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215790

February 13, 2006

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

Office of the Secretary
Surface Transportation Board
Public Record



Re: Docket No. AB-1081 (X), *San Pedro Railroad Operating Company, LLC - Abandonment Exemption - In Cochise County, AZ*

Dear Sir:

I am enclosing an original and ten (10) copies of each of the following documents for filing in the above-referenced matter:

- (1) A Motion for Protective Order;
- (2) Public Version of Offer of Financial Assistance by Sonora-Arizona International, LLC.
- (3) Confidential Version, which includes information designated as Highly Confidential Information, of the Offer of Financial Assistance by Sonora-Arizona International LLC.

The Confidential Version is being filed under seal and in anticipation of a favorable ruling on the Motion for Protective Order being filed today. Copies of the Confidential Version of this Offer will be supplied to interested persons upon receipt of a signed Undertaking pursuant to the proposed Protective Order.

I am also enclosing a check in the amount of One Thousand Two Hundred Dollars (\$1,200.00) to cover the filing fee for this Offer of Financial Assistance.

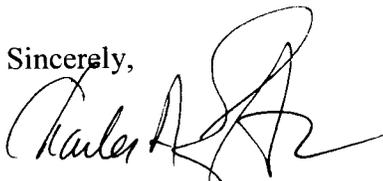
MCLEOD, WATKINSON & MILLER

Hon. Vernon Williams
February 13, 2006
Page 2

An extra copy of each document is enclosed for date stamp and return to our messenger.

Thank you for your attention to this matter.

Sincerely,

A handwritten signature in black ink, appearing to read "Charles A. Spitulnik". The signature is fluid and cursive, with a large initial "C" and "S".

Charles A. Spitulnik

cc (with all enclosures): John D. Heffner, Esq.
cc (with two enclosures): All other parties of record

215790



**BEFORE THE
SURFACE TRANSPORTATION BOARD**

**Docket No. AB-1081X
SAN PEDRO RAILROAD OPERATING COMPANY, LLC-
ABANDONMENT EXEMPTION-IN COCHISE COUNTY, AZ**

**OFFER OF FINANCIAL ASSISTANCE BY
SONORA-ARIZONA INTERNATIONAL LLC**

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FILED

TRANSPORTATION BOARD

Communications with respect to this document should be addressed to:

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Counsel for SONORA-ARIZONA
INTERNATIONAL LLC

Filed: February 13, 2006

**BEFORE THE
SURFACE TRANSPORTATION BOARD**

**Docket No. AB-1081X
SAN PEDRO RAILROAD OPERATING COMPANY, LLC-
ABANDONMENT EXEMPTION-IN COCHISE COUNTY, AZ**

**OFFER OF FINANCIAL ASSISTANCE
BY SONORA-ARIZONA INTERNATIONAL LLC**

Sonora-Arizona International LLC (“Sonora-LLC”), pursuant to 49 C.F.R. § 1152.27, hereby submits an Offer of Financial Assistance for the purchase of the lines that are covered by the Petition for Exemption for Abandonment submitted by San Pedro Railroad Operating Company (“SPROC”) in this proceeding. Sonora-LLC respectfully submits that it is a “financially responsible person”, as that term is used in the applicable regulations, that the price offered for the purchase of the line is consistent with information that SPROC has previously submitted in this proceeding, and that the Board should approve the Offer and order the sale of the line to Sonora-LLC.

By this Offer, Sonora-LLC offers to purchase the line identified below for a purchase price of Five Million Four Hundred Thousand Dollars (\$5,400,000.00), the net liquidation value set forth in the Net Liquidation Value Estimate submitted by SPROC in this proceeding as Exhibit F to is Petition for Exemption, with closing to occur following the expiration of a forty-five (45) day due diligence period.

The following is the information required by 49 CF.R. §1152.27(c)(ii):

(A) *Identify the line, or the portion of the line, in question.*

Sonora-LLC proposes to acquire the entire track and right-of-way that is the subject of this proceeding. This includes approximately 76.2 miles of track and railroad right-of-way in Cochise County, Arizona, consisting of four segments:

- (1) A segment of railroad designated as the Bisbee Branch, which extends between milepost 1085.0 at Bisbee Junction, AZ, and milepost 1090.6 at Bisbee, AZ, a distance of 5.6 miles;
- (2) A segment of railroad extending between milepost 1097.3 near Paul Spur, AZ, and milepost 1106.5 near Douglas, AZ, a distance of 9.2 miles;
- (3) A segment of railroad extending between milepost 1055.8 near Charleston, AZ, and milepost 1097.3 near Paul Spur, AZ, a distance of 41.5 miles; and
- (4) A segment of railroad extending between milepost 1040.15 near Curtiss, AZ, and milepost 1055.8 near Charleston, AZ, a distance of 19.9 miles.

In addition to the offer to purchase these four segments, Sonora-LLC is today submitting to SPROC an offer to purchase from SPROC all of SPROC's right, title and interest in the segment of line extending from milepost 1033.008 in Benson, AZ, to milepost 1040.15 in Curtiss, the remaining 7 miles of line owned and/or operated by SPROC that are not subject to the Petition for Exemption in this proceeding.

(B) *Demonstrate that the offeror is financially responsible; that is, that it has or within a reasonable time will have the financial resources to fulfill proposed contractual obligations; governmental entities will be presumed to be financially responsible.*

Sonora-LLC is a financially responsible person. Sonora-LLC has formed an alliance with Sonora-Arizona Internacional S.A. de C.V. (Sonora – SA) for the purpose of obtaining and operating a transload and rail operation from the Port of Guaymas, in Sonora, Mexico, to and including the lines that are the subject of this proceeding. Sonora-SA is a Mexican corporation,

formed by Lic. Isidoro de la Garza Orozco for the purpose of entering into this alliance and The two companies have formed an experienced and well-qualified management team and received a commitment for the financing that is required to fulfill its proposed contractual obligations as set forth in the offer presented here.

Sonora-LLC has secured financing for this transaction from [REDACTED], a [REDACTED]-based financial services and venture capital firm. Attached to this Offer as Exhibit A is the Affidavit of [REDACTED] confirming that he has secured a line of credit that will be used to finance the purchase of the SPROC property. Affidavit of [REDACTED] ([REDACTED] Affidavit) at ¶3. In addition, Mr. [REDACTED] confirms that he is discussing with Sonora-LLC the amount of funds that would be required to prepare the line for resumption of operations following the acquisition, and that he expects to make those funds available as well. *Id.* at ¶8.

In addition to procuring the financial resources necessary to acquire the SPROC line, Sonora-LLC and Sonora-SA have created organizational structures designed to ensure the success of the proposed acquisition and operation of the line. Sonora-LLC is an Arizona limited liability company, organized to manage activities relating to the development of an international border crossing at Naco, Arizona, and the shipment of goods to the Union Pacific line at Benson or Tucson. Sonora-SA is a "limited society" company, organized to manage international shipping activities at the Port of Guaymas, including the storage, sorting and transshipment of good between ocean going ships and rail/intermodal carriers.

Charles Sotelo is the Founder and CEO of Sonora-LLC, and currently serves as the Managing Director of the alliance of the two companies. He has been working for the past ten years to develop a new route to handle increasing trade activity, promoting his concept of developing the Port of Guaymas and new traffic for the line that is the subject of this proceeding. Mr. Sotelo has managed large teams, as a manager at Merrill Lynch. A licensed real estate

broker, he has established communications with officials and potential partners on both sides of the border, receiving endorsements and letters of support for the project. He is fluent in both English and Spanish ensuring that communication with staff and project managers on both sides of the border will be effective and clear.

Isidoro de la Garza Orozco is the Founder and Legal Representative of Sonora-SA, which is a Mexican corporation that is sharing the international project known as the Guaymas – Naco Trade Corridor. Mr. de la Garza has a law degree from ITESO in Guadalajara, and specializes in corporate law, serving as legal advisor and corporate director. He is fluent in both Spanish and English, working extensively with international clients.

[REDACTED] is an investor and shareholder. His affidavit, attached as Exhibit A, reviews his background.

Edward McLaughlin will serve as head of rail operations. He currently heads Rail Transport Services International [RTSI], a rail industry consulting organization with clients in the US, Canada and the United Kingdom. He has extensive experience working with the major railroad companies and their operations in the southwestern states and has developed expertise in planning in the areas of track preparation and maintenance, rolling stock management and logistics. Mr. McLaughlin brings a team of railroad specialists to support every aspect of operations of the Naco-Benson rail line.

Bruce Brogan is the Chief Financial Officer, managing Finance and HR setup activities, as well as Project Development support tasks. Mr. Brogan has an undergraduate degree in Psychology and an MBA from the IESE Business School in Barcelona. He has lived and worked in Spanish-speaking countries for six years. Mr. Brogan spent 14 years in international banking and corporate banking, managing the Latin America Division at Michigan National Bank for 3

years. He has worked with international financial agencies on financing projects, including Bancomext, OPIC (the Overseas Private Investment Corp.) and ExIm Bank.

Rubens Perez Vasquez serves as Director, Project Development, relying on his experience and training as an architect, project manager and financial director to oversee the infrastructure development at the Port of Guaymas and manage its \$100+ million project budget. Mr. Perez is a financial director at two companies and the Chief Architect of RPV Architectos, a firm that provides construction and design services for all types of projects. He has a degree in Architecture (ITESO, Guadalajara) and a Masters Degree in Finance (IPADE/Universidad Panamericana). Mr. Perez is fluent in Spanish and English.

José Carbajal – Accounting Officer, has 30 years of accounting experience, heading up major accounting functions for the Hughes Aircraft Division of Raytheon Corp. for 15 years. José has broad experience managing all the major accounting areas for a major corporation and will be responsible for establishing the accounting system for a rapidly growing shipping/transportation services corporation. He is fluent in Spanish and English.

(C) *Explain the disparity between the offeror's purchase price or subsidy if it is less than the carrier's estimate under paragraph (a)(1) of this section, and explain how the offer of subsidy or purchase is calculated.*

Does not apply. Sonora-LLC is offering the full NLV described by SPROC in its Petition for Exemption.

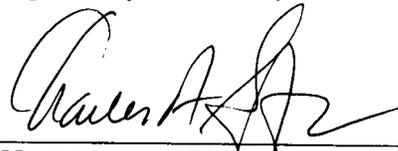
CONCLUSION

Sonora-LLC has demonstrated that it is financially responsible, that is, that it has the capacity to fulfill its commitment to acquire the line that is the subject of this proceeding and to fulfill its obligations as owner. It has offered to pay the price that SPROC has determined is the Net Liquidation Value of the line, and the information provided here confirms that it is an

organization that is ready, willing and able to undertake the obligations required to restore the line to service.

WHEREFORE, Sonora-LLC respectfully requests the Board to issue an order confirming that Sonora-LLC is a financially responsible person, that its offer comports with the requirements of the applicable regulations, and deferring the effective date of the abandonment approved in this proceeding to permit the parties to reach an agreement for purchase of the line.

Respectfully submitted,



CHARLES A. SPITULNIK
ALEX MENENDEZ
McLeod, Watkinson & Miller
One Massachusetts Avenue, N.W.
Suite 800
Washington, DC 20001
(202) 842-2345

Dated: February 13, 2006

Counsel for SONORA-ARIZONA
INTERNATIONAL LLC

EXHIBIT A

**Text of Affidavit Contains
Highly Confidential Information**

**Redacted for Public Version:
Entire text of Affidavit is Highly Confidential
Redacted Version of Attachment to Affidavit is Included**



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MONEY MARKET SECURITY DESCRIPTION

BANK: CITIBANK NEW YORK

NOTE PRICED

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ID	AND CODE [REDACTED]
Description	COD ACCES number [REDACTED]
	The Beneficiary [REDACTED]
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on Monday, 23 January 2006

Euroclear Euro Grant

ISSUING BANK: CITIBANK NEW YORK

STANDBY LETTER OF CREDIT No [REDACTED]

**AMOUNT: US DOLLARS \$ 120,000,000.00 (ONE HUNDRED
TWENTY MILLION UNITED STATES DOLLARS)**

DATE OF ISSUE: NOVEMBER 7, 2005

MATURITY DATE: NOVEMBER 8, 2006

BENEFICIARY [REDACTED]

APPLICANT: [REDACTED]

EUROCLEAR [REDACTED]

FOR VALUE RECEIVED, WE THE UNDERSIGNED, CITIBANK
NY, WITH FULL BANK RESPONSIBILITY AND AUTHORITY,
HEREBY IRREVOCABLY AND UNCONDITIONALLY, WITHOUT
PROTEST OR NOTIFICATION, PROMISES TO PAY AGAINST
THIS CONFIRMED STANDBY LETTER OF CREDIT TO THE

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DOLLARS (\$120,000,000.00USD)

PAYMENT IS AVAILABLE AGAINST BENEFICIARY'S FIRST
WRITTEN DEMAND TRANSMITTED VIA BANK WIRE SYSTEM
ON OR BEFORE THE EXPIRY DATE, NOVEMBER 8, 2006.

DEMAND HEREUNDER MUST BE MARKED "DRAWN UNDER
STANDBY LETTER OF CREDIT NUMBER [REDACTED]
WHEN AND DATED, NOVEMBER 7, 2005."

SUCH PAYMENT SHALL BE MADE WITHOUT SETOFF, FIRST
AND CLEAR OF ANY DEDUCTION OR CHARGES, FEES OR
WITHHOLDING OF ANY NATURE, NOW OR HEREAFTER
IMPOSED, LEVIED, COLLECTED, WITHHELD OR ASSESSED
BY ANY GOVERNMENT, SUBDIVISION OR AUTHORITY
THEREOF OR THEREIN.

THIS STANDBY LETTER OF CREDIT IS IRREVOCABLE
TRANSFERABLE, ASSIGNABLE WITHOUT PRESENTATION
OF IT TO US, OR WITHOUT PAYMENT OF ANY TRANSFER
OR ASSIGNMENT FEE.

THIS STANDBY LETTER OF CREDIT EXPIRES
NOVEMBER 8, 2006. THIS IS OPERATIVE INSTRUMENT

ALL CLAIMS HEREUNDER MUST BE SUBMITTED TO US
LATER THAN THE ABOVE MENTIONED EXPIRY DATE AFTER
WHICH DATE THIS STANDBY LETTER OF CREDIT
AUTOMATICALLY BECOMES NULL AND VOID.

THIS STANDBY LETTER OF CREDIT IS SUBJECT TO U.S.
(1993 REVISION) ICC PUBLICATION NO. 500 AND SHALL
BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH
THE LAWS OF THE UNITED STATES OF AMERICA.

SIGNED FOR AND ON BEHALF OF CITIBANK OF NEW YORK

CITIBANK OF NEW YORK

CERTIFICATE OF SERVICE

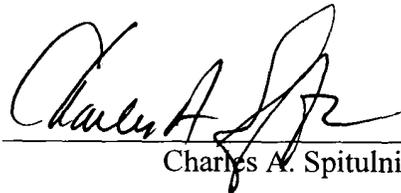
I hereby certify that on this 13th day of February, 2006, a copy of the foregoing OFFER OF FINANCIAL ASSISTANCE BY SONORA-ARIZONA INTERNATIONAL, LLC (Public Version) was served by first class mail, postage prepaid, upon:

John D. Heffner, Esq
1920 N. Street, N.W.
Suite 800
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Attorney for San Pedro Railroad Operating Company, LLC

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Baker Botts LLP
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Tily Shue
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San Francisco, CA 94105



Charles A. Spitulnik