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Committee on Transportation and Infrastructure's Subcommittee on Railroads, Pipelines, and Hazardous Materials

Topic: Investment in the Rail Industry

1. My name is John Giles and I am the Chief Executive Officer of RailAmerica. I began working in this industry thirty-nine (39) years ago as a Fireman and Locomotive Engineer on the Baltimore and Ohio Railroad Co. in Indianapolis, IN. I spent the first twelve (12) years of my career in various operating positions for three (3) different railroads and, shortly after deregulation, progressed up the management ranks through Marketing and, eventually executive positions at CSX.

   I retired from CSX in 1999 but, shortly thereafter, returned to work with each of two (2) private equity firms in their respective acquisitions and operation of short line railroads. In 2000, I was hired by Blackstone Capital Partners to serve as Chief Executive Officer at Great Lakes Transportation, an operator of short line railroads, rail switching operations, and of eight (8) Great Lakes shipping vessels. My management group and I streamlined operations at Great Lakes Transportation and the company was later sold, in late 2003, to Canadian National Railway. I, once again, retreated into retirement only to re-emerge to work with Fortress Investment Group in its acquisition of RailAmerica and, later, of Florida East Coast Railway. Today, my management team operates RailAmerica's portfolio of 41 short line railroads and is also extending its management supervision over Florida East Coast Railway.

2. As background to my involvement with RailAmerica, Fortress Executives and I discussed investing in The Rail Industry for some time before seeking to acquire RailAmerica and taking the Company private in February of 2007. Fortress had been active in other transportation and logistics businesses, owning a jet leasing company, a shipping company, and other logistical enterprises. The rail industry was a natural extension of their existing stake holdings in the transportation industry, with railroads being particularly well positioned to benefit from international trade and expanding global markets. As we studied RailAmerica before our investment, we became unified behind the belief that we could operate these properties better and more efficiently; we believed that we could engage with customers by more effectively addressing shipper's transportation needs, thereby creating value with customers and, in turn, expanding our business to a greater extent than our predecessors.

3. RailAmerica, today, is the leading operator of short lines and regional railroads in North America. We operate in twenty-seven (27) United States and three (3) Canadian provinces (Map as Appendix A). Most recently, in November 2007, Fortress acquired the Florida East Coast Railway and invited my management team to explore and consider synergies with our RailAmerica operations. We currently manage these independent properties, RailAmerica and FEC as separate and independent companies, but, with some common leadership and a goal toward sharing management and operating best practices.

4. Almost all of RailAmerica's properties were, at one time, part of the larger Class I railroad systems. While in Class I ownership, these lines were operated as low-density, relatively high-cost branch lines that the Class Is either sold at auction or leased to companies like RailAmerica. These lines had infrastructure needs and were susceptible to fragile economic conditions, generally being dependent upon the business fortunes of one, or only a few, on-line customers and industries.

5. By definition, RailAmerica's rail lines are generally the exclusive route of rail ingress and egress available to shippers and receivers for accessing the larger Class I rail system. We are the only source of rail access to the broader regional and national rail networks for distribution of shippers' goods and products. Our services are frequently billed by our Class I affiliates through interline settlement as a segment in the longer Class I rail movement. While the lower density and rural nature of most of our lines preclude rail competition from parallel routes, our services are challenged to remain cost-effective by constant competition from trucks.

6. Like all good owners, Fortress demands that we run a high-quality, safe and profitable business operation, one that helps its existing customers to succeed and expand their businesses and further seeks to expand our rail services to new businesses. We strive for operational efficiency in order to provide Fortress with enhanced shareholder value and, ultimately, a fair return upon its investment.

7. Guiding our Company and our overall efforts are the following core values that all of our employees are expected to adhere to:
   - INTEGRITY
     We speak and act with truth and honesty.
   - RESPECT
     We treat others as we wish to be treated.
   - FACT-BASED
     We make recommendations and decisions based upon objective evidence.
   - HEADS IN THE GAME
     We continuously seek to improve, and we remain focused on our challenges.
   - HANDS ON
     We actively strive for results in our areas of responsibility, and we help one another for the success of the team. We are all expected to contribute to performance improvement.
   - DEMANDING PARTNER
     Our standards are high. We expect from others what we expect from ourselves, and we collaborate to achieve the best results for all.

8. Since the February 2007 acquisition, our new RailAmerica management team has driven these core values through our organization and, by increasing the transparency of our management objectives, we have heightened awareness to personal and train safety. We have devoted significant time, energy and resources into educating our new and existing employees as to our operating rules and practices, as well as the safety rules, and we have raised the bar on personal accountability for their safety and the safety of their colleagues, along with overall train safety. Each and every safety incident (injury, derailment, etc.) is advanced to the Chief Executive Officer for review and consideration of appropriate corrective measures and disciplinary action, if warranted. In order to properly align employee incentives with management initiatives, we introduced a new Safety Incentive Plan that rewards employees by up to six percent (6%) of their annual compensation for working safely and not damaging cars, locomotives, shippers and goods. Our results in 2007 are encouraging:

- Overall Human Factor Derailments are down 4%, 2006 = 91, 2007 = 87
- FRA Reportable Train Accidents are down 16%, 2006 = 58, 2007 = 49

but, we expect even more dynamic improvements in 2008 as the benefits of the Safety Incentive Plan take hold.

9. Another area of management focus is upon improving our capital infrastructure. As I have said, RailAmerica's properties were divested by the Class Is, over the past twenty-plus (20+) years, for good and valid reasons. It is fair to say that when the Class Is were contemplating abandonment of those lines, or tuning them over to short lines like us, very little capital investment went into these lines and maintenance was scaled back to minimum levels. RailAmerica inherited those lines with pressing infrastructure needs, and where and how to apply our capital resources remain a constant management challenge.

So, in facing this concern, RailAmerica's management team undertook the task of determining precisely how much money and where to invest into capital improvements to our 5,000 bridges and almost 7,000 miles of mainline tracks. Given the capital needs and the low margins in many of these lines, it is incumbent upon us to apply that capital with a rifle-shot approach and not a shotgun. Accordingly, we have enhanced our engineering staff such that we now have highly-skilled and well-educated Chief Engineers physically located on each of the five (5) geographic regions within RailAmerica.

We recently recruited a Bridge and Structure expert, a skill set that was not resident and available to us until the fourth (4th) quarter of 2007. In addition, we recently hired an expert in Signals and Communications to add to our own in-house expertise.

10. To summarize, Fortress and my management team came to RailAmerica to create and develop a high performance organization, with the goal of running safe, efficient and profitable railroads. We have made significant strides toward achieving these goals and toward developing an organization that is capable of assuming a leadership role in the American Short Line & Regional Railroad Association (ASLRRA), and engaging effectively and responsibly with the Federal Railroad Administration (FRA) and the Surface Transportation Board (STB).

11. Our association with Fortress, as our owner and shareholder, is enabling us to achieve financial, infrastructure and safety improvements by certain key advantages as compared to RailAmerica's previous public company ownership model:

(i) The ability to assemble and install a new management team with a longer term focus upon operational and safety performance unburdened by the shorter term objectives of public company boards of directors and shareholders;

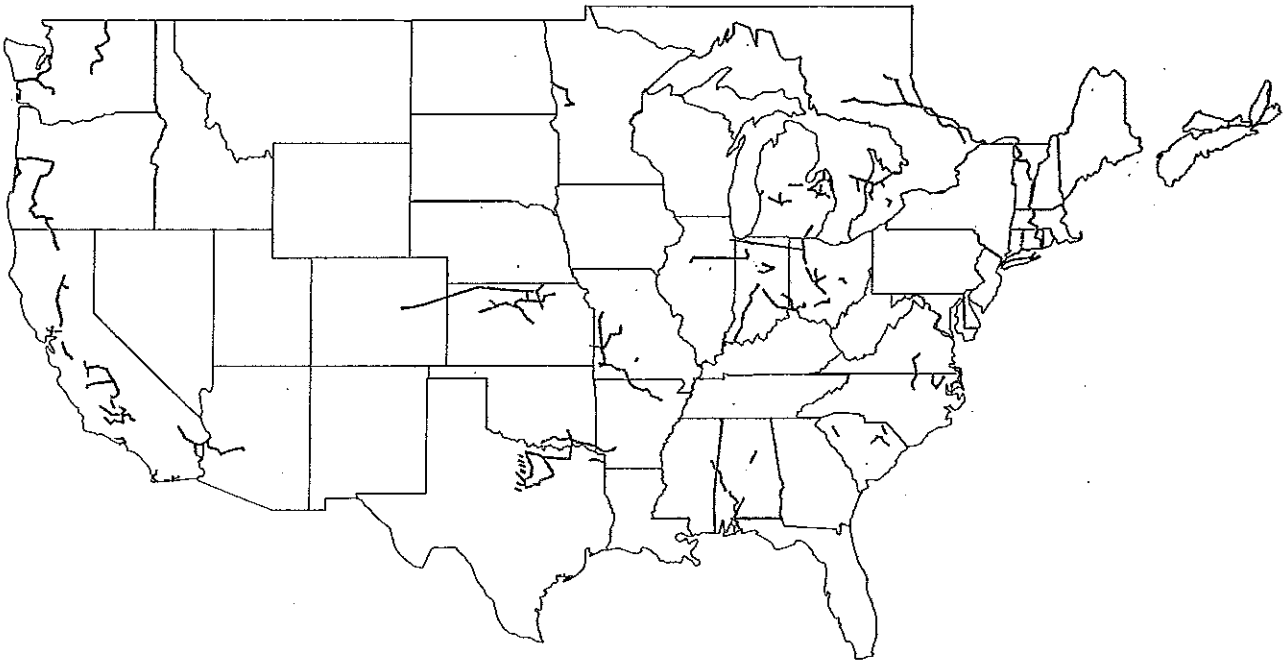
(ii) Reduced expense of operating as a private company, as opposed to a public company, together with the ability to manage toward a longer term earnings and performance horizon and not be burdened by quarter-to-quarter performance results upon stock price;

(iii) Access to financial expertise and resources necessary to reduce cost of capital. At the time of acquiring RailAmerica, Fortress arranged for refinancing of our assets on more favorable terms, and Fortress is now taking the lead on pursuing project-based refinancing that affords access to international capital markets and promises even further reductions in cost of capital; and

(iv) Fortress' resources and expertise in identifying, evaluating and acquiring other synergistic opportunities in the rail industry, such as the acquisition of Florida East Coast Railway, as well as the capability of pursuing industrial development and related transportation industry opportunities, all of which can improve the efficiency and performance of RailAmerica's railroads.

In summary, RailAmerica and Fortress are committed to the rail industry for the long term and we will conduct our rail operations, improved safety performance and enhance our capital infrastructure with the long term view in mind.

Are there any questions you would like to ask me?

Appendix A

RailAmerica Network