	<u>2001</u> (4)	<u>2002</u> (5)	<u>2003</u> (6)	<u>2004</u> (7)	<u>2005</u> (8)
	Revenues:						
1.	Haulage	\$672,017	\$869,243	\$996,237	\$779,655	\$699,738	\$1,784,719
2.	Surcharge and Other PYCO Revenues	\$0	\$0	\$0	\$0	\$0	\$49,445
3.	Track Jobs	\$107,516	\$120,715	\$110,185	\$110,371	\$92,465	\$34,505
4.	Car Storage	\$23,823	\$21,415	\$30,251	\$98,202	\$139,900	\$131,890
5.	Reclaim	\$0	\$0	\$5,940	\$11,229	\$23,832	\$0
6.	Burris Traffic	\$36,300	\$24,150	\$32,025	\$33,150	\$43,875	\$46,875
7.	Total Revenues (Sum L.1 - L. 6)	\$839,656	\$1,035,523	\$1,174,639	\$1,032,607	\$999,810	\$2,047,434
	Operating Expenses						
8.	Transp	\$305,392	\$387,850	\$266,308	\$288,139	\$323,185	\$429,651
9.	Loco Maint	\$41,272	\$47,663	\$44,495	\$17,019	\$46,388	\$70,870
10.	MOW	\$133,508	\$130,458	\$250,676	\$258,546	\$138,501	\$392,528
11.	G&A	\$168,985	\$218,660	\$229,575	\$327,297	\$372,129	\$459,281
12.	Transfer to 3R	\$78,145	\$116,600	\$123,000	\$124,000	\$94,600	\$124,150
13.	Total Operating Expenses excl Franchise Sum of Lines 8 through 12)	\$727,302	\$901,230	\$914,054	\$1,015,001	\$974,803	\$1,476,480
14.	Franchise Tax	\$3,270	\$4,871	\$10,401	\$0	\$0	\$22,633
15.	Depreciation	\$39,685	\$26,047	\$29,441	\$61,123	\$67,992	\$67,992
16.	Total Operating Expenses (L.13 + L.14 + L.15)	\$770,257	\$932,148	\$953,896	\$1,076,124	\$1,042,795	\$1,567,105
17.	Net Operating Income Before Taxes (L7 - L.16)	\$69,399	\$103,375	\$220,742	-\$43,517	-\$42,985	\$480,328

Data provided by South Plains Lamesa Railroad, Ltd

Adjustment to SAW Haulage Revenues to Exclude Slaton Operations

<u>Ln. No.</u> (1)	<u>Item</u> (2)	<u>2000</u> (3)	<u>2001</u> (4)	<u>2002</u> (5)	<u>2003</u> (6)	<u>2004</u> (7)	<u>2005</u> (8)
1.	Haulage Revenue	\$672,017	\$909,278	\$1,117,236	\$851,165	\$815,526	\$1,919,922
	Slaton Operations:						
2.	Number of Cars	0	210	640	368	579	626
3.	Revenue per Car	\$0.00	\$190.64	\$189.06	\$194.32	\$199.98	\$215.98
4.	Slaton Revenues (L. 2 x L. 3)	\$0	\$40,034	\$120,998	\$71,510	\$115,788	\$135,203
5.	Haulage Revenue excl Slaton (L. 1 - L. 4)	\$672,017	\$869,243	\$996,237	\$779,655	\$699,738	\$1,784,719

Data provided by South Plains Lamesa Railroad, Ltd

South Plains Lamesa Railroad, Ltd Expenses Excluding Slaton Operations in Year 2000

Ln. No. (1)	Expense Category (2)	Total SAW Expense (3)	Slaton Allocation 1/ (4)	Slaton Expense (5)	Total SAW Excluding Slaton Operations in Operating Expense Groups (Col. 3 - Col. 5)				Total SAW + Burris Operations Excluding Slaton Operations in Operating Expense Groups			
					Transp (6)	Loco Maint (7)	MOW (8)	G&A (9)	Transp (10)	Loco Maint (11)	MOW (12)	G&A (13)
1.	Advertising	\$1,544	0.00%	\$0				\$1,544				\$1,544
2.	Auto Expenses	\$2,516	0.00%	\$0	\$2,516				\$2,516			
3.	Car Hire	\$14,099	0.00%	\$0	\$14,099				\$14,099			
4.	Donations	\$4,100	0.00%	\$0				\$4,100				\$4,100
5.	Dues, Subscriptions & Fees	\$4,117	0.00%	\$0				\$4,117				\$4,117
6.	Employee Bonus	\$0	0.00%	\$0								
7.	Employee Medical Drug Screening Other	\$323	0.00%	\$0	\$323				\$323			
8.	Freight Fuel	\$3,592	0.00%	\$0			\$3,592				\$3,592	
9.	Auto Gas and Oil	\$17,825	0.00%	\$0	\$17,825				\$17,825			
10.	Locomotive Oil	\$2,049	0.00%	\$0	\$2,049				\$2,049			
11.	Non-Taxed Diesel	\$34,051	0.00%	\$0	\$34,051				\$34,051			
12.	Taxed Diesel Insurance	\$950	0.00%	\$0	\$950				\$950			
13.	General Liability	\$26,540	0.00%	\$0				\$26,540				\$26,540
14.	Health	\$30,146	0.00%	\$0				\$30,146				\$30,146
15.	Other Lease Payments	\$13,985	0.00%	\$0				\$13,985				\$13,985
16.	Computer Lease	\$4,369	0.00%	\$0				\$4,369				\$4,369
17.	Equipment Lease	\$19,396	0.00%	\$0	\$19,396				\$19,396			
18.	Radio Lease	\$4,035	0.00%	\$0				\$4,035				\$4,035
19.	Vehicle Lease Legal and Professional	\$0	0.00%	\$0								
20.	Attorney's Fees	\$19,489	0.00%	\$0				\$19,489				\$19,489
21.	Consulting Fees	\$3,600	0.00%	\$0				\$3,600				\$3,600
22.	Other	\$2,785	0.00%	\$0				\$2,785				\$2,785
23.	Materials	\$45,379										
24.	Maint. Agreements	\$5,876	0.00%	\$0			\$5,876				\$5,876	
25.	Maint. Of Way	\$39,503	0.00%	\$0			\$39,503				\$39,503	
26.	Office Expense	\$15,441	0.00%	\$0				\$15,441				\$15,441
27.	Operating Supplies Payroll Taxes	\$27,327	0.00%	\$0		\$27,327				\$27,327		
28.	941 Taxes	\$16,806	0.00%	\$0	\$16,806				\$16,806			
29.	CT-1 Taxes	\$48,473	0.00%	\$0	\$48,473				\$48,473			
30.	DC1 Taxes	\$0	0.00%	\$0								
31.	Payroll Expenses	\$148,904	0.00%	\$0	\$148,904				\$148,904			
32.	Repair and Maintenance	\$59,532										
33.	Locomotive Repairs	\$13,945	0.00%	\$0		\$13,945				\$13,945		
34.	Maint. Agreements	\$4,875	0.00%	\$0			\$4,875				\$4,875	
35.	Maint. Of Way	\$32,769	0.00%	\$0			\$32,769				\$32,769	
36.	Other Maintenance Taxes	\$7,943	0.00%	\$0			\$7,943				\$7,943	
37.	FranchiseTax 2/							\$1,637				\$3,270
38.	Property Tax	\$8,173	0.00%	\$0				\$8,173				\$8,173
39.	Other	\$6,186	0.00%	\$0				\$6,186				\$6,186
40.	Telephone	\$18,057	0.00%	\$0				\$18,057				\$18,057
41.	Transfers to Track Repair	\$38,950	0.00%	\$0			\$38,950				\$38,950	
42.	Travel and Entertainment	\$138	0.00%	\$0				\$138				\$138
43.	Utilities	\$6,280	0.00%	\$0				\$6,280				\$6,280
44.	Total Expenses				\$305,392	\$41,272	\$133,508	\$170,622	\$305,392	\$41,272	\$133,508	\$172,255
45.	Total Expenses excluding Franchise taxes				\$305,392	\$41,272	\$133,508	\$168,985	\$305,392	\$41,272	\$133,508	\$168,985

Data provided by South Plains Lamesa Railroad, Ltd

1/ Source for allocation percentages is Exhibit No. 44

2/ Source for Franchise Tax calculation is Exhibit Nos. 46 and 47.

South Plains Lamesa Railroad, Ltd Expenses Excluding Slaton Operations in Year 2001

Ln. No.	Expense Category	Total SAW				Total SAW Excluding Slaton Operations				Total SAW + Burris Operations Excluding			
		Expense	Slaton Allocation 1/	Slaton Expense		in Operating Expense Groups (Col. 3 - Col. 5)				Slaton Operations in Operating Expense Groups			
(1)	(2)	(3)	(4)	(5)		Transp	Loco Maint	MOW	G&A	Transp	Loco Maint	MOW	G&A
						(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)
1.	Advertising	\$2,872	0.00%	\$0 0					\$2,872				\$2,872
2.	Auto Expenses	\$3,513	0.00%	\$0 0	\$3,513					\$3,513			
3.	Car Hire	\$2,651	0.00%	\$0 0	\$2,651					\$2,651			
4.	Donations	\$3,560	0.00%	\$0 0					\$3,560				\$3,560
5.	Dues, Subscriptions & Fees	\$8,283	0.00%	\$0 0					\$8,283				\$8,283
6.	Employee Bonus	\$0	0.00%	\$0 0									
7.	Employee Medical	\$229	4.07%	\$9	\$220					\$220			
	Drug Screening												
	Other												
8.	Freight	\$2,606	0.00%	\$0 0				\$2,606				\$2,606	
	Fuel												
9.	Auto Gas and Oil	\$18,702	0.00%	\$0 0	\$18,702					\$18,702			
10.	Locomotive Oil	\$3,226	1.85%	\$60 0	\$3,166					\$3,166			
11.	Non-Taxed Diesel	\$36,823	1.85%	\$681 0	\$36,142					\$36,142			
12.	Taxed Diesel	\$1,335	0.00%	\$0 0	\$1,335					\$1,335			
	Insurance												
13.	General Liability	\$37,733	0.00%	\$0 0					\$37,733				\$37,733
14.	Health	\$45,726	2.44%	\$1,117 0					\$44,609				\$44,609
15.	Other	\$12,988	0.00%	\$0 0					\$12,988				\$12,988
	Lease Payments												
16.	Computer Lease	\$4,901	0.00%	\$0 0					\$4,901				\$4,901
17.	Equipment Lease	\$23,949	0.00%	\$0 0	\$23,949					\$23,949			
18.	Radio Lease	\$5,291	0.00%	\$0 0					\$5,291				\$5,291
19.	Vehicle Lease	\$7,338	0.00%	\$0 0	\$7,338					\$7,338			
	Legal and Professional	\$45,477	0.00%	\$0 0					\$45,477				\$45,477
20.	Attorney's Fees	\$0	0.00%	\$0 0									
21.	Consulting Fees	\$0	0.00%	\$0 0									
22.	Materials	\$66,288											
23.	Maint. Agreements	\$8,584	0.00%	\$0 0				\$8,584				\$8,584	
24.	Maint. Of Way	\$57,704	0.00%	\$0 0				\$57,704				\$57,704	
25.	Office Expense	\$13,435	0.00%	\$0 0					\$13,435				\$13,435
26.	Operating Supplies	\$29,729	1.85%	\$550 0			\$29,179			#	\$29,179		
	Payroll Taxes												
27.	941 Taxes	\$33,485	3.05%	\$1,022 0	\$32,463					\$32,463			
28.	CT-1 Taxes	\$54,584	3.05%	\$1,666 0	\$52,918					\$52,918			
29.	DC1 Taxes	\$0	3.05%	\$0 0									
30.	Payroll Expenses	\$195,062	3.05%	\$5,955 0	\$189,107					\$189,107			
31.	Repair and Maintenance	\$80,396											
32.	Locomotive Repairs	\$18,832	1.85%	\$348 0			\$18,484			#	\$18,484		
33.	Maint. Agreements	\$6,583	0.00%	\$0 0				\$6,583				\$6,583	
34.	Maint. Of Way	\$44,254	0.00%	\$0 0				\$44,254				\$44,254	
35.	Other Maintenance	\$10,727	0.00%	\$0 0				\$10,727				\$10,727	
36.	Rent on Equipment	\$16,347	0.00%	\$0 0	\$16,347					\$16,347			
	Taxes												
37.	FranchiseTax 2/			1					\$3,784				\$4,871
38.	Property Tax	\$12,308	0.00%	\$0 0					\$12,308				\$12,308
39.	Other	\$2,696	0.00%	\$0 0					\$2,696				\$2,696
40.	Telephone	\$14,200	0.00%	\$0 0					\$14,200				\$14,200
41.	Travel and Entertainment	\$2,024	0.00%	\$0 0					\$2,024				\$2,024
42.	Utilities	\$8,283	0.00%	\$0 0					\$8,283				\$8,283
43.	Total Expenses					\$387,850	\$47,663	\$130,458	\$222,444 #	\$387,850	\$47,663	\$130,458	\$223,531
44.	Total Expenses excluding Franchise taxes					\$387,850	\$47,663	\$130,458	\$218,660 #	\$387,850	\$47,663	\$130,458	\$218,660

Data provided by South Plains Lamesa Railroad, Ltd

1/ Source for allocation percentages is Exhibit No. 44.

2/ Source for Franchise Tax calculation is Exhibit Nos. 46 and 47.

South Plains Lamesa Railroad, Ltd Expenses Excluding Slaton Operations in Year 2002

					Total SAW in Operating Expense Groups (Col. 3 - Col. 5)	Excluding Slaton Operations		Total SAW + Burris Operations Excluding Slaton Operations in Operating Expense Groups				
Ln. No.	Expense Category	Total SAW Expense	Slaton Allocation 1/ (4)	Slaton Expense	Transp	Loco Maint	MOW	G&A	Transp	Loco Maint	MOW	G&A
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)
1.	Advertising	\$1,522	0.00%	\$0				\$1,522				\$1,522
2.	Auto Expenses	\$2,848	0.00%	\$0	\$2,848				\$2,848			
3.	Donations	\$2,688	0.00%	\$0				\$2,688				\$2,688
4.	Dues, Subscriptions & Fees	\$2,456	0.00%	\$0				\$2,456				\$2,456
	Employee Medical											
5.	Drug Screening	\$356	4.33%	\$15	\$341				\$341			
6.	Hearing Screening	\$162	4.33%	\$7	\$155				\$155			
7.	Freight	\$2,982	0.00%	\$0			\$2,982				\$2,982	
	Fuel											
8.	Auto Gas and Oil	\$12,971	0.00%	\$0	\$12,971				\$12,971			
9.	Locomotive Oil	\$3,043	1.97%	\$60	\$2,983				\$2,983			
10.	Non-Taxed Diesel	\$35,304	1.97%	\$695	\$34,609				\$34,609			
11.	Taxed Diesel	\$1,102	0.00%	\$0	\$1,102				\$1,102			
	Insurance											
12.	General Liability	\$51,937	0.00%	\$0				\$51,937				\$51,937
13.	Health	\$34,899	2.60%	\$907				\$33,992				\$33,992
14.	Property Office Buildings	\$0	0.00%	\$0								
15.	Other	\$17,790	0.00%	\$0				\$17,790				\$17,790
	Lease Payments											
16.	Computer Lease	\$4,677	0.00%	\$0				\$4,677				\$4,677
17.	Equipment Lease	\$29,245	0.00%	\$0	\$29,245				\$29,245			
18.	Radio Lease	\$6,194	0.00%	\$0				\$6,194				\$6,194
19.	Vehicle Lease	\$16,144	0.00%	\$0	\$16,144				\$16,144			
	Legal and Professional	\$35,823	0.00%	\$0				\$35,823				\$35,823
20.	Attorney's Fees	\$0	0.00%	\$0								
21.	Other	\$0	0.00%	\$0								
22.	Materials	\$159,555										
23.	Maint. Agreements	\$20,661	0.00%	\$0			\$20,661				\$20,661	
24.	Maint. Of Way	\$138,894	0.00%	\$0			\$138,894				\$138,894	
25.	Office Expense	\$29,182	0.00%	\$0				\$29,182				\$29,182
26.	Operating Supplies	\$22,354	1.97%	\$440		\$21,914				\$21,914		
	Payroll Taxes											
27.	941 Taxes	\$211	3.25%	\$7	\$204				\$204			
28.	CT-1 Taxes	\$11,765	3.25%	\$382	\$11,383				\$11,383			
29.	Payroll Expenses	\$159,505	3.25%	\$5,182	\$154,323				\$154,323			
30.	Rent on Equipment	\$12,837	0.00%	\$0			\$12,837				\$12,837	
31.	Repair and Maintenance	\$98,337										
32.	Locomotive Repairs	\$23,035	1.97%	\$454		\$22,581				\$22,581		
33.	Maint. Agreements	\$8,052	0.00%	\$0			\$8,052				\$8,052	
34.	Maint. Of Way	\$54,130	0.00%	\$0			\$54,130				\$54,130	
35.	Other Maintenance	\$13,121	0.00%	\$0			\$13,121				\$13,121	
	Taxes											
36.	FranchiseTax 2/							\$8,960				\$10,401
37.	Property Tax	\$21,119	0.00%	\$0				\$21,119				\$21,119
38.	Other	\$1,963	0.00%	\$0				\$1,963				\$1,963
39.	Telephone	\$13,003	0.00%	\$0				\$13,003				\$13,003
40.	Travel and Entertainment	\$1,147	0.00%	\$0				\$1,147				\$1,147
41.	Utilities	\$6,082	0.00%	\$0				\$6,082				\$6,082
42.	Total Expenses				\$266,308	\$44,495	\$250,676	\$238,535	\$266,308	\$44,495	\$250,676	\$239,976
43.	Total Expenses excluding Franchise taxes				\$266,308	\$44,495	\$250,676	\$229,575	\$266,308	\$44,495	\$250,676	\$229,575

Data provided by South Plains Lamesa Railroad, Ltd

1/ Source for allocation percentages is Exhibit No. 44.

2/ Source for Franchise Tax calculation is Exhibit Nos. 46 and 47.

South Plains Lamesa Railroad, Ltd Expenses Excluding Slaton Operations in Year 2003

					Total SAW Excluding Slaton Operations in Operating Expense Groups (Col. 3 - Col. 5)				Total SAW + Burris Operations Excluding Slaton Operations in Operating Expense Groups			
<u>Ln. No.</u>	<u>Expense Category</u>	<u>Total SAW Expense</u>	<u>Slaton Allocation 1/</u>	<u>Slaton Expense</u>	<u>Transp</u>	<u>Loco Maint</u>	<u>MOW</u>	<u>G&A</u>	<u>Transp</u>	<u>Loco Maint</u>	<u>MOW</u>	<u>G&A</u>
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)
1.	Advertising	\$540	0.00%	\$0				\$540				\$540
2.	Auto Expenses	\$5,416	0.00%	\$0	\$5,416				\$5,416			
3.	Donations	\$8,021	0.00%	\$0				\$8,021				\$8,021
4.	Dues, Subscriptions & Fees	\$2,498	0.00%	\$0				\$2,498				\$2,498
	Employee Medical											
5.	Drug Screening	\$50	7.02%	\$4	\$46				\$46			
6.	Other	\$303	7.02%	\$21	\$282				\$282			
7.	Freight	\$3,117	0.00%	\$0			\$3,117				\$3,117	
	Fuel											
8.	Auto Gas and Oil	\$14,693	0.00%	\$0	\$14,693				\$14,693			
9.	Locomotive Oil	\$1,979	8.49%	\$168	\$1,811				\$1,811			
10.	Non-Taxed Diesel	\$34,551	8.49%	\$2,932	\$31,619				\$31,619			
11.	Taxed Diesel	\$1,549	0.00%	\$0	\$1,549				\$1,549			
	Insurance											
12.	General Liability	\$45,997	0.00%	\$0				\$45,997				\$45,997
13.	Health	\$52,806	4.21%	\$2,224				\$50,582				\$50,582
14.	Property Office Buildings	\$1,924	0.00%	\$0				\$1,924				\$1,924
15.	Other (Vehicle)	\$687	0.00%	\$0	\$687				\$687			
	Lease Payments											
16.	Computer Lease	\$5,488	0.00%	\$0				\$5,488				\$5,488
17.	Equipment Lease	\$4,689	0.00%	\$0	\$4,689				\$4,689			
18.	Radio Lease	\$5,134	0.00%	\$0				\$5,134				\$5,134
19.	Vehicle Lease	\$17,424	0.00%	\$0	\$17,424				\$17,424			
	Legal and Professional											
20.	Attorney's Fees	\$113,253	0.00%	\$0				\$113,253				\$113,253
21.	Other	\$11,161	0.00%	\$0				\$11,161				\$11,161
22.	Materials	\$183,175										
23.	Maint. Agreements	\$23,720	0.00%	\$0			\$23,720				\$23,720	
24.	Maint. Of Way	\$159,455	0.00%	\$0			\$159,455				\$159,455	
25.	Miscellaneous	\$1,468	0.00%	\$0				\$1,468				\$1,468
26.	Office Expense	\$40,994	0.00%	\$0				\$40,994				\$40,994
	Operating Supplies											
27.	Employee Safty Work Wear	\$691	8.49%	\$59	\$632				\$632			
28.	Other (locomotives)	\$13,818	8.49%	\$1,173	\$12,645				\$12,645			
	Payroll Taxes											
29.	941 Taxes	\$9,940	5.27%	\$523	\$9,417				\$9,417			
30.	CT-1 Taxes	\$49,583	5.27%	\$2,611	\$46,972				\$46,972			
31.	Payroll Expenses	\$148,051	5.27%	\$7,795	\$140,256				\$140,256			
32.	Rent on Equipment	\$11,457	0.00%	\$0			\$11,457				\$11,457	
33.	Repair and Maintenance	\$79,395										
34.	Locomotive Repairs	\$18,598	8.49%	\$1,578		\$17,019				\$17,019		
35.	Maint. Agreements	\$6,501	0.00%	\$0			\$6,501				\$6,501	
36.	Maint. Of Way	\$43,703	0.00%	\$0			\$43,703				\$43,703	
37.	Other Maintenance	\$10,593	0.00%	\$0			\$10,593				\$10,593	
	Taxes											
38.	FranchiseTax 2/							\$0				\$0
39.	Property Tax	\$20,008	0.00%	\$0				\$20,008				\$20,008
40.	Other	\$1,361	0.00%	\$0				\$1,361				\$1,361
41.	Telephone	\$12,017	0.00%	\$0				\$12,017				\$12,017
42.	Travel and Entertainment	\$2,434	0.00%	\$0				\$2,434				\$2,434
43.	Utilities											
44.	Electric	\$3,090	0.00%	\$0				\$3,090				\$3,090
45.	Trash	\$980	0.00%	\$0				\$980				\$980
46.	Other	\$347	0.00%	\$0				\$347				\$347
47.	Total Expenses				\$288,139	\$17,019	\$258,546	\$327,297	\$288,139	\$17,019	\$258,546	\$327,297
48.	Total Expenses excluding Franchise taxes				\$288,139	\$17,019	\$258,546	\$327,297	\$288,139	\$17,019	\$258,546	\$327,297

Data provided by South Plains Lamesa Railroad, Ltd

1/ Source for allocation percentages is Exhibit No. 44.

2/ Source for Franchise Tax calculation is Exhibit Nos. 46 and 47.

South Plains Lamesa Railroad, Ltd Expenses Excluding Slaton Operations in Year 2004

Ln. No.	Expense Category	Total SAW Expense (3)	Slaton Allocation 1/ (4)	Slaton Expense (5)	Total SAW Excluding Slaton Operations in Operating Expense Groups (Col. 3 - Col. 5)				Total SAW + Burris Operations Excluding Slaton Operations in Operating Expense Groups			
					Transp (6)	Loco Maint (7)	MOW (8)	G&A (9)	Transp (10)	Loco Maint (11)	MOW (12)	G&A (13)
1.	Advertising	\$1,057	0.00%	\$0				\$1,057				\$1,057
2.	Auto Expenses	\$2,375	0.00%	\$0	\$2,375				\$2,375			
3.	Car Hire	\$33	0.00%	\$0	\$33				\$33			
4.	Donations	\$11,666	0.00%	\$0				\$11,666				\$11,666
5.	Dues, Subscriptions & Fees	\$1,665	0.00%	\$0				\$1,665				\$1,665
6.	Employee Bonus	\$1,000	0.00%	\$0	\$1,000				\$1,000			
	Employee Medical											
7.	Drug Screening	\$369	4.34%	\$16	\$353				\$353			
8.	Other	\$319	4.34%	\$14	\$305				\$305			
9.	Freight	\$3,171	0.00%	\$0			\$3,171				\$3,171	
	Fuel											
10.	Auto Gas and Oil	\$16,313	0.00%	\$0	\$16,313				\$16,313			
11.	Locomotive Oil	\$3,336	1.97%	\$66	\$3,270				\$3,270			
12.	Non-Taxed Diesel	\$36,354	1.97%	\$717	\$35,637				\$35,637			
13.	Taxed Diesel	\$12	0.00%	\$0	\$12				\$12			
	Insurance											
14.	General Liability	\$60,121	0.00%	\$0				\$60,121				\$60,121
15.	Health	\$61,070	2.60%	\$1,590				\$59,480				\$59,480
16.	Other	\$5,933	0.00%	\$0				\$5,933				\$5,933
	Lease Payments											
17.	Computer Lease	\$5,588	0.00%	\$0				\$5,588				\$5,588
18.	Equipment Lease	\$10,856	0.00%	\$0	\$10,856				\$10,856			
19.	Radio Lease	\$3,267	0.00%	\$0				\$3,267				\$3,267
20.	Vehicle Lease	\$11,027	0.00%	\$0	\$11,027				\$11,027			
	Legal and Professional											
21.	Attorney's Fees	\$105,730	0.00%	\$0				\$105,730				\$105,730
22.	Consulting Fees	\$4,392	0.00%	\$0				\$4,392				\$4,392
23.	Other	\$21,302	0.00%	\$0				\$21,302				\$21,302
24.	Materials	\$71,672										
25.	Maint. Agreements	\$9,281	0.00%	\$0			\$9,281				\$9,281	
26.	Maint. Of Way	\$62,391	0.00%	\$0			\$62,391				\$62,391	
27.	Office Expense	\$48,988	0.00%	\$0				\$48,988				\$48,988
28.	Operating Supplies	\$27,849	1.97%	\$549		\$27,300				\$27,300		
	Payroll Taxes											
29.	941 Taxes	\$859	3.25%	\$28	\$831				\$831			
30.	CT-1 Taxes	\$7,692	3.25%	\$250	\$7,442				\$7,442			
31.	DC1 Taxes	\$13,178	3.25%	\$429	\$12,749				\$12,749			
32.	Payroll Expenses	\$228,417	3.25%	\$7,434	\$220,982				\$220,982			
33.	Repair and Maintenance	\$83,130										
34.	Locomotive Repairs	\$19,472	1.97%	\$384		\$19,088				\$19,088		
35.	Maint. Agreements	\$6,807	0.00%	\$0			\$6,807				\$6,807	
36.	Maint. Of Way	\$45,759	0.00%	\$0			\$45,759				\$45,759	
37.	Other Maintenance	\$11,092	0.00%	\$0			\$11,092				\$11,092	
	Taxes											
38.	FranchiseTax 2/							\$0				\$0
39.	Hazmat Permit	\$550	0.00%	\$0				\$550				\$550
40.	Property Tax	\$23,077	0.00%	\$0				\$23,077				\$23,077
41.	Other	\$1,800	0.00%	\$0				\$1,800				\$1,800
42.	Telephone	\$12,238	0.00%	\$0				\$12,238				\$12,238
43.	Travel and Entertainment	\$809	0.00%	\$0				\$809				\$809
44.	Utilities	\$4,466	0.00%	\$0				\$4,466				\$4,466
45.	Total Expenses				\$323,185	\$46,388	\$138,501	\$372,129	\$323,185	\$46,388	\$138,501	\$372,129
46.	Total Expenses excluding Franchise taxes				\$323,185	\$46,388	\$138,501	\$372,129	\$323,185	\$46,388	\$138,501	\$372,129

Data provided by South Plains Lamesa Railroad, Ltd

1/ Source for allocation percentages is Exhibit No. 44.

2/ Source for Franchise Tax calculation is Exhibit Nos. 46 and 47.

Data provided by South Plains Lamesa Railroad, Ltd
1/ Source for allocation percentages is Exhibit No. 44.
2/ Source for Franchise Tax calculation is Exhibit Nos. 46 and 47.

Allocation of SAW Expenses to Slaton Operations

Ln. No. (1)	Item (2)	Year of Operation					
		2000 (3)	2001 (4)	2002 (5)	2003 (6)	2004 (7)	2005 (8)
Locomotive Expenses:							
1.	Total train crew employee hours	N/A	11,202	8,034	8,034	7,466	8,756
2.	Locos with 3 man crews		80%	80%	80%	80%	80%
3.	Locos with 2 man crews		20%	20%	20%	20%	20%
4.	Crew hours in 3 man crews (L. 1 x L. 2)		8,962	6,427	6,427	5,973	7,005
5.	Crew hours in 2 man crews (L. 1 x L. 3)		2,240	1,607	1,607	1,493	1,751
6.	Loco hours with 3 man crews (L.4 / 3)		2,987	2,142	2,142	1,991	2,335
7.	Loco hours with 2 man crews (L.5 / 2)		1,120	803	803	747	876
8.	Total annual loco hours (L6 + L.7)		4,107	2,946	2,946	2,738	3,211
9.	Locomotives hours in Slaton operation		76	58	250	54	72
10.	Allocation of SAW Loco Exp to Slaton Operations (L.8 / L.9)		1.85%	1.97%	8.49%	1.97%	2.24%
Personnel:							
Employee Medical							
1.	Total train crew employee hours	0	11,202	8,034	8,034	7,466	8,756
2.	Total train crew employee hours at Slaton	0	456	348	564	324	432
3.	Percentage of train crew expenses to Slaton Operations (L2 / L.1)	0.00%	4.07%	4.33%	7.02%	4.34%	4.93%
Health Insurance							
1.	Personnel covered by health insurance	10	10	10	10	10	10
2.	Train crew personnel covered	6	6	6	6	6	6
3.	Percent of train crew employees to total (L.1 / L.2)	60.00%	60.00%	60.00%	60.00%	60.00%	60.00%
4.	Percent of train crew employee hours at Slaton	0.00%	4.07%	4.33%	7.02%	4.34%	4.93%
5.	Percentage of health insurance costs to Slaton Operations (L3 * L.4)	0.00%	2.44%	2.60%	4.21%	2.60%	2.96%
Payroll and Payroll Taxes							
1.	Salaried employees excl. 3R	8	8	8	8	8	8
2.	Train crew personnel	6	6	6	6	6	6
3.	Percent of train crew employees to total (L.1 / L.2)	75.00%	75.00%	75.00%	75.00%	75.00%	75.00%
4.	Percent of train crew employee hours at Slaton	0.00%	4.07%	4.33%	7.02%	4.34%	4.93%
5.	Percentage of payroll and payroll taxes to Slaton Operations (L3 * L.4)	0.00%	3.05%	3.25%	5.27%	3.25%	3.70%
Maintenance of Way Materials							
2005 Repair and Maintenance Data							
1.	Monthly Maintenance Agreements	\$15,071					
2.	Maintenance of Way	\$101,315					
3.	Total Repair and Maint. Track Related	\$116,386					
4.	Maintenance of Way Percent	87.05%					
Repair and Maintenance Expenses							
2005 Repair and Maintenance							
1.	Locomotive Repairs	\$43,114					
2.	Monthly Maintenance Agreements	\$15,071					
3.	Maintenance of Way	\$101,315					
4.	Other Repair and Maintenance	\$24,558					
5.	Total Repair and Maintenance Expense	\$184,058					
Percent Allocation of Repairs and Maint.							
6.	Locomotive Repairs	23.42%					
7.	Monthly Maintenance Agreements	8.19%					
8.	Maintenance of Way	55.05%					
9.	Other Repair and Maintenance	13.34%					
10.	Total Repair and Maintenance Expense	100.00%					

Data was provided by South Plains Lamesa Railroad, Ltd.

1/ See Locomotive and Crew Hours at Slaton, Texas, Exhibit No. 45

2/ Source : Employee Medical, line 3.

Locomotive and Crew Hours at Slaton, TX for Interchange Operations

Ln. No. (1)	Item (2)	Year of Operation					
		2000 (3)	2001 (4)	2002 (5)	2003 (6)	2004 (7)	2005 (8)
Locomotive Expenses:							
1.	Total annual locomotive hours	N/A	4,107	2,946	2,946	2,738	3,211
Locomotives hours in Slaton operation:							
2.	Total hours per interchange excluding 30 cars - non-rock trains	4.00	4.00	4.00	4.00	4.00	4.00
3.	Non-Locomotive Hrs	2.00	2.00	2.00	2.00	2.00	2.00
4.	Locomotive operation (L.3 - L.2)	2.00	2.00	2.00	2.00	2.00	2.00
5.	Total number of revenue interchanges	0	35	18	19	17	21
6.	Interchanges 30 cars or more - rock trains	0	3	11	4	10	15
7.	Interchanges 30 cars or more - non-rock trains	0	0	0	2	0	0
8.	Interchanges - other	0	32	7	13	7	6
9.	Locos for interchanges 30 cars or more - rock trains	2	2	2	2	2	2
10.	Locos for interchanges 30 cars or more - non-rock trains	2	2	2	2	2	2
11.	Locos for interchanges - other	1	1	1	1	1	1
12.	Loco hrs for interchanges 30 cars or more - rock trains (L. 4 x L. 6 x L. 9)	0	12	44	16	40	60
13.	Loco hrs for interchanges 30 cars or more - non-rock trains	0	0	0	208	0	0
14.	Loco hrs for interchanges - other (L. 4 x L. 8 x L. 11)	0	64	14	26	14	12
15.	Locomotive hours at Slaton (L.12 + L13 + L.14)	0	76	58	250	54	72
Train Personnel:							
1.	Total train crew employee hours	N/A	11,202	8,034	8,034	7,466	8,756
Total train crew employee hours at Slaton							
2.	Total crew hours per interchange	4.00	4.00	4.00	4.00	4.00	4.00
3.	Number of revenue interchanges	0	35	18	19	17	21
4.	Interchanges 30 cars or more - rock trains	0	3	11	4	10	15
5.	Interchanges 30 cars or more - non-rock trains	0	0	0	2	0	0
6.	Interchanges - other	0	32	7	13	7	6
7.	Employees for interchanges 30 cars or more - rock trains	6	6	6	6	6	6
8.	Employees for interchanges 30 cars or more - non-rock trains				3		
9.	Employees for interchanges - other	3	3	3	3	3	3
10.	Employee hrs for interchanges 30 cars or more - rock trains (L. 2 x L. 4 x L. 7)	0	72	264	96	240	360
11.	Employee hrs for interchanges 30 cars or more - non-rock trains	0	0	0	312	0	0
12.	Employee hrs for interchanges - other (L. 2 x L. 6 x L. 9)	0	384	84	156	84	72
13.	Employee hours at Slaton (L.10 + L11 + L.12)	0	456	348	564	324	432

1/ Each interchange requires two trips between Lubbock and Slaton

Each trip is 2 hours and includes:

Non-Locomotive operation

Travel between Lubbock and Slaton and paper work 30 mins

Travel between Slaton and Lubbock and paper work 30 mins

Total non-locomotive operation per trip 60 mins

Total non-locomotive operation per interchange 120 mins

Total non-locomotive operating hours 2.00 hours

2/ Loco hours for interchanges 30 cars or more - non-rock trains

First interchange:

1. Hours per day 8

2. Days in operation 8

3. Locomotives in operation 2

4. First interchange loco hours(L. 1 x L. 2 x L.3) 128

Second interchange:

5. Hours per day 8

6. Days in operation 5

7. Locomotives in operation 2

8. Second interchange loco hours(L. 5 x L. 6 x L.7) 80

9. Total locomotive hours (L. 4 + L.8) 208

3/ Crew hours for interchanges 30 cars or more - non-rock trains

First interchange:

1. Hours per day 8

2. Days in operation 8

3. Number of employees in operation 3

4. First interchange employee hours(L. 1 x L. 2 x L.3) 192

Second interchange:

5. Hours per day 8

6. Days in operation 5

7. Number of employees in operation 3

8. Second interchange employee hours(L. 5 x L. 6 x L.7) 120

9. Total employee hours (L. 4 + L.8) 312

Data was provided by South Plains Lamesa Railroad, Ltd.

SAW Excluding Slaton Operations Pro-Forma Franchise Tax Liability in Years 2000 Through 2005

<u>Ln. No.</u> (1)	<u>Item</u> (2)	<u>SAW 2000</u> (3)	<u>SAW 2001</u> (4)	<u>SAW 2002</u> (5)	<u>SAW 2003</u> (6)	<u>SAW 2004</u> (7)	<u>SAW 2005</u> (8)
1.	Taxable Business Income 1/	\$36,369	\$84,096	\$199,119	-\$76,667	-\$86,860	\$456,087
2.	Tax rate on taxable income 2/	0.045	0.045	0.045	0.045	0.045	0.045
3.	Franchise Tax Liability (L. 1 x L. 2)	\$1,637	\$3,784	\$8,960	\$0	\$0	\$20,524

1/ Source: SAW Excluding Slaton Proforma, Exhibit No. 36B, Line 6 minus Lines 12 and 14.

2/ Source of tax rate is Texas Corporation Franchise Tax Report, Line 29.

SAW Including Burris Traffic and Excluding Slaton Operations Pro-Forma
Franchise Tax Liability in Years 2000 Through 2005

<u>Ln. No.</u> (1)	<u>Item</u> (2)	<u>SAW 2000</u> (3)	<u>SAW 2001</u> (4)	<u>SAW 2002</u> (5)	<u>SAW 2003</u> (6)	<u>SAW 2004</u> (7)	<u>SAW 2005</u> (8)
1.	Taxable Business Income 1/	\$72,669	\$108,246	\$231,144	-\$43,517	-\$42,985	\$502,962
2.	Tax rate on taxable income 2/	0.045	0.045	0.045	0.045	0.045	0.045
3.	Franchise Tax Liability (L. 1 x L. 2)	\$3,270	\$4,871	\$10,401	\$0	\$0	\$22,633

1/ Source: SAW Including Burris Traffic and Excluding Slaton Pro-Forma, Exhibit No. 36C, Line 7 minus Lines 13 and 15.

2/ Source of tax rate is Texas Corporation Franchise Tax Report, Line 29.

Annual Changes in the Depreciation Reserve
Representing Track and Locomotives

		Annual Depreciation Charges		
<u>Ln. No.</u>	<u>Year and Asset</u>	<u>January 1</u>	<u>December 31</u>	<u>Net Change</u>
(1)	(2)	(3)	(4)	(5)
1.	Year 2000			
2.	Depreciable Reserve	282795	322480	39685
3.	Year 2001			
4.	Depreciable Reserve	322480	348527	26047
5.	Year 2002			
6.	Depreciable Reserve	348527	377968	29441
7.	Year 2003			
8.	Depreciable Reserve	377968	439091	61123
9.	Year 2004			
10.	Depreciable Reserve	439091	507083	67992
11.	Year 2005 1/			
12.	Depreciable Reserve	507083	575075	67992

Source: Depreciation data is sourced to SAW's Federal Tax Returns for the years 2000 through 2004.

1/ The change in depreciation reserve for 2005 is assumed to be the same as the 2004 change.

Pro Forma Income Statement For SAW System Including Burris Traffic and Excluding Slaton Operations

<u>Ln. No.</u> (1)	<u>Item</u> (2)	<u>2000</u> (3)	<u>2001</u> (4)	<u>2002</u> (5)	<u>2003</u> (6)	<u>2004</u> (7)	<u>2005</u> (8)
1.	Haulage Revenue	\$672,017	\$869,243	\$996,237	\$779,655	\$699,738	\$1,784,719
2.	Surcharge Revenue	\$0	\$0	\$0	\$0	\$0	\$49,445
3.	Other Operating Revenue	\$23,823	\$21,415	\$36,192	\$109,431	\$163,732	\$131,890
4.	Contract Work	\$107,516	\$120,715	\$110,185	\$110,371	\$92,465	\$34,505
5.	Burris Traffic	\$36,300	\$24,150	\$32,025	\$33,150	\$43,875	\$46,875
6	Total Revenues (Sum of Lines 1 - 5)	\$839,656	\$1,035,523	\$1,174,639	\$1,032,607	\$999,810	\$2,047,434
7	Transportation Expense	\$305,392	\$387,850	\$266,308	\$288,139	\$323,185	\$429,651
8	Locomotive Maintenance	\$41,272	\$47,663	\$44,495	\$17,019	\$46,388	\$70,870
9	Maintenance of Way Expense	\$211,653	\$247,058	\$373,676	\$382,546	\$233,101	\$516,678
10	General and Administrative Expense	\$172,255	\$223,531	\$239,976	\$327,297	\$372,129	\$481,914
11	Total Operating Expense (Sum of Lines 7 - 10)	\$730,572	\$906,101	\$924,455	\$1,015,001	\$974,803	\$1,499,113
12	Earnings Before Taxes and Depreciation	\$109,084	\$129,422	\$250,183	\$17,606	\$25,007	\$548,320
13	Depreciation	\$39,685	\$26,047	\$29,441	\$61,123	\$67,992	\$67,992
14	Income Taxes						
15	Earnings Before Taxes and After Depreciation	\$69,399	\$103,375	\$220,742	-\$43,517	-\$42,985	\$480,328

Exhibit 50 - SAW with Burris Going Concern Value - Full Surcharge

Ln.No. (1)	Item (2)	2005 (3)	2006 (4)	2007 (5)	2008 (6)	2009 (7)	2010 (8)	2011 (9)	2012 (10)	2013 (11)	2014 (12)	2015 (13)	Terminal Value 4/ (14)
1.	Total Revenues 1/	\$2,047,434	\$2,717,753	\$2,768,725	\$2,803,374	\$2,836,605	\$2,846,058	\$2,892,254	\$2,926,372	\$2,967,709	\$2,999,256	\$3,041,484	
2.	Transportation Expense 2/	\$429,651	\$411,930	\$421,908	\$428,527	\$435,537	\$439,020	\$448,438	\$454,835	\$463,506	\$469,848	\$477,988	
3.	Locomotive Maintenance 2/	\$70,870	\$67,947	\$69,593	\$70,685	\$71,841	\$72,416	\$73,969	\$75,024	\$76,455	\$77,501	\$78,843	
4.	Maintenance of Way Expense 2/	\$516,678	\$495,368	\$507,367	\$515,327	\$523,757	\$527,945	\$539,271	\$546,964	\$557,391	\$565,017	\$574,807	
5.	General and Administrative Expense2/	\$481,914	\$488,179	\$492,573	\$496,021	\$500,485	\$505,490	\$511,050	\$516,161	\$522,871	\$528,623	\$534,437	
6.	Total Operating Expense (Sum of Lines 2 - 5)	\$1,499,113	\$1,463,423	\$1,491,441	\$1,510,559	\$1,531,621	\$1,544,870	\$1,572,728	\$1,592,985	\$1,620,222	\$1,640,988	\$1,666,076	
7.	Earnings Before Taxes and Depreciation (L. 1 - L. 6)	\$548,320	\$1,254,329	\$1,277,285	\$1,292,814	\$1,304,984	\$1,301,188	\$1,319,526	\$1,333,387	\$1,347,487	\$1,356,268	\$1,375,408	
8.	Depreciation 3/	\$67,992	\$56,942	\$57,835	\$58,145	\$58,218	\$58,753	\$59,195	\$59,219	\$59,648	\$60,520	\$61,473	
9.	Earnings before Taxes (L. 7 - L. 8)	\$480,328	\$1,197,387	\$1,219,450	\$1,234,669	\$1,246,765	\$1,242,435	\$1,260,331	\$1,274,169	\$1,287,840	\$1,297,748	\$1,313,935	
10.	Income Taxes 4/	\$168,115	\$419,085	\$426,808	\$432,134	\$436,368	\$434,852	\$441,116	\$445,959	\$450,744	\$454,212	\$459,877	
11.	Net Income After Taxes and Depreciation (L. 9 - L. 10)	\$312,213	\$778,302	\$792,643	\$802,535	\$810,397	\$807,583	\$819,215	\$828,210	\$837,096	\$843,536	\$854,058	
12.	Plus: Depreciation (L. 8)	\$67,992	\$56,942	\$57,835	\$58,145	\$58,218	\$58,753	\$59,195	\$59,219	\$59,648	\$60,520	\$61,473	
13.	Plus: Decreases in Net Working Capital 5/	\$0	\$0	\$0	\$0	\$0	-\$316	\$0	\$0	\$0	\$0	\$0	
14.	Less: Capital Expenditures 3/	\$64,265	\$57,610	\$56,572	\$57,459	\$58,399	\$58,866	\$60,129	\$60,987	\$62,149	\$63,000	\$64,091	
15.	Less: Increases in Net Working Capital 5/	\$43,609	\$58,834	\$1,913	\$1,294	\$1,014	\$0	\$1,528	\$1,155	\$1,175	\$898	\$1,428	
16.	Total Available Cash Flow (L. 11+ L. 12 + L. 13 - L. 14 - L. 15)	\$272,331	\$718,800	\$791,992	\$801,927	\$809,202	\$807,153	\$816,753	\$825,286	\$833,419	\$840,158	\$850,011	\$9,521,514
17.	Discount Factor at 10.1% 6/	1.00	0.91	0.82	0.75	0.68	0.62	0.56	0.51	0.46	0.42	0.38	0.38
18.	Present Value of Cash Flows (L. 16. x L. 17)		\$652,861	\$653,351	\$600,859	\$550,691	\$498,907	\$458,529	\$420,817	\$385,980	\$353,407	\$324,752	\$3,637,750
19.	Cumulative Present Value of Cash Flows (Sum of L. 18, Cols (3) - (14)												\$8,537,903

- 1/ See revenue forecast
2/ Expenses are increased by 2/3 of change in U.S. Department of Agriculture ("USDA") forecasted cotton production, 1/3 of change in U.S. Energy Information Administration ("EIA") forecasted railroad ton-miles, as well as by RCAF-A increases
3/ See Exhibit 22
4/ Multiplied by 35% per highest marginal tax rate
5/ See Exhibit 24
6/ After tax cost of capital from U.S. Surface Transportation Board's June 21, 2005 decision in Ex Parte 558 Sub No. 8 (1 + (1 + 10.1%))
7/ Terminal value = 2015 Cash Flows * (10.1% discount rate - ((2015 Cash Flow + 2014 Cash Flow) - 1))

Exhibit 51 - SAW with Burris Revenue Forecast - Full Surcharge

Ln. No.	ITEM	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
1.	Revenue per car 1/	\$137.22	\$142.72	\$143.49	\$144.26	\$145.12	\$146.06	\$147.23	\$148.71	\$150.34	\$151.92	\$153.51
2.	First 5,000 carloads											
3.	Carloads over 5,000	\$120.75	\$125.60	\$126.28	\$126.95	\$127.71	\$128.54	\$129.57	\$130.87	\$132.31	\$133.70	\$135.10
4.	Blocks of 27 cars or more	\$43.91	\$45.67	\$45.92	\$46.16	\$46.44	\$46.74	\$47.11	\$47.59	\$48.11	\$48.61	\$49.12
5.	Revenue surcharge per car - Not in 27+ blocks	\$20.00	\$60.00	\$60.00	\$60.00	\$60.00	\$60.00	\$60.00	\$60.00	\$60.00	\$60.00	\$60.00
6.	Revenue surcharge per car - 27+ blocks		\$40.00	\$40.00	\$40.00	\$40.00	\$40.00	\$40.00	\$40.00	\$40.00	\$40.00	\$40.00
7.	Carloads 2/											
8.	SAW Shippers single car	10,730	10,155	10,309	10,398	10,473	10,453	10,561	10,605	10,669	10,697	10,764
9.	SAW Shippers 27 or more	3,318	3,140	3,188	3,215	3,239	3,232	3,266	3,279	3,299	3,308	3,329
10.	Number in over 5,000 rate (L.8 - 5,000)	5,730	5,155	5,309	5,398	5,473	5,453	5,561	5,605	5,669	5,697	5,764
11.	Number in first 5,000 rate (L.8 - L.10)	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000
12.	Total SAW Shippers	14,048	13,296	13,496	13,613	13,712	13,685	13,826	13,885	13,968	14,005	14,093
13.	SAW Revenue											
14.	Carloads over the 5,000 limit (L. 10 x (L. 3 + L. 5))	\$691,898	\$956,846	\$988,880	\$1,009,086	\$1,027,433	\$1,028,057	\$1,054,151	\$1,069,871	\$1,090,146	\$1,103,505	\$1,124,561
15.	Carloads within the 5,000 limit (L. 11 x (L. 2 + L. 5))	\$686,100	\$1,013,600	\$1,017,449	\$1,021,278	\$1,025,606	\$1,030,322	\$1,036,165	\$1,043,526	\$1,051,705	\$1,059,598	\$1,067,574
16.	Carloads in blocks of 27 or more (L. 9 x (L. 4 + L. 6))	\$145,693	\$269,032	\$273,876	\$277,027	\$279,944	\$280,364	\$284,484	\$287,231	\$290,677	\$293,119	\$296,652
17.	Total Haulage Revenue	\$1,523,691	\$2,239,477	\$2,280,205	\$2,307,390	\$2,332,983	\$2,338,744	\$2,374,800	\$2,400,628	\$2,432,528	\$2,456,222	\$2,488,788
18.	PYCO \$20 Surcharge 3/	\$29,000										
19.	PYCO Other Revenue	\$20,445	\$19,513	\$19,915	\$20,194	\$20,463	\$20,555	\$20,934	\$21,233	\$21,595	\$21,879	\$22,247
20.	Burris Revenue 4/	\$46,875	\$48,565	\$50,080	\$51,162	\$52,595	\$53,644	\$55,223	\$56,482	\$57,574	\$58,642	\$59,798
21.	Other Operating Revenue 5/	\$392,918	\$375,015	\$382,727	\$388,089	\$393,265	\$395,036	\$402,313	\$408,053	\$415,010	\$420,481	\$427,555
22.	Contract Work 6/	\$34,505	\$35,181	\$35,799	\$36,539	\$37,298	\$38,079	\$38,984	\$39,976	\$41,002	\$42,032	\$43,097
23.	SAW Revenue	\$2,047,434	\$2,717,753	\$2,768,725	\$2,803,374	\$2,836,605	\$2,846,058	\$2,892,254	\$2,926,372	\$2,967,709	\$2,999,256	\$3,041,484

Source: Carload data provided by Dennis Olmstead

Revenue per carload provided by South Plains Lamesa Railroad, Ltd.

PYCO Other revenue provided by South Plains Lamesa Railroad, Ltd.

1/ Forecasted revenue per carload is increased by 50% RCAF-U per SAW rate escalation

2/ SAW carloads are increased by 2/3 change in U.S. Department of Agriculture ("USDA") forecasted increases in upland cotton production and 1/3 change in U.S. Energy Information Administration ("EIA") forecasted ton-mile increases

3/ PYCO surcharge included with \$40 and \$60 surcharges after 2005

4/ Burris revenue is increased by the EIA freight railroad ton-mile forecast

5/ 2005 Value = Total Revenue from Pro Forma - L. 17, L. 18, L. 19, L. 20, L. 22, increased by 50% RCAF-U and Carload Volume Index thereafter

6/ Contract Work is increased by the EIA GDP/IPD forecast

Exhibit 52 - SAW with Burris Capital Expenditures and Depreciation - Full Surcharge

Line No.	Item	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
1.	Capital Spending 1/	\$0	\$13,948	\$19,400	\$51,735	\$64,265	\$64,265	\$57,610	\$56,572	\$57,459	\$58,399	\$58,866	\$60,129	\$60,987	\$62,149	\$63,000	\$64,091
Depreciation																	
2.	Prior Investments 2/								\$8,779	\$5,269	\$1,755						
3.	2000 Additions 3/	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$622							
4.	2001 Additions 3/		\$1,993	\$3,416	\$2,440	\$1,742	\$1,246	\$1,244	\$1,246	\$1,732	\$865	\$2,307	\$2,866	\$5,145	\$2,569	\$2,523	\$2,563
5.	2002 Additions 3/			\$2,772	\$4,751	\$3,393	\$2,423	\$1,732	\$1,730	\$4,615	\$4,620	\$5,739	\$5,739	\$5,131	\$5,125	\$5,215	\$5,215
6.	2003 Additions 3/				\$7,393	\$9,048	\$9,048	\$6,462	\$4,620	\$5,732	\$5,732	\$5,732	\$2,866	\$5,046	\$5,215	\$5,209	\$5,215
7.	2004 Additions 3/					\$9,183	\$15,738	\$11,240	\$8,027	\$5,739	\$5,732	\$5,732	\$2,866	\$5,145	\$5,125	\$5,209	\$5,215
8.	2005 Additions 3/					\$9,183	\$15,738	\$11,240	\$8,027	\$5,739	\$5,732	\$5,732	\$2,866	\$5,145	\$5,125	\$5,209	\$5,215
9.	2006 Additions 3/						\$9,183	\$15,738	\$11,240	\$8,027	\$5,739	\$5,732	\$2,866	\$5,145	\$5,125	\$5,209	\$5,215
10.	2007 Additions 3/							\$8,232	\$14,109	\$10,076	\$9,894	\$7,066	\$5,052	\$5,145	\$5,125	\$5,209	\$5,215
11.	2008 Additions 3/								\$8,084	\$13,854	\$10,072	\$10,050	\$7,177	\$5,131	\$5,125	\$5,209	\$5,215
12.	2009 Additions 3/									\$8,211	\$14,072	\$10,214	\$7,294	\$5,131	\$5,125	\$5,209	\$5,215
13.	2010 Additions 3/										\$8,345	\$8,412	\$14,416	\$10,296	\$7,352	\$5,257	\$5,251
14.	2011 Additions 3/												\$8,592	\$14,726	\$10,517	\$7,510	\$5,370
15.	2012 Additions 3/													\$8,715	\$14,936	\$10,667	\$7,617
16.	2013 Additions 3/														\$8,881	\$15,220	\$10,870
17.	2014 Additions 3/															\$9,003	\$15,429
18.	2015 Additions 3/																\$9,159
19.	Forecasted Depreciation 4/							\$56,942	\$57,835	\$58,145	\$58,218	\$58,753	\$59,195	\$59,219	\$59,648	\$60,520	\$61,473

1/ 2006 capital spending uses average 2003 - 2005 capital spending

Capital spending is escalated by the RCAFA and by Cartoad Volume Index Increases

2/ See Exhibit 23

3/ Each year capital expenditures are depreciated via MACRS table below for 7 year life.

4/ Sum Lines 2 - 18

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8
MACRS 7-Year Tax Deprec.	14.29%	24.49%	17.49%	12.49%	8.93%	8.92%	8.93%	4.46%

Exhibit 53 - SAW with Burris Estimate and Allocate Undepreciated Assets - Full Surcharge

Estimate Undepreciated 1/1/2000 SAW Assets

1. SAW 1/1/2000 Depreciable Assets 1/	\$515,779
2. SAW 12/31/05 Depreciation Reserve 1/	\$575,075
3. SAW Depreciation of 01/01/00 - 12/31/05 Investment (-L. 14)	<u>(\$87,392)</u>
4. SAW Depreciation Applied to 1/1/2000 Assets (L. 2 + L. 3)	\$487,683
5. Undepreciated 1/1/2000 SAW Assets (L. 1 - L. 4)	<u>\$28,096</u>

Calculate Depreciation of 2000 - 2005 SAW Investment for line 3

Year	2000	2001	2002	2003	2004	2005
6. Investment 1/	\$0	\$13,948	\$19,400	\$51,735	\$64,265	\$64,265
Depreciation						
7. 2000 Additions 2/	\$0	\$0	\$0	\$0	\$0	\$0
8. 2001 Additions 2/		\$1,993	\$3,416	\$2,440	\$1,742	\$1,246
9. 2002 Additions 2/			\$2,772	\$4,751	\$3,393	\$2,423
10. 2003 Additions 2/				\$7,393	\$12,670	\$9,048
11. 2004 Additions 2/					\$9,183	\$15,738
12. 2005 Additions 2/						\$9,183
13. Depreciation of 2000 - 2005 Investment 3/	\$0	\$1,993	\$6,188	\$14,583	\$26,989	\$37,639
14. Total Depreciation 4/						<u>\$87,392</u>

Allocate Undepreciated 1/1/2000 investment after 12/31/05

15.	Average Investment 2000 - 2005 1/																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																	
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1/ From SAW Pro Forma

2/ L. 6 x MACR depreciation schedule

3/ Sum Lines 7 - 12

4/ Sum Line 13, years 2000 - 2005

5/ Assume that \$28,096 represents previous years' investment amounts that are in the final years of depreciation

Assume that these previous years' investments were \$35,602 per average 2000 - 2005 investment, and are depreciated per 7 year MACRS schedules

6/ Sum Lines 17 - 20

7/ (L. 16 - L. 21_{Total}) x (L. 21_{year} + L. 21_{Total})

8/ L. 21 + L. 22

MACRS Schedule	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8
	14.29%	24.49%	17.49%	12.49%	8.93%	8.92%	8.93%	4.46%

Exhibit 54 - SAW with Burris Changes to Net Working Capital - Full Surcharge

<u>Line No.</u>	<u>Item</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
1.	Estimated Change in Accts Receivable 1/	(\$87,302)	(\$55,860)	(\$4,248)	(\$2,887)	(\$2,769)	(\$788)	(\$3,850)	(\$2,843)	(\$3,445)	(\$2,629)	(\$3,519)
2.	Estimated Change in Accts Payable 2/	\$43,693	(\$2,974)	\$2,335	\$1,593	\$1,755	\$1,104	\$2,321	\$1,688	\$2,270	\$1,731	\$2,091
3.	Change in Net Working Capital (L. 1 + L. 2)	(\$43,609)	(\$58,834)	(\$1,913)	(\$1,294)	(\$1,014)	\$316	(\$1,528)	(\$1,155)	(\$1,175)	(\$898)	(\$1,428)
<u>1/ ((Revenues_{year} + 12) - (Revenues_{year - 1} + 12)) x -1</u>												
<u>2/ (Operating Expenses_{year} + 12) - (Operating Expenses_{year - 1} + 12)</u>												

Exhibit 55 - SAW with Burris GCV Forecasts Indexes - Full Surcharge

<u>Line No.</u>	<u>Item</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)
1.	RCAF-A % Chg 1/		1.3%	0.9%	0.7%	0.9%	1.0%	1.1%	1.0%	1.3%	1.1%	1.1%
2.	RCAF-A Index	1.00	1.01	1.02	1.03	1.04	1.05	1.06	1.07	1.08	1.10	1.11
3.	4Q RCAF-U 1/	118.50	120.50	121.80	123.10							
4.	RCAF-U % Chg 1/		1.7%	1.1%	1.1%	1.2%	1.3%	1.6%	2.0%	2.2%	2.1%	2.1%
5.	50% RCAF-U 2/		0.8%	0.5%	0.5%	0.6%	0.7%	0.8%	1.0%	1.1%	1.1%	1.1%
6.	50% RCAF-U Index		1.00	1.01	1.01	1.02	1.02	1.03	1.04	1.05	1.06	1.08
7.	50% RCAF-U Index 2005 Base	1.00	1.01	1.01	1.02	1.03	1.03	1.04	1.05	1.06	1.07	1.08
8.	Upland Cotton Production 3/	22,517	20,400	20,600	20,700	20,700	20,500	20,600	20,600	20,700	20,700	20,800
9.	2/3 Chg in Upland Cotton		-6.3%	0.7%	0.3%	0.0%	-0.6%	0.3%	0.0%	0.3%	0.0%	0.3%
10.	Ton-Mile Forecast (Billions) 4/	1552.174	1594.686	1635.597	1662.054	1698.423	1721.129	1757.721	1779.995	1794.674	1808.961	1825.44
11.	1/3 Chg in Ton-Mile Forecast		0.9%	0.9%	0.5%	0.7%	0.4%	0.7%	0.4%	0.3%	0.3%	0.3%
12.	Railroad Industry Ton-Mile Fcst	1.00	1.03	1.05	1.07	1.09	1.11	1.13	1.15	1.16	1.17	1.18
13.	Carload Volume Index 5/	1.00	0.95	0.96	0.97	0.98	0.97	0.98	0.99	0.99	1.00	1.00
14.	GDP/IPD 6/	1.119	1.141	1.161	1.185	1.209	1.235	1.264	1.296	1.330	1.363	1.398
15.	GDP/IPD Index	1.00	1.02	1.04	1.06	1.08	1.10	1.13	1.16	1.19	1.22	1.25

1/ June 2006 Global Insight Forecast

2/ Per SAW rate escalation, rates are increased 50% of change of each year's 4Q RCAF-U. Global Insight forecast provides quarterly forecasts until 2008, so use annual change beyond that time

3/ U.S. Department of Agriculture ("USDA") Baseline Projections to 2015, Appendix Table 7

4/ U.S. Energy Information Administration ("EIA"), 2006 Annual Energy Outlook, Table 55 - Freight Transportation Energy Use

5/ Increased by 2/3 of change in USDA Upland Cotton Forecast, 1/3 of change in EIA Ton-Mile Forecast

6/ EIA 2006 Annual Energy Outlook, Table 19

Exhibit 56 - SAW Excluding Burns's Going Concern Value - Full Surcharge

<u>Ln.No</u> <u>(1)</u>	<u>Item</u> <u>(2)</u>	<u>2005</u> <u>(3)</u>	<u>2006</u> <u>(4)</u>	<u>2007</u> <u>(5)</u>	<u>2008</u> <u>(6)</u>	<u>2009</u> <u>(7)</u>	<u>2010</u> <u>(8)</u>	<u>2011</u> <u>(9)</u>	<u>2012</u> <u>(10)</u>	<u>2013</u> <u>(11)</u>	<u>2014</u> <u>(12)</u>	<u>2015</u> <u>(13)</u>	<u>Terminal Value 4/</u> <u>(14)</u>
1.	Total Revenues 1/	\$2,000,559	\$2,669,188	\$2,718,645	\$2,752,212	\$2,784,010	\$2,792,414	\$2,837,031	\$2,869,890	\$2,910,135	\$2,940,614	\$2,981,686	
2.	Transportation Expense 2/	\$429,651	\$411,930	\$421,908	\$428,527	\$435,537	\$439,020	\$448,438	\$454,835	\$463,506	\$469,848	\$477,988	
3.	Locomotive Maintenance 2/	\$70,870	\$67,947	\$69,593	\$70,685	\$71,841	\$72,416	\$73,969	\$75,024	\$76,455	\$77,501	\$78,843	
4.	Maintenance of Way Expense 2/	\$516,678	\$495,368	\$507,367	\$515,327	\$523,757	\$527,945	\$539,271	\$546,964	\$557,391	\$565,017	\$574,807	
5.	General and Administrative Expense 2/	\$479,805	\$486,043	\$490,417	\$493,850	\$498,294	\$503,277	\$508,813	\$513,902	\$520,582	\$526,309	\$532,098	
6.	Total Operating Expense (Sum of Lines 2 - 5)	\$1,497,004	\$1,461,287	\$1,489,285	\$1,508,388	\$1,529,430	\$1,542,658	\$1,570,491	\$1,590,725	\$1,617,933	\$1,638,675	\$1,663,737	
7.	Earnings Before Taxes and Depreciation (L. 1 - L. 6)	\$503,555	\$1,207,901	\$1,229,361	\$1,243,824	\$1,254,580	\$1,249,756	\$1,266,540	\$1,279,164	\$1,292,202	\$1,301,940	\$1,317,949	
8.	Depreciation 3/	\$67,992	\$56,942	\$57,835	\$58,145	\$58,218	\$58,753	\$59,195	\$59,219	\$59,648	\$60,520	\$61,473	
9.	Earnings before Taxes (L. 7 - L. 8)	\$435,563	\$1,150,959	\$1,171,526	\$1,185,679	\$1,196,361	\$1,191,004	\$1,207,345	\$1,219,946	\$1,232,554	\$1,241,420	\$1,256,477	
10.	Income Taxes 4/	\$152,447	\$402,836	\$410,034	\$414,988	\$418,726	\$416,851	\$422,571	\$426,981	\$431,394	\$434,497	\$439,767	
11.	Net Income After Taxes and Depreciation (L. 9 - L. 10)	\$283,116	\$748,123	\$761,492	\$770,691	\$777,635	\$774,152	\$784,774	\$792,965	\$801,160	\$806,923	\$816,710	
12.	Plus: Depreciation (L. 8)	\$67,992	\$56,942	\$57,835	\$58,145	\$58,218	\$58,753	\$59,195	\$59,219	\$59,648	\$60,520	\$61,473	
13.	Plus: Decreases in Net Working Capital 5/	\$0	\$0	\$0	\$0	\$0	-\$402	\$0	\$0	\$0	\$0	\$0	
14.	Less: Capital Expenditures 3/	\$64,265	\$57,610	\$56,572	\$57,459	\$58,399	\$58,866	\$60,129	\$60,987	\$62,149	\$63,000	\$64,091	
15.	Less: Increases in Net Working Capital 5/	\$43,535	\$58,696	\$1,788	\$1,205	\$896	\$0	\$1,399	\$1,052	\$1,086	\$812	\$1,334	
16.	Total Available Cash Flow (L. 11 + L. 12 + L. 13 - L. 14 - L. 15)	\$243,308	\$668,760	\$760,966	\$770,172	\$776,558	\$773,637	\$782,442	\$790,144	\$797,572	\$803,631	\$812,757	\$9,066,436
17.	Discount Factor at 10.1% 6/	1.00	0.91	0.82	0.75	0.68	0.62	0.56	0.51	0.46	0.42	0.38	0.38
18.	Present Value of Cash Flows (L. 16. x L. 17)		\$625,577	\$627,756	\$577,066	\$528,475	\$478,190	\$439,266	\$402,898	\$369,378	\$338,042	\$310,519	\$3,463,884
19.	Cumulative Present Value of Cash Flows (Sum of L. 18. Cols (3) - (14)												

1/ See revenue forecast
2/ Expenses are increased by 2/3 of change in U.S. Department of Agriculture ("USDA") forecasted cotton production,
1/3 of change in Energy Information Administration ("EIA") forecasted increases in railroad ton-miles, as well as by RCAF-A increases
3/ See Exhibit 22
4/ Multiplied by 35% per highest marginal tax rate
5/ See Exhibit 24
6/ After tax cost of capital from U.S. Surface Transportation Board's June 21, 2005 decision in Ex Parte 558 Sub No. 8 (1 + (1 + 10.1%))
7/ Terminal value = 2015 Cash Flows + (10.1% discount rate - ((2015 Cash Flow + 2014 Cash Flow) - 1))

Exhibit 57 - SAW Excluding Burris Revenue Forecast - Full Surcharge

<u>Ln. No.</u>	<u>ITEM</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
1.	Revenue per car 1/											
2.	First 5,000 carloads	\$137.22	\$142.72	\$143.49	\$144.26	\$145.12	\$146.06	\$147.23	\$148.71	\$150.34	\$151.92	\$153.51
3.	Carloads over 5,000	\$120.75	\$125.60	\$126.28	\$126.95	\$127.71	\$128.54	\$129.57	\$130.87	\$132.31	\$133.70	\$135.10
4.	Blocks of 27 cars or more	\$43.91	\$45.67	\$45.92	\$46.16	\$46.44	\$46.74	\$47.11	\$47.59	\$48.11	\$48.61	\$49.12
5.	Revenue surcharge per car - Not in 27+ blocks	\$20.00	\$60.00	\$60.00	\$60.00	\$60.00	\$60.00	\$60.00	\$60.00	\$60.00	\$60.00	\$60.00
5.b.	Revenue surcharge per car - 27+ blocks		\$40.00	\$40.00	\$40.00	\$40.00	\$40.00	\$40.00	\$40.00	\$40.00	\$40.00	\$40.00
6.	SAW Carloads											
7.	SAW Shippers single car	10,730	10,155	10,309	10,398	10,473	10,453	10,561	10,605	10,669	10,697	10,764
8.	SAW Shippers 27 or more	3,318	3,140	3,188	3,215	3,239	3,232	3,266	3,279	3,299	3,308	3,329
9.	Number in over 5,000 rate (L.7 - 5,000)	5,730	5,155	5,309	5,398	5,473	5,453	5,561	5,605	5,669	5,697	5,764
10.	Number in first 5,000 rate (L.7 - L.9)	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000
11.	Total SAW Shippers	14,048	13,296	13,496	13,613	13,712	13,685	13,826	13,885	13,968	14,005	14,093
12.	SAW Revenue											
13.	Carloads over the 5,000 limit (L.9 x (L.3 + L.5))	\$691,898	\$956,846	\$988,880	\$1,009,086	\$1,027,433	\$1,028,057	\$1,054,151	\$1,069,871	\$1,090,146	\$1,103,505	\$1,124,561
14.	Carloads within the 5,000 limit (L.10 x (L.2 + L.5))	\$686,100	\$1,013,600	\$1,017,449	\$1,021,278	\$1,025,606	\$1,030,322	\$1,036,165	\$1,043,526	\$1,051,705	\$1,059,598	\$1,067,574
15.	Carloads in blocks of 27 or more (L.8 x (L.4 + L.5b))	\$145,693	\$269,032	\$273,876	\$277,027	\$279,944	\$280,364	\$284,484	\$287,231	\$290,677	\$293,119	\$296,652
16.	Total Haulage Revenue	\$1,523,691	\$2,239,477	\$2,280,205	\$2,307,390	\$2,332,983	\$2,338,744	\$2,374,800	\$2,400,628	\$2,432,528	\$2,456,222	\$2,488,788
17.	PYCO \$20 Surcharge 3/	\$29,000										
18.	PYCO Other Revenue	\$20,445	\$19,513	\$19,915	\$20,194	\$20,463	\$20,555	\$20,934	\$21,233	\$21,595	\$21,879	\$22,247
19.	Other Operating Revenue 4/	\$392,918	\$375,015	\$382,727	\$388,089	\$393,265	\$395,036	\$402,313	\$408,053	\$415,010	\$420,481	\$427,555
20.	Contract Work 5/	\$34,505	\$35,181	\$35,799	\$36,539	\$37,298	\$38,079	\$38,984	\$39,976	\$41,002	\$42,032	\$43,097
21.	SAW Revenue	\$2,000,559	\$2,669,188	\$2,718,645	\$2,752,212	\$2,784,010	\$2,792,414	\$2,837,031	\$2,869,890	\$2,910,135	\$2,940,614	\$2,981,686

Source: Carload data provided by Dennis Olmstead

Revenue per carload provided by South Plains Lamesa Railroad, Ltd.

PYCO Other revenue provided by South Plains Lamesa Railroad, Ltd.

1/ Forecasted revenue per carload is increased by 50% RCAF-U per SAW rate escalation

2/ Carloads are changed by 2/3 change in U.S. Department of Agriculture ("USDA") Upland Cotton forecast,

1/3 change in Energy Information Administration ("EIA") 2006 AEO forecasted ton-mile increases

3/ PYCO surcharge included with \$40 and \$60 surcharges after 2005

4/ 2005 Value = Total Revenue from Pro Forma - L. 16, L. 17, L. 18, L. 20, increased by 50% RCAF-U and Carload Volume Index thereafter

5/ Contract Work is increased by EIA's GDP/IPD forecast

Exhibit 58 - SAW Excluding Burris Capital Expenditures and Depreciation - Full Surcharge

Line No.	Item	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
1.	Capital Spending 1/	\$0	\$13,948	\$19,400	\$51,735	\$64,265	\$64,265	\$57,610	\$56,572	\$57,459	\$58,399	\$58,866	\$60,129	\$60,987	\$62,149	\$63,000	\$64,091
2.	Depreciation																
3.	Prior Investments 2/		\$0	\$0	\$0	\$0	\$0	\$12,293	\$8,779	\$5,269	\$1,755						
4.	2000 Additions 3/		\$1,993	\$3,416	\$2,440	\$1,742	\$1,246	\$1,244	\$1,246	\$622							
5.	2001 Additions 3/			\$2,772	\$4,751	\$3,393	\$2,423	\$1,732	\$1,730	\$1,732	\$865						
6.	2002 Additions 3/				\$7,393	\$12,670	\$9,048	\$6,462	\$4,615	\$4,615	\$4,620	\$2,307					
7.	2003 Additions 3/					\$9,183	\$9,048	\$11,240	\$8,027	\$5,739	\$5,732	\$5,739	\$2,866				
8.	2004 Additions 3/						\$15,738	\$15,738	\$11,240	\$8,027	\$5,739	\$5,732	\$5,739	\$2,866			
9.	2005 Additions 3/						\$9,183	\$8,232	\$14,109	\$10,076	\$7,195	\$5,145	\$5,139	\$5,145	\$2,569		
10.	2006 Additions 3/								\$6,084	\$13,854	\$9,894	\$7,066	\$5,052	\$5,046	\$5,052	\$2,523	
11.	2007 Additions 3/									\$8,211	\$14,072	\$10,050	\$7,177	\$5,131	\$5,125	\$5,131	\$2,563
12.	2008 Additions 3/										\$8,345	\$14,302	\$10,214	\$7,294	\$5,209	\$5,215	\$5,215
13.	2009 Additions 3/											\$8,412	\$14,416	\$10,296	\$7,352	\$5,257	\$5,251
14.	2010 Additions 3/												\$8,592	\$14,726	\$7,510	\$7,510	\$5,370
15.	2011 Additions 3/													\$8,715	\$10,667	\$7,617	\$5,370
16.	2012 Additions 3/														\$8,881	\$15,220	\$10,870
17.	2013 Additions 3/															\$9,003	\$15,429
18.	2014 Additions 3/																\$9,159
19.	Forecasted Depreciation 4/							\$56,942	\$57,835	\$58,145	\$58,218	\$58,753	\$59,195	\$59,219	\$59,648	\$60,520	\$61,473

1/ 2006 capital spending uses average 2003 - 2005 capital spending

Capital spending is escalated by the RCAFA and Carload Volume Index

2/ See Exhibit 23

3/ Each year capital expenditures are depreciated via MACRS table below for 7 year life.

4/ Sum Lines 2 - 18

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8
MACRS 7-Year Tax Deprec.	14.29%	24.49%	17.49%	12.49%	8.93%	8.92%	8.93%	4.46%

Exhibit 59 - SAW Excluding Burris Estimate and Allocate Undepreciated Assets - Full SurchargeEstimate Undepreciated 1/1/2000 SAW Assets

1. SAW 1/1/2000 Depreciable Assets 1/	\$515,779
2. SAW 12/31/05 Depreciation Reserve 1/	\$575,075
3. SAW Depreciation of 01/01/00 - 12/31/05 Investment (-L. 14)	<u>(\$87,392)</u>
4. SAW Depreciation Applied to 1/1/2000 Assets (L. 2 + L. 3)	\$487,683
5. Undepreciated 1/1/2000 SAW Assets (L. 1 - L. 4)	<u>\$28,096</u>

Calculate Depreciation of 2000 - 2005 SAW Investment for line 3

Year	2000	2001	2002	2003	2004	2005
6. Investment 1/	\$0	\$13,948	\$19,400	\$51,735	\$64,265	\$64,265
Depreciation						
7. 2000 Additions 2/	\$0	\$0	\$0	\$0	\$0	\$0
8. 2001 Additions 2/		\$1,993	\$3,416	\$2,440	\$1,742	\$1,246
9. 2002 Additions 2/			\$2,772	\$4,751	\$3,393	\$2,423
10. 2003 Additions 2/				\$7,393	\$12,670	\$9,048
11. 2004 Additions 2/					\$9,183	\$15,738
12. 2005 Additions 2/						\$9,183
13. Depreciation of 2000 - 2005 Investment 3/	\$0	\$1,993	\$6,188	\$14,583	\$26,989	\$37,639
14. Total Depreciation 4/						<u>\$87,392</u>

Allocate Undepreciated 1/1/2000 investment after 12/31/05

15.	Average Investment 2000 - 2005 1/							\$35,602
16.	Undepreciated Assets (L. 7)							\$28,096
	<u>Generation</u>	<u>Investment</u>	<u>Year 5</u>	<u>Year 6</u>	<u>Year 7</u>	<u>Year 8</u>	<u>Total</u>	
17.	Generation 1 5/	\$35,602	\$3,179	\$3,176	\$3,179	\$1,588		
18.	Generation 2 5/	\$35,602	\$3,176	\$3,179	\$1,588			
19.	Generation 3 5/	\$35,602	\$3,179	\$1,588				
20.	Generation 4 5/	\$35,602	\$1,588					
21.	Allocate Avg Investment 6/		\$11,122	\$7,943	\$4,767	\$1,588	\$25,420	
22.	Allocate Residual 7/		\$1,171	\$836	\$502	\$167	\$2,676	
23.	Allocate Undeprec. Assets 8/		\$12,293	\$8,779	\$5,269	\$1,755	\$28,096	

1/ From SAW Pro Forma

2/ L. 6 x MACR depreciation schedule

3/ Sum Lines 7 - 12

4/ Sum Line 13, years 2000 - 2005

5/ Assume that \$28,096 represents previous years' investment amounts that are in the final years of depreciation

Assume that these previous years' investments were \$35,602 per average 2000 - 2005 investment, and are depreciated per 7 year MACRS schedules

6/ Sum Lines 17 - 20

7/ (L. 16 - L. 21_{Total}) x (L. 21_{year} ÷ L. 21_{Total})

8/ L. 21 + L. 22

MACRS Schedule	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8
	14.29%	24.49%	17.49%	12.49%	8.93%	8.92%	8.93%	4.46%

Exhibit 60 - SAW Excluding Burris Changes to Net Working Capital - Full Surcharge

<u>Line No.</u>	<u>Item</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
1.	Estimated Change in Accts Receivable 1/	(\$87,052)	(\$55,719)	(\$4,121)	(\$2,797)	(\$2,650)	(\$700)	(\$3,718)	(\$2,738)	(\$3,354)	(\$2,540)	(\$3,423)
2.	Estimated Change in Accts Payable 2/	\$43,517	(\$2,976)	\$2,333	\$1,592	\$1,754	\$1,102	\$2,319	\$1,686	\$2,267	\$1,728	\$2,089
3.	Change in Net Working Capital (L. 1 + L. 2)	(\$43,535)	(\$58,696)	(\$1,788)	(\$1,205)	(\$896)	\$402	(\$1,399)	(\$1,052)	(\$1,086)	(\$812)	(\$1,334)
1/	((Revenues _{year} + 12) - (Revenues _{year - 1} + 12)) x -1											
2/	(Operating Expenses _{year} + 12) - (Operating Expenses _{year - 1} + 12)											

Exhibit 61 - SAW Excluding Burris GCV Forecasts Indexes - Full Surcharge

<u>Line No.</u>	<u>Item</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)
1.	RCAF-A % Chg 1/		1.3%	0.9%	0.7%	0.9%	1.0%	1.1%	1.0%	1.3%	1.1%	1.1%
2.	RCAF-A Index	1.00	1.01	1.02	1.03	1.04	1.05	1.06	1.07	1.08	1.10	1.11
3.	4Q RCAF-U 1/	118.50	120.50	121.80	123.10							
4.	RCAF-U % Chg 1/		1.7%	1.1%	1.1%	1.2%	1.3%	1.6%	2.0%	2.2%	2.1%	2.1%
5.	50% RCAF-U 2/		0.8%	0.5%	0.5%	0.6%	0.7%	0.8%	1.0%	1.1%	1.1%	1.1%
6.	50% RCAF-U Index		1.00	1.01	1.01	1.02	1.02	1.03	1.04	1.05	1.06	1.08
7.	50% RCAF-U Index base 2005	1.00	1.01	1.01	1.02	1.03	1.03	1.04	1.05	1.06	1.07	1.08
8.	Upland Cotton Production 3/	22,517	20,400	20,600	20,700	20,700	20,500	20,600	20,600	20,700	20,700	20,800
9.	2/3 Chg in Upland Cotton		-6.3%	0.7%	0.3%	0.0%	-0.6%	0.3%	0.0%	0.3%	0.0%	0.3%
10.	Ton-Mile Forecast (Billions) 4/	1552.174	1594.686	1635.597	1662.054	1698.423	1721.129	1757.721	1779.995	1794.674	1808.961	1825.44
11.	1/3 Chg in Ton-Mile Forecast		0.9%	0.9%	0.5%	0.7%	0.4%	0.7%	0.4%	0.3%	0.3%	0.3%
12.	Carload Volume Index 5/	1.00	0.95	0.96	0.97	0.98	0.97	0.98	0.99	0.99	1.00	1.00
13.	GDP/IPD 6/	1.119	1.141	1.161	1.185	1.209	1.235	1.264	1.296	1.330	1.363	1.398
14.	GDP/IPD Index	1.00	1.02	1.04	1.06	1.08	1.10	1.13	1.16	1.19	1.22	1.25

1/ June 2006 Global Insight Forecast

2/ Per SAW rate escalation, rates are increased 50% of change of each year's 4Q RCAF-U. Global Insight forecast provides quarterly forecasts until 2008, so use annual change beyond that time

3/ U.S. Department of Agriculture ("USDA") Baseline Projections to 2015, Appendix Table 7 (1,000 480-lb bales)

4/ U.S. Energy Information Administration ("EIA"), 2006 Annual Energy Outlook, Table 55 - Freight Transportation Energy Use

5/ Reflects 2/3 change in upland cotton production and 1/3 change in ton-mile forecast

6/ EIA 2006 Annual Energy Outlook, Table 19

Exhibit 62 - SAW with Burris Going Concern Value - \$20 PYCO Surcharge

<u>Ln.No.</u>	<u>Item</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>Terminal Value 4/</u>
<u>(1)</u>	<u>(2)</u>	<u>(3)</u>	<u>(4)</u>	<u>(5)</u>	<u>(6)</u>	<u>(7)</u>	<u>(8)</u>	<u>(9)</u>	<u>(10)</u>	<u>(11)</u>	<u>(12)</u>	<u>(13)</u>	<u>(14)</u>
1.	Total Revenues 1/	\$2,047,434	\$2,095,442	\$2,137,026	\$2,166,224	\$2,194,808	\$2,205,535	\$2,245,108	\$2,276,493	\$2,313,941	\$2,343,753	\$2,381,879	
2.	Transportation Expense 2/	\$429,651	\$411,930	\$421,908	\$428,527	\$435,537	\$439,020	\$448,438	\$454,835	\$463,506	\$469,848	\$477,988	
3.	Locomotive Maintenance 2/	\$70,870	\$67,947	\$69,593	\$70,885	\$71,841	\$72,416	\$73,989	\$75,024	\$76,455	\$77,501	\$78,843	
4.	Maintenance of Way Expense 2/	\$516,678	\$495,368	\$507,367	\$515,327	\$523,757	\$527,945	\$539,271	\$546,964	\$557,391	\$565,017	\$574,807	
5.	General and Administrative Expense2/	\$481,914	\$488,179	\$492,573	\$496,021	\$500,485	\$505,490	\$511,050	\$516,161	\$522,871	\$528,623	\$534,437	
6.	Total Operating Expense (Sum of Lines 2 - 5)	\$1,499,113	\$1,463,423	\$1,491,441	\$1,510,559	\$1,531,621	\$1,544,870	\$1,572,728	\$1,592,985	\$1,620,222	\$1,640,988	\$1,666,076	
7.	Earnings Before Taxes and Depreciation (L. 1 - L. 6)	\$548,320	\$632,019	\$645,585	\$655,664	\$663,187	\$660,665	\$672,380	\$683,508	\$693,718	\$702,764	\$715,802	
8.	Depreciation 3/	\$67,992	\$56,942	\$57,835	\$58,145	\$58,218	\$58,753	\$59,195	\$59,219	\$59,648	\$60,520	\$61,473	
9.	Earnings before Taxes (L. 7 - L. 8)	\$480,328	\$575,077	\$587,751	\$597,519	\$604,968	\$601,912	\$613,185	\$624,289	\$634,071	\$642,244	\$654,330	
10.	Income Taxes 4/	\$168,115	\$201,277	\$205,713	\$209,132	\$211,739	\$210,669	\$214,615	\$218,501	\$221,925	\$224,785	\$229,015	
11.	Net Income After Taxes and Depreciation (L. 9 - L. 10)	\$312,213	\$373,800	\$382,038	\$388,387	\$393,229	\$391,243	\$398,570	\$405,788	\$412,146	\$417,459	\$425,314	
12.	Plus: Depreciation (L. 8)	\$67,992	\$56,942	\$57,835	\$58,145	\$58,218	\$58,753	\$59,195	\$59,219	\$59,648	\$60,520	\$61,473	
13.	Plus: Decreases in Net Working Capital 5/	\$0	\$0	\$0	\$0	\$0	-\$210	\$0	\$0	\$0	\$0	\$0	
14.	Less: Capital Expenditures 3/	\$64,265	\$57,610	\$56,572	\$57,459	\$58,399	\$58,866	\$60,129	\$60,987	\$62,149	\$63,000	\$64,091	
15.	Less: Increases in Net Working Capital 5/	\$43,609	\$6,975	\$1,131	\$840	\$627	\$0	\$976	\$927	\$851	\$754	\$1,087	
16.	Total Available Cash Flow (L. 11+ L. 12 + L. 13 - L. 14 - L. 15)	\$272,331	\$366,157	\$382,170	\$388,233	\$392,422	\$390,919	\$396,660	\$403,092	\$408,793	\$414,225	\$421,609	\$5,069,002
17.	Discount Factor at 10.1% 6/	1.00	0.91	0.82	0.75	0.68	0.62	0.56	0.51	0.46	0.42	0.38	0.38
18.	Present Value of Cash Flows (L. 16. x L. 17)		\$332,568	\$315,270	\$290,891	\$267,057	\$241,630	\$222,687	\$205,539	\$189,324	\$174,241	\$161,078	\$1,936,642
19.	Cumulative Present Value of Cash Flows (Sum of L. 18, Cols (3) - (14)		\$4,336,926										

1/ See revenue forecast

2/ Expenses are increased by 2/3 of change in U.S. Department of Agriculture ("USDA") forecasted cotton production, 1/3 of change in U.S. Energy Information Administration ("EIA") forecasted ton-miles, as well as by RCAFA increases

3/ See Exhibit 22

4/ Multiplied by 35% per highest marginal tax rate

5/ See Exhibit 24

6/ After tax cost of capital from U.S. Surface Transportation Board's June 21, 2005 decision in Ex Parte 558 Sub No. 8 (1 + (1 + 10.1%)

7/ Terminal value = 2015 Cash Flows * (10.1% discount rate - ((2015 Cash Flow + 2014 Cash Flow) - 1))

Exhibit 63 - SAW with Burris Revenue Forecast - \$20 PYCO Surcharge

<u>Ln. No.</u>	<u>ITEM</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
1.	Revenue per car 1/											
2.	First 5,000 carloads	\$137.22	\$142.72	\$143.49	\$144.26	\$145.12	\$146.06	\$147.23	\$148.71	\$150.34	\$151.92	\$153.51
3.	Carloads over 5,000	\$120.75	\$125.60	\$126.28	\$126.95	\$127.71	\$128.54	\$129.57	\$130.87	\$132.31	\$133.70	\$135.10
4.	Blocks of 27 cars or more	\$43.91	\$45.67	\$45.92	\$46.16	\$46.44	\$46.74	\$47.11	\$47.59	\$48.11	\$48.61	\$49.12
5.	Revenue surcharge - PYCO	\$20.00	\$20.00	\$20.00	\$20.00	\$20.00	\$20.00	\$20.00	\$20.00	\$20.00	\$20.00	\$20.00
6.	Carloads 2/											
7.	SAW Shippers single car	10,730	10,155	10,309	10,398	10,473	10,453	10,561	10,605	10,669	10,697	10,764
8.	SAW Shippers 27 or more	3,318	3,140	3,188	3,215	3,239	3,232	3,266	3,279	3,299	3,308	3,329
9.	Number in over 5,000 rate (L. 7 - 5,000)	5,730	5,155	5,309	5,398	5,473	5,453	5,561	5,605	5,669	5,697	5,764
10.	Number in first 5,000 rate (L. 7 - L. 9)	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000
11.	Total SAW Shippers	14,048	13,296	13,496	13,613	13,712	13,685	13,826	13,885	13,968	14,005	14,093
12.	PYCO Cars	5,950	5,631	5,716	5,766	5,808	5,796	5,856	5,881	5,916	5,932	5,969
13.	SAW Revenue											
14.	Carloads over the 5,000 limit (L. 9 x L. 3)	\$691,898	\$647,521	\$670,362	\$685,231	\$699,028	\$700,899	\$720,509	\$733,552	\$750,019	\$761,679	\$778,720
15.	Carloads within the 5,000 limit (L. 10 x L. 2)	\$686,100	\$713,600	\$717,449	\$721,278	\$725,606	\$730,322	\$736,165	\$743,526	\$751,705	\$759,598	\$767,574
16.	Carloads in blocks of 27 or more (L. 8 x L. 4)	\$145,693	\$143,419	\$146,368	\$148,418	\$150,398	\$151,075	\$153,858	\$156,053	\$158,714	\$160,806	\$163,511
17.	Total Haulage Revenue	\$1,523,691	\$1,504,539	\$1,534,179	\$1,554,927	\$1,575,032	\$1,582,297	\$1,610,532	\$1,633,132	\$1,660,438	\$1,682,083	\$1,709,805
18.	PYCO \$20 Surcharge	\$29,000	\$112,628	\$114,327	\$115,313	\$116,154	\$115,924	\$117,122	\$117,617	\$118,321	\$118,635	\$119,377
19.	PYCO Other Revenue	\$20,445	\$19,513	\$19,915	\$20,194	\$20,463	\$20,555	\$20,934	\$21,233	\$21,595	\$21,879	\$22,247
20.	Burris Revenue 3/	\$46,875	\$48,565	\$50,080	\$51,162	\$52,595	\$53,644	\$55,223	\$56,482	\$57,574	\$58,642	\$59,798
21.	Other Operating Revenue 4/	\$392,918	\$375,015	\$382,727	\$388,089	\$393,265	\$395,036	\$402,313	\$408,053	\$415,010	\$420,481	\$427,555
22.	Contract Work 5/	\$34,505	\$35,181	\$35,799	\$36,539	\$37,298	\$38,079	\$38,984	\$39,976	\$41,002	\$42,032	\$43,097
23.	SAW Revenue	\$2,047,434	\$2,095,442	\$2,137,026	\$2,166,224	\$2,194,808	\$2,205,535	\$2,245,108	\$2,276,493	\$2,313,941	\$2,343,753	\$2,381,879

Source: Carload data provided by Dennis Olmstead

Revenue per carload provided by South Plains Lamesa Railroad, Ltd.

PYCO Other revenue provided by South Plains Lamesa Railroad, Ltd.

1/ Forecasted revenue per carload is increased by 50% RCAF-U per SAW rate escalation

2/ SAW carloads are increased by 2/3 change in U.S. Department of Agriculture ("USDA") forecasted increases in upland cotton production and 1/3 change in Energy Information Administration ("EIA") forecasted ton-mile increases

3/ Burris revenue is increased by the EIA freight railroad ton-mile forecast

4/ 2005 Value = Total Revenue from Pro Form - L. 17, L. 18, L. 19, L. 20, L. 22, Increased by 50% RCAF-U and Carload Volume Index thereafter

5/ Contract Work is increased by the EIA's GDP/IPD forecast

Exhibit 64 - SAW with Burris Capital Expenditures and Depreciation - \$20 PYCO Surcharge

Line No.	Item	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
1.	Capital Spending 1/	\$0	\$13,948	\$19,400	\$51,735	\$64,265	\$64,265	\$57,610	\$56,572	\$57,459	\$58,399	\$58,866	\$60,129	\$60,987	\$62,149	\$63,000	\$64,091
Depreciation																	
2.	Prior Investments 2/							\$12,293	\$8,779	\$5,269	\$1,755						
3.	2000 Additions 3/	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0								
4.	2001 Additions 3/		\$1,993	\$3,416	\$2,440	\$1,742	\$1,246	\$1,244	\$1,246	\$622							
5.	2002 Additions 3/			\$2,772	\$4,751	\$3,393	\$2,423	\$1,732	\$1,730	\$1,732	\$865						
6.	2003 Additions 3/				\$7,393	\$12,670	\$9,048	\$6,462	\$4,620	\$4,615	\$4,620	\$2,307					
7.	2004 Additions 3/					\$9,183	\$15,738	\$11,240	\$8,027	\$5,739	\$5,732	\$5,739	\$2,866				
8.	2005 Additions 3/						\$9,183	\$15,738	\$11,240	\$8,027	\$5,739	\$5,732	\$2,866				
9.	2006 Additions 3/							\$8,232	\$14,109	\$10,076	\$7,195	\$5,145	\$5,139	\$2,866			
10.	2007 Additions 3/								\$8,084	\$13,864	\$9,894	\$7,066	\$5,052	\$5,145	\$2,569		
11.	2008 Additions 3/									\$8,211	\$14,072	\$10,050	\$7,177	\$5,131	\$5,125	\$2,523	
12.	2009 Additions 3/										\$8,345	\$14,302	\$10,214	\$7,294	\$5,215	\$5,209	
13.	2010 Additions 3/											\$8,412	\$8,592	\$10,296	\$7,352	\$5,257	
14.	2011 Additions 3/												\$8,517	\$14,726	\$10,517	\$7,510	
15.	2012 Additions 3/													\$8,715	\$14,936	\$10,667	
16.	2013 Additions 3/														\$8,881	\$15,220	
17.	2014 Additions 3/															\$9,003	
18.	2015 Additions 3/																\$9,159

19. Forecasted Depreciation 4/ \$56,942 \$57,835 \$58,145 \$58,218 \$58,753 \$59,195 \$59,219 \$59,648 \$60,520 \$61,473

1/ 2006 capital spending uses average 2003 - 2005 capital spending
Capital spending is escalated by the RCAF-A and by Carload Volume Index

2/ See Exhibit 23

3/ Each year capital expenditures are depreciated via MACRS table below for 7 year life.

4/ Sum Lines 2 - 18

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8
MACRS 7-Year Tax Deprec.	14.29%	24.49%	17.49%	12.49%	8.93%	8.92%	8.93%	4.46%

Exhibit 65 - SAW with Burris Estimate and Allocate Undepreciated Assets - \$20 PYCO Surcharge

Estimate Undepreciated 1/1/2000 SAW Assets

1. SAW 1/1/2000 Depreciable Assets 1/	\$515,779
2. SAW 12/31/05 Depreciation Reserve 1/	\$575,075
3. SAW Depreciation of 01/01/00 - 12/31/05 Investment (-L. 14)	(\$87,392)
4. SAW Depreciation Applied to 1/1/2000 Assets (L. 2 + L. 3)	\$487,683
5. Undepreciated 1/1/2000 SAW Assets (L. 1 - L. 4)	<u>\$28,096</u>

Calculate Depreciation of 2000 - 2005 SAW Investment for line 3

Year	2000	2001	2002	2003	2004	2005
6. Investment 1/	\$0	\$13,948	\$19,400	\$51,735	\$64,265	\$64,265
Depreciation						
7. 2000 Additions 2/	\$0	\$0	\$0	\$0	\$0	\$0
8. 2001 Additions 2/		\$1,993	\$3,416	\$2,440	\$1,742	\$1,246
9. 2002 Additions 2/			\$2,772	\$4,751	\$3,393	\$2,423
10. 2003 Additions 2/				\$7,393	\$12,670	\$9,048
11. 2004 Additions 2/					\$9,183	\$15,738
12. 2005 Additions 2/						\$9,183
13. Depreciation of 2000 - 2005 Investment 3/	\$0	\$1,993	\$6,188	\$14,583	\$26,989	\$37,639
14. Total Depreciation 4/						<u>\$87,392</u>

Allocate Undepreciated 1/1/2000 investment after 12/31/05

15.	Average Investment 2000 - 2005 1/									\$35,602
16.	Undepreciated Assets (L. 7)									\$28,096
	<u>Generation</u>	<u>Investment</u>	<u>Year 5</u>	<u>Year 6</u>	<u>Year 7</u>	<u>Year 8</u>	<u>Total</u>			
17.	Generation 1 5/	\$35,602	\$3,179	\$3,176	\$3,179	\$1,588				
18.	Generation 2 5/	\$35,602	\$3,176	\$3,179	\$1,588					
19.	Generation 3 5/	\$35,602	\$3,179	\$1,588						
20.	Generation 4 5/	\$35,602	\$1,588							
21.	Allocate Avg Investment 6/		\$11,122	\$7,943	\$4,767	\$1,588	\$25,420			
22.	Allocate Residual 7/		\$1,171	\$836	\$502	\$167	\$2,676			
23.	Allocate Undeprec. Assets 8/		\$12,293	\$8,779	\$5,269	\$1,755	\$28,096			

1/ From SAW Pro Forma

2/ L. 6 x MACRS depreciation schedule

3/ Sum Lines 7 - 12

4/ Sum Line 13, years 2000 - 2005

5/ Assume that \$28,096 represents previous years' investment amounts that are in the final years of depreciation

Assume that these previous years' investments were \$35,602 per average 2000 - 2005 investment, and are depreciated per 7 year MACRS schedules

6/ Sum Lines 17 - 20

7/ (L. 16 - L. 21_{Total}) x (L. 21_{year} + L. 21_{Total})

8/ L. 21 + L. 22

MACRS Schedule	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8
	14.29%	24.49%	17.49%	12.49%	8.93%	8.92%	8.93%	4.46%

Exhibit 66 - SAW with Burris Changes to Net Working Capital - \$20 PYCO Surcharge

<u>Line No.</u>	<u>Item</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
1.	Estimated Change in Acc'ts Receivable 1/	(\$87,302)	(\$4,001)	(\$3,465)	(\$2,433)	(\$2,382)	(\$894)	(\$3,298)	(\$2,615)	(\$3,121)	(\$2,484)	(\$3,177)
2.	Estimated Change in Acc'ts Payable 2/	\$43,693	(\$2,974)	\$2,335	\$1,593	\$1,755	\$1,104	\$2,321	\$1,688	\$2,270	\$1,731	\$2,091
3.	Change in Net Working Capital (L. 1 + L. 2)	(\$43,609)	(\$6,975)	(\$1,131)	(\$840)	(\$627)	\$210	(\$976)	(\$927)	(\$851)	(\$754)	(\$1,087)
1/	((Revenues _{year} + 12) - (Revenues _{year - 1} + 12)) x -1											
2/	(Operating Expenses _{year} + 12) - (Operating Expenses _{year - 1} + 12)											

Exhibit 67 - SAW with Burris GCV Forecasts Indexes - \$20 PYCO Surcharge

<u>Line No.</u>	<u>Item</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)
1.	RCAF-A % Chg 1/		1.3%	0.9%	0.7%	0.9%	1.0%	1.1%	1.0%	1.3%	1.1%	1.1%
2.	RCAF-A Index	1.00	1.01	1.02	1.03	1.04	1.05	1.06	1.07	1.08	1.10	1.11
3.	4Q RCAF-U 1/	118.50	120.50	121.80	123.10							
4.	RCAF-U % Chg 1/		1.7%	1.1%	1.1%	1.2%	1.3%	1.6%	2.0%	2.2%	2.1%	2.1%
5.	50% RCAF-U 2/		0.8%	0.5%	0.5%	0.6%	0.7%	0.8%	1.0%	1.1%	1.1%	1.1%
6.	50% RCAF-U Index		1.00	1.01	1.01	1.02	1.02	1.03	1.04	1.05	1.06	1.08
7.	50% RCAF-U Index 2005 Base	1.00	1.01	1.01	1.02	1.03	1.03	1.04	1.05	1.06	1.07	1.08
8.	Upland Cotton Production 3/	22,517	20,400	20,600	20,700	20,700	20,500	20,600	20,600	20,700	20,700	20,800
9.	2/3 Chg in Upland Cotton		-6.3%	0.7%	0.3%	0.0%	-0.6%	0.3%	0.0%	0.3%	0.0%	0.3%
10.	Ton-Mile Forecast (Billions) 4/	1552.174	1594.686	1635.597	1662.054	1698.423	1721.129	1757.721	1779.995	1794.674	1808.961	1825.44
11.	1/3 Chg in Ton-Mile Forecast		0.9%	0.9%	0.5%	0.7%	0.4%	0.7%	0.4%	0.3%	0.3%	0.3%
12.	Railroad Industry Ton-Mile Fcst	1.00	1.03	1.05	1.07	1.09	1.11	1.13	1.15	1.16	1.17	1.18
13.	Carload Volume Index 5/	1.00	0.95	0.96	0.97	0.98	0.97	0.98	0.99	0.99	1.00	1.00
14.	GDP/PPD 6/	1.119	1.141	1.161	1.185	1.209	1.235	1.264	1.296	1.330	1.363	1.398
15.	GDP/PPD Index	1.00	1.02	1.04	1.06	1.08	1.10	1.13	1.16	1.19	1.22	1.25

1/ June 2006 Global Insight Forecast

2/ Per SAW rate escalation, rates are increased 50% of change of each year's 4Q RCAF-U. Global Insight forecast provides quarterly forecasts until 2008, so use annual change beyond that time

3/ U.S. Department of Agriculture Baseline Projections ("USDA") to 2015, Appendix Table 7

4/ U.S. Energy information Administration ("EIA"), 2006 Annual Energy Outlook, Table 55 - Freight Transportation Energy Use

5/ Increased by 2/3 change USDA Upland Cotton Forecast, 1/3 change EIA Ton-Mile Forecast

6/ EIA 2006 Annual Energy Outlook, Table 19

Exhibit 68 - SAW Excluding Burris Going Concern Value - \$20 PYCO Surcharge

<u>Ln.No</u> <u>(1)</u>	<u>Item</u> <u>(2)</u>	<u>2005</u> <u>(3)</u>	<u>2006</u> <u>(4)</u>	<u>2007</u> <u>(5)</u>	<u>2008</u> <u>(6)</u>	<u>2009</u> <u>(7)</u>	<u>2010</u> <u>(8)</u>	<u>2011</u> <u>(9)</u>	<u>2012</u> <u>(10)</u>	<u>2013</u> <u>(11)</u>	<u>2014</u> <u>(12)</u>	<u>2015</u> <u>(13)</u>	<u>Terminal Value 4/</u> <u>(14)</u>
1.	Total Revenues 1/	\$2,000,559	\$2,046,877	\$2,086,946	\$2,115,062	\$2,142,213	\$2,151,891	\$2,189,885	\$2,220,011	\$2,256,366	\$2,285,111	\$2,322,061	
2.	Transportation Expense 2/	\$429,651	\$411,930	\$421,908	\$428,527	\$436,537	\$439,020	\$448,438	\$454,835	\$463,506	\$469,848	\$477,988	
3.	Locomotive Maintenance 2/	\$70,870	\$67,947	\$69,593	\$70,685	\$71,841	\$72,416	\$73,969	\$75,024	\$76,455	\$77,501	\$78,843	
4.	Maintenance of Way Expense 2/	\$516,678	\$495,368	\$507,367	\$515,327	\$523,757	\$527,945	\$539,271	\$546,964	\$557,391	\$565,017	\$574,807	
5.	General and Administrative Expense2/	\$479,805	\$486,043	\$490,417	\$493,850	\$498,294	\$503,277	\$508,813	\$513,902	\$520,582	\$526,309	\$532,098	
6.	Total Operating Expense (Sum of Lines 2 - 5)	\$1,497,004	\$1,461,287	\$1,489,285	\$1,508,388	\$1,529,430	\$1,542,658	\$1,570,491	\$1,590,725	\$1,617,933	\$1,638,675	\$1,663,737	
7.	Earnings Before Taxes and Depreciation (L. 1 - L. 6)	\$503,555	\$585,591	\$597,661	\$606,674	\$612,782	\$609,233	\$619,394	\$629,285	\$638,433	\$646,436	\$658,344	
8.	Depreciation 3/	\$67,992	\$56,942	\$57,835	\$58,145	\$58,218	\$58,753	\$59,195	\$59,219	\$59,646	\$60,520	\$61,473	
9.	Earnings before Taxes (L. 7 - L. 8)	\$435,563	\$528,648	\$539,827	\$548,529	\$554,564	\$550,480	\$560,199	\$570,067	\$578,785	\$585,916	\$596,871	
10.	Income Taxes 4/	\$152,447	\$185,027	\$188,939	\$191,985	\$194,097	\$192,668	\$196,070	\$199,523	\$202,575	\$205,071	\$208,905	
11.	Net Income After Taxes and Depreciation (L. 9 - L. 10)	\$283,116	\$343,621	\$350,887	\$356,544	\$360,467	\$357,812	\$364,129	\$370,543	\$376,210	\$380,845	\$387,966	
12.	Plus: Depreciation (L. 8)	\$67,992	\$56,942	\$57,835	\$58,145	\$58,218	\$58,753	\$59,195	\$59,219	\$59,646	\$60,520	\$61,473	
13.	Plus: Decreases in Net Working Capital 5/	\$0	\$0	\$0	\$0	\$0	-\$296	\$0	\$0	\$0	\$0	\$0	
14.	Less: Capital Expenditures 3/	\$64,265	\$57,610	\$56,572	\$57,459	\$58,399	\$58,866	\$60,129	\$60,987	\$62,149	\$63,000	\$64,091	
15.	Less: Increases in Net Working Capital 5/	\$43,535	\$6,836	\$1,006	\$751	\$509	\$0	\$847	\$824	\$762	\$667	\$992	
16.	Total Available Cash Flow (L. 11+ L. 12 + L. 13 - L. 14 - L. 15)	\$243,308	\$336,117	\$351,144	\$356,479	\$359,777	\$357,403	\$362,349	\$367,951	\$372,946	\$377,699	\$384,355	\$4,609,925
17.	Discount Factor at 10.1% 6/	1.00	0.91	0.82	0.75	0.68	0.62	0.56	0.51	0.46	0.42	0.38	0.38
18.	Present Value of Cash Flows (L. 16. x L. 17)		\$305,284	\$289,675	\$267,098	\$244,841	\$220,913	\$203,424	\$187,620	\$172,722	\$158,876	\$146,845	\$1,761,249
19.	Cumulative Present Value of Cash Flows (Sum of L. 18, Cols (3) - (14)												
			\$3,958,547										

- 1/ See revenue forecast
2/ Expenses are increased by 2/3 of change in U.S. Department of Agriculture ("USDA") forecasted cotton production, 1/3 of change in Energy Information Administration ("EIA") forecasted railroad ton-miles, as well as by RCAFA increases
3/ See Exhibit 22
4/ Multiplied by 35% per highest marginal tax rate
5/ See Exhibit 24
6/ After tax cost of capital from U.S. Surface Transportation Board's June 21, 2005 decision in Ex Parte 558 Sub No. 8 (1 + 10.1%)
7/ Terminal value = 2015 Cash Flows * ((10.1% discount rate - (2015 Cash Flow + 2014 Cash Flow) - 1))

Exhibit 69 - SAW Excluding Burris Revenue Forecast - \$20 PYCO Surcharge

<u>Ln. No.</u>	<u>ITEM</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
1.	Revenue per car 1/											
2.	First 5,000 carloads	\$137.22	\$142.72	\$143.49	\$144.26	\$145.12	\$146.06	\$147.23	\$148.71	\$150.34	\$151.92	\$153.51
3.	Carloads over 5,000	\$120.75	\$125.60	\$126.28	\$126.95	\$127.71	\$128.54	\$129.57	\$130.87	\$132.31	\$133.70	\$135.10
4.	Blocks of 27 cars or more	\$43.91	\$45.67	\$45.92	\$46.16	\$46.44	\$46.74	\$47.11	\$47.59	\$48.11	\$48.61	\$49.12
5.	\$20 Surcharge - PYCO	\$20.00	\$20.00	\$20.00	\$20.00	\$20.00	\$20.00	\$20.00	\$20.00	\$20.00	\$20.00	\$20.00
6.	SAW Carloads											
7.	SAW Shippers single car	10,730	10,155	10,309	10,398	10,473	10,453	10,561	10,605	10,669	10,697	10,764
8.	SAW Shippers 27 or more	3,318	3,140	3,188	3,215	3,239	3,232	3,266	3,279	3,299	3,308	3,329
9.	Number in over 5,000 rate (L.7 - 5,000)	5,730	5,155	5,309	5,398	5,473	5,453	5,561	5,605	5,669	5,697	5,764
10.	Number in first 5,000 rate (L.7 - L.9)	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000
11.	Total SAW Shippers	14,048	13,296	13,496	13,613	13,712	13,685	13,826	13,885	13,968	14,005	14,093
12.	PYCO Cars	5,950	5,631	5,716	5,766	5,808	5,796	5,856	5,881	5,916	5,932	5,969
13.	SAW Revenue											
14.	Carloads over the 5,000 limit (L.9 x L. 3)	\$691,898	\$647,521	\$670,362	\$685,231	\$699,028	\$700,899	\$720,509	\$733,552	\$750,019	\$761,679	\$778,720
15.	Carloads within the 5,000 limit (L. 10 x L. 2)	\$686,100	\$713,600	\$717,449	\$721,278	\$725,606	\$730,322	\$736,165	\$743,526	\$751,705	\$759,598	\$767,574
16.	Carloads in blocks of 27 or more (L. 8 x L. 4)	\$145,693	\$143,419	\$146,368	\$148,418	\$150,398	\$151,075	\$153,858	\$156,053	\$158,714	\$160,806	\$163,511
17.	Total Haulage Revenue	\$1,523,691	\$1,504,539	\$1,534,179	\$1,554,927	\$1,575,032	\$1,582,297	\$1,610,532	\$1,633,132	\$1,660,438	\$1,682,083	\$1,709,805
18.	PYCO \$20 Surcharge	\$29,000	\$112,628	\$114,327	\$115,313	\$116,154	\$115,924	\$117,122	\$117,617	\$118,321	\$118,635	\$119,377
19.	PYCO Other Revenue	\$20,445	\$19,513	\$19,915	\$20,194	\$20,463	\$20,555	\$20,934	\$21,233	\$21,595	\$21,879	\$22,247
20.	Other Operating Revenue 3/	\$392,918	\$375,015	\$382,727	\$388,089	\$393,265	\$395,036	\$402,313	\$408,053	\$415,010	\$420,481	\$427,555
21.	Contract Work 4/	\$34,505	\$35,181	\$35,799	\$36,539	\$37,298	\$38,079	\$38,984	\$39,976	\$41,002	\$42,032	\$43,097
22.	SAW Revenue	\$2,000,559	\$2,046,877	\$2,086,946	\$2,115,062	\$2,142,213	\$2,151,891	\$2,189,885	\$2,220,011	\$2,256,366	\$2,285,111	\$2,322,081

Source: Carload data provided by Dennis Olmstead

Revenue per carload provided by South Plains Lamesa Railroad, Ltd.

PYCO Other revenue provided by South Plains Lamesa Railroad, Ltd.

1/ Forecasted revenue per carload is increased by 50% RCAF-U per SAW rate escalation

2/ Increased by 2/3 change U.S. Department of Agriculture ("USDA") Upland Cotton Forecast, 1/3 change Energy Information Administration ("EIA") Ton-Mile Forecast

3/ 2005 Other Operating Revenue = Total 2005 Revenue from Pro Forma - L. 17, L. 18, L. 19, L. 21, increased by 50% RCAF-U, Carload Volume Index afterward

4/ Contract Work is increased by the EIA's GDP/IPD forecast

Exhibit 70 - SAW Excluding Burris Capital Expenditures and Depreciation - \$20 PYCO Surcharge

Line No.	Item	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
1.	Capital Spending 1/	\$0	\$13,948	\$19,400	\$51,735	\$64,265	\$64,265	\$57,610	\$56,572	\$57,459	\$58,399	\$58,866	\$60,129	\$60,987	\$62,149	\$63,000	\$64,091
Depreciation																	
2.	Prior Investments 2/							\$12,293	\$8,779	\$5,269	\$1,755						
3.	2000 Additions 3/	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0								
4.	2001 Additions 3/		\$1,993	\$3,416	\$2,440	\$1,742	\$1,246	\$1,244	\$1,246	\$622							
5.	2002 Additions 3/			\$2,772	\$4,751	\$3,393	\$2,423	\$1,732	\$1,730	\$1,732	\$865						
6.	2003 Additions 3/				\$7,393	\$12,670	\$9,048	\$6,462	\$4,620	\$4,615	\$4,620	\$2,307					
7.	2004 Additions 3/					\$9,183	\$15,738	\$11,240	\$8,027	\$5,739	\$5,732	\$5,739	\$2,866				
8.	2005 Additions 3/						\$9,183	\$15,738	\$11,240	\$8,027	\$5,739	\$5,732	\$2,866				
9.	2006 Additions 3/							\$8,232	\$14,109	\$7,195	\$5,145	\$5,145	\$2,866				
10.	2007 Additions 3/								\$8,084	\$13,854	\$9,894	\$7,066	\$5,052	\$5,046	\$2,569	\$2,523	
11.	2008 Additions 3/									\$8,211	\$14,072	\$10,050	\$7,177	\$5,131	\$5,125	\$5,131	\$2,563
12.	2009 Additions 3/										\$8,345	\$14,302	\$10,214	\$7,294	\$5,215	\$5,209	\$5,215
13.	2010 Additions 3/											\$8,412	\$14,416	\$10,296	\$7,352	\$5,257	\$5,251
14.	2011 Additions 3/												\$8,592	\$14,726	\$10,517	\$7,510	\$5,370
15.	2012 Additions 3/													\$8,715	\$10,667	\$7,510	\$5,370
16.	2013 Additions 3/														\$8,881	\$15,220	\$10,870
17.	2014 Additions 3/															\$9,003	\$15,429
18.	2015 Additions 3/																\$9,159
19.	Forecasted Depreciation 4/							\$56,942	\$57,835	\$58,145	\$58,218	\$58,753	\$59,195	\$59,219	\$59,648	\$60,520	\$61,473

1/ 2006 capital spending uses average 2003 - 2005 capital spending

Capital spending is escalated by the RCAFA and Carload Volume Index

2/ See Exhibit 23

3/ Each year capital expenditures are depreciated via MACRS table below for 7 year life.

4/ Sum Lines 2 - 18

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8
MACRS 7-Year Tax Deprec.	14.29%	24.49%	17.49%	12.49%	8.93%	8.92%	8.93%	4.46%

Exhibit 71 - SAW Excluding Burris Estimate and Allocate Undepreciated Assets - \$20 PYCO Surcharge
Estimate Undepreciated 1/1/2000 SAW Assets

1. SAW 1/1/2000 Depreciable Assets 1/	\$515,779
2. SAW 12/31/05 Depreciation Reserve 1/	\$575,075
3. SAW Depreciation of 01/01/00 - 12/31/05 Investment (-L. 14)	<u>(\$87,392)</u>
4. SAW Depreciation Applied to 1/1/2000 Assets (L. 2 + L. 3)	\$487,683
5. Undepreciated 1/1/2000 SAW Assets (L. 1 - L. 4)	<u>\$28,096</u>

Calculate Depreciation of 2000 - 2005 SAW Investment for line 3

Year	2000	2001	2002	2003	2004	2005
6. Investment 1/	\$0	\$13,948	\$19,400	\$51,735	\$64,265	\$64,265
Depreciation						
7. 2000 Additions 2/	\$0	\$0	\$0	\$0	\$0	\$0
8. 2001 Additions 2/		\$1,993	\$3,416	\$2,440	\$1,742	\$1,246
9. 2002 Additions 2/			\$2,772	\$4,751	\$3,393	\$2,423
10. 2003 Additions 2/				\$7,393	\$12,670	\$9,048
11. 2004 Additions 2/					\$9,183	\$15,738
12. 2005 Additions 2/						\$9,183
13. Depreciation of 2000 - 2005 Investment 3/	\$0	\$1,993	\$6,188	\$14,583	\$26,989	\$37,639
14. Total Depreciation 4/						<u>\$87,392</u>

Allocate Undepreciated 1/1/2000 investment after 12/31/05

15. Average Investment 2000 - 2005 1/		\$35,602					
16. Undepreciated Assets (L. 7)		\$28,096					
	<u>Generation</u>	<u>Investment</u>	<u>Year 5</u>	<u>Year 6</u>	<u>Year 7</u>	<u>Year 8</u>	<u>Total</u>
17.	Generation 1 5/	\$35,602	\$3,179	\$3,176	\$3,179	\$1,588	
18.	Generation 2 5/	\$35,602	\$3,176	\$3,179	\$1,588		
19.	Generation 3 5/	\$35,602	\$3,179	\$1,588			
20.	Generation 4 5/	\$35,602	\$1,588				
21. Allocate Avg Investment 6/		\$11,122	\$7,943	\$4,767	\$1,588	\$25,420	
22. Allocate Residual 7/		\$1,171	\$836	\$502	\$167	\$2,676	
23. Allocate Undeprec. Assets 8/		\$12,293	\$8,779	\$5,269	\$1,755	\$28,096	

1/ From SAW Pro Forma

2/ L. 6 x MACR depreciation schedule

3/ Sum Lines 7 - 12

4/ Sum Line 13, years 2000 - 2005

5/ Assume that \$28,096 represents previous years' investment amounts that are in the final years of depreciation

Assume that these previous years' investments were \$35,602 per average 2000 - 2005 investment, and are depreciated per 7 year MACRS schedules

6/ Sum Lines 17 - 20

7/ (L. 16 - L. 21_{Total}) x (L. 21_{year} + L. 21_{Total})

8/ L. 21 + L. 22

MACRS Schedule	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8
	14.29%	24.49%	17.49%	12.49%	8.93%	8.92%	8.93%	4.46%

Exhibit 72 - SAW Excluding Burris Changes to Net Working Capital - \$20 PYCO Surcharge

<u>Line No.</u>	<u>Item</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
1.	Estimated Change in Accts Receivable 1/	(\$87,052)	(\$3,860)	(\$3,339)	(\$2,343)	(\$2,263)	(\$806)	(\$3,166)	(\$2,510)	(\$3,030)	(\$2,395)	(\$3,081)
2.	Estimated Change in Accts Payable 2/	\$43,517	(\$2,976)	\$2,333	\$1,592	\$1,754	\$1,102	\$2,319	\$1,686	\$2,267	\$1,728	\$2,089
3.	Change in Net Working Capital (L. 1 + L. 2)	(\$43,535)	(\$6,836)	(\$1,006)	(\$751)	(\$509)	\$296	(\$847)	(\$824)	(\$762)	(\$667)	(\$992)
1/	((Revenues _{year} + 12) - (Revenues _{year - 1} + 12)) x -1											
2/	(Operating Expenses _{year} + 12) - (Operating Expenses _{year - 1} + 12)											

Exhibit 73 - SAW Excluding Burris GCV Forecasts Indexes - \$20 PYCO Surcharge

<u>Line No.</u>	<u>Item</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)
1.	RCAF-A % Chg 1/		1.3%	0.9%	0.7%	0.9%	1.0%	1.1%	1.0%	1.3%	1.1%	1.1%
2.	RCAF-A Index	1.00	1.01	1.02	1.03	1.04	1.05	1.06	1.07	1.08	1.10	1.11
3.	4Q RCAF-U 1/	118.50	120.50	121.80	123.10							
4.	RCAF-U % Chg 1/		1.7%	1.1%	1.1%	1.2%	1.3%	1.6%	2.0%	2.2%	2.1%	2.1%
5.	50% RCAF-U 2/		0.8%	0.5%	0.5%	0.6%	0.7%	0.8%	1.0%	1.1%	1.1%	1.1%
6.	50% RCAF-U Index		1.00	1.01	1.01	1.02	1.02	1.03	1.04	1.05	1.06	1.08
7.	50% RCAF-U Index base 2005	1.00	1.01	1.01	1.02	1.03	1.03	1.04	1.05	1.06	1.07	1.08
8.	Upland Cotton Production 3/	22,517	20,400	20,600	20,700	20,700	20,500	20,600	20,600	20,700	20,700	20,800
9.	2/3 Chg in Upland Cotton		-6.3%	0.7%	0.3%	0.0%	-0.6%	0.3%	0.0%	0.3%	0.0%	0.3%
10.	Ton-Mile Forecast (Billions) 4/	1552.174	1594.686	1635.597	1662.054	1698.423	1721.129	1757.721	1779.995	1794.674	1808.961	1825.44
11.	1/3 Chg in Ton-Mile Forecast		0.9%	0.9%	0.5%	0.7%	0.4%	0.7%	0.4%	0.3%	0.3%	0.3%
12.	Carload Volume Index 5/	1.00	0.95	0.96	0.97	0.98	0.97	0.98	0.99	0.99	1.00	1.00
13.	GDP/IPD 6/	1.119	1.141	1.161	1.185	1.209	1.235	1.264	1.296	1.330	1.363	1.398
14.	GDP/IPD Index	1.00	1.02	1.04	1.06	1.08	1.10	1.13	1.16	1.19	1.22	1.25

1/ June 2006 Global Insight Forecast

2/ Per SAW rate escalation, rates are increased 50% of change of each year's 4Q RCAF-U. Global Insight forecast provides quarterly forecasts until 2008, so use annual change beyond that time

3/ U.S. Department of Agriculture ("USDA") Baseline Projections to 2015, Appendix Table 7 (1,000 480-lb bales)

4/ U.S. Energy Information Administration ("EIA"), 2006 Annual Energy Outlook, Table 55 - Freight Transportation Energy Use

5/ Reflects 2/3 USDA forecasted change of upland cotton production and 1/3 EIA forecasted change of railroad ton-miles

6/ U.S. Department of Energy, Energy Information Administration 2006 Annual Energy Outlook, Table 19

SECOND VERIFIED STATEMENT
REGARDING
SOUTH PLAINS SWITCHING, LTD., CO.
RAILROAD ASSETS

LISTED AS

PYCO INDUSTRIES, INC.
FEEDER LINE APPLICATION
STB FINANCE DOCKET 34890

TRACKAGE OWNED BY
SOUTH PLAINS SWITCHING, LTD., CO.

STATEMENT FOR:

SOUTH PLAINS SWITCHING, LTD., CO.
C/O Thomas F. McFarland, Esq.
208 South LaSalle Street – Suite 1890
Chicago, IL 60604

INSPECTION DATE:
September 1, 2006

REPORT DATE:
September 5, 2006

REPORT BY:
LANDRETH ENGINEERING, LLC
P. O. Box 92156
Albuquerque, NM 87199

A. QUALIFICATIONS

I am Edward W. Landreth, P. E., a professional engineer and owner of Landreth Engineering, LLC, a railroad civil engineering firm, specialized in design, construction and maintenance of railroad track and structures. I provide inspection of existing railroad track and structures to class III railroads and private track owners as well as design, construction and maintenance plans. Additionally I provide net liquidation value estimates and assistance in the management of railroad property and assets.

Qualifications and services offered by Landreth Engineering, LLC and my resume are enclosed as Attachment "A". My first FRA certification card to inspect railroad track in accordance with § 213.7 of the FRA Track Safety Standards is enclosed as Attachment "B".

I was first qualified to inspect railroad track some 35 years ago on a Class I railroad and received a certification card after the adoption of the FRA Track Safety Standards some 28 years ago to inspect track on a Class I railroad and have continued the last 12 years to inspect and evaluate railroad track for Class III railroads and private railroad track owners.

I have been in the consulting business since my retirement from The Atchison, Topeka and Santa Fe Railway Company (Santa Fe) in 1994. During the last 6 of those years, I was the Executive Department Representative for the Real Estate and Contract Department and also the Engineering and Maintenance Department representative on Santa Fe's "line-sale team," a group of employees formed to negotiate sales of Santa Fe's rail lines.

I have been unavailable to assist the South Plains Switching, Ltd., Co. as the Gulf Colorado & San Saba Railway, a Class III railroad located in Texas, suffered the catastrophic loss of two main line bridges (504 TF) and damage to a third main line bridge due to a range land grass fire. I have been providing on the ground assistance in the construction of the two replacement bridges and repairs to the third bridge since August 9 and have taken advantage of the Labor Day Holiday to prepare a second verified statement on behalf of South Plains Switching, Ltd., Co. (SAW) prior to returning to the bridge sites. I inspected all of SAW's trackage on September 1, 2006.

I understand that this report is to be utilized in a Surface Transportation Board (STB) proceeding.

B. INTRODUCTION

South Plains Switching, Ltd., Co. (SAW) first engaged Landreth Engineering, LLC to inspect and evaluate the condition of approximately 6.44 miles of rail line owned by SAW.

The objective of the inspection was to determine the present condition and suitability for continuing operations for the track and underlying real estate within STB Finance Docket 34890 identified as PYCO industries, Inc. (PYCO) Alternative 2 as of July 26, 2006 and to assist in the preparation of the on going concern valuation for these rail assets.

The report that was submitted to the STB and dated July 27, 2006 presented findings as to the condition of the rail assets and discusses the factors that influence the value of railroad rail, other track material (OTM), ties and ballast within the original PYCO Alternative 2 feeder line filing.

SAW has now asked Landreth Engineering, LLC to provide an analysis and response to the testimony submitted to the STB in Mr. Monty Sneed's First & Second Verified Statements and the Verified Statement submitted by Mr. Gene A. Davis, P. E. and to provide clarification and additional information concerning all of the trackage of SAW (All-SAW).

C. Response Re: First Montey Sneed Declaration dated March 23, 2006 F. D. 34844

Mr. Sneed acknowledges that his track maintenance experience for an operating railroad is limited and lists his experience as a Track Supervisor (Track Inspector) some 26 years ago for one year with a prior three (3) year break in track maintenance experience. Prior to his three year break in track maintenance experience he was previously a track labor and track section foreman with only six (6) years branch line track maintenance experience some 30 years ago and for the last 19 years has been involved in rail line salvage operations and professes to be familiar with all aspects of railroad salvage.

Mr. Sneed doesn't claim to be an expert on track construction or maintenance and doesn't claim to have owned or operated a short line railroad in the last 15 years. Mr. Sneed's consulting experience is primarily limited to salvage of rail lines.

Mr. Sneed states that his March 6 – 9, 2006 inspection of the SAW assets was a drive by from public streets. Mr. Sneed confirms that the former FW&D had not performed any rehabilitation of the SAW assets since he was a FW&D track foreman in Lubbock some thirty-years ago. Had Mr. Sneed actually walked the track he would have discovered that a portion of the SAW main between the east yard lead and its connection with the BNSF main had been relayed with 110 lb/yd rail and the east end of the yard tracks rehabilitated. Additionally switch ties had been recently installed on the west end of the yard as well as a track crossing diamond replaced in the PYCO lead.

Mr. Sneed appears to be of an opinion that the FW&D track structure was worn out some thirty years ago when the rail was only approximately 50 years old. Certainly Mr. Sneed would agree that a short line railroad that has only owned the former FW&D (BN) assets for approximately 6 years couldn't be expected to correct years of deferred maintenance overnight. Mr. Sneed inaccurately stated: "SAW appears to repair the track only when a derailment occurs". How can any cursory inspector make this statement without knowledge of the derailment history, if any, and then only based on a drive by inspection of the SAW assets?

Mr. Sneed does acknowledge the construction of the two new tracks to serve the new SAW transload area just north of 66th Street and East of MLK Avenue in response to shipper's requirements for an adequate aggregate transload facility in Lubbock.

Mr. Sneed alludes to the Floyd Trucking Company's trackage on the North Side of the new transload facility but doesn't comment on the condition of the Floyd Trucking Company's privately owned trackage. The switch to Floyd Trucking Company's

trackage is in service pursuant to a request of Floyd Trucking Company to the STB; however, the private trackage owned by Floyd Trucking is overgrown with brush and appears to be covered over by the base material within the Floyd Trucking Site. The private trackage owned by Floyd Trucking Company has not been serviceable since Floyd Trucking Company acquired the Site and no attempt to rehabilitate the track has been observed in over 15 years by this consultant.

Mr. Sneed did observe that a few unused tracks had been removed since his days as a track foreman at Lubbock some 30 years ago possibly by referring to the schematic line drawing attached to the confidential SAW purchase agreement.

(a) SAW has removed several tracks between Avenue A & D south of 30th street. However, this was at the request of Frito – Lay, the only rail customer on this segment of track, to accommodate their plant expansion plans and to provide for a future growth in the SAW rail business with Frito – Lay.

(b) The industrial lead between 46th & 47th Street west of Locust Street had no rail served industries and the property was undeveloped. The BN had reserved only a rail easement for the lead track and it was thought that by removing the track through the center of this parcel and allowing the track easement to expire that this would encourage possible rail development at this location.

(c) The lead between 58th & 56th Street just east of Elm Street was still in place as of August 9, 2006 but has not been used since SAW acquired the FW&D asset and was overgrown and is not visible from a drive by inspection.

Mr. Sneed refers to Finance Docket 33753 (Sub. No. 1) for an estimate of the track feet originally acquired by SAW. Mr. Sneed states that the track feet estimated in the Finance Docket is approximately 74,384 feet. Mr. Sneed then deducts the 3 tracks that he claimed were removed by SAW (one of which still exists) and then credits SAW for the track constructed for the aggregate transload tracks north of 66th Street and East of MLK. However, Mr. Sneed neglects to credit SAW for the Locomotive Pocket track constructed just west of the east lead that serves the BN Industrial District 2 warehouse district.

Recent SAW inventory dated August 9, 2006 attached as Exhibit 1 estimates the total track operated by SAW at 198,277 track feet and that SAW owns 133,884 track feet. Mr. Sneed states that he assumed favorably to SAW that SAW acquired 78,920 track feet (14.94 Miles).

Mr. Sneed states that he acquired an aerial survey map from the City of Lubbock to calculate the track removed by SAW but apparently didn't expend the effort to check the maps for remaining trackage owned by SAW.

Mr. Sneed under estimated the remaining trackage owned by SAW by 41%. An under estimation of this amount is certainly not being favorable to SAW. Mr. Sneed, not being knowledgeable of the track footage owned by the Industries, actually under estimated the trackage operated by SAW by 60%.

Mr. Sneed's understanding of the determination of Net Liquidation Value (NLV) is actually the simple answer to the methodology used by the salvage contractors and is

adjusted to reflect the methodology employed in Surface Transportation Board abandonment proceedings. Mr. Sneed in Alternative 2 Appendix II calculated a NLV (track material only) of \$143, 328.87 where I calculated a value of \$435,490.31 (attached as Exhibit 2) using basically the same methodology. Discounting the NLV by approximately 67% is certainly not favorable to SAW. Mr. Sneed in Alternative 2 Appendix III discounted the NLV by approximately 40% and again this certainly is not favorable to SAW.

D. Response Re: Second Montey Sneed Declaration F. D. 34890 dated August 9, 2006

Mr. Sneed in paragraph 1 of his second declaration, after supposedly making an on-the-ground inspection of SAW assets on July 24 and 25, states that he has no significant changes to make in his per unit valuations.

Mr. Sneed neglects to mention the tie replacement and rail replacement of a segment of the SAW main line (TEAM 9298) between Jupiter Avenue and the BNSF main line with 110 lb/yd rail, the upgrading of the switches on the east end of the SAW yard, the switch tie replacement on the west end of the SAW yard, the cross tie replacement on the Orchard Lead, the rehabilitation of CLIC track 380, the replacement of the concrete grade crossing surface across US 87 to serve Jarvis Metals in addition to the replacement of numerous casualty cross ties.

Mr. Sneed in the second half of paragraph 2 is suddenly a rail operations expert concerning trackage requirements for adequate rail service. He makes this claim based on being a former track maintenance foreman on a former FW&D branch line that was in the process of being abandoned and one years experience as a track inspector for the AT&SF and then a few years experience as a trainman. None of this experience exposed Mr. Sneed to the planning, design and assets required to provide adequate rail service. Mr. Sneed professed to consult with un-named experts and to have experienced SAW's conduct. Mr. Sneed may have third hand information but he certainly has no first hand information to base his statement as an expert in these proceedings before the STB.

Paragraph 3 of Mr. Sneed's second declaration again is smoke and mirrors in the assumption of the rail being all 90 lb/yd rail, which to a scrap dealer is the same offer on a per ton basis with the scrap dealer expecting to sale the 90 lb/yd rail at a premium and the 85 lb/yd rail to the steel mills. Mr. Sneed in being favorable to the SAW neglects to mention that the 110 -115 lb/yd rail on-site is worth considerably more that the 90-lb/yd rail.

Mr. Sneed makes a generalized statement concerning tie counts and disposal costs of waste ties. The reality is that 1/2 of the existing ties per 39 track feet can be defects and still meet FRA Class 3 track safety standards for safe operation.

Paragraph 4 of Mr. Sneed's second declaration again is erroneous as his estimate of the SAW trackage neglects 41% of the actual trackage owned by SAW and under estimates the total trackage with out regard to ownership by 60%. Mr. Sneed's valuations in his first declaration under estimated the Net Liquidation Value by 40% on just 5,000 track feet of main line. Mr. Sneed then would lead the STB to consider an all NLV for SAW

based on an under estimation of SAW assets by 41% and a net liquidation value methodology that discounts the NLV by 40 – 67 per cent.

Paragraph 5 of Mr. Sneed's second declaration again is erroneous and based on an inadequate inspection and third party speculation without benefit of the SAW expenditures for track maintenance and knowledge of the work accomplished by SAW in the short time that SAW has owned the former FW&D Lubbock industrial area assets.

Mr. Sneed then makes generalized statements that apply to all established industrial areas on the High Plains of West Texas. The industrial track in the industrial areas was depressed to accommodate the construction of adjacent warehouses so that the warehouse floor could accommodate not only rail car unloading/loading but also truck unloading/loading operations. Additionally depressed track in warehouse areas allowed storm drainage to flow across the surface without the track structure ponding water upstream of the industrial track.

Mr. Sneed is correct that old ties exposed to air will disintegrate in a short time but what he doesn't say is that as long as the old ties are buried without exposure to air that they will remain serviceable.

Mr. Sneed states that track gauge is maintained with angle bars (joint bars). This statement is particularly disturbing as the most basic track knowledge is that gauge is maintained with the track spike in the cross tie. The angle bars (joint bars) merely connect the rail ends together.

Mr. Sneed then again states that repairs are apparently made only as derailments occur. Mr. Sneed in making a cursory inspection has no basis for this statement. The comment concerning Mr. Sneed's conversation with the FRA inspector, July 24, is misleading and misinformation to the STB. The statement that the SAW assets were excepted track for FRA inspection purposes was correct but the additional statement made by Mr. Sneed that the track required repair is misinformation.

E. Response Re: Gene Davis Verified Statement Dated August 7, 2006

Description of Existing Track Conditions

Mr. Davis with Mr. Sneed's assistance chose to discuss and identify track structure locations that are not typical of the majority of the track structure located within the SAW yard and that is utilized by SAW to serve active rail customers but are merely isolated locations that Mr. Davis & Mr. Sneed chose to focus on with a general negative narrative.

Exhibit B – Photo 1

The broken rail within the joint bars that Mr. Davis illustrated as a sign of a broken rail and a sign of rail approaching the limits of its useful life is nothing more than a bolt hole break of the rail at the joint bar and is known as a "Dutch Man" and is not an indication of rail approaching the end of its service life. A bolthole break in the joint bar area is

normally an indication that a stress point was created by improperly drilling the rail. This type of break in the rail occurs in all ages of rail from new to old. It is interesting to note for the purposes of this report that Mr. Davis comments that the rail which is 70 to 80 years old is approaching the end of its service life but in the R L Banks & Associates, Inc. Table 3 Annual Program Maintenance of Way Costs Alternative Two cost estimates assumes that rail has a service life of 150 years.

Exhibit B – Photo 2

Mr. Davis shows a bad tie under a rail joint in the West Turnout to Yard track 5 but neglects to mention the recent switch ties that were recently inserted in a programmed rehabilitation of the west end of the SAW yard that was suspended due to the PYCO feeder line filing. Mr. Davis doesn't provide a commentary as to continued serviceability or make reference to FRA track safety standards.

Exhibit B – Photo 3

Mr. Davis illustrates a worn switch point in the West Switch to Yard Track No. 2 but doesn't provide a commentary as to its continued serviceability or make reference to FRA track safety standards.

The FRA track safety standard for switch points is contained within FRA §213.135

The wear pattern revealed in the photograph shows that the rail is flaking on the field side of the switch point. If the switch point seats against the running rail and doesn't have a blunt end at the switch point greater than ½", the switch point is still serviceable but should be monitored and repaired by an experienced track welder by building up the switch point.

Exhibit B – Photo 4

Mr. Davis illustrates what he considers defective head block ties on a switch on the west end of track no. 5 of the SAW yard but doesn't provide a commentary as to its continued serviceability or make reference to FRA track safety standards.

The FRA track safety standard for head block ties is contained within FRA §213.133 & FRA §213.135

My inspection photographs of this switch in July shows that this switch and head block ties were serviceable for an industry track that until recently was used infrequently. This switch is now used daily by the West Texas Lubbock Railroad (WTL) to access their engine tie up spot on a PYCO industry track. The maintenance expense for rehabilitation of this track and switch is recoverable from PYCO pursuant to an industry track agreement. SAW has received no specific requests for maintenance of this switch from WTL. There is no reason SAW would not replace the head block ties if replacement is warranted

Exhibit B – Photo 5

Mr. Davis shows the frog wear on a switch in the west end of the SAW yard between Saw yard tracks No. 2 & 3 but doesn't provide a commentary as to its continued serviceability or make reference to FRA track safety standards.

FRA Class 1 track safety standards provide for continued rail operations across this frog in accordance with FRA §213.137.

Exhibit B – Photo 6

The Attebury Grain Elevator is switched from the west end of the elevator or the former ATSF served end of the Elevator tracks. Again Mr. Davis implies a track safety condition but doesn't provide a commentary as to its continued serviceability or make reference to FRA track safety standards. This guardrail clamp is located on the east end or the former FW&D end of the Elevator tracks and is not normally utilized in switching the Attebury Grain Elevator tracks. This guardrail design has been obsolete for years. What Mr. Davis doesn't say is that this guardrail standard utilized 3 clamps to hold the guardrail in place and for FRA Class 1 operations two (2) guardrail clamps are adequate.

FRA Class 1 track safety standards provide for continued rail operations across this frog in accordance with FRA §213.133 & FRA §213.143.

Exhibit B – Photo 7 & Photo 8

Mr. Davis implies a track safety condition with his photos of the former FW&D main line bridge but doesn't provide a commentary as to the continued serviceability of the bridge or make reference to FRA track safety standards.

Mr. Davis is apparently not familiar with an open deck bridge constructed on rail stringers. This type bridge is found in the standard plans for the Class 1 Railroads and was utilized on short span bridges. The FRA track safety standards appendix C to part 213 addresses the FRA policy on the safety of bridges.

Mr. Davis advises that he checked all the curves contained within "Alternative Two" and makes comments concerning the worst track gage that he could find which was in the Acme Lead a seldom used industrial lead that serves one customer as being measured at 58" but neglects to mention that this meets FRA Class 1 track safety standards and exceeds the FRA track safety standard for excepted track. Mr. Davis is probably unaware that the practice for constructing curves some 60 to 70 years ago was to increase the track gage to 57 to 58 " to reduce the track resistance for rigid steam locomotives.

SAW serves a warehouse industrial area primarily located within an older section of Lubbock where the City blocks are 585' x 610' and smaller with grade crossings every block. The former owner (BNSF) of the trackage purchased by SAW operated the warehouse industrial trackage as "Excepted" track and continued to defer the track maintenance until the sale of the former FW&D industrial areas. The SAW continued this FRA track safety standard designation while continuing to improve the track to a FRA Class 1 track safety standard.

Mr. Davis is unaware of the history of the former FW&D assets within the Lubbock area and the track gage requirements for 10 MPH rail operations and FRA Class 1 track safety standards or he wouldn't imply that they are illustrative of an attitude of allowing track conditions to deteriorate. The FRA Class 3 track safety standard provides for freight train operations at 40 MPH by inspecting and certifying that the track gage is 1/4" tighter than the FRA Class 1 track safety standards. I have personally observed the FW&D track conditions at Lubbock and observed that the BN and latter the BNSF deferred track maintenance since 1970. Mr. Sneed who was a track foreman with the Lubbock section could have shared his observations between the track conditions on the former FW&D when he worked at Lubbock and the present track conditions if he was truly a disinterested third party in these proceedings.

Mr. Davis comments that many switching yards are comprised of FRA Class 1 tracks and a few operate under "Excepted" track conditions. All railroads including Class 1s designate their track for FRA inspection purposes in accordance with the operating speed of the track but many have company maintenance standards that require a higher maintenance standard. SAW has set a company maintenance standard to bring the SAW maintenance standard to a FRA Class 2 track safety standard from what was initially a marginal "Excepted" track safety standard when the SAW purchase the former FW&D Lubbock properties. The SAW has invested 5 years into improving the SAW trackage and the inspection for the PYCO alternative 2 revealed that this portion of the trackage met or exceeded FRA Class 1 track safety standards.

Mr. Davis short line track experience is limited as he refers to scattered ties that have been spotted in to help hold gage. Mr. Davis doesn't give a tie count as to what the scattered ties represent. The scattered ties on industry tracks and operated in accordance with FRA Class 1 & 2 track safety standards normally replace failed joint ties or other failed ties. Cross tie replacement programs normally are on a failed crosstie basis not an out of face renewal. The normal tie count per 39' of track structure is 20 - 22 ties. The FRA track safety standard for crossties in the track is addressed in §213.109 and requires 5 ties per 39 track feet on Class 1 track and 8 ties per 39 track feet on Class 2 track. The track in All-SAW complies with those requirements.

Mr. Davis is particularly negative about the turnout conditions as being worn and again refers only specifically to the switch point in Photo No. 3 of Exhibit B without justification for his concern or reference to FRA track safety standards.

Mr. Davis describes the former FW&D main line Bridge as being a two span bridge. This bridge is a one span double track bridge with walkways. The BNSF removed the main line track across this bridge prior to the sale of the former FW&D assets to the SAW.

Alternative Two

Mr. Davis advises that he was instructed to determine the level of rehabilitation required utilizing American Railway Engineering and Maintenance of Way Association (AREMA) and FRA standards to return the track to FRA Class 1 track safety standards or upgraded to handle at least 286,000-pound capacity rail cars.

Mr. Davis is engaged in a smoke and mirrors scam. The AREMA provides recommended practices for new construction not track maintenance standards and the FRA Track Safety Standards pertain to minimum track safety standards not design

standards for handling the 286,000 pound capacity rail cars. The 286,000-pound gross rail car is the future rail car design standard sponsored by the AAR. The 100 – 110 ton rail car is the present common heavy car in the current rail car fleet and this equates to a 200 – 220,000 pound gross rail car. The recommended AREA 112 – 115 lb/yd rail standard for the future 286,000-pound gross rail cars is predicated on 70 MPH speeds. The maximum operating speed in the Lubbock warehouse district regardless of the track structure will be 10 MPH. The 286,000 pound gross rail car can be safely handled on 85 - 90 lb/yd rail properly supported at this operating speed.

The primary difference between FRA Excepted and Class 1 track safety standards is that the track gage can be increased $\frac{1}{4}$ " for "Excepted" track and 5 serviceable ties cross ties are required per 39 track feet on Class 1 tangent track. SAW and other short lines that I am familiar with strive to maintain track gage and ties to an FRA Class 2 track safety standard which requires gage to be not more than 4' – 9 $\frac{3}{4}$ " and 8 serviceable ties per 39 track feet.

Mr. Davis's so called Alternative Two rehabilitation costs to return SAW tracks to FRA Class 1 track safety standards that are upgraded to handle 286,000 pound rail cars is a total fabrication as the SAW tracks already meet FRA Class 1 track safety standards and the existing rail is fully adequate to accommodate 286K cars at SAW's permissible speed of 10 mph.

Modified Alternative Two Scenario

- a) Mr. Davis expert opinion on what tracks are necessary and prudent to operate under the Alternative Two scenario is one sided and doesn't consider the rail traffic from the other shippers and the impact that Mr. Davis's generosity to PYCO would have on the total rail operations.

Mr. Davis doesn't discuss the recent track expansion within the PYCO Plant 1 facility for rail car storage or alternatives available to PYCO to construct adjacent trackage on the north side of the existing yard on property controlled by PYCO or available for purchase on the north side of the yard. Indeed Mr. Davis has selected the most economical way for his client to obtain additional trackage and that is to utilize trackage that in the past has been used to support the SAW rail yard operation that also supports all the rail shippers served by SAW.

- b) The Bottling Track referenced by Mr. Davis is already owned by PYCO.
- c) The ACME lead serves one rail customer and switching operations on a curve should be generally avoided when possible. The maintenance of the US 87 grade crossing and warning devices should be included in PYCO's request, as they would become the primary user of this grade crossing.
- d) Acquiring the west leg of the wye is an attempt to rectify an error on the part of PYCO and their track design consultant. PYCO's track design consultant connected the PYCO track expansion to an existing PYCO track that was covered by a license agreement with SAW for the utilization and encroachment on a portion of SAW's real estate. PYCO should have made an attempt to obtain a revised track license or revised their track expansion plans. Instead PYCO is attempting to utilize the STB to approve and correct PYCO's error.

The attempt to justify and acquire both legs of the wye is also a thinly veiled attempt by PYCO to utilize the STB to acquire the SAW property that separates one of the PYCO storage areas from the remainder of PYCO Plant 1.

SAW requires the so-called east leg of the wye, which in reality is the lead to the former Burlington Industrial District No. 2 located south of 34th Street with rail served customers. Acquisition by PYCO would block SAW from providing rail service to these customers.

The rehabilitation cost approaches the cost for construction of new track and the annual maintenance expense is excessive of that which can be expected by a factor of 2 to 3 times the maintenance cost for new railroad track.

Remaining Customer Scenario

The rehabilitation cost approaches the cost for construction of new track and the annual maintenance expense is excessive of that which can be expected by a factor of 2 to 3 times the maintenance cost for new railroad track.

All SAW Scenario

Mr. Davis neglects 41% of the actual trackage owned by SAW and under estimates the total trackage with out regard to ownership by 60%. Mr. Davis again refers to his rehabilitation and maintenance cost estimates in Tables 13 though 16 without a valid justification for the out of face rehabilitation.

Mr. Davis's rehabilitation cost approaches the cost for construction of new track using second hand material and the annual maintenance expense is excessive of that which can be expected by a factor of 2 to 3 times the maintenance cost for newly rehabilitated railroad track.

Comments pertaining to RLBA Table 13

Per Mile Cost to Rehabilitate With 90# Rail

Rail Replacement

Mr. Davis proposes replacing existing rail located within the all SAW scenario without regard to the fact that 54% of the PYCO alternative 2 was already 90 lb/yd rail or greater and the former AT&SF assets of SAW are also 90 lb/yd rail or greater. Mr. Davis gives no justification other than the rail is 60 years old yet he utilizes a rail service life of 150 years in Table 15. Without Mr. Davis being more specific as to the rail segments that he felt required rehabilitation I was unable to identify his specific concerns. However, I have not observed any rail defects that would be a violation of the FRA Class 1 track safety standards.

Mr. Davis does not identify any defects in the rail that violate FRA Class 1 track safety standards. The FRA track safety standards do not specify nor address the weight of the rail section required for safe rail operations. The track safety standards only

address replacement of rail and remedial actions such as placement of joint bars to bond the defect or a reduction in the train operating speed.

No basis for replacement of all the rail such as located on the SAW is contained within the AREMA or FRA track safety standards or AAR recommendations that is known to this consultant.

As discussed elsewhere, there is no requirement to replace all the existing 85 – 90 lb/yd rail with 112 lb/yd rail to accommodate 286,000 pound rail cars that are being operated on track that meets the FRA Class 1 track safety standards.

The trackage that serves Attebury grain is the only potential 286,000 pound rail car user and this customer is served with a 90 lb/yd rail track structure that is more than adequate to support this business.

Tie Replacement

Mr. Davis doesn't present any evidence that the crosstie conditions do not comply with FRA Class I track safety standards. Mr. Davis proposes to replace approximately 800 ties per mile which would equate to 5.9 cross ties per 39 track feet. This would be a complete replacement of the total ties required for FRA Class 1 track safety standards.

No basis exists for replacement of 800 cross ties per mile on tracks that are presently being operated in accordance with the FRA Class 1 track safety standards.

Ballast Replacement

Mr. Davis doesn't present any evidence that the ballast conditions do not comply with FRA Class I track safety standards. No supporting data pertaining to the ballast replacement is contained within Tables 13 through 16. One can only guess that the ballast related to the tie replacement program and track surfacing operations that are unsubstantiated by any evidence by Mr. Davis that the cross ties and track surface do not comply with FRA Class I track safety standards.

No basis exists for either replacement of 800 cross ties per mile or surfacing tracks that presently have good line and surface and are presently being operated in accordance with the FRA Class 1 track safety standards as contained within the AREMA or FRA track safety standards or AAR recommendations that is known to this consultant.

Turnout Replacement

Mr. Davis doesn't present any evidence that the turnout (Switch) conditions do not comply with FRA Class I track safety standards. Mr. Davis does not identify the 38 turnouts (switches) that allegedly require replacement, nor does he identify any defect in these turnouts that violate FRA Class 1 track safety standards. Without Mr. Davis identifying the turnouts (switches) allegedly requiring replacement I was unable to do a separate inspection of their condition.

My inspection of SAW's switches did not find any switches in violation of the FRA Class 1 track safety standards.

At-Grade, Highway – Rail Crossing

Mr. Davis doesn't present any evidence that any highway/street grade crossings have unsafe conditions for motorists or train personnel. Mr. Davis does not identify the 24 public and 7 private grade crossings that allegedly require replacement, nor does he identify any defect in these grade crossing. Without Mr. Davis identifying the grade crossings allegedly requiring replacement I was unable to do a separate inspect to determine the facts. Without Mr. Davis identifying the grade crossings that allegedly require replacement for all I know he is repairing little used trails or alley crossings.

The FRA track safety standards do not cover road crossings other that vegetation that may obstruct visibility of railroad signs and signals.

Private grade crossings are normally contractual between the railroad and the private user with the normal condition that maintenance and the rehabilitation cost is to be reimbursed to the railroad by the private user. Rehabilitation of private crossings should not be included in an estimate of this type.

The local governmental agency has jurisdiction as to the requirements and maintenance expected of the railroad and normal highway/street grade crossings are normally accomplished as a partnership between the local government and the railroad.

Without participation by the local governmental agency with maintenance responsibility for the highway/street grade crossing it is presumptive on the part of Mr. Davis to declare unidentified highway/street grade crossings as requiring rehabilitation with no justification.

The primary requirement for the traveling public is that the highway/street grade crossings be passable and crossed comfortably at the posted highway/street speed limit and for the railroad that an adequate flange way exists to preclude derailment at the highway/street grade crossing. The highway/street crossings that I personally crossed or inspected did not require replacement from the standpoint of safety to the motoring public or the rail operations.

Miscellaneous Renewal

Mr. Davis did not identify what is involved in his "miscellaneous renewal" so it is not possible to verify or rebut a need for any such renewal.

Per-Mile Cost to Rehabilitate with 112 – 115 lb/yd. Rail (286K Capable)

Mr. Davis has not identified the track segments that he alleges should be 286 K compliant nor has provided any independent justification for the alleged need to replace the rail with an 112 – 115 lb/lyd rail section.

The only shipper that may be expected to handle multiple 286 K railcars is Attebury Grain and this shipper is served by trackage that is already 90-lb/yd rail. PYCO

itself is currently expanding the in-plant storage tracks with what appears to be a 90 lb/yd rail section.

The recommended AREMA 112 – 115-lb/yd rail standard for the future 286,000-pound gross rail cars is predicated on 70 MPH speeds. The maximum operating speed in the Lubbock warehouse district regardless of the track structure will be 10 MPH. The 286,000 pound gross rail car can be safely handled on 85 - 90 lb/yd rail properly supported at this operating speed. The FRA track safety standards do not specify nor address the weight of the rail section required for safe rail operations

Based on my personal observations, I have monitored a rail operation switching 286,000 pound loads from within a plant to an adjacent rail yard constructed with 60 lb/yd rail at a maximum speed of 10 MPH for the last several years that is experiencing minimal rail failures within the rail yard and have no personal knowledge of any track derailments that can be attributed to rail failure.

Bridge Replacement

Mr. Davis is apparently renewing the former FW&D main line bridge that was a double track single span bridge under the guise as being required for 286K compliance.

This bridge presently experiences intermittent 286K loading and due to being a short span only experiences the loading from one axle of a rail car. Appendix C to Part 213 of the track safety standards pertains to whether this bridge would need to be replaced and Mr. Davis makes no reference or justification as to why he feels that the bridge would require replacement. My July inspection of this bridge did not reveal any distress or indication of structural fatigue developing to the bridge structure. Inasmuch as I have recently constructed railroad bridging, I can state that Mr. Davis's estimate for a 15' span bridge is approximately 2.5 – 3 times the current cost for a single span bridge.

Other Opportunities

Mr. Davis states that he was requested to evaluate the SAW assets for improvements which could be implemented to improve coordination with the BNSF and that he identified four opportunities to improve operation.

- 1) The revised connection with the BNSF could probably be accomplished with an expenditure of \$500,000 to \$750,000 or replacement of the former FW&D crossing diamond that was removed by the BNSF prior to the sale of the former FW&D assets. The BNSF rail line at this location is TCS territory and BNSF would require the installation of a new turnout and the Class III rail operator to bear the expense.
- 2) The retired open deck bridge east of 9200/9298 crosses Yellow House Canyon, which is a City of Lubbock Park area. The bridge was structurally deficient with a prohibitive rehabilitation cost. The City of Lubbock requested the adjacent land to connect the Yellow House Canyon Park. The bridge and land was donated to the City of Lubbock in 2004.

- 3) Extending track 310 to a switch out of 9200/9298 rather than the BNSF mainline would require the acquisition of right of way from the BNSF and the construction of 1,320 feet of track including a 2 span bridge all at a rough estimated cost of approximately \$300 to \$400,000.
- 4) Improving access to the ADM facility. Mr. Davis missed the fact that SAW owns the siding adjacent to the BNSF from which both SAW aggregate Transload site (rock track) and ADM are currently connected and accessed.

Conclusion

Mr. Davis's conclusion is that the existing SAW track is in very poor condition. The reality is that the existing SAW track already is in compliance with FRA Class 1 track safety standards.

F. Existing Track Conditions - SAW

This consultant revisited the SAW assets at Lubbock, Texas on the afternoon of August 31 and all day September 1, 2006. The first thing that was furnished was a copy of the SAW notice (Attachment 3) to the Region 5 office of the Federal Railroad Administration (FRA) that SAW has reclassified its track in Lubbock, Texas from "Excepted Track" to FRA Class I effective on August 28, 2006.

To support this reclassification the SAW furnished a copy of the last two FRA Inspection reports one dated October 10, 2005 attached as Attachment 4 and the most recent FRA Inspection Report dated July 24, 2006 attached as Attachment 5. Additionally SAW furnished a copy of their last monthly inspection report dated August 2006 attached as Attachment 6.

The primary difference between FRA Class 1 track safety standards and FRA Excepted track safety standards is the following:

Track gage:	FRA Class 1 4'-8" and 4'-10"	Excepted 4'-8" and 4'-10 ½"
Alignment		
Tangent Track	5" mid offset deviation in 62'	NA
Curved Track	5" mid ordinate deviation in 62'	NA
Curve Elevations	8" max cross level	NA
Track Surface	3 ½" max runoff in 31'	NA
Track Profile	3" max difference between rails	NA
Ties (Tan)	5 ties per 39 track feet	NA
Ties (Switch & Curve)	6 ties per 39 track feet	NA
Joint Ties	1 tie within 24"	NA
Rail End Mismatch	¼ "	NA

The FRA track safety standards require the same inspection frequency and the switches to meet the same requirements for Class 1 & Excepted track.

What the above FRA track safety standard boils down to is that a track with a good gage, surface and cross level will meet the FRA Class 1 track safety standard.

The SAW main line, yard tracks and industry tracks including what is commonly called back tracks that serve the warehouse district all have gage, surface and cross level that exceeds the FRA Class 1 track safety standard.

The recent reclassification of the SAW trackage from Excepted track to Class 1 track in accordance with the FRA track safety standards is in accordance with the SAW track maintenance policies and will not have any effect on SAW operations.

I reviewed the previous FRA inspections and the last monthly SAW track inspection reports to satisfy my self that all FRA Class 1 defects, if any, had been repaired. The broken rail in the main line was the only defect that was not noted as repaired and I discovered that this broken rail was a bolt-hole break within the joint bars and the same bolt hole break discovered by Mr. Gene Davis in his inspection on July 25. A bolthole break of the rail within the joint bars is not a FRA defect in accordance with FRA Class 1 track safety standards. However upon inspection of this location the SAW had replaced the rail at this location.

I previously inspected the SAW assets within the PYCO alternative 2 and stated in my statement of July 27, 2006 that the SAW assets within the PYCO alternative 2 met or exceeded FRA Class 1 track safety standards. The FRA track inspector inspected this same trackage on July 24, 2006 in accordance with the FRA excepted track safety standards which have the same requirements for switches inspected in accordance with FRA Class 1 track safety standards and found no defects (see attachment 5).

On September 1, 2006, I inspected the SAW assets within the SAW industrial areas and determined that the gage, surface and alignment of the industrial tracks being actively utilized to service active rail customers owned and industrial tracks being actively utilized to service active rail customers owned and maintained by SAW also complied with FRA Class 1 track safety standards.

G. SAW's Programmed Maintenance

SAW was actively pursuing the Railroad Track Maintenance Credit passed by the U. S. Congress as Public Law No. 108-357 and as amended by Public Law No. 109-135 attached as attachment 7.

The "Railroad Track Maintenance Credit" allows a Class III railroad (SAW) to obtain a yearly tax credit in an amount of 50% of qualified railroad track maintenance expenditures through January 1, 2008 and a bill to extend this Credit is currently being considered.

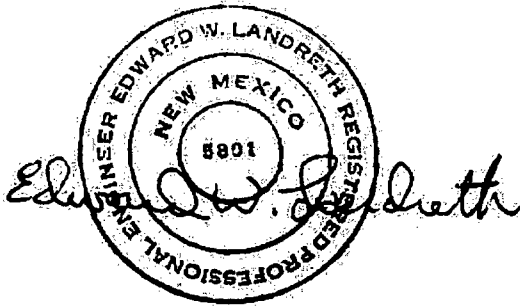
In accordance with the Railroad Track Maintenance Credit SAW's tax credit for its 25.36 miles of owned railroad track is \$88,760 (25.36 x \$3,500) per year.

This tax credit allows SAW to accomplish \$177,520 of qualified track maintenance per year through January 1, 2008.

H. Conclusions

1. The existing SAW track structure meets the FRA Class 1 track safety standards.
2. PYCO consultants and experts have presented no specific information or justification that the existing SAW assets require out of face replacement or rehabilitation.
3. PYCO consultants and experts have presented no justification or evidence that the SAW track structure is inadequate to handle 286 K rail cars.
4. SAW's existing rail assets are adequate for the present and future contemplated rail operations.

Report Dated September 5, 2006



VERIFICATION

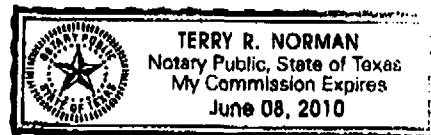
STATE OF TEXAS)
COUNTY OF McCulloch) SS:

EDWARD W. LANDRETH, being duly sworn on oath, deposes and states that he has read the foregoing statement, that he knows the contents thereof, and that the facts therein stated are true and correct.

Edward W. Landreth
Edward W. Landreth

SUBSCRIBED AND SWORN to
Before me this 6th day of September, 2006

Terry R. Norman
NOTARY PUBLIC STATE OF



My Commission Expires:

Attachment 1

SUMMARY SOUTH PLAINS SWITCHING, LTD., CO
TRACKAGE OWNED & OPERATED

West of Avenue A - Sec 7 Blk B TTRR Survey

ICC Trk No.	Description	Length	Operated RR Owned	Industry Owned
7	Gilbreath (YGY)	862	862	0
22	Gilbreath (YGY)	761	342	419
25	Old Brite Trucking Site	500	500	0
?	West TX Warehouse (Underwood)	758	758	0
41	Watson Foods	1037	678	359
48	Watson Foods	740	540	200
52	Frito Lay Spur	1068	1068	0
21	Acme Brick Spur	300	300	0
Main Line Corridor		1655	1655	0
		Feet	7681	978
		Miles	1.45	0.19

Main Line Corridor		5374	5374	0
34	Yard Trk 5 - TEAM 9205	3332	3332	0
20	Yard Trk 1 - TEAM 9201	3330	3330	0
49	Yard Trk 2 - TEAM 9202	2712	2712	0
50	Yard Trk 3 - TEAM 9203	2463	2463	0
46	Yard Trk 4 - TEAM 9204	2969	2969	0
SAW 1	Locomotive Pocket Track	492	492	0
9	East BN Industrial No. 2 Lead	1051	1051	0
73	BN Industrial No. 2 Lead	388	388	0
42	Furr's Spur	780	145	635
35	Orchard Lead	804	804	0
137	PYCO - North Side	789	142	647
21	Acme Brick	780	780	0
		Feet	25264	1282
		Miles	4.78	0.24

East of BNSF /

AT 65	FWD Interchange Trk 2	1368	1368	0
19	FWD Interchange Trk 2	1094	1094	0
Main Line	TEAM No. 9298	4667	4667	0
92	TEAM No. 9200 FWD Siding	3949	3949	0
AT 127	CLIC No. 310 - Attebury	1099	1099	0
AT 128	CLIC No. 311 - Attebury	3120	255	2865
33	CLIC No. 311 - Attebury	419	419	0
AT 129	CLIC No. 312 - Attebury	3029	129	2900
32	CLIC No. 312 - Attebury	81	81	0
AT 130	CLIC No. 313 - Attebury	2936	41	2895
31	CLIC No. 313 - Attebury	1,474	1,474	0
AT 127	CLIC No. 310 - Compress	1,404	705	699
37	Compress Plant 1	3,486	3486	0
38	Compress Plant 1- Stub Trk	636	636	0

100	Compress Plant 3	800	368	432
101	Compress Plant 3	894	462	432
102	Runaround Trk - Compress	1253	1253	0
65	Compress Plant 3-2	6008	4820	1188
66	Compress Plant 4	1177	777	400
120	Compress Plant 2-4	2381	2381	0
AT 245	Compress Plant 4	456	0	456
AT 262	Compress Plant 4	1401	995	406
AT 263	Compress Plant 4	984	578	406
?	PYCO Plant 2	6000	165	6000
		Feet	50116	31202
		Miles	9.49	5.91
				19079
				3.61

Orchard Lead Properties South of 34th Street North 50th Street

35	Orchard Lead	5228	5228	0
39	Crawford - Austin Manufacturing	449	170	279
39	H & W Co. Partnership	441	209	232
39	Crawford - Austin Manufacturing	1209	140	1069
47	Humble Oil	278	140	138
62	Commercial Storage & Distr	400	215	185
64	David C. Weaver Grain Company	603	144	459
96	Tom Armstrong Warehouse	469	165	304
?	Mayfield Van Lines	330	185	145
60	Lead	1510	1510	0
93	Runaround Trk	1287	1287	0
61	GTZ, Inc.	696	274	422
63	GTZ, Inc.	598	170	428
80	Weaver Grain	1834	164	1670
		Feet	15332	10001
		Miles	2.90	1.89
				5331
				1.01

FW&D Orchard Lead Properties South of 50th Street

35	Orchard Lead	2557	2557	0
107	Lead BN Industrial No. 3	5992	5992	0
119	Wilkerson	2335	1635	700
108	Waples - Platter	703	286	417
109	X/over	225	225	0
110	Payless Cashways	800	700	100
		Feet	12612	11395
		Miles	2.39	2.16
				1217
				0.23

ATSF Crawford Industrial Properties

AT 259	Lead Eagle Picher	5536	5536	0
AT 260	Eagle Picher	1934	1554	380
AT 275	Eagle Picher	832	432	396
AT 294	Eagle Picher	933	0	933
AT 244	Crawford Lead	12,279	12,279	0
AT 269	Furr's Lead	5515	5515	0
AT 296	O G Floyd	2820	172	2648
AT 258	Wilkerson	440	109	331
AT 272	Wilkerson	266	158	108
AT 274	Wilkerson	656	110	546
AT 297	Magnolia Seed Company	482	112	370

AT 282	Furr's	1417	180	1237
AT 283	Furr's	628	0	628
AT 150	CLIC 0340	3146	3146	0
AT 151	ADM	6165	432	5733
AT 152	ADM	3348	0	3348
AT 153	ADM	1700	0	1700
AT 154	ADM	942	0	942
AT 155	ADM	210	0	210
AT 158	ADM	211	0	211
AT 175	ADM	185	0	185
SAW 2	MLK Unloading Trk	774	127	647
SAW 3	MLK Unloading Trk	2675	0	2675
SAW 4	MLK Unloading Trk	2840	0	2840
AT 4	Feed Lot Burris	1844	832	1012
AT 7	Jarvis Metals – Burris	1826	824	1002
AT 12	Jarvis Metals – Burris	815	622	193
		Feet	60419	32140
		Miles	11.44	6.09
				28275
				5.36

BN Industrial District 2

73	BN Industrial No. 2 Lead	8041	8041	0
?	Noble & Cox	371	156	215
70	Service Stores	656	144	512
75	BN Industrial No. 2 Lead	2215	2215	0
136	Georgia Pacific	405	135	270
118	Georgia Pacific	546	156	390
111	Ajax Grain	942	156	786
79	Ladder Land & Cattle	634	246	388
89	BN Industrial No. 2 Lead	3287	3287	0
91	Texas Bag	1874	692	1182
?	McMillan & Mattox	385	185	200
121	Brokers Trust	392	157	235
106	West Texas Wholesale	464	156	308
105	Foxworth Lubbock Properties	776	155	621
104	Pan Tex Plywood	250	155	95
86	BN Industrial No. 2 Lead	1655	1655	0
97	Armstrong's Supply	855	165	690
87	Lone Star Cotton	383	155	228
95	Frontier Wholesale	967	355	612
98	Roberson Warehouse	1180	257	923
76	Runaround Track	1072	1072	0
114	George Caddel	673	257	416
69	Commercial Storage	485	164	321
		Feet	28508	20116
		Miles	5.39924	3.8098485
				1.5894
Total Feet		198277	133884	64554
Total Miles		37.55	25.36	12.23

Landreth Engineering, LLC

9-Aug-06

Attachment 2



Landreth Engineering, LLC

P. O. Box 92156 --- Albuquerque, New Mexico 87199
Cellular: 505 - 239 - 9915 --- Email: EWLandreth@aol.com

July 26, 2006

Net Liquidation Value

PYCO Industries Alternative 2 - Not Including Value for SAW Main Line

Rail Section		Estimated	Liquidation Value (In Place)		
(Lbs/Yd.)		Total Tons	Scrap	Reroll	Relay
110	Jt	50.14	\$ 0.00	\$ 290.83	\$ 22,112.80
90	Jt	599.39	\$15,733.87	\$27,811.49	\$194,200.93
85	Jt	358.59	\$78,441.83	\$ 0.00	\$ 0.00
Value Rail		1008.12	\$94,175.70	\$28,102.32	\$216,313.73
Other Track Material (OTM)					
Joint Bars		44.55	\$ 3,411.22	\$0.00	\$13,032.27
Tie Plates		158.25	\$12,116.37	\$0.00	\$46,289.50
Rail Anchors		1.07	\$ 81.85	\$0.00	\$ 312.69
Bolts		6.63	\$ 507.76	\$0.00	\$ 1,939.83
Washers		1.05	\$ 80.17	\$0.00	\$ 306.29
Spikes		34.74	\$ 2,660.07	\$0.00	\$10,162.56
Turnouts (OTM)		91.00	\$ 6,967.19	\$0.00	\$79,852.50
Value OTM		337.30	\$25,824.63	\$0.00	\$151,895.64
Total Value Rail & OTM					\$516,312.02
Cross Ties		EA	Value		
Relay		1743	\$6.00	\$10,459.85	
Landscape		5230	\$4.10	\$21,442.69	
Scrap Ties		10460	-\$1.25	-\$13,074.81	
Total Value Cross Ties				\$18,827.73	\$18,827.73
Less Removal Cost Rail & OTM (Tons)			1345	\$40.00	-\$53,816.82
Repair Public Grade Crossings (LF)			128	\$40.00	-\$ 5,120.00
Remove Trestle Bridges (LF)			14	\$25.00	-\$ 350.00
Less Freight on Rail & OTM (TONS)			1345	\$30.00	-\$40,362.62
Value Property East Side BNSF Main (Ac's)			22.60	\$ 4,500.00	\$101,700.00
Value Corridor West Side BNSF Main (Ac's)			3.60	\$24,000.00	\$ 86,400.00
Less Expense for Real Estate Sales			15%		-\$ 28,215.00
Net Liquidation Value					\$595,375.31

Notes:

Relay Rail = \$450.00 per Net Ton
 Reroll Rail = \$330.00 per Long ton
 Relay OTM = \$450.00 per Net Ton
 Scrap Rail & OTM = \$245.00 per Long Ton
 July 25, 2006 AMM scrap steel prices FOB Chicago / Houston Area

South Plains Switching, Ltd. Co.
P. O. BOX 64299 LUBBOCK, TEXAS 79464
PHO: (806)828-4841 FAX: (806)828-4863

August 18, 2006

Mr. Vance Haggard
Regional Federal Railroad Administration
4100 International Plaza, Ste. 450
Fort Worth, Texas 76109

VIA: FACIMILE 817-862-2204

Mr. Haggard:

Pursuant to CFR 49, 213.4 (paragraph F) South Plains Switching, Ltd. Co. will reclassify its trackage in Lubbock, Texas from "Excepted Track" to FRA Class I, effective ten days from the date of this notice. (August 28, 2006)

Please find attachments of FRA Inspection Report of July 24, 2006, a copy of General Order #28 stating class of track and cancellation of General Order #1 (Excepted Track).

Respectfully,



Delilah Wisener
Owner/Manager

South Plains Switching, Ltd. Co
P. O. BOX 64299 LUBBOCK, TEXAS 79464
PHO: (806)828-4841 FAX: (806)828-4863

GENERAL ORDER #28

**NOTICE OF
TRACK CLASSIFICATION TO CLASS I**

August 18, 2006

TO: TRAIN CREWS AND ALL CONCERNED

EFFECTIVE AUGUST 28, 2006, THE LINE FORMERLY KNOWN AS THE FORT WORTH AND DENVER AND WHAT IS NOW SOUTH PLAINS SWITCHING, LTD. CO. (SAW) WILL BE CLASSIFIED BY FRA STANDARDS AS CLASS I TRACK. GENERAL ORDER # 28 WILL SERVE AS CANCELLATION OF GENERAL ORDER #1.

IN ORDER TO MEET THE REGULATIONS, CERTAIN OPERATING REQUIREMENTS LISTED BELOW WILL BE STRICTLY ADHEREFD TO:

1. NO TRAIN SHALL BE OPERATED IN EXCESS OF 10 MPH.

Be governed accordingly, failure to comply is cause for immediate dismissal.


Dilllah Wisener
Owner

General Orders in effect
2, 12, 15, 20, 21, 22, 24, 25, & 28

Attachment 4
Page 1 of 3

DEPARTMENT OF TRANSPORTATION FEDERAL RAILROAD ADMINISTRATION (FRA)										INSPECTION REPORT										OASD Approval No.: 2130-0209																																												
Inspector's Name ROBERTS, DAVID					Inspector's Signature					Inspector's ID No. 0048B					Report No. 116					Date 27 2005 10 24																																												
Railroad/Company Name & Address SOUTH PLAINS LAMESA RR, LTD. 2204 JUNIPER AVE. LUBBOCK, TX 79404										RAC R SLATON					RAC/Co. Representative (Company Acknowledged) Name LARRY D. WIENER Title PRESIDENT/MANAGER Signature																																																	
From City LUBBOCK					Center 4140					Destination City & County LUBBOCK					Center 4140					From Longitude																																												
State TX					48					City LUBBOCK					4140					From Longitude																																												
County LUBBOCK					C303					County LUBBOCK					C303					To Longitude																																												
File Post: From YD To YD										Inspection Point LUBBOCK YARD										To Longitude																																												
Activity Code TOY					RWP					YTW					DHR																																																	
Unit 17					9					2					3																																																	
Item 1 YD										Equipment/Track # 213					Type/Kind T					CPRA/LOC 0135					Subcode 06					Speed 10					Class X					Train #/Size					INFR* N					RCL** N					# of Occ. 1					Activity Code TOY				
Description HEEL OF SWITCH INSECURE. Peach Orchard Switch																																																																
Violation Recommended Yes ☐ No ☒										Latitude 0										Longitude 0																																												
Written Notification to FRA of Remedial Action is: Required ☐ Optional ☒										Railroad Action Code F										Date (mm/dd/yyyy) 10-24-2005										Comments on back? ☐																																		
Item 2 YD										Equipment/Track # Y					Type/Kind 213					CPRA/LOC 0121					Subcode 03					Speed 10					Class X					Train #/Size					INFR* N					RCL** N					# of Occ. 1					Activity Code YTW				
Description CENTER CRACKED OR BROKEN JOINT BAR. east of E 5 tk switch																																																																
Violation Recommended Yes ☐ No ☒										Latitude 0										Longitude 0																																												
Written Notification to FRA of Remedial Action is: Required ☐ Optional ☒										Railroad Action Code G										Date (mm/dd/yyyy) 10-24-2005										Comments on back? ☐																																		
Item 3 YD										Equipment/Track # Y					Type/Kind 213					CPRA/LOC 0135					Subcode 06					Speed 10					Class X					Train #/Size					INFR* N					RCL** N					# of Occ. 1					Activity Code TOY				
Description HEEL OF SWITCH INSECURE. S E tk Switch																																																																
Violation Recommended Yes ☐ No ☒										Latitude 0										Longitude 0																																												
Written Notification to FRA of Remedial Action is: Required ☐ Optional ☒										Railroad Action Code F										Date (mm/dd/yyyy) 10-24-2005										Comments on back? ☐																																		

Attachment 4
Page 2 of 3

DEPARTMENT OF TRANSPORTATION FEDERAL RAILROAD ADMINISTRATION (FRA)										INSPECTION REPORT (Continuation)				O&D Approval No. 2130-0039			
Inspector's ID No.	Report No.	Report Date															
004ED	116	10/24/2005															
Date	Inspected/Reported	Equipment/Track #	Type/Kind	as CFR/URC	Defect Code	Subcode	Speed	Class	Train Mile	SNPL*	RCL**	# of Cars***	Authority Code				
4	YD		T	212	0135	03	10	X		N	N	1	TOY				
Description IMPROPER FIT BETWEEN SWITCH POINT AND STOCK RAIL. East Main Switch 1M inch																	
Violation Recommended Yes ☐ No ☒ Latitude 0 Longitude 0																	
When Violation to FRA of Remedial Action is: Required ☐ Optional ☒ Railroad Action Code F Date (mm/dd/yyyy) 10-24-2005 Comments on track? ☐																	
Date	Inspected/Reported	Equipment/Track #	Type/Kind	as CFR/URC	Defect Code	Subcode	Speed	Class	Train Mile	SNPL*	RCL**	# of Cars***	Authority Code				
5	YD		T	212	0135	07	10	X		N	N	1	TOY				
Description INSECURE SWITCH STAND OR SWITCH MACHINE. East Main Switch																	
Violation Recommended Yes ☐ No ☒ Latitude 0 Longitude 0																	
When Violation to FRA of Remedial Action is: Required ☐ Optional ☒ Railroad Action Code F Date (mm/dd/yyyy) 10-24-2005 Comments on track? ☐																	
Date	Inspected/Reported	Equipment/Track #	Type/Kind	as CFR/URC	Defect Code	Subcode	Speed	Class	Train Mile	SNPL*	RCL**	# of Cars***	Authority Code				
6	YD		T	212	0121	03	10	X		N	N	1	TOY				
Description CENTER CRACKED OR BROKEN JOINT BAR. East 2 trk switch																	
Violation Recommended Yes ☐ No ☒ Latitude 0 Longitude 0																	
When Violation to FRA of Remedial Action is: Required ☐ Optional ☒ Railroad Action Code G Date (mm/dd/yyyy) 10-24-2005 Comments on track? ☐																	
Date	Inspected/Reported	Equipment/Track #	Type/Kind	as CFR/URC	Defect Code	Subcode	Speed	Class	Train Mile	SNPL*	RCL**	# of Cars***	Authority Code				
7	YD		T	212	0135	07	10	X		N	N	1	TOY				
Description INSECURE SWITCH STAND OR SWITCH MACHINE. West 5 trk switch																	
Violation Recommended Yes ☐ No ☒ Latitude 0 Longitude 0																	
When Violation to FRA of Remedial Action is: Required ☐ Optional ☒ Railroad Action Code F Date (mm/dd/yyyy) 10-24-2005 Comments on track? ☐																	

Attachment 4
Page 3 of 3

DEPARTMENT OF TRANSPORTATION FEDERAL RAILROAD ADMINISTRATION (FRA)										INSPECTION REPORT (Certification)				CRB Approval No: 2130-0109	
Inspector's ID No.	Report No.	Report Date													
00483	116	10/24/2005													
Item	Article/Location	Equipment/Track #	Type/Kind	CP/RBC	Docket Code	Section	Speed	Class	Dist. ASLT	INPR?	ICL?	F of Occ.	Amort. Code		
1	YD		T	213	0133	14	10	X		N	N	1	TOY		
Description: LOOSE, WORN OR MISSING GUARD RAIL CLAMPS, WEDGE, SEPARATOR BLOCK, OR END BLOCK. West 3 Lk Switch															
Violence Documented			Yes ☐ No ☒		Location:				Longitude:						
Written Notification to FRA or Remedial Action is:			Required ☐ Optional ☒		Railroad Action Code ☒		Date (mm/dd/yyyy)		10-25-2005		Continued on back? ☐				

Attachment 5

DEPARTMENT OF TRANSPORTATION
FEDERAL RAILROAD ADMINISTRATION (FRA)

INSPECTION REPORT

OMB Approval No: 2130-0029

Inspector's Name ROBERTS, DAVID		Inspector's Signature		Inspector's ID No. 73580		Report No. 29		Date YY MM DD 2006 7 24	
Railroad/Company Name & Address SOUTH PLAINS SWITCHING CO. 3204 JUNIPER AVE. LUBBOCK, TX 79404				RUC R RUC Code SLAL		Division SLAL		RUC Representative (Name & Acknowledged) Name LARRY D. WISENER Title PRESIDENT/MANAGER Signature	
From City LUBBOCK		Code 4140		Destination City & County LUBBOCK		Code 4140		From Latitude	
State TX		Code 48		City LUBBOCK		Code 4140		From Longitude	
County LUBBOCK		Code C303		County LUBBOCK		Code C303		To Longitude	
Mile Post: From 0152.30 To 0257.00				Inspection Point: YARD TRACKS				To Longitude	
Activity Code YTW TOY		Code 2 8		Code 2 8		Code 2 8		Code 2 8	
URL 2 8		Code 2 8		Code 2 8		Code 2 8		Code 2 8	
Area 1		Equipment/Track #		Type/Kind		As CRR/UC		Defect Code/Severity	
Speed		Class		Train m/s/s		SNPR*		RCL**	
B of Occ.***		Activity Code							
Description ** Comment to Railroad/Company ** No defects found for Track Safety Standards "Excepted Track".									
Violations Remediated Yes ☐ No ☒				Latitude				Longitude	
Written Notification to FRA of Remedial Action is: Required ☐ Optional ☐				Railroad Action Code		Date (mm/dd/yyyy)		Comments on back? ☐	

SOUTH PLAINS SWITCHING, LTD.CO.

3204 JUNIPER AVE. LUBBOCK, TEXAS 79404-1830
PH: (806) 762-3689 FAX: (806) 762-3659

TRACK INSPECTION REPORT FOR THE MONTH aug 2006

#	Track Name	Track or Cile #	FRAClass	Date	Defect	Defect Location
1	BLITE	9103		8-28	none	
	Remedial Action:					
2	gessing	9200		8-28	none	
	Remedial Action:					
3	# 1 rtk	9201		8-28	none	
	Remedial Action:					
4	# 2 rtk	9202		8-28	none	
	Remedial Action:					
5	# 3 rtk	9203		8-28	none	
	Remedial Action:					
6	# 4 rtk	9204		8-28	none	
	Remedial Action:					
7	# 5 rtk	9205		8-28	none	
	Remedial Action:					
8	Acme	9208		8-28	none	
	Remedial Action:					
9	Brunson	9220		8-28	none	
	Remedial Action:					
10	Furrs	9230		8-28	Loose Paint	
	Remedial Action:				repaired	#312-06
11	main	9299		8-28	none	
	Remedial Action:				Broke rail	STILLOK
12	ECIST main	9298		8-28	none	
	Remedial Action:					
13	Y rtk	9301		8-28	none	
	Remedial Action:					
14	N. Robertson	9304		8-28	none	
	Remedial Action:					
15	Robertson	9310		8-28	none	
	Remedial Action:					

SIGNATURE RL Kern

SOUTH PLAINS SWITCHING, LTD.CO.

3204 JUNIPER AVE. LUBBOCK, TEXAS 79404-1830
PH: (806) 762-3689 FAX: (806) 762-3659

TRACK INSPECTION REPORT FOR THE MONTH aug 2006

#	Track Name	Track or Cile #	FRAClass	Date	Defect	Defect Location
1	BLITE	9103		8-28	none	
	Remedial Action:					
2	ROSSING	9200		8-28	none	
	Remedial Action:					
3	# 1 TRK	9201		8-28	none	
	Remedial Action:					
4	# 2 TRK	9202		8-28	none	
	Remedial Action:					
5	# 3 TRK	9203		8-28	none	
	Remedial Action:					
6	# 4 TRK	9204		8-28	none	
	Remedial Action:					
7	# 5 TRK	9205		8-28	none	
	Remedial Action:					
8	ALME	9208		8-28	none	
	Remedial Action:					
9	BRUNSON	9220		8-28	none	
	Remedial Action:					
10	FURFS	9230		8-28	Loose Paint	
	Remedial Action:				repaired	8-30-06
11	MAIN	9298		8-28	none	
	Remedial Action:				Broke Nail Still OK	
12	EAST MAIN	9298		8-28	none	
	Remedial Action:					
13	Y TRK	9301		8-28	none	
	Remedial Action:					
14	N ROBERTSON	9304		8-28	none	
	Remedial Action:					
15	ROBERTSON	9310		8-28	none	
	Remedial Action:					

SIGNATURE RL Kern

SOUTH PLAINS SWITCHING, LTD.CO.

3204 JUNIPER AVE. LUBBOCK, TEXAS 79404-1830
PH: (806) 762-3689 FAX: (806) 762-3659

TRACK INSPECTION REPORT FOR THE MONTH 9092006

#	Track Name	Track or Mile #	FRAClass	Date	Defect	Defect Location
1	STORAGE TRK	04		8-29	NONE	
	Remedial Action:					
2	STORAGE TRK	02		8-29	NONE	
	Remedial Action:					
3	STORAGE TRK	01		8-29	NONE	
	Remedial Action:					
4	WORTHILL	04		8-29	NONE	
	Remedial Action:					
5	MAIN	4.5 mile		8-29	XING	2150
	Remedial Action:	B-1-06 REPLACE 1/2 W RAIL TIES & PANEL				
6						
	Remedial Action:					
7						
	Remedial Action:					
8						
	Remedial Action:					
9						
	Remedial Action:					
10						
	Remedial Action:					
11						
	Remedial Action:					
12						
	Remedial Action:					
13						
	Remedial Action:					
14						
	Remedial Action:					
15						
	Remedial Action:					

SIGNATURE RL Kern

SOUTH PLAINS SWITCHING, LTD.CO.
1104 JANTZEN AVE. LUBBOCK, TEXAS 79404-1810
P.O. (806) 762-3609 FAX: (806) 762-3609

TRACK DEFLECTION REPORT FOR THE MONTH aug 2006

Order	Track Name	Track #	Distance	Time	Status	Notes
1	Robinson	9312	1	8:28	NONE	
	Robinson Action:					
2	Walker	9320	1	8:28	NONE	
	Walker Action:					
3	Walsh	9323	1	8:28	NONE	
	Walsh Action:					
4	Hardy	9324	1	8:28	NONE	
	Hardy Action:					
5	G.P.	9330	1	8:28	NONE	
	G.P. Action:					
6	G.P. Roy	9331	1	8:28	NONE	
	G.P. Roy Action:					
7	G.P. Butts	9332	1	8:28	NONE	
	G.P. Butts Action:					
8	Gartz	9409	1	8:28	NONE	
	Gartz Action:					
9	Madson	9419	1	8:28	NONE	
	Madson Action:					
10	Bean	9415	1	8:28	NONE	
	Bean Action:					
11	Bylles	9420	1	8:28	8:31	Repaired ties and Ballast 8:31
	Bylles Action:					
12	Goodman	310	1	8:28	NONE	
	Goodman Action:					
13	Continental	311	1	8:28	NONE	
	Continental Action:					
14	Continental	312	1	8:28	NONE	
	Continental Action:					
15	Continental	313	1	8:28	NONE	
	Continental Action:					

SIGNATURE R. L. Kern

Attachment 7
Page 1 of 2

Key: Original Text from Pub. L. No. 108-357; Deleted by Pub. L. No. 109-135; Added by Pub. L. No. 109-135.

Internal Revenue Code §45G as amended by the Gulf Opportunity Zone Act of 2005

SEC. 45G. RAILROAD TRACK MAINTENANCE CREDIT.

(a) **GENERAL RULE.**—For purposes of section 38, the railroad track maintenance credit determined under this section for the taxable year is an amount equal to 50 percent of the qualified railroad track maintenance expenditures paid or incurred by an eligible taxpayer during the taxable year.

(b) **LIMITATION.**—

(1) The credit allowed under subsection (a) for any taxable year shall not exceed the product of—

(A) \$3,500, and

(B) the number of miles of railroad track owned or leased by the eligible taxpayer as of the close of the taxable year.

~~A mile of railroad track may be taken into account by a person other than the owner only if such mile is assigned to such person by the owner for purposes of this subsection. Any mile which is so assigned may not be taken into account by the owner for purposes of this subsection.~~

(A) \$3,500, multiplied by

(B) The sum of—

(i) the number of miles of railroad track owned or leased by the eligible taxpayer as of the close of the taxable year, and

(ii) the number of miles of railroad track assigned for purposes of this subsection to the eligible taxpayer by a Class II or Class III railroad which owns or leases such railroad track as of the close of the taxable year.

(2) **ASSIGNMENTS.**—With respect to any assignment of a mile of railroad track under paragraph (1)(B)(ii)—

(A) such assignment may be made only once per taxable year of the Class II or Class III railroad and shall be treated as made as of the close of such taxable year,

(B) such mile may not be taken into account under this section by such railroad for such taxable year, and

(C) such assignment shall be taken into account for the taxable year of the assignee which includes the date that such assignment is treated as effective.

(c) **ELIGIBLE TAXPAYER.**—For purposes of this section, the term ‘eligible taxpayer’ means—

(1) any Class II or Class III railroad, and

(2) any person who transports property using the rail facilities of a person described in paragraph (1) Class II or Class III railroad or who furnishes railroad-related property or services to such a person a Class II or Class III railroad, but only with respect to miles of railroad track assigned to such person by such Class II or Class III railroad for purposes of subsection (b).

Key: Original Text from Pub. L. No. 108-357; Deleted by Pub. L. No. 109-135; Added by Pub. L. No. 109-135.

Attachment 7
Page 2 of 2

Key: Original Text from Pub. L. No. 108-357; Deleted by Pub. L. No. 109-135; Added by Pub. L. No. 109-135.

- (d) **QUALIFIED RAILROAD TRACK MAINTENANCE EXPENDITURES.**— For purposes of this section, the term ‘qualified railroad track maintenance expenditures’ means expenditures (whether or not otherwise chargeable to capital account) for maintaining railroad track (including roadbed, bridges, and related track structures) owned or leased as of January 1, 2005, by a Class II or Class III railroad.
- (e) **OTHER DEFINITIONS AND SPECIAL RULES.**—
- (1) **CLASS II OR CLASS III RAILROAD.**—For purposes of this section, the terms ‘Class II railroad’ and ‘Class III railroad’ have the respective meanings given such terms by the Surface Transportation Board.
 - (2) **CONTROLLED GROUPS.**—Rules similar to the rules of paragraph (1) of section 41(f) shall apply for purposes of this section.
 - (3) **BASIS ADJUSTMENT.**—For purposes of this subtitle, if a credit is allowed under this section with respect to any railroad track, the basis of such track shall be reduced by the amount of the credit so allowed.
- (f) **APPLICATION OF SECTION.**—This section shall apply to qualified railroad track maintenance expenditures paid or incurred during taxable years beginning after December 31, 2004, and before January 1, 2008.

Key: Original Text from Pub. L. No. 108-357; Deleted by Pub. L. No. 109-135; Added by Pub. L. No. 109-135.

Attachment "A"



Landreth Engineering, LLC

P. O. Box 92156 --- Albuquerque, New Mexico 87199
Cellular: 505 - 239 - 9915 --- Email: EWLandreth@aol.com

About Landreth Engineering

Landreth Engineering, LLC provides railroad engineering and administrative services to the short line industry and corporate clients. These services include: net liquidation values for railroad lines, railroad real estate valuations, railroad acquisition valuations, railroad operations, track and bridge inspections, track and bridge maintenance plans as well as railroad startup assistance.

Landreth Engineering, LLC also provides private individuals and corporate clients engineering plans, specifications, bid documents, and engineering management for the construction of private rail lines and industry tracks.

With over 25 years of progressive experience with The Atchison, Topeka & Santa Fe Railway Company, **Edward W. Landreth** founded Landreth Engineering, LLC in 1994. Ed is a Registered Professional Engineer with more than thirty-five years' hands-on experience, designing and managing major civil engineering projects. He has provided expert witness affidavits in proceedings before the STB and predecessor agencies during his career with the Santa Fe Railroad and has continued to provide expert witness affidavits and testimony as a railroad consultant. As a railroad consultant, he provides engineering consulting services to railroads.



Landreth Engineering, LLC

P. O. Box 92156 --- Albuquerque, New Mexico 87199
Cellular: 505 – 239 – 9915 --- Email: EWLandreth@aol.com

Example List of Services

Contract Management

- Property Rental Rates
- Preparation of Exhibits for Leases and Contracts
- Evaluation of existing Leases and Contracts
- Annual Leased Property Inspections
- Maintenance of Lease and Contract Records

Property Management

- Net Liquidation Values for Railroad Lines
- Land Development Plans
- Land Sales & Acquisitions
- Asset Acquisitions
- Asset Liquidation's
- Due Diligence Studies
- Annual Inspections
- Maintenance of Land Records and Inventory

Engineering & Design

- Industry Track Alignments
- Field Surveys and Studies
- Cost Estimates
- Hydrology
- Concrete & Foundation Design
- new line location
- Intermodal Facilities
- Auto Unloading Facilities
- Grade Crossings
- Grade Separations
- Litigation Support
- Net Liquidation Estimates
- Maintenance of Engineering Records and Maps

Construction Management

- Preparation of Plans
- Construction Sequence
- Standards and Specifications
- Contract and Bid Preparation
- Project Contract Management
- Project Inspection and Quality Control

Track Maintenance

- Track & Bridge Inspections
- Rehabilitation Programs
- R/W Inspections
- Roadway Drainage Inspections

RESUME FOR ED LANDRETH
July 2006

PERSONAL:

Name: Edward W. Landreth
Address: P. O. Box 92156
Albuquerque, NM 87199-2156

Telephone: 505-239-9915

Email: EWLandreth@aol.com

ACADEMIC EDUCATION:

Bachelor of Science in Civil Engineering, May 31, 1970
University of Missouri-Rolla
Rolla, Missouri 65401

MILITARY SERVICE:

U. S. Army Reserve
Honorable Discharge at rank of Captain, May 1978
Graduate U. S. Army Transportation Officers Basic Course May 1971

CERTIFICATIONS (Current)

Registered Professional Engineer, State Of New Mexico PE 5801

PREVIOUS CERTIFICATIONS (Not Current)

Registered Professional Engineer, State Of Colorado PE 12637
Registered Professional Engineer, State Of Texas PE 40023
Registered Public Surveyor, State of Texas LS 2841
Licensed Private Pilot - Instrument Rated

PRESENT BUSINESS RELATIONSHIPS

Material Services, Inc. (NM) – June 2000 to Present
Arkansas - Oklahoma Railroad Company (OK) - March 1996 to Present
Landreth Engineering, LLC (NM) - February 1994 to Present (Incorporated 1997)

PAST BUSINESS RELATIONSHIPS

Enersaver Partnership (NM) – May 2001 to December 2002
Trec Consultants, Inc. (FL) – April 1997 to October 2004
Prewitt Switching Corporation (NM) – April 1997 to March 1998
Trec Associates, Inc. (IL) - January 1995 to October 2004
Transglobal Rail, Inc. (IA) - February 1994 to August 2000

RESUME for EDWARD W. LANDRETH
Page 2 of 2

PROFESSIONAL EXPERIENCE:

Senior Engineer (Part Time) - August 1999 to August 2000
Community Sciences Corporation
P. O. Box 1328
Corrales, NM 87048

Temporary Faculty - August 1999 to December 1999
Department of Mathematics'
University of New Mexico
Albuquerque, NM

Landreth Engineering, LLC - February 1994 to Present (Incorporated 1997)
Landreth Railroad Services - February 1994 to Present

The Atchison, Topeka and Santa Fe Railway Company
1700 East Golf Road
Schaumburg, IL 60173 - 5860

Director Asset Management - January 1992 to February 1994
Manager Asset Management - September 1990 to December 1991
Manager System Construction - May 1988 to August 1990
Project Engineer Western Region - September 1987 to May 1988
Construction Engineer Western Lines - August 1985 to September 1987
Public Projects Engineer Western Lines - July 1981 to August 1985
Assistant Engineer Western Lines - November 1979 to July 1981
Construction Engineer Star Lake Railway - July 1978 to November 1979
Assistant Office Engineer Western Lines - May 1976 to July 1978
Assistant Engineer Western Lines - July 1973 to May 1976
Transitman Western Lines - July 1972 to June 1973

Jefferson County Colorado -- Assistant Planning Engineer - September 1971 to July 1972
Department of Planning
Golden, Colorado 80401

Atchison, Topeka and Santa Fe Railway Company

Assistant Roadmaster Western Lines - November 1970 to September 1971
Assistant Engineer Western Lines - June 1970 to October 1970

Summer employment with the Santa Fe while attending college:

Rodman, Engineering Department, Illinois Division (1968-1969)
Chainman, Engineering Department, Illinois Division (1967)
Switchman-Brakeman, Train Service, Illinois Division (1965-1966)

TYPICAL ASSIGNMENTS RELATED TO RESUME
FOR
EDWARD W. LANDRETH

August 1999 to August 2000
Community Sciences Corporation
P. O. Box 1328
Corrales, NM 87048

Part time at a land planning, engineering and surveying firm. Prepared site grading, street, water, sewer, and drainage plans for residential development in the Albuquerque area.

Temporary Faculty August 1999 to December 1999
Department of Mathematics'
University of New Mexico
Albuquerque, NM

Part time instructor Math Department. Taught intermediate Algebra (64 students) during the 1999 Fall Semester.

Director Asset Management
Manager Asset Management
September 1990 to February 1994
The Atchison, Topeka and Santa Fe Railway Company
Topeka, Kansas

Department Head responsible for the management of the real estate, property sales, leases and contracts for the Santa Fe Railway Company.
Represented the Santa Fe real estate and contract department in the negotiations and sale of approximately 380 miles of rail corridor and passenger commuter rights to Los Angeles, San Bernardino, Riverside, Orange, and San Diego Counties in Southern California.
Represented the Santa Fe real estate and contract department in the sale of approximately 4,000 miles of branch line to Short Line Railroads.

Manager System Construction
May 1988 to August 1990
The Atchison, Topeka and Santa Fe Railway Company
Albuquerque, New Mexico

Department Head for System Construction.
Prepared design plans, engineering cost estimates, contract plans and specifications, solicited proposals, awarded bids, and provided owner inspection, payment, and acceptance of completed projects for the expansion of the Denver Auto Facility, and Houston Trailers on Flat Cars (TOFC) Facility.
Represented the Engineering and Maintenance Department in the Santa Fe rationalization program with estimates of net line liquidation value and branch line rehabilitation expenses. Designed and expanded Chicago TOFC facility and provided design and estimates for the rehabilitation and expansion of TOFC and auto facilities across the system.

Project Engineer – Western Region
September 1987 to May 1988
The Atchison, Topeka and Santa Fe Railway Company
Los Angeles, California

Provided final review and approval of plans submitted for new track construction, responsible for the sale of surplus track material, provided track maintenance studies, responsible for review of mainline curves and establishing main line curve elevations.

Prepared proposals, solicited bids, prepared and administered contracts for the demolition and removal of improvements on railway property and abandoned rail lines.

Construction Engineer – Western Lines
August 1985 to September 1987
The Atchison, Topeka and Santa Fe Railway Company
Amarillo, Texas

Head of the Western Regional Construction Office. Prepared plans, specifications, bid proposal, solicitation of proposals, award of project, field engineering, project management, for the relocation of 6 Miles of railroad main line due to Bureau of Reclamation project for the Construction of Brantley Dam north of Carlsbad, New Mexico. Project included approximately 1 million cubic yards of embankment, 200,000 cubic yards of cut, and 2,000 linear feet of concrete bridge construction, involving the driving of 2 miles of H-section piling to support concrete footings. Project was completed 2 months ahead of schedule and under budget.

Designed, and build connecting tracks for the proposed Santa Fe - Southern Pacific merger at Dallas, Midlothian, Wallis, Wharton, and El Paso, Texas.

Designed and build Fort Worth, Texas TOFC facility and supervised field forces and construction.

Expanded Dallas and Houston TOFC facility and provided rehabilitation of existing facilities.

Rehabilitated and expanded existing auto unloading facilities at Amarillo, Houston, and Albuquerque.

Public Projects Engineer – Western Lines
July 1981 to August 1985
Amarillo, Texas

Represented Santa Fe Railway Company in highway-grade crossings, grade separations, public projects and negotiations with federal, state and local representative. Provided railway company review and approval of engineering plans prepared by state and local agencies. Prepared and furnished railway company estimates of work required to accommodate public projects and prepared and negotiated contracts providing for the location and construction of public projects upon railway company property and the reimbursement of work performed in conjunction with the public project. Company representative in grade crossing litigation and drainage lawsuits.

Assistant Engineer – Western Lines
November 1979 to July 1981
Amarillo, Texas

Designed streets, storm drainage, water and sewer utilities obtained City of Dallas Approval for improvement plans and prepared contracts for the construction of all utilities to serve a portion of the Santa Fe Land Improvement Company (SFLI) Jupiter Road Industrial Park at Dallas, Texas and the Miller Road Industrial Park at Garland, Texas.

Construction Engineer - Star Lake Railway
July 1978 to November 1979
Albuquerque, New Mexico

Provided final location and design of 40 miles of new line construction between Grants and South Hospah, New Mexico and preliminary location and design of 70 additional miles between South Hospah and Star Lake to the Navajo Reservation in northwest New Mexico. Final location included property acquisition surveys, determination of final grade line, drainage design, determination of waterway openings, selection of bridge structures, soil investigations, grading specifications, selection of barrow sites, preparation of construction specifications and contract documents,

Assistant Office Engineer – Western Lines
May 1976 to July 1978
Amarillo, Texas

Responsible for management of engineering staff and responsible for all engineering for the General Managers Office. Prepared in excess of 20 preliminary site estimates to provide rail service for proposed electrical generation plants proposed by Texas Utilities.

Assistant Engineer – Western Lines
July 1973 to May 1976
Amarillo, Texas

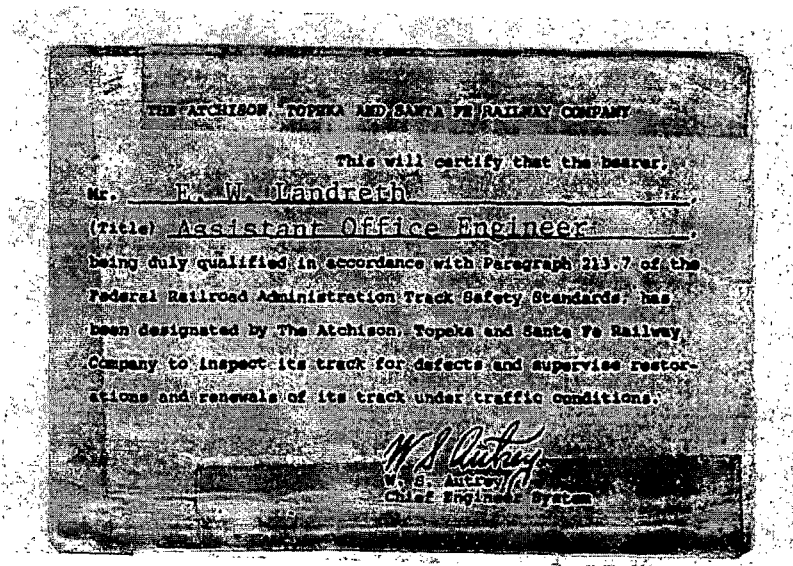
Responsible for the design and construction of the Locomotive and Car Repair Facilities located at Cleburne, Texas. Constructed fueling facility to accommodate 10 locomotives, locomotive washing facility, locomotive running repair facility to accommodate 15 locomotives and wheel truing machine. Constructed rail car repair facility including grit blast, paint booths, one spot facility, and storage tracks to support the rail car facility.

Transitman – Western Lines
July 1972 to June 1973
Amarillo, Texas

Reviewed plans and specifications submitted by outside agencies for compliance to railway company specifications and determination of structural adequacy and safety. Analyzed excess dimension loads proposed for movement across various Santa Fe lines and provided instructions to operating department how to handle both high and wide loads or excess weight loads.

Provided design plans and estimates for the development of Santa Fe Land Improvement property for streets and utilities to accommodate development of industrial parks in Albuquerque, El Paso, Amarillo, Fort Worth, Dallas, Garland, Oak Cliff, Temple, and Houston.

Attachment "B"



VERIFIED STATEMENT OF DELILAH WISENER

My name is Delilah Wisener. I am the sole owner and Manager of South Plains Switching, Ltd. Co. ("SAW"). I submitted a Verified Statement in behalf of SAW in an earlier phase of this proceeding regarding trackage commonly referred to as "Alternative Two". The current phase of the proceeding involves all of SAW's trackage, commonly referred to as "All-SAW".

Several employees of SAW and I furnished actual SAW traffic, revenues and expenses to Mr. Joseph J. Plaistow of L.E. Peabody & Associates in conjunction with his determination of the going concern value (GCV) of All-SAW. That information was derived from SAW's books and records that are kept in the ordinary course of business.

Attached to my Statement as Appendix DW-1 is a copy of an e-mail message from Daniel LaKemper, Esq., General Counsel of Pioneer Railcorp (Pioneer), to Thomas F. McFarland, Esq., Attorney for SAW, dated July 31, 2006. That message reflects an offer by Pioneer to purchase All-SAW for \$6 million. That was an arm's-length offer that was submitted in good faith. There is no affiliation of any kind between Pioneer and SAW. Pioneer owns and operates 16 Class III rail carriers totaling 565 miles in 10 states. This was not an offer that was solicited by SAW. Mr. LaKemper had made the initial contact to Mr. McFarland a few weeks earlier to determine whether SAW would consider selling its rail lines to Pioneer. The Pioneer offer was conditioned solely on standard due diligence and regulatory approval.

SAW also received an offer from US Rail Partners, Ltd. to purchase All-SAW for \$6 million. That offer is referred to on page 3 of the verified statement of John K. Howell that was

filed in Finance Docket Nos. 34844 and 34802 on May 26, 2006. A copy of Mr. Howell's statement is attached to my statement as Appendix DW-2. It is also referred to in an e-mail message to SAW's attorney from US Rail Partners' attorney, dated July 18, 2006, copy attached as Appendix DW-3. That was also an arm's-length offer made in good faith. There is no affiliation of any kind between US Rail Partners and SAW. US Rail Partners owns a Class III rail carrier that leases and operates a rail line in Oklahoma and Kansas.

BNSF's right of first refusal to purchase All-SAW does not apply to a purchase that would result from this feeder line proceeding. BNSF's contractual right of first refusal applies to a voluntary sale by SAW. A sale pursuant to a feeder line application is a forced sale, not a voluntary sale. Consequently, BNSF does not have a right to purchase All-SAW in this proceeding in lieu of a successful feeder line applicant.

When I read the contention of PYCO Witness Davis that SAW's rail requires replacement with 112-pound or 115-pound rail in order to transport shipments of 286,000 pounds (286K) gross weight on rail, I asked Mr. Stephen M. Sullivan of the American Short Line & Regional Railroad Association (ASLRRA) about the experience of the Association's members in transporting 286K shipments over 85-pound and 90-pound rail. Mr. Sullivan stated that numerous Class III rail carrier-members of ASLRRA are transporting 286K shipments over 85-pound and 90-pound rail without derailments or other adverse effects on safety or deterioration of track conditions.

SAW owns trackage at Burris, Texas that serves the facilities of Jarvis Metals Company. SAW has the right to provide rail service to Jarvis Metals, but BNSF has refused to permit SAW

to operate a short distance over BNSF's tracks to provide that service on the ground that BNSF's labor union will not permit SAW, as a non-union company, to operate over BNSF's tracks.

BNSF has recently offered to provide service to Jarvis Metals under a haulage arrangement with SAW whereby BNSF would pay SAW \$75 per car for cars transported by BNSF for Jarvis Metals. SAW has accepted that offer. Consequently, SAW will soon begin to receive \$75 per car on all shipments transported by BNSF for Jarvis. That revenue unquestionably is an asset of SAW that is required to be included in determining the value of SAW as a going concern.

Pursuant to the Line Sale Agreement between BNSF and SAW, BNSF retained the right to make through freight rates on shipments to and from points on SAW. The Agreement provided that SAW could assess surcharges on those rates only with BNSF's consent. The Agreement provided that BNSF's consent to assessment of surcharges by SAW would not be unreasonably withheld.

SAW sought BNSF's consent to SAW's assessment of surcharges of \$60 per car on single-car shipments (less than 27 cars) and \$40 per car on trainload shipments (27 or more cars). BNSF refused to consent to SAW's assessment of those surcharges. The issue of whether or not BNSF's consent was unreasonably withheld was litigated in a Texas Court along with other contractual disputes between BNSF and SAW.

BNSF attempted to justify its refusal to so consent on the ground that assessment of the surcharges would divert traffic from BNSF. SAW provided evidence that the surcharges would not cause diversion. The jury in that case returned a verdict that BNSF unreasonably withheld its

consent to SAW's assessment of surcharges. The jury thus concluded that assessment of SAW's surcharges would not result in diversion of traffic from BNSF and SAW.

The Texas Court entered judgment for SAW based on the jury's verdict. By letter dated April 26, 2004, copy attached as Appendix DW-4, BNSF consented to SAW's assessment of the surcharge. At the same time, BNSF appealed that judgment on the ground, as here pertinent, that "the evidence conclusively established that its refusal to consent was reasonable because the surcharge . . . would have adversely affected the volume of rail traffic (in other words: would have diverted traffic)." See decision of the Court of Appeals, Second District of Texas, at Fort Worth in *The Burlington Northern and Santa Fe Railway Company v. South Plains Switching, Ltd. Co.*, 348th Dist. Ct. of Tarrant County, TX, No. 2-04-364-CV, decision delivered on August 26, 2005, at 9 (copy attached as Appendix DW-5). In denying BNSF's appeal, the Court held that the evidence in the case was legally and factually sufficient to support the jury's finding. (Appendix DW-5 at 12).

Therefore, it has already been determined in a litigated setting that assessment of surcharges by SAW will not divert traffic from BNSF and SAW. To date, SAW has only partially implemented its authority to assess surcharges. SAW has the legal right to fully assess those surcharges at any time in its sole discretion. Those surcharges unquestionably are a tangible asset of SAW that is required to be included in determining SAW's value as a going concern.

On August 18, 2006, I issued General Order #28, Notice of Track Classification to Class I, copy of which is attached as Appendix DW-6. By virtue of that Order, all of SAW's tracks

was reclassified as FRA Class I track, effective August 28, 2006. A copy of General Order #28 was sent to the FRA office in Fort Worth, TX. That office is likely to contact Mr. David Roberts, who is the FRA inspector who inspects SAW's trackage each year. Mr. Roberts knows from his prior inspections that SAW's tracks comply with FRA Class I requirements.

VERIFICATION

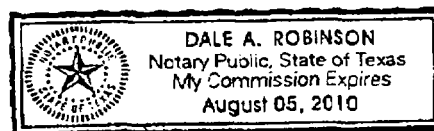
STATE OF TEXAS)
) SS:
COUNTY OF LUBBOCK)

DELILAH WISENER, being duly sworn on oath, deposes and states that she has read the foregoing statement, that she knows the contents thereof, and that the facts therein stated are true and correct.


DELILAH WISENER

SUBSCRIBED AND SWORN to
Before me this 14th day
of September, 2006.


Notary Public



My Commission Expires: *August 05, 2010*

-----Original Message-----

From: lakemper@mtco.com

To: mcfarland@aol.com

Sent: Mon, 31 Jul 2006 8:21 PM

Subject: SAW / Pyco

Tom,

A PRC subsidiary would like to enter into a letter of intent to buy SAW for \$6 Million, less the amount used to purchase the Pyco feeder line section (SAW will therefore get \$6M total, but we only pay for Pyco segment once). We will file a feeder line this week for the Pyco segment. We are going to bid substantially more than Pyco, but I don't have that number yet. The letter of intent would be contingent on PRC prevailing in the feeder line, or feed line being dismissed (ie Pyco or someone else does not get any portion), as well as standard due diligence and regulatory approval contingencies. I have several form letters on my machine at the office (but am on vacation and cannot access until Thursday). So, if you could prepare an out line and e-mail, that would be good.

Dan

PS: I hope that Peoria will show some good faith to Carver and not oppose our ASO request.

Check out AOL.com today. Breaking news, video search, pictures, email and IM. All on demand. Always Free.

<http://m03.webmail.aol.com/19014/aol/en-us/mail/display-message.aspx>

8/1/2006

**VERIFIED STATEMENT
OF
JOHN K. HOWELL**

My name is John K. Howell. I am President of US Rail Partners, Ltd. ("USRP"). USRP is the entity that is seeking to purchase the lines of South Plains Switching, Ltd. Co. ("SAW") through a private, arms length transaction. USRP firmly believes such a transaction can and would meet the needs of all interests in this complex regulatory proceeding, and we are working diligently with SAW and Pyco Industries, Inc. ("PYCO") to complete a sale transaction in as timely a manner as possible. USRP takes no position with respect to the legal issues before the Board in this proceeding. The purpose of this statement is simply to advise the Board directly as to the facts regarding USRP's interest in and efforts to purchase SAW's lines.

USRP is an Illinois corporation and the parent of three subsidiary transportation companies, one of which is the Blackwell Northern Gateway Railroad ("BNG"), a Class III rail carrier that operates a rail line in Oklahoma and Kansas. The other subsidiaries are US Rail Partners Switching Services, Ltd., a rail contract switching company, and Transload Partners USA, Ltd., a transload operator. USRP is not affiliated with SAW and has no common officers, directors or employees or any other personal or commercial relationship with SAW or its owners.

USRP first became aware of SAW on March 20, 2006. On that day, I received a call from an outside attorney who had previously assisted USRP with the STB filings for BNG. That attorney, Thomas McFarland, said he was calling on behalf of Delilah Wisener, the owner of a shortline railroad located in Lubbock, Texas known as South Plains Switching, Ltd. Co. (i.e., "SAW"), to inquire whether USRP would have an interest in acquiring it. Based on his general description of the property, I indicated that USRP would be interested in taking a look and would

be willing to sign a confidentiality agreement with SAW so that the due diligence process could begin at once. I was told that a Mr. Dennis Olmstadt, a consultant working with SAW, would call me and provide further details. I also was informed that SAW was in a service dispute with PYCO, a major customer on the line, and that another shortline, the West Texas and Lubbock Railway ("WTLR"), was using SAW's line to provide interim rail service to PYCO in lieu of SAW under an order from the STB. Prior to Mr. McFarland's call, I had never heard of PYCO, SAW, Delilah Wisener, her husband Larry Wisener, or any dispute between SAW and PYCO.

On March 20, 2006, Mr. Olmstadt called me and provided further details regarding the line that would be the subject of the sale transaction. He indicated that he would send me a proposed confidentiality agreement and, following its execution, would send me documents describing SAW's traffic levels, revenue divisions, etc. That evening, the Board of Directors of USRP authorized me to sign the confidentiality agreement and examine SAW's data. The confidentiality agreement was received from SAW on March 22, 2006 and executed by me and returned to SAW on March 23, 2006.

On April 4, 2006, we received from SAW via overnight courier a 22-page "Sales Proposal" dated March 31, 2006 describing in some detail the property offered for sale.

A day later, on April 5, 2006, I drove to Lubbock, Texas, from Blackwell, Oklahoma, along with Scott Nauer, the Director of Operations for BNG, USRP Director David Phillips, and BNG employee Ben Teeter, and on April 6, 2006, met with Mr. and Mrs. Wisener. We reviewed with them in detail the current switching operations, the history of SAW's operations, and some of the issues involving PYCO. We also toured the area of SAW's operations. We were told that historically, they did not maintain financial data for SAW separate from the South Plains Lamesa Railroad, an affiliated rail operation. Nevertheless, sufficient

information was obtained for us to prepare a first cut pro forma income/expense statement. We requested the last two years of tax returns for SAW/Lamesa and asked that taxes and insurance costs be separated out to the extent possible.

On April 7, 2006, I sent a letter to Delilah Wisener advising her that, based on our meeting, I would be recommending to USRP's Board of Directors that USRP proceed with development of a formal offer to purchase SAW's lines (and, separately, four locomotives) based on the terms and conditions to be outlined in the forthcoming offer letter.

On April 10, USRP's Board of Directors authorized me to proceed with development of a formal purchase offer to SAW.

On April 13, 2006, USRP Director David Phillips and I met with a representative of a major US bank and our primary lending facility to discuss financing for the transaction.

On April 25 and May 2, 2006, Mr. Phillips and I again met with representatives of the bank to review preliminary versions of our pro forma income/expense statement and to discuss our preliminary assessment of USRP's operation of the former SAW lines. Included in our analysis were evaluations of SAW based upon current rate divisions including the full amounts of a surcharge we understood was available to SAW and available to a new purchaser. The bank's representatives provided USRP with financial guidelines under which they would support a purchase offer for SAW by USRP. On May 2, 2006, USRP's board formally authorized submission of an offer to purchase SAW's lines.

USRP's formal offer was finalized on May 5, 2006 and was sent by overnight USPS Express Mail to Delilah Wisener. During this process, I and the other officers and directors of USRP were unaware that PYCO was preparing to file a Feeder Line Application ("FLA") with the STB to purchase some or all of SAW's lines. We have since been informed

that PYCO filed its FLA with the STB on May 5, 2006, although we did not become aware of it until several days later. SAW has subsequently advised us that it would not continue the negotiations with USRP until after the Board ruled on SAW's petition for a determination that its negotiations with USRP may proceed notwithstanding the filing of the FLA.

Assuming that the negotiations with SAW can go forward, USRP expects to be able to move quickly once a purchase contract is executed to close on the transaction and commence service. We understand that PYCO's peak shipping season occurs in the fall. We are also aware of the statutory time limitations on the current provision of alternative rail service to PYCO. And we have been informed that we may run up against the dates for filing competing feeder line applications, which we would hope to avoid. Our target for closing on the transaction and commencing rail service is mid-summer or earlier if possible.

USRP has had preliminary discussions with BNSF Railway Company ("BNSF") regarding USRP's plan to acquire and operate SAW's lines. BNSF has advised us that based on their experience with BNG (which is an exclusive BNSF shortline partner), BNSF has no concerns with a USRP purchase and operation of SAW's lines. BNG recently executed an Interchange Agreement and Handling Carrier Agreement with BNSF that would serve as the model for similar agreements with BNSF here.

As discussed above, we have also had several meetings with our prospective lender who has reviewed USRP's offer and has advised us that it meets the bank's lending guidelines for such a transaction. We expect no difficulty in obtaining financing for the transaction. Nor do we foresee any problems in obtaining locomotives, cars and employees with which to provide service on the former SAW lines.

Given the time pressures and the service and operating issues that have been raised before the Board, we are engaged in a concerted effort to sit down with PYCO and confirm our understanding of their transportation needs and review our plan to provide service. Given the current state of affairs, we strongly believe that constructive dialogue with PYCO, the largest shipper on SAW, is important to proper planning and to ensure a smooth transition. In that regard, on May 12, 2006, I called PYCO's CEO and General Manager Gail Kring to schedule a date for a meeting with PYCO's representatives. I was not able to reach him so I left a detailed message as to the purpose of my call. Not having heard anything back, on May 16, 2006, I asked our counsel Mr. Sippel to contact PYCO's counsel to try to arrange such a meeting. Mr. Sippel subsequently advised me that he had been told by PYCO's counsel that a key member of PYCO's team had recently had eye surgery and was not able to commit to a meeting date. As of today, May 25, 2006, we have not heard anything back. We remain hopeful that PYCO will be able to meet with us in the near future, and are absolutely committed to pursuing those discussions to PYCO's satisfaction. We also plan to meet with the other shippers on SAW's lines (which continue to be served by SAW) in the very near future.

As I've stated above, we are aware of the various and sometimes competing time pressures that are at play here. We are continuing to work very hard to reach a voluntary arrangement that would satisfy the interests of all of the relevant parties and provide a commercial alternative to this litigation.

VERIFICATION

State of Illinois)
)
County of Kane)

SS

John K. Howell, being duly sworn, deposes and says that he is President of US Rail Partners, Ltd., that he has read the foregoing statement and knows the facts asserted therein, and that the same are true as stated



John K. Howell

John K. Howell

SUBSCRIBED AND SWORN TO
before me this 25th day
of May, 2006.

Carol I. Hayden

Notary Public

My Commission expires: *6/19/2008*

APPENDIX DW-3

-----Original Message-----

From: wsippel@fletcher-sippel.com

To: mcfarland@aol.com

Cc: j.howell@usrp-ltd.com

Sent: Tue, 18 Jul 2006 6:59 PM

Subject: Draft PSA

Attached is a draft PSA for USRP's purchase of SAW's lines. The terms of it are in accordance with the terms of USRP's May 5, 2006 offer and its revised offer of July 6, 2006. As John Howell advised you last week on our conference call, USRP's offer always included all operating property of SAW including the wye track that is now apparently owned by Choo-Choo Properties. Accordingly, the attached PSA includes CCPI as a party.

From all that we can see, the litigation with PYCO is going to go on and on. A voluntary transaction with USRP would provide SAW with \$6M dollars (\$4M cash at closing), shortcut the process, and put an end to the cost and risks of litigation. USRP is prepared to move forward without a prior meeting with PYCO and sign the attached PSA as soon as it can be completed.

William C. Sippel
Fletcher & Sippel LLC
29 North Wacker Drive
Suite 920
Chicago, IL 60606-2832
Phone: (312) 252-1505
Fax: (312) 252-2400
E-mail: wsippel@fletcher-sippel.com

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8/19/2006



MICHAEL E. ROPER
Senior General Attorney

The Burlington Northern and
Santa Fe Railway Company
2500 Lou Mont Drive
Fort Worth, Texas 76131-2828
(817) 352-2353 - Telephone
(817) 352-2397 - Fax
Michael.Roper@BNSF.com

April 26, 2004

VIA FACSIMILE (806-771-6476)

Mr. James L. Gorsuch, Esq.
4412 - 74th Street, Suite A-100
Lubbock, TX 79424

Re: South Plains Switching, Ltd. Co. Surcharge Request

Dear Jim:

In view of the jury's verdict of Thursday, April 22, 2004, The Burlington Northern and Santa Fe Railway Company (BNSF) consents to a surcharge to be imposed by South Plains Switching in an amount not to exceed \$60.00 on single car shipments and \$40.00 on unit train shipments of 27 or more cars. BNSF continues to believe that such a surcharge will have an adverse impact on the market in the Lubbock area. Please send me a copy of any tariff publication imposing a surcharge, as well as a list of the shippers receiving the notice.

BNSF will likely appeal the jury's verdict on this issue as we believe it was erroneous and contrary to law.

Sincerely,

Michael E. Roper

Cc: Don Herrmann
P. J. Rickershauser
J. M. Johnson
W. E. Hale

APPENDIX DW-5



**COURT OF APPEALS
SECOND DISTRICT OF TEXAS
FORT WORTH**

NO. 2-04-364-CV

**THE BURLINGTON NORTHERN AND
SANTA FE RAILWAY COMPANY**

APPELLANT

V.

SOUTH PLAINS SWITCHING, LTD. CO.

APPELLEE

FROM THE 348TH DISTRICT COURT OF TARRANT COUNTY

OPINION

This case arises from a dispute over the meaning of certain provisions in an Asset Sales Agreement (the Agreement) between Appellant Burlington Northern and Santa Fe Railway Company (BNSF) and Appellee South Plains Switching, Ltd. Co. (South Plains). After careful consideration of Appellant's issues, we affirm in part and reverse and render in part.

BACKGROUND AND PROCEDURAL HISTORY

BNSF and South Plains executed the Agreement in May 1999. Under this Agreement, BNSF conveyed to South Plains certain "rail line" properties (tracks) in Lubbock, Texas, and certain rail freight transportation business conducted on those tracks. The tracks conveyed were known as the "Lower Yard." Under the Agreement, BNSF retained its "through route" business, conveying to South Plains only the "switching services" provided to BNSF's "through route" customers.

"Through route" business consists of shipments that originate with BNSF at one location and, although some of the shipping takes place on rail lines owned by other carriers, continue to be billed by BNSF for the entire trip. South Plains' switching services for these shipments includes interchanging cars and moving them to and from the industry track destinations on the rail lines conveyed to South Plains by the Agreement. For these switching services, South Plains receives a "division of revenue." South Plains began operations under the Agreement on July 5, 1999.

During negotiations surrounding the creation of the Agreement, South Plains expressed an interest in acquiring additional properties known as the North Yard. No official arrangements were made with regard to the North Yard property before execution of the Agreement. From execution of the Agreement

in 1999 through mid-2001 there were conversations between BNSF and South Plains regarding the sale of the North Yard.

Sometime in June or July 2001, BNSF informed South Plains that the property and switching operations for the North Yard were not for sale, ending any negotiations regarding the conveyance of that property. On January 17, 2002 and February 4, 2002 South Plains wrote letters to BNSF requesting BNSF's consent to impose surcharges on all cars interchanged (or "switched") by South Plains. South Plains explained the need for a surcharge by stating that it had underbid the "division of revenue" deal under the Agreement because it relied on oral promises that the North Yard would be conveyed, thereby providing South Plains with another source of revenue.

On February 22, 2002, exercising its rights under the Agreement, BNSF denied consent to the surcharge request, stating its belief that the additional surcharge would adversely affect its volume of business because shippers might resort to using trucks instead of paying the extra rail line fee. BNSF initiated an action for declaratory judgment on the surcharge issue on April 16, 2002. South Plains asserted several counterclaims that were either disposed of through summary judgment or nonsuited prior to trial.

The case proceeded on four declaratory judgment claims brought by BNSF. The jury answered adversely to BNSF on all four jury questions

regarding the parties' rights under the Agreement. The court denied BNSF's motions for directed verdict, judgment notwithstanding the verdict, and a new trial. On August 23, 2004, the trial court rendered judgment on the verdict. In three issues, BNSF appeals the trial court's judgment.

SURCHARGE ISSUE

In its first issue, BNSF contends that the jury's finding that BNSF unreasonably withheld consent to South Plains' surcharge request is not supported by the judgment for two reasons. First, the trial court erred by refusing to instruct the jury on the proper legal meaning of the term "unreasonably." Second, the evidence is legally and factually insufficient to support the jury's finding.

Was a definition required?

The phrase in question used in the Agreement is as follows: "[South Plains] shall not impose a surcharge upon [rail] traffic without the prior written consent of [BNSF], which consent shall not be unreasonably withheld."

BNSF asserts that without an instruction from the trial court defining the term "unreasonable," the jury incorrectly applied its own subjective definition of the term, rather than the proper legal meaning, which resulted in an improper verdict. In support of its contention, BNSF relies upon *Mitchell's Inc. v. Nelms*, 454 S.W.2d 809, 813 (Tex. Civ. App.—Dallas 1970, writ ref'd n.r.e.).

Texas courts have not settled on a legal definition of "unreasonable." "What constitutes the elements of unreasonableness in the act of withholding consent presents a question not simple in resolution." *Id.* In *Mitchell's*, the court held that a landlord did not unreasonably withhold consent to a sublease as mandated by the terms of the lease. *Id.* at 814. In reaching this decision, the court examined the specific terms of the lease to determine the intention of the parties. *Id.* After considering the lessor's reason for denying consent, the court examined the original intention of the parties as evidenced in the lease and decided that the lessor did not act unreasonably or arbitrarily. *Id.* at 815.

In examining the elements of unreasonableness in the act of withholding consent, the *Mitchell's* court noted that unreasonable conduct compares to arbitrary action. *Id.* at 813-14. The court also mentioned the definition of arbitrary—"without fair, solid and substantial cause or reason." *Id.* However, the word "arbitrary" is only used as a "yardstick" in *Mitchell's* to show that for something to be reasonable it must be something more than arbitrary. *Id.* The *Mitchell's* court did not hold that overcoming arbitrariness equates to reasonableness. *See id.*

Mitchell's, in fact, proposes several meanings for the term "unreasonable," including a definition of the word from Webster's dictionary and definitions applied by other courts. *Id.* The *Mitchell's* court did not rely on

any particular definition of unreasonable but instead "made reference to various definitions of 'reasonable' and 'unreasonable,' including the definition supplied by Webster's Dictionary, but did not approve any specific language that would necessarily be suitable for a jury instruction." Terry I. Cross, *The Ties That Bind: Preemptive Rights and Restraints On Alienation That Commonly Burden Oil and Gas Properties*, 5 TEX. WESLEYAN L. REV. 193, 224 n.182 (1999).

Furthermore, "[a]lthough the court in *Mitchell's* discussed various definitions of unreasonableness *in the abstract*, it relied on the specific terms of the contract to hold that the landlord had acted reasonably in withholding his consent." *B.M.B. Corp. v. McMahan's Valley Stores*, 869 F.2d 865, 868 (5th Cir. 1989) (emphasis added). Further interpreting *Mitchell's*, the *B.M.B.* court opined, "[i]t thus appears that under Texas law, the reasonableness of a refusal to consent . . . is determined by reference to the terms and conditions of the original . . . [agreement]." *Id.* at 869.

The conclusion reached in *B.M.B.* is consistent with another case decided by the Fifth Circuit in which the jury instruction stated: "The term 'unreasonable withholding of consent' means that a decision to withhold consent is made without any reasonable basis. . . . [T]he question is whether there was any reasonable basis *under the circumstances* for the decision[] . . . to withhold its consent." *Perez v. Jefferson Standard Life Ins. Co.*, 781 F.2d

475, 479 (5th Cir. 1986) (emphasis added). The court, rather than supplying a legal definition of the word "unreasonable," allowed the jury to apply a meaning to the word based on the circumstances or evidence presented. *Id.*

According to another court, the standard is generally anything that falls below what a reasonable person in like circumstances would do. *Haack v. Great Atl. & Pac. Tea Co.*, 603 S.W.2d 645, 650 (Mo. Ct. App. 1980). What equates to reasonable or unreasonable cannot be readily defined. *See id.* Unreasonableness is relative, and "[e]very case must be judged on its own particular facts." *Id.*

However, an interpretation of *Mitchell's* in a reporter's note to the Restatement Second of Property claims that "a general statement of what constitutes unreasonableness in this area [landlord granting sublease to tenant] was given in *Mitchell's* . . . that being: without fair, solid and substantial cause or reason." RESTATEMENT (SECOND) OF PROPERTY § 15.2 note (1977). The proper standard applicable to the reasonableness of a landlord's refusal to consent to an assignment or sublease is that of a reasonable person in the landlord's position. *Funk v. Funk*, 633 P.2d 586, 589-90 (Idaho 1981).

Moreover, in determining whether a lessor is acting unreasonably in denying a sublease or assignment, courts have examined various factors, including the intended use of the property, the financial status of the proposed

tenant, and the evidence supporting the commercial reasonableness of the denial. See *Pletz v. Standard Homes Co.*, 342 S.W.2d 621, 621 (Tex. Civ. App.—San Antonio 1961, no writ) (holding that landlord's desire to prevent business competition between tenants justified his refusal to consent to sublease without first obtaining knowledge of intended use of property); *Johnson v. Jaquith*, 189 So.2d 827, 829-30 (Fla. Dist. Ct. App. 1966) (holding landlord's refusal to consent to assignment is not unreasonable without proof of prospective assignee's financial status); *Bismarck Hotel Co. v. Sutherland*, 529 N.E.2d 1091, 1097 (Ill. App. Ct. 1988) (stating that a suitable sublessee is "one who is ready, willing and able to sublease the premises and who, at least, meets reasonable commercial standards"), *appeal denied*, 535 N.E.2d 912 (Ill. 1989).

Here, BNSF asserts that the trial court erred by not instructing the jury to apply a strict definition of the term "unreasonable" as used in the phrase "unreasonably withhold consent" in the Agreement between BNSF and South Plains. BNSF contends that because the trial court refused to instruct the jury as to the definition of "unreasonable," it was unfairly held to a higher standard of care. South Plains argues that the legal definition of "unreasonable" was not adopted by the *Mitchell's* court or by any other court in Texas. We agree. Because no legal definition of "unreasonable" has been adopted or approved by

Texas courts, the trial court did not err by refusing to submit a definition of the word "unreasonable" to the jury. We hold that the jury was free to consider the ordinary meaning of the phrase in light of the evidence presented.

Legal and Factual Sufficiency

BNSF contends that the evidence is legally and factually insufficient to support the jury's finding that BNSF unreasonably withheld its consent to South Plains' surcharge request. BNSF argues that the evidence conclusively established that its refusal to consent was reasonable because the surcharge 1) was nothing more than a negotiating tactic, 2) was arbitrary, having no economic or analytical basis, 3) would have adversely affected the volume of rail traffic, and 4) was itself patently unreasonable.

A legal sufficiency challenge may only be sustained when: (1) the record discloses a complete absence of evidence of a vital fact; (2) the court is barred by rules of law or of evidence from giving weight to the only evidence offered to prove a vital fact; (3) the evidence offered to prove a vital fact is no more than a mere scintilla; or (4) the evidence establishes conclusively the opposite of a vital fact. *Uniroyal Goodrich Tire Co. v. Martinez*, 977 S.W.2d 328, 334 (Tex. 1998), *cert. denied*, 526 U.S. 1040 (1999); Robert W. Calvert, "No Evidence" and "Insufficient Evidence" Points of Error, 38 TEX. L. REV. 361, 362-63 (1960). In determining whether there is legally sufficient evidence to

support the finding under review, we must consider evidence favorable to the finding if reasonable jurors could, and disregard evidence contrary to the finding unless reasonable jurors could not. *City of Keller v. Wilson*, 48 Tex. Sup. Ct. J. 848, 863, 2005 WL 1366509, at *14 (Tex. June 10, 2005).

An assertion that the evidence is factually insufficient to support a fact finding means that the evidence supporting the finding is so weak or the evidence to the contrary is so overwhelming that the answer should be set aside and a new trial ordered. *Garza v. Alviar*, 395 S.W.2d 821, 823 (Tex. 1965). We are required to consider all of the evidence in the case in making this determination. *Mar. Overseas Corp. v. Ellis*, 971 S.W.2d 402, 406-07 (Tex.), *cert. denied*, 525 U.S. 1017 (1998).

Here, the jury heard testimony regarding the circumstances and background of BNSF's backing out of the North Yard sale, as well as its denial of the surcharge based on economic reasons. Larry Wisener manager/president for South Plains Switching,¹ testified that he was informed by BNSF personnel

¹The record reveals that Larry Wisener signed the Agreement as "manager/president" for South Plains Switching. Wisener testified that South Plains Switching was formed for the purpose of entering into the Asset Sale Agreement with BNSF. He also stated that South Plains Switching does not have any employees or equipment. In order to operate South Plains Switching, employees and equipment from South Plains Lamesa, another railroad owned by Wisener, are utilized.

that if South Plains performed well, the North Yard would be conveyed to South Plains. Larry Cronin, a former employee of BNSF, testified that Jerry Johnson, also an employee of BNSF, told him that if South Plains did a good job, BNSF would convey the North Yard to South Plains. There was also testimony that Johnson announced at a luncheon that BNSF's intent was to convey the North Yard to South Plains. There was testimony that South Plains initially accepted a lower division of revenue because it was under the impression that it would eventually receive the North Yard tracks and the imposition of the surcharge would not have been necessary if the North Yard had been conveyed to South Plains, as promised by BNSF.

Wisener testified that in considering whether to request a surcharge, he calculated revenues lost from not acquiring the North Yard as promised by BNSF and what it would take to cover current expenses of operation. He testified that requesting the surcharge was not used as any type of tactic. The jury heard testimony from Johnson that before making his decision to deny South Plains' request for the surcharge, he did not obtain or request the records of South Plains, he did not look at the cost and expenses of South Plains, and he did not meet with anyone from South Plains to talk about the surcharge request.

The jury could have determined that BNSF's denial of South Plains' request for a surcharge was unreasonable. Accordingly, we hold that the evidence in this case was legally and factually sufficient to support the jury's finding. We overrule BNSF's first issue.

ACCESS TO TRACK 9200

The Agreement between BNSF and South Plains contains a "Description of Business Sold" section conveying the *property interests* in certain rail line segments, including track 9200, from BNSF to South Plains. The Agreement states that this grant is subject to BNSF's retained interests including "continued access by rail" to track 9200. Immediately following this provision is a subsection granting South Plains the *rail freight transportation business* conducted by BNSF on the rail line segments conveyed but, subject to the aforementioned retained interests.

Prior to execution of the Agreement, BNSF conducted freight transportation business with Vulcan Construction Materials, L.P. (Vulcan) on track 9200. For nearly four years after the execution of the Agreement in May of 1999, BNSF continued to conduct its business with Vulcan on track 9200. In 2003, South Plains denied BNSF access to track 9200 to service Vulcan. Both BNSF and South Plains claim that the other party's actions regarding track 9200 violate the terms of the Agreement. It is BNSF's position that the

retained interest of "continued access by rail" reserved for BNSF the right to continue conducting that portion of its freight transportation business with Vulcan on track 9200. BNSF claims that the ordinary meaning of the phrase "continued access" as used in the Agreement, unambiguously permits BNSF to *use* track 9200 to the extent that it had before the Agreement.

South Plains argues that the language of the Agreement grants South Plains the freight transportation business conducted on track 9200, including all the business done with Vulcan, and that the "continued access" provision of the Agreement is for storage purposes only. South Plains maintains that the word "access" refers to the right to *approach*, not *use* the track.

In its second issue, BNSF argues that the jury's finding that the "continued access" provision of the Agreement does not permit BNSF to continue to service Vulcan on track 9200 fails to support the judgment because 1) the provision unambiguously permits BNSF unrestricted continued access to track 9200 and should have been enforced by the trial court as a matter of law, and 2) the trial court erred by admitting parol evidence regarding South Plains' intended meaning for the unambiguous provision.

An unambiguous contract must be construed by the court as a matter of law and not left open to the interpretation of its terms by a jury; however, it is proper to allow the trier of fact to interpret an ambiguous contract. *Coker v.*

Coker, 650 S.W.2d 391, 394 (Tex. 1983). The question of whether a contract is ambiguous is one of law for the court. *Heritage Res., Inc. v. Nationsbank*, 939 S.W.2d 118, 121 (Tex. 1996). A contract is ambiguous when its meaning is uncertain and doubtful or is reasonably susceptible to more than one interpretation. *Id.* A contract is not ambiguous if its words can be given a definite or certain meaning as a matter of law. *Coker*, 650 S.W.2d at 393. Not every difference in the interpretation of a contract amounts to an ambiguity. *Forbau v. Aetna Life Ins. Co.*, 876 S.W.2d 132, 134 (Tex. 1994). When a potential ambiguity arises, deciding whether the language is ambiguous is an issue of contract construction. *Candlelight Hills Civic Ass'n, Inc. v. Goodwin*, 763 S.W.2d 474, 477 (Tex. App.—Houston [14th Dist.] 1988, writ denied).

Webster's Dictionary defines "continued" as both "stretching out in time or space without interruption" and "resumed after interruption." WEBSTER'S THIRD NEW INTERNATIONAL DICTIONARY 493 (2002). Applying these definitions, the use of the word "continued" within the Agreement can be interpreted to mean either continued from a point *before the Agreement* was executed or continued *throughout the Agreement* without interruption.

"Access" is defined by the same dictionary as both the "ability to enter, approach, . . . or pass to and from" and the "ability to . . . make use of." *Id.*

at 11. Accordingly, access can mean either the right to make *use* of or the ability or right to *approach*. BNSF contends that the phrase "continued access" is not ambiguous when given its plain, ordinary, and generally accepted meaning.

From the phrase alone, it cannot be ascertained which definition of "access" the parties intended, "*use*" or "*approach*." However, individual words, phrases, or clauses should not be isolated and read out of context, but rather the document should be read as a whole to determine the intentions of the parties as expressed in the writing. *State Farm Life Ins. Co. v. Beaton*, 907 S.W.2d 430, 433 (Tex. 1995). To achieve this the court will examine and consider the entire instrument so that none of the provisions will be rendered meaningless. *R & P Enters. v. LaGuarta, Gavrel & Kirk, Inc.*, 596 S.W.2d 517, 519 (Tex. 1980). If the written instrument permits the court to ascertain a definite interpretation as to which one of two possible meanings is proper, the contract is not ambiguous. *Id.* It is presumed that the parties to a contract intend every clause to have some effect. *Heritage Res., Inc.*, 939 S.W.2d at 121.

Within the clause of the Agreement that reserves "continued access by rail to track 9200," there is an additional provision stating that BNSF will pay \$1000 per year for such continued access beginning six years from the date of

closing "and thereafter until such time as [BNSF] notifies [South Plains] in writing, that [BNSF] no longer desires to use said tracks." South Plains' contention that the "access" was limited to the right to "approach" the tracks but not to "use" them renders this portion of the Agreement meaningless. Therefore, by applying the applicable rules of construction and interpretation, which requires construing the contract as a whole, we conclude the "right to use" track 9200 is the only reasonable interpretation of the meaning of "access" from the face of the Agreement.

When the Agreement is read as a whole, the term "continued access" is unambiguous. Therefore, the trial court erred by admitting parol evidence regarding the parties' intended meaning for this unambiguous provision, and erred in submitting a jury question regarding interpretation of the term "continued access" in the Agreement. *See Transcon. Gas Pipeline Corp. v. Texaco, Inc.*, 35 S.W.3d 658, 665 (Tex. App.—Houston [1st Dist.] 2000, pet. denied) (stating that a trial court errs when it does not construe an unambiguous provision as a matter of law, and instead, submits the issue to a fact finder). We sustain BNSF's second issue and render a declaratory judgment that the Agreement's "continued access" provision permits BNSF to continue to use track 9200 with no restrictions, except payment after five years as provided by the terms of the Agreement.

THE MEANING OF "BILLED"

Under the Agreement, when a freight shipment is interchanged between BNSF and South Plains, BNSF bills the freight customer for the whole shipping movement and then shares the revenue with South Plains according to the division of revenue provision. South Plains receives \$40 for each carload of freight "billed in a block of 27 or more cars for an individual shipper or receiver," and a higher rate of \$125 for each carload of freight "billed" in a block of less than 27 cars.

A dispute arose between the parties over the meaning of the term "billed," as used in the division of revenue provision. South Plains took the position that "billed" meant "waybilled"—i.e., that it should receive \$125 for each car "waybilled" in less than a block of 27 cars. BNSF responded that "billed" meant "billed to the customer"—i.e., if BNSF billed a customer at lower unit train rates (because cars moved in a block of 27 cars or more) then South Plains was paid at the lower rate of \$40.

The jury was asked to determine whether the intent of the parties at the time they signed the Agreement was that the term "billed" in the division of revenue provision meant "billed to the customer" or "waybilled." The jury answered that the term meant "waybilled."

In issue three, BNSF asserts that the term "billed" used in the Agreement unambiguously means "billed to the customer" rather than "waybilled." Alternatively, BNSF argues that the evidence is legally and factually insufficient to support the jury's finding.

When a term in a written agreement is not specifically defined, it should be given its plain, ordinary, and generally accepted meaning. *Heritage Res., Inc.*, 939 S.W.2d at 121. If a written contract is worded so that it can be given a definite or certain legal meaning, then it is not ambiguous. *Nat'l Union Fire Ins. Co. v. CBI Indus., Inc.*, 907 S.W.2d 517, 520 (Tex. 1995); *Coker*, 650 S.W.2d at 393. Parol evidence is not admissible for the purpose of creating an ambiguity. *See Nat'l Union*, 907 S.W.2d at 520. If, however, the language of a contract is subject to two or more reasonable interpretations, it is said to be ambiguous. *Id.* Only after a contract is found to be ambiguous may parol evidence be admitted for the purpose of ascertaining the true intentions of the parties expressed in the contract. *Friendswood Dev. Co. v. McDade & Co.*, 926 S.W.2d 280, 283 (Tex. 1996). In particular, a specialized industry or trade term may require extrinsic evidence of the commonly understood meaning of the term within a particular industry. *See Nat'l Union*, 907 S.W.2d at 521 & n.6.

Here, the term at issue in the Agreement is "billed." The division of revenue provision of the Agreement does not contain the words "waybilled," "billed to the customer," or "freight bill." BNSF's contention that the term "billed" is unambiguous would require us to conclude that there is only one reasonable interpretation of the term "billed" as used in the Agreement between BNSF and South Plains.

An ambiguity in a contract may be said to be "patent" or "latent." *Id.* at 520. A patent ambiguity is evident on the face of the contract. *Id.* A latent ambiguity arises when a contract that is unambiguous on its face is applied to the subject matter with which it deals and an ambiguity appears by reason of some collateral matter. *Id.* If a latent ambiguity arises from this application, parol evidence is admissible for the purpose of ascertaining the true intention of the parties as expressed in the agreement. *Id.* When a latent ambiguity arises, the focus shifts to the facts and circumstances under which the agreement was made. *GTE Mobilnet of S. Tex. Ltd. v. Telecell Cellular, Inc.*, 955 S.W.2d 286, 290 (Tex. App.—Houston [1st Dist.] 1997, writ denied) (op. on reh'g).

Once a contract is found to be ambiguous, the interpretation of the contract becomes a fact issue. *Coker*, 650 S.W.2d at 394. Where application of the language used to the subject matter of the contract creates a genuine

uncertainty as to which of two meanings is correct, the issue is properly resolved by a jury. *Sec. Sav. Ass'n v. Clifton*, 755 S.W.2d 925, 930 (Tex. App.—Dallas 1988, no writ).

The trial court heard testimony regarding the facts and circumstances of the making of the Agreement. The testimony included the use of the terms "freight bill" and "billed to the customer," which terms are used interchangeably in the railroad industry, while the term "waybilled" has a distinctively different meaning. We conclude that the trial court properly found that the Agreement is latently ambiguous because the Agreement uses the term "billed" but does not specify whether the referenced term means "waybilled" or "billed to the customer." Therefore, because the Agreement was latently ambiguous, the trial court properly allowed extrinsic evidence to be considered by the jury in order to determine the intention of the parties. *See Nat'l Union, Inc.*, 907 S.W.2d at 520.

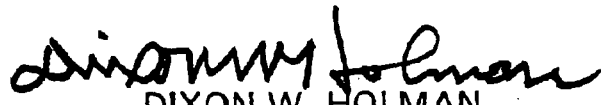
The jury heard testimony from Dennis Olmstead, who acted as a consultant for South Plains, and who was involved in the drafting of the Agreement between BNSF and South Plains, regarding the term "billed." He explained the difference between "waybilled" and "freight billed" and the

impact of each.² Olmstead testified that in the original draft of the Agreement, the term "switched" was in the division of revenue paragraph, and that he wanted the term "switched" to be replaced with the term "billed." Specifically, he stated that if the term "switched" was in the Agreement, BNSF could gather trains in its yard and make sure that each train contained more than twenty-seven cars before calling South Plains to come in and "switch" a train. In that event, South Plains would never be able to claim the higher division of revenue, even though more work was required on the part of South Plains. Olmstead testified that when he stated that the term "billed" should replace the term "switched," he meant "waybilled" and not "freight billed." Additionally, he testified that the "freight bill" goes to the customer and not to South Plains. Therefore, South Plains would not have any way to verify the accuracy of the payment. Considering all the testimony at trial, we hold that the evidence is legally and factually sufficient to support the jury's finding that the ambiguous term "billed" meant "waybilled." We overrule BNSF's third issue.

²A waybill is a document prepared by a transportation line at the point of a shipment showing the point of origin, route, description of shipment, and amount charged. A freight bill is a document issued by the carrier based on the waybill and other information. It is sent directly to the customer and is the document by which the customer compensates the companies for the rail service they provide.

CONCLUSION

We reverse that portion of the trial court's judgment that pertains to the "continued access" provision of the Agreement. We render a declaratory judgment that the Agreement's "continued access" provision permits BNSF to continue to use track 9200 with no restrictions except payment after five years as provided by the terms of the Agreement. We affirm the remainder of the trial court's judgment.


DIXON W. HOLMAN
JUSTICE

PANEL B: LIVINGSTON, DAUPHINOT, and HOLMAN, JJ

DELIVERED: August 26, 2005

South Plains Switching, Ltd. Co
P. O. BOX 64299 LUBBOCK, TEXAS 79464
PHO: (806)828-4841 FAX: (806)828-4863

GENERAL ORDER #28

**NOTICE OF
TRACK CLASSIFICATION TO CLASS I**

August 18, 2006

TO: TRAIN CREWS AND ALL CONCERNED

EFFECTIVE AUGUST 28, 2006, THE LINE FORMERLY KNOWN AS THE FORT WORTH AND DENVER AND WHAT IS NOW SOUTH PLAINS SWITCHING, LTD. CO. (SAW) WILL BE CLASSIFIED BY FRA STANDARDS AS CLASS I TRACK. GENERAL ORDER # 28 WILL SERVE AS CANCELLATION OF GENERAL ORDER #1.

IN ORDER TO MEET THE REGULATIONS, CERTAIN OPERATING REQUIREMENTS LISTED BELOW WILL BE STRICTLY ADHEREFD TO:

1. NO TRAIN SHALL BE OPERATED IN EXCESS OF 10 MPH.

Be governed accordingly, failure to comply is cause for immediate dismissal.


Delilah Wisener
Owner

VERIFIED STATEMENT OF DENNIS OLMSTEAD

My name is Dennis Olmstead. I am a Rail Transportation Consultant. My business address is 1124 South 11th Street, Montrose, CO 81401.

I submitted a verified statement that was included in a Statement in Opposition to Revised Feeder Line Application, filed in behalf of South Plains Switching, Ltd. (SAW) in Finance Docket No. 34890 on August 2, 2006. That verified statement contained a description of my background and qualifications to testify about rail marketing matters affecting SAW. For convenience of reference, I have attached a copy of that description as Appendix DO-1 of this Statement.

It is my understanding that SAW's track engineering witness, Mr. Edward W. Landreth, is providing evidence that there is no regulatory or engineering requirement that SAW's tracks be replaced in order to transport 286K cars, and that SAW's tracks are in adequate physical condition at the present time to handle 286K cars. My testimony will show that even if that were not the case, there is no need to replace SAW's tracks to handle 286K cars because it is highly unlikely that SAW's shippers will ship or receive more than a few 286K cars in the foreseeable future.

Set forth below are average lading weights of the major commodities transported by SAW in 2005, and the car-types and tare weights of the freight cars in which those commodities are transported.

COMMODITY	CAR-TYPE	AVG. LADING WEIGHT	TARE WEIGHT	GROSS WEIGHT ON RAIL
Cottonseed	WS4-Hopper	184,029 lbs.	74,287 lbs.	258,316 lbs.
Cottonseed oil	Tank	180,858 lbs.	75,167 lbs.	256,025 lbs.
Cotton bales	Boxcar	86,125 lbs.	65,400 lbs.	151,525 lbs.
Aggregates	Hopper	194,088 lbs.	65,223 lbs.	259,311 lbs.
Lumber	Boxcar & Flat	174,489 lbs.	63,400 lbs.	242,889 lbs.
Grain	Covered Hopper	202,700 lbs.	62,395 lbs.	265,095 lbs.

Except for a few shipments of grain, the gross weights on rail (GWOR) of the shipments transported by SAW do not exceed 263,000 pounds. It is commonly accepted that rail weighing 85 and 90 pounds per yard is adequate for transportation of cars with GWOR of 263K.

The relatively light weight and/or bulky density of the above commodities is such that they would not be loaded to a GWOR of 286K in a larger freight car than presently used. Consequently, it is safe to say that SAW will not be called upon to transport those commodities in 286K cars in the future.

It is conceivable that SAW could be called upon to transport shipments of grain in 286K cars in the future. However, any such shipments would be quite limited in volume, and would be transported over a very short segment of SAW trackage. The only SAW customer who ships or receives grain is Attebury Grain. Attebury has not received large volumes of grain since BNSF's rail rate structure has favored a shuttle-train grain terminal at Plainview, TX over Attebury at Lubbock. Attebury accounted for only 54 carloads of grain in the first six months of 2006.

Attebury's grain facility is located virtually adjacent to BNSF's Yard. SAW operates over only a short stretch of SAW trackage in transporting grain for Attebury.

Even if it were to be assumed, contrary to fact, that it is necessary to replace SAW's 85-pound and 90-pound rail in order to handle 286K cars, it is obvious that it would not be necessary to replace such rail on the overwhelming majority of SAW trackage over which no 286K cars would be likely to move in the future. Neither would it be required, nor would it be economically warranted, to replace the rail on the short segment of track over which a few shipments of grain in 286K cars could be transported for Attebury. Those sporadic shipments are in contrast to recurring trainloads of 286K cars that might require and economically warrant such rail replacement.

I have spoken to a number of representatives of Class III rail carriers who told me that they are handling numerous shipments in 286K cars over lightweight rail without experiencing significant track failures, derailments, or other adverse effects. Mr. Vince Milliken of Livonia, Avon & Lake City Railway Company (LA&LC) told me that LA&LC transports 2,500 to 3,000 carloads per year over 90-pound and 100-pound rail with very few track failures. During the past five years, the majority of that traffic has been 286K cars. The 90-pound rail is located in territory having a .87 percent ruling grade and 4 degree curves and reverse curves. The success of LA&LC in handling 286K cars over lightweight rail in that difficult terrain is a strong indication that there is no compelling reason to replace lighter-weight rail with heavier rail in order to handle 286K cars.

Mr. Richard Lesiker of Fort Worth & Western Railroad (FWWR) told me that FWWR has mostly 85-pound rail in its Fort Worth yard. FWWR handles more than 300 cars per day at that yard, many of which are 286K cars. Mr. Lesiker said that FWWR has not experienced track problems of any kind as a result of handling heavy cars over 85-pound rail.

Mr. George Betke of Farmrail told me that Farmrail successfully transports 286K cars over light rail at a speed of 10 mph.

I have acted as Transportation Consultant for SAW since the inception of its rail operations in July, 1999. SAW has had no experience of track failure due to railcar weight at any time in that seven-year period.

SAW has the right to assess surcharges of \$60 per car on single-car shipments (less than 27 cars) and \$40 per car on trainload shipments (27 cars or more). SAW has partially implemented its authority to assess those surcharges. SAW can fully implement that authority at any time in its discretion.

There would be no basis for a contention that SAW's assessment of those surcharges would result in traffic diversion. I agree with Mrs. Delilah Wisener of SAW that a jury in recent Texas court litigation between SAW and BNSF so determined when it issued a verdict that BNSF unreasonably withheld consent to SAW's assessment of surcharges where BNSF had argued that the surcharges would cause traffic diversion. The Court's judgment implementing that jury verdict was upheld by a Texas Court of Appeals.

There would be no traffic diversion as a result of the surcharges for the additional reason that the traffic under consideration is captive to BNSF so that it is not susceptible to diversion to

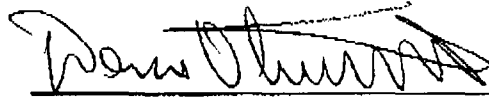
truck transportation. PYCO in particular is not in a position to argue otherwise because throughout the litigation involving alternative rail service, PYCO repeatedly emphasized that it is rail-dependent, so that its cottonseed and other cotton products are not divertible to motor carriage. That is also the case in regard to aggregates, which is another commodity that is transported in volume to points on SAW. The gravel pits that are served by rail are by far the most efficient source of aggregates. There are no gravel pits within truck range that have a sufficient quality of product.

Moreover, SAW's surcharges would not cause traffic diversion because they would be a very small percentage of total freight charges. BNSF's most recent Annual Report (at 20) shows revenues of \$5,156 million and 5,306 thousands of cars for consumer products, which results in average revenue of \$972 per car. BNSF's most recent fuel surcharge is 15 percent, which would be approximately \$145 per car on that average revenue. The average total freight charge would thus be about \$1,117 per car. A surcharge of \$60 per car would increase that charge by about 5 percent. A surcharge of \$40 per car would increase that charge by only about 3.5 percent. Those increases are much less than the increased freight charges resulting from BNSF's fuel surcharge, and BNSF's recent double-digit increases in its freight rates. BNSF-SAW traffic continues to increase, notwithstanding the substantial increased shipper costs resulting from the fuel surcharge and freight rate increases. Thus, fuel surcharges and freight rate increases far greater than the increases that would result from SAW's surcharges have not resulted in diversion of BNSF-SAW traffic. Consequently, it is reasonable to conclude that neither would SAW's much more modest surcharges divert BNSF-SAW traffic.

VERIFICATION

STATE OF COLORADO)
) SS:
COUNTY OF MONTROSE)

DENNIS OLMSTEAD, being duly sworn on oath, deposes and states that he has read the foregoing statement, that he knows the contents thereof, and that the facts therein stated are true and correct.

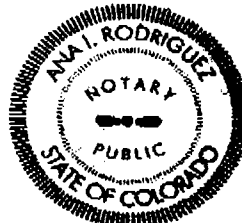


DENNIS OLMSTEAD

SUBSCRIBED AND SWORN to
before me this 30th day
of August, 2006.



Notary Public



My Commission Expires 06/10/2010

My Commission Expires: 6/10/10

APPENDIX DO-1

BACKGROUND AND QUALIFICATIONS
OF DENNIS OLMSTEAD

I have been in the consulting business since my retirement from The Burlington Northern and Santa Fe Railway Company (now BNSF Railway Company) in 1996. Prior to that time, I had been employed by The Atchison, Topeka and Santa Fe Railway Company (Santa Fe) for 26 years in its Marketing and Executive Departments. During the last 6 of those years, I was the Marketing and Executive Department Representative on Santa Fe's "line-sale team," a group of employees formed to negotiate sales of Santa Fe's rail lines. During that period, I was actively involved in the sale of 22 rail lines totaling over 3,500 miles. My responsibility included writing line sale proposals as well as evaluation of all responses to those proposals. As a result of that experience, I became familiar with traffic and revenue considerations involving rail lines to be operated by shortline rail carriers.

As here pertinent, I have acted as a Rail Transportation Consultant for South Plains Switching, Ltd. Co. (SAW) since SAW began to operate its rail lines at Lubbock, TX in 1999. As a result of consulting for SAW for the past seven years, I have become familiar with SAW's rail traffic and revenues. In particular, I regularly compile SAW's rail traffic.

CERTIFICATE OF SERVICE

I certify that on September 15, 2006, I served the foregoing document, Statement In Response To PYCO's Feeder Line Application To Acquire "All-SAW", by UPS overnight mail, on the following:

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Thomas F. McFarland