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May 17, 2010



Surface Transportation Board
395 E Street, S.W.
Washington, DC 20423-0001

Re: Susquehanna Union Railroad Company – Acquisition of Control Exemption – North Shore Railroad Company, Nittany & Bald Eagle Railroad Company, Shamokin Valley Railroad Company, Juniata Valley Railroad Company, Lycoming Valley Railroad Company, and Union County Industrial Railroad Company

STB Finance Docket No. 35348

Dear Ms. Chung:

Enclosed per your request, please find redacted copies of the exhibits for which a confidentiality order was previously requested by the applicant. If you have any further questions in connection with this matter, please do not hesitate to contact me.

Very truly yours,

RICHARD R. WILSON, P.C.

Richard R. Wilson
Richard R. Wilson, Esq.

RRW/bab
Enclosures

ENTERED
Office of Proceedings
MAY 27 2010
Part of
Public Record



NORTH SHORE RAILROAD COMPANY

356 Priestley Avenue, Northumberland, PA 17857

Phone: (570) 473-7949

February 2, 2010

Fax: (570) 473-8432

Mr. Jerry Walls, Chairman
SEDA-COG Joint Rail Authority
201 Furnace Road
Lewisburg, PA 17837

Re: Susquehanna Union Railroad Company - STB Finance
Docket No. 35342

(This Letter Contains Confidential and Proprietary
Information Protected Under 65 Pa.C.S.A.
§708(a)(4) and (5))

Dear Jerry:

The purpose of this letter is to respond to your letter dated December 22nd requesting additional information concerning our change of control transaction and my plans for subsequent ownership of my companies. This letter will be followed by a second letter which will provide a comprehensive response to the list of questions posed in your letter of December 22nd. Once I have described the transition plans I have for my companies, I think you will understand why certain questions in your December 22nd letter are not pertinent. It is my hope that these communications will enable us to address JRA concerns with respect to the above captioned proceeding.

My plans for transferring control of my six operating companies and Rail Scavengers, Inc. involve two elements: (1) the acquisition of my seven corporations (the six railroad companies and Rail Scavengers, Inc.) by a holding company, Susquehanna Union Railroad Company; and (2) the eventual sale of Susquehanna Union Railroad Company to [REDACTED]

The first element, the stock acquisition of the seven companies by Susquehanna Union Railroad Company is necessary to consolidate and simplify the tax and accounting complexities of our companies. This consolidation will be accomplished by the Susquehanna Union Railroad Company acquiring 100% of my stock in all seven companies in exchange for stock in Susquehanna Union Railroad Company. Susquehanna Union Railroad Company will become a non-operating holding company with seven wholly owned subsidiary corporations.

Susquehanna Union Railroad Company will issue [REDACTED] of voting common stock to me in exchange for the stock of my seven corporations. I will own 100% of the common shares of Susquehanna Union Railroad Company and will thereby continue to own, control, and manage both Susquehanna Union Railroad Company and its wholly owned seven subsidiary corporations. The acquisition of my seven corporations by Susquehanna Union Railroad Company will take place only after appropriate regulatory exemption for that transaction is received from the Surface Transportation Board in the above captioned proceeding.

After Susquehanna Union Railroad Company acquires my seven corporations, I plan to have Susquehanna Union offer to sell approximately [REDACTED] [REDACTED] for a value of [REDACTED] per share. A list of the [REDACTED] with the number of shares to be offered to each member will be provided in the second letter. There may be small changes in the [REDACTED] list over a period of time. As you can see, even with the involvement of [REDACTED] [REDACTED] as stock holders, I will continue to own the vast majority of the issued and outstanding voting shares of Susquehanna Union Railroad Company.

The second element of my corporate transition plan involves a [REDACTED] under which Susquehanna Union Railroad Company will gradually acquire my voting common stock. Susquehanna Union Railroad Company will also pay [REDACTED] [REDACTED] of the holding company with provisions for adequate working capital for current operations. The [REDACTED] will appear in the financial results that Susquehanna Union Railroad Company will report to JRA.

As you can see, the [REDACTED] will result in [REDACTED] receiving a gradually [REDACTED] of each [REDACTED] at which time a further change of control will take place whereby I will no longer own any Susquehanna Union Railroad Company stock and control of Susquehanna Union Railroad Company and its subsidiary corporations will pass to [REDACTED]. Appropriate regulatory exemption will

be obtained from the Surface Transportation Board prior to this final change of control transaction.

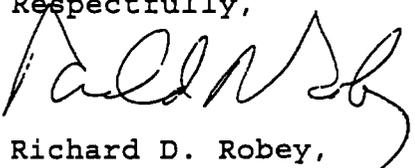
[REDACTED]

[REDACTED] work over [REDACTED] years in a manner that will provide significant economic incentives for [REDACTED] [REDACTED] [REDACTED]

Through this process, they will also retain ownership and control over all assets utilized by Susquehanna Union Railroad Company and its subsidiary corporations for the provision of that rail service to the shippers we serve. At the same time, [REDACTED] [REDACTED] [REDACTED] [REDACTED] [REDACTED] [REDACTED] [REDACTED] [REDACTED] [REDACTED] [REDACTED]

Jerry, I hope this letter adequately describes my plan for the restructuring of my seven companies and the transition of the holding company and its subsidiary corporations from my ownership to that of my management staff. Moreover, in planning for these transactions, I recognize that there have been several different variations on this theme and I regret any confusion that this may have caused the JRA Board. However, my two principle concerns in developing these plans have been to [REDACTED] [REDACTED] which have successfully operated and provided exceptional rail service to the shippers we serve and to provide for a seamless and smooth ownership transition which will maintain the necessary financial resources and capability to continue effective and efficient rail service on JRA lines in the future.

As I have indicated above, there will be an additional letter answering directly the questions posed in your December 22nd letter.

Respectfully,

Richard D. Robey,
Chairman & CEO



NORTH SHORE RAILROAD COMPANY

356 Priestley Avenue, Northumberland, PA 17857

Phone: (570) 473-7949

Fax: (570) 473-8432

February 3, 2010

Mr. Jerry Walls, Chairman
SEDA-COG Joint Rail Authority
201 Furnace Road
Lewisburg, PA 17837

Re: Susquehanna Union Railroad Company - STB Finance
Docket No. 35340
(This Letter Contains Confidential and Proprietary
Information Protected Under 65 Pa.C.S.A.
§708(a)(4) and (5))

Dear Jerry:

This is a second follow up letter in response to your letter dated December 22nd requesting additional information concerning our change of control transaction and my plans for subsequent ownership of my companies. This letter will attempt to answer as best as we can the questions posed in the second page of your December 22nd letter. I will state the question number followed by an answer.

Question 1: Evidence of a sales agreement.

As outlined in my first letter, there is no sales agreement. The holding company, Susquehanna Union Railroad Company, will buy back my stock effecting a change of control to the management stockholders.

Question 2: Questions for Seller

A: Terms of Sale. As outlined in my first letter, Susquehanna Union Railroad Company, a non-operating holding company, will exchange its stock for the stock of the six railroad companies and the leasing company I own [REDACTED]. Susquehanna Union will then sell a small amount of stock [REDACTED]. This sale of stock and the [REDACTED] is shown in Appendix A. There may be changes in the [REDACTED] and the number of shares over a period of time. Susquehanna Union will then [REDACTED]. The time that it takes to do this buyback

will depend on the [REDACTED]
so, I cannot state when the change of control will take place other than to state that it will take several years.

B: What does Susquehanna Union own? Who owns this holding company? I formed Susquehanna Union Railroad Company several years ago and it has been dormant since then. It owns no assets currently.

C. What third party approvals are required? The only approvals required will be the authorization of the Surface Transportation Board and the approval of the Rail Authority.

D. What "Tax Credits" are carried forward by each JRA railroad, and how will these be treated in the sale? Each JRA railroad will continue in existence and will keep the tax credits it has earned in the past.

E. Have tax credits been transferred between the companies, and how was this accomplished? There have been no transfers of tax credits between the companies, however, there has been transfer of "miles of road" and maintenance expense between companies as determined by our accounting firm, Bowers and Company, to minimize the total corporate Federal tax liability each year. Once the tax credit is recorded for any company each year, it cannot be transferred to another company.

F. Are there any other understandings, representations, or agreements between the buyers and sellers? The only other agreement which may be required is an agreement with the [REDACTED]

[REDACTED]
[REDACTED] and [REDACTED]
[REDACTED]

Question 3: Questions for Buyers

A. Background experience for conducting rail freight operations and maintenance. Inasmuch as the buyers are [REDACTED], doesn't the Rail Authority board and staff have enough knowledge and experience of them from the [REDACTED]? And, what financial information is requested?

B. How will the purchase be financed? There is no financing involved in the purchase.

C. How will the purchase be structured? The structure of the purchase is a stock buyback by a separate entity, the holding company, as outlined above and in the first letter.

D. Corporate ownership structure after purchase? Who will make decisions? The corporate ownership after purchase will be a non-operating holding company, Susquehanna Union Railroad Company, which will own six railroad companies, including the five Rail Authority railroad companies, and the leasing company, Rail Scavengers, Inc. The same people who make the decisions today for the railroad companies will be making the decisions after the purchase.

E. Any changes in management and/or work force contemplated? No changes in management or work force are contemplated.

F. Are there any understandings, representations, or agreements between the buyers that are not included in the purchase and sale agreement? There are none except for that contemplated in the answer to Question 2F.

G. Financial projections trending from the most recent three years. I am not sure exactly what the Rail Authority wants for "3-5-7 year cash flows and pro formas. I can have my staff prepare an annual cash flow estimate statement and also projected income statements for future years. However, with the uncertainties of traffic, revenue, future tax credit legislation, and future corporate tax legislation, the credibility of these statements will be very low. I can say that this enterprise has produced [REDACTED] in recent years and this will be enhanced in the future by the effects of [REDACTED] coming into the ownership of the holding company and by Mim and I leaving the railroad company payroll. The combination of these two factors should [REDACTED] [REDACTED] years if the rest of the enterprise continues as it has, i.e., making [REDACTED]. This is a broad brush observation but I don't think there will be any more accuracy obtained by trying to refine the numbers. Whether or not the holding company is able to buy back my stock in five years is not a

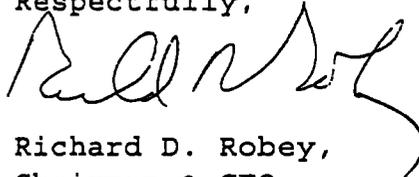
corporate life threatening event because there are no corporate financial commitments tied to it. As far as the balance sheet before and after the purchase, the balance sheet of the holding company after it acquires the seven corporations will be the same as the consolidated balance sheet of the seven companies before their acquisition.

I do not know what to provide for the "schedule of ownership which clearly defines the bankability of transactions at conclusion of current operating agreement". We do not anticipate having to use a bank in this transaction.

For the last two statements in the letter concerning seeing the companies books, and interest payments and debt of the holding company, the Rail Authority board and staff know that they have been invited several times to visit our office and discuss financial matters with our staff. The holding company books today are the books of a dormant company with nothing but inception data in them. And we do not anticipate that the holding company will have any debt or interest payments.

I think this completes our provision of the data requested by the Rail Authority concerning our restructuring of our operating companies and the future change of control of the ownership of these companies. Please let me know what questions you, the JRA board or the JRA staff has about any of this data.

Respectfully,

A handwritten signature in black ink, appearing to read "Richard D. Robey", written over a horizontal line.

Richard D. Robey,
Chairman & CEO

Mr. Jerry Walls, February 3, 2010, Page 5

Appendix A

List of Shares of
Susquehanna Union Railroad Company Stock
To Be Offered to ~~_____~~



NORTH SHORE RAILROAD COMPANY

356 Priestley Avenue, Northumberland, PA 17857

Phone: (570) 473-7949

February 25, 2010

Fax: (570) 473-8432

Mr. Michael J. Krentzman
Chairman, Operating Agreement Committee
SEDA-CoG Joint Rail Authority
201 Furnace Road
Lewisburg, PA 17837

Dear Mike:

This is a letter to provide the data that the Operating Agreement Committee requested in its February 4th meeting.

This letter confirms again that the holding company, Susquehanna Union Railroad Company, will become a signatory to the JRA Operating Agreement. On further consideration, I do not think it would be advisable for the non JRA railroad company and the leasing company to be signatories to the JRA Operating Agreement because of the inapplicability of various sections of the Agreement to these companies, e.g., payment of operating fees, generation of annual maintenance programs, applicability of maintenance standards, etc. Perhaps we could generate a separate agreement for these companies to deal with certain assurances that the JRA wants concerning the activities of these companies. We do not have any plans to create any new companies that would become subsidiaries to the holding company.

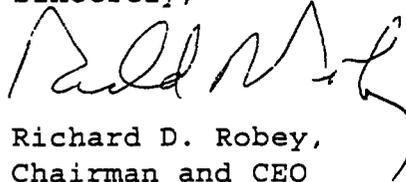
The board of Susquehanna Union will consist of Mim (Mrs. Robey) and I and Gary Shields with me being Chairman until Susquehanna Union buys [REDACTED]. When I no longer have any ownership of Susquehanna Union stock, the shareholders will determine the makeup of the board. I don't think corporate law allows predetermination of the makeup of a board or the bylaws of a corporation by former owners of the stock of the corporation. Of course, we will inform the Rail Authority of any planned changes in board or bylaws structure at the time of change of control. I don't think that current JRA board members would be allowable candidates for Susquehanna's board because of conflict of interest considerations.

Attached are bios of the [REDACTED] that will become owners of the holding company. Also attached are financial projections for the operating companies. Due to the large number of variables and probabilities involved in forecasting future results of our operating companies, these financial projections should be taken as general trends rather than precise calculations.

I believe this is the information that was requested in your February 4th meeting. Please let me know if you have any further questions about what we have planned.

I would like to get this matter of change of ownership settled by the end of March so that I can proceed with my retirement.

Sincerely,

A handwritten signature in cursive script, appearing to read "Richard D. Robey". The signature is written in dark ink and is positioned above the typed name and title.

Richard D. Robey,
Chairman and CEO

ALL EMPLOYEE
AND
FINANCIAL DATA
HAS BEEN REDACTED

Bio as supplied by respective employee, arranged alphabetically..

Thomas M. Avery

Thomas M. Avery graduated from a two year program at Lehigh County Community College with a degree in Civil Construction in 1973. After several years of working for general contractors in the community, he partnered with his father to purchase, remodel and run two drive-in restaurants. Tom would continue in the construction industry, building his own company for seven years. He then began working for Tru-Bilt Lumber Co., constructing custom cabinetry and other specialty projects for approximately 10 years prior to joining the North Shore Railroad Tom was hired by North Shore Railroad in 1998, beginning his career as a brakeman. He advanced to conductor, obtained his Engineer's license, and went on to become trained as a signal maintainer. In 2003 he became manager of the Communications and Signals Department at North Shore Railroad. In 2004 Tom advanced to the position of Manager of Manpower, with responsibilities ranging from operations scheduling to daily supervision of crew activity and proficiency assessment In 2008 Tom's title was changed to Director of Operations to reflect his broad and rapidly expanding array of responsibilities In October 2009, Tom was designated General Manager of North Shore Railroad, where he oversees the Operations Department and the Communications and Signals Department Tom was active in scouting as a youth and became an Eagle Scout in 1970. He is currently active at his church serving on several committees, is one of the head ushers, assists with financial secretary duties and has been on the congregation council for many years.

Chuck Feinauer

Chuck Feinauer's railroad career began in January 1977 when he was hired by Conrail as a locomotive engineer On August 16, 1996, after 19 years as a Class 1 engineer, he joined the NSHR team as General Manager of the newly formed Lycoming Valley RR

Todd Hunter

A native of Blair County, I graduated from Bellwood-Antis High School and Altoona Area Vocational-Technical School in 1980 on a Transportation & Traffic Management Program A summer high school job at a Tyrone grocery store led into a full time job until 1982 when I accepted a position with Western PA Food Brokerage house-Blackwell-Stevenson Company of Bridgeville, PA. I had responsibility for promoting various food company products in retail grocery chains in West Central PA, Northern WV, and Western Maryland including Clorox, Sun Diamond, Tropicana, and Welch's This led me into an Assistant Store Manager position for M&G Markets in Williamsport in 1984 In 1986 I accepted a position with the Campbell Soup Company's Philadelphia Sales Division based in King of Prussia, PA. I was promoted several times and ended my career in 1996 in the Frozen Foods division. I accepted a buyout offer as the company was downsizing at the time. I had marketing & sales responsibility for Weis, Acme, Giant & Insalaco's markets and a few smaller chain and other grocery stores in North central and North east PA and upstate NY representing all Campbell Products including Pepperidge Farms, Swanson, Prego, Pace, Sanwa, Vlassic and other Campbell Products. I also worked extensively on both the Weis Markets and Giant Markets new store/remodel reset teams-a select group of vendors that the chains trusted to set up merchandising in new or remodeled stores. I joined North Shore Railroads in 1996 in customer

service and assisted in the start up of LVRR & JVRR, the NS/Conrail merger and started various marketing projects that led into my current position.

I am now active in the following positions in addition to my work at North Shore Railroads:

- Lycoming County Transportation Planning committee.
- Lycoming County Gas Well task force subcommittee on zoning & property.
- Lycoming County Industrial Properties board member (3 year term starting 2010).
- Bucktail Chapter NHRS and associated rail operations in Saint Marys, PA (25 year volunteer).
- Norfolk Southern Caucus Group (Shortline advisory panel).
- ASLRRA officer nominating committee.

Phil Lucas

Phil Lucas worked 20 years for Conrail, hiring on in 1976. Phil was hired by North Shore Railroad in November 1996 on the NBER. He became General Manager of the NBER in February 2000

James Miller

James Miller entered railroad service May 22, 1969 with the Bellefonte Central. June 1, 1970 he was promoted to Assistant Treasurer James was promoted to General Manager of the Bellefonte Central on August 1, 1977, and served in that capacity until August, 1984 On August 1, 1984 Jim was hired by the North Shore Railroad on the NBER. He served as General Manager of the NBER from August 1, 1984 through April 1, 1999, at which time Jim assumed the position of General Manager of the JVRR, and continues on in that position presently Jim's qualifications include: "Track Inspector" from Bellefonte Central, dated June 1, 1976 and "Locomotive Engineer" from Bellefonte Central. dated June 1, 1976

Raymond B. O'Brien

Position: Chief Mechanical Officer

16 years railroad experience

20 + years experience operating and maintaining equipment

Training/Education

1993 Graduated High School with all academic courses

1996 Locomotive Engineers Certification from Conrail

8 weeks of classroom training, 6 months of on the job training

2002 Pa Commercial Drivers License class A

with air, hazmat, and tank endorsements

2003 Locomotive maintenance training class provided by Electro-Motive Division of GM covering air brake systems 26L/30 CDW

2005 Locomotive maintenance training class provided by Electro-Motive Division of GM covering prime mover 567/645 diesel engines

2006 Locomotive maintenance training class provided by Electro-Motive Division of GM covering early switcher electrical systems troubleshooting

2006 Attended a Fred Pryor seminar on supervising

Employment Timeline

1987-1994 operation and maintenance of equipment

1994-1996 train and engine service Conrail

1996-2000 train and engine service North Shore Railroad

2000-2001 promoted to supervisor of locomotive engineers

2001-2006 locomotive mechanic, electrician, machinist, and pipefitter

2006-present served as Chief Mechanical Officer

Brian J. Robey

In 1987, while still in high school, Brian started working for North Shore Railroad Co in the Maintenance of Way department. Upon graduating from Lewisburg High School in 1988 he attended Bloomsburg University for computer science. During the summer of 1989 from Bloomsburg, Brian worked as an office assistant for the North Shore Railroad Co. Also during the next 2 years, he worked for MBA Computer Systems in Sunbury while still attending Bloomsburg University. After leaving Bloomsburg University during the winter of 1991, Brian worked several jobs including cooking at 2 restaurants and receiving at Leer Truck Accessories. He returned to North Shore Railroad Co during March of 1993 as a member of train service. In March 1997, Brian was asked to move from train service into an office position which included payroll and accounting duties. After 2 years of accounting and payroll duties he was asked to create and manage an IT department for North Shore Railroad Co, which until that time did not have an IT department. Brian was promoted to the position of Data Equipment Manager during the summer of 2001. He is responsible for all the computer and electronic devices in use by the North Shore Railroad System.

Gary R. Shields

North Shore Railroad Company and affiliated companies Northumberland, PA

President 2002 to present

Administrative responsibilities for 6 short line railroads

Subsidiary Railroads of Bethlehem Steel Corp. Bethlehem, Pa.

Director of Business Development 2000-2002

Business growth through acquisitions, development of new and existing businesses, purchasing and leasing railroad equipment, development and administration of all state and federal grant programs for track rehabilitation and construction. Administration of safety, health and environmental programs for 8 short line railroads

Chief Engineer 1999-2000

Engineering, purchasing, development and administration of all state and federal grant programs for track rehabilitation and construction for 8 short line railroads.

Manager, Traffic and Rail Division 1998-1999

In 1998 Lukens, Inc. was acquired by Bethlehem Steel Corp. Management of purchased transportation for 2 steel plant locations and two railroad companies composed of 8 subsidiary railroads (Superintendent of BVRY and UMP).

1973-1998 Lukens Inc. Coatesville, Pa.

Manager, Traffic and Rail Division 1995-1998

Management of purchased transportation for 5 steel plant locations, two railroad companies (President of BVRY and UMP) and in-sourced truck dispatch and billing operation.

General Manager-Rail Division 1992-1995

Management of the three railroad companies. President of BVRY, UMP, and SCFE

Superintendent 1985-1992

Management of three railroad companies, Brandywine Valley Railroad Company (Operating responsibility added for Upper Merion & Plymouth Railroad Company on 1/1/90 and South Central Florida Railroad Company on 6/1/90)

Superintendent Transportation 1982-1985

Management of Coatesville, PA steel plant internal transportation services, including the management of the in-plant trucking and rail operation.

Supervisor-Traffic 1977-1982

Management of Coatesville purchased transportation, Central Stores and Salvage Yard operation (Central Stores and Salvage Yard added 1980).

Industrial Engineer 1973-1977

1969-1973 Westinghouse Electric Corp. Trafford, Pa.

Industrial Engineer 1969-1973

1969 Point Park College Pittsburgh, Pa.

B S , Mathematics

Ferrous Metallurgy Certificate 1978- Penn State University

Traffic and Transportation Management Certificate 1982 - Penn State University

Walter (Pete) Simcox

- 22 Years with Conrail : Holding the following positions Trackman, Asst. Foreman, Foreman, Asst. Supvr & Supervisor of Tie & Surfacing Production Gangs and Basic Maintenance Gangs. Also Asst. Production Engineer Eastern Region responsible for 5 Tie & Surfacing Gangs, Crossing Gangs, Material Gangs & Patch Rail Gang.
- 5 Years as a Business Owner, Improving Sales 200% over those 5 Years

- 2 Years working for Balfour Beatty (Railroad Contractor) as Project Superintendent on the Camden to Trenton Heavy Haul Transit Project and the Bayonne to Weehawken Light Rail Project
- 6 Months with Amtrak as Director of Production and Improvement
- 5 ½ Years with the North Shore Railroad as Asst Supt. of Track and Supt. Of Track

I am FRA Certified and Qualified for Construction, Maintenance & Inspection for all Classes of Track

Jeb S. Stotter

Jeb S. Stotter graduated with honors from Susquehanna University in 2000 with a Bachelor of Science Degree in Business Administration (emphasis in Human Resources) and a minor in Sociology. He was hired by North Shore Railroad's Customer Service department April 30, 2001, becoming department manager October 3, 2003. Jeb's department functions as the liaison between railroad customers and the operations department, ensuring efficient lines of communication and rapid problem solving. His department is also responsible for accurate data entry relevant to bills of lading, railcar movements, freight revenue, misc revenue, car hire, demurrage, internal reports, Class I revenue settlements, etc. In addition to other administrative duties, Jeb serves as the North Shore Railroad DER (Designated Employee Representative), managing the company drug and alcohol program, and as the Equal Opportunity Employer Representative

Diana L. Williams

Diana L. Williams, North Shore Railroad Assistant Treasurer, began her career with the United States Army in 1986. Stationed in Fort Drum, New York, Diana acted as Electronics Repair Specialist, where she handled the wiring, testing and repair of military electronic devices and maintained accurate account of a large parts inventory and bench stock. In 1991, Diana served the International Red Cross in Bamberg, Germany as a caseworker. There she handled duties ranging from social work to financial book keeping. In 1995, stationed in Hanau, Germany, Diana served as Teacher Aide/Monitor at the Department of Defense Dependent School. In 1998, Diana's professional focus became Accounting. Diana attended the United States Army Logistics Management College in Fort Lee, Virginia and The Army Institute for Professional Development/Non-Appropriated Accounting. In 1998, stationed in Fort Campbell, Kentucky, Diana became the base Accounting Technician (NF-0525-03). In her new position, Diana oversaw accounting duties of 30 subordinate activities for the Financial Support Services Division and prepared payroll for processing. She introduced and implemented a newly developed check procedure and enhanced collection practice. This led to an improvement in collections, reducing write-off activity by almost 70%. Diana was hired by the North Shore Railroad's Accounting Department December 2, 2002. She became Assistant Treasurer in September 2006. Her department is responsible for a broad range of functions, including but not limited to: accounts receivable reconciliation, processing of payables, payroll, cost and budget accounting, internal control, tax preparation and reporting, railroad retirement program, annual audit preparation, past due collections, and the employee benefits program.

**Combined Income Statement
JRA Operating Railroads and UCIR**

	Year 2012	Year 2014	Year 2016
Minimal Increase Option #1			
Operating Revenue	\$ 14,617,305	\$ 15,507,499	\$ 16,451,906

Operating Expenses

Transportation	\$ 4,991,767	\$ 5,228,412	\$ 5,546,822
Maintenance of Way	\$ 2,731,817	\$ 2,898,185	\$ 3,074,684
Maintenance of Equipment	\$ 1,663,477	\$ 1,682,760	\$ 1,785,240
Administration	\$ 2,920,478	\$ 3,098,336	\$ 3,287,024
Other Expense	\$ 1,918,080	\$ 2,034,892	\$ 2,158,816
Buy-back of Stocks	\$ 240,000	\$ 240,000	\$ 240,000
Total Operating Expenses	\$ 14,465,619	\$ 15,182,585	\$ 16,092,586
Net Income	\$ 151,686	\$ 324,914	\$ 359,320

Data Sources and Assumptions:

Average of years of 2007, 2008 and 2009 used as starting points.

No Tax Credit transactions included due to Congressional approval not being indicated at this time.

Includes changes in Administrative Compensation & Benefits due to recent retirements and terminations.

Assumes projected retirements in 2012 and 2014

Compensation and Benefits includes new hires

M & W expense uses 2007 and 2008 totals for base years

Dividend quarterly

Assume minimal growth at 3%, average at 5%, and moderate at 7%.

**Combined Income Statement
JRA Operating Railroads and UCIR**

	Year 2012	Year 2014	Year 2016
Average Increase Option #2			
Operating Revenue	\$ 15,485,440	\$ 17,072,697	\$ 18,822,649

Operating Expenses

Transportation	\$ 5,288,232	\$ 5,762,922	\$ 6,353,622
Maintenance of Way	\$ 2,894,062	\$ 3,190,703	\$ 3,517,751
Maintenance of Equipment	\$ 1,762,273	\$ 1,863,272	\$ 2,054,257
Administration	\$ 3,093,929	\$ 3,411,056	\$ 3,760,689
Other Expense	\$ 2,031,997	\$ 2,240,277	\$ 2,469,905
Buy-back of Stocks	\$ 300,000	\$ 200,000	-
Total Operating Expenses	\$ 15,370,493	\$ 16,668,230	\$ 18,156,224
Net Income	\$ 114,947	\$ 404,467	\$ 666,425

**Combined Income Statement
JRA Operating Railroads and UCIR**

	Year	Year	Year
	2012	2014	2016
Moderate Increase Option #3			
Operating Revenue	\$ 16,387,284	\$ 18,761,802	\$ 21,480,387

Operating Expenses

Transportation	\$ 5,596,210	\$ 6,339,746	\$ 7,258,376
Maintenance of Way	\$ 3,062,607	\$ 3,506,379	\$ 4,014,453
Maintenance of Equipment	\$ 1,864,904	\$ 2,049,921	\$ 2,346,954
Administration	\$ 3,274,112	\$ 3,748,531	\$ 4,291,693
Other Expense	\$ 2,100,337	\$ 2,461,921	\$ 2,818,653
Buy-back of Stocks	\$ 430,000	-	-

Total Operating Expenses	\$ 16,328,170	\$ 18,106,498	\$ 20,730,129
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Net Income	\$ 59,114	\$ 655,304	\$ 750,258
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Approximate Allocation of Company Resources to complete Stock Buy-back

Year	Option #1			Option #2			Option #3		
	Shares Redeemed	@\$25.00	Shares Redeemed	@\$25.00	Shares Redeemed	@\$25.00	Shares Redeemed	@\$25.00	
2010	\$ 420,000	16,800	\$ 600,000	24,000	\$ 700,000	28,000			
2011	\$ 840,000	33,600	\$ 960,000	38,400	\$ 1,200,000	48,000			
2012	\$ 790,000	31,600	\$ 800,000	32,000	\$ 1,200,000	48,000			
2013	\$ 840,000	33,600	\$ 960,000	38,400	\$ 900,000	36,000			
2014	\$ 965,000	38,600	\$ 680,000	27,200					
2015	\$ 145,000	5,800							
	\$ 4,000,000	160,000	\$ 4,000,000	160,000	\$ 4,000,000	160,000			

Assumptions:

Monthly cash flow from Leasing Company
 Monthly cash flow from Railroad Companies
 Start of buy-back assumed for 07/2010

Option #1	\$50,000	Option #2	\$25,000	Option #3	\$60,000
	\$20,000				\$40,000

Option #1 Start 07/2010
 End 02/2015

Option #2 Start 07/2010
 End 08/2014

Option #3 Start 07/2010
 End 09/2013