

FLETCHER & SIPPEL LLC

ATTORNEYS AT LAW

29 North Wacker Drive
Suite 920
Chicago, Illinois 60606-2832

MICHAEL J BARRON, JR
(312) 252-1511
mbarron@fletcher sippel .com

224296

Phone (312) 252-1500
Fax (312) 252-2400
www.fletcher sippel .com

January 6, 2009

VIA ELECTRONIC DELIVERY

Ms Anne K Quinlan
Acting Secretary
Surface Transportation Board
395 "E" Street S W
Washington, DC 20423-0001

Re. **Docket No. AB-491 (Sub-No. 2X)**
**R.J. Corman Railroad Company/Pennsylvania Lines, Inc.—Abandonment
Exemption—In Clearfield, Jefferson and Indiana Counties, Pennsylvania**

Dear Secretary Quinlan

Enclosed for filing in the above-captioned proceeding is the Response of R J Corman Railroad Company/Pennsylvania Lines, Inc to P&N Coal Company, Inc 's Request to Set Terms and Conditions of Sale in the above-referenced docket, which Response is dated January 6, 2009

Feel free to contact me if you have any questions Thank you for your assistance in this matter

Very truly yours,



Michael J. Barron, Jr
Attorney for
R J Corman Railroad Company/
Pennsylvania Lines, Inc

MJB dg
Enclosures
cc Mr Jeffrey Lundy

BEFORE THE
SURFACE TRANSPORTATION BOARD

DOCKET NO AB-491 (SUB-NO 2X)

R J CORMAN RAILROAD COMPANY/PENNSYLVANIA LINES, INC
-- ABANDONMENT EXEMPTION --
IN CLEARFIELD, JEFFERSON AND INDIANA COUNTIES, PENNSYLVANIA

**RESPONSE OF R.J. CORMAN RAILROAD COMPANY/PENNSYLVANIA LINES, INC.
TO P&N COAL COMPANY, INC.'S REQUEST
TO SET TERMS AND CONDITIONS OF SALE**

Michael J Barron, Jr
Fletcher & Sippel LLC
29 North Wacker Drive
Suite 920
Chicago, Illinois 60606-2832
(312) 252-1500

**ATTORNEY FOR R.J. CORMAN RAILROAD
COMPANY/PENNSYLVANIA LINES, INC.**

Dated January 6, 2009

BEFORE THE
SURFACE TRANSPORTATION BOARD

DOCKET NO AB-491 (SUB-NO 2X)

R J CORMAN RAILROAD COMPANY/PENNSYLVANIA LINES, INC
-- ABANDONMENT EXEMPTION --
IN CLEARFIELD, JEFFERSON AND INDIANA COUNTIES, PENNSYLVANIA

**RESPONSE OF R.J. CORMAN RAILROAD COMPANY/PENNSYLVANIA LINES, INC.
TO P&N COAL COMPANY, INC.'S REQUEST
TO SET TERMS AND CONDITIONS OF SALE**

R J Corman Railroad Company/Pennsylvania Lines, Inc ("RJCP") hereby responds to the Request to Set Terms and Conditions of Sale filed by P&N Coal Company, Inc ("P&N") in this proceeding on December 31, 2008. RJCP urges the Surface Transportation Board to reject the terms and conditions requested by P&N and, instead, establish \$566.247 08 as the minimum purchase price for the rail line.

INTRODUCTION

On December 31, 2008, P&N filed its Request to Set Terms and Conditions of Sale in this OFA proceeding. Pursuant to 49 C.F.R. §1152.27(h)(4), RJCP's reply is due today, January 6, 2009 (35 days after December 2, 2008 when the offer of financial assistance was filed).¹

P&N's filing is a naked statement, requesting to the Board to set terms and conditions for sale. P&N did not include any evidence or exhibits with its Request, nor did it incorporate any past filings. Accordingly, P&N's evidence is limited to the documents it filed with its OFA on

¹ Another section, 49 C.F.R. §1152.27(g)(1), indicates that RJCP's reply was due January 5, 2009, creating an inconsistency with §1152.27(h)(4). On December 30, 2008, counsel for RJCP addressed this inconsistency in a phone call with the Office of Proceedings and was told by the Office that RJCP could use the January 6, 2009 due date to file its response.

December 2, 2008 and RJCP will respond to P&N's evidence as if it were incorporated into P&N's Request to Set Terms and Conditions

BACKGROUND

On September 17, 2008, RJCP filed a Notice of Exemption ("Notice") with the Board to abandon a seven-mile rail line located in Clearfield, Jefferson and Indiana Counties, Pennsylvania, between McKees, Pennsylvania and Hillman, Pennsylvania (the "Hillman Line") A Federal Register informational notice of the Notice of Exemption appeared on October 7, 2008 P&N filed a Notice of Intent to file an OIA on October 15, 2008 and on December 2, 2008 filed an Offer of Financial Assistance to purchase the line P&N's offer was in the amount of one hundred eighty-six thousand five hundred seventy-six dollars (\$186,576.00), which was comprised of the following: ties (\$43,596), switches (\$10,500), gates /flashers (\$2,250), rails and siding (\$160,030), real estate (\$35,000) Adding all of these components together and netting out a take up cost of \$64,800 for the rail's ties and OTM yields a Net Liquidation Value of \$186,576.00 P&N's offer understates the value of these components in many respects and should be rejected Instead, the Board should set the sale price for the line in the amount of \$566,247.08 Attached as 'Table 1 is a side-by-side comparison for the Board's convenience

In OIA proceedings to set terms, the Board and the ICC established that the burden of proof is on the offeror, the proponent of the requested relief Therefore, P&N has the burden of proof as to all elements of the NLV, which is the appropriate valuation on the line since there are no operations The Board and ICC have consistently noted that placing the burden of proof on the offeror is particularly appropriate in OIA proceedings because the offeror has the right to withdraw its offer if the mandated purchase price proves unacceptable for whatever reason, while the rail carrier is required to sell its line to the offeror at the sale price set by the Board even if

the carrier views the price as too low Docket No AB-556 (Sub-No 2X), Railroad Ventures, Inc —Abandonment Exemption—Between Youngstown, OH and Darlington, PA, in Mahoning and Columbiana Counties, OH and Beaver County, PA (not printed), served January 7, 2000 (“Railroad Ventures”), aff’d sub nom, Railroad Ventures, Inc v STB, 299 F 3d 523 (6th Cir 2002), Docket No AB-31 (Sub-No 29), The Grand Trunk Western Railroad Company Abandonment—In Clark, Madison and Fayette Counties, OH (not printed), served June 26, 1990 (“Grand Trunk”), STB Docket No AB-868X, Mississippi Tennessee Holding, LLC—Abandonment Exemption—In Union, Pontotoc and Chickasaw Counties, MS (not printed), served November 2, 2004 (“Mississippi Tennessee”), slip op at 2

The burden of proof standard requires that, absent probative evidence supporting the offeror’s estimates, the rail carrier’s evidence is accepted See Railroad Ventures, Mississippi Tennessee Whenever there is a disagreement, the rail carrier’s estimate prevails unless the offeror provides more reliable and verifiable documentation for its valuations Unless the offeror provides specific evidence supporting its valuations and contradicting the carrier’s valuations, the carrier’s evidence is accepted by the Board Railroad Ventures, Mississippi Tennessee

P&N SIGNIFICANTLY UNDERSTATES THE VALUE OF THE TIES ON THE HILLMAN LINE

RJCP is using information from a recently completed application filed by R J Corman Railroad Group, RJCP’s holding company, for a railroad rehabilitation and improvement financing (“RRIF”) loan The number and breakdown of ties in the RRIF loan application was provided by Stone Consulting & Design, Inc (now TranSystems/Stone Consulting & Design and henceforth referred to as “Stone Consulting”) The information provided by Stone Consulting is attached and incorporated herein as Exhibit A (See page 4 of Exhibit A) The RRIF loan was granted by the FRA in May, 2008 The tie breakdown is as follows ties with 20+ year

life=4,076, 5-20 year life=3,168, and 1-5 year life=4,224, with 9,652 being defective ties. The ties with life greater than 20 years are valued as relay ties (as information, 3,017 new ties were installed in 1999). Current pricing for relay ties is about \$24 per tie, based on quotes that RJCP has received recently, which quotes are attached and incorporated herein as Exhibit B. The Unitrac quote of \$29 per tie contemplates that the ties would be delivered to the jobsite and the shipping cost was orally conveyed as \$4 per tie which we have netted out of the \$29 per tie quote. Ties with less than 20 years life are considered landscape ties. An affiliate of RJCP, RJ Corman Railroad Group, deals in these ties itself. RJCP and its affiliates have extensive experience in railroad construction, as RJCP's corporate affiliates began business in 1973 as a railroad construction company. Therefore, RJCP has extensive knowledge of the value of railroad materials. RJCP's affiliates compiled information on the total landscape ties they sold in 2008 which was in excess of 5,000 landscape ties. The average price per tie sold was \$9.49 in 2008. That information is contained on Exhibit C attached and incorporated herein. Information provided by Stone Consulting indicates the price to dispose of defective ties was \$2.43 each. Based on those numbers, the value of the ties is as follows: for the relay ties, at \$24 per tie, the total value is \$97,824, for ties with less than 20 years life left and designated landscape ties, at a value of \$9.49 per tie, the total value is \$70,150.08, the cost to dispose of the defective ties is \$23,440 (see page 4 of Exhibit A herein), for a total net value of the ties of \$144,534.08.

**P&N's VALUATION FOR SCRAP STEEL IS NOT CONSISTENT
WITH RECENT STB PRECEDENT AND DOES NOT INCLUDE
THE VALUE FOR OTM**

P&N's Offer to Purchase has a component for rail. The Offer to Purchase indicates "a total tonnage of 1231 tons, which represents 1191 tons of the line and 171 tons for the siding." The sum of the tonnage on the line and the tonnage on the siding with these numbers equals 1362 tons, not 1231 tons.

P&N's Offer to Purchase appears to treat rail and Other Track Material ("OTM") as if they were the same price per ton and then uses a figure of \$130 per ton based on AMM December 1, 2008 scrap iron and steel prices for the Pittsburgh market. This yields a figure of \$160,030. However, had the tonnage been combined correctly with P&N's numbers, P&N's own analysis would have yielded a figure of \$177,060.

But even this corrected figure should be disregarded. To begin with, P&N's numbers failed to properly include an additional separate tonnage component for OTM, which is nominally 25% of the rail weight (it may be more than that given the light rail weight on this line). The OTM price per ton, based on the AMM December 1, 2008 scrap iron and steel prices, was \$200 per ton.

More significantly, P&N's valuation of scrap iron and steel prices is out of date. In view of the recent volatility of scrap prices, this Board has established that valuation of rail and OTM should be based on the most recent data available to determine the price for rail and OTM. See STB Finance Docket No. 35160, Oregon International Port of Coos Bay—Feeder Line Application—Coos Bay Line of the Central Oregon & Pacific Railroad, Inc., STB Decisions served October 31, 2008 and November 20, 2008. Over the last month, the price per ton of OTM stayed stable at \$200, but the price of No. 1 Railroad Heavy Melt, which is the price that P&N

used in its Offer to Purchase, has risen and now, as of January 5, 2009, stands at \$210 per ton in the AMM Consumer Buying Prices Index for Pittsburgh, Pennsylvania, the same index used by P&N in their Offer to Purchase at Exhibit L. See Exhibit D attached and incorporated herein. This is consistent with other indications that steel prices are increasing. Attached as page 4 of Exhibit D is information from Jersey Shore Steel Company, with whom RJCP does business and to whom it has sold rerolled rail for the last 5 years, that the reroll market for rail is \$305.00 per gross ton.

RJCP's own information indicates that the total tonnage of rail on the Hillman Line is 1231 gross tons. See Exhibit H to P&N's Offer to Purchase. In addition, the corresponding total tonnage of OTM on the Hillman Line, at 25% of the rail tonnage, is 307 gross tons. With those tonnage numbers and the current prices from the Pittsburgh market, the value of the scrap on the line is as follows: for the rail, 1231 gross tons x \$210 per ton, yielding a figure of \$258,510; for OTM, 307 gross tons x \$200, yielding a figure of \$61,400, with the resulting total for the rail and OTM component for this OIA proceeding of \$319,910. RJCP does not dispute the take-up cost of \$64,800.

**P&N'S OFFER SIGNIFICANTLY UNDERSTATES
THE REAL ESTATE COMPONENT OF THE NLV**

To the best of RJCP knowledge, it has marketable title to the Hillman Line. The Board assigns value to all real estate for which the railroad holds marketable title. Docket No. AB-326X, Washington Central Railroad Company, Inc.—Abandonment Exemption—In Yakima County, WA (not printed), served February 17, 1993. The burden of proof remains with the offeror to demonstrate with clear and convincing evidence that the railroad does not have marketable title. A mere allegation that the railroad does not have merchantable title is an insufficient basis for the STB to conclude that the railroad does not have marketable title and

should receive no value for the real estate. Docket No. AB-335 (Sub-No. 5X), KCT Railway Corporation—Abandonment Exemption—Between Lamar and Wiley, CO (not printed), served December 23, 1991. All areas where the evidence is equal or the offeror presents the less convincing evidence, or no evidence, must be resolved in the favor of the railroad. See Grand Trunk.

P&N does not contest the quality of RJCP's title, but it assigns a real estate value for the real estate comprising the Hillman Line of \$35,000 based on a per mile figure of \$5,000 per mile. P&N did not apparently invest in an appraisal of the Hillman Line because it did not provide any appraisal information or provide an appraiser's report to support its Offer to Purchase. Instead, P&N provided what it termed as comparable sales to establish its basis for the \$5,000 per mile figure. All three of the alleged comparable sale transactions that P&N used will be more than 8 years old when the STB rules on this Offer to Purchase. Since the time of those transactions, land prices have gone up. The figures that P&N uses should be adjusted to reflect the passage of time. RJCP therefore adjusts these prices using a 5% annual compounded rate of increase.² See the Affidavit of Arthur Spiros ("Spiros Affidavit") attached and incorporated as Exhibit F. herein, at paragraph 6. Therefore, reviewing the two most recent transactions that P&N uses as comparables, the corresponding per mile values that P&N should have used would have been \$7859 per mile for the sale from Osikowicz to Jefferson County (a 9-year adjustment to P&N's Exhibit M), and a figure of \$8,615 per mile for the Mahoning and Shadow Trail extension that was sold by P&N to Jefferson County (an 8-year adjustment to P&N's Exhibit O). The third alleged comparable from 1992 is simply too distant in time to regard it as a valid comparable.

² RJCP notes that the increase in the two sales from 2000 and 2001 used by P&N shows a one-year increase of 15%. In view of that, a 5% compounded annual rate is appropriate.

Based on the percentage adjustment of the price of the two more recent comparables, and then taking an average of the two, the price per mile for the Hillman Line would be \$8,237 per mile

But this analysis, however, is incomplete, for the 2000 and 2001 sales were not transfers of full fees, but instead were transfers of real estate rights limited to trail use and associated facilities, with the grantor reserving significant rights for the line being sold, including reservation of all mineral rights, reservation of all existing wire and pipe facilities, including free alienability and assignability, and reserving the right to grant easements and right-of-way and receive considerations thereof for all gas, electricity, telephone, water, sewage, or other public services, as well as oil and gas pipelines as such future request may be made. Given these reservations on these properties, the impact was such that the limited rights the grantees had were really analogous to easements and basically were just rights to operate a trail. Spiros Affidavit at paragraph 4. In the case of this OFA situation, what would be transferred is all of the rights that RJCP has in the property with no reservations. Having this right with the ability to run a railroad gives a great deal more exclusivity for what P&N will be getting here, compared to what the grantee got in P&N's alleged comparable trail sales. Standard real estate pricing would treat what the grantee got in those trail sales which have an easement-like quality as 50% of the fee. Spiros Affidavit at paragraph 5. The price per mile of what P&N seeks to get from RJCP should be doubled, since RJCP will give 100% of its rights to P&N, and therefore, the price per mile should be \$8,237 times 2, reflecting the full fee to be conveyed, and as a result, the whole component of the real estate value for the NLV is \$16,474 per mile, or a total for the approximately 7 miles of \$115,318.

P&N SIGNIFICANTLY UNDERSTATES THE VALUE OF SWITCHES

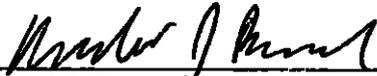
P&N assigns a value to the switches of \$10,500. There are three switches on the Hillman Line that have been appraised for value by Stone Consulting, an appraiser recognized by the FRA and used by RJCP's affiliates in the recent successful RRII' application. See Exhibit H to P&N's Offer to Purchase. In May, 2008, Stone Consulting concluded that the value for the switches on the line was \$49,035. That information was shown on Exhibit H to the P&N Offer to Purchase. P&N relies on a different evaluation, from 2005, on which to base its price for the switches, but offers no reason why RJCP's more recent and updated valuation should be discounted. Therefore, the STB should accept RJCP's valuation for the switches at \$49,035.

CONCLUSION

P&N's proposed sale price is seriously short of the true net liquidation value of the Hillman Line, and imposition of that price would constitute a taking without compensation. RJCP does not dispute the figures given by P&N for the gates and flashers or the cost of removing the Hillman Line. On the other hand, RJCP rejects P&N's valuation of all the other components of the line's NLV, and RJCP has provided more probative and convincing evidence in support of its valuation. Therefore, RJCP requests the Board to require P&N to pay an OFA sale price of \$566,247.08 comprised as follows:

| | |
|------------------------|--------------------|
| Ties | 144,534.08 |
| Switches | 49,035.00 |
| Gates/Flashers | 2,250.00 |
| Rails and Siding | 319,910.00 |
| Net: | 515,729.08 |
| | |
| Take up cost | (64,800.00) |
| | |
| Net Liq. Value: | 450,929.08 |
| | |
| Real Estate | 115,318.00 |
| Total Value: | 566,247.08 |

Respectfully submitted,

By  _____

Michael J Barron, Jr
Fletcher & Sippel LLC
29 North Wacker Drive
Suite 920
Chicago, Illinois 60606-2832
(312) 540-0500

**ATTORNEY FOR R.J. CORMAN RAILROAD
COMPANY/PENNSYLVANIA LINES, INC.**

Dated January 6, 2009

TABLE 1

| P&N Proposal | | RJCP Proposal | |
|-------------------------|----------------------|-------------------------|----------------------|
| Ties | \$43,596 00 | Ties | \$144,534 08 |
| Switches | \$10,500 00 | Switches | \$49,035 00 |
| Gates/Flashes | \$2,250 00 | Gates/Flashes | \$2,250 00 |
| <u>Rails and Siding</u> | <u>\$160,030 00</u> | <u>Rails and Siding</u> | <u>\$319,910 00</u> |
| Net: | \$216,376.00 | Net: | \$515,729.08 |
| <u>Take up cost</u> | <u>(\$64,800 00)</u> | <u>Take up cost</u> | <u>(\$64,800 00)</u> |
| Net Liq. Value: | \$151,576.00 | Net Liq. Value: | \$450,929.08 |
| Real Estate | \$35,000 00 | Real Estate | \$115,318 00 |
| Total Value: | \$186,576.00 | Total Value: | \$566,247.08 |

RJCPaid
 Rovers Consulting & Design, Inc.
 05/2008

R. J. Corman Pennsylvania Lines Appraisal
 2405 Resoplatel

13-Nov-2008

Length
 Cals

| NAME | FROM | TO | TOTAL | RAIL | RAIL | TIE | | |
|--|------|-----|----------|-------|-------|------|-----------|---------------------|
| | | | | Grade | Grade | PROG | | |
| HILLMAN BRANCH Desc: Leaves Cherry Tree Sec. at MP 22 Cherry Tree Sec. Bear Run IT branches off of E. | | | | | | 21 | | |
| | 0 | 7 | 7 | 100 | SAV | NO | \$277,586 | \$120,275 |
| | | | | | | | \$277,586 | \$120,275 |
| | | | | | | | | \$114,471 |
| | | | | | | | | \$812,531 |
| | | | | | | | | 36880 |
| SWITCHES (Track chairs only) Three including switch to Bear Run | | | | | | | | \$48,035 depend wkt |
| LUBRICATORS | | | | | | | | \$0 |
| GATES & FLASHERS | | | | | | | | \$2,250 |
| BUILDINGS (Track chairs only) | | | | | | | | |
| Hillman | 5.4 | 5.6 | 0.2 | 100 | SCRAP | | \$9,800 | \$3,931 |
| | | | | | | | \$9,800 | \$3,931 |
| | | | | | | | | \$871 |
| | | | | | | | | \$10,992 |
| TOTAL RAIL | | | 7.2 | | | | | |
| TAKEUP COST | | | | | | | | |
| 1251 Tons @ | | | \$100.00 | | | | | \$123,109 |
| TOTAL VALUATION | | | | | | | \$487,416 | \$87,687 |
| Per 488 | | | | | | | | |

*2008
 TIE
 CRU WKT*

| Rail wt. per Yd | 2-in weight | Scrap loss % | 3-in/ton after loss | Price per Ton | Rail \$\$\$ only | Tr Spec | Bar Weight per Pair | No of Joints Bars w/foot | Scrap Bar Tons | Scrap Bar Dbl | Fl Bar's Dbl's | No of Tr Plates | Weight Tr Plates | Scrap Plate Tons | Scrap Plate Dbl | |
|--------------------|----------------|-----------------|------------------------|------------------|---------------------|------------|------------------------|--------------------------------|-------------------|------------------|-------------------|--------------------|---------------------|---------------------|--------------------|----------|
| 100 | 248/1000 | 2.5% | 1201.2 | \$231 | \$277,588 | 21 | 89.5 | 1885 | 0 | 0.0 | \$0 | \$18,954 | 42240 | 780320 | 339 | \$98,058 |
| 100 | 704/C | 5.0% | 29.9 | \$231 | \$6,900 | 21 | 89.5 | 54 | 89.5 | 1.7 | \$439 | \$0 | 1207 | 21723 | 10 | \$2,218 |

| Splices Count | Splices Gross Tons Dollars | Splices Gross Tons Dollars | Anchors Count | Anchors Gross Tons Dollars | Anchors Count | Anchors Gross Tons Dollars | Balls Count | Balls Gross Tons Dollars | THE DISTRIBUTION PERCENTAGE BY SEC | | | | THE TOTALS BY SEC | | | |
|---------------|----------------------------|----------------------------|---------------|----------------------------|---------------|----------------------------|-------------|--------------------------|------------------------------------|------|-----|-----------|-------------------|------|-----|-----------|
| | | | | | | | | | 1-5 | 5-20 | 20+ | Defective | 1-5 | 5-20 | 20+ | Defective |

AFTER '99 THE APP

| | | | | | | | | | | | | | | | | | |
|--------|----|----------|---|-----|---|-----|------|------|---------|----|----|---|---|-----|-----|---|---|
| 138720 | 48 | \$12,086 | 0 | 0.0 | 0 | 0.0 | 7582 | 474 | \$1,228 | 70 | 30 | 0 | 0 | 422 | 181 | 0 | 0 |
| 3621 | 1 | \$344 | 0 | 0.0 | 0 | 0.0 | 217 | 0.14 | \$36 | 70 | 30 | 0 | 0 | 422 | 181 | 0 | 0 |

| THE DOLLARS BY SEC | | | | | | | |
|--|---------|------|------|-------|--|--|--|
| Defective | 1-4 | 5-99 | 100+ | | | | |
| Results of 1989 tie replacement program (2017 law, 1 mile worth) | | | | | | | |
| 12872 | 4224 | 3168 | 1056 | 21120 | | | |
| 9692 | 4224 | 3168 | 4078 | 21120 | | | |
| 3020 | 0 | 0 | 3020 | | | | |
| (31,026) | \$1,697 | \$0 | \$0 | | | | |

1/8, 471

→ miles

A & K RAILROAD MATERIALS, INC.

1415 ELBRIDGE PAYNE RD , SUITE 135

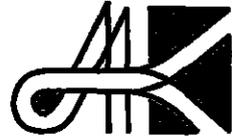
CHESTERFIELD, MO 63017

PHONE (636) 812-1212

FAX (636) 812-1216

1-800-252-2352

www.a-k-railroad.com



Bob Helton
Business Manager
RJ Corman Railroad Construction, LLC
PO Box 788
Nicholasville, KY 40356

December 31, 2008

Dear Mr Helton

With regard to our conversation today, our current price on Relay 7x9 Cross Ties is \$24.00 each FOB Shipping Point. This price is based upon the shipment of truckload quantities of 200 each.

Please call if you would like to make a purchase.

Sincerely,


Bob Radinsky
A&K Railroad Materials, Inc

WHERE CUSTOMERS COUNT



Unitrac Railroad Materials, Inc.

P O BOX 7098
 KNOXVILLE, TN 37921
 PHONE. 800-828-3400 EXT 224 FAX. 866-693-9162
 Cell - 866-687-7090
 EMAIL. bboggs@unitracrail.com

QUOTATION

TO: RJ Corman
 ATTN: Bob Helton
 DATE: 12/31/2008
 RE: Relay Ties

PHONE.
 FAX.
 FOB
 TERMS
 SALESPERSON.
 Jobsite
 Net 30 Day
 BB

| QUANTITY | UNIT | DESCRIPTION | UNIT PRICE | EXTENDED PRICE | REMARKS |
|---|------|---|------------|----------------|---------|
| 5000 | EA | Relay ties 7" x 9" x 8' 6" 50% or better life of New shipped in truckload qty's | \$29 00 | \$145,000 00 | 3wks |
| Quote Good for 7 Days Delivered via railcar or truck Unitrac's Option Unitrac's Standard Terms and Conditions Apply | | | | | |

PRICES DO NOT INCLUDE SALES TAX

QUOTED BY Brent F Boggs

QUALIFICATIONS:

Quote valid for 8 days unless otherwise noted. Material subject to prior sales. Any change in qty will require a request. Material is subject to prior sales. Unitrac will not be responsible for delays in arranged transportation. Unitrac's standard terms and conditions will apply. Copy available upon request or buyer agrees they have full knowledge of Unitrac's terms and conditions and that the same shall be the sole terms and conditions of the agreement between buyer and seller and shall be binding if either (1) Buyer issues a purchase order for the goods referred to herein, any printed statement to the contrary notwithstanding, or (2) the goods referred to herein are delivered to and accepted by the buyer or (3) if buyer does not within ten days from the date of the seller's acknowledgment deliver to seller written objections to said conditions or a part thereof.

FAX

DATE: 12/31/08

TO: Darrell Mesch

PHONE: 859-881-2431

FAX: 859-881-2631

FROM: APPALACHIAN TIMBER SERVICES

JIM FORAKER

PHONE: 304-765-7393

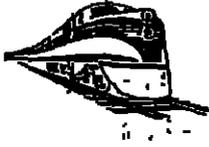
FAX: 304-765-3769

PAGES: 1

SUBJECT: Relay Ties & Switch

If the 7" ties are in good shape, the price should be about \$23.50 ea and for switch ties (#10 1/2), the price would be about \$2,220. per set.

Jim



RJ Corman Railroad Construction, LLC

101 R J Corman Drive

P.O Box 788

Nicholasville, KY 40356

phone [859] 881-2453 fax [859] 881-2653



December 31, 2008

MEMO:

**TO: Bruce Greinke
Vice President/Finance**

**FROM: Rhonda Howard
Accountant/Admin Manager**

RE: Construction Tie Sales 2008

I have been tracking Construction sales of ties for landscape purposes over the past 6-years. These ties are sold to individuals and corporations that may be either taxable or tax exempt.

The total landscape ties sold in 2008 equals 5,741.

The total price including tax received for these ties is \$54,507.04

Therefore the average price per tie sold equals \$9.49 for 2008.

| RECEIPT | CUSTOMER NAME | CASH/CHECK# | TIE PRICE | DELIVERY | TAX | TOTAL | |
|---------|----------------------------|--------------|-----------|----------|---------|----------|---------|
| 712403 | Dreamscape Const | c/c | \$225 00 | | \$13 50 | \$238 50 | |
| 712404 | William Weidman | c/c | \$80 00 | | \$3 60 | \$83 60 | |
| 712405 | William Lyons | c/c | \$110 00 | | \$6 80 | \$118 80 | |
| 712406 | Damn Doyle | Check# 929 | \$225 00 | | \$13 50 | \$238 50 | |
| 712407 | Vitality | cash | \$20 00 | | \$1 20 | \$21 20 | |
| 712408 | Edwin Harris | Check#3366 | \$100 00 | \$60 00 | \$9 60 | \$169 60 | |
| 712409 | void | | | | | \$0 00 | |
| 712410 | John Ballard | cash | \$40 00 | | \$2 40 | \$42 40 | |
| 712411 | Silas Jenkins | Check#1013 | \$50 00 | | \$3 60 | \$53 60 | 83 over |
| 712412 | Barbara Coph | c/c | \$30 00 | | \$1 80 | \$31 80 | |
| 712413 | Silas Jenkins | Check#1014 | \$80 00 | | \$4 80 | \$84 80 | |
| 712414 | Robert Poynter | Check #2392 | \$225 00 | | \$13 50 | \$238 50 | |
| 712415 | Fr Justu Patterson | donation | | | | \$0 00 | |
| 712416 | Lonna Steton | cash | \$120 00 | | \$7 20 | \$127 20 | |
| 712417 | John Yates | cash | \$20 00 | | \$1 20 | \$21 20 | |
| 712418 | Northside RV'S | Check# 40284 | \$360 00 | \$60 00 | \$25 20 | \$445 20 | |
| 712419 | Nelson Green | c/c | \$40 00 | | \$2 40 | \$42 40 | |
| 712420 | Kevin Adkins | c/c | \$100 00 | | \$6 00 | \$106 00 | |
| 712421 | Hanton Farm Inc | c/c | \$100 00 | | \$6 00 | \$106 00 | |
| 712422 | Krs Kallenberger | c/c | \$100 00 | | \$6 00 | \$106 00 | |
| 712423 | Southern Exposure Rental | c/c | \$50 00 | | \$3 00 | \$53 00 | |
| 712424 | Ray Smith | cash | \$70 00 | | \$4 20 | \$74 20 | |
| 712425 | Eric McFarland | cash | \$50 00 | | \$3 00 | \$53 00 | |
| 712426 | Casey Martin | Check | \$360 00 | | \$21 68 | \$381 68 | |
| 712427 | William Hacker | c/c | \$20 00 | | \$1 20 | \$21 20 | |
| 712428 | Harry Hoffman | cash | \$100 00 | | \$6 00 | \$106 00 | |
| 712429 | Greg Horn | cash | \$150 00 | | \$9 00 | \$159 00 | |
| 712430 | Ryan Roark | cash | \$140 00 | | \$8 40 | \$148 40 | |
| 712431 | Greg Horn | cash | \$180 00 | | \$10 80 | \$190 80 | |
| 712432 | Nashville Fire Dept | donation | | | | \$0 00 | |
| 712433 | Thompson & Shearer | Check# 19800 | \$234 00 | | \$14 04 | \$248 04 | |
| 712434 | Dan Baker | c/c | \$234 00 | | \$14 04 | \$248 04 | |
| 712435 | Frank Keller | Check# 5785 | \$58 50 | | \$3 51 | \$62 01 | |
| 712436 | William Howard | Check#339 | \$100 00 | \$60 00 | \$3 60 | \$169 60 | |
| 712437 | | cash | \$20 00 | | \$1 20 | \$21 20 | |
| 712438 | Bryan Winstead | c/c | \$100 00 | | \$6 00 | \$106 00 | |
| 712439 | Back Const | c/c | \$50 00 | | \$3 00 | \$53 00 | |
| 712440 | Jay Webb | Check# 10357 | \$90 00 | | \$5 40 | \$95 40 | |
| 712441 | Jimmy Doolin | cash | \$225 00 | | \$13 50 | \$238 50 | |
| 712442 | John Tuttle | cash | \$80 00 | | \$4 80 | \$84 80 | |
| 712443 | Kely McBee | Check# 544 | \$65 00 | | \$3 90 | \$68 90 | |
| 712444 | Gordon Woodward | Check# 782 | \$30 00 | | \$1 80 | \$31 80 | |
| 712445 | Richard Cook | Check#4184 | \$110 00 | \$50 00 | \$9 60 | \$169 60 | |
| 712446 | Kyle Vogel | c/c | \$60 00 | | \$3 60 | \$63 60 | |
| 712447 | Empire Gas | cash | \$10 00 | | \$0 60 | \$10 60 | |
| 712448 | Johnny White | c/c | \$100 00 | | \$6 00 | \$106 00 | |
| 712449 | Edna Knox | Check# 3495 | \$225 00 | | \$13 50 | \$238 50 | |
| 712450 | Danville Boyle City Humane | Check #3750 | \$160 00 | | | \$160 00 | receipt |
| 712451 | Duckers Lake Golf | Check#6849 | \$540 00 | \$100 00 | \$38 40 | \$678 40 | |

| RECEIPT | CUSTOMER NAME | CASH/CHECK# | TIE PRICE | DELIVERY | TAX | TOTAL |
|---------|-----------------------------|-----------------|------------|----------|----------|-----------------------|
| 712351 | Jack | cash | \$80 00 | | \$3 80 | \$83 80 |
| 712352 | Moore Const | check#3273 | \$315 00 | \$80 00 | \$22 50 | \$397 50 |
| 712353 | Lakeland Enterprises | check#2046 | \$110 00 | | \$8 60 | \$118 60 |
| 712354 | William Chapman | check#1549 | \$30 00 | | \$1 80 | \$31 80 |
| 712355 | Richard Patton | cash | \$50 00 | | \$3 00 | \$53 00 |
| 712356 | Brian Smith | cash | \$20 00 | | \$1 20 | \$21 20 |
| 712357 | Bob Evelyn 10ft rail | check#2644 | \$50 00 | | \$3 00 | \$53 00 |
| | Associated RR 2 ezy filters | visa | \$92 25 | | \$5 54 | \$97 79 |
| 712358 | Darryl Pyles | cash | \$50 00 | | \$3 00 | \$53 00 |
| 712359 | John Little | check#2181 | \$160 00 | | \$9 60 | \$169 60 |
| 712360 | Darby Dan Farm | check#14106 | \$785 00 | \$100 00 | \$51 80 | \$936 80 |
| 712361 | Tom Rose | cash | \$40 00 | | \$2 40 | \$42 40 |
| 712362 | Andre Tecan | visa | \$8 00 | | \$3 80 | \$8 60 |
| 712363 | Andre Tecan | visa | \$70 00 | | \$4 70 | \$74 20 |
| 712364 | Ray Fayne | check#1588 | \$90 00 | | \$5 40 | \$95 40 |
| 712365 | Jane Gean | check#8195 | \$50 00 | | \$3 60 | \$53 60 |
| 712366 | Mike Sturgill | check #2848 | \$120 00 | | \$7 20 | \$127 20 |
| 712367 | Darrell Sullivan | check #827 | \$225 00 | | \$13 50 | \$238 50 |
| 712368 | Pamela Mobley-Preston | check #1380 | \$10 00 | | \$0 60 | \$10 60 |
| 712369 | Brad Jones | cash | \$30 00 | | \$1 80 | \$31 80 |
| 712370 | William Weldman | check # 937 | \$150 00 | | \$9 00 | \$159 00 |
| 712371 | Linda Hatcher | check#1059 | \$80 00 | | \$4 80 | \$84 80 |
| 712372 | Naulakha Farm | check #1095 | \$100 00 | | \$6 00 | \$106 00 |
| 712373 | Cutting Edge Landscapes | check # 3787 | \$200 00 | | \$12 00 | \$212 00 |
| 712374 | Cutting Edge Landscapes | check #3771 | \$180 00 | | \$10 80 | \$190 80 |
| 712375 | Doug James | check#5443 | \$80 00 | \$80 00 | \$7 80 | \$137 80 |
| 712376 | Boris Lazgrenko | cash | \$20 00 | | \$1 20 | \$21 20 |
| 712377 | Mamck Place | visa | \$90 00 | | \$5 40 | \$95 40 |
| 712378 | Roger Fracher | check#5372 | \$10 00 | | \$0 54 | \$10 54 short 06 |
| 712379 | Steve South | check #891 | \$80 00 | | \$4 80 | \$84 80 |
| 712380 | Leslie Little | check#992 | \$40 00 | | \$2 40 | \$42 40 |
| 712381 | Joshua Mulcahy | cash | \$120 00 | | \$7 20 | \$127 20 |
| 712382 | Timberland Landscapes | visa | \$60 00 | | \$3 60 | \$63 60 |
| 712383 | Daniel Kirk | visa | \$160 00 | | \$9 60 | \$169 60 |
| 712384 | Bob Radtke | visa | \$90 00 | | \$5 40 | \$95 40 |
| 712385 | Robert Evelyn | check#2671 | \$30 00 | | \$1 80 | \$31 80 |
| 712386 | Daniel Hall | visa | \$40 00 | | \$2 40 | \$42 40 |
| 712387 | Wade Christensen | visa | \$100 00 | | \$6 00 | \$106 00 |
| 712388 | Korey Colyar | donation | | | | \$0 00 |
| 712389 | Jeff Webb | cash | \$40 00 | | \$2 40 | \$42 40 |
| 712390 | Gifan Homer | check# 1511 | \$270 00 | \$80 00 | \$19 80 | \$349 80 |
| 712391 | Boggs Hill | c/c | \$200 00 | | \$12 00 | \$212 00 |
| | Fluor Enterprises | PO A2APB1001256 | \$3 750 00 | | \$225 00 | \$3,975 00 short 7 06 |
| 712392 | S & P Carpets | check# 14945 | \$190 00 | | \$0 78 | \$190 78 |
| 712393 | David Lafoe | cash | \$10 00 | | \$0 60 | \$10 60 |
| 712394 | David Sutherland | cash | \$20 00 | | \$1 20 | \$21 20 |
| 712395 | Steve Richie | cash | \$40 00 | | \$2 40 | \$42 40 |
| 712396 | Todd Morris | check# 665 | \$324 00 | | \$19 44 | \$343 44 |
| 712397 | Michael Madison | check#8400 | \$270 00 | \$80 00 | \$19 80 | \$349 80 |
| 712398 | Mulligan Properties | check#156 | \$485 00 | \$80 00 | \$33 30 | \$588 30 |
| 712399 | John Dixon | check# 284 | \$40 00 | | \$2 40 | \$42 40 |
| 712400 | Boggs Hill | c/c | \$180 00 | | \$10 80 | \$190 80 |
| 712401 | Cone Blahop | cash | \$30 00 | | \$1 80 | \$31 80 |
| 712402 | Linda Gill | check#1711 | \$270 00 | | \$16 20 | \$286 20 |

AMM.com*Prices from January 5, 2009***CONSUMER BUYING PRICES**Estimated domestic consumer buying prices in US\$/gross ton,
delivered mill price

| | Pittsburgh |
|--|-------------|
| NO 1 HEAVY MELT | 205 |
| No 2 heavy melt | 197 |
| No 1 bundles | 245 |
| No 2 bundles | 100 |
| No. 1 busheling | 235 |
| No. 1 factory bundles | NA |
| Shredded auto scrap | 250 |
| MACHINE SHOP TURNINGS | 120 |
| Shoveling turnings | 140 |
| CUT STRUCTURAL/PLATE, 2' MAX | NA |
| Cut structural/plate, 3' max. | 720 |
| Cut structural/plate, 5' max | 210 |
| Foundry steel, 2' max. | 120 |
| CUPOLA CAST | 240 |
| Clean auto cast | 280 |
| Unstripped motor blocks | 200 |
| Heavy breakable cast | 100 |
| Drop broken machinery cast | 300 |
| NO. 1 RR HEAVY MELT | 210 |
| Rail crops, 2' max | 250 |
| Random rails | 160 |
| Steel car wheels | 247-248 |
| Other track material (OTM) | 200 |
| CLEAN USED DENSIFIED CANS | 110(a) |
| STAINLESS CONSUMER BUYING PRICES (\$/ton) | |
| 316 solids, clips | 1,400-1,450 |
| 304 solids, clips | 950-975 |
| 304 turnings | 850-875 |
| 430 bundles, solids | 365-375 |
| 430 turnings | 335-345 |
| 409 bundles, solids | 280-290 |
| 409 turnings | 200-220 |

(a) Appraisal price

AMM**Disclaimer/Copyright ©2009 American Metal Market LLC**

AMM Pricing Report

From 12/01/2008 Material Scrap, ferrous, No 1 R.R. heavy melt - Consumers Available from 1993-02-01
 Unit of Measure US (dollar) / Gross Ton Last updated 2008-12-12
 To 01/05/2009 Location Pittsburgh

Report type Daily

| Updated | Low price | High price |
|------------|-----------|------------|
| 2008/12/01 | 130 00 | 130 00 |
| 2008/12/02 | 130 00 | 130 00 |
| 2008/12/03 | 130 00 | 130 00 |
| 2008/12/04 | 130 00 | 130 00 |
| 2008/12/05 | 220 00 | 220 00 |
| 2008/12/08 | 220 00 | 220 00 |
| 2008/12/09 | 220 00 | 220 00 |
| 2008/12/10 | 220 00 | 220 00 |
| 2008/12/11 | 220 00 | 220 00 |
| 2008/12/12 | 210 00 | 210 00 |
| 2008/12/15 | 210 00 | 210 00 |
| 2008/12/16 | 210 00 | 210 00 |
| 2008/12/17 | 210 00 | 210 00 |
| 2008/12/18 | 210 00 | 210 00 |
| 2008/12/19 | 210 00 | 210 00 |
| 2008/12/22 | 210 00 | 210 00 |
| 2008/12/23 | 210 00 | 210 00 |
| 2008/12/24 | 210 00 | 210 00 |
| 2008/12/25 | 210 00 | 210 00 |
| 2008/12/26 | 210 00 | 210 00 |
| 2008/12/29 | 210 00 | 210 00 |
| 2008/12/30 | 210 00 | 210 00 |
| 2008/12/31 | 210 00 | 210 00 |
| 2009/01/01 | 210 00 | 210 00 |
| 2009/01/02 | 210 00 | 210 00 |
| 2009/01/05 | 210 00 | 210 00 |

AMM Pricing Report

From 12/01/2008 Material Scrap, ferrous, Other track material (OTM) - Consumers Available from 1994-01-03
 Unit of Measure US (dollar) / Gross Ton Last updated 2008-11-11
 To 01/05/2009 Location Pittsburgh

Report type Daily

| Updated | Low price | High price |
|------------|-----------|------------|
| 2008/12/01 | 200 00 | 200 00 |
| 2008/12/02 | 200 00 | 200 00 |
| 2008/12/03 | 200 00 | 200 00 |
| 2008/12/04 | 200 00 | 200 00 |
| 2008/12/05 | 200 00 | 200 00 |
| 2008/12/08 | 200 00 | 200 00 |
| 2008/12/09 | 200 00 | 200 00 |
| 2008/12/10 | 200 00 | 200 00 |
| 2008/12/11 | 200 00 | 200 00 |
| 2008/12/12 | 200 00 | 200 00 |
| 2008/12/15 | 200 00 | 200 00 |
| 2008/12/16 | 200 00 | 200 00 |
| 2008/12/17 | 200 00 | 200 00 |
| 2008/12/18 | 200 00 | 200 00 |
| 2008/12/19 | 200 00 | 200 00 |
| 2008/12/22 | 200 00 | 200 00 |
| 2008/12/23 | 200 00 | 200 00 |
| 2008/12/24 | 200 00 | 200 00 |
| 2008/12/25 | 200 00 | 200 00 |
| 2008/12/26 | 200 00 | 200 00 |
| 2008/12/29 | 200 00 | 200 00 |
| 2008/12/30 | 200 00 | 200 00 |
| 2008/12/31 | 200 00 | 200 00 |
| 2009/01/01 | 200 00 | 200 00 |
| 2009/01/02 | 200 00 | 200 00 |
| 2009/01/05 | 200 00 | 200 00 |

Jersey Shore Steel Company



January 6, 2009

DJ O'Connell
Attn: Jeremy Taylor
PO Box 8
Craney, KY 41010

Dear Jeremy,

The steel market for mills in that town is \$305.00 per delivered at our mill. If you would any further information, please contact me.

Sincerely,

Peter D. Schalte

P.O. Box 6045 • Jersey Shore, Pennsylvania 17740 • Telephone: (717) 753-5000
Sales: (717) 633-6277 or (717) 633-0776 • Fax: (717) 753-5762

STATE OF ILLINOIS)
)
COUNTY OF COOK) SS:

AFFIDAVIT OF ARTHUR SPIROS

Arthur Spiros, being first duly sworn on oath and competent to make this Affidavit based upon personal knowledge, state that the following facts are true to the best of my knowledge, information and belief:

1 I am an employee of RPM, a full service real estate management firm specializing in railroad properties. The staff of RPM has combined experience of over one hundred fifty years in managing railroad real estate holdings. This includes sales and leasing of non-operating surplus properties and abandoned lines, appraisals of both operating lines and individual properties, preparation of legal descriptions, land sales and closings. RPM offers a complete turn-key operation including all aspects of a sales program from marketing to closing.

2 I have over 30-years experience in railroad real estate, specializing in the areas of closings, title evaluation, sales, appraisals and taxation. I have organized and managed real estate inventory records, land titles, and legal documentation relating to railroads' land holdings and title chain. I have also been active in dealing with the administration of railroad taxation, including direct contact with state and local agencies in connection with tax divisions and assessments. In connection therewith, I have also handled railroad and land valuation and appraisals for state tax assessments, and I have completed the appraisals of several regional and short line carriers.

3. I received a Bachelor of Science degree in Architectural Design from the University of Illinois at Chicago. In addition, I have completed graduate level studies in the fields of property management and real estate appraisal. I am currently a licensed real estate

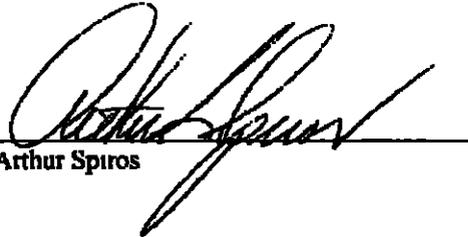
salesperson and a certified real estate appraiser. I am a member of the American Railway Development Association and the National Association of the Real Estate Appraisers.

4. I have reviewed the documents attached as Exhibit M and Exhibit O to the Offer to Purchase of P&N Coal Company, Inc., filed on December 2, 2008 in Docket No. AB-491 (Sub-No. 2X), R.J. Corman Railroad Company/Pennsylvania Lines, Inc.—Abandonment Exemption—In Clearfield, Jefferson and Indiana Counties, Pennsylvania. The documents are deeds conveying rights to Jefferson County, Pennsylvania, for the sole purpose of construction and operation of a trail. The documents convey limited rights subject to reservations of the grantor for mineral rights, reservation of all existing wire and pipe facilities, including free alienability and assignability, and reserving the right to grant easements and right-of-way and receive considerations thereof for gas, electricity, telephone, water, sewage or other public services as well as oil and gas pipelines as such future requests may be made. Given these reservations on the deeds, the impact is that the limited rights the grantee received were really analogous to easements and basically were just rights to operate a trail.

5. In these situations, standard real estate pricing would treat what the grantee got in these conveyances as easement-like quality with the value of fifty percent (50%) of the full fee.

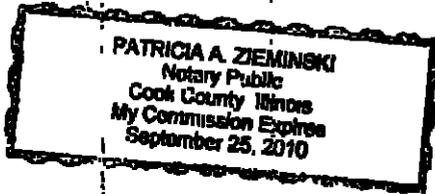
6. The two conveyances I discuss herein were made in 2000 and 2001 respectively. They are nine years old and eight years old respectively. It is appropriate given the increase in land values of which I am familiar as a consequence of my daily work in rail real estate to increase, at a five percent (5%) compound rate, the values assigned to these conveyances in 2000 and 2001.

7. Further affiant sayeth not


Arthur Spiros

SUBSCRIBED AND SWORN TO
Before me this 6th day of January, 2009.


Patricia A. Zieminski



DOCKET NO AB-491 (Sub-No 2X)

CERTIFICATE AND VERIFICATION

COMMONWEALTH OF KENTUCKY)
) SS
COUNTY OF JESSAMINE)

Sherman W. Petree, being duly sworn, deposes and says

that

1 He is President of R.J Corman Railroad Company/Pennsylvania Lines, Inc and is familiar with the operation, condition and status of the Hillman Line that is the subject of STB Docket No AB-491 (Sub No 2X) (the "Hillman Line"),

2 The information contained in the Response of R.J Corman Railroad Company/Pennsylvania Lines, Inc to the Request to Set Terms and Conditions for the Purchase of the Hillman Line by P&N Coal Company, Inc, including information on track and OFA valuation, real estate valuation, and other information set forth in the Response is true and correct, and

3 He has read the foregoing Response of R.J Corman Railroad Company/Pennsylvania Lines, Inc to the Request to Set Terms and Conditions for the Purchase of the Hillman Line by P&N Coal Company, Inc., knows the facts therein asserted, and that the same are true as stated

Dated January 2, 2009


Name Sherman W. Petree
Title President

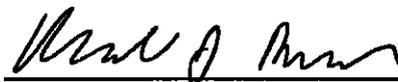
SUBSCRIBED AND SWORN to
before me this 2nd day of JANUARY 2009

Melissa Lynn Estep
Notary Public

MY COMMISSION EXPIRES
MARCH 22, 2009

CERTIFICATE OF SERVICE

I, Michael J Barron, Jr , an attorney, certify that a true copy of the foregoing instrument was served upon the address listed below by email and by placing a true and correct copy with an overnight courier for delivery to the address set forth below on the 6th day of January, 2009



Michael J Barron, Jr

Mr Jeffrey Lundy
Lukhart & Lundy
219 East Union Street
P O Box 74
Punxsutawney, Pennsylvania 15767-0074