

AGENDA ITEM 8-B
ACTION ITEM

TO: CHAIRMAN KAUFFMAN AND THE VRE OPERATIONS BOARD

FROM: DALE ZEHNER

DATE: MARCH 16, 2007

RE: AUTHORIZATION TO SELL MAFERSA EQUIPMENT

RECOMMENDATION:

The VRE Operations Board is being asked to recommend that the Commissions authorize the Chief Executive Officer to enter into a sales agreement with QIT-Fer et Titane, Inc. for the sale of five Mafersa trailer cars.

BACKGROUND:

On February 7, 2007, VRE received an unsolicited proposal for the five remaining Mafersa trailer cars from a mining company located in Quebec Province. The proposal provides an \$80,000 option to hold the cars through June 30, 2007 and a purchase price of \$1.75 million (\$350,000 per car). VRE immediately posted the proposal on its web site and requested counter proposals. After ten days, no additional proposals were received.

Since January 2004, VRE has been dedicated to a bi-level operation due to capacity demands and storage limitations. As such, these trailers were originally part of the sales agreement with the Connecticut Department of Transportation (ConnDOT). These trailers were removed from that sales agreement based on the interest of a potential future operator in Virginia but later determined to be not needed. VRE subsequently recommends the sale of this equipment to QIT-Fer et Titane as it equals the value paid by ConnDOT. If QIT-Fer et Titane elects not to exercise the option, VRE would retain the \$80,000 and work to sell the cars to another firm.

FISCAL IMPACT:

As discussed in December of 2006, any additional revenue received by VRE during FY 2007 must be allocated toward restoration of the operating reserve to the level required by the bond indenture. As such, this funding will be applied to the operating reserve.

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**RESOLUTION
8B-03-2007
OF THE
VIRGINIA RAILWAY EXPRESS
OPERATIONS BOARD**

WHEREAS, on February 7, 2007, VRE received an unsolicited proposal for the five remaining Mafersa trailer cars from a mining company located in Quebec Province; and,

WHEREAS, the proposal was for \$1.75 million (\$350,000 per car), including an \$80,000 deposit good through June 30, 2007; and,

WHEREAS, VRE immediately posted the proposal on its web site and received no counter proposals.

NOW, THEREFORE, BE IT RESOLVED THAT, the VRE Operations Board recommends that the Commissions authorize the Chief Executive Officer to enter into a sales agreement with QIT-Fer et Titane, Inc. for the sale of five Mafersa trailer cars.