



The Apache Railroad Company, LLC
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FEDERAL RAILROAD
ADMINISTRATION
2014 MAY 12 AM 11:10
OFFICE OF ADMINISTRATION
EXECUTIVE SECRETARIAT

April 29, 2014

Hon. Joseph C. Szabo
Administrator
Federal Railroad Administration
U.S. Department of Transportation
1200 New Jersey Avenue, S.E.
Washington, D.C. 20590

Re: Request for Waiver from Federal Railroad Administration's Buy America Requirement

Dear Sir:

The following is respectfully submitted by The Apache Railroad Company, LLC (hereafter "APA") as an application for a waiver ("Waiver") from the Federal Railroad Administration's ("FRA") Buy America requirement, as the Buy America requirement pertains to APA's application for a Railroad Rehabilitation and Improvement Financing Program loan ("RRIF Loan") in the amount of \$5,000,000. APA's RRIF Loan application is on file with your office.

None of the information submitted with this letter is deemed to be proprietary by APA.

- Description of APA's RRIF Loan Application and Purpose

APA has submitted an application for a RRIF Loan in the amount of \$5,000,000 to finance the purchase of locomotives and track described in **Exhibit A** attached hereto. APA proposes to purchase the locomotives and track from The Apache Railway Company, Inc. (hereafter "Apache") with the proceeds of the RRIF Loan and, immediately thereafter to merge with Apache in order to acquire, in the merger, all of the remaining assets, contracts and rights of Apache. The Apache was incorporated as an Arizona corporation in 1917. APA is an Arizona limited liability company formed to effectuate the above described transaction and to continue of operations of the existing Apache Railway into the future. APA will be seeking authority from the Surface Transportation Board to operate as a Class III common carrier railroad subject to the ICC Termination Act. Both Apache and APA are 100% owned by The Snowflake Community Foundation ("SCF"), an entity formed to preserve the Apache's and APA's track and operations for the benefit and future economic development of citizens and communities of Navajo County, Arizona. The beneficiaries of the Snowflake Community Foundation are the Town of Snowflake, Arizona and the Little Colorado Water Conservation District, a governmental entity of Navajo County organized for water conservation, irrigation water delivery, and the development of agriculture and other economic activity in its central Navajo County, Arizona service area.

APA's RRIF Loan application arises out the Navajo County communities' response to the 2011-2012 bankruptcy of a local paper mill, which owned and operated the Apache as a captive railroad serving the paper mill. The bankruptcy of the paper mill led to its closure and a bankruptcy court supervised auction of its assets, which included the Apache. A group of local citizens determined that preserving the Apache was key to restoring the economic growth lost with closure of the paper mill and a key asset serving both the public and the public interest in the area and for the State of Arizona. The effort to save the railroad led to (1) the formation of SCF, (2) SCF's purchase of the stock of the Apache from the purchaser of the paper mill's assets in the bankruptcy ("Hackman Group"), (3) issuance of a deed of trust ("DOT") in favor of Hackman Group covering all of Apache's assets to secure payment of the DOT, and (4) the RRIF Loan application which is the subject of this Waiver application.

In acknowledgement of the deep and vocal concern raised by the Navajo County communities' during and after the bankruptcy sale process, the Hackman Group agreed to, and did, provide short term financing to SCF for the Apache – financing which is approaching its expiration date. The Hackman Group was then, and is now, fully aware that the liquidation value of the Apache is several million dollars in excess of the amount of the financing it provided. Additionally, one particular expertise of the Hackman Group is in effectuating scrap operations, and as such it is fully capable, and willing, to scrap the Apache following an abandonment procedure. The loss of the Apache to scrapping for the Navajo County area, its communities, and the public of the State of Arizona is enormous. If scrapped, railroad infrastructure that would cost \$75 - \$100 Million to replace, would be lost to Arizona, northeastern Arizona communities and the public, putting added pressure on State highways, eliminating an important interconnection with the BNSF, and precluding jobs-producing existing and future economic activity, including the existing Hormel hog feeding operation and the new potash mine being planned for the area which is dependent on the Apache in order to be able to start up. In short, the public benefit of the APA's RRIF application, which depends on the Buy America waiver this letter seeks, is enormous and vitally important.

- Description of the Goods to be Purchased by the RRIF Loan Which Do Not Meet the Buy America Requirement

Exhibit A, previously mentioned, shows a list of all of the assets to be purchased by APA with the RRIF Loan proceeds. Those assets listed in **Exhibit A** which are not Buy America compliant are highlighted as such.

The only assets to be financed by the RRIF loan which are not Buy America compliant are three (3) ALCO locomotives which were manufactured in Canada in 1965, purchased by Apache in 1998, and are shown on **Exhibit A**. Portions of these locomotives (the three of Canadian manufacture), specifically the diesel engines, generators and traction motors have been rebuilt at the Apache's shop since their purchase by Apache. All such rebuild involved United States manufactured components. Beyond that, Apache simply does not have records to indicate the country of origin of the parts which makeup other components of the locomotives, nor does a physical inspection of those components provide any further determinative information. Therefore this information is not reasonably available.

Apache's other operating ALCO locomotives (Locomotives numbered 81, 82, 83 and 84 on **Exhibit A**) were manufactured in the United States and these locomotives (the U.S. manufactured ones), were rebuilt by ALCO in Hornell, New York in 1980. They have since been rebuilt at Apache's shop as well as other shops in Phoenix and Tucson Arizona using U.S. components. These locomotives do not have foreign components based on Apache's records and on Apache's physical inspections, knowledge and belief. Apache locomotives numbered 700, 800 and 900 on **Exhibit A** are not operational but instead are used for parts for the Apache's other operational locomotives. They are of U.S. manufacture, just as locomotives 81 through 84 are, but have never been rebuilt by Apache because of their use as a source of parts.

Exhibit B, also attached hereto, shows other machinery and building assets owned by Apache which will be acquired by APA in the merger immediately following the closing of the RRIF Loan-financed purchase by APA of Apache's rail and locomotives. The assets shown in **Exhibit B** (the acquisition of which will not be financed by the RRIF Loan) which were not manufactured in the United States are highlighted. Because of their age and their sourcing (most came from the paper mill parent company in long-ago, undocumented intercompany transfers of assets) Apache does not have records showing the country of origin of the components of the assets listed in Exhibit B. Additionally, a physical inspection of the major components of the assets shown under **Exhibit B** provides no definitive physical information as to country of origin of the components. As a result, definitive information regarding this is not reasonably available for submission with this waiver.

- Description of Efforts to Secure Buy America Compliant Assets

Exhibit C, attached, shows the purchase price of comparable substitutes of United States manufacture for the non-Buy America compliant assets shown in **Exhibit A** and the non-United States manufactured equipment shown in **Exhibit B**.

APA has not made an effort to secure Buy American compliant substitutes because of (1) the age of the non-compliant assets, (2) the unavailability of same-aged, comparable substitutes and parts, (3) the fact that the existing parts inventory of Apache (for ALCO locomotives) would be rendered obsolete and useless by the acquisition of different manufacture locomotives were substitutes to be acquired and (4) the enormous, and therefore uneconomic, differential between the cost of a Buy America compliant substitute new and the worth of the APA's existing assets presently in service.

- Buy America Bidding Process

Not applicable. APA's proposed purchase, the resulting RRIF Loan application, and the follow-on merger, is intended to preserve the Apache's legacy assets and operations for the benefit of the Navajo County community area. Replacement of the non-Buy America compliant assets, given the unavailability of comparable United States manufacture substitutes and the cost new of replacement assets which make practical and economic sense would defeat that purpose. Therefore, APA has not undertaken a Buy America bidding process.

- Categories Applicable to Waiver Request

A) Applying the policy would be inconsistent with the public interest.

Were APA to be required to purchase Buy America compliant locomotives, the cost and resulting obsolescence of its repair parts, necessitating complicated and expensive parts inventory purchases, together with the necessary retraining of APA's repair technicians would render APA uneconomic, thus defeating the purpose of the RRIF Loan application and necessitating abandonment of the railroad, resulting in a substantial loss to the Navajo County community and the State of Arizona.

B) Including domestic material will increase the cost of the overall project by more than 25 percent.

As **Exhibit C** indicates, the cost of replacement United States manufacture would increase the cost of the proposed project by substantially more than 25%, rendering it economically infeasible.

- Justification Supporting the Application of the Waiver Categories Cited Above

The APA's RRIF Loan application, and the actions of its owner, the Snowflake Community Foundation have been aimed, since the before the bankruptcy sale of its previous owner, at preserving an existing, legacy railroad which is key to the economic recovery of an area decimated by the paper mill's bankruptcy. By happenstance, a small portion (roughly 4%) of the assets to be purchased with the RRIF Loan happen to be of Canadian manufacture (3 of the APA's seven operating ALCO locomotives). Those assets have long been part of the legacy railroad's operations, and are key to its future operations, and disposing of them for United States manufactured locomotives would bring fatal economic harm to the very railroad sought to be preserved and continued. Continuing the railroad in operation gives the Navajo County communities a substantial, and irreplaceable asset with which to attract and serve new economic activity (including a large and important potash mining operation), provides the interconnecting trans-continental railroad (BNSF) with car storage and car repair opportunities that simply don't exist in comparable form between the West coast and near-Midwest, keeps in operation a major hog feeding operation of Hormel, which serves its West coast markets, and provides an existing transportation infrastructure that is key to development of potash mines in the area. It cannot be, in our opinion, in the public interest to apply Buy America standards to older but serviceable and necessary equipment which was built long before Buy America was ever enacted at the expense of a vitally important local short-line railroad's existence for the future.

- Statement Describing How APA Will Use RRIF's Favorable Terms to Achieve The Public Benefit For Which The RRIF Loan Is Intended

The RRIF Loan, with its favorable terms, enables the APA to continue operations and build its business from the standing start the Apache found itself in when it was sold as a captive carrier with no business following the paper mill's bankruptcy. The Apache, worth as it is more for abandonment and scrap than as a railroad –would have met the fate of being scrapped but for the intervention of the Navajo County communities and SCF – who have consistently comprehended

Administrator, FRA
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the public benefit of saving the railroad. The APA cannot sustain itself without RRIF financing but it can, and will, serve its area, and the public interest which seeks to preserve it, well beyond the 100 year mark of the railroad (2017) if it obtains financing – to the benefit of the local area and the public of both Navajo County and the State of Arizona. That benefit is obvious enough to the State of Arizona for its legislature to have enacted a means to provide to the APA substantial assistance underlying the RRIF financing if the RRIF Loan is obtained.

We appreciate your consideration of this request for a Buy America waiver and I am available at the address and phone number shown on the first page of this letter to promptly answer any questions you or your staff may have.

Very truly yours,



Shirley Cornett
Superintendent

Attachments

Exhibit A
Exhibit B
Exhibit C

cc: John Johnson (by email only
to john.johnson@dot.gov)
(w/ Attachments)

APACHE RAILROAD
ASSETS
EQUIPMENT- ROLLING STOCK -
RAIL

Exhibit A

Request for Waiver from Federal Railroad Administration's Buy America Requirement

LOCOMOTIVE ROLLING STOCK	<u>YEAR</u>	<u>MANUFACTURER</u>	<u>MANUFACTURER LOCATION</u>	<u>DATE OF PURCHASE</u>
Locomotive 81 C-420	1965	ALCO	SCHENECTADY NY	1980
Locomotive 82 C-420	1965	ALCO	SCHENECTADY NY	1980
Locomotive 83 C-420	1965	ALCO	SCHENECTADY NY	1980
Locomotive 84 C-420	1965	ALCO	SCHENECTADY NY	1980
Locomotive 97 C-424	1965	ALCO	CANADA	1998
Locomotive 98 C-424	1965	ALCO	CANADA	1998
Locomotive 99 C-424	1965	ALCO	CANADA	1998
Locomotive 700 RS-36	1962	ALCO	SCHENECTADY NY	1962
Locomotive 800 RS-36	1962	ALCO	SCHENECTADY NY	1962
Locomotive 900 RS-36	1962	ALCO	SCHENECTADY NY	1962

RAIL TYPE AND SIZE	<u>YEAR</u>	<u>MANUFACTURER</u>	<u>MANUFACTURER LOCATION</u>	<u>DATE OF PURCHASE</u>
#131 POUND RAIL	1943	COLORADO FUEL & IRON	COLORADO	1972
#112 POUND RAIL	1941	JOLIET IRON AND STEEL	ILLINOIS	1972
#110 POUND RAIL	1929-1930	COLORADO FUEL & IRON	COLORADO	1972

APACHE RAILROAD
ASSETS
EQUIPMENT-VEHICLES-BUILDINGS

Exhibit B

Request for Waiver from Federal Railroad Administration's Buy America Requirement

Maintenance of Way Equipment, Vehicles and Rolling Stock	<u>YEAR</u>	<u>MANUFACTURER</u>	<u>MANUFACTURER LOCATION</u>	<u>DATE OF PURCHASE</u>
GMC 3500 HD 2000 Crew Cab Shop Truck	2000	GMC	USA	2000
Case 500K Backhoe	1989	CASE	KENTUCKY	1991
Caterpillar 140G Motor Grader	1990	CATERPILLAR	ILLINOIS	1995
Caterpillar 930 Loader	1974	CATERPILLAR	ILLINOIS	1986
Caterpillar D7E Bulldozer	1963	CATERPILLAR	ILLINOIS	1975
CM E86772 38 Foot Trailer	1992	CONTRACT MANUFACTURER	MADILLO OK	1995
Pettibone 25 Multicrane	1966	PETTIBONE	ROME NY	1998
GMC MW 10 1995 Dump Truck	1995	GMC	JANESVILLE WI	1996
Plasser PBR 103 1983 Ballast Regulator	1983	PLASSER/THEURER	VIRGINIA	1983
Chevrolet 1500 1996 Operations Manager	1996	CHEVY	USA	2002
Ford MW4 2003 Crew Cab - Tie Gang	2003	FORD	USA	2003
GMC MW6 2006 Crew Cab - Track Inspection Truck	2006	GMC	USA	2006
GMC MW7 1997 Track Welder	1997	GMC	JANESVILLE WI	2002
Jackson MW9 1980 Tamper	1980	PANDROL/JACKSON	MICHIGAN	1980
Pettibone 441B Speedswing	1975	PETTIBONE	MICHIGAN	1980
Fairmont Spike Puller	1977	FAIRMONT	MINNESOTA	1980
Peterbuilt V-12 1973 Water Truck	1973	PETERBUILT	CALIFORNIA	1999
Portec Zapper 1982 B Spike Driver	1982	PORTEC	ILLINOIS	1985
Caterpillar 910 Loader	1991	CATERPILLAR	JAPAN	1994
Clark 1T70N Fork Lift	1974	CLARK	MICHIGAN	1982
Hyster S40C Forklift	1975	HYSTER	OREGON	1975
GMC 3500 1993 Car Shop Truck	1993	GMC	MICHIGAN	1992
Ford F 150 2001 Train Crew Truck	2001	FORD	CANADA	2003
Ford Explorer 2000 Office Administration	2000	FORD	USA	2001

<u>BUILDINGS</u>	<u>YEAR</u>	<u>MANUFACTURER</u>	<u>MANUFACTURER LOCATION</u>	<u>DATE OF PURCHASE</u>
MOE SHOP BUILDING 200 X 135=27,000 SQ FT	1974	AMERICAN STEEL BLDG	TEXAS	1975
MOW SHOP BUILDING 80 X 40= 3200 SQ FT	1992	WEDGCOR	NORTH DAKOTA	1992
MOW OFFICE BUILDING 30 X 30 = 900 SQ FT	1993	WEDGCOR	NORTH DAKOTA	1993
APACHE OFFICE BUILDING 50 X 52= 2600 SQ FT	1975	SITE BUILT	ARIZONA	1975

Exhibit C

New Locomotive Pricing to Replace the Alco C-424's as they are no longer made. The GE-SD70 would be a comparable unit for replacement.

A new locomotive costs more than twice that of a rebuilt locomotive, and while it is more modern, delivery can take up to 10 months. Prices are currently from about \$1,500,000 for the GE-SD70 to about \$2,300,000 per unit.

Basic Features

Engine

- 16-710G3C-T2 High efficiency turbocharger
- Electronic fuel injection
- Tier-2 emissions certified
- AC Traction Technology
- Utilizes truck-controlled IGBT inverters for higher inherent reliability
- Simple, robust motor design
- Extends motor overhaul interval
- Gen2 FIRE™ System

- Transreflective LCD color display for enhanced readability
- Provides a single integrated archive for ease of maintenance and troubleshooting
- Based on an open architecture which supports numerous 3rd party applications
- Various wireless communications packages available (Cellular, Wireless LAN, etc) to support IntelliTrain™ and Locomotive Management Services
- HTSC Bolsterless Truck

Designed for one million miles between overhauls

Reduce maintenance due to fewer components

Specifications

Total weight on rails - 408,000 lbs.

Height - 15'11"

Overall length - 74'3" ft.

Fuel capacity - 4,900 gal.

Lube oil capacity - 420 gal.

Cooling water capacity - 275 gal.

Cab Features

- Three seat crew arrangement
- Ergonomic workstation
- Increased leg clearance and mobility
- Optimized access to the radio
- Easier maintenance access
- Enhanced HVAC ventilation
- Air System

Direct drive air compressor

Wabtec FastBrake™ Locomotive Brake System

Advanced onboard diagnostics

FastBrake™ intelligence integrated into EM2000 and Gen2 FIRE™

Simpler FastBrake™ design allows for 50% reduction in parts count

OPTIONAL PERFORMANCE FEATURES

IntelliTrain - Remote monitoring and analysis

Radial truck

Integrated Distributed Power

Global Positioning System (GPS)

Electronic fuel gauge with or without dynamic AEI tags

Remote download of event recorder

Made in the US

2014 Ford F150 Super Cab Pricing Made in the US

The Fair Market Range for this car in your area is \$41,484 - \$42,825.

- **2014**



FORD EXPLORER

Fair Purchase Price (without options)	\$39,133
Your Selected Options	\$3,022
Total Fair Purchase Price	\$42,155
Taxes (estimated)	\$3,798
Estimated DMV Fees	\$722
Current Rebates/Cash Back	\$0
Out-the-Door Target Price	\$46,675
Down Payment (based on 20%)	-\$8,431
Amount Financed	\$38,244
Est. Monthly Payment (for 60 mos)	\$670/mo

Per Empire Machinery the 910E Caterpillar Loader is no longer made. The comparison Model would be the Caterpillar 914G

2011 CATERPILLAR 914G



2011 CATERPILLAR 914G
\$91,000 USD USD

Quinn Company

+1 562 4634795

Contact Info:

Lars Hannell Gary Carlson or Mark McClellan
10006 Rose Hills Road
City of Industry, CA 90601
USA

Map It



Email Seller

Register

*Name:

*Email:

*Phone:

Preferred Contact:

Phone Email

*Location: City

State

*Country: United States

Message:

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and then press submit.

Submit

General Information

Stock #: UC0000821
S/N: PDF01555
Description: EROPS; AIR CONDITIONER; AUXILIARY HYDRAULICS; TIER 3; TIRES, 15.5-25; , MODEL:
914G
[Click here for more information](#)
Hrs/Mlg: 2,109
Location: Fresno, CA USA
Price: \$91,000 USD USD