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BEFORE THE
SURFACE TRANSPORTATION BOARD
WASHINGTON, D C

Docket AB-398 (Sub-No 7X)

SAN JOAQUIN VALLEY RAILROAD COMPANY
ABANDONMENT EXEMPTION
IN TULARE COUNTY, CA
(BETWEEN STRATHMORE AND JOVISTA)

OFFER OF FINANCIAL ASSISTANCE

FILED
JUN 13 2008
SURFACE
TRANSPORTATION BOARD

BY

BOARD OF SUPERVISORS OF THE COUNTY OF TULARE

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INTRODUCTION

Pursuant to 49 U.S.C. 10904 and 49 CFR 1152.27(c)(1) and the Surface Transportation Board's decision served June 6, 2008, the Board of Supervisors of the County of Tulare, acting on behalf of the County of Tulare (hereinafter referred to as "the County") hereby makes an Offer of Financial Assistance (OFA) with respect to a 30.57-mile portion of the San Joaquin Valley Railroad's South Exeter Branch between Milepost 268.60 at Strathmore and Milepost 299.17 at Jovista in Tulare County, CA (hereinafter referred to as the "7X line"). It is anticipated that the Tulare County Association of Governments (TCAG) will jointly participate in this venture.

Such Offer of Financial Assistance (hereinafter referred to as the "OFA") also includes an offer to purchase the San Joaquin Valley Railroad's interest in a connecting 9.20-mile portion of its South Exeter Branch extending between Milepost 259.40, near Exeter, and Milepost 268.60, near Strathmore, in Tulare County, CA (hereinafter referred to as the "8X line").

Finally, the OFA includes a proposal for the San Joaquin Valley Railroad (SJVR) to continue the operation of both lines of railroad, with a guaranteed traffic level of 200 rail cars per year for the 7X line and a surcharge of \$300 per car for the 7X line.

This OFA is accompanied by a filing fee in the amount of \$1,300 as required by 49 CFR 1002.2(f)(25).

IDENTITY OF LINE

This OFA pertains to a 30.57-mile portion of the San Joaquin Valley Railroad's South Exeter Branch between Milepost 268.60 at Strathmore and Milepost 299.17 at Jovista in Tulare County, California. This is the same line of railroad referenced in the SJVR's petition at Docket AB-398 (Sub-No. 7X), in its entirety. The OFA includes, additionally, an offer to acquire the SJVR's interests in that line of railroad referenced in the SJVR's petition at Docket AB-398 (Sub-No. 8X), in its entirety.

FINANCIAL RESPONSIBILITY

The Board of Supervisors of the County of Tulare, whose address is 2800 W Burrell Avenue, Visalia, CA 93291, is a governing body comprised of five supervisors elected by District. The Board of Supervisors, as such, qualifies as a governmental entity presumed to be financially responsible under 49 CFR 1152.27(c)(1)(ii)C. The Tulare County Association of Governments (TCAG), whose address is 5961 S. Mooney Boulevard, Visalia, CA 93277, is a Metropolitan Planning Agency comprised of the County of Tulare and eight incorporated cities. TCAG is governed by the five Tulare County Supervisors, an elected official from each incorporated city, three at-large representatives, and a representative from California Department of Transportation (Caltrans). TCAG, as such, qualifies as a governmental entity presumed to be financially responsible under 49 CFR 1152.27(c)(1)(ii)C.

DESCRIPTION AND EXPLANATION OF OFFER

The County proposes to acquire the following SJVR lines of railroad together with SJVR's leasehold interests in the railroad right-of-way leased from the Union Pacific Railroad:

- a) The South Exeter Branch between Milepost 268.60 at Strathmore and Milepost 299.17 at Jovista (7X line), for which the County offers to pay the sum of \$555,000. This offer is based on the scrap value of the line at

the average 2007 steel scrap price reported by the USGS at the following location

minerals.er.usgs.gov/minerals/pubs/commodity/iron_&_steel_scrap/mcs-2008-fescr.pdf

SJVR indicates this line of railroad includes 5,517.2 gross tons of steel. While its breakdown of estimated net liquidation value classifies some rail as suitable for reroll and relay, it never offers any basis for this conclusion other than its own experience. The values, moreover, are linked to no definitive sources of data and the valuation fails to even indicate whether the tonnage figures are expressed in metric or short (U.S.) tons. Assuming the figures are metric tons and using the latest full year average price of \$249 per metric ton, the total value is \$1,373,783. Adding the value of the ties (\$343,944) and signals (\$47,500) and subtracting salvage costs (\$1,210,524), as estimated by SJVR, the total net scrap value is \$554,703 (say \$555,000). This is in accord with previous Board decisions to the effect the net liquidation value is the value for non-rail use in the absence of demonstration of going concern for rail use. Therefore, the County's offer is bona fide.

- b) The South Exeter Branch between Milepost 259.40 near Exeter and Milepost 268.60 at Strathmore (8X line), for which the County offers to pay the sum of \$295,000. This offer is based on the same formula applied above. Assuming the figures are metric tons and using the latest full-year average price of \$249 per metric ton, the total value is \$597,149. Adding the value of the ties (\$119,340) and signals (\$42,500) and subtracting the salvage costs (\$465,243), as estimated by SJVR, the total net scrap value is \$293,746 (say \$295,000). This, again, is in accord with previous Board decisions to the effect the net liquidation value is the value for non-rail use in the absence of demonstration of going concern value for rail use. Therefore, the County's offer is bona fide.

The County further proposes SJVR continue the operation of both lines of railroad under a contract with the County, such contract to guarantee a minimum traffic level of 200 rail cars per year for the 7X line and a surcharge of \$300 per car for the 7X line to SJVR to cover those ordinary expenses associated with the operation of the line that are not adequately compensated by freight revenues.

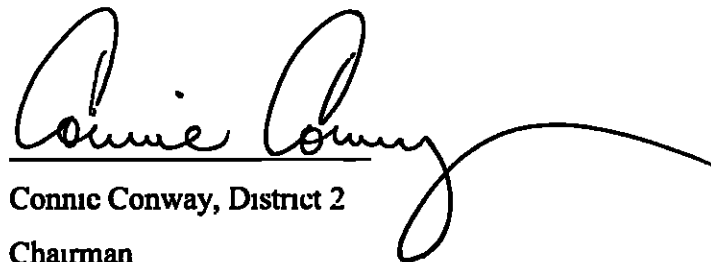
under currently published tariffs (not including existing surcharges except for ordinary fuel surcharges) It is also proposed this contract be assignable by SJVR to a new short line rail operator in the event SJVR should transfer ownership of all or a portion of the SJVR operation to another carrier, provided the County shall be required to approve the assignment, such approval not to be unreasonably withheld

Finally, the County requests SJVR provide sufficient documentation to support the net salvage value of track materials calculation offered in its Petition for Exemption, as required by 49 CFR 1152.27(d), including but not limited to its basis for rail classifications and sources of pricing The County further requests SJVR document the terms of its lease arrangement with the Union Pacific Railroad Company for these lines of railroad

Dated June 12, 2008

Respectfully submitted for,
Board of Supervisors of the County of Tulare
2800 W Burrel Avenue
Visalia, CA 93292

I, Connie Conway, declare under penalty of perjury that the foregoing is true and correct Further, I certify that I am qualified and authorized to file this Offer of Financial Assistance " Executed on June 12, 2008

A handwritten signature in black ink, appearing to read "Connie Conway", with a long, sweeping horizontal line extending to the right.

Connie Conway, District 2
Chairman

Tulare County Board of Supervisors

CERTIFICATE OF SERVICE

I hereby certify that a copy of the foregoing Offer of Financial Assistance was served upon the following entities on June 12, 2008

By Overnight Mail

Louis E Gitomer

Attorney for San Joaquin Railroad Company

The Adams Building, Suite 301

600 Baltimore Avenue

Townson, MD 21204-4022

Scott G Williams, Esq

Senior Vice President & General Counsel

Rail America, Inc

5300 Broken Sound Boulevard N W.

Second Floor

Boca Raton, FL 33487

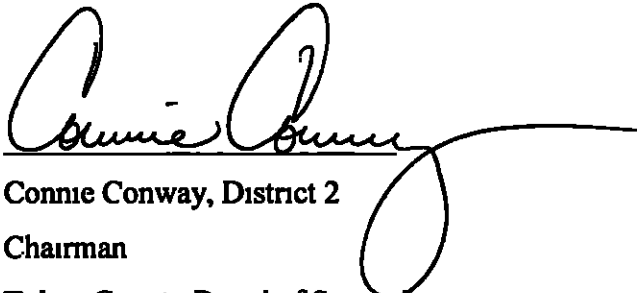
By First Class Mail.

Paul Saldana

Tulare County Economic Development Corporation

4500 S Laspina Street

Tulare, CA 93274

A handwritten signature in black ink, appearing to read "Connie Conway", with a long horizontal flourish extending to the right.

Connie Conway, District 2

Chairman

Tulare County Board of Supervisors

Dated June 12, 2008