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December 2, 2011

Cynthia Brown, Chief
Section of Administration
Office of Proceedings
Surface Transportation Board
395 E Street, S.W.
Washington, D.C. 20423

2011-12-02
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Part of
Public Record

Re: Caddo Valley Railroad Company Abandonment: Docket No. AB
1076X and AB 1076 (Sub-No. 1X)

Dear Ms. Brown:

This letter responds to the November 28, 2011 Notice of Intent to File Offer of Financial Assistance (OFA) submitted on behalf of the Southwest Arkansas Regional Intermodal Authority (Intermodal Authority). In its letter, the Intermodal Authority has requested various information regarding "the physical condition of the involved line and traffic, revenue and other data necessary to determine Caddo Valley Railroad Company's estimate of net liquidation value of the line together with supporting data reflecting available real estate appraisal, assessments of the quality and quantity of track material in the line and removal cost estimates used to obtain the net liquidation value."

As the Board is aware from pleadings filed over a year ago in *Arkansas Midland Railroad Company, Inc.—Alternative Rail Service—Line of Caddo Valley Railroad Company*, STB Docket FD 35416, Caddo Valley Railroad Company (CVRR) was forced to cease all railroad operations in September 2010. Simply put, its track had deteriorated to the point that it was inoperable, with multiple washouts, as well as a badly burned bridge. The poor condition of the track had forced the shutdown of rail operations between MP 447 and 479.2 more than a year earlier. The dilapidated condition of the line was confirmed during a physical inspection of the line that occurred the week of November 21, 2011.

In further response to the Intermodal Authorities' inquiries, no traffic, other than the lumber that was briefly transloaded by Bean Lumber at MP 447 after CVRR was forced to discontinue operations between MP 447 and MP 479.2, has been originated from the portion of track between MP 429.45 and MP 447 in the past five or six years. Gifford-Hill, the only other shipper that previously generated shipments from this segment of the line, ceased operations at its quarry at Delight several years ago. As CVRR has previously

advised the Board, Bean Lumber has ceased operations and is in bankruptcy. CertainTeed, whose grinding mill is located at the northern tip of the line at MP 479.2, is the only other known potential shipper over the two segments of the line that are the subject of these abandonment proceedings. CVRR has no records regarding any potential revenues that might be generated if the line were to be rehabilitated and service restored to CertainTeed. Should the Intermodal Authority require such information, it should request it from CertainTeed.

During the week of November 21, Preston Marusa, an independent appraiser who has over 15 years of experience in evaluating and inspecting tracks that are potentially subject to abandonment, physically inspected the entire line from MP 429.45 to MP 479.2 in order to update the earlier inspection conducted by Bill Purcell (which was used to establish the NLV in the earlier Feeder Line proceeding) and provide a current inventory of the track and track materials. See ICC's Decision in Finance Docket No. 32479, *Caddo Antoine and Little Missouri Railroad Company—Feeder Line Acquisition—Arkansas Midland Railroad Company Line Between Gurdon and Birds Mill, AR*, served April 18, 1995, reproduced as Appendix C of the Board's later decision of August 10, 1999, 4 STB 326, 360 (1999).

On December 1, 2011, Nathan Kovalchick, who is employed by Kovalchick Corporation, one of the largest rail salvage companies in the United States, analyzed Marusa's information, calculated the Net Salvage Value of the track and track materials. The Kovalchicks also own a reroll mill, operated as Franklin Industries, in Franklin, PA. See www.franklinindustries.com and www.kovalchickcorp.com. CVRR respectfully submits that Mr. Kovalchick is highly qualified to assess the NLV of the track and track materials. A copy of his calculations which reflect the quality and quantity of track materials is attached hereto.

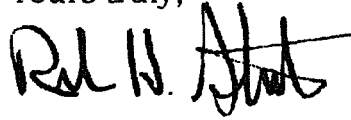
When this line was acquired by CVRR through the Feeder Line Development procedures, a title search was performed of the line. As also reflected by the ICC's Decision in Finance Docket No. 32479, *Caddo Antoine and Little Missouri Railroad Company—Feeder Line Acquisition—Arkansas Midland Railroad Company Line Between Gurdon and Birds Mill, AR*, served April 18, 1995, and reproduced as Appendix C of the Board's later decision of August 10, 1999, 4 STB at 359-60, "Mr. Alfred C. Vance, a certified title abstractor, conducted a title search for CALM and determined that of the 641 acres claimed by AMR, only 52.98 acres could be marketed." Assuming the same value of \$400 per acre that the ICC accepted in 1999, the marketable land is valued at \$21,192. As of this date, CVRR has not been able to update the actual value of the 52.98 acres. As a result, no value has been established and included in the NLV of \$3,304,255.57 calculated by Mr. Kovalchick.

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CVRR requests that the Board deny the stay that the Intermodal Authority has requested. CVRR has provided the information requested and has provided an accurate NLV that has been calculated based on a very current inspection and the current high value of scrap steel. Given the need to terminate the continuous financial drain on CVRR, which is insolvent, the Board should carefully note that any delay in the process that would be accompanied by a downturn in the scrap steel market will have an irreparable impact on CVRR.

In closing, CVRR is willing to work with the Intermodal Authority to allow the right-of-way to be railbanked. Given the lack of any rail traffic and the dilapidated condition of the tracks, a recreational trail would likely be the best use of the right-of-way for the foreseeable future.

Yours truly,

A handwritten signature in black ink, appearing to read "R.H. Streeter", with a stylized flourish at the end.

Richard H. Streeter

RHS:rs
Attachment
cc: Cliff McKinney <cmckinney@qgtb.com>

Net Salvage Value - Norman Branch

Analyzed using information provided by Preston Marusa, after his inspection in November 2011.

Calculated by Nathan Kovalchick, December 1, 2011

<u>Material</u>	<u>Net Tons</u>	<u>Gross Tons</u>	<u>Value Per Gross Ton</u>	<u>Total Value</u>
85# Reroll Rail	2327	2077.678571	\$470.00	\$976,508.93
85# Scrap Rail	410	366.0714286	\$440.00	\$161,071.43
85# OTM	747	666.9642857	\$450.00	\$300,133.93
90# Relay Rail	495	441.9642857	\$670.00	\$296,116.07
133/115/90# Reroll Rail	2654	2369.642857	\$490.00	\$1,161,125.00
90# Scrap Rail	1666	1487.5	\$440.00	\$654,500.00
90# OTM	1279	1141.964286	\$450.00	\$513,883.93
75# Reroll Rail	192	171.4285714	\$440.00	\$75,428.57
75# Scrap Rail	192	171.4285714	\$440.00	\$75,428.57
75# OTM	115	102.6785714	\$450.00	\$46,205.36
Siding Materials	123	109.8214286	\$425.00	\$46,674.11

<u>Material</u>	<u>Pieces</u>	<u>Value Per Piece</u>	<u>Total Value</u>
Ties - Relay	15291	\$8.50	\$129,973.50
Ties - #1 and #2	30582	\$3.50	\$107,037.00
Ties - Other	108945	\$0.00	\$0.00
			\$4,544,086.39

Removal Costs:

<u>Material</u>	<u>Net Tons/Pieces/Feet</u>	<u>Cost Per Unit</u>	<u>Total Cost</u>
Steel Items	10200	-\$60.00	-\$612,000.00
Ties - Good	45873	-\$2.00	-\$91,746.00
Ties - Other	1 LOT	-\$44,750.00	-\$44,750.00
			-\$748,496.00

Freight Costs:

<u>Material</u>	<u>Net Tons</u>	<u>Gross Tons</u>	<u>Cost Per Gross Ton</u>	<u>Total Value</u>
Relay/Reroll Rail	5476	4889.285714	-\$55.00	-\$268,910.71
Scrap/Siding Rail	2583	2306.25	-\$55.00	-\$126,843.75
OTM	2141	1911.607143	-\$50.00	-\$95,580.36
				-\$491,334.82
			NLV:	\$3,304,255.57