223892

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

PETITION TO TOLL THIRTY DAY PERIOD FOR SUBMITTING OFFER PURSUANT TO SECTION 1152.27(c)(2)(ii)(C):

Jeffrey Lundy
Lukehart & Lundy
219 East Union Street
P.O. Box 74
Punxsutawney, PA 15767-0074
(814) 938-8110

ATTORNEY FOR P&N COAL COMPANY INC.

Dated: November 3, 2008

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

PETITION TO TOLL THIRTY DAY PERIOD FOR SUBMITTING OFFER PURSUANT TO SECTION 1152.27:

P&N Coal Company hereby submits this Petition to Toll Thirty Day Period For Submitted Offer Pursuant to Section 1152.27, of which the following is a concise statement:

1. On October 7, 2008, Notice of Exemption by R.J. Corman Railroad Company was published in the Federal Register by the Surface Transportation Board.

2. Your Petitioner, P&N Coal filed a timely within ten (10) day response, being a Petition for Stay and Notice of Expression of Intent to Make an Offer to Purchase, which also contained requested information pursuant to Section 1152.27.

3. By email dated October 10, 2008, copy attached hereto marked Exhibit A, counsel for P&N Coal Company advised Corman Railroad Company, through their attorney, Michael J. Barron, Jr., a request for all of the necessary information under §1152.27 including but not limited to

   a. an estimate of the annual subsidy and minimum purchase price required to keep the line or a portion of the line in operation.

   b. Physical condition of the line involved.

   c. Traffic, revenue, and other data necessary to determine the amount of

annual financial assistance that would be required to continue the rail transportation over the railroad line. Such information should include carrier's estimate of the net liquidation value of the line, supporting data reflecting available real estate appraisals, assessments of the quality and quantity of track materials in a line, and removal cost estimates including the cost of transporting removed materials to the point of sale or salvage and an estimate of the costs of rehabilitating the line to Federal Railroad Administration safety requirements.

d. Records, accounts, appraisals, working papers or other documents used or prepared in any exhibits for abandonment, or other records which may be beneficial in evaluating an offer or subsidy.

4. By email dated October 17, 2008, copy attached hereto marked Exhibit B, Bruce Greinke of the R.J. Corman Company forwarded to John Prushnok of the P&N Coal Company, valuation information concerning track values, copy of which is attached hereto.

5. The aforementioned information was incomplete and not incompliance with §1152.27 and by email dated October 28, 2008, copy attached hereto marked Exhibit C, Jeffrey Lundy, Esquire, counsel for P&N Coal Company, offerer, informed counsel for R.J.Corman, that the information provided was only partial in nature:

a. It appears to be a full report on the ties, switches, lubricators, gates and flashers, and on take up. What is missing is:

i. Estimate of annual subsidy and minimum purchase price to keep the line open;

ii. Physical condition of the track (our understanding is that this information may be forthcoming)

iii. traffic, revenue and data necessary to determine the amount of financial assistance required.

iv. Available real estate appraisals.

v. Estimate of costs of rehabilitating the line to meet safety requirements.

b. More specifically as to information provided on their 1,066,703.00 number:

i. Methodology and calculation of determination of scrap value for rails (ie. Was an index used, if so, what monthly average method)

ii. As to real estate value, it was suggested by Corman to P&N that a rails to trails sales value was used, if so, what information and data in support of that value was utilized.

6. By email dated October 30, 2008, at 2:16 p m., copy attached hereto marked Exhibit D, counsel for R.J. Corman forwarded additional information per the request, copies attached hereto.

7. By subsequent email of October 30, 2008, at 4:28 p.m., copy attached hereto marked Exhibit E, Michael J. Barron, counsel for R.J. Corman forwarded email to Jeffrey Lundy, Esquire, counsel for P&N Coal Company, offerer, correcting the spreadsheet presented as the rehabilitation costs and annual subsidy.

8. By email dated Monday, November 3, 2008, at 8:27 a.m., (Exhibit F), Attorney Lundy advised Attorney Barron of R.J. Corman Railroad that requested whether the railroad would agree to a thirty-day tolling period under Section 1152.27, as the

information relative to valuation of the real estate had not been completed and to allow proper time to formulate an offer and engage in meaningful negotiations in the spirit of the act.

9. By email dated Monday, November 3, 2008, at 12:05 p.m. (Exhibit G), Attorney Barron advised that it was their opinion that tolling the OFA process would serve no purpose, that all information has been provided.

10. As of November 3, 2008, at 12:05 p.m., R.J. Corman Railroad has, in their opinion, provided all the necessary information, however, P&N Coal Company, in the interest of making a complete and substantiated offer would request a tolling of the time frame for making an offer for a period of thirty days to allow proper time to evaluate the material, to formulate any additional requests for information that may be required and to make an offer.

WHEREFORE, your Petitioner P&N Coal Company requests pursuant to §1152.27 that the period of time within which to file an offer be tolled until such time as P&N Coal Company has an opportunity to sufficiently evaluate all the material that has just been provided by R.J. Corman Railroad and would request that said time within which to make offer be tolled for a period of thirty (30) days.

Respectfully Submitted,

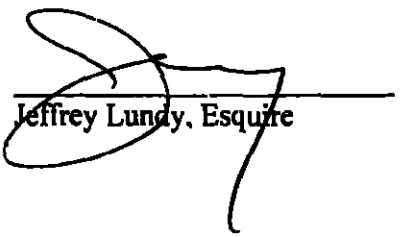
Jeffrey Lundy, Esquire

CERTIFICATE OF SERVICE

The undersigned hereby certifies that on the 3rd day of November, 2008, an original and ten copies of the Petition to Toll Thirty Day Period for Submitting Offer Pursuant to Section 1152.27, by P&N Coal Company was filed with the Surface Board of Transportation by certified, registered, return receipt requested, mail. It is hereby certified that a copy of the Petition to Toll Thirty Day Period for Submitting Offer Pursuant to Section 1152.27, by P&N Coal Company was served upon RJ Corman Railroad by serving same upon their attorney by regular mail on the 3rd day of November, 2008 at the following address:

Michael J. Barron, Jr.
Fletcher & Sippel LLC
29 North Wacker Drive
Suite 920
Chicago, IL 60606-2832

Also, a copy of the aforementioned was sent by email to Michael Barron, Jr., at mbarron@fletcher-sippel com.



Jeffrey Lundy, Esquire

Jeffrey Lundy

From: Jeffrey Lundy [jeffreylundy@comcast net]
Sent: Friday, October 10, 2008 1 41 PM
To: 'Michael J Barron, Jr '
Cc: 'John Prushnok'
Subject: RE RJ Corman Railroad Company, Pennsylvania AB 491 (Sub -No 2x)

Mike:

I am scheduled to meet again with my client on the Hillman line on Monday. I have been directed to prepare a response including, Petition to Stay and an expression of intent to make an offer or purchase. In this regards, can kindly advise your client that P&N would request inform pursuant to Section 1152.27, including·

(a) an estimate of the annual subsidy and minimum purchase price required to keep the line or a portion of the line in operation.

(b) Physical condition of the line involved.

(c) Traffic, revenue, and other data necessary to determine the amount of annual financial assistance that would be required to continue the rail transportation over the railroad line. Such information should include carrier's estimate of the net liquidation value of the line, supporting data reflecting available real estate appraisals, assessments of the quality and quantity of track materials in a line, and removal cost estimates including the cost of transporting removed materials to the point of sale or salvage and an estimate of the costs of rehabilitating the line to Federal Railroad Administration safety requirements

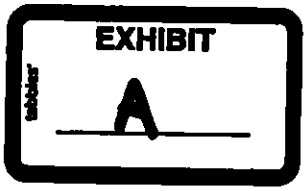
(d) Records, accounts, appraisals, working papers or other documents used or prepared in any exhibit for abandonement, or other records which may be beneficial in evaluating an offer or subsidy

I will forward copy of any response when filed at the beginning of next week

Can you kindly again see if Mr Corman is willing to meet with P&N to discuss this line?

Thank you for your coopcration and professional courtesies to date

Jeff Lundy



Jeffrey Lundy

From: Greinke, Bruce E [BEGreinke@RJCorman com]
Sent: Friday, October 17, 2008 3 11 PM
To: JPrushnok@pnresources com
Cc: Petree, Sherman W , Ronald A Lane
Subject: Hillman Valuation
Attachments: AR-M455N_20081017_145217 pdf

John,

Attached is part of the valuation report we are using As we noted, we are looking at the scrap prices over the last 6 months (Apr-Sept) as we value our asset The value we see is $1,066,703 which includes our estimated land value based on our sale to Rails/Trails (in PA) of $300,000 I have tried to minimize the amount of redaction to provide you the best information we can Please let me know if you need further clarification

Sincerely, Bruce

Bruce E Greinke
R J Corman Railroad Group

Email begreinke@rjcorman com
Office 859 881 2498
Fax 859 881 2698

EXHIBIT
B

Track Valuation

The following is a description of the methodology used for estimating the value of the track assets It is desirable to first define the physical assets of the track that are considered to have the greatest potential value in liquidation. Track is considered as a structure which is composed of the ferrous metal components such as rail and other track material (OTM). In addition to ferrous material, crossties and switch timber may have value.

The initial step in estimating track value is to assemble an inventory of track materials by geographical location which in large part can be generated from the railroad's existing engineering records such as track charts and other property records.

In developing the track inventory, it is separated into groupings by pattern weight of the rail and the observed lineal feet associated with each weight. The next step is to calculate the estimated total weight of ferrous metal for rail and OTM for each weight of rail This may be accomplished by applying the existing standards of the railroad for the construction of track to provide a specific service. The ferrous metal weight of rail thus derived should then be adjusted to reflect wear and loss of metal over the service life of the rail[2]. This adjustment is a subjective judgment that can be reasonably supported by rail wear measurements taken at sample locations during the physical inspection of the track (see Appendix 1 - Track Inspection Reports). Additional information, such as annual gross ton miles carried, timetable speed, track classification, track geometry, position of crossings, curve lubricators, etc. is also useful in evaluating track condition.

A key determination in estimating the value of track is the quantity of rail and OTM that would likely be classified as fit for reuse, as opposed to material that could be sold as scrap Considering the increasingly heavier wheel loadings that are being imposed on the track structure today, there is a limited market for light rail sections. It is further assumed that only 112 lb/yd or heavier rail sections should be classified as salable and fit for main or branch track relay. A significant market also exists for lighter rail in reuse for industrial sidings.

After the track has been quantified on a tonnage basis as defined above, a price is estimated for fit material and for scrap material. The price of fit material is estimated by giving consideration to the price of new material, available market data on fit material and the observed condition of the material which would be reclaimed as fit. Rail and OTM heavier than 112 pounds may be valued as scrap because of the need for cropping to remove end batter, curve wear or other rail defects. This determination is made as a result of a field inspection

The total weight of rail and OTM that is classified as ferrous scrap is then valued based on the average scrap price as reflected by the railroad's record of recent scrap sales of similar material. This price may be corroborated with published scrap prices. OTM prices also vary greatly by quality: individual quantities of fit material (such as fit joint bars) are typically priced individually, and a scrap value per aggregate ton is applied for any non-reusable steel.

Tie Valuations

In addition to the value of the ferrous metal, consideration should be given to the proven value of reusable cross ties and switch timbers. While a large number of ties may have no reuse value, ties that have been installed within the last ten to fifteen years may be salvaged and sold either as fit for railroad use or for landscape purposes The NLV selling price may be 15% to 40% of new tie prices, which varies by location, volume and difficulty of salvage. Again, inspection should support a reasonable judgment of the percent of the total tie population that may have value. It is assumed that salable ties will be found only in main track or in locations where track has been extensively refiled or repaired in recent years.

[2]General Managers Association of Chicago, Circular 2710-E (paragraph d), Rule 111, permits an allowance of 5% off the pattern weight for scrap rail when material is applied or released from jointed tracks

This value of landscape crossties also varies significantly by market. Typically, areas with significant regional real estate development produce a stronger market for such landscape material; and a higher appraised value. Due to the weight of used ties (and accompanying freight charges), landscape quality material is typically valued within a 100-mile (or less) radius. Retail prices for such materials must be discounted to wholesale purchase prices that a scrap materials dealer would pay.

Large quantities of ties in various conditions exist on this particular railroad. Ties along the WBV were generally in landscape-or-better condition, and sorted and bundled along the right-of-way Ties along the Irvona secondary were generally mixed grade disposal and low-landscape value that had value limited to the cost of removal.

Normal tie replacement procedures on a railroad right-of-way are done with the 'throw-off' of non-reuse or landscape ties simply to rot out. On a NLV appraisal, it is generally considered that all ties are to be removed, even if at a cost to the owner, to leave the property in a salable condition. Many states, including Pennsylvania, allow rotted ties to disintegrate along the right-of-way of the railroad as long as the property is retained by the railroad owner. It is only on entire line removal projects that the track contractor typically removes 100% of all ties for a net graded valuation

Given that scenario, with a relatively high number of ties for reuse, landscape and disposal, relative costs and volumes have to be factored in to the valuation.

Pennsylvania has two regional outlets for railroad tie recycling activities that are relatively close to Clearfield. Koppers' co generation plant at Muncy PA is an EPA-approved disposal site that creates electricity from the incineration of used railroad ties with no remarket value.

In this appraisal, one key opinion necessary for valuation is the disposition of used railroad ties with less than landscape value. It was noted that quantities of defective ties were frequently discarded along the right-of-way as part of regular tie replacement programs by RJCP

The 2005 appraisal included an allowance for removal and freight, tie pricing estimates for this assuming an adjusted net disposal cost from the 2005 appraisal of $.64 per tie on unusable ties (estimated disposal cost via Muncy); $3 00 value on landscape ties (NLV = market; i.e. dealer removes for free), $4.00 for a tie with 5-20 years life, and $6.00 for a tie with more than twenty years of estimated life remaining

For 2008, this was adjusted to a net disposal cost of $2.43 for disposal (still assuming incineration but primarily due to higher freight and handling costs), $9.38 for a landscape tie, $11.25 for 5-20 year life, and $15 38 for a relay-quality tie with more than twenty years of remaining life This value was directly adjusted by retail pricing received by www.adamscole.com in May 2008. Market prices for relay quality ties are now significantly higher than 2005.

Inventory and Condition

The track inventory was developed using the following data and assumptions:

- Inspections were made at regular mile intervals along the line to assess rail, tie and turnout condition and to verify track chart data (specific inspection areas noted previously in the report) Tie conditions on inspected track that had received tie replacements was significantly better than the previous appraisal. Tie conditions of trackage not inspected, or trackage that did not receive specific large-scale capital maintenance, was devalued 5% from the previous appraisal to the next lower valuation category. This means that a track section that had 25% 20-year ties now was valued at 20%, etc; raising scrap/disposal ties an additional 5%

- Rail data obtained from track charts showing rail weight, year rolled, year laid, bolted or welded was verified (and adjusted as necessary) during field inspection

- *Tie spacing data obtained from field inspection used to estimate number of fit and reuse ties.*
- OTM type and quantity obtained from field inspection.
- Side track data was obtained from track charts, track maps and field inspection.
- Turnout sizes and quantity obtained from field inspection and track chart data.
- A weight loss (against pattern weight) of .5% was assumed for fit rail, 1% for branch line relay; 2.5% for yard/industrial, 5% for scrap rail and 5% for scrap OTM.
- Scrap OTM and scrap rail is valued at Gross Tons (2240 lbs/ton).

The condition of the track components has been developed using the following guidelines:

- Rail condition was based on field inspection and head wear measurements to determine degree of fitness and supplemented by track chart history on dates rolled and installed. These dimensions are published by AREMA as Class One – Class Four.
- A percentage of rail is assumed to be scrap because of corroded and short rail at grade crossings, short rail at signals and switches, and because of minor surface defects including engine burns.
- Tie condition is based on sample field inspection at various locations along the route.
- Splice bars and tie plates associated with rail classified as fit are assumed to be fit for reuse If associated with scrap rail, the OTM is classified as scrap, or as adjusted as a result of field inspection.
- All bolts, spikes and anchors are classified as scrap.

Track Ties

The main track portion of the line under study is constructed of 7"x9"x8'-6" treated hardwood ties laid on approximately 21" centers and on heavy-use main tracks, spacing typical to 19" No bridge tie deductions were made due to the lack of bridge span/length data available. [redacted] An additional 29,000 removed ties were estimated to still be on the property of which 21,000 were estimated to at least be landscape grade or better, primarily along the West Branch Valley. These ties were already bundled and graded for removal. They are only accessible by rail.

The first step in developing the Net Liquidation Value of the ties is to estimate that portion of the total tie population which has value for reuse. The primary consideration in reuse potential is remaining life Where ties have an estimated remaining life of 10 or more years, they are assumed to have some value. Ties are a function of service, drainage and general track conditions. Their age may not be indicative of their condition. These ties, based upon the condition when in service, may have significantly greater value than those otherwise "sound" appearing ties. Relay or "fit" ties are extensively used on industrial tracks, branch lines and on shortline and regional railroads.

In arriving at the Net Liquidation Value of the ties, the consultants have considered the condition noted during the field inspection and the historic tie program data Tie replacement programs have not been uniformly applied to the property RJCP tie rehabilitation and replacement data was applied to the previous appraisal summaries, adjusted for age and condition. As the ties had been part of a Pennsylvania Capital Grant program, the number and distribution of the replacement ties was relatively well known, and the key issue was to verify the installation and condition.

Tie conditions vary as a result of as needed maintenance patterns over the length of the line segments, and the impacts of rehabilitation programs in specific areas. The estimated remaining life will be different for a tie which is disturbed (taken out of track and reinstalled at another location) from that of a tie left in its original location. Re-handling and re-spiking of ties shorten the tie life. It is estimated that the 69% estimate of reuse-quality ties would be reduced by another 10-15% when considering this further, more-selective criterion. From the field inspection it is estimated that about [redacted] would be fit for landscape use. Remaining ties are of an assumed negligible quality; including those that are essentially valued at the cost of removal, and also those ties which have a negative value for the expected costs of incinerator or landfill disposal for a previously creosote-treated tie with no value even for landscape applications.

In arriving at an estimated Net Liquidation Value, consideration was given to the value of the reclaimed ties. Ties reclaimed for reuse as a railroad cross tie have more value than those reclaimed for nursery or landscape use. Net value considering cost to reclaim is estimated to be $15.38 for railroad and $9.38 for nursery/landscape use.

The consultants have considered the value of the ballast as a separate track component. Where track has received cyclical raising and surfacing with high-quality stone or trap rock, there may be a potential for reclaiming ballast. Although heavy ballast conditions prevail (particularly on the main tracks), it was noted that sidings that had already been lifted for track and OTM, the ballast had *not* been reclaimed, even on those lines where rail had been lifted since 1995. A key cost to ballast is the cost of removal, and the inaccessibility of the right-of-way increases this cost. As a whole, these factors may preclude any economical recovery and negate this value, and therefore do not enter into any predictable recovery or remarket value of the asset.

Stone Consulting & Design, Inc.
05/2008

R. J. Corman Pennsylvania Lines Appraisal
2008 Reappraisal

NAME	FROM	TO	TOTAL	RAIL	Rail Grade	TIE PROG				
HILLMAN BRANCH (ex-Hillman Industrial Track) [redacted]							RAIL Eff	OTM Eff	TIES Eff	
Desc: Leaves Cherry Tree Sec. at MP 22 Cherry Tree Sec. Bear Run IT branches off of it.										
	0	7	7 100	S&Y	80		[redacted]		$114,471	
TOTAL			7						$114,471	[redacted]
SWITCHES (Track charts only)										
Three, including switch to Bear Run				3	rjcpsw3.wk4					$49,035
LUBRICATORS										$0
GATES & FLASHERS										$2,250
SIDINGS (Track charts only)										
Hillman	5 4	5 6	0 2 100	SCRAP			$6,900	$3,331	$671	
TOTAL							$6,900	$3,331	$671	$10,902
TOTAL RAIL			7.2							
TAKEUP COST										
1231 Tons @	$100.00	($123,106)								
TOTAL VALUATION Per Mile		[redacted]								

Jeffrey Lundy

From: Jeffrey Lundy [jeffreylundy@comcast net]
Sent: Tuesday, October 28, 2008 2 15 PM
To: 'Michael J Barron, Jr.'
Cc: 'John Prushnok'
Subject: FW. Hillman Valuation
Attachments: AR-M455N_20081017_145217 pdf

Mike

Attached is a forwarded email and enclosure from your client to P&N

I am not sure if this is a partial as to valuation or all the information that is intended to provided

It appears to be a full report on the ties, switches, lubricators, gates and flashers, and on take up What is missing is:

A Estimate of annual subsidy and minimum purchase price to keep the line open;
B Physical condition of the track (our understanding is that this information may be forthcoming)
C Traffic, revenue and data necessary to determine amount of financial assistance required
D Available real estate appraisals
E Estimate of costs of rehabilitating the line to meet safety requirements.

More specifically as to information provided on their 1,066,703 00 number.

a Methodology and Calculation of determination of scrap value for rails (ie. Was an index used, if so, what monthly averaging method)
b As to real estate value, it was suggested by Corman to P&N that a rails to trails sales value was used, if so, what information and data in support of that value was utilized

Thank you for your time, and we look forward to receiving this information quickly (which can be sent directly to P&N) so P&N can evaluate same and respond and engage in some meaningful discussions

Jeffrey Lundy

EXHIBIT
C

Jeffrey Lundy

From: Michael J Barron, Jr [mbarron@fletcher-sippel com]
Sent: Thursday, October 30, 2008 2 16 PM
To: Jeffrey Lundy
Cc: Greinke, Bruce E , Hawley, Deborah J , Ronald A Lane
Subject: RE Hillman Valuation
Attachments: Hillman Sub Rehab xls

Jeffrey,

I want to take this opportunity to respond to your email of October 28 I will respond in the order that your inquiries appear in your email using the same corresponding letter

A The minimum purchase price is the net liquidation value provided in Bruce Grienke's email. That figure is $1,066,703 00 The annual subsidy is the cost of keeping the line in a safe operating condition plus opportunity costs That figure is $176,733 74, representing annual interest of 8 percent on the net liquidation value to reflect the opportunity costs plus the annual cost to maintain the line to meet safety requirements, which is $91,397 50 *That maintenance cost would be subject to an RCAF-U adjustment every year*

B The physical condition of the track currently does not support rail operations We would classify it as unacceptable

C With no traffic on the line for at least two years, the revenue is $0 00 Data necessary to support our figures for maintenance/rehabilitation is provided by the railroad's engineering department and is attached No real estate appraisals have been done on the line. The $300,000 00 figure was calculated by taking a value per mile from a rail to trail sale in the Lebanon Valley area (42,000 per mile) and using that per mile figure applied to the Hillman line we came up with a figure of $300,000.00 We are attempting to locate a copy of the deed or contract on which we based our calculation and will provide it to you once we locate it

D We estimate the cost of rehabilitating the line to meet safety standards to $91,397 50 That figure is also a component of the annual subsidy described in Paragraph A above Supporting data is attached

With regard to information on how we determined the scrap value for rail, we used the values provided by the American Metals Market Database that gave scrap prices over the last six months (April – September) and took the average of the last six months

I believe that answers all of your questions Please contact me should you need additional information

Michael Barron
Fletcher & Sippel LLC
29 N Wacker Drive
Suite 920
Chicago, IL 60606-2832
Phone (312) 252-1511
Fax (312) 252-2400
email mbarron@fletcher-sippel com

Item	Location	Amount	Unit	Unit Cost	Total	Ties	Unit Cost	Total
Gage	0	30	Feet	4 5	135			
Gage	0 3	30	Feet	4 5	135	10	100	1000
Gage	0 5	100	Feet	4 5	450	20	100	2000
Gage	1 9	20	Feet	4 5	90	10	100	1000
Gage	2	400	Feet	4 5	1800	50	100	5000
Gage	2 1	500	Feet	4 5	2250	60	100	6000
Gage	2 5	100	Feet	4 5	450	15	100	1500
Gage	3.5	200	Feet	4 5	900	30	100	3000
Gage	4	200	Feet	4 5	900	30	100	3000
Gage	4 2	100	Feet	4 5	450	20	100	2000
Gage	6 3	150	Feet	4 5	675	30	100	3000
Gage	6.6	125	Feet	4 5	562 5	25	100	2500
								30000
Repair Washout	1 7	1	Lt	1200	1200			
Repair Washout	5 1	1	Lt	1200	1200			
Rail Test	0 to 7	1	LS	3200	3200			
Brush Cut	0 to 7	1	LS	11000	11000			
Repair Broken Rail in Crossing	5 7	1	LS	1000	1000			
Repair Detected Rails	0 to 7	1	LS	7500	7500			
Ditching	0 to 7	1	LS	10000	10000			
Surface Locations Ties and Wahsouts	0 to 7	1	LS	13500	13500			
Bolt Tighten	0 to 7	1	LS	4000	4000			
					61397 5			

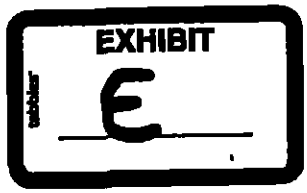
Jeffrey Lundy

From: Michael J Barron, Jr [mbarron@fletcher-sippel com]
Sent: Thursday, October 30, 2008 4 28 PM
To: Jeffrey Lundy
Cc: Greinke, Bruce E , Hawley, Deborah J , Ronald A Lane
Subject: FW Hillman Valuation

Jeffrey, subsequent to our sending you the email with the information earlier today, we became aware that some of the data in the attached spreadsheet was incorrect I do not have an updated spreadsheet but I can give you the corrections. In the cells for both the Unit Cost and Total Cost for Surface Locations, Ties and Washouts, the figure should be $44,382 and not $13,500 In the cells for both the Unit Cost and Total Cost for "Bolt Tighten", the figure should be $17,000 and not $4,000 The effect of these corrections is to make the rehabilitation cost estimate total $135,279 5 and to make the annual subsidy amount total $220,615 74

Please call me if you have questions

Michael Barron
Fletcher & Sippel LLC
29 N Wacker Drive
Suite 920
Chicago, IL 60606-2832
Phone (312) 252-1511
Fax (312) 252-2400
email: mbarron@fletcher-sippel com



Jeffrey Lundy

From: Jeffrey Lundy [jeffreylundy@comcast net]
Sent: Monday, November 03, 2008 8 27 AM
To: 'Michael J Barron, Jr.'
Cc: 'John Prushnok'
Subject: RE. Hillman Valuation

Michael·

Two items

(1) I did not receive a copy from your office of the Reply to our Petition to Stay I got a copy after my client saw it come across some publication he gets Can you let me know about that just so I am abreast of filings
(2) Please advise in light of just getting the details of the information requested in our filing of expression of intent to make offer, and in my email of October 10, 2008, and the fact that we still do not have all the information (appraisal information and new spreadsheet), if you will agree to a 30 day period of tolling the offer time frame under Section 1152.27 (c) (1) (ii) (D) This would also allow us to formulate a proper offer and engage in meaning negotiations in the spirit of the Act

Can you kindly respond to this email asap (preferably by noon) so I can review with my client.

Thank you

Jeff Lundy

Jeffrey Lundy

From: Michael J Barron, Jr [mbarron@fletcher-sippel com]
Sent: Monday, November 03, 2008 12 05 PM
To: Jeffrey Lundy
Cc: Ronald A Lane
Subject: RE Hillman Valuation
Attachments: AR-M455N_20081103_115150 pdf

Jeffrey, attached is a copy of the deed for the Lebanon Valley Trail sale, indicating the consideration given. There is no other land valuation information we have for the Hillman Branch other than using this sale as a comparable I already sent the corrected figures with regard to the spreadsheet so you know what the railroad shows as the rehabilitation costs and annual subsidy amount We do not believe that tolling the OFA process serves any purpose as we have provided all the info we have plus our proposals for the minimum purchase price and annual subsidy amounts We await your client's OFA proposal Upon receipt of your client's proposal, we will review it

Michael Barron
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29 N Wacker Drive
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Chicago, IL 60606-2832
Phone (312) 252-1511
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email: mbarron@fletcher-sippel com

Prepared by and Return to:
Buzgon Davis Law Offices
525 South Eighth Street
Lebanon, PA 17042

Parcel ID No. 01, 02, 03, 12, 26 & 30-30-001

This Quitclaim Deed, made the 20th day of March, 2006

Between

R.J. CORMAN RAILROAD COMPANY/ALLENTOWN LINES, INC., A PENNSYLVANIA CORPORATION

(hereinafter called the Grantor), of the one part, and

LEBANON VALLEY RAILS-TO-TRAILS, INC., A PENNSYLVANIA CORPORATION

(hereinafter called the Grantee), of the other part,

Witnesseth that the said Grantor for and in consideration of the sum of ONE HUNDRED FORTY THOUSAND DOLLARS 00/100 ($140,000.00) lawful money of the United States of America, unto them well and truly paid by the said Grantee, at or before the sealing and delivery hereof, the receipt whereof is hereby acknowledged, has remised, released and quit-claimed, and by these presents does remise, release and quit-claim unto the said Grantee, its successors and assigns,

ALL THAT CERTAIN house or lot of ground situate in the City of Lebanon, Borough of Cornwall, Township of North Cornwall and Township of South Lebanon, County of Lebanon Commonwealth of Pennsylvania bounded and described as follows, to wit:

TRACT #1

BEGINNING at a point on the East right-of-way line of The Pennsylvania Railroad Lebanon Branch, said point being at Mile Post 18 located 874.40 feet South of the Center line of Zinns Mill Road (T-385); Thence crossing said Railroad, S.84°-37'-51"W. a distance of 104.08 feet to a point on the West side of The Pennsylvania Railroad; Thence along the West side of The Pennsylvania Railroad, the following three courses and distances, (1) Thence N.05°-16'-00"W. a distance of 2019.22 feet to a point; (2)