



KINKISHARYO International, L.L.C.

300 North Continental Blvd., Suite 300

El Segundo, CA 90245

TELEPHONE: (424) 276-1803 FACSIMILE: (310) 426-9940

October 10, 2014

Mr. David Walter
Economic Development Manager
City of Palmdale
38300 Sierra Highway
Palmdale, CA 93550

Subject: Kinkisharyo Rail Car Manufacturing Facility
Ref.: Site Plan Review 14-003 for Kinkisharyo's Proposed Rail Car Manufacturing and Assembly Facility.

Dear David:

The purpose of this letter is to inform you and your office that Kinkisharyo is formally withdrawing our Permit Application to construct a 427,507 sq.' manufacturing and assembly facility to build rail cars in the City of Palmdale. Unfortunately, despite weeks of discussion and negotiation, the Antelope Valley Residents for Responsible Development's ("AVRRD") and IBEW has refused to withdraw the various appeals they have filed, and have given no assurances that they would not file a court action to object to any final action by your city council. This has made moving forward with the construction of the facility too risky.

We appreciate the efforts made by the City to address AVRRD's concerns, but as everyone agrees, their CEQA-based "environmental" objections were simply a pretext to gain leverage in their attempt to force us to agree to a card check agreement regarding the unionizing of our workforce. After careful evaluation we have determined that the delays caused by AVRRD's appeal prevents us from being able to meet our LRV delivery schedule commitments to Metro on the P3010 LRV and increases our cost to complete by several million dollars. Hence we have no choice but to identify another location to perform this work.

On behalf of Kinkisharyo we would like to take this opportunity to thank you, Kari Blackburn and the many City employees for their hard work and support during this process. Unfortunately our efforts to establish a factory in Palmdale, CA and to make the Antelope Valley Kinkisharyo's new home were unsuccessful.

Sincerely,

Donald S. Boss
General Manager, Program Management
KINKISHARYO International L.L.C.

CC: CoP - Kari Blackburn