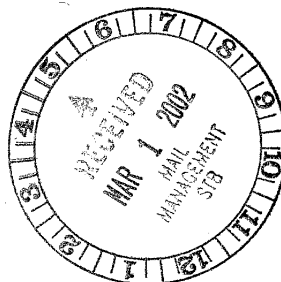


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MAYER
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March 1, 2002



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BY FACSIMILE

The Honorable Vernon A. Williams
Secretary
Surface Transportation Board
1925 K Street, N.W.
Washington, D.C. 20423-0001

Re: STB Finance Docket No. 33740 (Sub No. 1), The Burlington
Northern and Santa Fe Railway Company – Petition for
Determination of Compensation And Other Terms

Dear Secretary Williams:

Enclosed for filing in the above-entitled proceedings are the original and ten copies of
BNSF's Opening Statement Regarding Compensation and Other Terms. Also enclosed is a
diskette containing the Petition in electronic format.

Sincerely yours,



Robert M. Jenkins III

RMJ/bs

Enclosures

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204877

**BEFORE THE
SURFACE TRANSPORTATION BOARD**



STB Finance Docket No. 33740 (Sub No. 1)

**THE BURLINGTON NORTHERN AND SANTA FE RAILWAY
COMPANY – PETITION FOR DETERMINATION OF COMPENSATION AND
OTHER TERMS**

**BNSF'S OPENING STATEMENT
REGARDING COMPENSATION AND OTHER TERMS**

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Attorneys for The Burlington Northern and Santa Fe Railway Company

Dated: March 1, 2002

**ENTERED
Office of the Secretary**

MAR 04 2002

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Public Record**

**BEFORE THE
SURFACE TRANSPORTATION BOARD**

DOCKET NO. 33740 (Sub-No. 1)

**THE BURLINGTON NORTHERN AND SANTA FE RAILWAY COMPANY
– PETITION FOR DETERMINATION OF COMPENSATION AND OTHER TERMS**

**BNSF'S OPENING STATEMENT
REGARDING COMPENSATION AND OTHER TERMS**

Pursuant to the Board's Decision served January 30, 2002 in the above-captioned subdocket, The Burlington Northern and Santa Fe Railway Company ("BNSF") submits herewith its opening statement regarding crossing compensation and other terms. Attached in support of BNSF's comments are the verified statements of Terrell A. Honnold ("VS Honnold") regarding property value and David W. Howell ("VS Howell") regarding crossing operations.

INTRODUCTION AND SUMMARY

The Board has already determined in the main docket in this proceeding that the Keokuk Junction Railway Company ("KJRY") must "continue to allow BNSF to cross KJRY's line in order to serve shippers on [BNSF's] Mooar Line." The Burlington Northern and Santa Fe Railway Company – Petition for Declaration or Prescription of Crossing, Trackage, or Joint Use Rights, Finance Docket No. 33740 (Sub-No. 1) (served June 22, 2001) ("Crossing Decision"), slip op. at 8. The principal issues that remain are (1) what compensation BNSF should pay KJRY for its continuing crossing rights and (2) what refund BNSF is owed for the time that KJRY denied BNSF its crossing rights and charged BNSF for a sham "interchange" service.

Regarding compensation, KJRY has suggested that there are serious questions about the appropriate methodology to apply here, but the Board in its Crossing Decision made clear that it would use the "fair market value" methodology for crossing compensation established in the CNW case.¹ See Crossing Decision, slip op. at 9 n.18. Contrary to KJRY's suggestions, that methodology is as appropriate for the kind of crossing involved here as it was for the crossing involved in CNW. BNSF has had an appraisal made of the fair market value of KJRY real property and is prepared to pay that value plus its share of the annual operating, maintenance, and capital costs of the KJRY track assets involved.

Regarding the refund, there can be no question that BNSF was wrongfully denied its right to cross KJRY's line after it refused to accede to KJRY's anticompetitive demand that it sell KJRY the Mooar Line. Nor is there any question that BNSF was wrongfully charged for a "service" that KJRY had no right or need to provide. BNSF paid for that sham "service" under compulsion, and under protest, after KJRY physically blocked BNSF's access to its shippers. BNSF promptly filed its request for relief with the Board, including a request for expedited consideration. Every pertinent principle of STB and common law says that KJRY should not be allowed to keep the excess revenues it garnered during the time it took the Board to rule.

Finally, although the Board already determined in its Crossing Decision (slip op. at 8) that BNSF has "met the requirements of section 10901(d)(1)(B)" to show that its crossing operations do not materially interfere with KJRY's operations, KJRY has

¹ Chicago and Northwestern Ry. Co. – Construction and Operation Exemption – City of Superior, Douglas County, WI – Petition for Issuance of an Order Pursuant to 49 U.S.C. 10901(d), Finance Docket No. 32533 (Sub-No. 1), 1995 ICC LEXIS 205 (served Aug. 11, 1995).

continued to make assertions about operating and liability issues, and the Board's January 30 Decision (slip op. at 2) indicated that the parties should comment on those issues in their initial pleadings. Accordingly, BNSF has attached the verified statement of its current Keokuk supervisor, David W. Howell, to show again that the crossing raises no issues of material operational interference. Further, we show that KJRY's "liability" suggestions are unwarranted. The Board should prescribe the standard liability terms, as well as the other non-compensation terms, in the proposed agreement attached to BNSF's original Petition to Establish Compensation and Other Terms as Exhibit No. 1, which we append here again for the Board's convenience.

ARGUMENT

I. THE BOARD SHOULD APPLY THE CROSSING COMPENSATION STANDARD SET FORTH IN CNW.

In its Crossing Decision, the Board stated that it "will determine appropriate compensation based on the fair market value of KJRY's rail property." Crossing Decision, slip op. at 9 n.18, citing CNW. This is the established compensation methodology for crossing cases. It "comports with the minimum value guaranteed by the taking clause of the Constitution," CNW, slip op. at 3, 1995 ICC LEXIS at *7, citing Loretto v. Teleprompter Manhattan CATV Corp., 458 U.S. 419 (1982), and it was specifically chosen to advance Congress' procompetitive mandate in Section 10901(d) for the Board to promote crossings. CNW, slip op. at 2-3, 1995 ICC LEXIS at *5, citing H.R. Rep. No. 1430, 96th Cong., 2d Sess. 115, reprinted in 1980 U.S.C.C.A.N. 4147.

There is no reason for the Board to deviate from the CNW standard in this case. While BNSF recognizes that the Keokuk crossing involves more switches than most,

application of the CNW standard results in compensation that comports with due process while fostering the public policy of encouraging rail crossings and rail competition.

There are two types of KJRY property that require valuation in this case. The first is the real estate underlying KJRY's trackage. BNSF commissioned an appraisal of that real estate by a professional appraisal firm and received that firm's report on July 27, 2001. The appraisal firm's report shows that, as of the date of the report, the fair market value of the approximately .39 acres of land at issue was \$2,500 (or \$6,410 per acre). See VS Honnold ¶ 5 and attached Appraisal Report. According to the professional appraiser, the conclusion he reached in his report that KJRY's land was worth \$2,500 also accurately reflected the value of KJRY's land as of March 1, 1999. VS Honnold ¶ 6. Accordingly, BNSF is prepared to make a one-time payment to KJRY in the amount of \$2,500, plus interest since March 1, 1999, to compensate KJRY for its land.

The second type of KJRY property that requires valuation is the track property used by BNSF.² Fortunately, the parties in 1995 established the estimated annual operating, maintenance, and capital costs of the seven KJRY switches involved – \$300 per switch. Because BNSF and KJRY share those switches, the parties' 1995 Supplemental Agreement provided that BNSF would pay KJRY one-half of the estimated annual cost of each switch (\$150 per switch) – for a total of \$1,050 per year – with 70 percent of that cost ("representing maintenance costs and operating expenses

² In CNW, the ICC was not required to value the crossover track used by the crossing railroad, because the parties had already agreed that the crossing railroad would cover the crossed railroad's costs of installing, maintaining, and repairing the crossover. CNW, slip op. at 8, 1995 ICC LEXIS at *20-*21.

and depreciation") indexed annually to changes in the Association of American Railroads' Railroad Cost Recovery Index, West District (material prices, wage rates and supplements combined, excluding fuel). See 1995 Supplemental Agreement, attached as Exhibit 1 to BNSF's Petition For Declaration or Prescription of Crossing, Trackage or Joint Use Rights and For Determination of Compensation and Other Terms, filed April 27, 1999 ("Crossing Petition"), and attached hereto as Exhibit. A. The balance of the rate, representing interest rental and taxes, was fixed. See id.³ BNSF is prepared to continue paying its share of these operating, maintenance, and capital costs, as escalated, effective March 1, 1999.

II. THE COMPENSATION METHODOLOGY CHOSEN BY THE BOARD SHOULD BE MADE EFFECTIVE MARCH 1, 1999, AND KJRY SHOULD BE REQUIRED TO REFUND THE EXCESS CHARGES IT COERCED FROM BNSF.

Whatever compensation methodology is applied by the Board, it will result in a charge for BNSF's crossing rights that is far below the amount BNSF was forced to pay, under protest, to cross KJRY's track after March 1, 1999.⁴ To the extent that KJRY has profited from its unilateral decision to impose sham "switching" services on BNSF, the Board's Crossing Decision, ICC and STB precedent, and the common law all support a refund of the excess charges that KJRY coerced from BNSF.

³ The parties' 1996 Crossing Agreement also provided that KJRY shall maintain and repair the crossing, and reincorporated the compensation provisions of the 1995 Supplemental Agreement. See 1996 Crossing Agreement, attached as Exhibit 3 to BNSF's Crossing Petition and attached hereto as Exhibit B.

⁴ Even assuming, for example, that the Board adopted a trackage rights compensation methodology (see KJRY's Reply to BNSF's Petition to Establish Compensation and Other Terms, filed Aug. 7, 2001 ("KJRY Reply"), at 6-7), the charge would be miniscule compared to the \$85 per car and locomotive charged by KJRY. Even a charge as high as \$1.00 per car-mile would result in a charge of \$.25 per car for a quarter-mile of trackage.

A. The Board's Crossing Decision Supports a Refund.

The Board did not create any **new** crossing rights in its Crossing Decision. Instead, when the Board ordered "KJRY to **continue to allow BNSF to cross** KJRY's line in order to serve shippers on the Mooar Line," it merely reaffirmed the crossing rights to which BNSF has long been entitled. See Crossing Decision, slip op. at 8 (emphasis added). Further, the 1995 Mooar Line relocation in no way changed the character of the crossing. "[T]he Board found that BNSF has a right to continue crossing KJRY track at the relocated site." Joint Brief of Respondents Surface Transportation Board and United States of America at 10, Keokuk Junction Ry. Co. v. STB (D.C. Cir. No. 01-1305) (filed Feb. 14, 2002), citing Crossing Decision, slip op. at 4-10. Since BNSF was entitled to **continuous crossing rights** during the time that KJRY was unlawfully charging interchange fees, KJRY is obligated to refund those fees.

BNSF did not sit idly by while KJRY extracted interchange fees for its sham service. BNSF tendered its cars (and locomotive) to KJRY on March 2, 1999 **under protest**. BNSF then promptly filed its petition with the Board to have KJRY's actions rescinded. BNSF also requested an immediate order from the Board maintaining the status quo ante as well as an expedited consideration of its petition. Despite all of BNSF's efforts, KJRY was able to improperly collect approximately \$663,000 in fees for a "service" it was never entitled to provide between the time it blocked the crossing and the Board's issuance of a Decision over two years later.

BNSF is entitled to a refund of the difference between the Board's determination of appropriate crossing compensation, plus interest, and the amount that BNSF paid in improper "interchange" fees. To that end, the Board should reject any argument by

KJRY that it is entitled to keep "the expenses incurred by KJRY in making a locomotive and crew available on a daily basis for BNSF's access to KJRY's main line." KJRY Reply at 9. BNSF never requested KJRY's assistance in providing either a locomotive or crew to cross KJRY's tracks. Further, a railroad is not permitted to charge for a service it has no right to perform. See Southern Ry. Co. v. Louisville & Nashville R.R. Co., 185 F. Supp. 645, 654 (W.D. Ken. 1960) (holding that railroad was not entitled to retain "any part of" sum of money improperly collected for switching charges and ordering refund of entirety of sum, with interest), aff'd, 289 F.2d 934 (6th Cir. 1961). Yet that is exactly what happened here: KJRY charged for an interchange "service" that it had no right to perform.

KJRY's conduct is especially egregious when viewed in light of its motivation for blocking BNSF's crossing. KJRY's imposition of "switching fees" was part of its anticompetitive effort to pressure BNSF into selling the Mooar Line. KJRY began its efforts to acquire the Mooar Line during the 1995 merger of the Burlington Northern Railroad and The Atchison, Topeka and Santa Fe Railway, and requested the ICC to make the sale of the Mooar Line a condition of the merger. Despite the ICC rejection of that request,⁵ KJRY (through its new parent holding company, Pioneer Railcorp) continued to press for the sale of the line, writing to BNSF:

We also continue to under cut each other on rates costing both our companies revenues and delighting the customers involved with the cheapest freight rates in decades. Working together rather than against each other on this Keokuk business would benefit us both.

⁵ See Burlington N. Inc. and Burlington N. R.R. Co. – Control and Merger – Santa Fe Pacific Corp. and The Atchison, Topeka and Santa Fe Ry. Co., 10 I.C.C. 2d 661, 683, 778 (1995).

Letter from Guy L. Brenkman, President of Pioneer Railcorp, to Henry Lampe, dated March 9, 1998.⁶ BNSF still refused to sell the line, whereupon KJRY terminated the parties' crossing agreement, blocked the crossing with a rail car, and demanded an exorbitant interchange fee for a sham service. To the extent that KJRY incurred expenses (including locomotive and crew expenses) in its campaign against BNSF and its shippers, it would clearly be wrong to require BNSF to bear those costs. BNSF should not have to subsidize the anticompetitive conduct of a competitor.

B. ICC and STB Precedent Supports a Refund.

As discussed above, insofar as KJRY sought to impose upon BNSF a service KJRY had no right to perform, the law is clear that KJRY is not entitled to keep "any part of" the money it improperly collected. Southern Ry. Co., 185 F. Supp. at 654. Insofar as KJRY sought to impose new terms for BNSF's continuing crossing rights, ICC and STB precedent in comparable circumstances likewise makes clear that KJRY cannot keep any excess over the amount the Board determines was and is proper under the crossing compensation standard. When the Board is called upon to set new terms and conditions for the continuation of trackage rights, its longstanding practice is to prescribe the new compensation retroactively from the time the old agreement was terminated. See, e.g., Atchison, Topeka & Santa Fe Ry. Co. – Operating Agreement – Southern Pacific Co., 331 I.C.C. 367, 394 (1967), modified, 333 I.C.C. 342 (1968). Any difference between the interim compensation assessed and the ultimate compensation fixed by the Board must be recompensed. See, e.g., North Carolina R.R. Co. – Petition to Set Trackage Compensation and Other Terms and Conditions – Norfolk S. Ry. Co.,

⁶ Mr. Brenkman's letter was attached as Exhibit 4 to BNSF's Crossing Petition and is attached hereto as Exhibit D.

Norfolk and W. Ry. Co., and Atl. and E. Carolina Ry. Co., Finance Docket No. 33134,
slip op. at 3-4, 1997 STB LEXIS 123, at *12-*15 (served May 29, 1997).

The principles underlying the Board's policy in trackage rights cases apply with equal force to this case. Having found that BNSF was entitled to cross KJRY's tracks without an interchange, the Board should order retroactive compensation from the date of termination of the parties' crossing agreement – March 1, 1999. Since any reasonable crossing compensation would be less than the \$85 per car "interchange fee" charged by KJRY, applying the crossing compensation standard retroactively would result in a refund for BNSF.

It is especially appropriate for the Board to retroactively apply its determination of an appropriate crossing compensation standard in this case because BNSF promptly filed a petition with the Board to have KJRY's actions rescinded. Moreover, BNSF requested an immediate order from the Board maintaining the status quo ante and an expedited consideration of its petition. Nevertheless, BNSF paid over \$663,000 in "switching" fees while the Board reached its decision. Failure to order a refund would allow KJRY to benefit from the Board's two-year delay in issuing a decision. But, KJRY has no more right to keep its unlawfully imposed charges because it took the Board two years to rule than if it had taken two weeks or two months. Particularly in light of BNSF's prompt action to vindicate its rights, the Board should order a refund.

C. The Common Law Supports a Refund.

The common law also supports ordering a refund, because BNSF's payments to KJRY for its sham interchange service were not made voluntarily. Instead, BNSF made

the payments out of business necessity in order to ensure continuous service to its shippers along the Mooar Line.

"The payment of money might be, under circumstances of business necessity or compulsion, considered to be involuntary and entitle the party so coerced to recover money paid" 66 Am. Jur. 2d Restitution and Implied Contracts § 122 (2001). See also 66 Am. Jur. 2d Restitution and Implied Contracts § 112 (2001) ("It is firmly established that provided compulsion furnishes the motive for the payment sought to be recovered, and proceeds from the person against whom the action is brought, payments made under duress or compulsion may be recovered."). The law is clear that "payments made under what, for lack of a better term, we may call business compulsion, are involuntary payments; and that, where a person is called upon either to suffer a serious business loss or to make payment, he may recover that payment as having been made **involuntarily**." Ancora Corp. v. Miller Oil Purchasing Co., 396 So. 2d 672, 677-78 (Ala. 1981) (emphasis in original).

BNSF is entitled to a refund for its involuntary payments to KJRY. After KJRY blocked the crossing, BNSF needed to immediately restore service to the Mooar Line in order to avoid severe economic consequences for its shippers. See, e.g., March 3, 1999 Letter from ADM Milling Company to Surface Transportation Board, attached to Crossing Petition as shipper support letter and attached hereto as Exhibit E ("Had BNSF been unable to serve ADM Milling Company's facility for more than four days, ADM Milling Company would have had to **shut down its Keokuk operations**." (emphasis added)); March 26, 1999 letter from Midwest Carbide Corp. to Surface Transportation Board, attached to Crossing Petition as shipper support letter and

attached hereto as Exhibit F ("On March 1, 1999, when KJ blocked the crossing that BNSF needs to access the Mooar Line, our **business lifeline was cut off**, and we were extremely concerned that we would be unable to meet our commitments to our customers. By March 2, when KJ and BNSF were still stalemated, our commercial situation was worse, **and I made clear to BNSF that we would not wait for a judicious resolution of the dispute.**" (emphasis added)); April 14, 1999 Letter from Smurfit-Stone Container Corp. to Surface Transportation Board, attached to Crossing Petition as shipper support letter and attached hereto as Exhibit G ("Had BNSF been unable to serve the Smurfit-Stone Container [sic] at Keokuk, IA for more than 5 days, Smurfit-Stone Container would have had to **shut down its Keokuk, IA operations.** This would have had **disastrous consequences for both Smurfit-Stone Container and for paper mills** located in Louisiana, Montana, Arizona, Florida and South Carolina." (emphasis added)).

BNSF's failure to accede to KJRY's demands would have resulted in shut factories and injured shippers, causing substantial harm to both BNSF's business reputation and bottom line. Confronted with this serious threat, BNSF had no choice but to meet KJRY's demands while it sought a resolution of the matter before the Board. Its payment in excess of reasonable crossing compensation was involuntary, made under protest, and should be refunded.

III. BNSF'S CROSSING OF KJRY TRACK NEITHER MATERIALLY INTERFERES WITH KJRY'S OPERATIONS NOR RAISES SIGNIFICANT LIABILITY CONCERNS NOT ALREADY APPROPRIATELY ADDRESSED BY THE PARTIES THROUGH THEIR PRIOR AGREEMENTS.

In its Crossing Decision, the Board noted that "KJRY does not seriously contest BNSF's assertion . . . that the crossing raises 'no operational issue'" and held that "the

record supports a finding that BNSF has met the requirements of section 10901(d)(1)(B) and (C).” Crossing Decision, slip op. at 8 (citations omitted). Despite the Board’s holding, KJRY requested that the Board address “liability and operating issues,” including its incurrence of “significant operational and logistics costs” arising from BNSF’s crossing. KJRY Reply at 3, 6. KJRY even suggested that BNSF “has not, as of yet, established that its operations won’t interfere with KJRY’s operations,” *id.* at 10, despite the Board’s determination that “the new crossing was apparently operated successfully for about 3 years until KJRY shut it down after its attempt to acquire the Mooar Line was rebuffed.” Crossing Decision, slip op. at 8.

KJRY’s attempt to create a dispute over operational and liability issues is a red herring. The parties did successfully operate over the relocated crossing for the three years prior to KJRY’s termination of the Crossing Agreement and have successfully operated over the crossing since the Board’s 2001 Crossing Decision. BNSF will nevertheless establish – again – that its crossing of KJRY track does not materially interfere with KJRY’s operations and does not raise any liability issues that the parties have not already addressed through their prior agreements.

A. BNSF’s Crossing of KJRY’s Track Does Not Materially Interfere With KJRY’s Operations.

BNSF and its predecessors have successfully crossed the track of KJRY and its predecessors to access the Mooar Line for over 120 years. After the crossing was relocated in 1995, BNSF and KJRY continued to operate the crossing without incident

pursuant to their Crossing Agreement. See Ex. B.⁷ And after the Board issued its decision confirming BNSF's crossing rights, the crossing operations have continued, as before, "without a hitch." VS Howell ¶ 12.

An examination of BNSF's crossing operations makes clear why those operations do not materially interfere with KJRY's operations. BNSF only crosses KJRY's track twice per day, offering roundtrip service on the Mooar Line five days per week and as needed on weekends. See VS Howell ¶ 6. While subject to significant fluctuation, on average each train traveling to or from the Mooar Line consists of between 14 and 16 cars. See id. When BNSF trains cross KJRY's track, they occupy the track for no more than five to eight minutes. See id. ¶ 9.

BNSF takes several steps to ensure safe and efficient crossings. BNSF trains are made up in BNSF yards or on the Mooar Line before they cross KJRY track. See id. ¶ 10. Moreover, KJRY officials are typically provided with twenty to thirty minutes of advance notice before a crossing occurs. See id. ¶ 8. There are few instances of conflict over the crossing because BNSF only crosses KJRY's track twice per day and because KJRY only operates one local train and two switch engines in Keokuk. See id. ¶¶ 6, 11. Because of the steps taken by BNSF prior to crossing KJRY's track, the rapidity with which BNSF crosses KJRY's track, and the limited scope of both BNSF's and KJRY's operations in Keokuk, BNSF's crossing of KJRY's track has not materially interfered with KJRY's operations. See id. ¶ 12.

⁷ The agreement provided for, *inter alia*, equal priority for use of the crossing and non-interference by BNSF with KJRY's operations. BNSF is willing to agree to have the Board prescribe similar terms, as set forth in the proposed agreement at Exhibit C.

B. BNSF's Crossing of KJRY's Track Does Not Raise Any Liability Issues Not Already Addressed by the Parties Through Voluntary Agreements.

In its Reply to BNSF's Petition to Establish Compensation and Other Terms, KJRY argues that, since "BNSF is not using KJRY's property by mutual assent, but rather by the compulsion of the June 22, 2001 Decision. . . . any liability terms apportioning risk of loss, burdens for claims handling, defense of suits, and other claims matters that may have been agreed to under the prior agreement are irrelevant." KJRY Reply at 8. On that basis, KJRY asserted its belief that it is owed complete indemnity, citing Application Of The National R.R. Pass. Corp. Under 49 U.S.C. 24308(a) – Springfield Terminal Ry. Co., Boston and Maine Corp., And Portland Terminal Co., Finance Docket No. 33381, slip op. (served May 29, 1998). See id.

But, this is not a case of passenger trains operating de novo over a freight railroad's lines. KJRY and BNSF are continuing the same operation they had before, between two freight railroads, and the liability provision of their prior agreement appropriately apportions liability in the event of an incident on the line. If BNSF's equipment or employees are responsible for an accident, BNSF pays. BNSF should not be held responsible if KJRY causes an accident.

The Board should prescribe the standard liability terms, as well as the other non-compensation terms, in the proposed agreement attached as Exhibit No. 1 to BNSF's original Petition to Establish Compensation and Other Terms, and appended here again as Exhibit C for the Board's convenience.⁸

⁸ KJRY also raises concerns about "environmental issues" without identifying what those environmental issues are. See KJRY Reply at 7. However, each of the Board's decisions in this case notes that the Board's action does not affect the quality of the

CONCLUSION

KJRY has made much of the appropriate crossing compensation methodology in this case, but the Board has already chosen the CNW standard, which is just as valid here as in the other crossing cases. The real issue in this proceeding is whether the Board will apply its choice of compensation approaches from the time the parties' old agreements were terminated – March 1, 1999 – so as to require KJRY to refund the "interchange" fees it coerced from BNSF pending the Board's decision that BNSF had a continuing right to cross KJRY's track. The Board should find, as a matter of law and equity, that KJRY is not permitted to keep the charges for a sham "service" that it was not authorized to provide. The Board should also confirm its prior finding that BNSF's crossing operations do not materially interfere with KJRY's operations, and should prescribe the liability and other non-compensation provisions of the proposed agreement attached hereto as Exhibit C.

Respectfully submitted,



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Attorneys for The Burlington Northern and Santa Fe Railway Company

Dated: March 1, 2002

human environment, and BNSF cannot identify any environmental issues that are implicated by its crossing of KJRY's track.

**VERIFIED
STATEMENTS**

Verified Statement of Terrell A. Honnold

1. My name is Terrell A. Honnold. I am an owner of and partner at American Real Estate, Ltd. My business address is 2322 E. Kimberly Road, Suite 140N, Davenport, IA 52807.

2. My qualifications as an appraiser are listed in the attached "Appraisal/Analyst Services for the Market Value and Market Rental Value of the (approx) 17' x 1,000' strip of industrial land near 2nd and Carroll Streets, Keokuk, IA" ("Appraisal"). A copy of the Appraisal is attached to this Verified Statement.

3. I conducted the Appraisal for The Burlington Northern and Santa Fe Railway Company. The purpose of the appraisal was to estimate both the market land value and the market rental value for a long-term lease of certain railroad land within a major railroad yard in Keokuk, IA. A more detailed description of the purpose and scope of the Appraisal, as well as the Appraisal's limitations, is contained within the Appraisal itself.

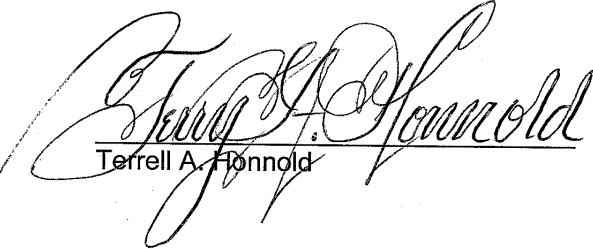
4. I conducted the Appraisal and submitted my report to BNSF on July 27, 2001.

5. In the Appraisal I opined as to the market land value and market rental value of the subject property as of July 27, 2001. In the Appraisal, I concluded that the market land value of the subject property was \$2,500.

6. In my professional opinion, the conclusions that I reached in the Appraisal as to the market land value and market rental value of the subject property accurately reflect the value of that property as of March 1, 1999, and remain accurate as of the date of this Verified Statement.

VERIFICATION

I, Terrell A. Honnold, declare under penalty of perjury that the foregoing is true and correct. Further, I certify that I am qualified and authorized to file this Verified Statement. Executed on February 26, 2002.


Terrell A. Honnold

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SINCE 1979

American Real Estate Ltd.

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RE: Appraisal/Analyst Services for the Market Value and Market
Rental Value of the (approx) 17' x 1,000' strip of
industrial land near 2nd and Carroll Streets, Keokuk, IA

Dear Ms. Jones and Mr. Peppard:

At your request I have conducted the necessary research, investigation and analysis in order to provide an opinion of value of the above-referenced property. This appraisal was prepared by me after an inspection of the site, neighborhood and zoning, recent comparable sales and other factors which I deem to be pertinent to the value of the subject property and submit it herewith.

The **purpose** of this appraisal is to estimate **Market Value** of the subject property as of the date of appraisal, excluding all equipment, trade fixtures and other any personal property, as well as the **Market Rental Value** for a long-term lease both, with as a level lease and also with periodic CPI rental adjustments.

The **function** of the appraisal will be to assist the client in establishing a valuation basis for **sale or leasing purposes**, and the report is not intended for any other use. This report is intended for use only by Jody Jones of the BURLINGTON NORTHERN SANTA FE RAILWAY (817-352-0200) and Gary Peppard of STAUBACK GLOBAL SERVICE (651-494-5959), **clients**, as well as other client-designated persons for purposes of these proceedings only. It is also understood that this appraisal may be used in negotiations or litigation. Use of this report by others is not intended by the appraiser.

I have been asked to appraise the (approx) 17'x 1000' (17,000 SF -- 0.39 acre) parcel of railroad land within a major railroad yard of Keokuk, located just south of 2nd and Carroll Streets, Keokuk, IA. While no current survey was provided for the property to show boundaries, improvements, land size, easements or any encroachments, the accompanying photos, exhibits and descriptions included herein fairly depict the property under appraisement.

-continued-

According to the clients the bordering property owners are not clear at this time, and the County Auditor could not discern the bordering ownerships either. In this valuation I have utilized an **Across the Fence** (ATF) valuation, which is a means of estimating the price or value of land adjacent to or "across the fence" from a railroad, pipeline, highway, or other corridor real estate parcel; as distinguished from valuing the right-of-way as a separate entity.

While I have disregarded all improvements and other personal property, concentrating only on the **land value**, the property is improved with rails, ties and ballast, and appears to be integrated with the adjoining rail yard. While I have appraised only the land, there could be other considerations, such as site improvements (rails, ties and ballast), independent access to this site, and the apparent integration with the adjoining rail yard. It appears that the subject site is landlocked, but in an ATF method of valuation, the value estimated disregards access.

The property is owned by the Keokuk Junction Railroad (KJR) and being utilized by Burlington Northern Santa Fe (BNSF) to serve industries in the area. It is my opinion that the **Highest and Best Use** of the property is for **railroad purposes** as it is currently being utilized, as an integral part of the adjoining rail yard as (apparently) it is currently being utilized.

It appears that the subject is not located within the HUD-identified, 100-year floodplain elevation and is not prone to flooding, due to the flood wall that protects the neighborhood, according to **Gregg Andrews**, Executive Director of the Keokuk Area Chamber of Commerce and the Keokuk Economic Development Corporation (319-524-5055)

I visited with Gregg Andrews about the four industrial areas that the Economic Development department are promoting -- one is not currently available (deal pending) and another one is a commercial location. We discussed sale and listing prices of the other two sites, and based upon that information, as well as my experience and data of other communities within the market area, I have arrived at the **Market Value** estimate for the subject property.

Relative to the **Market Rental Valuation** for the property, I have based the percentage of market value upon comparable investment alternatives. The CPI (all items index) over the past five years has averaged around **2% to 2.5%/year**, compounded. Therefore, for a long-term lease, 10 to 99 years, I have estimated a rate of **10%**. If the lease is adjusted periodically by the CPI, I have estimated **8%** initially.

-continued-

— *American Real Estate Ltd.* —

July 27, 2001

This is a **limited** appraisal, in restricted use report form, resulting from invoking the **Departure Provision** of the Uniform Standards of Professional Appraisal Practice of the Appraisal Foundation, and has been prepared under Standards Rule 2-2 (c) of a Complete or Limited Appraisal performed under Standard 1. This report option contains minimal detail and is intended to be received or relied upon by the client, as well as other client-designated persons. The date of this report is **July 27, 2001**.

As a result of my investigation, based upon my knowledge and experience, and upon my analysis of the included data, it is my opinion that, as of **July 27, 2001**, the **Market Land Value** of the subject property under appraisement is approximately **\$2,500** (\$6,410/acre).

Land Value Estimate**\$2,500**
(\$6,410/ac)**TWO THOUSAND FIVE HUNDRED DOLLARS AND NO/100 DOLLARS**

Furthermore, regarding the **Market Rental Value** for a long-term lease both, with as a level lease and also with periodic CPI rental adjustments (absolutely net to the owner [tenant pays all expenses, including real estate taxes]), it is my opinion that, as of **July 27, 2001**, the Market Rental Value is as summarized below:

Long-term lease with no rental increases,
10 years to 99 years, 10% of value **\$250/year**

Lease with periodic increases based upon
the CPI, 8% of value initially **\$200/year**

Respectfully submitted,

AMERICAN REAL ESTATE LTD.

BY: Terrell A. Honnold, MAI, SREA

thbb@altavista.com

www.americanrealestateltd.com

— American Real Estate Ltd. —

IDENTIFICATION AND LOCATION

I have been asked to appraise the (approx) 17'x 1000' (17,000 SF -- 0.39 acre) parcel of railroad land within a major railroad yard of Keokuk, located just south of 2nd and Carroll Streets, Keokuk, IA. While no current survey was provided for the property to show boundaries, improvements, land size, easements or any encroachments, the accompanying photos, exhibits and descriptions included herein fairly depict the property under appraisal.

Lee County is the most southeasterly county (of 99 counties) within the State of Iowa, located just north of Missouri and just west across the Mississippi River from Illinois. Keokuk is located in the southeast corner of the county, and Fort Madison (second largest city in Lee County) is located 25 miles to the north. A population summary is shown below:

POPULATION HISTORY

	1970	1980	% chg	1990	% chg	2000	% chg
	-----	-----	-----	-----	-----	-----	-----
Keokuk	14,631	13,536	-7.48%	12,451	-8.02%	11,427	-8.22%
Fort Madison	13,996	13,520	-3.40%	11,618	-14.07%	10,715	-7.77%
Lee County	42,996	43,106	.26%	38,687	-10.25%	38,052	-1.64%
State of Iowa	2,825,041	2,913,387	3.13%	2,776,755	-4.69%	2,936,324	5.39%
State of IL	11,110,285	11,427,409	2.85%	11,430,602	.03%	12,419,293	8.65%
United States	203,302,031	226,542,203	11.43%	249,709,873	9.79%	281,421,906	13.15%

Aside from **Fort Madison** and **Keokuk**, there are six other communities within the County, most of which are under 1,000 persons -- three of which are under 150 persons. Several locational plats follow this page, along with ground photos.

In the Addenda section of this report I have included several pages of regional and city data and statistics, including information from the Keokuk Economic Development Corporation.

It is obvious from the demographics that Keokuk (and Lee County in general) has suffered a loss in industry, work force and population over the past three decades, similar to many other Midwestern communities. Keokuk and Fort Madison have been particularly affected with the decline in the heavy manufacturing industries. The few new industrial facilities build have been overshadowed by plant closings and layoffs.

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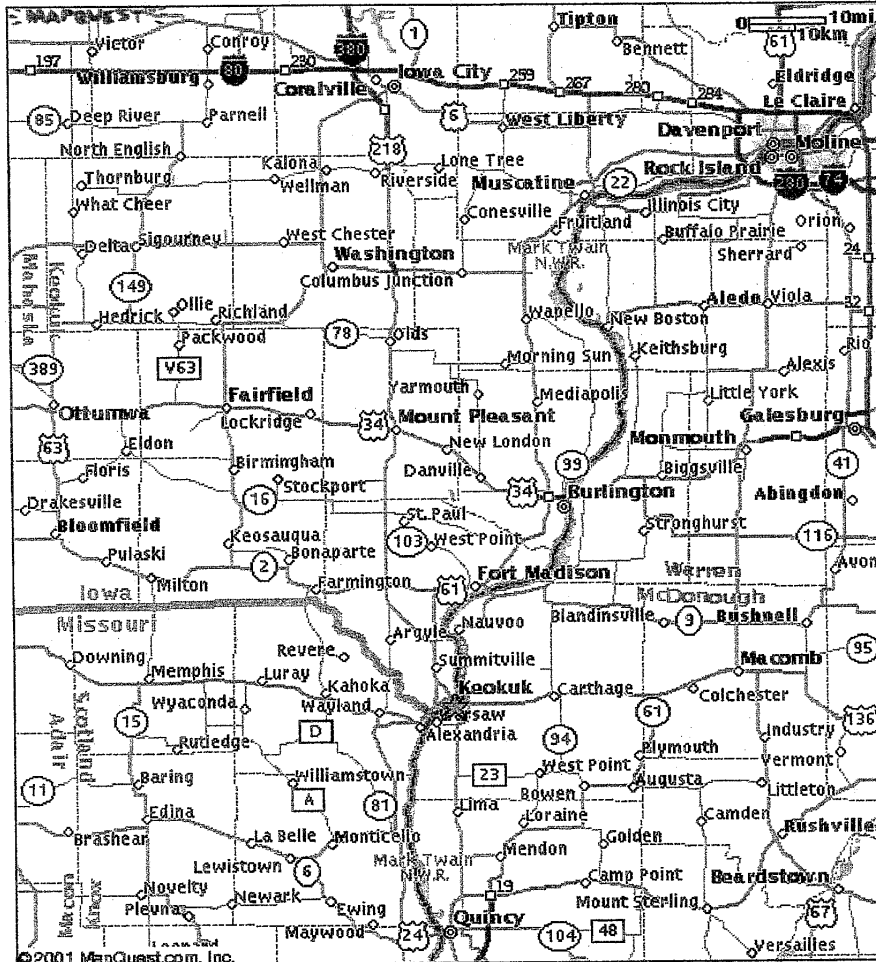
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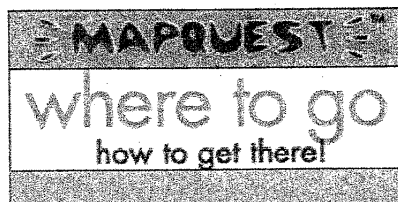
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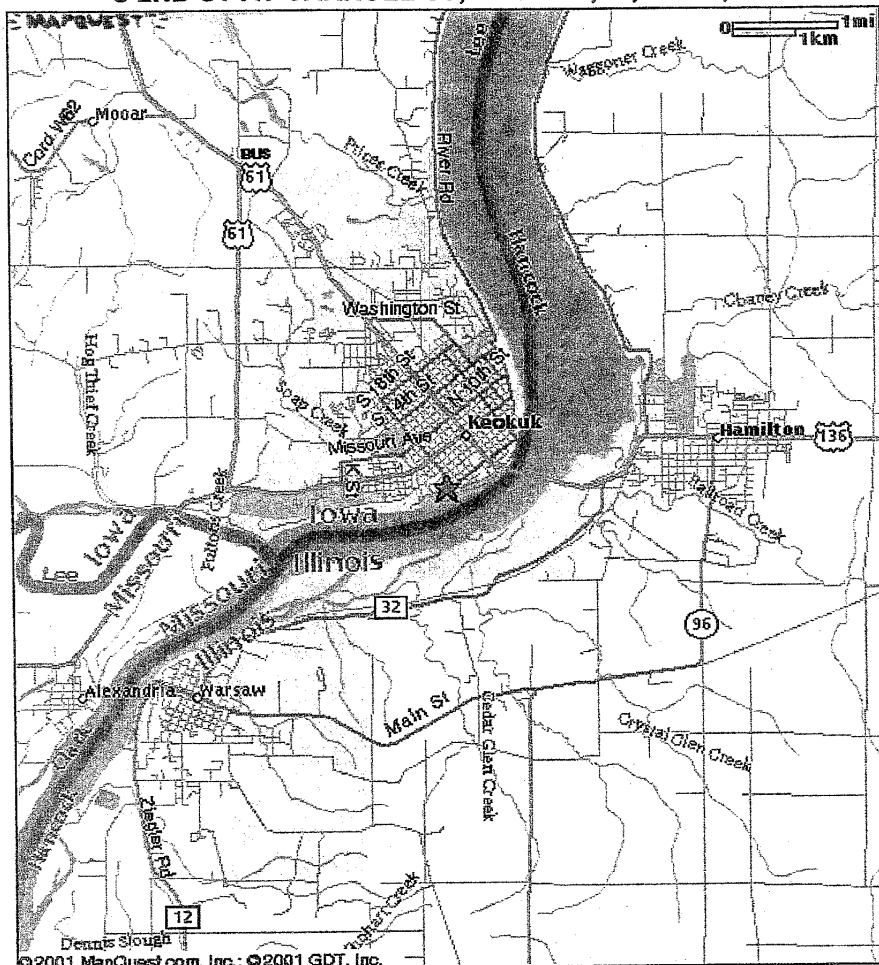


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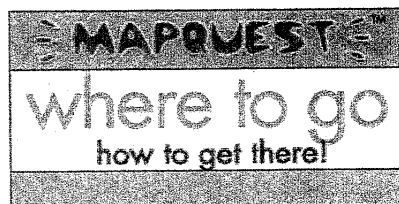
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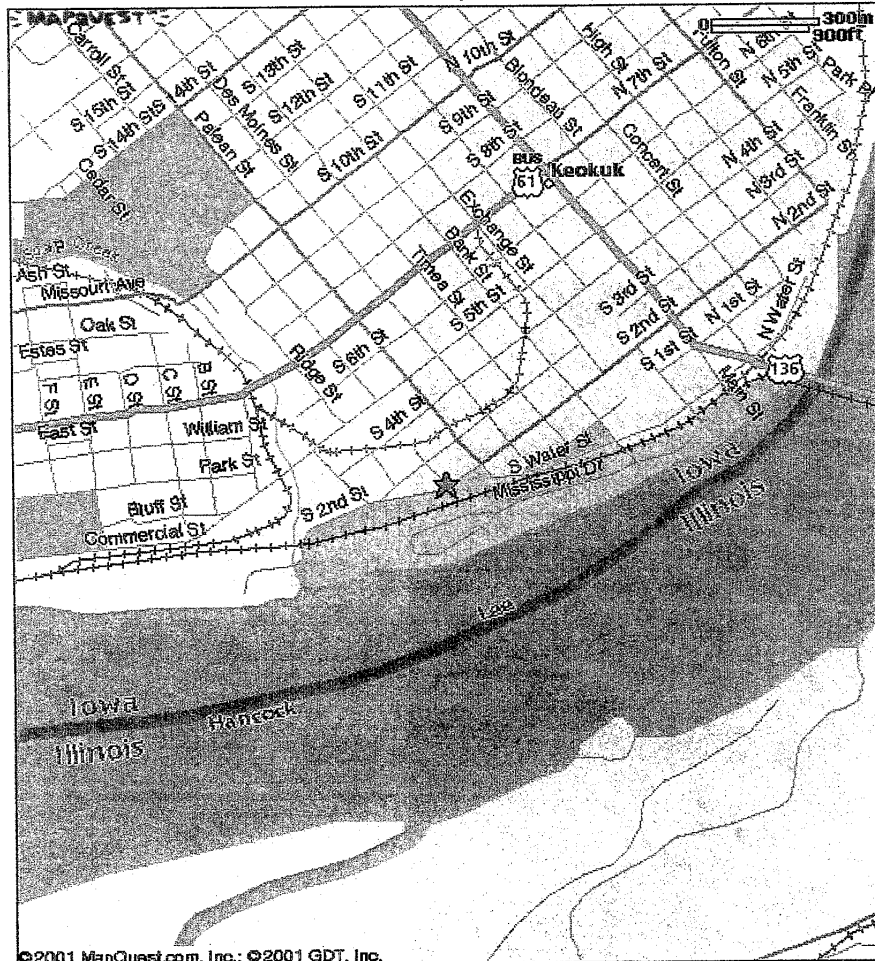


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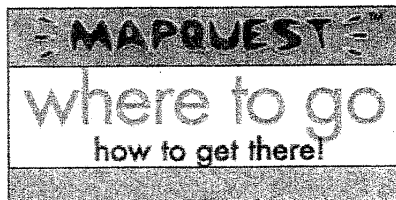
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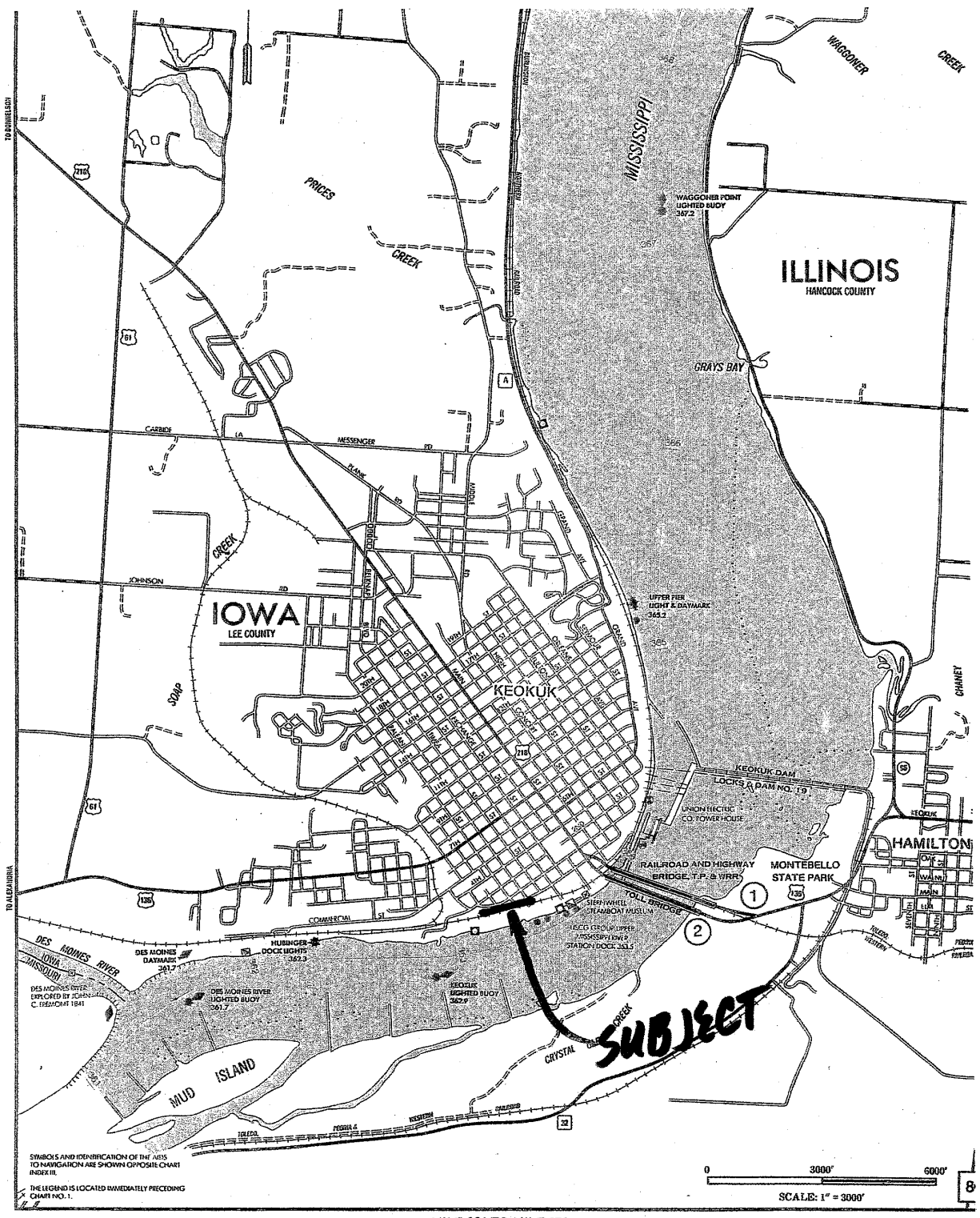
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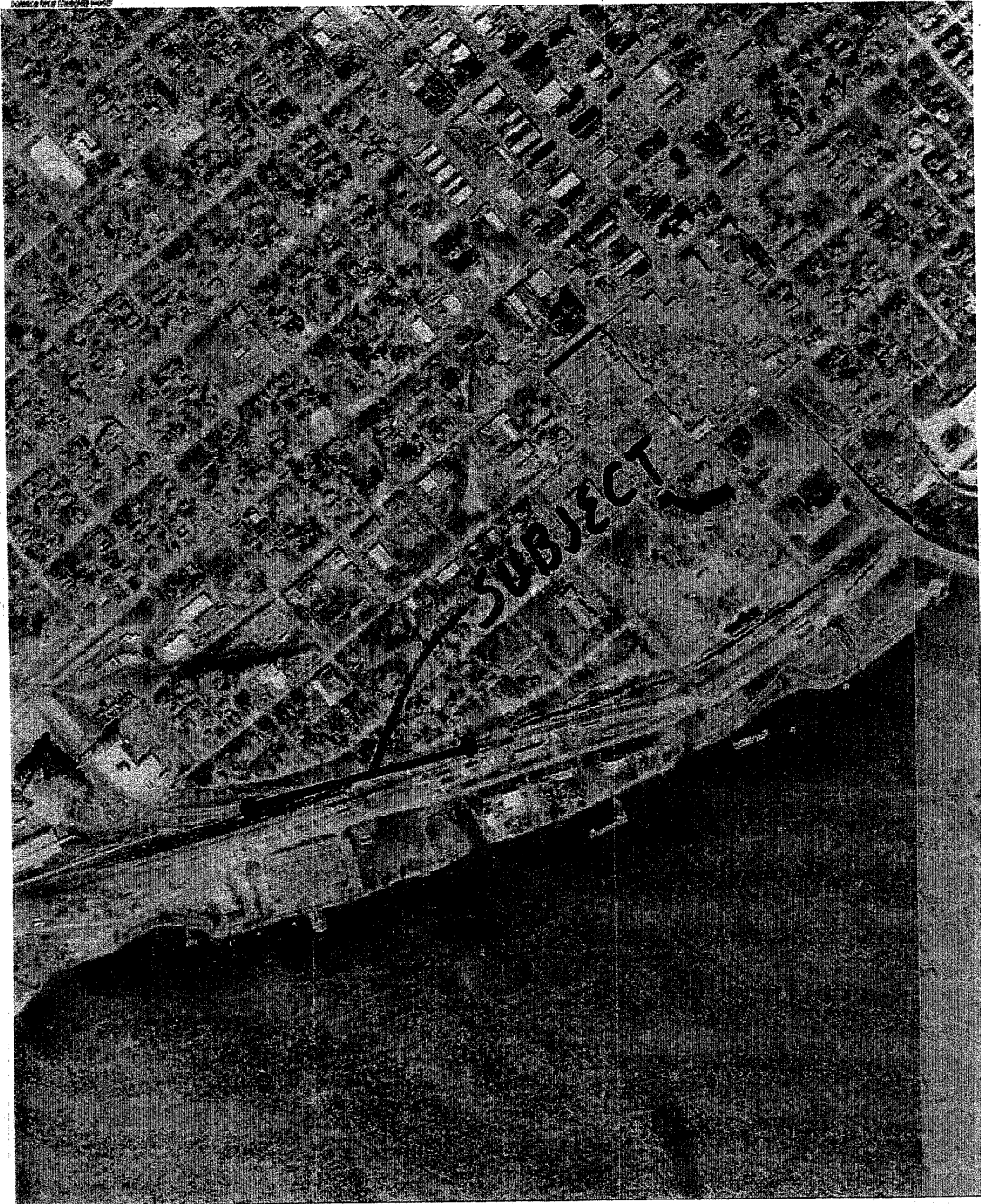


Microsoft TerraServer

Display Image

USGS Aerial Photograph

Keokuk, Iowa, United States 21 Mar 1996



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 79 JOURNAL OF POLITICAL ECONOMY, Vol. 112, No. 1, February 2004

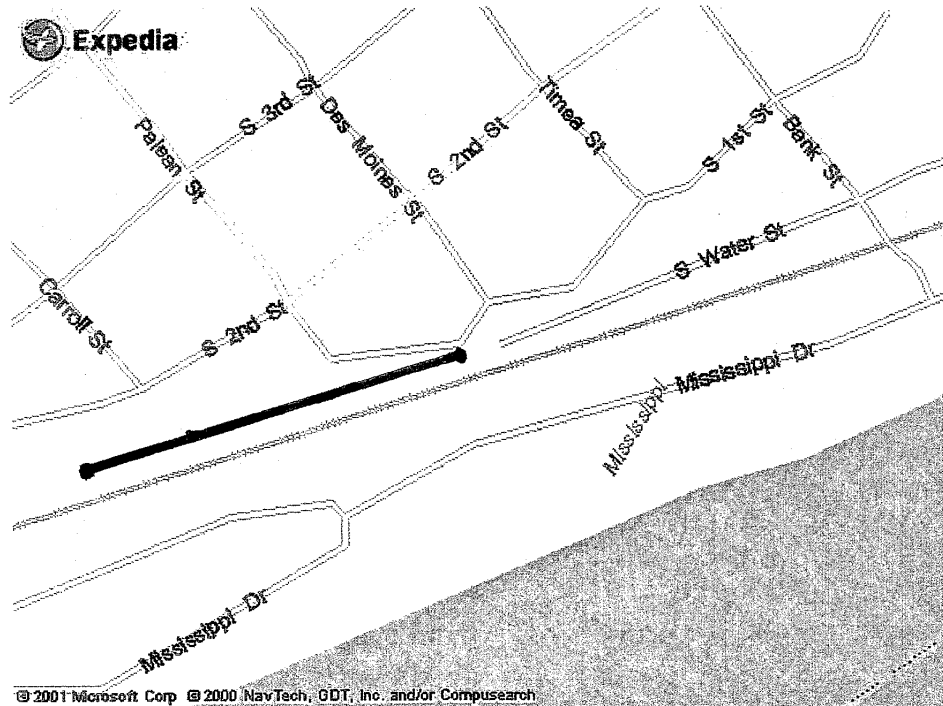


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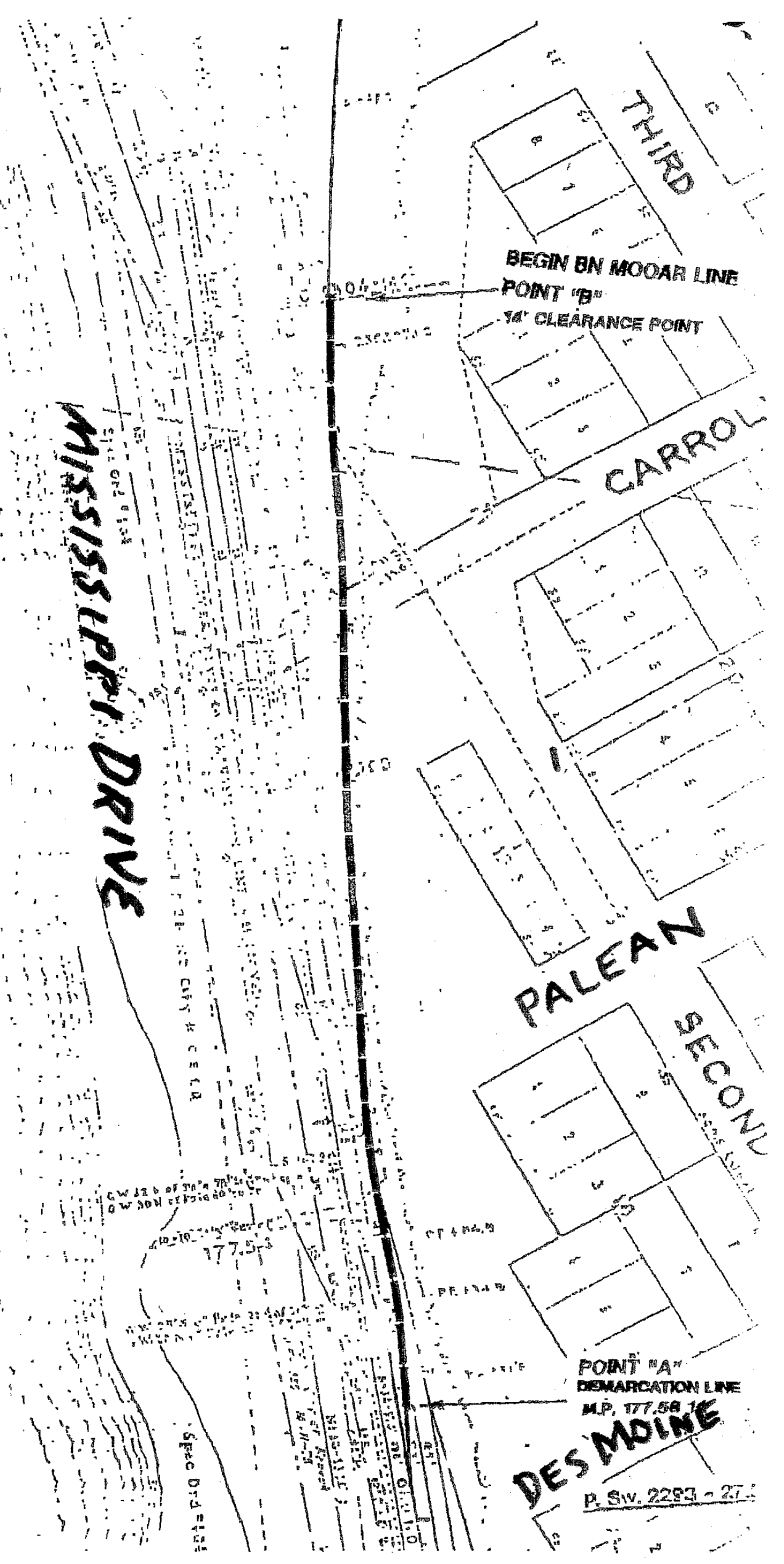
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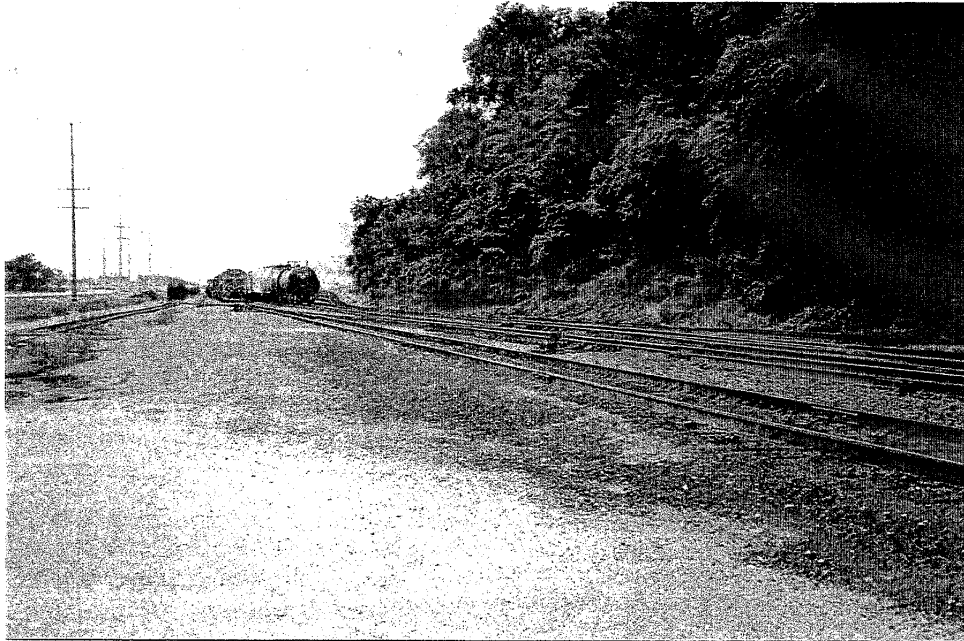
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PROPERTY PHOTOGRAPHS



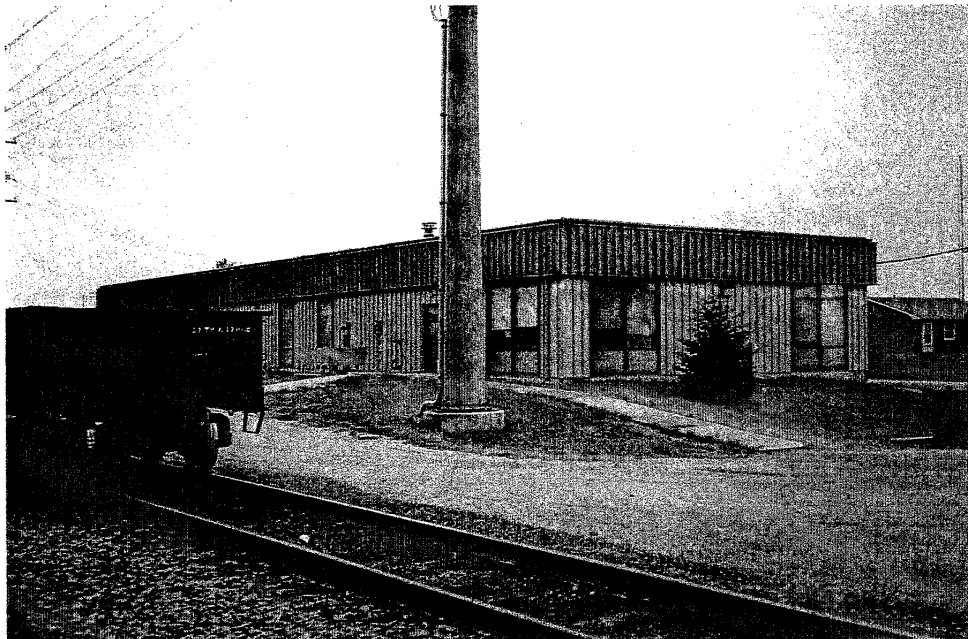
These photos are taken from the east end of the subject taken from Des Moines Street as seen facing west (above) and north (below).



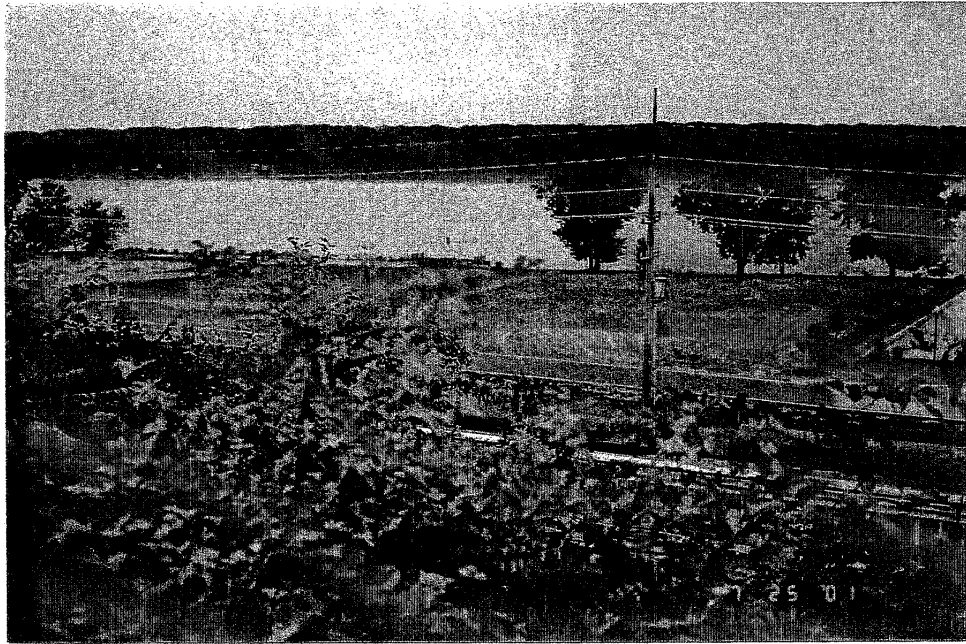
PROPERTY PHOTOGRAPHS (CONTINUED)



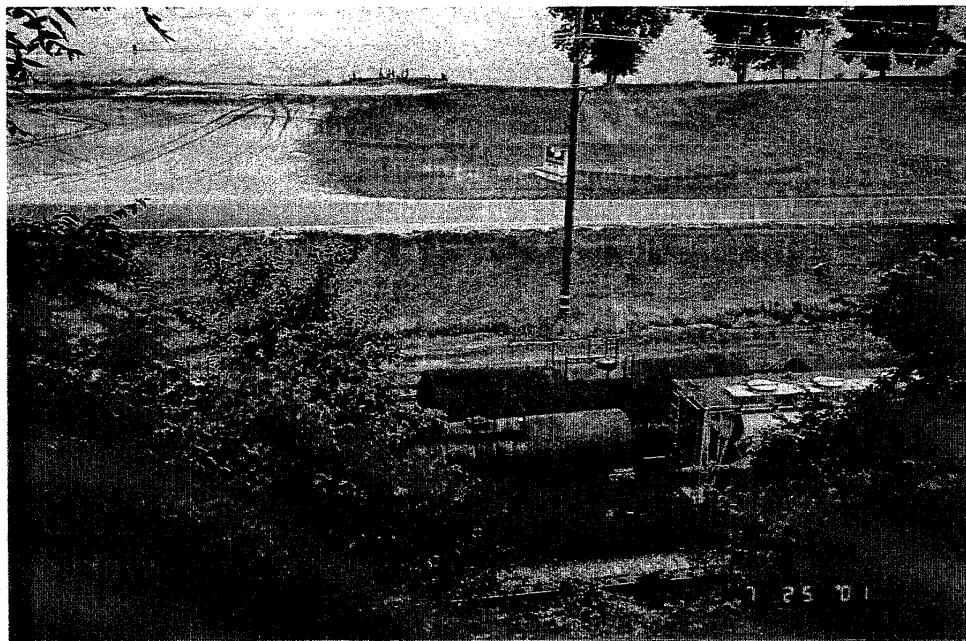
Also near the east end of the subject, the photo above is as seen facing northwest up the bluff, and the photo below shows the yard office for Pioneer Railroad Corporation.



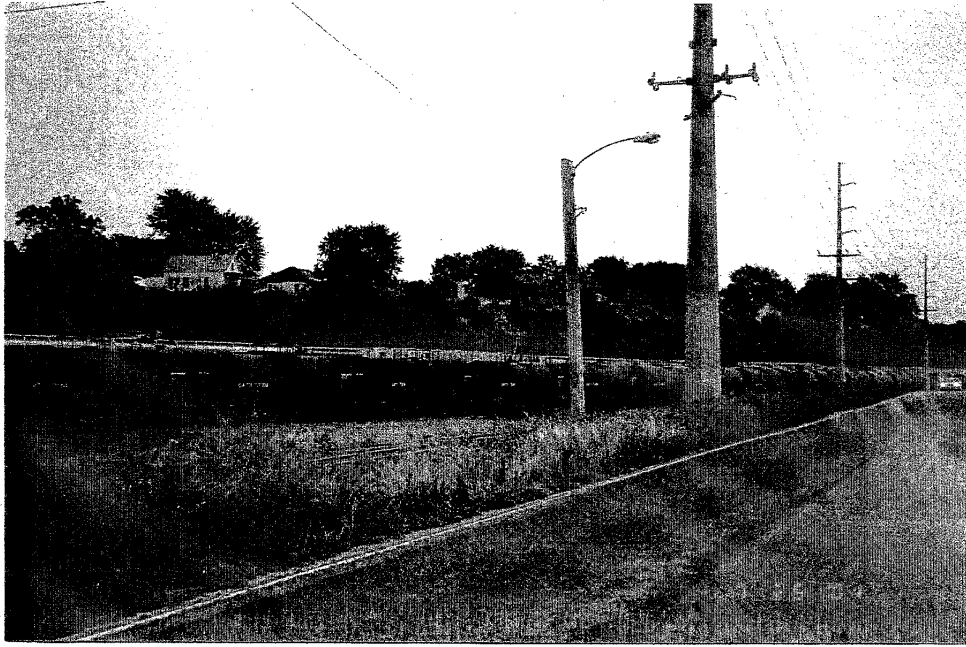
PROPERTY PHOTOGRAPHS (CONTINUED)



From Carroll Street on the bluff above the west end of subject, these photos are as seen facing a southeasterly direction.



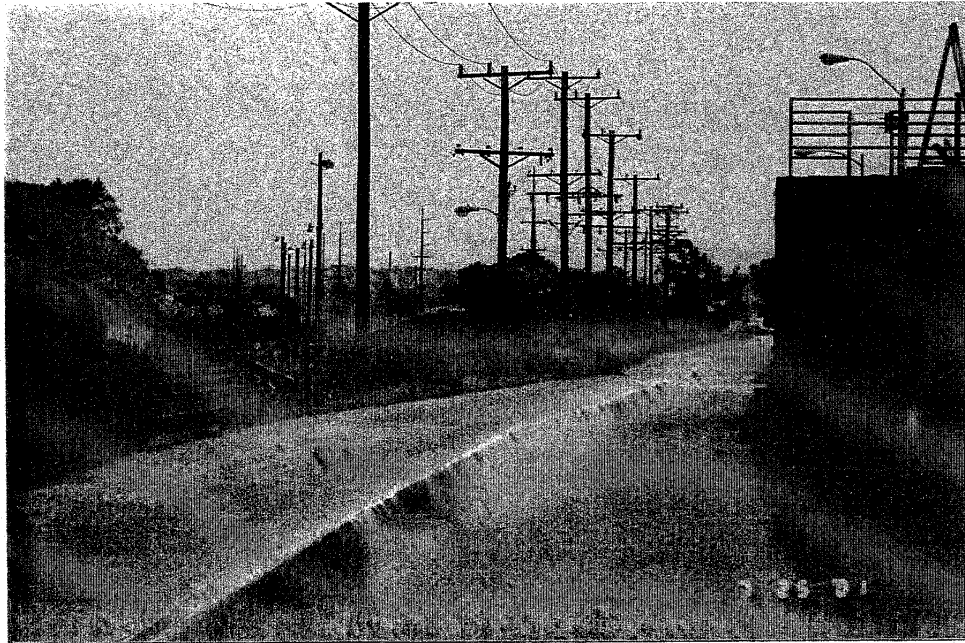
PROPERTY PHOTOGRAPHS (CONTINUED)



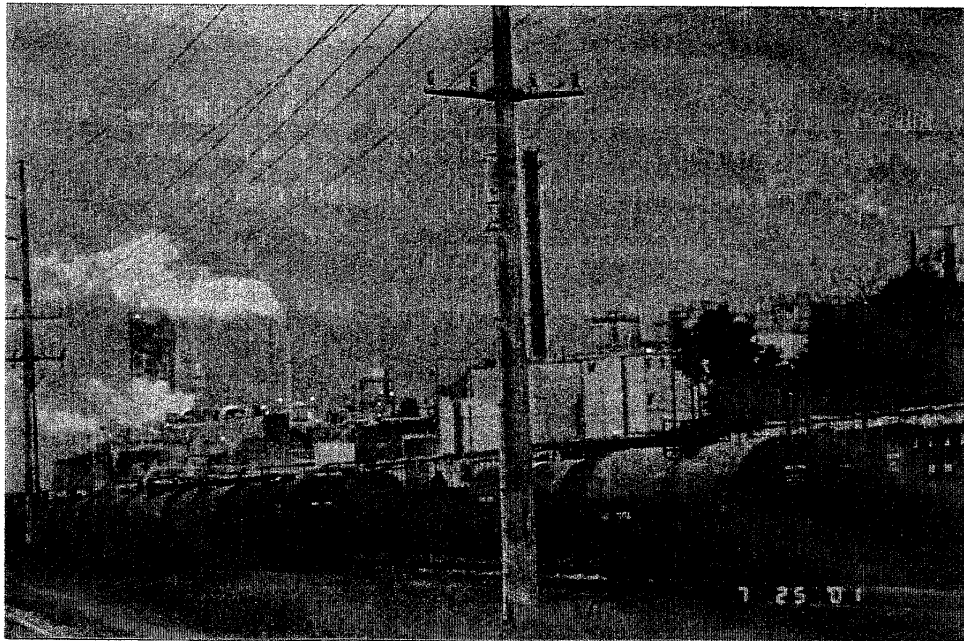
From the west end of the subject property, these photos are as seen facing northeast, from along Mississippi Drive (above) and near the subject property (below).



PROPERTY PHOTOGRAPHS (CONTINUED)



From along Mississippi Drive west of the subject, the photo above faces back toward the subject in an easterly direction, and the photo below shows larger industries west of the subject.



PURPOSE OF APPRAISAL:

The **purpose** of this appraisal is to estimate **Market Value** of the subject property as of the date of appraisal, excluding all equipment, trade fixtures and other any personal property, as well as the **Market Rental Value** for a long-term lease both, with as a level lease and also with periodic CPI rental adjustments.

While I have disregarded all improvements and other personal property, concentrating only on the **land value**, the property is improved with rails, ties and ballast, and appears to be integrated with the adjoining rail yard. While I have appraised only the land, there could be other considerations, such as site improvements (rails, ties and ballast), independent access to this site, and the apparent integration with the adjoining rail yard. It appears that the subject site is landlocked, but in an ATF method of valuation, the value estimated disregards access.

MARKET VALUE (1) is defined as:

The most probable price which a property should bring in a competitive and open market under all conditions requisite to a fair sale, the buyer and seller each acting prudently and knowledgeably, and assuming the price is not affected by undue stimulus. Implicit in this definition is the consummation of a sale as of a specified date and that the passing of title from seller to buyer under conditions whereby:

1. Buyer and seller are typically motivated;
2. Both parties are well informed or well advised, and acting in what they consider their best interests;
3. A reasonable time is allowed for exposure in the open market;
4. Payment is made in terms of cash in United States dollars or in terms of financial arrangements comparable thereto; and
5. The price represents the normal consideration for the property sold unaffected by special or creative financing or sales concessions granted by anyone associated with the sale.

-continued-

(1) The Uniform Standards of Professional Appraisal Practice, The Appraisal Foundation, 2001.

MARKET RENTAL VALUE (1) is defined as:

According to the definition as stated on page 221 in The Dictionary of Real Estate Appraisal, copyright 1993, by the Appraisal Institute, Market Rent is defined as:

"The rental income that a property would most probably command in the open market; indicated by the current rents paid and asked for comparable space as of the date of appraisal."

FUNCTION OF APPRAISAL:

The **function** of the appraisal will be to assist the client in establishing a valuation basis for **sale or leasing purposes**, and the report is not intended for any other use. This report is intended for use only by Jody Jones of the BURLINGTON NORTHERN SANTA FE RAILWAY (817-352-0200) and Gary Peppard of STAUBACK GLOBAL SERVICE (651-494-5959), **clients**, as well as other client-designated persons for purposes of these proceedings only. It is also understood that this appraisal may be used in negotiations or litigation. Use of this report by others is not intended by the appraiser.

DATE OF APPRAISAL:

The date of this evaluation is July 27, 2001, the date of my inspection, at which time the property photographs were taken.

PROPERTY DESCRIPTION:

The subject property is the (approx) 17'x 1000' (17,000 SF -- 0.39 acre) parcel of railroad land within a major railroad yard of Keokuk, located just south of 2nd and Carroll Streets, Keokuk, IA. The property is owned by the Keokuk Junction Railroad (KJR) and being utilized by Burlington Northern Santa Fe (BNSF) to serve industries in the area. According to the clients the bordering property owners are not clear at this time, and the County Auditor could not discern the bordering ownerships either.

While no current survey was provided for the property to show boundaries, improvements, land size, easements or any encroachments, the accompanying photos, exhibits and descriptions included herein fairly depict the property under appraisement.

-continued-

— *American Real Estate Ltd.* —

PROPERTY DESCRIPTION (CONTINUED):

It appears that the subject is not located within the HUD-identified, 100-year floodplain elevation and is not prone to flooding, due to the flood wall that protects the neighborhood, according to **Gregg Andrews**, Executive Director of the Keokuk Area Chamber of Commerce and the Keokuk Economic Development Corporation (319-524-5055)

No environmental audit has been provided regarding the subject property. While no hazardous materials were noted upon my inspection, and no detrimental conditions are suspected, the appraiser assumes no liability for items of an environmental nature. The property is appraised as if clean of all contamination, above and below ground.

HIGHEST AND BEST USE AND VALUATION

In this valuation I have utilized an **Across the Fence** (ATF) valuation, which is a means of estimating the price or value of land adjacent to or "across the fence" from a railroad, pipeline, highway, or other corridor real estate parcel; as distinguished from valuing the right-of-way as a separate entity.

While I have disregarded all improvements and other personal property, concentrating only on the **land value**, the property is improved with rails, ties and ballast, and appears to be integrated with the adjoining rail yard.

And while I have appraised only the land, there could be other considerations, such as site improvements (rails, ties and ballast), independent access to this site, and the apparent integration with the adjoining rail yard. It appears that the subject site is landlocked, but in an ATF method of valuation, the value estimated disregards access.

The property is owned by the Keokuk Junction Railroad (KJR) and being utilized by Burlington Northern Santa Fe (BNSF) to serve industries in the area. It is my opinion that the **Highest and Best Use** of the property is for **railroad purposes** as it is currently being utilized, as an integral part of the adjoining rail yard as (apparently) it is currently being utilized.

-continued-

VALUATION:

I researched industrial land sales within the Market Area for sales to compare with the subject. I visited with the local MAI appraiser, the assessor's office, the Chamber of Commerce and the Keokuk Economic Development Corporation (EDC). While I discovered no recent comparable sales in the area, I researched industrial land "for sale" with Gregg Andrews of EDC.

Mr. Andrews discussed the three area industrial sites in the Keokuk area with land available, but there have been no recent sales. Those are summarized below:

INDUSTRIAL SITES

Site Identification	Keokuk Kindustry Park	Keokuk North Park	Montrose Site
Total Available Acres	67	30	150
Location of Site	US 61 Bypass 3 mi from #218	Hwy 218 North commerc location	Hwy 61 North farmland to north
Asking Price/Acre	\$4,000	\$50,000	\$5,000
Ownership	Econ Devel Corp	North Park Dev	K. Irwin
Rail Service	No	Yes	Yes
Electricity (Primary Voltage)	12,470	12,470	12,470
Water	12" Main	12" Main	--
Gas	6" Main	4" Main	4" Main
Sewer	12" Main	12" Main	--
Zoning Classification	Light Industrial	Light Industrial	--
Fire Insurance Class	5	5	--
Tax Rate/\$1,000 AV	\$35.36	\$35.36	\$15.00

The **Keokuk Kindustry Park** is served by all municipal utilities but has no rail. The asking price is \$4,000 per acre but would be negotiable depending upon jobs created.

Keokuk North Park is situated along a commercial neighborhood behind the bordering commercial properties. The asking price is \$50,000 per acre, has had no recent sales and is not comparable to the subject.

The **Montrose Site** is farmland located north on U.S. Hwy 61 near the DIAL plant. The site has no municipal utilities or other infrastructure, and the asking price is \$1,500 per acre.

With the dearth of sale comparables in **Keokuk**, I widened my research to **Fort Madison** (23 miles to the north) and found no meaningful industrial sales comparable to the subject. I also researched the **Burlington** area (43 miles to the north), and while few were recent and comparable to the subject, I have summarized a few sale transactions on the page opposite.

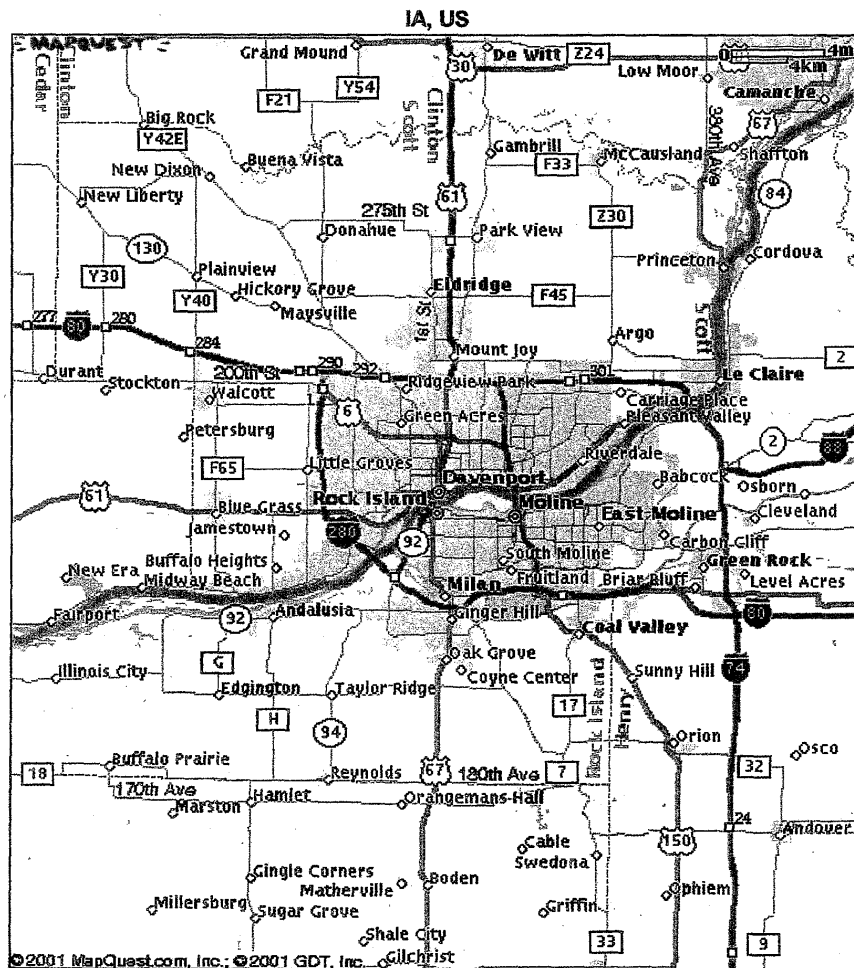
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VALUATION (CONTINUED):

I also researched my files for fairly recent industrial sales comparable to the subject located in the Quad City area (Rock Island and Moline, IL, and Davenport and Bettendorf, IA). The Quad City area is served by I-80, I-74 and I-280, and is located 120 miles to the north.

The sales summary shows a wide divergency in location, size, utilities, zoning, land use, rail, streets and other differences. Nevertheless, it illustrates little increase in sale price, even though the Quad City area has shown growth in general, although it is slow.



-continued-

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The Manufacturers Guide is a list of local industry, their contact information, and their products and services.

Community Quick Reference Information is vital information for anyone wishing to move a business to Keokuk.

The Area Map shows the Tri-State area and all the transportation routes to and from the area.

More Information About Keokuk

The Keokuk Area Chamber of Commerce
Main Street Keokuk, Inc.

Contact Us

Keokuk Economic Development Corporation
Gregg F. Andrews, Executive Director
329 Main Street
Keokuk, Iowa 52632
Phone: 319-524-5055
Fax: 319-524-5016

Manufacturers Guide • Community Quick Reference Information
Area Map • KEDC Home • Entrepreneurial Assistance Programs
Local Incentive Programs • State Incentive Programs
The Smart State For Business
United States Department of Agriculture - Rural Development

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QUAD CITY INDUSTRIAL LAND SALES
URBAN RAILROAD ROW

LAND SALE COMPARABLE

SALE #: 624 SP/ACRE: \$11,767
IDENTIFICATION: Montgomery Railroad land GRANTOR: D.R.I. & N.W. Railway Co.
ADDRESS: Montgomery Railroad land GRANTEE: Montgomery Elevator Co.
CITY/STATE: Moline, IL VERIFIED: Bob Schaeffer
SIZE/SHAPE: 407,485 REMARKS: Site includes several parcels
ACRES: 9.35 of railroad land located between
ZONING: Commercial/Industrial 18th St east to the John Deere
UTILITIES: All City Technical Center; site provided
LAND USE: Industrial/Street/Strip rail access to several industrial
SALE DATE: Sep 20 89 properties located in the immediate
SALE PRICE: \$110,021 area before the line was abandoned
INSTRUMENT: QCD 1308-281 in 1989.

TERMS: Cash to Seller

COUNTY: Rock Island
CENSUS: 216

LAND SALE COMPARABLE

SALE #: 709 SP/ACRE: \$12,210
IDENTIFICATION: E. Mol. DRI Line GRANTOR: DRI Line RR Co.
ADDRESS: 13th Ave. & 13th Street GRANTEE: 1st Midwest Trust (Foremost)
CITY/STATE: East Moline, IL VERIFIED: Seller, Ron Reese
SIZE/SHAPE: 713,468 REMARKS: Property had two annual renewed
ACRES: 16.38 land leases; purchased by Foremost
ZONING: I-2, Genenral Industrial (one of the tenants). Leasehold
UTILITIES: All City improvements included two older
LAND USE: Industrial buildings. Steam tunnel traverses
SALE DATE: Apr 24 92 site; has three old rail spurs;
SALE PRICE: \$200,000 nearly all of site is located in
INSTRUMENT: WD 92-10070 100-yr flood hazard area; Deere
was also interested in site.

TERMS: Cash to Seller

COUNTY: Rock Island
CENSUS: 206

LAND SALE COMPARABLE

SALE #: 623 SP/ACRE: \$15,072
IDENTIFICATION: S of 51st St & 7th St GRANTOR: D.R.I. & N.W. Railroad
ADDRESS: South of 51st St & 7th St GRANTEE: Moline and E. Moline
CITY/STATE: Moline & E. Moline, IL VERIFIED: Grantor
SIZE/SHAPE: 332,147 REMARKS: Property consists of railroad
ACRES: 7.63 corridor; level and at street grade;
ZONING: Industrial sold to City for street project;
UTILITIES: All City width of corridor varies from 40'
LAND USE: Industrial/railroad/strip to 100'; 3.31 acres are located in
SALE DATE: Jul 1 88 Moline; 4.32 acres located in East
SALE PRICE: \$115,000 Moline; formerly utilized as a spur
INSTRUMENT: track for Case I-H plant.

TERMS: Cash to Seller

COUNTY: Rock Island
CENSUS: 207

VALUATION (CONTINUED):

Based upon my inspection of the site and my analysis of the neighborhood and zoning, recent comparable sales (and listings) and other factors which I deem to be pertinent to the value of the subject property, I have estimated a Market Value of the site under appraisement of **\$2,500** (\$6,410/acre).

SUMMARY AND CONCLUSIONS:

Advantages of the subject property include that it is level, zoned for heavy industrial usage, does not flood, is located within the City Limits proximate to all municipal utilities and rail, and has a built-in potential buyer.

Disadvantages of the subject property include that it is (or appears to be) landlocked with no access, it is small, narrow and generally unbuildable (except as utilized) and has no ready market.

While I have disregarded all improvements and other personal property, concentrating only on the **land value**, the property is improved with rails, ties and ballast, and appears to be integrated with the adjoining rail yard. While I have appraised only the land, there could be other considerations, such as site improvements (rails, ties and ballast), independent access to this site, and the apparent integration with the adjoining rail yard.

Relative to the **Market Rental Valuation** for the property, I have based the percentage of market value upon comparable investment alternatives. The CPI (all items index) over the past five years has averaged around **2% to 2.5%/year**, compounded. Therefore, for a long-term lease, 10 to 99 years, I have estimated a rate of **10%**. If the lease is adjusted periodically by the CPI, I have estimated **8%** initially.

This is a **limited** appraisal, in restricted use report form, resulting from invoking the **Departure Provision** of the Uniform Standards of Professional Appraisal Practice of the Appraisal Foundation, and has been prepared under Standards Rule 2-2 (c) of a Complete or Limited Appraisal performed under Standard 1. This report option contains minimal detail and is intended to be received or relied upon by the client, as well as other client-designated persons. The date of this report is **July 27, 2001**.

-continued-

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July 27, 2001

SUMMARY AND CONCLUSIONS (CONTINUED):

As a result of my investigation, based upon my knowledge and experience, and upon my analysis of the included data, it is my opinion that, as of **July 27, 2001**, the **Market Land Value** of the subject property under appraisal is approximately **\$2,500** (\$6,410/acre).

Land Value Estimate**\$2,500**
(\$6,410/ac)**TWO THOUSAND FIVE HUNDRED DOLLARS AND NO/100 DOLLARS**

Furthermore, regarding the **Market Rental Value** for a long-term lease both, with as a level lease and also with periodic CPI rental adjustments (absolutely net to the owner [tenant pays all expenses, including real estate taxes]), it is my opinion that, as of **July 27, 2001**, the Market Rental Value is as summarized below:

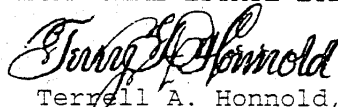
Long-term lease with no rental increases,
10 years to 99 years, 10% of value

\$250/year

Lease with periodic increases based upon
the CPI, 8% of value initially

\$200/year

AMERICAN REAL ESTATE LTD.



BY: Terrell A. Honnold, MAI, SREA

thbb@altavista.com

www.americanrealestateltd.com

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CERTIFICATION

I hereby certify that I have no interest, present or contemplated, in the property described herein; and that neither the employment to make the appraisal nor the compensation is contingent upon the value placed on the subject property, nor any other results arrived at in this assignment.

Neither my engagement to make this appraisal (or any future appraisals for this client) nor any compensation therefore is contingent upon the reporting of a predetermined value or direction in that favors the cause of the client, the amount of the value estimate, the attainment result, or the occurrence of a subsequent event.

I certify that I have personally inspected the property, and that, according to my belief and knowledge all statements and information in this report are true and correct, subject to the contingencies and limitations stated elsewhere in this report.

This appraisal report sets forth all of the limiting conditions (imposed by the terms of my assignment or by the undersigned) affecting the analyses, opinions and conclusions contained in this report. As of the date of this report, I have completed the voluntary requirements of the continuing education program of the Appraisal Institute.

This appraisal report has been prepared in conformity with the Uniform Standards of Professional Appraisal Practice of the Appraisal Foundation, and is subject to the requirements of the Code of Professional Ethics and Standards of Professional Practice of the APPRAISAL INSTITUTE. The use of this report is subject to the requirements of the Appraisal Institute, relating to review by duly authorized representatives.

In arriving at the analyses, conclusions and opinions concerning real estate contained in this appraisal report, I have consulted with other analysts and appraisers, and I hereby acknowledge their professional contribution to the analyses, conclusions and opinions concerning real estate set forth in this appraisal report.

AMERICAN REAL ESTATE LTD.



Date of Appraisal: 7-27-01 BY: Terrell A. Honnold, MAI, SREA
Date of Report: 7-27-01

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CONTINGENT AND LIMITING CONDITIONS

1. Any legal description referred to in this report is assumed to be correct. It has been furnished by a reliable source, and although reasonable attempts have been made by the appraiser to verify any description (and/or sizes reported herein), no responsibility is assumed by the appraiser for its validity.
2. No survey of the property has been made by the appraiser, and no responsibility is assumed in connection with such matters. Sketches in this report are included only to assist the reader in visualizing the property.
3. No responsibility is assumed for matters of a legal nature affecting title to the property nor is an opinion of title rendered. The title is assumed to be good and merchantable.
4. Information furnished by others is assumed to be true, correct, and reliable. A reasonable effort has been made to verify such information; however, no responsibility for its accuracy is assumed by the appraiser.
5. All mortgages, liens, encumbrances, leases and servitudes have been disregarded unless so specified within the report. The property is appraised as though under responsible ownership and competent management.
6. It is assumed that there are no hidden or unapparent conditions of the property, subsoil or structures which would render it more or less valuable, e.g., termite damage, soil compaction, etc. No responsibility is assumed for such conditions, or for engineering which may be required to discover them.
7. If value is based upon special or particular uses of the property, it is assumed that any required licenses, consents or other legislative or administrative authority from any local, state or national governmental or private entity or organization has been, or can be, obtained or renewed.
8. It is assumed that there is full compliance with all applicable federal, state and local environmental regulations and laws unless non-compliance is stated, defined and considered in the appraisal report.
9. It is assumed that all applicable zoning and use regulations and restrictions have been complied with, unless a non-conformity has been stated, defined and considered in the appraisal report.
10. It is assumed that the utilization of the land and improvements is within the boundaries or property lines of the property described, and that there is no encroachment or trespass unless noted within the report.
11. Any separate valuations of the land and building must not be used in reference to any other appraisal and are invalid if so used.

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CONTINGENT AND LIMITING CONDITIONS (CONTINUED)

12. The appraiser is not qualified to determine whether, or not, a property has an **urea-formaldehyde insulation**, and thus, does not assume any liability for its presence or any effect on value. It is recommended that any questions regarding insulation should be addressed to a qualified person, although reasonable attempts are made by the appraiser to detect and report findings regarding insulation in a property.

13. Similarly, the appraiser is not qualified to determine whether (or not) a property is affected by **radon**, a naturally occurring radioactive gas, and thus, does not assume any liability for its presence or any effect on value or conclusions.

14. Similarly, the appraiser is not qualified to determine whether (or not) a property is affected by the presence of **asbestos**, a nonflammable, natural mineral fiber currently being investigated for potential health-threatening properties, and thus, does not assume any liability for its presence or any effect on value or conclusions.

15. Similarly, the appraiser is not qualified to determine whether (or not) a property is affected by the presence of **lead** paint, piping, etc., which could cause chronic intoxication by the absorption of lead into the system of persons, and thus, does not assume any liability for its presence or any effect on value or conclusions.

16. Similarly, the appraiser is not qualified to determine whether (or not) a property is affected by other hidden or unapparent conditions which would render it more or less valuable, e.g. petroleum (or other) contamination, the presence of petroleum tanks which would require removal, etc., and thus, does not assume any liability for its presence or any effect on value or conclusions.

17. Unless otherwise stated in this report, the existence of hazardous material or conditions which may (or may not) be present on the property, was not observed by the appraiser. The appraiser has no knowledge of the existence of such materials or conditions on or in the property. The appraiser, however, is not qualified to detect such substances or conditions which may affect the value of the property. The value estimate is predicated on the assumption that there are no such materials or conditions on or in the property that would cause a loss in value. No responsibility is assumed for any such conditions, or for any expertise or engineering knowledge required to discover them, and the client is urged to retain an expert in these areas if a professional opinion is desired.

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CONTINGENT AND LIMITING CONDITIONS (CONTINUED)

18. On appraisals where there is a partial valuation such as a **Part Taken Only** acquisition for public purposes, the appraiser reserves the right to appraise a **Before and After** analysis should facts be discovered that render the **Part Taken** as being less than appropriate for a given situation, as applicable, although a reasonable attempt to determine this situation has been made and reported in advance.

19. On appraisals subject to satisfactory completion, repairs or alterations, the appraisal report and value conclusions are contingent upon completion of the improvements in a workmanlike manner as set forth within the report.

20. No environmental impact studies were either requested or made in conjunction with this appraisal, and the appraiser hereby reserves the right to alter, amend, revise or rescind any of the value opinions based upon any subsequent environmental impact studies, research, investigation or passing of time.

21. The Americans with Disabilities Act (ADA) became effective January 26, 1992. I (we) have not made a specific compliance survey and analysis of this property to determine whether or not it is in conformity with the various detailed requirements of the ADA. It is possible that a compliance survey of the property together with a detailed analysis of the requirements of the ADA could reveal that the property is not in compliance with one or more of the requirements of the act. If so, this fact could have a negative effect upon the value of the property. Since I (we) have no direct evidence relating to this issue, I (we) did not consider possible noncompliance with the requirements of ADA in estimating the value of the property, except as noted herein.

22. Neither all nor any part of the contents of this report, or copy thereof shall be conveyed to the public through advertising, public relations, news, sales or any other media without written consent and approval of the author, particularly as to the valuation conclusions, the identity of the appraiser, firm or professional organization of which the appraiser is a member.

23. The appraiser shall not be required to give testimony or appear in court by reason of this appraisal with reference to the property described herein, unless prior arrangements have been made.

24. The total amount of liability to the appraiser and/or his firm relative to the preparation and utilization of this report is limited to the amount of fee collected for this report.

-continued-

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CONTINGENT AND LIMITING CONDITIONS (CONTINUED)

25. Anyone using this report, regardless of the purpose or motivation (including all third parties or any and all other person(s), etc.) agree to be bound by each and every one of these 27 contingent and limiting conditions which are hereby and forevermore considered to be a part of the applicable report.

26. As agreed upon with the client prior to the preparation of this appraisal, this is a Limited Appraisal because it invokes the Departure Provision of the Uniform Standards of Professional Appraisal Practice. As such, information pertinent to the valuation has not been considered and/or the full valuation process has not been applied. Depending on the type and degree of limitations, the reliability of the value conclusion provided herein may be reduced.

27. This is a Limited Summary Appraisal Report which is intended to comply with the reporting requirements set forth under Standard Rule 2-2(b) of the Uniform Standards of Professional Appraisal Practice for a Summary Appraisal Report. As such it might not include full discussions of the data, reasoning, and analyses that were used in the appraisal process to develop the appraiser's opinion of value. Supporting documentation concerning the data, reasoning, and analyses is retained the appraiser's file. The information contained in this report is specific to the needs of the client and for the intended use stated in this report. The appraiser is not responsible for unauthorized use of this report.

Keokuk Railroad ROW

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July 27, 2001

A P P R A I S E R Q U A L I F I C A T I O N S

— *American Real Estate Ltd.* —

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A perpetual life corporation organized under the state laws of Iowa, July 14, 1972, AMERICAN REAL ESTATE LTD. is currently engaged in commercial real estate appraising and counseling, investment analysis, marketability and market studies. The appraiser/analysts at AMERICAN REAL ESTATE LTD. have a comprehensive background in real estate, engineering, economics and finance. Current associates of the firm are as follows:

Terrell A. Honnold, MAI, SREA
Scott P. Broders
Amy K. Larson

Principals of **American Real Estate Ltd.** have been appraising and counseling full time for 29 years with their office located in Davenport, Iowa. **Terry Honnold**, senior member of the firm, graduated in 1970 with a degree in Mechanical Engineering from Iowa State University, achieved the **MAI** designation from the American Institute of Real Estate Appraisers (1978), and later the **SREA** (Senior Real Estate Analyst) designation awarded by the Society of Real Estate Appraisers (1978). These are the senior designations awarded by the two oldest, largest and most widely recognized national real estate appraisal organizations which unified January 1, 1991, and became the **Appraisal Institute**.

While the majority of the appraisal and counseling work by American Real Estate Ltd. is within Iowa and Illinois, we have appraised properties in many other states as well. We were approved by the Resolution Trust Corporation (RTC), the Chicago, IL. GSA Regional Office and the Ft. Worth, TX, GSA Regional Office; the U.S. Postal Service via the Chicago and Minneapolis offices; the IRS via the Chicago and Cedar Rapids offices; the FDIC from several locations; the Illinois and Iowa Departments of Transportation (DOT); the State of Iowa Department of Justice and United States Department of Justice, and the United States Corps of Engineers, as well as many other agencies and municipalities.

Much of the work for the Illinois DOT, the Iowa DOT and the Department of Justice is for eminent domain appraisal work and (when required) follow-up court testimony, and we are **currently certified**.

Counseling services of the firm extend beyond mere valuation of a property. We are involved in market studies, marketability, feasibility, valuation impact studies and other decision-type assignments. We specialize in all types of real estate, including large industries, shopping centers, multifamily residential, river-oriented and special-purpose properties, and most other types of properties as well.

We have qualified as expert witness in U.S. Federal Bankruptcy Court for the Northern District of Iowa, Cedar Rapids Division; Judicial Circuit Courts in DuPage, Henry, McDonough, Rock Island and Stephenson Counties in Illinois; and District Courts of Benton, Blackhawk, Dubuque, Johnson, Linn, Muscatine, Polk and Scott Counties in Iowa, and Rock Island County in Illinois. A brief client reference summary is listed below:

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Jeffrey S. Miller, SIOR
PREMIER PARTNERS
5401 Victoria Avenue
Davenport, IA 52807
563-324-7000/Fax 563-441-2173

Thomas J. Pastrnak, Esq.
PASTRNAK LAW FIRM, P.C.
313 West Third Street
Davenport, IA 52801
563-323-7737/Fax 563-323-7739
LHuff@Pastrnak.com

Tom Riley, Esq.
TOM RILEY LAW FIRM, P.L.C.
4040 - 1st Avenue NE
Cedar Rapids, IA 52402
319-363-4040/Fax 319-363-9789

Richard (Dick) Ryan
RE/MAX RIVER CITIES, INC.
4555 Utica Ridge Road
Bettendorf, IA 52722
563-332-9900/Fax 563-332-6631
Dryan@revealed.com

Stephen L. Schalk, Esq.
SCHALK LAW OFFICES
310 Main Street
Davenport, IA 52801
563-324-0405/Fax 563-324-2905

Joe B. Slavens, Esq, President
NORTHWEST BANK & TRUST CO.
100 E. Kimberly Rd.
Davenport, IA 52806
563-388-2577/Fax 563-388-2658

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THE SODEMANN COMPANY
101 West 2nd Street
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563-322-7686/Fax 563-322-7781

John X. Stratton, SAM, Sr. V.P. Property Manager
EQUITY GROWTH GROUP, L.L.C.
2117 State Street, Suite 350
Bettendorf, IA 52722
319-344-5350/Pgr 327-3579/Fax 344-5352

Paul Nicolosi, City Attorney
CITY OF LOVES PARK
100 Heart Boulevard
Loves Park, IL 61111
815-654-5003/FAX 815-633-2359
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Kevin Pollard, MAI
ROY R. FISHER, INC.
2010 East 38th, Suite 201
Davenport, IA 52807
563-355-6606/Fax 563-355-6612
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RUHL & RUHL REALTORS, INC.
5111 Utica Ridge Road
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Jack L. Salladay, General Manager
HAWKEYE INVESTMENTS
913 - 22nd Avenue
Coralville, IA 52241
319-354-4488/Cel Fax 319-351-3525

Dan L. Schlapkohl
DESIGN BUILD ASSOCIATES
404 West 35th Street
Davenport, IA 52806
563-386-3100/Fax 563-386-0526/Auto 563-349-0250

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2117 State Street, Suite 350
Bettendorf, IA 52722
563-344-5350/Auto 563-320-5350/Fax 563-344-5352

Julian E. Stahl, Appraiser
STAHL-HATTERY VALUATION SERVICES
2715 West 63rd Street, Suite 2B
Davenport, IA 52806
563-386-6606/Fax 563-386-6433

Anthony Allen Strelow
648 E. 32nd Street
Davenport, IA 52803
319-323-9583
thbb@altavista.com

CLIENT REFERENCE (CONTINUED):

Steve G. Suiter, President
GREAT RIVER BANK & TRUST
335 River Drive
Princeton, IA 52768
563-289-5311/Fax 563-289-5312

Eddie J. Washington, Chief Appraiser
IL DEPT OF TRANSPORTATION, Div of Hwys/Dist #4
401 Main Street
Peoria, IL 61602-1111
309-671-3230/Fax 309-671-3078

Tom Williams
MEL FOSTER COMM/IND DIVISION
300 Brady Street
Davenport, IA 52801
563-324-4488/Auto 563-349-7334/Fax 563-324-1522

Elwin Yoder, Chief, Appraisal Branch
U. S. CORPS OF ENGINEERS
Clock Tower Building
Rock Island, IL 61201
309-794-5277/Fax 794-5787

Roger F. Tibble, MAI
GADD, TIBBLE & ASSOCIATES, INC.
417 West Roosevelt Road - Suite 200
Wheaton, IL 60167
630-668-2550/Fax 630-668-9946
RTibble@Ameritech.net

David M. Weiner, SIOR
RUHL & RUHL COMMERCIAL COMPANY
1570 - 36th Avenue
Moline, IL 61265
309-797-2600/Fax 797-2601/Auto 737-2600

J. T. Willits, MAI, SREA
WILLITS APPRAISAL
2010 E. 38th Street
Davenport, IA 52807
563-359-7567/Fax 563-355-8025
Willitsrlwjt看@AOL.com

Robert W. Young, MAI, President
R. W. YOUNG & ASSOCIATES, INC.
213 South Main, Box 167
Monmouth, IL 61462-0167
309-734-6868/Fax 309-734-4848
rwy@rwyong.com

QUALIFICATIONS OF THE ANALYST-APPRAISER

TERRELL A. HONNOLD, MAI, SREA

EDUCATION AND EMPLOYMENT:

Graduate of IOWA STATE UNIVERSITY of Science and Technology, Ames, IA. with a Bachelor of Science Degree in MECHANICAL ENGINEERING in 1970;
Owner/partner of AMERICAN REAL ESTATE LTD., Davenport, IA, since 1979;
Real Estate Appraising and Counseling since 1970.

ASSOCIATIONS/MEMBERSHIPS:

Selected as an honored professional on the national directory of Who's Who in Executives and Professionals, for 1996-97;
MAI since 5-8-78 (Member, Appraisal Institute);
SREA since 11-1-78 (Senior Real Estate Analyst);
ILLINOIS Real Estate Broker since Jul 1976;
IOWA Real Estate Broker since Nov 1972;
Qualified as ENGINEER IN TRAINING by the Iowa State Board of Engineering Examiners within the State of Iowa, 4-17-71;
Designated Realtor member of both, Greater Davenport Board of Realtors and Rock Island County Board of Realtors (Apr 1979 and Aug 1981).

SERVICE ACTIVITIES:

APPRAISAL INSTITUTE:

1998-2000 Director, Iowa Chapter
1991-95 General Candidate Guidance Committee, Iowa Chapter
1995 Public Relations Committee, Iowa Chapter

SOCIETY OF REAL ESTATE APPRAISERS:

1987 and 1989 Vice Governor, SREA District 26
1986-90 Chairman, Professional Practice Committee, SREA Chapter #109
1986 SREA National Computer Application Committee--Education Sector
1985-89 SREA National Liaison Subcommittee, Chairman 1988 and 1989
1981-90 SREA National Admissions Committee
1981-84 Board of Directors, Quad-Cities Chapter #109
1980 Young Advisory Council in Denver; 1979 in New Orleans
1980-81 President, Quad-Cities Chapter #109
1979-80 Vice President, Quad-Cities Chapter #109
1978-79 Secretary, Quad-Cities Chapter #109

AMERICAN INSTITUTE OF REAL ESTATE APPRAISERS:

1986 and 1987 Chairman, External Affairs Committee, Iowa Chapter #34
1983-84 Chairman, Education Committee, State Chapter #34
1982-85 Board of Directors, Iowa Chapter #34
1979 and 1980 Candidates' Guidance Chairman, Iowa Chapter #34

GREATER DAVENPORT BOARD OF REALTORS:

1989 Commercial MLS Arbitration Committee
1982 By-Laws Committee

VARIOUS SPEAKING ENGAGEMENTS & INSTRUCTOR EXPERIENCE:

International Right of Way Association, Winter Program of IR/WA Chapter 41 (panel speaker), Guidelines in the right-of-way appraisal and acquisition process, Days Inn, Iowa City, IA, Dec 3, 1993;
Quad City Homebuilders Association (panel speaker), Area Economy and Real Estate Market, Bettendorf Holiday Inn, Bettendorf, IA, Nov 18, 1992;
Quad City Commercial Realtor meeting (panel speaker), Area Economy and Real Estate Market, Elk's Club, Davenport, IA, Jun 17, 1992;

VARIOUS SPEAKING ENGAGEMENTS & INSTRUCTOR EXPERIENCE (CONTINUED):

Professional Practices Seminar (co-speaker), SREA Quad-Cities Chapter #109 meeting, Oct 1989;
Residential Appraisal Clinic (panel speaker), Nov 15, 1988, sponsored by Quad City School of Real Estate and Chapter #109, SREA;
Panel speaker, Area Economy and Real Estate Market, SREA Quad-Cities Chapter #109 meeting, Jan 1986, held in Rock Island, IL;
SREA Cedar Valley Chapter 146, Oct 1985, held in Cedar Rapids, IA;
Panel speaker, Greater Davenport Board of Realtors, Jun 1985 meeting;
Residential Appraisal Clinic (panel speaker), Apr 24, 1984, sponsored by Scott Community College and Chapter #109, SREA;
Speaker for Quad-Cities Lender's Association, Apr 1985 meeting held in Bettendorf, IA; and for the Oct 1982 meeting held in Davenport, IA;
Speaker for DeWitt Board of Realtors, Feb 1985 meeting, DeWitt, IA;
Speaker for Illinois State Auctioneers' Association Spring Convention, Mar 1981, held in Moline, IL;
Speaker for Scott County Home Builders meeting, Feb 1981;
Speaker for American Institute of Real Estate Appraisers, State Chapter #34, Spring 1980 meeting, "Computers in an Appraisal Office";
Instructor, Iowa Real Estate Apprenticeship course, Eastern Iowa Scott Community College, 1976-1981;

CONTINUING EDUCATION:

Various seminars attended:
USPAP Update Seminar, June 7, 2000, Lynne L. Heiden, President, sponsored by the Mid-West Appraisers Association, 7 hrs.
Real Estate Rules of Thumb: Most Frequently Asked Legal Questions, August 11, 1999, Don Waggoner, Senior Instructor, and Paul McLaughlin, Legal Counsel, sponsored by the Iowa Association of Realtors, 6 hrs.
Review Appraisal Seminar, April 20 & 21, 1999, Reg Bessmer, FHWA Chief Appraiser, sponsored by the Iowa Department of Transportation, 15 hrs.
Supporting Sales Comparison Grid Adjustments for Residential Properties, May 1999, Sherryl Andrus, SRA, sponsored by the Iowa Chapter Appraisal Institute, 7 hrs.
Real Estate Office Organization, May 6, 1998, Davenport, IA, Brad Hanes, sponsored by Iowa Real Estate Seminars, 8 hrs.
Real Estate Office Administration, May 5, 1998, Davenport, IA, Brad Hanes, sponsored by Iowa Real Estate Seminars, 8 hrs.
Human Resources Management, April 16, 1998, Davenport, IA, Brad Hanes, sponsored by Iowa Real Estate Seminars, 8 hrs.
The Internet and Appraising, September 19, 1997, Cedar Rapids, IA, Michael Minnik, sponsored by the Iowa Chapter Appraisal Institute, 7 hrs.
1997 USPAP Update, April 4, 1997, Davenport, IA, Alan Hummel, SRA, sponsored by the Iowa Chapter Appraisal Institute, 3 hrs.
Chapter Meeting, March 21, 1997, Iowa City, IA, Panel, Appraisal Institute Update, President Ken Nicholson, sponsored by the Iowa Chapter Appraisal Institute, 4 hrs.
Appraisal of Retail Properties, September 20, 1996, Norman B. Steinberg, MAI, sponsored by the Iowa Chapter Appraisal Institute, 7 hrs.
An Afternoon with the Board, April 10, 1996, Terry Culver, sponsored by the Iowa Real Estate Appraisal Examining Board, 4 hrs.
Marshall & Swift's Residential and Commercial Properties, September 15, 1995, Ted Keener, sponsored by the Iowa Chapter Appraisal Institute, 7 hrs.

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CONTINUING EDUCATION (CONTINUED):

Various seminars attended (continued):

- Rules, Regulations and Reporting, February 9, 1995. Alan Hummel, sponsored by the Iowa Chapter 64 - ASA, 5 hrs.
- Economic Update, Nov 18, 1994. David Lipscomb, Tom Pogue, Harvey Siegelman and Ed Moldt, sponsored by the Iowa Chapter Appraisal Institute, 4 hrs.
- Iowa Real Estate License Law, Oct 28, 1994. Bonnie Sparks, sponsored by the Greater Davenport Board of Realtors, 6 hrs.
- Rural Residence and Farmstead Appraisal, Sep 19, 94, Neill S. Thompson, sponsored by the Iowa Chapter Appraisal Institute, 7 hrs.
- The ADA (Americans with Disabilities Act) and Fair Housing, Nov 19, 93, Keith Bowman and Ben Allers, sponsored by the Iowa Chapter Appraisal Institute, 4 hrs.
- Reviewing Appraisals, Sep 1993, William H. Reeve, III, MAI, SRA, sponsored by the Iowa Chapter Appraisal Institute, 7 hrs.
- Environmental Management in Real Estate Transactions, Feb 1993. Joseph Kesling, sponsored by the Iowa Chapter Appraisal Institute, 3 hrs.
- Mandatory License Law #2 (correspondence), Jan 6, 1993, sponsored by Iowa Real Estate Seminar, 6 hrs.
- Mandatory Trust Account (correspondence), Jan 6, 1993, sponsored by Iowa Real Estate Seminar, 3 hrs.
- Mandatory Affirmative Marketing (correspondence), Jan 6, 1993, sponsored by Iowa Real Estate Seminar, 3 hrs.
- Appraisal and Valuation (correspondence), Jan 6, 1993, sponsored by Iowa Real Estate Seminar, 12 hrs.
- Appraisal of a Partial Acquisition; May 1992; James Hayes and James E. Graham; sponsored by the Iowa Chapter Appraisal Institute, 3 hrs.
- Rates, Ratios and Reasonableness; Feb 1992; Frank Harrison, MAI, SRA; sponsored by the Iowa Chapter Appraisal Institute, 4 hrs.
- The Appraiser as an Expert Witness; Sep 1991; John R. Underwood, Jr., MAI, SRA; sponsored by the Iowa Chapter Appraisal Institute, 7 hrs.
- 1990 SREA SYMPOSIUM, San Antonio, TX, Sep 12-15, 1990. Business Enterprise Value Analysis and The Value Effects of Property Contamination, 13 hrs.
- Real Estate Appraisal II (correspondence), Dec 4, 1989, sponsored by the Skarin Institute for Continuing Education, 6 hrs.
- Professional Practices Seminar (co-speaker), Oct 18, 1989, sponsored by SREA Quad-Cities Chapter #109, 1 hr.
- 1989 SREA SYMPOSIUM, Minneapolis, MN, Sep 20-23, 1989. The Business Value Component in Operating Properties, plus Measuring the Value Impacts of Hazardous Materials Facilities on Surrounding Residential Properties, 13 hrs.
- Real Estate Appraisal I (correspondence), Mar 9, 1989, sponsored by the Skarin Institute for Continuing Education, 6 hrs.
- Quad-City Home Inspection Program, Jan 18, 1989, sponsored by SREA Quad-Cities Chapter #109, 1 hr.

Credited with the following courses and examinations:

APPRAISAL INSTITUTE

- Standards of Professional Practice, Parts A & B, Oct 8, 1994, Jim Crow, MAI, sponsored by the Iowa Chapter Appraisal Institute, Des Moines, IA, 27 hrs.

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TERRELL A. HONNOLD, MAI, SREA

Page 4

CONTINUING EDUCATION (CONTINUED):

Credited with the following courses and examinations (continued):

AMERICAN INSTITUTE OF REAL ESTATE APPRAISERS:

Course I-A: Basic Appraisal Principles/Methods/Techniques--May 1972

Course I-B: Capitalization Theory and Techniques--Jan 1973

Course II: Urban Properties Appraisal Application--Jun 1973

Course VI: Investment Analysis--Jun 1975

Course IV: Condemnation/Litigation Appraisal--Jun 1978

SOCIETY OF REAL ESTATE APPRAISERS:

Examination 101: Introduction to Appraising Real Property--Aug 1976

Examination 201: Principles of Income Property Appraising--Aug 1976

R-2 Examination: Sep 1977

Course 301 and examination: Special Applications of Appraisal -
Analysis -- Sep 1977

CERTIFICATION:

Successfully completed the examination for Certified General Real Property
Appraiser for the State of Iowa Real Estate Appraiser Examining Board, Dec 23,
1991, Certificate #320-40-9813

PROFESSIONAL TESTIMONY SUMMARY:

Qualified as expert witness in U.S. Federal Bankruptcy Court for the Northern
District of Iowa, Cedar Rapids Division;

U.S. Federal Bankruptcy Court, Central District of Illinois, Rock Island, Illinois;

The 18th Judicial Circuit Court, DuPage County, Illinois;

The 15th Judicial Circuit Court, Stephenson County, Illinois;

The 14th Judicial Circuit Court, Rock Island County, Illinois;

The 9th Judicial Circuit Court, McDonough County, Illinois;

The 9th Judicial Circuit Court, Henry County, Illinois;

The 14th Judicial Circuit Court, Henry County, Illinois;

The Illinois Property Tax Appeal Board, Knox County, Illinois;

And District Courts of Blackhawk, Benton, Dubuque, Johnson, Linn, Muscatine, Polk
and Scott Counties in Iowa, and Rock Island County in Illinois.

QUALIFICATIONS OF THE COUNSELOR/APPRaiser

SCOTT P. BRODERS

EDUCATION AND EMPLOYMENT:

Attended Blackhawk College, Moline, IL, 1995-96 (transferred);
Graduate of Marycrest International University, Davenport, IA, with a Bachelor of
Science Degree, 1998;
Employed with Holiday Inn, Davenport, IA, from 1992 through 1995;
Employed with Kuehl Construction, LeClaire, IA, from 1996 through 1997;
Associated with American Real Estate Ltd. since March 1999, as commercial real
estate appraiser and research analyst.

AWARDS/HONORS:

Dean's List, Marycrest International University, 1997 and 1998;
All Conference, Marycrest International University baseball team.

— *American Real Estate Ltd.* —

QUALIFICATIONS OF THE COUNSELOR/APPRaiser

AMY K. LARSON

EDUCATION AND EMPLOYMENT:

Attended Augustana College, Rock Island, IL, 1990-94;
Attended Eastern Iowa Community College, Davenport, IA, 1994
Employed with Genesis Hospital, Davenport, IA, 1992-1995;
Employed with Premier Care, Davenport, IA, 1995-1996;
Employed with Red Lobster, Hermitage, PA, 1996;
Employed with Springfield Grille, Boardman, OH, 1997-1998;
Partner with Hunter Chiropractic Center, Boardman, OH, 1997-1998;
Partner with Advanced Chiropractic of Illinois, Springfield, IL, 1998-2000;
Associated with American Real Estate Ltd. since August 2000, as commercial real estate appraiser and research analyst.

— *American Real Estate Ltd.* —

Keokuk Railroad ROW

-20-

July 27, 2001

A D D E N D A

—American Real Estate Ltd.—



STAUBACH

DATE: July 25, 2001

TO: Terrell A. Honnold
President
American Real Estate Ltd.
2322 E. Kimberly Road, Suite 140 North
Davenport, Iowa 52807-7202

Jody Jones
Manager Real Estate
Burlington Northern Santa Fe Railway
2500 Lou Menk Drive – AOB3
Ft. Worth, Texas 76131

FROM: Gary Peppard
Account Manager
Staubach Global Services
4105 Lexington Avenue North – Suite 200
Arden Hills, Minnesota 55126

RE: Letter agreement between Burlington Northern Santa Fe Railway and
American Real Estate Ltd and statement for appraisal / analyst services for
the Market Value of the (approx) 17' X 1,000' strip of industrial land
near 2nd and Carroll Streets, Keokuk, Iowa.

American Real Estate Ltd will prepare an appraisal for the above referenced property located in Keokuk, Iowa. American Real Estate Ltd will begin the assignment immediately and will deliver to Burlington Northern Santa Fe Railway a complete narrative appraisal by August 20, 2001 and deliver the letter of transmittal (with values) by Friday, July 27, 2001, with a copy of each forwarded to Staubach Global Services. American Real Estate Ltd will furnish to Burlington Northern Santa Fe Railway a resume of their firm, as well as their typical Contingent and Limiting Conditions and State Certifications.

The appraisal fee for the subject property will be \$3,600.00 at a rate of \$875 per diem, with \$1,800.00 paid in advance and the balance of \$1,800.00 paid upon receipt of the completed report. Burlington Northern Santa Fe Railway will pay appraisal fee. The fee for any follow-up conferences, testimony or additional scope of the assignment (should it occur) will be additional at the rate of \$150.00 per hour, including travel time, plus expenses.



STAUBACH

July 27, 2001

Terrell A. Honnold
President
American Real Estate Ltd.
2322 E. Kimberly Road, Suite 140 North
Davenport, Iowa 52807-7202

Dear Mr. Honnold:

Per our July 27th telephone conversation, I am enclosing a check from Burlington Northern Santa Fe Railway made payable to American Real Estate Ltd in the amount of \$1,800.00 and original Letter Agreement signed by Jody Jones on behalf of BNSF. Please sign the original Letter Agreement on behalf of American Real Estate Ltd and return to me for filing in Staubach Global Services office. A copy of the fully executed Letter Agreement will be forwarded to BNSF for their file.

Sincerely,

Gary Peppard
Account Manager

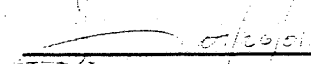
CC: Jody Jones - BNSF

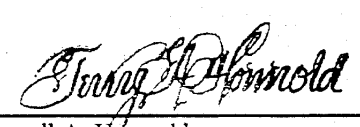
As affiliates of the Appraisal Institute, American Real Estate Ltd is bound to act in conformity with the Uniform Standards of Professional Appraisal Practice of the Appraisal Foundation and to the requirements of the Code of Professional Ethics and Standards of Professional Practice of the Appraisal Institute, and American Real Estate Ltd is currently certified.

The appraisal will be a complete appraisal, in restricted use report form, performed without invoking the Departure Provision of the Uniform Standards of Professional Appraisal Practice of the Appraisal Foundation, and has been prepared under Standards Rule 2-2 © of a Complete or Limited Appraisal performed under Standard 1. This report option contains minimal detail and is intended to be received or relied upon by the client only.

The purpose of the appraisal will be to estimate Market Value of the subject property as of the date of appraisal, excluding all equipment, trade fixtures and any other personal property, as well as the Market Rental Value for a long-term lease both, with a level lease and also with periodic CPI rental adjustments.

The function of the appraisal will be to assist the client in establishing a valuation basis for sale and leasing purposes, and the report is not intended for any other use. This report is intended for use only by Burlington Northern Santa Fe Railway and or its agent, Staubach Global Services as well as other client-designated persons for purposes of these proceedings only. It is also understood that this appraisal may be used in negotiations or litigation. The appraiser does not intend use of this report by others.


Jody Jones
Manager Real Estate
Burlington Northern Santa Fe Railway


Terrell A. Honnold
President
American Real Estate Ltd.



STAUBACH

DATE: July 25, 2001

TO: Terrell A. Honnold
President
American Real Estate Ltd.
2322 E. Kimberly Road, Suite 140 North
Davenport, Iowa 52807-7202

Jody Jones
Manager Real Estate
Burlington Northern Santa Fe Railway
2500 Lou Menk Drive - AOB3
Ft. Worth, Texas 76131

FROM: Gary Peppard
Account Manager
Staubach Global Services
4105 Lexington Avenue North - Suite 200
Arden Hills, Minnesota 55126

RE: Letter agreement between Burlington Northern Santa Fe Railway and
American Real Estate Ltd and statement for appraisal / analyst services for
the Market Value of the (approx) 17' X 1,000' strip of industrial land
near 2nd and Carroll Streets, Keokuk, Iowa.

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The appraisal fee for the subject property will be \$3,600.00 at a rate of \$875 per diem, with \$1,800.00 paid in advance and the balance of \$1,800.00 paid upon receipt of the completed report. Burlington Northern Santa Fe Railway will pay appraisal fee. The fee for any follow-up conferences, testimony or additional scope of the assignment (should it occur) will be additional at the rate of \$150.00 per hour, including travel time, plus expenses.



Community Quick Reference Information

Community Quick Reference Information is information about the Keokuk area sponsored by the Keokuk Area Chamber of Commerce and the Keokuk Economic Development Corporation. The information listed is for the city of Keokuk, in Lee County, Iowa.

Local Contacts

Economic Development: Gregg Andrews, Executive Director
Keokuk Area Chamber and Economic Development
329 Main Street; Keokuk, IA 52632
Business: 319-524-5055
Fax: 319-524-5016
Email: keochcom@interl.net

Community: Kari Bevans, Executive Director
Keokuk Area Convention & Tourism Bureau
329 Main Street; Keokuk, IA 52632
Business: 319-524-5599
Fax: 319-524-5016
Email: keokukia@interl.net

Population

(U.S. Census/Woods & Poole)

Year	Community County		State
1980	13,536	43,106	2,913,808
1990	12,451	38,687	2,776,755
2000	14,000	40,000	2,888,600

Population within 50 miles (Comm. Est.): 180,000

Labor Force Information

IWD Labor Force Summary for: Lee County
Annual Average for: 1997

Place of Residence

Resident labor force: 20,320
Resident unemployed: 1,020
Percent unemployed: 3.9
Resident total employment: 19,300

Place of Work

Nonagricultural wage and salary workers: 19,280
Manufacturing: 5,940
Nonmanufacturing: 13,340
Construction and Mining: 1,000
Transportation, Communication and Public Utilities: 1,160
Wholesale and Retail Trade: 3,820
Wholesale Trade: 620
Retail Trade: 3,200
Finance, Insurance, Real Estate: 510
Services: 4,410
Government: 2,450

IWD Labor Survey (Labor Force Available):
Male 1546 Female 1632 Total 3178

Wage Rates

For persons in selected occupations living or working in community:

Occupation or Job Title	Entry	Average
Clerk, General Office	\$ 6.03	\$ 7.80
Data-Entry Operator	6.23	7.22
Computer Programmer	12.29	15.84
Engineer:		
Technical/Industrial	11.03	14.17
Material Handler	9.22	10.75
Production Machine Operator	6.54	8.26
Secretary	6.73	8.57
Welder, Combination	8.82	11.77
Clerk-Typist	6.77	8.31
Computer Operator	7.49	10.39

Machinist, General	8.63	12.55
Mechanic, Maintenance	10.51	13.30
Production Supervisor	12.99	17.50
Civil Drafter	7.60	12.10

Proximity to Markets

City	Miles	Days by Railroad (Carload)	Days by Motor Freight (Truckload)
Atlanta	711	2	2
Chicago	300	2	1
Denver	800	2	2
Des Moines	180	1	1
Kansas City	245	2	1
Los Angeles	1800	7	4
Milwaukee	543	3	1
Minneapolis	362	2	1
New Orleans	835	2	2
New York	1120	7	4
Omaha	266	2	1
St. Louis	150	2	1

Industrial Sites

Site Name	Keokuk Kindustry Park	Keokuk North Park	Montrose Site
Total Acreage Available	67	30	150
Location of site	US 61 Bypass	Hwy 218 North	Hwy 61 North
Asking Price Per Acre	\$4000	\$50000	\$5000
Name of Landowner	Economic Dev. Corp.	N. Park Dev. Corp.	K. Irwin
Is site served by rail?	No	Yes	Yes
Electricity (primary Voltage)	12470	12470	12470
Water	12" Main	12" Main	-
Gas	6" main	4" main	4" main
Sewer	12" Main	12" Main	-
Zoning Classification	Light Industrial	Light Industrial	-
Fire Insurance Class	5	5	-
Tax rate/\$1000			
Assessed Valuation	\$35.36	\$35.36	\$15.00

employees; Union Affiliation: None; Dadant and Sons, Inc.; beekeeping supplies, etc.; 100 employees; Union Affiliation: none.

Utilities

Electricity

Supplier	private
Name of supplier	IES Utilities, Inc.

Water

Water supplied by	public
Name of supplier	Keokuk Municipal Water Works
Source of city water	river
Elevated storage capacity	2,000,000,000 gallons
Capacity of water plant	14,000,000,000 gallons
Average consumption	8,500,000 gpd
Peak consumption	9,500,000 gpd

Natural Gas

Name of local distributor	United Cities Gas Company
Pipeline source	ANR Pipeline Company

Sanitation

Type sewage treatment plant	secondary
Percent of community served by sewer	99%
Average load	3,500,000 gpd
Peak load	7,500,000 gpd
Design capacity	5,000,000 gpd
BOD design, 31000, BOD Average, 5500.	

Telecommunications

Local Telephone Company:	U.S. West
Time required for repair (reg. bus. hours)	24 Hours
Equal access long distance for Intra-LATA calls?	No
Equal access long distance for Inter-LATA calls?	Yes
Type of central office switcher	Digital
Is fiber currently in the ground?	Yes
Fiber is used for	Interoffice facilities/feeder distribution

Is SS7 service available?

<http://www.leecounty.org/Keokuk/kedc/quickref.htm>

No
7/26/2001

IS 007 service available:

Is ISDN service available?	No
Is T1-DS1 service available?	Yes
Is local cellular service available?	Yes
Is local internet service available?	Yes
Is local video conferencing service available?	Yes

Tax Structure

Assessed value of property in city:	\$265,659,006
Tax rate per \$1,000 assessed value:	\$34.62
Bonded indebtedness: City:	\$8,710,000
Bonded indebtedness: School:	\$0.00
Bonded indebtedness capacity of community	\$16,567,636
Future ndebtedness plans	\$0.00
Remarks: Revolving Loan Fund; TIF financing; Tax Abatement	

Transportation Services

Air Service

Time in minutes to nearest public airport	5
Type of runway	concrete
Length of runway	5500 feet
Unicom radio	Yes
Instrument Landing System	Yes
VOR:	Yes
Non-directional beacon:	Yes
Time to nearest commercial air service	45 minutes
City name:	Burlington
Airlines serving point	American Eagle TransWorld Express United Express
Remarks:	Second runway is 3800 feet Runways are lighted

Motor Carrier

Number U.S. Highways serving city	2
Number Iowa Highways serving city	1
Time to nearest interstate exchange	80 minutes
Interstate number	I-80
Time in minutes to nearest four-lane highway	5

Highway

Highway number	US 218 AV/ST
No. motor freight carriers serving community	16
Number of local terminals	4
Number of intrastate carriers	20
Number of interstate carriers	20

Rail Service

Community served by railroad	Yes
Frequency of switching service	daily
Piggyback ramp available locally	Yes
Distance in min. to nearest piggyback service	1
Name of railroad	Burlington Northern Santa Fe Railway Keokuk Junction Railway

Barge Service

City adjoins navigable river	Yes
Barge dock available	Yes
Channel depth	9.0 feet
Length of season	10 months

Municipal Services

Type of local government	Council, Mayor
City zoning ordinance in effect	Yes
County zoning ordinance in effect	No
Subdivision ordinance with design standards in effect	Yes
Number full-time fire department personnel	18
Number volunteer fire department personnel	0
Fire insurance class in city	5
Fire insurance class outside city	9
Number of full-time city police officers	26
Industrial waste pickup service	No
Percentage of city streets paved	98%



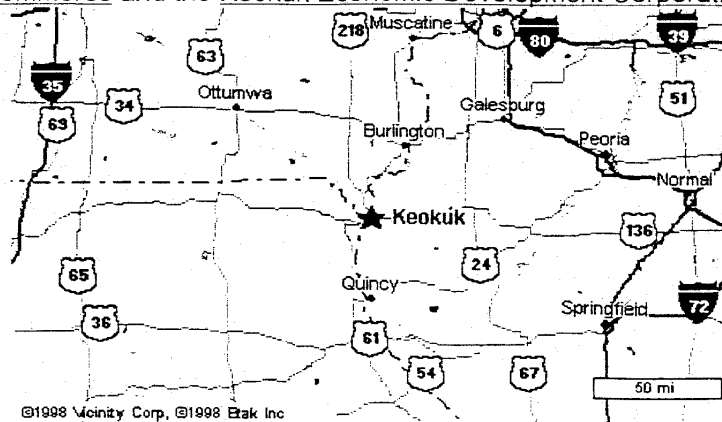
KEOKUK AREA
CHAMBER OF COMMERCE



KEOKUK
ECONOMIC
DEVELOPMENT CORPORATION

Area Map

This map of the Tri-State area is included by both the Keokuk Area Chamber of Commerce and the Keokuk Economic Development Corporation.



Keokuk has access to major markets like few rural communities do. It's served by barge, rail, air and an efficient highway network.

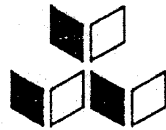
U.S. 61, which is being upgraded to four lanes, connects with U.S. 218 to the south, this highway, also called the Avenue of the Saints, is being expanded to run four lanes between St. Louis and St. Paul/Minneapolis. It will cross Interstates 90, 80 and 70. U.S. 61 connects directly into Keokuk.

These, and most other major Midwest cities, are accessible in one or two days by either rail or truck freight shippers.

Rail service is provided by the Burlington Northern-Santa Fe Railway and Southern Pacific. Barges run approximately 10 months out of the year.

Manufacturers Guide • Community Quick Reference Information
Area Map • KEDC Home • Entrepreneurial Assistance Programs
Local Incentive Programs • State Incentive Programs
The Smart State For Business
United States Department of Agriculture - Rural Development

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KEOKUK ECONOMIC DEVELOPMENT CORPORATION

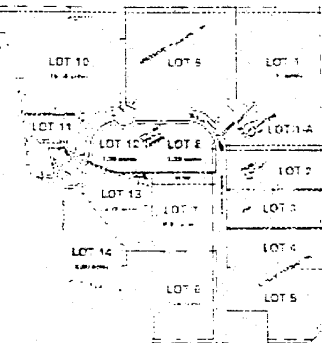
323 MAIN STREET • KEOKUK, IOWA 52637 • PHONE 319 524-5055 • FAX 319 524-5016

The Mission of the Keokuk Economic Development Corp. is to provide support programs to encourage the stability, growth and development of our existing businesses and industries and to attract new business and industry that will contribute to the economic well-being of our service area.

Financial Incentives for Business

- Regional Revolving Loan Fund
- Expansion/Relocation Grants
- Low Interest & Forgivable Loans
- New Jobs Tax Credit
- Road & Rail Grants
- Product Development Funding
- Open Port Warehousing
- Industrial Revenue Bonds
- Business Favorable Income Tax
- No Sales/Use tax on Machinery & Equipment
- No Personal Property Tax
- Pollution Control Equipment Tax Exemptions
- New Jobs Training Program
- Tax Increment Financing
- Enterprise Zone Incentives

Keokuk is nestled on the banks of the rolling Mississippi River is a community of 13,000 friends and neighbors called Keokuk. With its scenic beauty and traditional family values, Keokuk provides the favorable amenities of a small town, along with easy access to larger metro areas. With numerous professional, recreational, and social opportunities, along with the absence of "big city" hassles, it's no wonder Iowa and the Midwest have become the place of choice for many families looking to relocate.



Keokuk plays a vital role as one of the tri-states area's economic engines. The U.S. Department of Labor reports that Iowa ranks first among the ten Midwestern states in worker productivity, while Iowans are a full 20% more productive than the national average.

This strong Midwestern work ethic, along with "business friendly" tax laws, a wide array of state and local financial incentives, easy access to transportation, and many natural resources, are just a few of the reasons why the roster and size of companies located in Keokuk, continues to grow.

The Manufacturers Guide is a list of local industry, their contact information, and their products and services.

Community Quick Reference Information is vital information for anyone wishing to move a business to Keokuk.

The Area Map shows the Tri-State area and all the transportation routes to and from the area.

More Information About Keokuk

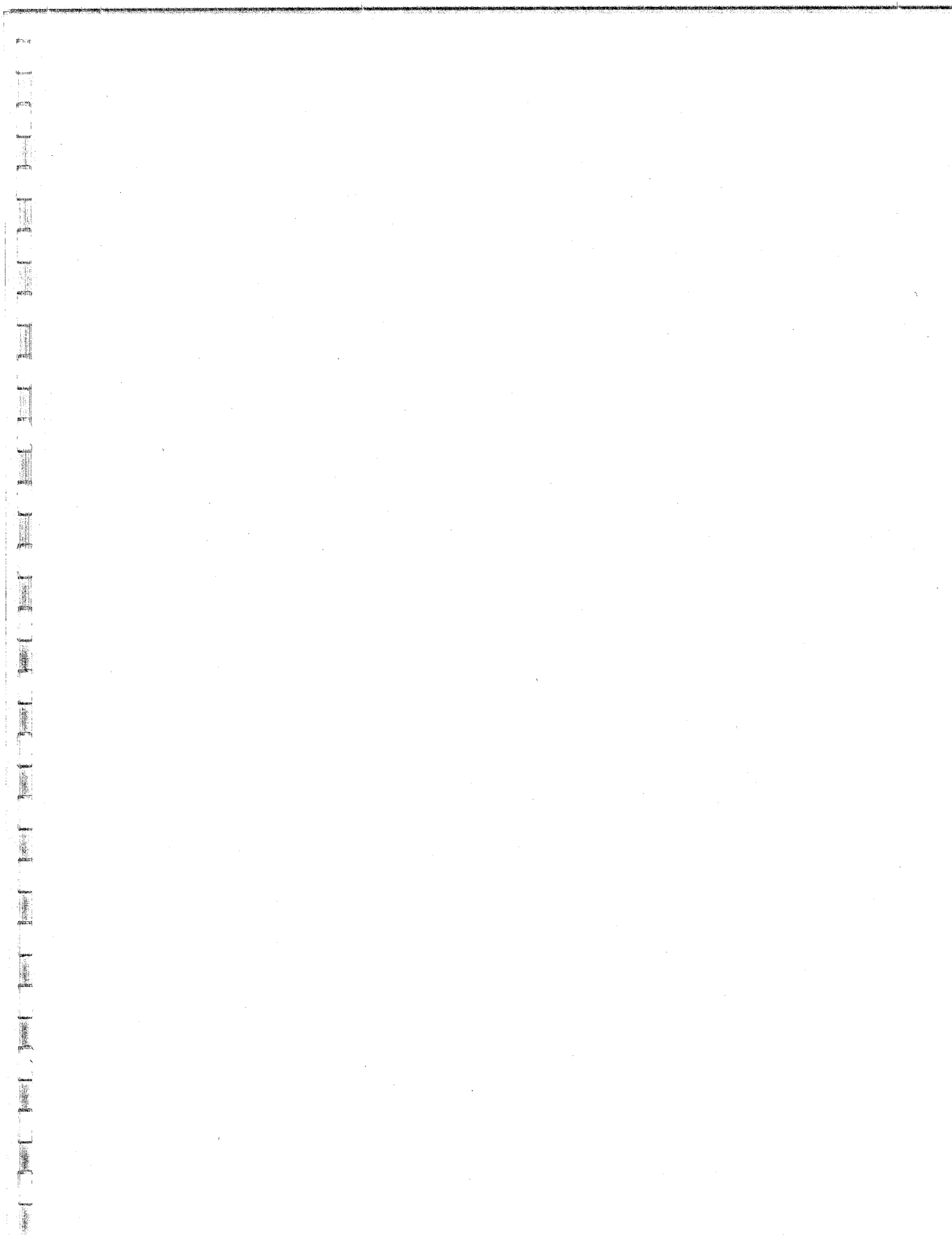
The Keokuk Area Chamber of Commerce
Main Street Keokuk, Inc.

Contact Us

Keokuk Economic Development Corporation
Gregg F. Andrews, Executive Director
329 Main Street
Keokuk, Iowa 52632
Phone: 319-524-5055
Fax: 319-524-5016

Manufacturers Guide • Community Quick Reference Information
Area Map • KEDC Home • Entrepreneurial Assistance Programs
Local Incentive Programs • State Incentive Programs
The Smart State For Business
United States Department of Agriculture - Rural Development

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Verified Statement of David W. Howell

1. My name is David W. Howell. I am a yardmaster for The Burlington Northern and Santa Fe Railway Company ("BNSF"). My business address is 420 Mississippi Drive, Keokuk, IA 52632.

2. I have been employed by BNSF and its predecessor, Burlington Northern Railroad Company, since 1973. I started with the bridge and building gang, and in September 1973 was transferred to train service where I worked as a brakeman/switchman. In February 1980 I established yardmaster seniority and was relief yardmaster until February 2001. In February 2001 I assumed the position of regular day yardmaster in Keokuk.

3. I am familiar with the Mooar Line and the lines of Keokuk Junction Railway Company ("KJRY") in and around Keokuk, IA. I am currently responsible for ensuring safe and efficient train operations for BNSF at Keokuk, including over the Mooar Line. My duties include coordinating yard movements for the switch crews, running lists, making up train consists, regulating movements of trains through the terminal in Keokuk, and serving as contact person for all of BNSF's industrial customers in the Keokuk area.

4. I am submitting this Verified Statement in support of BNSF's Opening Statement Regarding Compensation and Other Terms. The purpose of my statement is to describe BNSF's operations on the Mooar Line, including BNSF's crossing of KJRY's track.

5. BNSF currently handles incoming and outgoing shipments to and from four shippers along the Mooar Line. The Mooar Line shippers are ADM Milling Company, BTR Corporation, Griffin Wheel Company, and Midwest Carbide Corporation.

6. BNSF typically operates roundtrip service on the Mooar Line five days per week and often offers weekend service as requested by the Mooar Line shippers. While subject to significant fluctuation, on average each train traveling to or from the Mooar Line consists of between 14 and 16 cars.

7. BNSF enters KJRY's track at BN MP 177.58. BNSF trains to or from the Mooar Line travel through seven switches on approximately .25 miles of KJRY track. Approximately 300 feet of this track is KJRY mainline. A schematic map depicting BNSF's current access to the Mooar Line is attached to this Verified Statement.

8. Officials at KJRY are typically notified 20-30 minutes prior to our crossing of their track. Giving KJRY prior notice of a crossing is done to ensure a safe and efficient crossing.

9. When BNSF trains perform a crossing, they typically occupy KJRY track for no more than 5 to 8 minutes.

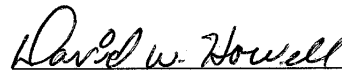
10. No switching of BNSF cars occurs on KJRY track. The make-up of trains moving to or from the Mooar Line occurs either in BNSF's own yards in Keokuk or on the Mooar Line.

11. KJRY has one local train, which originates in Keokuk. In addition, KJRY operates two switch engines, one in the morning and one during the afternoon. Both switch engines generally operate seven days per week.

12. Overall, BNSF's crossing of KJRY's track does not materially interfere with KJRY's operations. Since BNSF resumed its crossing of KJRY track in June 2001, crossings have generally occurred without a hitch.

VERIFICATION

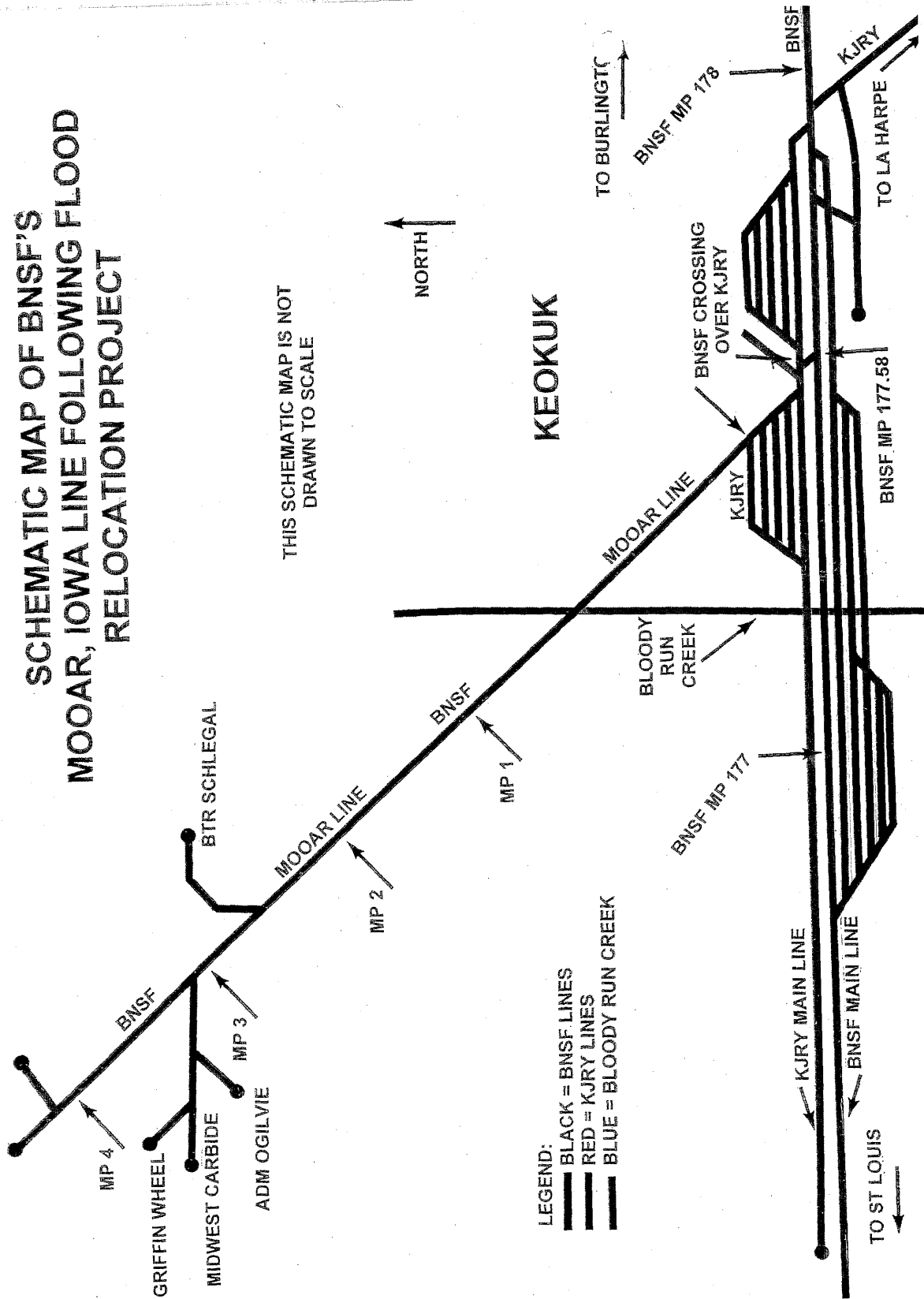
I, David W. Howell, declare under penalty of perjury that the foregoing is true and correct. Further, I certify that I am qualified and authorized to file this Verified Statement. Executed on February 26, 2002.



David W. Howell

SCHEMATIC MAP OF BNSF'S MOOAR, IOWA LINE FOLLOWING FLOOD RELOCATION PROJECT

THIS SCHEMATIC MAP IS NOT
DRAWN TO SCALE



- LEGEND:
- BLACK = BNSF LINES
 - RED = KJRY LINES
 - BLUE = BLOODY RUN CREEK

EXHIBITS

6

EXHIBIT A

SUPPLEMENTAL AGREEMENT

This SUPPLEMENTAL AGREEMENT made this 1st day of Sept, 1995, between BURLINGTON NORTHERN RAILROAD COMPANY, a Delaware corporation, hereinafter called "Burlington", KEOKUK JUNCTION RAILWAY, an Iowa corporation, hereinafter called "KJR" and ROQUETTE AMERICA, INC., hereinafter called "INDUSTRY". Said Burlington and said KJR shall sometimes hereinafter be referred to collectively as "Railroad Parties, and either of them shall sometimes be referred to as "Railroad Party".

WITNESSETH:

WHEREAS, Burlington (as successor to Burlington Northern Inc.), KJR (as successor to Chicago Rock Island And Pacific Railroad Company) and Industry (as successor to The Hubinger Company) are parties to an agreement dated November 1, 1977 "Original Agreement" (BN9533), which principally deals with ownership, maintenance, operation and use of certain trackage adjacent to and serving the Industry's plant facilities (sometimes hereinafter referred to as "Plant" in the city of Keokuk, Iowa;

WHEREAS, Changes to certain Plant track and Railroad Parties track have become necessary in connection with Industry's flood control project, the "Project";

WHEREAS, The parties hereto desire to setforth herein the post Project ownership, maintenance and operation of the trackage adjacent to and serving the Plant;

NOW, THEREFORE, in consideration of the covenants and conditions hereinafter set forth, it is mutually agreed by and between the parties hereto as follows:

1. Attached hereto, marked exhibit "A", and made part hereof is print dated June 28, 1995, which shall substitute the Track Plan made part of the Original Agreement, upon which is shown in dashed black lines, trackage owned by KJR, dotted black lines, trackage owned by Burlington, diagonal dashed lines, trackage owned by Industry, to be used by Railroad Parties in serving said Plant. Said trackage shall sometimes hereinafter be referred to respectively as "KJR Trackage" and "Industry Trackage". All of said trackage shall sometimes hereinafter be referred to collectively as "Joint Trackage".

2. The parties hereto entered into a letter of understanding "Letter of Understanding", dated January 11, 1995, covering exchange of property, track changes, maintenance and other matters. If any conflict between the Letter of Understanding and this Supplemental Agreement shall arise, the provisions of this Supplemental Agreement shall prevail.

3. The Railroad Parties shall continue to maintain access to all Industry facilities that existed prior to the Project. Burlington shall not have the right to access Industry's High Fructose Facility via the KJR Trackage.

4. The Railroad Parties shall have access to any new Industry facilities that may in the future become located along the Industry Trackage.

5. Burlington will continue to maintain the existing diamond, as shown at point "A" on exhibit "A", at Burlington expense. If BN fails to maintain the diamond, KJR may upon giving Burlington thirty (30) days written notice maintain the diamond at Burlington's expense.

6. Burlington's access to its Moar Line shall be from the new crossover opposite the Burlington Yard Office, thence over KJR trackage that includes seven switches. As consideration for Burlington's use of KJR track and switches, Burlington will pay to KJR the following sums annually: ONE THOUSAND FIFTY DOLLARS AND NO CENTS (\$1,050.00), representing one half (1/2) of THREE HUNDRED DOLLARS AND NO CENTS (\$300.00) per switch, commencing in 1996, this rate of \$1,050 per annum shall be considered the "Base Rate". The Base Rate shall be subject to annual adjustments, beginning July 1, 1996, in the following manner: Seventy percent (70%) of such Base Rate (\$735.00), representing maintenance and operating expense and depreciation, shall be increased or decreased based on the relationship of the Association of American Railroads (or successor organization) Railroad Cost Recovery Index, West District (material prices, wage rates and supplements combined, excluding fuel) for the year 1994 as compared with such similar Index for each subsequent year, but in no event shall the adjusted monthly rate be less than said Base Rate. The balance of the rate (30%) representing interest rental and taxes shall be fixed.

7. Any party hereto may assign any receivables due them under the Original Agreement, as supplemented, provided, however, such assignments shall not relieve the assignor of any rights or obligations under the Original Agreement, as supplemented.

8. Other than as specifically modified herein the Original Agreement, as supplemented shall remain in full force and effect.

9. This Supplemental Agreement shall take effect upon the day the industry Project is completed and the Railroads first commence operation over the Joint Trackage and shall remain in effect concurrent with the term of the Original Agreement.

IN WITNESS WHEREOF, the parties hereto have caused this Supplemental Agreement to be executed in duplicate as of the date and year first hereinabove written.

BURLINGTON NORTHERN RAILROAD COMPANY

By

John F. Beacom

Title

Dir. Contracts and Facilities

KEOKUK JUNCTION RAILROAD COMPANY

By

J. H. Warfield

Title

President

ROQUETTE AMERICA, INC.

By

Robert J. Ireland

Title

President

EXHIBIT B

CROSSING AGREEMENT

THIS AGREEMENT, made and entered into this 13th day of March, 1996, by and between KNRECO, INC., d/b/a KEOKUK JUNCTION RAILWAY, an Iowa corporation, hereinafter called "KJRY", and BURLINGTON NORTHERN RAILROAD COMPANY, a Delaware corporation, hereinafter called "Burlington."

WITNESSETH THAT:

WHEREAS, Burlington (as successor to Burlington Northern Inc.), as junior road, and KJRY (as successor to Chicago Rock Island and Pacific Railroad Company), as senior road, and Roquette America, Inc. (as successor to The Hubinger Company), hereinafter called "Industry", are parties to an agreement dated November 1, 1977 (the "Original Agreement"), which principally deals with ownership, maintenance, operation and use of certain trackage adjacent to and serving Industry; and

WHEREAS, the parties to the Original Agreement by supplemental agreement dated September 1, 1995 (the "Supplemental Agreement") agreed to certain track changes that were necessitated by Industry's flood control project (the "Project"); and

WHEREAS, prior to the Project completion, the Burlington's branch line known as the "Mooar Line" crossed the main track of KJRY at KJRY Milepost 0.78; and

WHEREAS, Burlington's Mooar Line was relocated in connection with the Project and now crosses the KJRY at KJRY Milepost 0.22; and

WHEREAS, although the tracks of the KJRY used by Burlington to cross KJRY at KJRY Milepost 0.22 are covered by the Original Agreement as supplemented; the parties wish to enter into this agreement to further define the rights and obligations with respect to the Burlington track crossing the tracks of KJRY at KJRY Milepost 0.22; and

WHEREAS, Burlington desires the maintenance and operation of a single track of standard gauge railroad, crossing at grade by means of two (2) turnouts the right-of-way and tracks of KJRY at Keokuk, Iowa at KJRY's Milepost 0.22, (Burlington's Milepost 177.58) for Burlington's use; and

WHEREAS, KJRY is agreeable to such use, but only under the terms and conditions as hereinafter set forth.

NOW, THEREFORE, it is mutually agreed by and between the parties as follows:

Section 1. PRINT

Attached hereto and made a part hereof is a print dated June 28, 1995, as revised on November 29, 1995, entitled "Burlington Northern Crossing KJR Trackage", showing, in bold dashed line, KJRY's two turnouts connected by a series of switches between points "A" and "B." Said KJRY turnouts and series of switches, between points "A" and "B", as now constructed or as may become constructed, are hereinafter collectively called the "Crossing."

The print dated June 28, 1995, as revised on November 29, 1995, entitled "Tracks serving Roquette America, Inc." and marked as "Exhibit A" shall be substituted for the print referred to in Section 1 of the Supplemental Agreement.

Section 2. OWNERSHIP, MAINTENANCE AND USE OF THE CROSSING

KJRY shall own and maintain the Crossing. Both KJRY and Burlington shall use the crossing for their respective railroad operations with each of the parties hereto having equal priority to use of the Crossing. KJRY shall make repairs to and/or renewals of the crossing as necessary, as reasonably determined by KJRY, and Burlington shall pay KJRY as provided in Section 6 of the Supplemental Agreement.

Section 3. RIGHT OF BURLINGTON TO USE RIGHT-OF-WAY OF KJRY

KJRY hereby grants to Burlington, for the term and subject to the provisions hereof, and of the Original Agreement and the Supplemental Agreement, the right to use such portion of the right-of-way of KJRY on either side of the Crossing as is necessary for use or operation thereon.

Section 4. NON-INTERFERENCE

The Burlington, in its use and operation of the Crossing, shall not cause or permit any nuisance, hindrance or unreasonable interference with the operation of KJRY, and shall, prior to using such Crossing, obtain the approval of the agent or other appropriate employee of KJRY and KJRY agrees that such approval shall not be unreasonably withheld.

Section 5. ELEVATION OF TRACKS AT THE CROSSING

Burlington shall maintain the surface of the rails of its tracks which connect with the track portion of the Crossing on KJRY's right-of-way at the presently established top of rail grade of KJRY's track. If it becomes necessary due to a lawful order of a federal, state or local governmental authority having jurisdiction to require a change in the elevation of KJRY's tracks at the Crossing, Burlington at its sole cost and expense, shall change its tracks to the newly established top of rail grade of KJRY's track.

If Burlington for any reason shall change the elevation of its track at the Crossing, KJRY shall, at the sole cost and expense of Burlington, change its track to the newly established top of rail grade of Burlington's track.

Section 6. BILLING

Bills shall be rendered pursuant to Section 6 of the Supplemental Agreement and shall be prepared in conformance with then current practices of KJRY. Such billing forms shall contain sufficient detail to permit computation of payments to be made hereunder.

Section 7. LIABILITY

For purposes of liability, as pertains to this Agreement, Section 11 of the Original Agreement shall apply.

Section 8. NOTICES

Any notice, request, consent, demand, report or statement which is given to or made upon either party hereto by the other party hereto under any of the provisions of this Agreement, shall be in writing and shall be treated as duly delivered when the same is either (a) personally delivered to the President or Vice President of the respective parties hereto, or (b) deposited with a reputable overnight delivery service or in the United States mail, postage fully prepaid, and properly addressed as follows:

- (1) If the notice is to KJRY:

President
Keokuk Junction Railway
1318 S. Johanson Road
Peoria, Illinois 61607

- (2) If the notice is to Burlington:

Director Contracts and Joint Facilities
Burlington Northern Railroad Company
2600 Lou Menk Drive
P. O. Box 961034
Fort Worth, Texas 76161-0034

Section 9. GOVERNMENT APPROVAL: AGREEMENT TERM

This Agreement shall be effective as of the date first hereinabove written, and shall continue in full force and effect so long as the parties hereto shall cross each other at the aforementioned location, unless terminated in accordance with the provisions of the Original Agreement.

The parties agree that the rights granted to Burlington in this Agreement and the Original Agreement, as supplemented by the Supplemental Agreement, are in the nature of terminal crossing rights and do not grant any trackage rights, and the parties, therefore believe that such rights are not subject to the regulatory jurisdiction of the Surface Transportation Board ("STB"), or any successor agency to the STB. Accordingly, Burlington shall request dismissal with prejudice of the Verified Notice of Exemption it filed with the Interstate Commerce Commission on September 7, 1995 in F.D. No. 32775, under the provisions of 49 CFR 1180.2(d)(7) for trackage rights over KJRY's line. If it is determined by the STB or successor agency that governmental approval is required, the parties agree to cooperate in seeking such approval. All fees and expenses necessary to obtain such approval will be the sole responsibility of Burlington.

Section 10. SUCCESSORS AND ASSIGNS

This Agreement may not be assigned, in whole or in part, except with the prior written consent of the other party; provided, however, that either party may assign any receivables due them under this Agreement (which assignment shall not relieve the assignor of any rights or obligations under this Agreement). Subject to the limitations hereinabove, this Agreement shall be binding upon and inure to the benefit of the parties hereto, their successors and assigns.

Section 11. CHOICE OF LAW

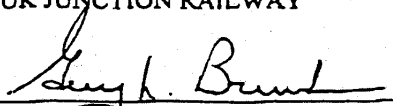
This Agreement shall be governed, construed and enforced in accordance with the laws of the State of Iowa. Any litigation arising out of or in any way connected with this Agreement shall be instituted, maintained and heard in the state or federal courts in the State of Iowa only, and the parties consent to jurisdiction over their person and over the subject matter of any such litigation in those courts, and to service of process issued by such courts.

Section 12. PRIOR AGREEMENTS

Except as specifically modified herein, the Original Agreement, as supplemented by the Supplemental Agreement, shall remain in full force and effect, and shall govern on all matters not specifically addressed herein.

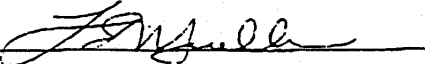
IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed in duplicate as of the day and year first hereinabove written.

KNRECO, INC. d/b/a
KEOKUK JUNCTION RAILWAY

By: 

Its: President

BURLINGTON NORTHERN RAILROAD
COMPANY

By: 

Its: VP

EXHIBIT C

CROSSING AGREEMENT

THIS CROSSING AGREEMENT, made as of this ____ day of _____, 2001, by and between KEOKUK JUNCTION RAILWAY COMPANY, an Iowa corporation, hereinafter called "KJRY"; and THE BURLINGTON NORTHERN AND SANTA FE RAILWAY COMPANY, a Delaware Corporation, hereinafter called "BNSF".

WITNESSETH:

WHEREAS, BNSF crosses approximately 1500 feet of KJRY trackage in Keokuk, IA (the "Crossing"), for the purpose of accessing BNSF's line of railroad known as the Mooar Line; and

WHEREAS, the parties desire to enter into an Agreement setting forth the terms and conditions governing BNSF use of the Crossing pursuant to a decision of the Surface Transportation Board ("STB") served June 22, 2001, in Finance Docket No. 33740, *The Burlington Northern and Santa Fe Railway Company—Petition For Declaration Or Prescription Of Crossing, Trackage, Or Joint Use Rights* and Finance Docket No. 33740 (Sub No. 1), *The Burlington Northern and Santa Fe Railway Company—Petition For Determination Of Compensation and Other Terms*, (the "Decision").

NOW, THEREFORE, it is mutually agreed by and between the parties hereto as follows:

Section 1. PRINT

Attached hereto and made a part hereof is a print dated June 28, 1995, as revised on November 29, 1995, entitled "BNSF Crossing KJR Trackage" showing, in

bold dashed line, KJRY's two turnouts connected by a series of seven switches between points "A" and "B". Said KJRY's turnouts and series of switches, as now constructed, or as may become constructed, are hereinafter collectively called the Crossing.

Section 2. OWNERSHIP, MAINTENANCE AND USE OF THE CROSSING

KJRY shall own and maintain the Crossing. Both KJRY and BNSF shall use the Crossing for their respective railroad operations with each of the parties hereto having equal priority to use of the Crossing. KJRY shall make repairs to and/or renewals of the Crossing as necessary as reasonably determined by KJRY, and BNSF shall pay KJRY as provided in Section 6 of this Crossing Agreement.

KJRY shall be bound to use only reasonable and customary care, skill and diligence in maintaining and repairing the Crossing. If KJRY fails to repair any defect within a reasonable time after the BNSF has given written notice, specifying the defect and requesting that it be repaired, then BNSF shall have the right to make the necessary repairs at once, and KJRY shall reimburse BNSF for the cost and expense thereof including all additives.

Section 3. RIGHT OF BNSF TO USE RIGHT-OF-WAY OF KJRY

KJRY agrees pursuant to the STB decision referenced above that BNSF has the right to use the Crossing to access BNSF's Moorar Line, for the term and subject to the provisions hereof.

Section 4. NON-INTERFERENCE

The BNSF, in its use and operation of the Crossing, shall not cause or permit any nuisance, hindrance or unreasonable interference with the operation of KJRY, and shall, prior to using such Crossing, obtain the approval of the agent or other appropriate

employee of KJRY and KJRY agrees that such approval shall not be unreasonably withheld.

Section 5. ELEVATION OF TRACKS AT THE CROSSING

BNSF shall maintain the surface of the rails of its tracks which connect with the track portion of the Crossing on KJRY's right of way at the presently established top of rail grade of KJRY's track. If it becomes necessary due to a lawful order or a federal, state or local governmental authority having jurisdiction to require a change in the elevation of KJRY's tracks at the Crossing, BNSF at its sole cost and expense, shall change its tracks to the newly established top of rail grade of KJRY's track.

If BNSF for any reason shall change the elevation of its track at the Crossing, KJRY shall, at the sole cost and expense of BNSF, change its track to the newly established top of rail grade of BNSF's track.

Section 6. COMPENSATION

TO BE DETERMINED.

Section 7. LIABILITY

Each party from time to time using the Crossing shall assume, bear, settle, and pay all loss, cost, damage, or injury which its own property or property in its custody, or its employees or passengers, or the Crossing may suffer as a result of or in connection with the operation of its engines, cars, or trains upon any portion of the Crossing, no matter how such loss, damage, or injury may occur; provided, however, that in case of collision between engines, cars or trains occurring upon the Crossing and caused solely by the negligence of enginemen or trainmen or other sole employees of either party, or in case of any other accident upon the Crossing so caused, the party whose sole employees are at fault shall be responsible for and pay the entire loss caused thereby;

and provided, further, that in case of collision or other accident occurring upon the Crossing and caused by the fault of employees of both parties, each party hereto shall assume, bear, settle, and pay all loss, cost, damage, or injury which its own property or property in its custody, or its employees or passengers may suffer, and each party shall bear an equal share of all damage to the Crossing.

Except as hereinbefore provided, each party from time to time using the Crossing shall assume and pay all loss and damage which its engines, cars, or trains may do to third persons or to property of third persons, and each party agrees to indemnify the other against all loss and damage which it herein agrees itself to bear. If any injury shall occur upon the Crossing to third persons or to property of third persons by the operation of engines, cars, or trains in such a way that it cannot be determined what company's engines, cars, or trains caused the injury, the costs and compensation, if any, made to the injured party, shall be apportioned equally between the parties hereto.

If the use of the Crossing shall at any time be interrupted, or traffic thereon be delayed for any cause whatsoever, the party responsible for maintenance of the portion of the Crossing causing the problem shall proceed, with reasonable skill and diligence, to repair or restore the Crossing for the safe and prompt movement of cars and locomotives thereover. Neither party shall have or make any claim or demand against the other for loss or damage of any kind caused by or resulting from interruption or delays to the movement of their respective trains, cars, or traffic over the Crossing, no matter how occurring.

In case a suit shall be commenced against either of the parties hereto arising out of the use or operation of any facilities herein provided for, which suit is to recover damages for which the other party hereto is ultimately responsible hereunder, the party sued may give notice of such suit to the other party, and thereupon the latter shall assume the defense of the suit and save the notifying party harmless therefrom. The

parties will settle as between themselves any claim for loss, damage, or injury according to the terms of this crossing agreement, notwithstanding any judgment or decree of a court or other tribunal in proceedings brought by third parties.

Section 8. NOTICES

Any notice, request, consent, demand, report or statement which is given to or made upon either party hereto by the other party hereto under any of the provisions of this Crossing Agreement, shall be in writing unless it is otherwise specifically provided herein, and shall be treated as duly delivered when the same is either (a) personally delivered to the President or Vice President of the respective parties hereto, or (b) deposited in the United States mail, postage prepaid, and properly addressed as follows:

(1) If the notice is to KJRY:

Vice President Operations
Keokuk Junction Railway Company
117 South Water Street
Keokuk, Iowa 52632

(2) If the notice is to BNSF:

The Burlington Northern and Santa Fe Railway Company
Director Contracts and Joint Facilities
2600 Lou Menk Drive
P. O. Box 961034
Ft. Worth, Texas 76161-0034

Section 9. EFFECTIVE DATE AND TERM

This Crossing Agreement shall be effective as of March 1, 1999, and shall continue in full force and effect so long as the parties hereto shall cross each other at grade at the Crossing.

Section 10. ARBITRATION

If a question or controversy arises between the parties concerning the observance, performance, interpretation or implementation of any of the terms, provisions, or conditions contained herein or the rights or obligations of either party under this Agreement, such question or controversy shall in the first instance be the subject of a meeting between the parties to negotiate a resolution of such dispute. If, within thirty (30) days after the meeting, the parties have not negotiated a resolution or mutually extended the period of negotiation, either party may seek resolution of the question or controversy pursuant to binding arbitration.

The party calling for arbitration ("Initiating Party") shall give written notice the other party setting forth: (a) a statement of the issue(s) to be arbitrated; (b) a statement of the claim showing that the Initiating Party is entitled to relief; and (c) a statement of the relief to which the Initiating Party claims to be entitled. Within twenty (20) days from the receipt of such notice, the other party ("Receiving Party") may submit its written response and give notice in the same manner required above of additional issues to be arbitrated. The Initiating Party shall have ten (10) days from receipt of said response to respond to any issues submitted for arbitration by the Receiving Party.

Within sixty (60) days of the date of the Initiating Party's written notice requesting arbitration, each party shall designate a competent and disinterested person to act as that party's designated arbitrator, with the two (2) persons designated selecting a third neutral arbitrator within thirty (30) days of their designation. In the event the first two designated arbitrators cannot agree on the third neutral arbitrator, the neutral arbitrator

shall be selected pursuant to the rules of the American Arbitration Association ("AAA"). The arbitration proceeding shall be conducted in accordance with the Commercial Arbitration Rules of the AAA.

The decision and award of the arbitration panel shall be rendered within 30 days of the close of the arbitration proceeding. Any decision and award of the majority of the panel shall be final and binding upon the parties. The arbitrators shall not award punitive or exemplary damages against either party. Judgment upon the decision or award rendered may be entered in any court of competent jurisdiction in the State of Iowa in accordance with the laws of the State of Iowa. The parties shall each bear the expense of their respective designated arbitrator as well as their own fees and costs. The expense of the neutral arbitrator shall be shared equally by the parties.

Section 11. SUCCESSORS AND ASSIGNS

This Crossing Agreement may not be assigned, in whole or in part, except with prior written consent of the other party; provided, however, that either party hereto may assign any receivables due them under this Crossing Agreement (which assignment shall not relieve the assignor of any rights or obligations under this Crossing Agreement). Subject to the limitations hereinabove, this Crossing Agreement shall be binding upon and inure to the benefit of the parties hereto, their successors and assigns.

Section 12. CHOICE OF LAW

This Crossing Agreement shall be governed, construed and enforced in accordance with the laws of the State of Iowa.

IN WITNESS WHEREOF, the parties hereto have caused this Crossing Agreement to be executed in duplicate as of the day and year first hereinabove written.

KEOKUK JUNCTION RAILWAY COMPANY

By _____

Its _____

THE BURLINGTON NORTHERN AND SANTA
FE RAILWAY COMPANY

By _____

Its _____

EXHIBIT D

PIONEER RAILCORP

A RAILROAD HOLDING COMPANY

1318 SOUTH JOHANSON ROAD
PEORIA, ILLINOIS 61607

TELEPHONE: (309) 697-1400
FAX: (309) 697-5388

GUY L. BRENNMAN
PRESIDENT AND CHIEF EXECUTIVE OFFICER

March 9, 1998

Mr. Henry B. Lampe
Assistant V.P. Shortline Development
Burlington Northern Santa Fe
P.O. Box 961058
Fort Worth, Texas 76161

Re: BNSF Moore Line/Keokuk Iowa

Dear Henry,

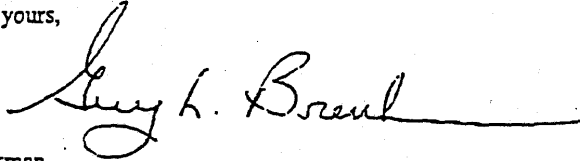
Following up on our meeting in Fort Worth last month where I had proposed that the Keokuk Junction Railway acquire the BNSF Moore Line please review the following proposal for consideration. At Keokuk, we both have the expense of switching the same customers cars in many instances, when it could easily be accomplished by the KJ Railroad for BNSF at what we believe is a cost savings for BNSF. We also continue to under cut each other on rates costing both our companies revenues and delighting the customers involved with the cheapest freight rates in decades. Working together rather than against each other on this Keokuk business would benefit us both.

I have enclosed a not to scale track chart of Keokuk to give you a better idea of what we are talking about. As you can see, BNSF operates over KJ for some distance to access the Moore Line. In reviewing your costs please remember we are proposing to eliminate not only train crews and locomotives but also agency functions, signals and track maintenance costs for everything in Keokuk other than your main line. We have offered in the proposal to make up or block BNSF trains for you and weigh cars, eliminating any need for crews or power at Keokuk.

Henry, as you know, we were very disappointed after making the highest cash offer for your "sand line" not to have been chosen as the operator of that line. We hope BNSF now has more faith in us and our willingness to be part of the BNSF team. We can make the Keokuk offer presented here a win-win-win situation for both our companies and would live up to our promise to do that.

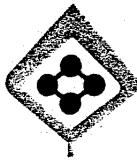
After you have had a chance to look the proposal over please give me a call to go over any of it or to schedule a meeting in Fort Worth, Keokuk, or Peoria to talk further. I am hopeful you will visit our headquarters soon so we can show you the economics of scale we have and why short lines prosper under Pioneer control and management.

Respectfully yours,

A handwritten signature in cursive script, reading "Guy L. Brenkman". The signature is written in dark ink and is positioned to the right of the typed name.

Guy L. Brenkman

EXHIBIT E



ADM MILLING CO

8000 W. 110TH STREET OVERLAND PARK, KS 66210-2313 BOX 7007 SHAWNEE MISSION, KS 66207-0007 TELEPHONE (913) 491-9400 FACSIMILE (913) 491-0035

CABLE ADDRESS: ADMFLOUR SWMS

WESTERN UNION TELEX NO. 4-2390

March 3, 1999

Honorable Vernon A. Williams
Secretary
Surface Transportation Board
1925 K. Street, NW, Room 711
Washington, DC 20423-0001

Re: Rail Service to ADM Milling Company at Keokuk, IA

Dear Mr. Williams:

My name is Richard N. Morris. I am the Managing Director of Transportation of ADM Milling Company. I am writing to support the Petition of The Burlington Northern and Santa Fe Railway Company ("BNSF") For Declaration or Prescription of Crossing, Trackage or Joint Use Rights and for Determination of Compensation and Other Terms ("Petition"). It is my understanding that in its Petition, BNSF has requested that the Board require Keokuk Junction Railway Co. ("KJRY") to permit BNSF to cross-over a segment of KJRY's trackage at Keokuk, IA. ADM Milling Company believes that these rights are essential in order for BNSF to continue to provide timely, reliable, and efficient service to ADM Milling's facility which is located on what is known as BNSF's "Mooar Line" at Keokuk.

ADM Milling's Keokuk facility process wheat into wheat flour and wheat starch. ADM Milling Company relies on BNSF to handle twenty-five carloads of wheat into and five carloads of wheat products out of its Keokuk facility each week.

Beginning Monday, March 1, 1999, KJRY began physically blocking BNSF's access to the crossing leading to the Mooar Line with one of KJRY's trains. This has had severe consequences for ADM Milling Company, as BNSF could not serve ADM Milling Company's facility along the Mooar Line. Had BNSF been unable to serve ADM Milling Company's facility for more than four days, ADM Milling Company would have had to shut down its Keokuk operations. This would have had severe consequences for both ADM Milling Company and for its rail starch customers that rely on shipments from ADM Milling's Keokuk facility.

It is my understanding that on March 2, in an effort to ensure service for shippers located along the Mooar Line, BNSF agreed to a temporary arrangement whereby KJRY would handle BNSF trains across the KJRY track leading up to the Mooar Line. Although KJRY has labeled this a "switching arrangement" - it resembles no such thing. Instead KJRY merely pushes the BNSF cars and locomotives over the short crossings segment leading to the Mooar Line for inbound movements, and pulls the BNSF cars and locomotives over the short crossing for outbound movements. KJRY is charging BNSF \$85 per car and locomotive for this "switching" service.

Hon. Vernon A. Williams

April 14, 1999

Page 2

ADM Milling Company has a number of concerns regarding the current arrangement between BNSF and KJRY. First and foremost, ADM Milling Company is concerned that BNSF will be forced to raise rates considerably in order to cover KJRY's \$85 per car and locomotive charge. Further, there is no guarantee that KJRY will not continue to raise this "switching" rate.

ADM Milling Company is also concerned about BNSF's ability to provide timely and reliable service to the shippers located along the Mooar Line if BNSF is forced to continue to tender its cars and locomotives to KJRY. Because BNSF must deliver its cars and locomotives to KJRY's yard to the east of the Mooar Line, inbound movements are delayed by at least forty minutes. Similarly, outbound movements are delayed because KJRY brings the cars and locomotives to its yard to the east of the Mooar Line. Additionally, ADM Milling Company is concerned that inbound service may be affected by the limited number of cars that BNSF can move up the steep grade at the beginning of the Mooar Line from a standing start.

ADM Milling Company is further concerned that KJRY may be seeking to gain control of switching for all industries located along the Mooar Line. ADM Milling Company is extremely satisfied with the service that it receives from BNSF, and does not want KJRY to force BNSF off of the Mooar Line.

Therefore, I urge the Board to grant BNSF's Petition in order to ensure timely, reliable and cost effective service for shippers located along the Mooar Line.

Please call me at (913) 491-9400 if I can provide you with any further information. I appreciate your attention to this very serious matter.

Respectfully yours,



Richard N. Morris
Managing Director of Transportation

EXHIBIT F



Midwest Carbide

Midwest Carbide Corp.
365 Carbide Lane
P.O. Box 607
Keokuk, Iowa 52632
Telephone (319) 524-6510
FAX (319) 524-6513

Electrode Paste • Ramming Mixes • Calcined Coal • Carbon Raiser

March 26, 1999

Vernon A. Williams, Secretary
Surface Transportation Board
1925 K. Street, N.W.
Washington, DC 20423-0001

RE: BNSF Petition re Keokuk Crossing

Dear Secretary Williams:

I am the Traffic Coordinator for Midwest Carbide Corporation in Keokuk, Iowa. Midwest Carbide's Keokuk Plant is located on a branch line of the Burlington Northern Santa Fe Railroad ("BNSF") called the Mooar Line. I am submitting this letter in support of the petition the BNSF is filing with the Surface Transportation board concerning BNSF's rights to cross the trackage of the Keokuk Junction Railway ("KJ") to serve the Mooar line. Midwest Carbide is heavily dependent on efficient and cost-effective rail service to and from the Mooar Line. KJ's recent effort to hamper BNSF's crossing operations and increase the costs of BNSF's service is a significant commercial threat to Midwest Carbide. We urge the Board to order KJ to permit BNSF to continue its historic crossing operations over the very short stretch of KJ trackage in question.

Midwest Carbide's Keokuk plant manufactures the key ingredient of the carbon electrodes that are at the heart of arc furnaces used around the world in the processing and fabrication of pigiron, nickel, copper, ferrosilicon, calcium carbide and other industrial products. BNSF delivers and picks up an average of 8 - 9 carloads daily from the plant. Inbound, BNSF delivers carloads of anthracite coal used by Midwest Carbide, which we use to manufacture soderberg electrode paste (carbon mixture unbaked). This product is loaded into rail cars and picked up by BNSF for delivery directly by rail to commercial customers in North America or to ports for delivery by water vessel to countries as far flung as Greece, Indonesia, and New Zealand.

Midwest Carbide's outbound shipments are time sensitive, because many are tied to the loading and departure schedules of water vessels. If our shipments do not arrive on time, they may be stranded for weeks waiting for the next sailing. On March 1, 1999, when KJ blocked the crossing that BNSF needs to access the Mooar Line, our business lifeline was cut off, and we were extremely concerned that we would be unable to meet our commitments to our customers. By March 2, when KJ and BNSF were still stalemated, our commercial situation was worse, and I made clear to BNSF that we would not wait for a judicious resolution of the dispute. I understand that other shippers on the Mooar Line similarly informed BNSF of the commercial severity of their situation, and to meet our concerns BNSF later that day acceded under protest to a "switching" arrangement with KJ - which has KJ moving BNSF's trains, including BNSF's locomotives, across KJ's trackage and charging BNSF \$85 per car and locomotive for this supposed service.

ISO-9002 Certified

MIDWEST CARBIDE CORPORATION

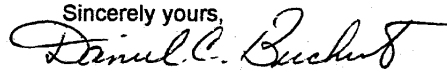
Midwest Carbide has several problems with KJ's actions. The first is that the current arrangement is completely unnecessary and adds significant time and expense to BNSF's service to Midwest Carbide and other shippers on the Mooar Line. We know from past experience that this kind of cost pressure leads to rate increases, and we cannot see any justification for KJ to be allowed to burden BNSF's service to and from the Mooar Line with a charge for pointless make-work. We are also concerned that service may be affected by the limited number of cars that BNSF can move up the steep grade at the beginning of the Mooar Line from a standing start.

Second, BNSF informs us that it has no guarantee from KJ and KJ may not unilaterally raise its rate or insist on other operating arrangements. If KJ attempted to make the operation at BNSF's crossing look like a real interchange, by requiring BNSF to drop cuts of cars off at KJ's interchange tracks, for KJ on its own schedule to hook up a locomotive and move them through the crossing, that would create an operating mess. BNSF would have to station a locomotive on the Mooar Line and make a crew available as well. What is now a brief and seamless crossing would require four locomotive disconnections or connections and three crew changes to enter the line and the same to exit the line. Outbound operations on the line would also be severely hampered by the need to stop and flag every road crossing, so that cuts of unlighted rail cars could be pushed back to the beginning of the Mooar Line for pickup by KJ's locomotive and crew. There does not appear to be anything to stop KJ from insisting on this kind of dysfunctional operation, or from blocking the crossing again if BNSF resists.

Third, we are concerned that KJ's motivation is to gain more control over switching in the Keokuk area. Today, we receive good service from BNSF to and from our plant under line-haul rates, and we have the option of having BNSF provide reciprocal switching for KJ. We understand that KJ has for some time been seeking to acquire the Mooar Line from BNSF and it appears that KJ's recent actions are intended to place economic and operating pressure on BNSF to bend to KJ's desires. We do not believe that this kind of commercial coercion should be condoned, especially if the motivation is to consolidate control and raise prices for rail operations in the Keokuk area.

For these reasons, Midwest Carbide urges the Board to grant BNSF's petition.

Sincerely yours,



Daniel C. Buckert
Traffic Coordinator

cc: Earl Flint
Bill Zimmermann

DCB/gp

EXHIBIT G

 Smurfit-Stone Container

Telephone (618) 463-6000

401 Alton Street
P.O. Box 2276
Alton, IL 62002-2276

April 14, 1999

Honorable Vernon A. Williams
Secretary
Surface Transportation Board
1925 K Street NW, Room 711
Washington, DC 20423-0001

RE: Rail Service to Smurfit-Stone Container Corporation

Dear Mr. Williams:

I am the Traffic Manager of Smurfit-Stone Container Corporation. I am writing to support the Petition of The Burlington Northern and Santa Fe Railway Company ("BNSF") For Declaration or Prescription of Crossing, Trackage or Joint Use Rights and for Determination of Compensation and Other Terms ("Petition"). It is my understanding that in its Petition, BNSF has requested that the Board require Keokuk Junction Railway Co. ("KJRY") to permit BNSF to cross-over a segment of KJRY's trackage to Keokuk, IA. Smurfit-Stone Container Corporation believes that these rights are essential in order for BNSF to continue to provide timely, reliable, and efficient service to the Smurfit-Stone Container facility located on BNSF's Mooar Line.

Smurfit-Stone Container Corporation at Keokuk, IA produces Corrugated Boxes and relies on BNSF to handle twelve carloads of pulpboard each week to its Keokuk facility. BNSF rail service is necessary for us to receive raw materials from mills in the south and west.

Beginning Monday, March 1, 1999, KJRY began physically blocking BNSF's access to the crossing leading to the Mooar Line with one of KJRY's trains. Had BNSF been unable to serve the Smurfit-Stone Container at Keokuk, IA for more than 5 days, Smurfit-Stone Container would have had to shut down its Keokuk, IA operations. This would have had disastrous consequences for both Smurfit-Stone Container and for paper mills located in Louisiana, Montana, Arizona, Florida and South Carolina.

It is my understanding that on March 2, 1999, in an effort to ensure service for shippers located along the Mooar Line, BNSF agreed to a temporary arrangement whereby KJRY would handle BNSF trains across the KJRY track leading up to the Mooar Line. Although KJRY has labeled this a "switching arrangement," it resembles no such thing. Instead, KJRY merely pushes the BNSF cars and locomotives over the short crossing segment leading to the Mooar Line for inbound movements, and pulls the BNSF cars and locomotives over the short crossing segment for outbound movements. KJRY is charging BNSF \$85.00 per car and locomotive for this "switching" service.

Smurfit-Stone Container Corporation has a number of concerns regarding the current arrangements between BNSF and KJRY. First and foremost, Smurfit-Stone Container Corporation is concerned that BNSF will be forced to raise rates considerably in order to cover KJRY's \$85.00 per car and locomotive charge. Further, there is no guarantee that KJRY will not continue to raise this "switching" rate.

Hon. Vernon A. Williams
April 14 , 1999
Page Two

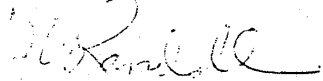
Smurfit-Stone Container Corporation is also concerned about BNSF's ability to provide timely and reliable service to customers located along the Mooar Line if BNSF is forced to continue to tender its cars and locomotives to KJRY. Because BNSF must deliver its cars and locomotives to KJRY's yard to the east of the Mooar Line, inbound shipments are delayed by at least forty minutes. Similarly, outbound shipments are delayed because KJRY brings the cars and locomotives to its yard to the east of the Mooar Line. Additionally, Smurfit-Stone Container Corporation is concerned that inbound service may be affected by the limited number of cars that BNSF can move up the steep grade at the beginning of the Mooar Line from a standing start.

Smurfit-Stone Container Corporation is further concerned the KJRY may seek to gain control of switching for all industries located along the Mooar Line. Smurfit-Stone Container is extremely satisfied with the service it receives from BNSF, and does not want KJRY to force BNSF off of the Mooar Line.

Therefore, I urge the Board to grant BNSF's Petition in order to ensure timely, reliable and cost-effective service for shippers and receivers located along the Mooar Line.

Please contact me at 618-463-6309 if I can provide you with any further information. I appreciate your attention to this very serious matter.

Yours truly,



W. D. Randall
Traffic Manager

/s/

cc: J P Scott
Charles Boswell - Stone Keokuk

CERTIFICATE OF SERVICE

CERTIFICATE OF SERVICE

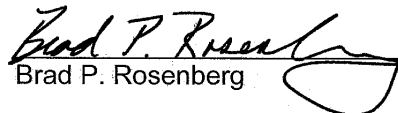
I hereby certify that on this 1st day of March, 2002, I caused copies of the foregoing Opening Statement Regarding Compensation and Other Terms to be served on the following individuals by the methods shown below:

By Hand Delivery:

William A. Mullins, Esq.
Thomas J. Healey, Esq.
Troutman Sanders LLP
401 9th Street, N.W.
Suite 1000
Washington, DC 20004-2134

By Third-Party Commercial Carrier:

Jonathan L. Kazense, Esq.
General Counsel
Pioneer Railcorp
1318 S. Johanson Road
Peoria, IL 61607-1119


Brad P. Rosenberg