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August 4, 2008

Honorable Anne K. Quinlan
Acting Secretary
Surface Transportation Board
395 E Street, S.W.
Washington, D. C. 20423

RE: Docket No. AB-398 (Sub-No. 7X), *San Joaquin Valley Railroad
Company—Abandonment Exemption—in Tulare County, CA
(Between Strathmore and Jovista)*

Dear Acting Secretary Quinlan:

Enclosed for efileing is a PUBLIC Response by the San Joaquin Valley Railroad Company ("SJVR"). A separate HIGHLY CONFIDENTIAL version of the Response is being filed separately.

Thank you for your assistance. If you have any questions please call or email me.

Sincerely yours,



Louis E. Gitomer
Attorney for San Joaquin Valley Railroad Company

Enclosure

BEFORE THE
SURFACE TRANSPORTATION BOARD

Docket No. AB-398 (Sub-No. 7X)

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

RESPONSE OF SAN JOAQUIN VALLEY RAILROAD COMPANY TO
REQUEST FOR ESTABLISHMENT OF CONDITIONS AND AMOUNT OF
COMPENSATION BY TULARE COUNTY, CA

PUBLIC

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RAILROAD COMPANY

Dated: August 4, 2008

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SURFACE TRANSPORTATION BOARD

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REQUEST FOR ESTABLISHMENT OF CONDITIONS AND AMOUNT OF
COMPENSATION BY TULARE COUNTY, CA

The San Joaquin Valley Railroad Company (“SJVR”) responds to the Request for Establishment of Conditions and Amount of Compensation (the “Request to Set Terms”) filed on July 28, 2008 by Tulare County, CA (“Tulare County”). SJVR disagrees with the net liquidation value (the “NLV”) that Tulare County has requested the Surface Transportation Board (the “Board”) to set as the sale price and instead urges the Board to determine the NLV of the line described below to be \$ __, __, __. Pursuant to 49 C.F.R. 1104.8, SJVR is also moving to strike the scandalous portions of the Request that infer SJVR is engaged in “collusion and mischief” (Request at 6).

BACKGROUND

SJVR filed a Petition for Exemption on February 19, 2008 (the “Petition”) to abandon the South Exeter Branch, a 30.57-mile line of railroad between Strathmore, CA, milepost 268.60, and Jovista, CA, milepost 299.17 in Tulare County, CA (the “Jovista Line”).¹ The NLV was calculated on the track, ties, and other track materials since UP owned the real estate. Based on a

¹ SJVR owns the track and materials on the Jovista Line and leases the underlying real estate from the Union Pacific Railroad Company (“UP”).

September 2007 appraisal, SJVR calculated the NLV at \$995,574. The Board granted the exemption.²

The Tulare Valley Railroad Company (“TVRR”) filed an offer of financial assistance (“OFA”) on June 16, 2008 to acquire the Jovista Line. Tulare County filed an OFA on June 13, 2008 for the Jovista Line. On June 17, 2008, SJVR filed a Response to the Tulare County OFA, in order to advise Tulare County of the increase in the NLV due to the rising value of steel. SJVR advised Tulare County that the NLV has increased to \$2,812,470 (See ExhibitA).

Pursuant to 49 C.F.R. 1152.27(l)(1), on July 1, 2008 SJVR decided to negotiate with TVRR and notified the Board and parties of record. SJVR and TVRR were unable to agree to terms and conditions. By letter filed on July 16, 2008, TVRR notified the Board that it would not acquire the Jovista Line through the OFA process. On July 18, 2008, SJVR notified Tulare County that TVRR had withdrawn its OFA, that the NLV of the Jovista Line had continued to increase to \$3,451,210, and that SJVR was willing to negotiate a settlement with Tulare County for Tulare County to acquire the Jovista Line and the line between Strathmore and Exeter. See Letter dated July 18, 2008 from Sandra K. Franger to Ms. Connie Conway in Exhibit B.

After being notified by TVRR that it was not interested in acquiring the Jovista Line, SJVR requested bids and appraisals for the Jovista Line. SJVR has received appraisals and bids for the Track Materials from LBFoster Rail Products (“LBFoster”) of \$_____, Tie Yard of Omaha (the “Tie Yard”) of \$_____, and from Unitrac Railroad Materials, Inc. (“Unitrac”) of \$_____. SJVR conducted its own appraisal of the Jovista Line and determined that the NLV should be at least \$3,451,210.

² *San Joaquin Valley Railroad Company–Abandonment Exemption–in Tulare County, CA*, STB Docket No. AB-398 (Sub-No. 7X) (STB served June 6, 2008).

SJVR disputes Tulare County's calculation of the NLV of the Jovista Line. SJVR contends that as of July 29, 2008, the NLV of the Jovista Line is \$_____, the highest bid made to SJVR. SJVR does not own the real estate in fee simple. Therefore, with respect to compensation to be paid to SJVR, the NLV consists of the Track Materials.

Tulare County's Request contains a brief, and one verified statement by Mr. Gary V. Hunter ("Hunter VS"). Tulare County asks the Board to set the purchase price for the Jovista Line at \$ 1,198,850. As clearly shown in the attached verified statement of Alan Pettigrew, RailAmerica's Vice President Purchasing, Tulare County has not met its burden of proof or justified its valuation of the Jovista Line. Tulare County has asked the Board to impose the typical conditions in an OFA proceeding. SJVR urges the Board to set the purchase price of the Jovista Line at \$_____, and impose only its standard terms and conditions. SJVR justifies its valuation through the testimony of Ms. Sandra K. Franger ("Franger VS") and Mr. Alan Pettigrew ("Pettigrew VS"). Ms. Franger explains that Mr. Hunter could not have inspected the track without unlawfully trespassing on SJVR's property. Mr. Pettigrew testifies to the NLV of the Track Materials. There is no testimony as to the value of the real estate since SJVR does not own the real estate.

ARGUMENT

1. Valuation of the Track Components.

A. Valuation standard.

Proceedings to set conditions and compensation are governed by the provisions of 49 U.S.C. 10904(d)-(f). Under section 10904(f)(1)(B), the Board may not set a price that is below the fair market value of the line. In the absence of a higher going-concern value for continued rail use, the proper valuation standard in proceedings for offers to purchase under section 10904 is the NLV of the rail properties for their highest and best nonrail use. *Chi. & N. W. Transp. Co.—Abandonment*, 363 I.C.C. 956, 958 (1981) ("*Lake Geneva Line*"), *aff'd sub nom. Chi. & N. W. Transp. Co. v. United States*, 678 F.2d 665 (7th Cir. 1982).

NLV includes the value of the underlying real estate plus the net salvage value of track and track materials.

The burden of proof is on the offeror, as the proponent of the requested relief. *See Lake Geneva Line*, 363 I.C.C. at 961. Placing the burden of proof on the offeror is particularly appropriate in forced sale proceedings under 49 U.S.C. 10904 because the offeror may withdraw its offer at any time prior to its acceptance of the terms and conditions that the Board establishes pursuant to a party's request. The rail carrier, on the other hand, is required to sell its line to the offeror at the price the Board sets, even if the railroad views the price as too low.

Because the burden of proof is on the offeror, absent probative evidence supporting the offeror's estimates, the rail carrier's evidence is accepted. In areas of disagreement, the offeror must present more specific evidence or analysis or provide more reliable and verifiable documentation than that which is submitted by the carrier. If the offeror does not present such superior evidence and/or documentation, the Board accepts the carrier's estimates in these forced sale proceedings. *See Burlington Northern Railroad Company—Abandonment Exemption—In Sedgwick, Harvey and Reno Counties, KS*, Docket No. AB-6 (Sub-No. 358X) (ICC served June 30, 1994), and cases cited therein.³

Fair market value is generally understood to be the price that a seller is willing to accept and a buyer is willing to pay on the open market and in an arm's-length transaction. Outside of the OFA process, the LBFoster bid of \$____,____ meets the definition of fair market value, which the Board is required to determine. Not only is the LBFoster the benchmark for the Board to determine the NLV of the Jovista Line, but the Tulare County NLV is so flawed as to be entitled to no weight in determining NLV.

B. SJVR conducted a more thorough inspection of the Jovista Line.

Tulare County claims that Mr. Hunter inspected the Jovista Line. However, nowhere in its pleading does Tulare County state that Mr. Hunter actually received authority to enter SJVR's property or conducted an on-site inspection. Instead, Tulare County is very careful with its selection of words to describe the "inspection."

³ *The Kansas City Southern Railway Company—Abandonment Exemption—Line in Warren County, MS*, STB Docket No. AB-103 (Sub-No. 21X) (STB served February 22, 2008) at 5-6.

In discussing Mr. Hunter's "inspection" of the Jovista Line, Tulare County states that Mr. Hunter conducted "a careful two-day inspection" (Request at 4), twice that Mr. Hunter "observed during his inspection" (*Id.*), and that "based on a careful personal inspection" (Request at 7). Mr. Hunter does not say that he set foot on SJVR's Jovista Line. He says that he "inspected" (Hunter VS at 1), "Based on that inspection" (*Id.*), "personal inspection" (*Id.*), "I observed" (Hunter VS at 2), "my inspection" (*Id.*), and "my inspection" (Hunter VS at 3).

Ms. Franger sets forth the SJVR policy for a third party to enter SJVR's property. After requesting authority to enter the SJVR Line, Mr. Hunter would have had to submit a right-of-entry form and provided SJVR with proof of insurance and a release of liability. Ms. Franger states that Mr. Hunter did not submit a right-of-entry form and could not have legally been on the Jovista Line. Ms. Franger points out that as a general rule, entry of a third party onto railroad property is restricted because of safety and liability issues.

If Mr. Hunter was not legally on the Jovista Line, then his inspection is flawed because he either illegally entered the Jovista Line or he looked at the Jovista Line from a distance. The general right-of-way of the Jovista Line is 100 feet wide, so that Mr. Hunter's "careful personal inspection" must have occurred at least 50 feet away from the Jovista Line, except for those very limited portions of track that were at public crossings.

If Mr. Hunter trespassed on the Jovista Line to conduct his inspection, SJVR urges the Board to condemn such action because of the safety and liability implications of unrestricted access to a line of railroad. Any other action by the Board would be seen as condoning improper access to railroad lines, thereby causing safety and liability issues.

While Mr. Hunter did not conduct an on-site inspection of the entire length of the Jovista Line, SJVR and the entities submitting appraisals and bids for the Jovista Line did actually

conduct an on-site inspection by either walking or hi railing it. Mr. Bader of RailAmerica conducted an on-site inspection of the Jovista Line while SJVR was negotiating with TVRR and reported his findings to the Engineering department which passed them along to Mr. Pettigrew to determine the NLV. LBFoster, Tie Yard, and Unitrac requested and were granted access to conduct an on-site inspection of the Jovista Line. Their appraisals are based on an actual inspection of the Jovista Line. As can be seen in Exhibit 2 to the Pettigrew VS, Unitrac weighed samples of track. As will be discussed later on, Unitrac's weighing of the track completely impeaches Mr. Hunter's testimony about the weight of the 75 pound rail.

C. Mr. Hunter undervalued the Track Materials.

Mr. Hunter undervalued the Track Materials for four reasons: (i) he is not an expert; (ii) he did not conduct an On-site inspection; (iii) he did not correctly classify the steel; and (iv) he failed to use the most recent value of steel.

i. Mr. Hunter is not an expert at valuing Track Materials.

In Exhibit 2 of the Pettigrew VS, Mr. Peterson, President of Tie Yard states:

Mr. Hunter obviously is not involved or familiar with current steel or tie values, and he offers no support of actual sales of materials into current market conditions. Nor does he appear to understand what markets these materials will be sold into. Point of fact is that he does not understand that the current best market for steel is in the Midwest.

Mr. Lambert of Unitrac also questions Mr. Hunter's expertise: "Let me first state that Mr. Hunter has no credibility in the rail material market. His background and qualifications appear to be in line for knowledge of railroad business and track." *Id.* Mr. Pettigrew concurs in the criticism of Mr. Hunter's credentials for determining NLV of Track Materials.

On the other hand, Mr. Pettigrew is Vice President-Purchasing for RailAmerica and is involved in the purchase and sale of Track Materials on a daily basis. LBFoster, Tie Yard, and

Unitrac are in the business of buying and selling Track Materials from railroads throughout the nation on a daily basis and are as familiar as anyone with the market for and value of Track Materials.

Based on the overwhelming qualification of the experts (who have not been paid by SJVR for their opinions) valuing the Track Materials between \$____,____ (from _____) and \$____,____ (from _____), SJVR urges to find that Tulare County has not met its burden of proving that Mr. Hunter has the same level of expertise in valuing Track Materials.

ii. Mr. Hunter did not conduct an on-site inspection.

As described in Section B, Mr. Hunter did not conduct an on-site inspection of the Jovista Line, while the parties preparing appraisals for SJVR did. The Board has found that a limited inspection, such as the one conducted by Mr. Hunter, does not produce an accurate determination of the condition of the line, especially when compared to the detailed on-site inspection completed by SJVR, LBFoster, Tie Yard, and Unitrac.⁴ Therefore, SJVR urges the Board to conclude that Mr. Hunter's inspection of the Jovista Line was inferior to the inspections conducted on behalf of SJVR and conclude that his analyses based on the inspection are inferior to those made by SJVR, LBFoster, Tie Yard, and Unitrac.

iii. Mr. Hunter misclassified the steel.

Mr. Hunter classifies the steel in the Track Materials as either relay or scrap based on the weight, his observations, and the current demand. Hunter VS at 1-2. Mr. Hunter is wrong on all three counts.

As explained by Mr. Pettigrew, the weight of rail is not the determinative factor as to how it should be classified. Mr. Lambert, whose company Unitrac specializes in reroll, points out

⁴ See, *CSX Transportation, Inc.—Discontinuance—at Memphis, in Shelby County, TN*, STB Docket No. AB-55 (Sub-No. 618) (STB Served October 28, 2002).

that there are three reroll mills interested in acquiring the 80 pound rail as reroll. On that basis Unitrac classified the 80 pound rail as reroll. Mr. Lambert's knowledge of the market permits him to classify the 80 pound rail as reroll and accord it a value per ton of \$850, compared to Mr. Hunter's \$300. Tie Yard and SJVR also classify the 80 pound rail as reroll, while LBFoster classifies the 80 pound rail as relay, reroll and scrap, but values it all at \$835 per ton.

SJVR has already demonstrated that Mr. Hunter's observations were not made as the result of an on-site inspection and that Mr. Hunter is not an expert concerning the market for track Material steel.

Finally, Mr. Hunter's statement that he has based his classification of the steel on current demand flies in the face of reality and the statements of SJVR, SJVR, LBFoster, Tie Yard, and Unitrac. World wide demand for steel of any type is at an all time high. As Mr. Lambert states:

In today's present market railroad materials are not measured against the scrap market, they are a commodity of their own. With a very limited supply of available railway material, the demands of the market have increased their values to historic heights. When rail or OTM is sold as scrap it is now considered and priced as #1 bundles or #1 Busheling substitute. There is a tremendous shortage of raw materials such as these because of the Global market we now participate in.

Mr. Petersen of Tie Yard also concludes that Mr. Hunter is not familiar with the current demand for rail steel when he states: "Mr. Hunter ... offers no support of actual sales of materials into current market conditions. Nor does he appear to understand what markets these materials will be sold into."

It is obvious that compared to Mr. Lambert and Mr. Petersen that Mr. Hunter does not understand the current demand for track and material. Tulare County must carry the burden of demonstrating that it has properly classified the Track Materials. As the experts in the area have demonstrated, Mr. Hunter is wrong in his classification of about

97 percent of the Track Materials as scrap in the current market. It is clear that Mr. hunter actually arbitrarily determined that all rail weighing less than 100 pounds was scrap because that is the preponderance of the Tack Materials.

Although there is some disagreement between LBFoster, Tie Yard, and Unitrac as to the exact classification of the Track Materials, due to there specific analysis and judgement, it is clear from their classifications that the vast majority of the Track Material should be classified as relay or reroll.

SJVR urges the Board to reject the arbitrary and uninformed classification of the Track Materials by Mr. Hunter.

iv. Mr. Hunter substantially undervalued the steel.

Mr. Hunter claims that the value of the relay and scrap track materials he has valued is based on the American Metal Market (“AMM”) average prices for June 2008. There are several critical defects in Mr. Hunter’s per ton valuation. First, as Mr. Pettigrew states, the use of a monthly average understates the value in a rising market such as the current market for steel because the price was lower at the beginning of the month driving down the value. The value of Track Materials calculated by Unitrac is based on specific purchase orders in HIGHLY CONFIDENTIAL Exhibit 3 to Mr. Pettigrew’s verified statement. Unitrac also provided the AMM Scrap Iron and Steel Prices for July 29, 2008 (Exhibit 2 to Pettigrew VS) and circled those values that apply to the SJVR Track Material.

Exhibit GVH-2 to Mr. Hunter’s verified statement does not show a value of \$530 per ton for steel. Neither SJVR nor the Board can determine the basis for Mr. Hunter’s use of \$530 per ton. Since the burden of proof is on Tulare Valley, and there is no

evidence justifying a \$530 per ton valuation for relay rail, SJVR urges the Board to reject that valuation. The only values in GVH-2 that equal \$300 per ton are for machine shop turnings in Philadelphia and other track material in Seattle. Just as Mr. Hunter has misclassified the rail, he has applied the wrong category to the valuation. Certainly, machine shop turnings are not involved here. In addition, the steel on the Jovista Line should not be considered other track material as explained by Mr. Lambert. SJVR would not sell the steel in Seattle for \$300 per ton when it can sell it in Chicago as No. 1 bundling or No. 1 busheling at \$890 per ton according to Mr. Lambert, for a shipping charge of about \$65 per ton.

Tulare County has failed to carry its burden of proof as to the per ton value of steel. SJVR urges the Board to reject Tulare County's per ton valuations and accept those of the appraisals included in Exhibit 1 to Mr. Pettigrew's verified statement.

D. Mr. Hunter under values the ties.

Mr. Hunter claims there are 88,200 ties on the Jovista Line, substantially less than SJVR, LBFoster, Tie Yard, or Unitrac found. Moreover, Mr. Hunter concluded that 60 percent of the ties were scrap, compared to 40 to 45 percent by the four other appraisers. Mr. Hunter then undervalued the ties compared to the other four appraisers and amazingly concluded that the cost to remove the ties exceeded their value by 88 cents so that the ties had no value.

Mr. Hunter misclassified the ties because of his lack of experience and his failure to conduct an on-site inspection, as evidenced by his erroneous tie count compared to the other four appraisals as shown in Mr. Pettigrew's statement. Mr. Hunter also undervalued the ties,

especially since he did not consider the hot market for landscape ties in Southern California as explained by Mr. Petersen and confirmed by Mr. Pettigrew.

E. The NLV of the Jovista Line is \$ __, __, __.

SJVR has received three independent appraisals of the Jovista Line that place its NLV between \$ __, __, __ and \$ __, __, __, with the bid of Tie Yard for the Jovista Line of \$ __, __, __ being a cash offer good for 60 days. The Board has determined that the NLV in an OFA proceeding is the fair market value for the highest and best non-rail use of the property. Fair market value is the price that a seller is willing to accept and a buyer is willing to pay on the open market and in an arm's-length transaction. That price is \$ __, __, __. However, if the Board determines that the _____ valuation is not a binding offer, the _____ bid of \$ __, __, __ is a firm offer and is on the table until September 16, 2008, after the time for Tulare County to accept or reject the terms and conditions set by the Board.

Because of the critical failings in Tulare County's evidence, and the general agreement from the appraisals that SJVR has submitted, SJVR respectfully requests the Board to set the price for the Jovista Line at \$ __, __, __.

2. SJVR's valuation is based on the Jovista Line.

Tulare County and Mr. Hunter claim that SJVY could not have inspected the Jovista Line and that SJVR's valuation of the Jovista Line is not reliable because there is no 75-pound rail in the line, only 80-pound rail. This argument shows Mr. Hunter's lack of experience in valuing Track Materials. SJVR did show that the vast majority of rail on the Jovista Line weighed 75 pounds per yard, which is the current weight of the rail. The explanation is simple and verified by Mr. Lambert. The rail on the Jovista Line was laid in the early 1900's. At that time it was manufactured as 80-pound rail under the quality control standards of the day. That is what is

stamped on the rail. However, a century of wear and tear reduces the weight of the rail. SJVR considers the rail to actually weigh about 75-pounds per yard, which is what SJVR identified as the material in the Jovista Line so as not to overstate the actual weight of the rail.

Mr. Lambert also explains the error made by Mr. Hunter concerning whether the rail is 75 or 80 pound rail. Mr. Lambert explains that when the rail was originally laid in the early 1900's it was 80 pound rail. However, due to wear over the past century, the rail now weighs 75 pounds per section, as Unitrac verified by weighing several samples of similar 80 pound rail.

SJVR was accurate in classifying the rail as 75 pounds based on its actual weight. Therefore, SJVR requests the Board to reject Tulare County's argument that SJVR provided the wrong information and did not inspect the Jovista Line. Indeed, the analysis by Mr. Hunter again points to his lack of expertise in calculating the NLV of Track Materials.

3. SJVR moves to strike portions of the Request as scandalous.

Tulare County attempts to make a preemptive argument to discredit an offer for the Jovista Line made by A&K Railroad Materials ("A&K") because TVRR is a subsidiary of A&K and because the

turn of events cannot pass a "smell test". There is too much opportunity for collusion and mischief in that scenario for the Board to go along with it. The offer made by non-carrier A&K may well be designed to establish an inflated purchase price in the OFA proceeding that the County would be unwilling to pay, thereby paving the way for A&K to purchase the Jovista Line outside the OFA process at a lower price, which could be collusively agreed to with SJVR. If the County nevertheless were to pay the inflated price, SJVR could share the windfall amount that it would receive with its partner in mischief, A&K. Either way, SJVR and A&K would unjustifiably manipulate the OFA valuation system to their benefit.

There are two answers to this outrageous claim by Tulare County. First, SJVR has not presented any offer made by A&K as evidence of the NLV of the Jovista Line. Therefore, the argument is entitled to no weight.

Second, there is no support whatsoever for the scandalous argument made by Tulare County. This argument is scandalous in its insinuation of improper actions by SJVR in this proceeding. SJVR has been more than forthright with the Board and Tulare County. SJVR has voluntarily advised Tulare County of the increase in the NLV of the Jovista Line twice. In return, Tulare County did not negotiate with SJVR after TVRR declined to pursue the OFA process, instead requesting the Board to adopt an NLV out of line with four independent appraisals and at the same time making a scandalous accusation against SJVR in order to support Tulare County's case.

Pursuant to 49 C.F.R. 1104.8, "The Board may order that any ... scandalous matter be stricken from any document." The unfounded and untrue veiled accusation made by Tulare County in the Request is a scandalous matter that SJVR strongly requests the Board to strike.⁵

⁵ Were Tulare County's case not so weak and the expert not thoroughly impeached, SJVR would move to have the Request rejected out of hand as the sanction for such a scandalous claim.

CONCLUSION

SJVR respectfully requests the Board to: (1) reject Tulare County's claim that Mr. Hunter is an expert witness concerning the valuation of Track Materials; (2) find that Tulare County has not met its heavy burden of justifying its NLV; (3) find that the NLV is \$____,____ based on the appraisals submitted by SJVR and the presence of a willing seller and a willing buyer; (4) impose the standard closing terms on Tulare County; and (5) strike the scandalous material from the Request.

Respectfully Submitted,

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Attorneys for: SAN JOAQUIN VALLEY
RAILROAD COMPANY

Dated: August 4, 2008

EXHIBIT A-RESPONSE TO TULARE COUNTY OFA

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June 17, 2008

Honorable Anne K. Quinlan
Acting Secretary
Surface Transportation Board
395 E Street, S.W.
Washington, D. C. 20423

RE: Docket No. AB-398 (Sub-No. 7X), *San Joaquin Valley Railroad
Company—Abandonment Exemption—in Tulare County, CA
(Between Strathmore and Jovista)*

Dear Acting Secretary Quinlan:

Enclosed for efilng is a Response to the offer of financial assistance filed by
Tulare County. Thank you for your assistance.

If you have any questions please call or email me.

Sincerely yours,



LOUIS E. GITOMER
Attorney for San Joaquin Valley Railroad Company

Enclosure

BEFORE THE
SURFACE TRANSPORTATION BOARD

Docket No. AB-398 (Sub-No. 7X)

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

RESPONSE TO OFFER OF FINANCIAL ASSISTANCE

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Attorneys for: SAN JOAQUIN VALLEY
RAILROAD COMPANY

Dated: June 17, 2008

BEFORE THE
SURFACE TRANSPORTATION BOARD

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

RESPONSE TO OFFER OF FINANCIAL ASSISTANCE

The San Joaquin Valley Railroad Company (“SJVR”) responds to the Offer of Financial Assistance filed on June 13, 2008 by the Tulare County, CA. SJVR does not object to conducting negotiations under 49 U.S.C. §10904 for Tulare County to acquire the South Exeter Branch, a 30.57-mile line of railroad between Strathmore, CA, milepost 268.60, and Jovista, CA, milepost 299.17 in Tulare County, CA (the “Jovista Line”). However, SJVR disputes the basis for Tulare County’s calculation of the net liquidation value of the Line. SJVR is also willing to negotiate operations over the Jovista Line with Tulare County and the sale of the 9.20-mile rail line between Exeter, CA, milepost 259.40, and Strathmore, CA, milepost 268.60 in Tulare County, CA (the “Exeter Line”), but not under the OFA Process.

BACKGROUND

SJVR filed a Petition for Exemption to abandon the Jovista Line on February 19, 2008 (the “Petition”). After opposition was filed and SJVR responded, the Surface Transportation Board (the “Board”) granted the Petition.¹ A Petition for Exemption to abandon the Exeter Line was filed on February 28, 2008 and denied by the Board.²

¹ *San Joaquin Valley Railroad Company—Abandonment Exemption—in Tulare County, CA*, STB Docket No. AB-398 (Sub-No. 7X) (STB served June 6, 2008)

² *San Joaquin Valley Railroad Company—Abandonment Exemption—in Tulare County, CA*, STB

ARGUMENT

Tulare County filed the OFA seeking: (1) to acquire the Jovista Line for \$555,000; (2) to acquire the Exeter Line for \$295,000; and (3) to have SJVR operate both lines with a traffic guaranty of a minimum of 200 carloads per year and a \$300 per car surcharge on the Jovista Line.

1. The Jovista Line.

SJVR is willing under the OFA Process to negotiate the sale of the Jovista Line to Tulare County. SJVR does not question that Tulare County, as a government entity, is a financially responsible person. However, in order to foster negotiations and avoid a claim by Tulare County that it was surprised, SJVR takes issue with the net liquidation value (the “NLV”) of the track structure suggested by Tulare County.

Tulare County bases its NLV on the quantity of material supplied by SJVR. SJVR confirms that Tulare County is using the correct quantity of material. However, SJVR wants to point out two errors in Tulare County’s calculation. First, SJVR has asserted that the 90 and 112 pound rail and OTM is relay or reroll; however, Tulare County, without any justification treats all rail and OTM as less valuable scrap. Second, Tulare County calculates the “scrap value of the line at the average 2007 steel scrap price reported by the USGS.” OFA at 3-4.

With regard to whether certain of the rail should be classified as relay, reroll, or scrap, the “offeror has the burden of proof as to all issues in dispute.”³

Because the burden of proof is on the offeror, absent probative evidence supporting the offeror’s estimates, the rail carrier’s evidence is accepted. In areas of disagreement, the offeror must present more specific evidence or analysis or provide more reliable and verifiable documentation than that which is submitted by the carrier. If the offeror does not present such superior evidence and/or

Docket No. AB-398 (Sub-No. 8X) (STB served June 6, 2008).

³ 49 C.F.R. §1152.27(h)(3).

documentation, the Board accepts the carrier's estimates in these forced sale proceedings.⁴

SJVR has inspected the Jovista Line and concluded that there is substantial relay and reroll rail, which is more valuable than scrap rail.

Tulare County uses an average value of scrap rail that is from six to eighteen months old. As soon as the abandonment was granted and SJVR received heightened interest from third parties in acquiring the Jovista Line, SJVR updated the NLV of the track and material because of the substantial recent increases in the value of steel. The value of the rail and other track material is based on Chicago scrap prices as of June 9, 2008. Based on the increase in the value of steel, as of June 13, 2008, SJVR estimates the NLV of the track and material in the Jovista Line to be \$2,812,470. The spreadsheet with these valuations is attached as Exhibit 1.⁵ When the Board is asked to determine the NLV for a line that has been authorized for abandonment, the Board uses actual recent market prices and has rejected calculations of NLV that "fail[] to maximize value of track materials."⁶

The purpose of the forgoing is to indicate to Tulare County the NLV of the Jovista Line under the OFA Process, which is substantially higher than the offer made by Tulare County.

2. The Exeter Line.

⁴ *The Kansas City Southern Railway Company—Abandonment Exemption—Line in Warren County, MS, in the Matter of a Request to Set Terms and Conditions*, STB Docket No. AB-103 (Sub-No. 21X) (STB served February 22, 2008) at 5; *See Burlington Northern Railroad Company—Abandonment Exemption—In Sedgwick, Harvey and Reno Counties, KS*, ICC Docket No. AB-6 (Sub-No. 358X) (ICC served June 30, 1994), and cases cited therein.

⁵ In Exhibit 1, NT is the abbreviation for net ton at 2000 lbs/ton and GT is the abbreviation for gross ton at 2240lbs/ton. Scrap and reroll are sold by the GT. There is a higher scrap price per ton for OTM because of its small size, which requires less processing prior to melting.

⁶ *The Kansas City Southern Railway Company—Abandonment Exemption—Line in Warren County, MS, in the Matter of a Request to Set Terms and Conditions*, STB Docket No. AB-103 (Sub-No. 21X) (STB served February 22, 2008) at 9.

SJVR is willing to voluntarily negotiate the sale of the Exeter Line to Tulare County. However, since the Board denied the abandonment of the Exeter Line, SJVR contends that it is not subject to the OFA Process and asks the Board to clarify that the Exeter Line is not subject to the OFA Process at this time.

With respect to the NLV offered by Tulare County for the Exeter Line, it suffers from the same infirmities as the NLV for the Jovista Line. SJVR has recalculated the NLV of the Exeter Line based on June 13, 2008 values and determined that the NLV of the track and material is \$1,670,354. See Exhibit B.

3. SJVR Operations of the Jovista and Exeter Lines.

SJVR is willing to voluntarily negotiate with Tulare Valley to see if the parties can reach agreement for SJVR to operate the two lines if they are acquired by Tulare County. However, SJVR contends that 49 U.S.C. §10904 does not provide for the forced operation of a line authorized for abandonment when the offeror is seeking to acquire the line instead of subsidizing it. In the case of a subsidy, an offeror is required to make the railroad whole for continued operations for up to one year under 49 U.S.C. §10904(a). As to continued operations over the lines by SJVR if they are acquired by Tulare County, SJVR requests that the Board clarify that such negotiations are not subject to the OFA, but that SJVR and Tulare Valley can attempt to reach an agreement through voluntary negotiations.

CONCLUSION

SJVR respectfully requests the Board to: (1) accept the OFA filed by Tulare County for the purpose of commencing negotiations between Tulare County and SJVR for the Jovista Line; (2) clarify that negotiations for the Exeter Line are not subject to the OFA Process, and must be voluntarily negotiated by Tulare County and SJVR; and (3) clarify that negotiations for SJVR to operate the Jovista Line and the Exeter Line if they are acquired by Tulare County are not subject to the OFA Process, and must be voluntarily negotiated by Tulare County and SJVR.

Respectfully Submitted,

Scott G. Williams Esq.
Senior Vice President & General Counsel
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Attorneys for: SAN JOAQUIN VALLEY
RAILROAD COMPANY

Dated: June 17, 2008

EXHIBIT 1-NET LIQUIDATION VALUE OF THE JOVISTA LINE

Liquidation Value of Railroad Asset

San Joaquin Valley Railroad- Exeter South - MP 268.6 to MP 299.17

June 13, 2008

Rail										
Weight	Jnt./CWR	Miles	NT/Mile	Total NT	Total GT	Class	Price NT	Price GT	Total \$ NT	Total \$ GT
112lb	jnt	2	187.26	374.53	334.40	relay	\$1,000		\$374,528	
112lb	jnt	1	187.26	187.26	167.20	reroll		\$725		\$121,220
75lb	jnt	30.32	121.44	3682.06	3287.55	scrap		\$605		\$1,988,970
90lb	jnt	0.2	150.48	30.10	26.87	reroll		\$725		\$19,482
110lb	jnt	0.2	178.11	35.62	31.81	scrap		\$605		\$19,242
Totals		33.72		4309.57	3847.83	Total Rail Value			\$2,523,443	

OTM										
Weight	Jnt./CWR	Miles	NT/Mile	Total NT	Total GT	Class	Price NT	Price GT	Total \$ NT	Total \$ GT
112lb	jnt	3	84.0	252.00	225.00	relay	\$1,000		\$252,000	
75lb	jnt	30.32	50.0	1516.00	1353.57	scrap		\$745		\$1,008,411
90lb	jnt	0.2	50.0	10.00	8.93	relay	\$1,000		\$10,000	
110lb	jnt	0.2	57.0	11.40	10.18	scrap		\$745		\$7,583
Totals		33.72		1789.40	1597.68	Total OTM Value			\$1,277,994	

Ties (Removal & Market)						Signal Appliances			
Class	%	Miles	Total Ties	Price Ea.	Total	Type	Quantity	Unit Price	Total
#1 Relay	15%	33.7	15174	\$8	\$121,392	Lights	13	\$2,500	\$32,500
#2 Relay	0%	33.7		\$6		Gates	3	\$5,000	\$15,000
Landscape	40%	33.7	40464	\$4	\$161,856	Total all Signals			\$47,500
Scrap	45%	33.7	45522						
Total Tie Value					\$283,248				

Turnouts										
Weight	Type	Qty.	NT/TO	Total NT	Total GT	Class	Price EA	Price GT	Total \$ Each	Total \$ GT
75lb	No 10	13	1.9	25.09	22.40	scrap		\$745		\$16,689
112lb	No 11	5	4.5	22.60	20.18	relay	\$4,500		\$22,500	
110lb	No 10	3	4.5	13.35	11.92	relay	\$4,000		\$12,000	
90lb	No 10	10	1.9	19.30	17.23	relay	\$2,500		\$25,000	
Totals		31		80.34	71.73					\$76,189

Liquidation Costs				
	Unit	Cost	Quantity	Total
Dismantle Rail (CWR)	NT	\$65		
Dismantle Rail (Jointed)	NT	\$50	6099 NT	\$304,948.6
Transport Rail & OTM	NT	\$65	6179 NT	\$401,655.2
Remove Ties	EA	\$2	101,160	\$202,320.0
Transport Ties	EA	\$3	101,160	\$303,480.0
Remove Relay Turnouts	EA	\$2,500	31	\$77,500.0
Remove Crossing Signal	EA	\$1,500	16	\$24,000.0
Restore Crossings	EA	\$2,000	41	\$82,000.0

Gross Liquidation Value	\$4,208,374
Total Liquidation Costs	\$1,395,904
Net Liquidation Value	\$2,812,470

6/13/2008

EXHIBIT 2-NET LIQUIDATION VALUE OF THE EXETER LINE

Liquidation Value of Railroad Asset

San Joaquin Valley Railroad- Exeter South - MP 259.4 to MP 268.6

June 13, 2008

Rail										
Weight	Jnt./CWR	Miles	NT/Mile	Total NT	Total GT	Class	Price NT	Price GT	Total \$ NT	Total \$ GT
112lb	jnt	3	187.26	561.79	501.60	relay	\$1,000		\$561,792	
112lb	jnt	3.6	187.26	674.15	601.92	reroll		\$725		\$436,392
75lb	jnt	5.1	121.44	619.34	552.99	scrap		\$605		\$334,556
Totals		11.7		1855.29	1656.51			Total Rail Value		\$1,332,740

OTM										
Weight	Jnt./CWR	Miles	NT/Mile	Total NT	Total GT	Class	Price NT	Price GT	Total \$ NT	Total \$ GT
112lb	jnt	6.6	84.0	554.40	495.00	relay	\$1,000		\$554,400	
75lb	jnt	5.1	50.0	255.00	227.68	scrap		\$745		\$169,621
Totals		11.7		809.40	722.68			Total OTM Value		\$724,021

Ties (Removal & Market)						Signal Appliances			
Class	%	Miles	Total Ties	Price Ea.	Total	Type	Quantity	Unit Price	Total
#1 Relay	15%	11.7	5265	\$8	\$42,120	Lights	3	\$2,500	\$7,500
#2 Relay	0%	11.7		\$6		Gates	7	\$5,000	\$35,000
Landscape	40%	11.7	14040	\$4	\$56,160	Total all Signals			\$42,500
Scrap	45%	11.7	15795						
Total Tie Value					\$98,280				

Turnouts										
Weight	Type	Qty.	NT/TO	Total NT	Total GT	Class	Price EA	Price GT	Total \$ Each	Total \$ GT
75lb	#10	4	1.9	7.72	6.89	scrap		\$745		\$5,135
112lb	No 11	3	4.5	13.56	12.11	relay	\$4,500		\$13,500	
Totals		7		21.28	19.00					\$18,635

Liquidation Costs				
	Unit	Cost	Quantity	Total
Dismantle Rail (CWR)	NT	\$65		
Dismantle Rail (Jointed)	NT	\$50	2665 NT	\$133,234.3
Transport Rail & OTM	NT	\$65	2686 NT	\$174,587.8
Remove Ties	EA	\$2	35,100	\$70,200.0
Transport Ties	EA	\$3	35,100	\$105,300.0
Remove Relay Turnouts	EA	\$2,500	7	\$17,500.0
Remove Crossing Signal	EA	\$1,500	10	\$15,000.0
Restore Crossings	EA	\$2,000	15	\$30,000.0

Gross Liquidation Value	\$2,216,176
Total Liquidation Costs	\$545,822
Net Liquidation Value	\$1,670,354

6/13/2008

CERTIFICATE OF SERVICE

The undersigned hereby certifies that the Response in Docket No. AB-398 (Sub-No. 7X),
San Joaquin Valley Railroad Company–Abandonment Exemption–in Tulare County, CA
(Between Strathmore and Jovista), was mailed via first class mail, postage prepaid, on June 16,
2008, to the following parties:

Tulare County Economic Development Corporation
4500 S. Laspina Street
Tulare, CA 93274

Tulare County Association of Governments
5961 S. Mooney Boulevard
Visalia, CA 93277

Tulare County Board of Supervisors
Administration Building
2800 West Burrel Avenue
Visalia, CA 93291

Fritz R. Kahn, Esq.
Fritz R. Kahn, P.C.
1920 N Street, NW (8th fl.)
Washington, DC 20036



Louis E. Gitomer
June 17, 2008

EXHIBIT B-JULY 18, 2008 LETTER TO TULARE COUNTY



SAN JOAQUIN VALLEY RAILROAD

221 North F Street • P.O. Box 937 • Exeter, CA • 93221 • Phone: 559.592.1857 • Fax: 559.592.1859

July 18, 2008

(via email only)

Ms. Connie Conway, Chairman
Tulare County Board Of Supervisors
2800 West Burrel
Visalia, CA 93291

RE: Docket No. AB-398 (Sub-No. 7X), *San Joaquin Valley Railroad Company Abandonment Exemption—in Tulare County, CA (Between Strathmore and Jovista)*

Dear Ms. Conway:

The Tulare Valley Railroad Company has decided not to ask the Surface Transportation Board (the "STB") to set the terms for its purchase of the San Joaquin Valley Railroad Company's ("SJVR") 30.57-mile line of railroad between Strathmore, CA, milepost 268.60, and Jovista, CA, milepost 299.17 in Tulare County, CA (the "Jovista Line") under the offer of financial assistance ("OFA") procedures.

Therefore, pursuant to 49 C.F.R. 1152.27(l)(2)(i), Tulare County has until July 28, 2008 (since the 50th day, July 26 falls on a Saturday) to negotiate under the OFA procedures with the SJVR and then file a request to set terms with the STB. SJVR is aware that Tulare County is also interested in acquiring the 9.20-mile rail line between Exeter, CA, milepost 259.40, and Strathmore, CA, milepost 268.60 in Tulare County, CA (the "Exeter Line").

Since SJVR initially valued the Jovista Line in its abandonment filing with the STB, the value of the track and material has skyrocketed because of foreign demand. SJVR has received bids for the Jovista Line in excess of \$3 million, and expect bids for the Exeter Line in excess of \$2 million. Based on the latest publicly available scrap values, both lines are worth about \$5.7 million (about \$3.45 million for the Jovista Line and about \$2.27 million for the Exeter Line). If the abandonment is consummated, the track and material on the lines will be sold for scrap, and the transportation corridor will cease to exist. SJVR is willing to sell both lines to Tulare County, if closing takes place by September 30, 2008, under the usual terms that are set by the STB in the OFA process, for a total price of \$5.7 million with \$5 million in cash to be paid by Tulare County to SJVR, and a donation by SJVR to Tulare County of the remainder of the line, which is worth \$0.7 million.



A RailAmerica Company

SAN JOAQUIN VALLEY RAILROAD

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Page 2 of 2

Please note, that these prices do not include the real estate or rights thereto, which is owned by the Union Pacific Railroad Company. Please advise me as soon as possible whether Tulare County is willing to acquire either or both of the lines as set forth above.

If you have any questions please call at 210-841-8332 or email me at sandy.franger@railamerica.com.

Sincerely yours,



Sandra K. Franger
Vice President

Copies to: P. Lundberg, B. Jones L. Gomez-- RailAmerica
Randy Perry -- SJVR
Lou Gitomer



A RailAmerica Company

BEFORE THE
SURFACE TRANSPORTATION BOARD

DOCKET NO. AB-398 (SUB-NO. 7X)

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

VERIFIED STATEMENT OF SANDRA K. FRANGER

My name is Sandra K. Franger. I am Vice President Contracts of RailAmerica, Inc. (“RailAmerica”), the parent company of the San Joaquin Valley Railroad Company (“SJVR”). One of the functions of my job is to oversee the abandonment of railroad lines by RailAmerica’s subsidiary railroads. The purpose of this verified statement is to notify the Surface Transportation Board (the “Board”) that SJVR was not requested to and has not granted access to the 30.57-mile line of railroad between Strathmore, CA, milepost 268.60, and Jovista, CA, milepost 299.17 in Tulare County, CA (the “Jovista Line”) to either Tulare County or to Mr. Gary V. Hunter.

Whenever a third party wants to legally obtain access to the property of the SJVR, they must make a request and then submit a right-of-entry form which provides the third party the right of access to the property and provides liability protection and insurance from the third party to the railroad. The right-of-entry process is very important for safety and to protect the railroad from liability. Neither Tulare County nor Mr. Hunter requested access to the Jovista Line.

In his verified statement, Mr. Hunter claims to have inspected the Jovista Line. However, he never states that he was physically present on the Jovista Line. Therefore,

Mr. Hunter either trespassed on SJVR's property or "inspected" the Jovista Line from property adjacent to the Jovista Line.

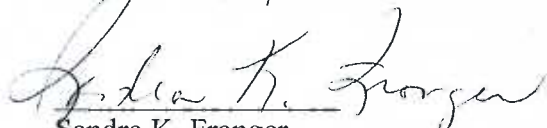
Since the right-of-way is generally 100 feet wide along the Jovista Line, Mr. Hunter could not have inspected the Jovista Line very closely, except at those locations where the Jovista Line is crossed by public streets.

RailAmerica's railroads lines are valued before and during abandonment proceedings by entities such as L.B. Foster, Inc., Unitrac Railroad Materials, Inc., and A&K Railroad Materials, Inc., all of whom execute right-of-entry forms before inspecting a rail line. I would not accept the valuation of a rail line if any of the three companies I mentioned had conducted an inspection as limited as the inspection by Mr. Hunter. We would reject any valuation out of hand if it was conducted by a trespassing party because RailAmerica cannot condone unauthorized entry onto its railroads' property because of liability and safety issues.

VERIFICATION

I, Sandra K. Franger, verify under penalty of perjury under the laws of the United States that the foregoing is true and correct. Further, I certify that I am qualified and authorized to file this Verified Statement.

Executed July 31, 2008.


Sandra K. Franger

BEFORE THE
SURFACE TRANSPORTATION BOARD

DOCKET NO. AB-398 (SUB-NO. 7X)

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

PUBLIC VERIFIED STATEMENT OF ALAN PETTIGREW

My name is Alan Pettigrew. I am Vice President-Purchasing for RailAmerica, Inc. (“RailAmerica”), the parent company of the San Joaquin Valley Railroad Company (“SJVR”). I have 32 years of experience working in the railroad industry including 20 years with the Southern Pacific Transportation Company, over five years with the Union Pacific Railroad Company, and over six years with RailAmerica. As Vice President-Purchasing, my job entails the purchase and sale of railroad track, ties, and other track materials (the “Track Materials”) on a daily basis. The purpose of this statement is to explain to the Surface Transportation Board (the “Board”) my conclusion that the net liquidation value (the “NLV”) for the Track Materials that are the subject of the offer of financial assistance (the “OFA”) filed by Tulare County is \$3,812,413 (See Exhibit 2) and that the OFA proposed by Tulare County does not represent fair market value.

SJVR filed a Petition for Exemption with the Board in order to abandon the the 30.57-mile line of railroad between Strathmore, CA, milepost 268.60, and Jovista, CA, milepost 299.17 in Tulare County, CA (the “Jovista Line”) on February 19, 2008. In the Petition, SJVR calculated the NLV of the Track Materials as of September 28, 2007 to be \$995,574. Since the initial calculation was made in September 2007, the value of rail has sky rocketed. After the abandonment was granted by the Board on June 6, 2008, SJVR requested bids and appraisals for

the Track Materials based upon authorized on-site inspections of the Jovista Line from professional dealers in Track Materials. SJVR also prepared its own internal appraisal of the Track Materials as a check of the bids and appraisals that would be submitted. After Tulare County filed its OFA, SJVR filed a response in order to advise Tulare County and the Board of the substantial increase in the NLV of the Track Materials to \$2,812,470.

I am familiar with the Jovista Line. Mr. Marc Bader inspected the Jovista Line after SJVR began negotiating the sale with the Tulare Valley Railroad Company ("TVRR") under the OFA provisions. Mr. Bader reported the results of his on-site inspection to RailAmerica's Engineering Department, who forwarded those results to me. The results of Mr. Bader's inspection of the Jovista Line are included in Exhibit 1 as the SJVR Valuation. Once the OFA process began, I asked three independent professional dealers who regularly and frequently buy and sell railroad Track Materials to provide new appraisals and bids for the Track Materials on the Jovista Line. SJVR did not pay for these appraisals. When TVRR notified SJVR and the Board that it would not ask the Board to set the terms and conditions for the sale of the Jovista Line, SJVR knew that Tulare County would have the opportunity to ask the Board to set terms and conditions and on July 18, 2008, and in the event that Tulare did seek to acquire the Jovista Line through the OFA process, SJVR notified Tulare County that the NLV of the Track Materials had increased again to \$3,451,210. After SJVR twice provided Tulare County with notice of the increase in the value of the Jovista Line, SJVR was greatly disappointed when Tulare County asked the Board to set the NLV at \$1,198,850.

When TVRR withdrew its OFA, and SJVR did not hear from Tulare County, I thought that I would be free to select the highest bid outside the scope of the regulatory process, as I normally do when selling the assets of one of RailAmerica's subsidiary railroads. However,

when the Request for Establishment of Conditions and Amount of Compensation was filed with the Board on July 28, 2008 by Tulare County, CA (the “Request”), I reviewed the Request, and asked for updated appraisals and bids from the three professional dealers (See Exhibit 1) and any comments they had concerning the OFA from Tulare County (See Exhibit 2). The bids were made after on-site inspections. I have reviewed the comments and agree with them.

As a willing seller, outside of the OFA process, SJVR would sell the Track Materials to the highest bidder. The highest bid was made by _____ (“_____”) in the amount of \$_____, and I expect to sell the Track Materials from the Jovista Line for that price. As can be seen from the three independent appraisals, the OFA filed by Tulare County is less than one-third of the price that SJVR could receive for the Track Materials on the Jovista Line.

SJVR calculated the NLV of the Jovista Line to be \$3,451,210 and SJVR requested appraisals and bids for the Track Materials on the Jovista Line from LBFoster, the Tie Yard of Omaha (the “Tie Yard”), and Unitrac Railroad Materials, Inc. (“Unitrac”). Each of the professional dealers made an on-site inspection of the Jovista Line. Detailed appraisals and bids were received from LBFoster, Tie Yard, and Unitrac and are included in Exhibit 1. The values and tonnage established by SJVR, LBFoster, Tie Yard, Unitrac, and Tulare County are in the table below.

VALUATIONS OF TRACK MATERIALS IN JOVISTA LINE

BIDDER	BID	TOTAL NT ¹
SJVR	\$3,451,210	6,552.85
LBFoster	\$_,_,_	6,232.72
Tie Yard	\$_,_,_	6,018.80
Unitrac	\$_,_,_	6,165.73
Tulare County	\$1,198,850	6,202.89

The appraisals and bids from the three professional dealers demonstrate the value that the market places on the Track Materials. SJVR valued the Jovista Line at \$3,451,210, and received market based appraisals and bids between \$_,_,_ (from _____) and \$_,_,_ (from _____). Not only does the difference of the three appraisals of less than \$200,000 validate them, but it also shows that there are serious deficiencies in the Tulare County NLV of only \$1,198,850. The Tulare County NLV is inaccurate because it: (1) is not based on an on-site inspection; (2) was not prepared by an expert in valuing Track Materials; (3) does not use the proper value for relay, reroll and scrap steel; (4) improperly classifies the steel; (5) undervalues ties and creates a clearly artificial removal cost; and (6) does not provide a realistic cost of removal or a transportation cost.

As can be seen in Exhibit 1, the inspections by SJVR, LBFoster, Tie Yard, and Unitrac each resulted in different amounts of Track Materials, with Tie Yard and Unitrac determining that there was less Track Materials in the Jovista Line than Tulare County, but at a substantially higher value. It is clear that Tulare County has undervalued the Jovista Line by devaluing the quality of the Track Materials and by using unrealistically low values for steel.

1. Mr. Hunter did not conduct an on-site inspection.

¹ Total NT is based upon the Rail, OTM, and Turnouts.

As Ms. Franger relates in her Verified Statement, Mr. Hunter never received permission to conduct an on-site inspection on the Jovista Line. As can be seen from the discussion of the 75 and 80 pound issue, a better valuation is made when an on-site inspection occurs. Mr. Hunter's failure to conduct an on-site inspection resulted in his error in judgment concerning the 75 and 80 pound rail issue. Compared to Mr. Bader and the three professional dealers, Mr. Hunter did not conduct an on-site inspection, instead he either viewed portions of the Jovista Line from a distance or public crossings or trespassed on railroad property, conducting his inspection unlawfully.

2. Mr. Hunter is not an expert in valuing Track Materials.

From the comments made by LBFoster, Tie Yard and Unitrac, it is clear that Mr. Hunter, Tulare County's witness, is not an expert. Mr. Peterson, President of Tie Yard states:

Mr. Hunter obviously is not involved or familiar with current steel or tie values, and he offers no support of actual sales of materials into current market conditions. Nor does he appear to understand what markets these materials will be sold into. Point of fact is that he does not understand that the current best market for steel is in the Midwest (i.e. Chicago market), and that this steel will all be sold into that market at prices approaching and/or exceeding \$800/gross ton for scrap. Cost of freight is minimal compared to the \$300 premium for bringing the product east. Conversely, landscape ties are a hot commodity in Southern California, and the ties on this line have great value there.

Mr. Lambert of Unitrac and Mr. Steininger of LBFoster also indicate that the Track Materials would be sold in the Midwest market because of the substantially higher values received there. Mr. Lambert also questions Mr. Hunter's expertise: "Let me first state that Mr. Hunter has no credibility in the rail material market. His background and qualifications appear to be in line for knowledge of railroad business and track."

I agree with the comments of LBFoster, Tie Yard, and Unitrac. RailAmerica is involved in the purchase and sale of Track Materials on a regular ongoing basis. We deal with and know

the people who are involved in the business of buying and selling Track Materials and the experts in the area. RailAmerica is not familiar with Mr. Hunter and has not been involved with him in our ongoing transactions.

3. Tulare County undervalued steel.

LB Foster, Tie Yard, and Unitrac also attack the steel values that Mr. Hunter has used. Attached as HIGHLY CONFIDENTIAL Exhibit 3 are five bids received by Unitrac for the purchase of railroad steel, with the lowest offer being \$830 per ton. Mr. Hunter valued over 96 percent of the rail and OTM steel at \$300 per ton.

As explained by Mr. Lambert:

In today's present market railroad materials are not measured against the scrap market, they are a commodity of their own. With a very limited supply of available railway material, the demands of the market have increased their values to historic heights. When rail or OTM is sold as scrap it is now considered and priced as #1 bundles or #1 Bushling substitute. There is a tremendous shortage of raw materials such as these because of the Global market we now participate in.

As can be seen in the attachment to Unitrac's comments, the American Metals Market ("AMM") value for #1 bundles and #1 Bushling in Chicago on July 29, 2008 is \$890 per ton. Were the 5,994.68 tons of scrap that Mr. Hunter valued at \$300 per ton, correctly valued at \$890 per ton, the NLV proposed by Tulare County would increase by \$3,536,861 $((890-300 \text{ dollars/ton}) \times 5,994.68 \text{ tons})$ bringing Tulare County's NLV in line with the other bids received.

Moreover, Mr. Hunter used June averages from the AMM, which has the effect of undervaluing an asset such as steel, where the value at the end of the month was substantially higher than at the beginning of the month. The three professional dealers used recent prices. Unitrac used the AMM value for July 29, 2008, Tie Yard used actual orders and LB Foster used AMM values.

The world wide demand for steel has caused its value to escalate at unprecedented rates. SJVR advised Tulare County of its increase at the time Tulare County filed its OFA and again when TVRR declined to pursue its OFA. Yet Tulare Valley refuses to recognize the value of steel in Chicago. Although the Seattle market is closer, as Mr. Petersen states, the price paid for steel in Chicago is so much higher than in Seattle that it is well worth the cost of shipping to sell the steel in Chicago.

The current value of steel is about \$890 per ton, depending on whether the steel is considered relay, reroll or scrap. Values for each type of steel are provided in the bids that SJVR received. Tulare County's valuations of steel are outdated and do not equate to the valuations made in the offers made to SJVR by professional dealers familiar with the day-to-day market.

4. Tulare County improperly classifies the steel.

Mr. Hunter's determination of whether the rail was relay, scrap, or reroll was based solely on the weight of the rail. He considered rail less than 100 pounds to be scrap, rail between 100 and 110 pounds to be reroll, and rail over 110 pounds as relay. Hunter VS at 4. Mr. Hunter claimed that there were 6,202.89 tons of steel on the Jovista Line and classified 5,994.77 tons, nearly 97 percent of the steel as scrap, with the rest being relay. All three professional dealers disagree with Mr. Hunter. Tie Yard and Unitrac agree with SJVR that the 80 pound rail should be considered reroll.² LBFoster classifies the 80 pound rail as a mixture of relay, reroll and scrap, but assigns it the highest value for rail. In contrast to Mr. Hunter's classification of the

² Mr. Lambert also explains the error made by Mr. Hunter concerning whether the rail is 75 and 80 pound rail. Mr. Hunter claims that SJVR could not have inspected the Jovista Line because there is no 75 pound rail on the line. Mr. Lambert explains that when the rail was originally laid in the early 1900's it was 80 pound rail. However, due to wear over the past century, the rail now weighs 75 pounds per section, as Unitrac verified by weighing several samples of the 80 pound rail. Therefore, SJVR was accurate in classifying the rail as 75 pounds based on its actual weight.

steel, the professional dealers have classified the steel in the Track Materials as follows on a percentage basis:

Classifier	Relay	Reroll	Scrap	Total Tons	Gross Value (excluding ties and signals)
LB Foster	69%	3%	28%	6,232.72	\$_, ___, __
Tie Yard	4%	67%	29%	6,018.80	\$_, ___, __
Unitrac	4%	70%	26%	6,165.73	\$_, ___, __
SJVR	11%	65%	24%	6,552.85	\$4,590,744
Mr. Hunter	3%	0%	97%	6,202.89	\$1,908,753

The difference in the classification of steel between Mr. Hunter on the one hand and LB Foster, Tie Yard and Unitrac is telling. The difference is based on experience, on-site inspection and the purpose of the classification. Mr. Hunter classified the steel based solely on its weight for the purpose of this litigation to make the best case for his client. The three professional dealers are involved in the purchase and sale of railroad steel everyday. They are not consultants hired for litigation purposes. The three professional dealers conducted an on-site inspection on the Jovista Line, while Mr. Hunter did not. Finally, it makes no economic sense for the professional dealers to inflate the classification of the steel because that will inflate their bid to SJVR. Indeed, if Tulare County does not acquire the Jovista Line (according to the Board's rules, a decision determining the NLV must be made by August 27 and Tulare County will have until September 6 to accept or reject the NLV), the Tie Yard offer is good until at least September 16, 2008, and Tie Yard will pay \$_, ___, __ to SJVR in cash and Tie Yard will pay the removal and transportation costs.

The steel on the Jovista Line is very valuable as Mr. Lambert has explained. Although there is some variance in the percentage of steel classified as relay and reroll, the three dealers and SJVR classify between 71% and 76% of the steel as relay or reroll, compared to Mr. Hunter who only classifies 3% of the steel as relay or reroll. It is obvious that Mr. Hunter's

classification is so far outside the norm of four independent classifications of the steel that it is not worth considering.

5. Tulare County has undervalued the ties.

As the chart below indicates, Mr. Hunter has substantially undercounted the number of ties.

	Number of ties
Mr. Hunter	88,200
LBFoster	98,400
Tie Yar	98,400
Unitrac	97,710
SJVR	101,160

Again, the difference must be ascribed to Mr. Hunter's failure to conduct an on-site inspection and his inexperience in valuing Track Materials. Mr. Hunter also treats 60% of the ties as scrap compared to the four other valuations that consider only 40% to 45% of the ties as scrap. It is also unusual that Mr. Hunter's cost of tie removal is equal to his tie value. The disparity of treatment of the ties by Mr. Hunter calls into question his valuation. I agree with Mr. Petersen when he says that landscape ties "are a hot commodity in Southern California."

Mr. Hunter has underreported the number of ties in the Jovista Line and has misclassified them. His analysis is not reliable, nor is it in line with the analysis conducted by experts in the area.

6. There is no realistic cost of removal or transportation cost.

Mr. Hunter does not provide a realistic cost of removal, nor does he include transportation costs. Mr. Hunter estimates removal and transportation costs to be about \$910,000 (steel \$651,400, ties \$176,400, and crossings \$82,000). The estimates of removal and transportation from the three professional dealers and SJVR range from \$1,220,816 to

\$1,429,067. SJVR would gladly accept Mr. Hunter's removal costs if they were realistic and included transportation costs. But Mr. Hunter's removal costs, as are all of his other estimates, so far outside the norm established by three independent experts and SJVR's in-house expert analysis as to obviously be intended only for litigation purposes and have no relation to the fair market value of the Jovista Line.

SUMMARY

Based on a my day to day experience over many years in the purchase and sale of Track Materials, a review of Mr. Hunter's statement, and the appraisals and bids prepared by experts in the field who purchase and sell Track Materials on a daily basis (Mr. Peterson, Mr. Lambert, and Mr. Steininger), I conclude that Mr. Hunter's valuation of the Track Materials is seriously flawed. His valuation is less than one-third of the bids SJVR has received from three independent professional dealers who are experts in this field.

I understand that for the Jovista Line, the Board will determine the NLV based on the value of the Track Materials. The best means of determining value is the price that a seller is willing to accept and a buyer is willing to pay on the open market and in an arm's-length transaction. There are three independent bids for the Jovista Line that indicate the price a buyer is willing to pay. Each of them is more than three times the NLV proposed by Tulare County. Each of the three has also been justified by an on-site inspection of the Jovista Line, been prepared by experts, and used current data on the condition of the Track Materials and the value of steel.

Since _____ has made the highest offer of the three, it is that offer that represents an NLV for the Jovista Line of \$_____. The bid made by Tie Yard is without contingencies, remains on the table until September 18th and is for \$_____.

VERIFICATION

I, Alan Pettigrew, verify under penalty of perjury under the laws of the United States that the foregoing is true and correct. Further, I certify that I am qualified and authorized to file this Verified Statement.

Executed August 4, 2008.


Alan Pettigrew

EXHIBIT 1 – BIDS FOR THE JOVISTA LINE

LB Foster

Rail Products

1195 Salt Springs Road
Mineral Ridge, OH 44440
330.652.1465
330.652.7494 (Fax)

July 30, 2008

Mr. Alan Pettigrew
RailAmerica, Inc.
7411 Fullerton Street
Suite 300
Jacksonville, FL
32256

RE: San Joaquin Valley Railroad NLV

Dear Mr. Pettigrew:

L B Foster Co. performed a complete and thorough site inspection of the entire San Joaquin Valley line from MP 268.6 to 299.17 inclusive.

Based on our site inspection and review of the line, we maintain that the values reflected in our NLV document (submitted as L B Foster SJVR Strathmore - Jovista 7-30-08 NLV.XLS) are accurate, reflect current market conditions, and are a reasonable estimate of the current value of the line.

Please contact me should you have any questions.

Sincerely,



Rick Steininger
General Manager,
Relay Rail & Trackwork Divisions
L.B. Foster Company
Direct Dial: 330-652-1465 x15
Fax: 330-652-7494
Cell: 770- 329-8332
Email: rsteininger@lbfosterco.com



Unitrac Railroad Materials, Inc.

(865) 693-9061
Fax (865) 693-9161

Post Office Box 7098 • Knoxville, Tennessee 37921
An Equal Opportunity Employer

July 30, 2008

Mr. Alan Pettigrew
Rail America
7411 Fullerton Street, Suite 300
Jacksonville, FL 32256
RE: Coos Bay Line

Dear Mr. Pettigrew,

Unitrac Railroad Materials offers the attached revised Net Liquidated Valuation (NLV) after a thorough on site inspection and review of the San Joaquin Valley Rail line between Strathmore, Ca and Jovista, CA. Our offer is based on current market conditions and is a reasonable and accurate estimate of the current market value of the line. Please do not hesitate to call if you have any questions or need any further clarification.

Sincerely,

Raymond Lambert
President
Unitrac Railroad Materials

SJVR Valuation

Liquidation Value of Railroad Asset

San Joaquin Valley Railroad- Exeter South - MP 268.6 to MP 299.17

July 17, 2008

Rail										
Weight	Jnt./CWR	Miles	NT/Mile	Total NT	Total GT	Class	Price NT	Price GT	Total \$ NT	Total \$ GT
112lb	jnt	2	187.26	374.53	334.40	relay		\$1,150		\$384,560
112lb	jnt	1	187.26	187.26	167.20	reroll		\$825		\$137,940
80lb	jnt	30.32	133.76	4055.60	3621.07	reroll		\$825		\$2,987,386
90lb	jnt	0.2	150.48	30.10	26.87	reroll		\$825		\$22,169
110lb	jnt	0.2	178.11	35.62	31.81	scrap		\$605		\$19,242
Totals		33.72		4683.11	4181.35	Total Rail Value			\$3,551,298	

OTM										
Weight	Jnt./CWR	Miles	NT/Mile	Total NT	Total GT	Class	Price NT	Price GT	Total \$ NT	Total \$ GT
112lb	jnt	3	84.0	252.00	225.00	relay		\$1,150		\$258,750
80lb	jnt	30.32	50.0	1516.00	1353.57	scrap		\$500		\$676,786
90lb	jnt	0.2	50.0	10.00	8.93	relay		\$1,150		\$10,268
110lb	jnt	0.2	57.0	11.40	10.18	scrap		\$500		\$5,089
Totals		33.72		1789.40	1597.68	Total OTM Value			\$950,893	

Ties (Removal & Market)									
Class	%	Miles	Total Ties	Price Ea.	Total	Signal Appliances			
#1 Relay	15%	33.7	15174	\$8	\$121,392	Type	Quantity	Unit Price	Total
#2 Relay	0%	33.7		\$6		Lights	13	\$2,500	\$32,500
Landscape	40%	33.7	40464	\$4	\$161,856	Gates	3	\$5,000	\$15,000
Scrap	45%	33.7	45522	-\$5		Total all Signals			\$47,500
Total Tie Value					\$55,638				

Turnouts										
Weight	Type	Qty.	NT/TO	Total NT	Total GT	Class	Price EA	Price GT	Total \$ Each	Total \$ GT
75lb	No 10	13	1.9	25.09	22.40	scrap		\$605		\$13,553
112lb	No 11	5	4.5	22.60	20.18	relay	\$6,000		\$30,000	
110lb	No 10	3	4.5	13.35	11.92	relay	\$5,000		\$15,000	
90lb	No 10	10	1.9	19.30	17.23	relay	\$3,000		\$30,000	
Totals		31		80.34	71.73					\$88,553

Liquidation Costs				
	Unit	Cost	Quantity	Total
Dismantle Rail (CWR)	NT	\$65		
Dismantle Rail (Jointed)	NT	\$50	6473 NT	\$323,625.7
Transport Rail & OTM	NT	\$65	6553 NT	\$425,935.5
Remove Ties	EA	\$2.25	101,160	\$227,610.0
Remove Relay Turnouts	EA	\$2,500	31	\$77,500.0
Remove Crossing Signal	EA	\$1,500	16	\$24,000.0
Restore Crossings	EA	\$4,000	41	\$164,000.0

Gross Liquidation Value	\$4,693,882
Total Liquidation Costs	
	\$1,242,671
Net Liquidation Value	
	\$3,451,210

EXHIBIT 2 – COMMENTS ON MR. HUNTER’S TESTIMONY

LBFoster

Rail Products

1195 Salt Springs Road
Mineral Ridge, OH 44440
330.652.1465
330.652.7494 (Fax)

July 30, 2008

Mr. Alan Pettigrew
RailAmerica, Inc.
7411 Fullerton Street
Suite 300
Jacksonville, FL
32256

RE: San Joaquin Valley Railroad NLV

Dear Mr. Pettigrew:

In reviewing Mr. Hunter's assessment and valuation of the above referenced line, I have found what I believe to be some significant inconsistencies.

A few of these inconsistencies follow:

Scrap rail valued at \$350.00/NT.

When adjusted for freight, the value of scrap rail delivered to Midwest markets is approximately \$550.00/NT. If all the rail on the line were deemed scrap, which is not the case, the increase in value would be \$927,800.00.

Reroll Rail.

Mr. Hunter has not accounted for the value of reroll rail.

We estimate that there are approximately 2,450 Net Tons of reroll rail in the line. When adjusted for freight, the value of reroll rail delivered to Midwest markets is approximately \$650.00/NT. This equates to an increase in value of \$735,000.00.

LB Foster

Rail Products

1195 Salt Springs Road
Mineral Ridge, OH 44440
330.652.1465
330.652.7494 (Fax)

Takeup Costs of \$20,000.00/Track Mile.

This rate is approximately twice the current market rate for track dismantlement.

As stated in our earlier letter, based on our site inspection and review of the line, we maintain that the values reflected in our NLV document (submitted as L B Foster SJVR Strathmore - Jovista 7-30-08 NLV.XLS) are accurate, reflect current market conditions, and are a reasonable estimate of the current value of the line.

Please contact me should you have any questions.

Sincerely,



Rick Steininger
General Manager,
Relay Rail & Trackwork Divisions
L.B. Foster Company
Direct Dial: 330-652-1465 x15
Fax: 330-652-7494
Cell: 770- 329-8332
Email: rsteininger@lbfosterco.com

the
TIE YARD
OF OMAHA

8202 "F" Street • Omaha, NE 68127

July 29, 2008

Mr. Alan Pettigrew
Rail America, Inc.
7411 Fullerton Street
Jacksonville, FL 32256

RE: SJVRR – NLV Exeter, CA

Mr. Pettigrew

We have previously sent you an offer to purchase the Exeter South branch from MP 268.6 to MP 299.17.

Per your request, I have filled out your NLV form covering this same line and have attached same to this letter, as support of your NLV against an OFA offered to the STB by the local County. I reviewed Mr. Gary Hunter's evaluation of the line, per the OFA, and found it to be typical of so called "Railroad Consultants", who offer opinions as to valuations of track materials. Mr. Hunter obviously is not involved or familiar with current steel or tie values, and he offers no support of actual sales of materials into current market conditions. Nor does he appear to understand what markets these materials will be sold into. Point of fact is that he does not understand that the current best market for steel is in the Midwest (i.e. Chicago market), and that this steel will all be sold into that market at prices approaching and/or exceeding \$800 / gross ton for scrap. Cost of freight is minimal compared to the \$300 premium for bringing the product east. Conversely, landscape ties are a hot commodity in Southern California, and the ties on this line have great value there.

All that said, our offer to purchase this line still stands at our previous price.

Sincerely



Terry Peterson
President



Unitrac Railroad Materials, Inc.

(865) 693-9061
Fax (865) 693-9161

Post Office Box 7098 • Knoxville, Tennessee 37921
An Equal Opportunity Employer

July 20, 2008

Mr. Alan Pettigrew
Vice President – Purchasing
RailAmerica, Inc.
7411 Fullerton Street, Suite 300
Jacksonville, FL 32256

Dear Alan;

I have reviewed Mr. McFarland response based on Mr. Hunter's information. Let me first state that Mr. Hunter has no credibility in the rail material market. His background and qualifications appear to be in line for knowledge of railroad business and track. The evaluation of this project however is strictly based on current market values and relay values of the materials involved.

Unitrac Railroad Materials, Inc's business is in railroad materials, and our stated goals are to bring maximum value to our customers. We have the experience to recognize the maximum return for our customers. We not only sell and buy; we handle the logistics, valuation, and dismantlement of railroad materials.

In today's present market railroad materials are not measured against the scrap market, they are a commodity of their own. With a very limited supply of available railway material, the demands of the market have increased their values to historic heights. When rail or OTM is sold as scrap it is now considered and priced as a #1 bundles or #1 Bushling substitute. There is a tremendous shortage of raw material such as these because of the Global market we now participate in.

As you know we specialize in reroll, a remanufacturing process for new angle steel, where railroad rail fails to make a relay grade. This is where the value of SJVR is accurate to our estimate. The rail on this project is not scrap, it is entirely reusable. Though there is a limited market for 80# relay rail. There are three reroll mills that require this rail as a raw material and have expressed sincere interest in acquiring this material.

I expect that Mr. McFarland's claim of RailAmerica not physically inspecting this line and be mistaken in its paperwork, is that he does not realize the 75# he note is the average actual weight of the rail in track. Our revised NLV states that the rail is 80# ASCE section, this is a theoretical assumption. When this material was rolled in the early 1900's it weight was assigned by the yard in a theoretical fashion based on engineering specifications at the time. We actually weighted multiple 3 foot sections and it averaged actual weight of 75#. This is the actual value a seller would receive from a steel mill as scrap or a reroll mill.



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I also suspect Mr. Hunter assumes this material would be sold on the west coast and has used these index averages that are not current. You will note in our NLV our sales are based on East coast and Midwest pricing and we have included freight costs to deduct for a net value. Generally if you wish to know the current value you wait until approx around the 15th of each month to do your diligence. Typically the index trail approx 35 to 30 days to the actual market. And I stated earlier it is a market of supply and demand in which presently supply is far below today's demands, causing indexes to be a guide for change than actual true values. I have included attachments of recent sales to very current values to the "real market". I have also included an updated AMM Index, and noted the minimums you would expect if it were all scrap.

I would be happy to discuss any of the information I have with Mr. McFarland, Mr. Hunter or Mr. Gitomer at any time.

Sincerely,

A handwritten signature in blue ink, appearing to read 'RJL', with a long horizontal flourish extending to the right.

Raymond J Lambert
President
Unitrac Railroad Materials, Inc.

AMM SCRAP IRON AND STEEL PRICES

Tuesday, July 29, 2008

CONSUMER BUYING PRICES

Estimated domestic consumer buying prices in US\$/gross ton, calloway mill price.

	Birmingham	Carrollton	Chicago	Cleveland	Detroit	Houston area	N.Y.	Philly	P'burgh	Seattle/Portland	St. Louis	Youngstown	Hamilton, Ontario	Montreal
NO. 1 HEAVY MELT	440	465	515	525	495	405	525	525	530	212-214	480	525	433	400
No. 2 heavy melt	430	455	512	515	495	395	515	505	522	209-211	470	515	433	327
No. 1 bundles	805	830	890	880	845	790	820(a)	790	850	190-192	875	890(a)	702	NA
No. 2 bundles	340	395	410	410	330	330	400	400	400(a)	190-192	875	890	742	625
No. 1 bushing	805	795	890	870	850	795	825(a)	790	870	190-192	875	890	742	625
No. 1 factory bundles	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
Shredded auto scrap	600	555	605	595	595	580	600	585	600	232-234	590	595	369	390
MACHINE SHOP TURNINGS	300	340	430	360(a)	430	370	320	320	335	187-189	390	390	243	190
Shoveling turnings	NA	NA	430	370(a)	430	370	320	320	345	187-189	390	390	243	190
Cast iron borings	NA	NA	430	370(a)	430	370	320	320	345	187-189	390	390	243	190
Mixed borings, turnings	NA	NA	430	370(a)	430	370	320	320	345	187-189	390	390	243	190
CUT STRUCTURAL PLATE, 2" MAX.	NA	540	745	745	745	450	540	540	540	137-139	535	535	450	440
Cut structural plate, 3" max.	570	535	745	745	745	440	540	540	540	137-139	535	535	450	440
Cut structural plate, 5" max.	470	530	745	745	745	425	540	540	540	137-139	535	535	450	410
Foundry steel, 2" max.	385	425	515	480	490	415	540	540	540	137-139	535	535	450	415
CUPOLA CAST	420	425	515	480	490	415	540	540	540	137-139	535	535	450	415
Clean auto cast	400	385	425	480	490	415	540	540	540	137-139	535	535	450	415
Unstripped motor blocks	455	395	445	350	400	430	540	540	540	137-139	535	535	450	415
Heavy breakable cast	300	330	350	350	400	430	540	540	540	137-139	535	535	450	415
Drop broken machinery cast	470	530	575	575	520	425	540	540	540	137-139	535	535	450	415
NO. 1 RR HEAVY MELT	460	590	665	740	740	425	540	540	540	137-139	535	535	450	415
Rail crops, 2" max.	460	590	665	740	740	425	540	540	540	137-139	535	535	450	415
Random rails	800	740	875	875	875	855	855	855	855	300	855	855	855	855
Steel car wheels	605	560	500	500	500	645	645	645	645	300	645	645	645	645
Other track material (OTM)	605	560	500	500	500	645	645	645	645	300	645	645	645	645
CLEAN USED DEFENSIBLE CANS	NA	NA	515	570	560	320(a)	540	540	540	137-139	535	535	450	415

(a) Appraisal price

NA—Not available

† Canadian currency, in net tons

STAINLESS STEEL SCRAP

\$865 CROPS CHICAGO MINUS \$25 CROPPING COSTS R/A

	Boston	Buffalo	Chicago	Cleveland	Detroit	Houston	L.A.	N.Y.	P'burgh	S.F.	Montreal
DEALERS' BUYING PRICES (\$/lb.)											
316 solids, clips	119-120	119-120	120-121	120-121	120-121	120-121	119-120	120-121	120-121	119-120	115-116
304 solids, clips	74-75	74-75	75-76	75-76	75-76	75-76	74-75	75-76	75-76	74-75	70-71
304 turnings	69-70	69-70	70-71	70-71	70-71	70-71	69-70	70-71	70-71	69-70	65-66
304 new clips	70-71	70-71	71-72	71-72	71-72	71-72	70-71	71-72	71-72	70-71	66-67
430 new clips	70-71	70-71	71-72	71-72	71-72	71-72	70-71	71-72	71-72	70-71	66-67
BROKER/PROCESSOR BUYING PRICES (\$/gross ton)											
316 solids, clips	3,300-3,350	3,300-3,350	3,300-3,350	3,300-3,350	3,300-3,350	3,300-3,350	3,300-3,350	3,300-3,350	3,300-3,350	3,300-3,350	3,300-3,350
304 solids, clips	2,000-2,025	2,000-2,025	2,000-2,025	2,000-2,025	2,000-2,025	2,000-2,025	2,000-2,025	2,000-2,025	2,000-2,025	2,000-2,025	2,000-2,025
304 turnings	1,800-1,825	1,800-1,825	1,800-1,825	1,800-1,825	1,800-1,825	1,800-1,825	1,800-1,825	1,800-1,825	1,800-1,825	1,800-1,825	1,800-1,825
430 bundles, solids	840-850	840-850	840-850	840-850	840-850	840-850	840-850	840-850	840-850	840-850	840-850
430 turnings	760-770	760-770	760-770	760-770	760-770	760-770	760-770	760-770	760-770	760-770	760-770
409 bundles, solids	750-760	750-760	750-760	750-760	750-760	750-760	750-760	750-760	750-760	750-760	750-760
409 turnings	650-660	650-660	650-660	650-660	650-660	650-660	650-660	650-660	650-660	650-660	650-660

EXPORT YARD BUYING PRICES

Estimated prices in US\$/gross ton, for items delivered to this yard, in US\$/gross ton.

	Boston	L.A.	N.Y.	Philly	S.F.
No. 1 heavy melt	400	295-297	495-497	490-492	290-292
No. 2 heavy melt	390	285-287	475-477	470-472	280-282
No. 2 bundles	290(a)	260(a)	260(a)	260(a)	275-277
No. 1 bushing	600(a)	370	510	510	510
Machine shop turnings	400	190	190	190	190
Mixed cast	400	385	475	475	475
Unstripped motor blocks	400	385	485	485	370
Auto bodies	325	290	340	340	310
Cut structural plate 5" max.	410	385	495	500	350
STAINLESS STEEL SCRAP PRICES (\$/ton)					
304 solids, clips	2,000-2,025	2,000-2,025	2,000-2,025	2,000-2,025	2,000-2,025
304 turnings	1,800-1,825	1,800-1,825	1,800-1,825	1,800-1,825	1,800-1,825
430 bundles, solids	850	850	850	850	850

(a) Appraisal price

BROKER BUYING PRICES

Estimated prices in US\$/gross ton, f.o.b. car

	Atlanta	Boston	Buffalo	Cincinnati	Detroit
NO. 1 HEAVY MELT	440	450	460	395	435
No. 2 heavy melt	430	440	450	385	425
No. 1 bundles	775	700	750	740	810
No. 2 bundles	340	320	310	260	330
No. 1 bushing	785	700	755	750	835
Shredded auto scrap	555	555	555	495	565
MACHINE SHOP TURNINGS	300	300	300	300	375
Shoveling turnings	300	300	300	300	375
Cast iron borings	295	295	295	295	400
Mixed borings, turnings	195	195	195	195	360
CUPOLA CAST	305	305	305	295	415
Cut structural plate, 5" max.	475	480	480	470	515
Cut structural plate, 2" max.	520	520	520	500	545
Clean auto cast	300	300	300	300	575
Unstripped motor blocks	450	450	450	450	545
Heavy breakable cast	260	260	260	260	485
Drop broken machinery cast	440	440	440	440	455
Rail crops, 2" max.	440	440	440	440	455
Random rails	320	320	320	285	320

*F.o.b. (free on board at the shipping point) from dealer to broker where freight rate is absorbed by broker; freight rate based on single-car shipments.

Scrap Price Changes Today

Fairway scrap price changes were made for these cities:

None

Notice

AMM has added a new price to Additional Grades for No. 1 1/2 bundles in the Pittsburgh market, effective July 25. No. 1 1/2 bundles are a mix of new steel sheet scrap and some other scrap from obsolete sources and are usually sold at a discount to the typical mill grade of No. 1 bundles. The price reported for No. 1 1/2 bundles in the Pittsburgh market under Consumer Buying Prices has been adjusted upward by \$40 a long ton effective July 25 to reflect differences in quality between the new mill grade and the No. 1 1/2 bundles. This is a one-time adjustment and does not reflect any changes in the market price.

STAINLESS CONSUMER BUYING PRICES

	(\$/gross ton) Pittsburgh
316 solids, clips	3,950-4,000
304 solids, clips	2,675-2,700
304 turnings	2,375-2,400
430 bundles, solids	925-935
430 turnings	825-835
409 bundles, solids	840-850
409 turnings	700-710

ADDITIONAL GRADES

	Birmingham
Electric furnace, 3" max.	485
Cut structural plate, 4" max.	520
Stove plate	520
	Chicago
No. 1 industrial heavy melt	575
Rail crops, 18" max.	885
Rolling rails	825
Steel axes	690
Heavy forge bar crops	720
Stove plate	540
Punching and plate, 12" max.	870
	Pittsburgh
No. 1 1/2 bundles	840

Disclaimer

Prices and other information contained in this publication have been obtained by American Metal Market ("AMM") from sources believed to be reliable. Pricing information is collected through regular contact with producers, traders and purchasers, and represents an approximate evaluation of current levels based upon dealings (if any) that may have been disclosed to AMM prior to publication. Actual transaction prices will reflect quantities, grades and qualities, credit terms and many other parameters. The prices are in no sense comparable to the quoted prices of commodities in which a formal futures market exists. Efforts are made to ensure that pricing information is representative, but because of the possibility of human or mechanical error by our sources, AMM or others, AMM does not guarantee the accuracy or completeness of any published information. AMM is not responsible for errors or omissions, or for the results obtained by the use of such information, and disclaims any liability to any person for any loss or damage caused by such errors or omissions, including those arising from the negligence of AMM, its employees or representatives.

EXHIBIT 3 – BIDS FOR STEEL
HIGHLY CONFIDENTIAL

CERTIFICATE OF SERVICE

The undersigned hereby certifies that the Response in Docket No. AB-398 (Sub-No. 7X), *San Joaquin Valley Railroad Company—Abandonment Exemption—in Tulare County, CA (Between Strathmore and Jovista)*, was mailed via first class mail, postage prepaid, on August 4, 2008, to the following parties:

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August 4, 2008