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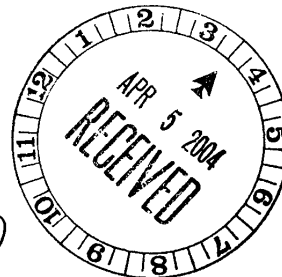
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April 5, 2004

Honorable Vernon A. Williams
Secretary
Surface Transportation Board
1925 K Street, N.W.
Room 700
Washington, D. C. 20423



RE: Docket No. AB-55 (Sub-No. 643X), *CSX Transportation, Inc.—Abandonment Exemption—in LaPorte, Porter, and Starke Counties, IN*

Dear Secretary Williams:

Enclosed are the original and 10 copies of the Response of CSX Transportation, Inc. to Request to Set Terms and Conditions by the Town of North Judson, in two volumes. Also enclosed are three 3.5-inch IBM-compatible floppy diskettes with the file Response.doc, Pemberton.doc, and Rex.doc. A significant portion of Volume II is in color.

Please time and date stamp the additional copies of this letter and both volumes of the Response and return them with our messenger. Thank you for your assistance.

If you have any questions, call or email me.

Sincerely yours,

A handwritten signature in black ink, appearing to be "L. Gitomer".

Louis E. Gitomer, Esq.

Enclosures

ENTERED
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Part of
Public Record

BEFORE THE
SURFACE TRANSPORTATION BOARD

DOCKET NO. AB-55 (SUB-NO. 643X)

CSX TRANSPORTATION, INC.—ABANDONMENT EXEMPTION—IN LAPORTE,
PORTER AND STARKE COUNTIES, IN

RESPONSE OF CSX TRANSPORTATION, INC. TO REQUEST TO SET TERMS AND
CONDITIONS BY THE TOWN OF NORTH JUDSON

VOLUME I

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Attorneys for: CSX TRANSPORTATION, INC.

Dated: April 5, 2004

BEFORE THE
SURFACE TRANSPORTATION BOARD

DOCKET NO. AB-55 (SUB-NO. 643X)

CSX TRANSPORTATION, INC.—ABANDONMENT EXEMPTION—IN LA PORTE,
PORTER AND STARKE COUNTIES, IN



RESPONSE OF CSX TRANSPORTATION, INC. TO REQUEST TO SET TERMS AND
CONDITIONS BY THE TOWN OF NORTH JUDSON

CSX Transportation, Inc. ("CSXT") responds to the Request to Set Terms and Conditions (the "Request") by the Town of North Judson ("TNJ"). CSXT requests that the Surface Transportation Board ("Board") reject the terms and conditions that TNJ seeks to have established. CSXT urges the Board: (1) to adopt CSXT's fully justified net liquidation value ("NLV") of \$ 2,431.288; and (2) to ensure an orderly transfer of the line by establishing the Board's typical terms of closing requiring that (i) payment will be made by cash or certified check; (ii) closing will occur within 90 days of the service date of the Board's decision in this matter; (iii) CSXT shall convey all property by quitclaim deed; and (iv) CSXT shall deliver all releases from any mortgage within 90 days of closing.

BACKGROUND

On November 3, 2003, CSXT filed a petition (the "Petition") under 49 U.S.C. 10502 for exemption from the provisions of 49 U.S.C. 10903 to abandon an approximately 32.97-mile line of railroad, in CSXT's Western Region, Chicago Division, Wabash Subdivision, extending from milepost CF 0.63, at LaCrosse, to milepost CF 15.23, at Wellsboro ("Segment 1"), and from milepost CI 212.55, at TNJ, to milepost CI 230.92, at Malden ("Segment 2"), in LaPorte, Porter and Starke Counties, IN (the "Line"). The Board served and published in the Federal Register

(68 FR 65759-65760) a notice of the filing of the petition on November 21, 2003. *See CSX Transportation, Inc.—Abandonment Exemption—in LaPorte, Porter and Starke Counties, IN*, STB Docket No. AB-55 (Sub-No. 643X) (STB served November 21, 2003). The Board granted the petition. *CSX Transportation, Inc.—Abandonment Exemption—in LaPorte, Porter and Starke Counties, IN*, STB Docket No. AB-55 (Sub-No. 643X) (STB served February 20, 2004).

On March 1, 2004, TNJ filed an offer of financial assistance ("OFA") to acquire the Line. The Board determined that TNJ was financially responsible, accepted TNJ's OFA, postponed the effective date of the abandonment, and gave the parties until March 31, 2004 to negotiate the terms and conditions of the purchase price. *CSX Transportation, Inc.—Abandonment Exemption—in LaPorte, Porter and Starke Counties, IN*, STB Docket No. AB-55 (Sub-No. 643X) (STB served March 4, 2004). TNJ and CSXT negotiated, but did not reach an agreement. On March 31, 2004, TNJ filed the Request.

TNJ's Request contains a brief, and one verified statement by Mr. Gary E. Landrio ("Landrio VS"). TNJ asks the Board to set the purchase price for the Line at \$ 1,076,250. As CSXT will prove, TNJ has not met its burden of proof or justified its valuation of the property. TNJ has not asked the Board to set any other terms and conditions. The Board should set the purchase price of the Line at \$ 2,431.288, and impose only its standard terms and conditions, as requested by CSXT. CSXT justifies its valuation through the testimony of Mr. William R. Pemberton ("Pemberton VS") and Mr. Charles W. (Sandy) Rex III ("Rex VS"). Mr. Pemberton testifies to the net salvage value (the "NSV") of the tracks, ties and other track material (the "Track Components"). Mr. Rex prepared an appraisal of the real estate and testifies to his calculation of the net liquidation value of the real estate.

ARGUMENT

There are two standard components of NLV, the NSV of the Track Components and the

net liquidation value of the real estate ("NLV-R") in the Line. The two components of NLV are addressed below. CSXT and TNJ disagree as to the values of the NSV for Track Components and the NLV-R.

I. VALUATION.

A. General Evidentiary Standards.

Proceedings to set conditions and compensation are governed by 49 U.S.C. §10904(d)-(f). Under section 10904(f)(1)(B), the Board may not set a price that is below the fair market value of the line. In the leading case in this area, *Chicago N.W. Transp. Co.-Abandonment*, 363 I.C.C. 956 (1981) ("*Lake Geneva Line*"), *aff'd sub nom. Chicago and North Western Transp. Co. v. United States*, 678 F.2d 665 (7th Cir. 1982), the Board's predecessor, the Interstate Commerce Commission (the "ICC") determined that in the absence of a higher going concern value for continued rail use, the proper valuation standard in proceedings under section 10904 is the NLV of the rail properties for their highest and best nonrail use. *New York Central Lines, LLC—Abandonment Exemption—in Berkshire County, MA*, STB Docket No. 565 (Sub-No. 3X) (STB served April 19, 2002) ("*NYC*"), at 3. CSXT accepts the use of the NLV standard here, and urges the Board to accept CSXT's valuation of real estate.

B. Burden of Proof.

In proceedings to set terms, the Board has established that the burden of proof is on the offeror, the proponent of the requested relief. 49 C.F.R. § 1152.27(h)(3). Under this standard, TNJ has the burden of proof. Indeed, the Board has consistently found that placing the burden of proof on the offeror is particularly appropriate in these proceedings because the offeror has the right to withdraw its offer if the established purchase price proves unacceptably high, while the

rail carrier is required to sell its line to the offeror at the sale price set by the Board even if the carrier views the price as too low. *See NYC*, at 4; *Lake Geneva Line*, at 961; *The Grand Trunk Western Railroad Company--Abandonment--in Clark, Madison and Fayette Counties, OH*, ICC Docket No. AB-31 (Sub-No. 29) (ICC served June 26, 1990) ("*Grand Trunk*"). Thus, in areas of disagreement, the offeror must present more detailed evidence or analysis or provide more reliable and verifiable documentation than that which the carrier submits. Absent detailed evidence supporting the offeror's estimates and contradicting the rail carrier's estimates, the Board accepts the carrier's estimates in a forced sale context. *See Fillmore Western Railway Company-Abandonment Exemption-In Fillmore County, NE*, STB Docket No. AB-492 (Sub-No. 2X) (STB served October 31, 2001); *Burlington Northern Railroad Company-Abandonment Exemption-In Sedgwick, Harvey and Reno Counties, KS*, ICC Docket No. AB-6 (Sub-No. 358X) (ICC served June 30, 1994); *Norfolk Southern Railway Company--Abandonment Exemption--Between Red Bay and Haleyville, AL in Franklin, Marion and Winston Counties, AL*, ICC Docket No. AB-290 (Sub-No. 123X) (ICC served October 8, 1993) ("*Norfolk Southern*"); *Buffalo Ridge Railroad, Inc.--Abandonment Exemption--Between Manley, MN and Brandon, SD*, ICC Docket No. AB-377X, ICC served January 22, 1993) ("*Buffalo Ridge*"); *Baltimore & O. R. Co.--Exemp. -- Aband. in Harrison, Doddridge, Ritchie and Wood Counties, WV*, ICC Docket No. AB-19 (Sub-No. 125X) (ICC served February 8, 1988) ("*B&O I*"); *Chicago & N.W. Transp. Co.--Aband. Exemp.--Mason City, IA*, ICC Docket No. AB-1 (Sub-No. 205X) (ICC served November 27, 1987) ("*CNW I*"); and *Conrail Aband. in Chicago, IL*, ICC Docket No. AB-167 (Sub-No. 970N) (ICC served May 5, 1987) ("*Conrail*").

All areas where the evidence is equal or the offeror presents the less convincing evidence, or no evidence, must be resolved in favor of the railroad. *See NYC*, at 4; *Grand Trunk, supra*; *Norfolk Southern, supra*; *Buffalo Ridge, supra*; *B&O I, supra*; *CNW I, supra*; and *Conrail, supra*.

C. NSV of Track, Ties and Other Track Material.

TNJ accepts the NSV of \$1,050,550 of the Track Components presented by CSXT in the Petition. Request at 4. TNJ presents no evidence as to the quantity, quality, and value of the Track Components comprising the NSV. The NSV of the Track Components in the Petition was calculated using 2002 unit prices. CSXT has taken the same quantity and quality of the Track Components that TNJ has accepted from the Petition and calculated the NSV using 2004 unit prices resulting in an NSV of the Track Components of \$1,952,288.

Mr. Pemberton personally inspected the Line over several days in July 2003. Using CSXT's records and during the inspection, Mr. Pemberton determined the quantity and quality of the Track Components (Pemberton VS, Exhibit 2). TNJ does not question the quantity and quality of the Track Components. CSXT contends, therefore, that CSXT and TNJ agree as to the quantity and quality of the Track Components.

TNJ did not introduce any evidence as to the value of the Track Components, it merely accepted the valuation in the Petition. As a prudent and reasonable seller, CSXT reviewed the valuation of the Track Components to see if there had been any changes between 2002 and 2004. Mr. Pemberton found that the value of scrap steel had increased substantially due to international demand from \$85 per ton to \$235 per ton (Pemberton VS, Exhibit 3). Mr. Pemberton

recalculated the NSV of the Track Components using the latest 2004 data. The result is an NSV for Track Components of \$1,952,288.

In the absence of any evidence to the contrary, which TNJ did not produce, CSXT urges the board to accept its fully justified NSV for Track Components of \$1,952,288.

D. Real Estate Valuation. The methods used by CSXT and TNJ to obtain the NLV-R could not have been more different.

1. CSXT's calculation of NLV-R.

CSXT retained Mr. Rex of RMI Midwest and asked him to appraise the Real estate in the Line. Mr. Rex is a certified appraiser with over 30 years of experience. Mr. Rex prepared an appraisal of the Line following usual and generally accepted appraisal procedures. Mr. Rex personally inspected the Line (Rex VS, Exhibit 1 at 1). He then determined that CSXT owned 225.83 acres in fee simple (Rex VS, Exhibit 1, 4-5 and Addendum-Title maps), and valued 217.84 acres. Mr. Rex excluded 7.69 acres owned in fee from his appraisal because they were non-operating parcels. The next step was to determine the across-the-fence values for the Line (Rex VS, Exhibit 1, 5-11 and Addendum –SAT10 aerials and Comparable sales map).

Mr. Rex next concluded that the cost to sell the real estate would be 11 percent and that it would take seven years to sell the real estate, equally distributed each year (Rex VS, Exhibit 1, 12). Mr. Rex also concluded that CSXT would only be able to sell 85 percent of the fee owned real estate and reduced the acreage to be sold accordingly. Finally, Mr. Rex took into account the time value of money and prepared a discounted cash flow analysis for the seven year sale of the real estate. The result of Mr. Rex's detailed and diligent effort is an NLV-R of \$479,000.

TNJ raises several issues with Mr. Rex's Appraisal.

First, Mr. Landrio claims that there is a discrepancy in the fee title reported by CSXT and that used by Mr. Rex in the Appraisal. Landrio VS at 3. The only discrepancy is that Mr. Landrio only considered CSXT's title in Segment 2. Mr. Rex explains that the total fee acreage in Segment 2 is the 214.89 acres Mr. Landrio uses. Mr. Rex also explains that Mr. Landrio failed to add the 10.64 acres of fee real estate from Segment 1 and failed to exclude the 7.69 acres of non-operating fee real estate. There is no discrepancy in CSXT's calculation of fee simple acreage, the only discrepancy is Mr. Landrio's failure to consider all of the evidence.

Mr. Landrio next claims that Mr. Rex did not consider sales from the old abandoned right-of-way in calculating NLV-R. Landrio VS at 4. Mr. Rex correctly explains that he did not use those sales because: (1) the most recent from 1995 is too old to be relevant; (2) they are not across-the-fence from the real estate in the Line; and (3) it is not considered valid appraisal practice to only consider sales from one seller, especially when that seller is also the owner of the subject property (CSXT).

Mr. Landrio next claims that CSXT did not include a reduction in the NLV-R for the removal of embankments. Mr. Pemberton addressed the issue of embankments. Mr. Pemberton notes that (1) CSXT did not value the ballast on the Line, even though it is worth about \$3,000 per mile net of removal and transportation costs, and (2) that TNJ overstates the embankments to be removed because not all of the fee simple owned real estate will be sold. Mr. Pemberton concludes that the ballast value more than offsets the removal costs of any embankments.

Finally, Mr. Landrio questions the utility of the Line for farm use because "most railroad embankments were made from cinders." Landrio VS at 4. Mr. Landrio provides no evidence of the content of the embankments on the Line, nor does he produce any evidence of the soil

composition of the Line. Mr. Landrio has not stated that he is an expert in railroad construction, chemistry, or agronomy. TNJ's claim that some of the real estate on the Line cannot be used for farming is not founded on evidence, but on supposition by a lay man. CSXT contends that the Board should give no weight to this argument.

2. TNJ has not presented a valid appraisal.

Mr. Landrio claims that the best way to appraise the Line is to look at the results from the sale of two other rail corridors that were abandoned by CSXT 23 and 17 years ago. Landrio VS at 5. Mr. Rex succinctly refutes Mr. Landrio's claim when he states "Neither the TNJ Request nor Mr. Landrio's verified statement contains an independent real estate appraisal as defined by the minimum standards set forth in the Uniform Standards of Professional Appraisal Practice." Rex VS at 32. Mr. Rex goes on to state that "Mr. Landrio is not a certified real estate appraiser; is not listed on the National Registry of Certified and Licensed Appraisers; and does not hold an appraisal designation from a recognized appraisal organization. That may explain Mr. Landrio's decision to adopt a methodology of comparing sales in other rail corridors to calculate NLV. I note, that Mr. Landrio provides no support from appraisal literature for this theory and urge the Board to reject it." Rex VS at 34.

TNJ cites *Illinois Central Gulf R. Co.—Abandonment*, 363 I.C.C. 866, 874 (1981) ("ICG") for the proposition that comparison of rail corridors is a valid methodology for calculating NLV-R. In *ICG*, the Interstate Commerce Commission (the "ICC") was asked to set terms and conditions for a subsidy, not an acquisition. As part of the subsidy the ICC had to include a return on value, including real estate. The offeror submitted an appraisal based on "piecemeal sale of the right-of-way" and "his valuation ... of the line and recent area sales." *ICG*

at 873. The railroad based its appraisal upon a comparison to a recent line sale. *Id.* The ICC accepted the offeror's appraisal, which was very similar to Mr. Rex's appraisal and rejected ICG's comparison. TNJ presented an egregious misrepresentation of the ICC's holding in the partial quotation it presented. Request at 6. With the background of the positions of the parties, and the full language the Board can see that the ICC rightly rejected the comparable corridor approach.

We shall accept IDOT's valuation. ICG's estimates are unreasonably high in comparison to recent comparable sales of right-of-way. ICG's valuation does not appear to take into account some of the risks inherent in selling a right-of-way in a piecemeal fashion including the possibility of no willing purchasers. While ICG's appraiser did consider restoration costs, he did not take into account the lower market value of the less productive restored land. ICG relies upon the fact that its valuation is comparable to a recent sale of its Freeport-Madison line. For the purposes of calculating the return on investment, the value of the property is to be based on its highest and best use for other than rail purposes. See 49 CFR 1121.44. The Free-Madison sale is therefore irrelevant.

IDOT's valuation seems to be in line with recent sales in the area and is based upon a reasonable assessment of the highest and best use of the property exclusive of railroad purposes.

ICG at 874.

The Board rejected the use of unit costs based on former rail corridors saying that "we do not consider this an acceptable method of valuation for NLV purposes." *Boston and Maine Corporation—Abandonment—in Hartford and New Haven Counties, CT*, STB Docket No. AB-32 (Sub-No. 83) (STB served July 1, 1998), at 6. Instead the Board concluded "The highest and best non-rail use is to sell parcels to adjoining landowners or other interested parties. We find the ATF method of valuation is appropriate for this case." *Id.* Mr. Rex prepared an acceptable ATF valuation for CSXT, while Mr. Landrio prepared an unacceptable corridor comparison.

Mr. Landrio never demonstrates that he met his own criteria for using his unacceptable

methodology. Mr. Landrio claims that "Care must be given when doing this research to find corridors with similar adjacent property values, fee title and on right-of-way conditions."

Landrio VS at 3. Mr. Landrio never did this. He failed his own test. Indeed, Mr. Landrio's own testimony explains the low percentage of CSXT sales from the two aged abandonments. As explained by Mr. Rex, CSXT owned a very small portion of the two lines in fee simple and could not sell that land.

3. The Board should accept CSX's appraisal and reject TNJ's appraisal.

The Board accepts land appraisals by experienced real estate appraisers covering comparable sales, site usage, and selling expenses. *The Baltimore and Ohio Railroad Company--Abandonment--in Ross County, OH*, ICC Docket No. AB-19 (Sub-No. 134X) (ICC served November 6, 1987) ("*B&O II*"). Here too, the offeror has the burden of proof.

a. *CSXT's appraiser has superior credentials and experience.*

The first issue is the credentials of the appraisers. Mr. Rex has been appraising rail corridors and rail related properties for over 30 years. He holds the MAI designation granted by the Appraisal Institute. On the other hand, Mr. Landrio is not a certified appraiser. Rex VS at 34.

Even without the overriding principle that the offeror must carry the burden of proof, the appraisal performed for CSXT by Mr. Rex, more accurately determines the NLV-R than the appraisal performed for TNJ by Mr. Landrio.

b. CSXT's appraiser followed Board procedures.

In addition, Mr. Rex determined the ATF for all of the parcels in the Line and calculated the NLV-R for the Line. Mr. Landrio did not, he relied on land sales that were not across-the-fence from the Line.

c. TNJ's appraisal does not follow accepted appraisal procedures.

Mr. Rex is a certified appraiser and followed generally accepted appraisal methodology, and specifically methodology that the Board has accepted, in preparing his appraisal. Mr. Landrio is not a certified appraiser, has attempted to apply a methodology that is not accepted by Uniform Standards of Professional Appraisal Practice, has been rejected by the ICC and Board, and does not even meet the criteria that Mr. Landrio established.

TNJ must meet its burden of proof. TNJ has had Mr. Rex's appraisal for months and has not been able to that it is defective. CSXT has had only five days to review Mr. Landrio's appraisal and has clearly demonstrated that it does not follow accepted practice and should be accorded no weight in determining the NLV-R.

4. NLV-R Conclusion.

TNJ has not met its burden of proof as far as establishing the NLV-R. Instead, CSXT has presented the more convincing and accurate appraisal of the value of the real estate as \$479,000.

II. CLOSING CONDITIONS

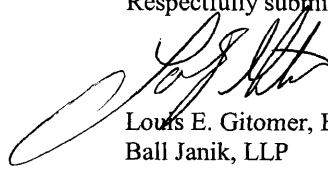
TNJ has not requested the Board to establish closing conditions. CSXT respectfully requests the Board to adopt its usual closing conditions requiring that (i) payment be made by cash or certified check; (ii) closing occur within 90 days of the service date of the Board's

decision in this matter; (iii) CSXT convey all property by quitclaim deed; and (iv) CSXT deliver all releases from any mortgage within 90 days of closing.

CONCLUSION

CSX respectfully requests the Board to set the purchase price for the Line at \$ 2,431.288, and establish the customary closing conditions.

Respectfully submitted,



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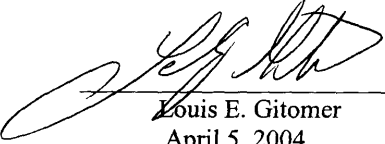
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500 Water Street
Jacksonville, FL 32202
(904) 366-4228

Attorneys for: CSX TRANSPORTATION, INC.

Dated: April 5, 2004

CERTIFICATE OF SERVICE

I hereby certify that I have caused the Response of CSX Transportation, Inc. to Request to Set Terms and Conditions by the Town of North Judson to be served upon counsel for the Town of North Judson by express mail.



Louis E. Gitomer
April 5, 2004

BEFORE THE
SURFACE TRANSPORTATION BOARD

DOCKET NO. AB-55 (SUB-NO. 643X)

CSX TRANSPORTATION, INC.—ABANDONMENT EXEMPTION—IN LAPORTE,
PORTER AND STARKE COUNTIES, IN

VERIFIED STATEMENT OF WILLIAM R. PEMBERTON

My name is William R. Pemberton. I have recently retired from CSX Transportation, Inc. ("CSXT") after working for over 36 years for CSXT and its predecessors. Before I retired, I was Assistant Director Plant Rationalization-Asset Management for CSXT. The purpose of this statement is to explain to the Surface Transportation Board (the "Board") my conclusion that the net salvage value (the "NSV") for the track, ties and other track material that are the subject of the offer of financial assistance filed by The Incorporated Town of North Judson (the "TNJ") is \$1,952,288 (See Exhibit 2).

In my last position with CSXT, among other duties, I provided track valuation information for abandonments, shortline sales, leases and passenger contract activities. In my 36 years with CSXT and its predecessors I have held various engineering positions. My resume is attached as Exhibit 1.

I am familiar with the 32.97-mile line of railroad, in CSXT's Western Region, Chicago Division, Wabash Subdivision, extending from milepost CF 0.63, at LaCrosse, to milepost CF 15.23, at Wellsboro ("Segment 1"), and from milepost CI 212.55, at North Judson, to milepost CI 230.92, at Malden ("Segment 2"), in LaPorte, Porter and Starke Counties, IN (the "Line"). I personally inspected the Line for several days in July 2003. During the inspection, I counted the ties and evaluated the quality of the track, ties and other track materials. I have reviewed the

Request for Establishment of Conditions and Compensation filed with the Board on March 31, 2004 by TNJ ("TNJ's Request").

TNJ agreed with the NSV CSXT calculated for the track, ties, and other track material of \$1,050,550 in the Petition for Exemption that CSXT filed on November 3, 2003 (the "Petition"). In agreeing to CSXT's NSV, TNJ accepted the quantity and quality of track, ties, and other track material used to calculate NSV. However, the NSV was calculated using steel values from 2002. In response to TNJ's Request, I have calculated NSV using steel values which CSXT obtained in the first quarter of 2004. I have attached spreadsheets with the 2002 and 2004 data as Exhibit 3.

CSXT'S VALUATION

Based on my inspection of the Line, I have determined the quantity and quality of the track, ties, and other track material on the Line, as can be seen in Exhibit 2. After I determined the quality and quantity of material, I contacted the CSXT's Senior Manager for the most recent values for track, ties, and other track materials (See Exhibit 3). The value is derived from the average of the latest quotes from Progress Rail, A&K Rail, L.B. Foster, and Unitrack Rail Products. Instead of using the highest available value from the four suppliers, I have adopted CSXT's conservative approach and used the average value from four companies that are in the business of buying and selling scrap and reusable rail, ties and other track materials. There has been a substantial increase in the value of steel from 2002 to 2004 due to world demand, especially coming from China.

I applied the latest prices for materials to the quantities and qualities, as shown in Exhibit 2. The gross salvage value of Segment 1 is \$1,133,959, and of Segment 2 is \$1,635,627, a total of \$2,769,586.

Having determined the gross salvage value of the Line, I calculated the cost to remove and transport the track, ties and other track material using CSXT system wide average costs. These costs in Exhibit 2 include an element for transportation. The removal costs for Segment 1 are \$311,318, and for Segment 2 are \$505,980, a total of \$817,298 in removal costs for the Line.

Based on the gross salvage value less removal and transportation costs, the NSV of the track, ties and other track material is \$1,952,288.

THE EMBANKMENT ISSUE

TNJ claims that portions of the Line are built on an embankment ranging from three to five feet high. TNJ also claims that it will cost about \$105,796 to remove the embankment from about 225.53 acres to make the real estate saleable. But, as Mr. Rex explains, he has not included 7.69 acres of non-operating property in the valuation and that he concludes that CSXT be able to sell only 85 percent of the relevant 217.84 acres it owns in fee, or 185.16 acres. Only 82 percent ($185.16/225.53$) of CSXT's real estate owned in fee has been valued and included in the NLV calculation.

Since only 82 percent of the fee real estate is included in the NLV, TNJ's adjustment to remove embankments should only apply to that land. Applying 82 percent to the \$105,796 removal cost reduces the removal cost to \$86,753.

CSXT has not included the value of ballast in calculating the NSV. The net value of removed ballast is \$3,000 per mile to CSXT. Hence after removal costs, CSXT will either sell the ballast, or forego the cost of purchasing ballast, at \$3,000 per mile, a total of \$98,910 for the 32.97-mile line. The additional \$98,910 the CSXT will realize from ballast will more than offset the removal cost of any embankment as proposed by TNJ. Hence, the embankment issue raised by TNJ does not reduce the NLV.

CONCLUSION

I have determined the quantity and quality of the track, ties and other track material on the Line, which TNJ has not disputed. I have obtained the latest prices for the track, ties and other track material on the Line and applied it to the quantities and quality of material on the Line in Exhibit 2 to calculate the gross salvage value. TNJ presented no evidence on the price of track, ties and other track material. I then used CSXT's system average costs for the removal and transportation of the track, ties and other track material on the Line to reduce the gross salvage value to the NSV of \$1,952,288.

EXHIBIT 1 – RESUME

William R. Pemberton

1558 Eddings Grove Lane • Jacksonville, FL 32221 • 904-786-4478

BACKGROUND SUMMARY

Thirty-six years of successful experience in Railroad engineering with proven skills in organization, technical data analysis and coordination of System, Regional and Divisional office and field operations and activities.

CAREER HISTORY AND ACCOMPLISHMENTS

CSX Transportation

Assistant Director – Plant Rationalization (December 2002 to March 2004)

Jacksonville, Florida

- Coordinated with the Engineering Department regarding line rationalization projects.
- Provided track valuation information and engineering support for Asset Management activities including Class 1 estimates, asset removal accounting, shortline railroad sales or leases, and passenger contract activities.
- Calculated net liquidation values (NLV's) for track to be abandoned, sold or leased. Submitted abandonment NLV's as part of company filings with the Surface Transportation Board.
- Coordinated with Investment Recovery Department for track removal including preparing recovery estimates and monitoring post-abandonment activities.
- Assisted in setting department agenda and plan for the annual Rationalization Program.

Regional Project Manager (January 2000 to December 2002)

Jacksonville, Florida

- Reviewed and monitored all Engineering projects in the Southern Region (Florida, Georgia, South Carolina, North Carolina, Alabama, Mississippi, Tennessee) that required Chief Regional Engineer review and approval.
- Worked closely with internal groups such as Real Property, Property Services, Law Department, Asset Management, Chief Engineer Maintenance, Chief Engineer D&C, Industrial Development, Sales & Marketing, Transflo, Intermodal and Transportation.
- Interacted with external customers including the each state's Department of Transportation, County and City Officials throughout the entire Region, construction contractors, consulting engineering firms, utilities, existing and potential rail served customers, and the general public.

Project Engineer

Jacksonville Division (*January 1994 to January 2000*)

Mobile Division (*September 1992 to January 1994*)

Atlanta Division (*February 1988 to September 1992*)

- Responsible for implementing and completing Engineering projects in each respective region.

Clearance Engineer (1975 to February 1988)

Huntington, West Virginia

- Accumulated field data for preparation and publication of clearance diagrams.
- Worked closely with all levels of field operating and engineering management to assure safe and efficient operation.
- Prepared annual system program consistent with Clearance Bureau priorities.
- Investigated special requests or projects resulting from track or structural disturbances.
- Coordinated various interdepartmental projects and special studies for clearance improvement proposals to accommodate excessive dimensional or oversize shipments.

William R. Pemberton

Page 2

EDUCATION

Marshall University - Huntington, WV - Attended 1963 / 1965
St. Joseph High School - Huntington, WV - Graduated 1963

PROFESSIONAL AFFILIATIONS

American Railway Engineering Association (AREA) – 8 years.
Railway and Industrial Clearance Association (RICA) – 2 years.

EXHIBIT 2 – NET SALVAGE VALUE

EXHIBIT
(Segment 1)

Description: Wabash S/D - CF 0.63 / 15.23
Includes: 14.60 Miles of Main Line, 4 Turns

DESCRIPTION OF ITEM	
PER	
Description: Wabash S/D - CF 0.63 / 15.23	
Includes: 14.60 Miles of Main Line, 4 Turnouts and 1,388 TF of Side Tracks	

[illegible]

W.R. Pemberton
Jacksonville, Fl.
Date: August 4, 2003

SBORO TO

Last Revised: March 28, 2004 (Scrap Value)

(Segment 2)

Description: Wabash S/D - CI 212.55 / 230.92

Includes: 18.37 Miles - Main Line, 6 Turnouts and 9,608 TF of Side Track

[illegible]

TOTAL WABASH SUB NLV	1,952,287.04
-----------------------------	---------------------

W.R. Pemberton
Jacksonville, Fl.

Date: August 4, 2003

Last Revised: March 23, 2004 (Scrap Value)

EXHIBIT 3 – PRICES

2002

[illegible]

2004

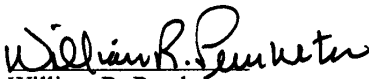
andscape

Last Revised - January 23, 2004

VERIFICATION

I, William R. Pemberton, verify under penalty of perjury under the laws of the United States that the foregoing is true and correct. Further, I certify that I am qualified and authorized to file this Verified Statement.

Executed April 2, 2004.


William R. Pemberton

BEFORE THE
SURFACE TRANSPORTATION BOARD

DOCKET NO. AB-55 (SUB-NO. 643X)

CSX TRANSPORTATION, INC.—ABANDONMENT EXEMPTION—IN LAPORTE,
PORTER AND STARKE COUNTIES, IN

VERIFIED STATEMENT OF CHARLES W. (SANDY) REX III

My name is Charles W. (Sandy) Rex III. I am co-owner of RMI Midwest (“RMI”), a firm specializing in real estate appraisal. The purpose of this statement is to present the appraisal of the real estate that I performed and to critique the comments of the Town of North Judson (“TNJ”) with respect to the real estate.

I have been appraising real estate since 1971. I am an Indiana Certified General Appraiser, among other states, and Member of the Appraisal Institute. My resume is attached to the Appraisal, Exhibit 1.

CSX Transportation, Inc. (“CSXT”) asked RMI to appraise the real estate in its 32.97-mile line of railroad, in CSXT’s Western Region, Chicago Division, Wabash Subdivision, extending from milepost CF 0.63, at LaCrosse, to milepost CF 15.23, at Wellsboro (“Segment 1”), and from milepost CI 212.55, at North Judson, to milepost CI 230.92, at Malden (“Segment 2”), in LaPorte, Porter and Starke Counties, IN (the “Line”). I personally inspected the Line on October 9, 10 and 30, 2003. I have reviewed the Request for Establishment of Conditions and Compensation filed with the Board on March 31, 2004 by TNJ (“TNJ’s Request”).

I completely disagree with TNJ’s approach to appraising the Line. I disagree with the methodology used and the results produced. After reviewing my Appraisal and TNJ’s Request, I

continue to conclude that the net liquidation value (the "NLV") of the real estate in the Line is \$479,000.

CSXT'S VALUATION

I began my valuation by inspecting the Line and reviewing relevant maps (Exhibit 1, page 2). I determined that an across-the-fence valuation, without an additional corridor factor was the proper means of valuing the real estate in the Line (Exhibit 1, page 2).

I reviewed CSXT's title analysis and maps so that I would value only the real estate CSXT held in fee simple. I also excluded non-operating real estate. I valued no other real estate along the Line. There are 413.58 acres in the Line, of which 225.83 are held by CSXT in fee simple and 217.84 were valued (Exhibit 1, page 5).

I reviewed local zoning and land use maps, along with my physical inspection of the Line to determine the highest and best non-rail use of each parcel based on the adjoining land (Exhibit 1, page 5), which is cropland, rural residential, single-family residential, commercial, and industrial (Exhibit 1, page 6). I then found comparable land sales that I used to calculate an average value per acre for the different uses (Exhibit 1, pages 7-11). My next step was to estimate, based on my experience, that 85 percent of the corridor could be sold off in equal amounts over a seven year period and that the cost of sales would be 11 percent (Exhibit 1, page 12). A discounted cash flow analysis was conducted using an 18 percent yield rate to conclude that the present day NLV of the real estate on the Line is \$479,000 (exhibit 1, page 12).

The maps, pictures, aerial photographs, comparable sales maps, title maps, and USGS topographical maps used in my appraisal are in the Addendum to Exhibit 1. My professional opinion is that the present day NLV of the real estate in the Line is \$479,000.

CRITIQUE OF TNJ

I have reviewed TNJ's Request, particularly the verified statement of Mr. Gary E. Landrio ("GEL"). Neither the TNJ Request nor Mr. Landrio's verified statement contains an independent real estate appraisal as defined by the minimum standards set forth in the Uniform Standards of Professional Appraisal Practice (USPAP). The only appraisal in TNJ's Request is the one I prepared on November 26, 2003 for CSXT.

1. Response to critique of the November 26, 2003 RMI appraisal.

a. The acreage used in the CSXT appraisal is correct.

Mr. Landrio claims that there is a discrepancy in the fee title used in the RMI Appraisal. In actuality, the discrepancy is in Mr. Landrio's analysis. Appendix 3 to TNJ's Request only shows 214.89 acres, but that is only the fee acreage in Segment 2. Appendix 3 does not include any acreage from Segment 1.

The acreage in Segment 2 is shown on CSXT Title maps 17360, 17361, 17362, 17363, 17364, 17365, 17366, 17367, 17368, 17369, 17370, 17372, 17373, 17374, 17375, 17376, 17377, 17378, and 17379 in the Addendum to Exhibit 1. Total acreage on Segment 2 is 236.23 acres, and there are 214.89 acres of fee ownership. The acreage in Segment 1 is shown on CSXT Title maps 22851, 22853, 22854, 22855, 22856, 22858, 22860, 22862, 22863, 22864, and 22865. Total acreage on Segment 1 is 185.35 acres, and there are 10.64 acres of fee ownership. Of the 225.53 acres of fee simple real estate, I excluded 7.69 acres from the NLV calculation because they are non-operating parcels.

Mr. Landrio criticizes my Appraisal, Landrio at 3, because he wrongly considered the acreage on Segment 2 and not for the entire Line.

b. Proper comparables were used in the Appraisal.

Mr. Landrio claims that the Appraisal did not use “even one right-of-way sale in their determinations of value.” Mr. Landrio believes that an appraisal must consider abandonments of other rail lines. He specifically refers to two CSXT abandonments that occurred 23 and 17 years ago. I did not consider sales from those abandonments for three reasons. First, the sales were too old to be of any relevance. Even Mr. Landrio admits that the most recent sale from these abandoned lines was in 1995 (GEL-2). Second, these sales are not across-the-fence from the Line and are not comparable. Thirdly, to only consider sales from one seller, especially when that seller is also the owner of the subject property (CSXT), is not considered valid appraisal practice. In addition, if Mr. Landrio were a certified appraiser and/or designated appraiser, he would know that the use of the CPI index is not a valid or recognized method of making time adjustments in real estate sales.

c. The cost to remove embankments will be offset by the value of ballast.

Mr. Landrio claims that the land is acidic from the use of cinders in building embankments. In addition, Mr. Landrio states, without proof, that the embankments contain cinders, are acidic and cannot be farmed. I have reviewed Mr. Landrio’s statement and have found no evidence that he is an expert in railroad construction, chemistry, or agronomy. The deductions used in the Appraisal are those typical in the sale of railroad real estate, which I consider reasonable based on my experience. Moreover, as Mr. Pemberton explains in his testimony, any cost to remove embankments will be offset by the value of ballast to CSXT, and there is no need to adjust the NLV of the Line to remove embankments.

2. Critique of Mr. Landrio's methodology.

Mr. Landrio is not a certified real estate appraiser; is not listed on the National Registry of Certified and Licensed Appraisers; and does not hold an appraisal designation from a recognized appraisal organization. That may explain Mr. Landrio's decision to adopt a methodology of comparing sales in other rail corridors to calculate NLV. I note, that Mr. Landrio provides no support from appraisal literature for this theory and urge the Board to reject it. Mr. Landrio looks at two rail corridors that were abandoned 23 and 17 years ago. As I noted before, there are three major infirmities in this type of analysis. First, the sales are very old. Second, there is no evidence that the real estate in the abandoned lines exhibits the same types of valuation characteristics as the real estate in the Line. Third, to only consider sales from one seller, especially when that seller is also the owner of the subject property (CSXT), is not considered valid appraisal practice.

Mr. Landrio also claims that the percentage of saleable real estate in the Line must be the same percentage as was sold from the two abandoned lines. Mr. Landrio gives no justification for his theory and there is no justification in appraisal literature. One reason CSXT did not sell 100 percent of the abandoned lines is because CSXT did not own that real estate in fee title. As can be seen from the section of Mr. Landrio's analysis titled "Analysis of Court House Documents" there were many instances where CSXT did not respond to claims by adjacent property owners. CSXT did not go to the expense of responding because it knew that the adjacent property owners were seeking reversion of real estate that CSXT did not own in fee. Mr. Landrio appears to take the percentage of land not sold in the two old abandonments and applies that percentage to the fee title in the Line. He is wrong. As stated before, most of the title to the real estate in the two old abandonments was not owned by CSXT in fee. For the Line,

there are 225.83 acres that CSXT owns in fee, of which 217.84 acres were valued. TNJ did not challenge the analysis of the fee title. Real estate held by non-fee title has not been valued. It is entirely proper to value the fee owned real estate.

Mr. Landrio's methodology has no basis in appraisal theory or logic and should not be considered.

CONCLUSION

I have appraised the real estate in the Line by inspecting the Line, determining the real estate owned by CSXT in fee simple, determining the highest and best use of the real estate based on adjacent uses, obtained comparable sale data from across-the-fence sales, reduced the saleable real estate by 15 percent, applied an 11 percent cost of sales, conservatively determined that it would take seven years to sell of the real estate and conducted a discounted cash flow analysis over seven years based on an 18 percent yield. This valuation process resulted in an NLV for the real estate in the Line of \$479,000.

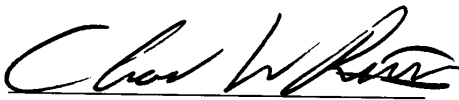
TNJ followed an unsupported and unacceptable valuation approach full of wrong assumptions and conclusions. The TNJ evaluation should be rejected because it failed to consider the unique aspects of the real estate in the Line and did not follow any generally accepted appraisal methodology.

CHARLES W. (SANDY) REX III, MAI
WILLIAM C. BRECKA, MAI
SUSAN MOTYCKA REX

VERIFICATION

I, Charles W. (Sandy) Rex III, verify under penalty of perjury under the laws of the United States that the foregoing is true and correct. Further, I certify that I am qualified and authorized to file this report.

Executed March 31, 2004


Charles W. (Sandy) Rex III

ORIGINAL

BEFORE THE
SURFACE TRANSPORTATION BOARD

DOCKET NO. AB-55 (SUB-NO. 643X)

CSX TRANSPORTATION, INC.—ABANDONMENT EXEMPTION—IN LAFORTE,
PORTER AND STARKE COUNTIES, IN

RESPONSE OF CSX TRANSPORTATION, INC. TO REQUEST TO SET TERMS AND
CONDITIONS BY THE TOWN OF NORTH JUDSON

VOLUME II – EXHIBIT 1 TO REX VERIFIED STATEMENT, APPRAISAL

ENTERED
Office of Proceedings

APR - 5 2004

Part of
Public Record

Jonathan C. Gold, Esq.
CSX Transportation, Inc.
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Jacksonville, FL 32202
(904) 366-4228

Louis E. Gitomer, Esq.
Ball Janik, LLP
1455 F Street, NW, Suite 225
Washington, DC 20005
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Attorneys for: CSX TRANSPORTATION, INC.

Dated: April 5, 2004



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847.920.9033 • FAX 847.920.9450

CHARLES W. (SANDY) REX III, MAI
WILLIAM C. BRECKA, MAI
SUSAN MOTYCKA REX

NET LIQUIDATION VALUATION OF
THE WABASH SUBDIVISION IN
LAPORTE, PORTER, AND STARKE COUNTIES, INDIANA



PREPARED FOR

BRAD BECKWORTH
MANAGER, VALUATION
CSX REAL PROPERTY
301 WEST BAY STREET, STE. 800
JACKSONVILLE, FLORIDA 32202

DATE OF VALUE: OCTOBER 30, 2003
DATE OF REPORT: MARCH 31, 2004

PREPARED BY

RMI MIDWEST



1200 CENTRAL AVENUE, SUITE 230 • WILMINGTON, ILLINOIS 60091
847 920 9033 • FAX 847 920 9499

CHERIE W. SAKARY, REALTOR
WILLIAM J. FRIEDMAN, MA
SUSAN M. KUKA, MA

March 31, 2004

Brad Beckworth
Manager, Valuation
CSX Real Property
301 West Bay Street, Ste. 800
Jacksonville, Florida 32202

RE: Net liquidation value (NLV) estimate of the Wabash Subdivision in LaPorte, Porter, and
Starke Counties, Indiana

Dear Mr. Beckworth:

At your request, I have prepared an estimate of net liquidation value (NLV) of the rail line
referenced above. The date of valuation is October 30, 2003. This is a complete appraisal
communicated in a summary format. A self-contained narrative report can be prepared at your
request.

SCOPE OF WORK

The subject property was inspected on October 9 and 10, 2003, with portions re-inspected on
October 30, 2003. Across-the-fence (ATF) land uses were classified at that time based on
physical observation. Changes in land use were plotted on USGS topographical maps and digital
orthophotographic quarter quadrangle aerial photography using a GPS system. The subject
inspection was also recorded on a digital camcorder. The ATF land use lines were then plotted
on the CSX MicroStation files where the segment areas were calculated and rectified with the
area calculations made by the CSX RPI GIS Department.

A search for sales comparable to the ATF land uses was undertaken in LaPorte, Porter, and
Starke Counties. Each sale was plotted on digital maps and inspected by me on or about October
30, 2003.

The sales were analyzed, and an ATF value was estimated for each segment along the line. Since
this is an NLV estimate, ATF value estimates were applied only to those portions of the

Brad Beckworth
March 31, 2004
Page 3

segments owned in fee. The GIS department of CSX RPI prepared maps showing the fee-owned title within the subject corridor. Copies of these title maps are included in the Addendum to this report.

The NLV was then estimated based on the expected time it would take to disassemble and sell the fee parcels, taking into consideration the holding cost, the cost of sales, and the risk, or yield, rate required by an investor to undertake the selling of the dissembled parcels.

This appraisal does *not* include the valuation of any improvements, nor does it consider the cost of land clearing or grading.

As requested, this is a summary appraisal; therefore, the description of the subject property and valuation analysis are summarized in compliance with USPAP Standards Rule 2-2 (b).

PURPOSE AND INTENDED USE

The purpose of my valuation work is to provide a net liquidation value estimate to assist in the legal abandonment of the rail line and in contemplation of an offer of financial assistance (OFA) as part of the process before the Surface Transportation Board (STB). It is anticipated that the users of this report are CSX personnel, as well as STB staff.

DEFINITION OF NET LIQUIDATION VALUE

Net liquidation value shall be determined by computing the current appraised market value of the corridor property for other than rail transportation purposes, less all costs of dismantling and disposition of improvements necessary to make the remaining properties available for their highest and best use and complying with applicable zoning, land use, and environmental regulations.¹ *This is an appraisal of the land only; the net liquidation value of any improvements is not included.*

SUBJECT PROPERTY DESCRIPTION

The subject property is an approximately 32.97-mile corridor in CSXT's Western Region, Chicago Division, Wabash Subdivision, extending north/south from Mile Post CF 0.63 at LaCrosse, to Mile Post CF 15.23 at Wellsboro, and east/west from Mile Post CI 212.55 at North Judson, to Mile Post 230.92 at Malden. A map of the subject is on page 15.

¹ 49.CFR Ch. X (10/1/99 ed.) §1152.34 (c)(1)(iii).

Brad Beckworth
March 31, 2004
Page 4

A legal description was not provided for the subject property. It is, however, shown on the Val Maps identified by the following GIS file numbers:

17360	17372	22854
17361	17373	22855
17362	17374	22856
17363	17375	22858
17364	17376	22860
17365	17377	22861 ²
17366	17378	22862
17367	17379	22863
17368	22851	22864
17369	22853	22865
17370		

The following parcels, identified by their CSX RPI PINs, are specifically excluded from this valuation because they are considered non-operating and outside the required limits of the corridor.

- 18127-0055 (except for 78,243.24± square feet that are in the valued corridor)
- 19091-0127
- 18091-0128
- 18091-0129
- 19091-0125
- 18149-0008
- 18149-0022
- 18149-0021
- 18149-0002
- 18149-0016
- 18149-0014
- 18149-0013
- 18091-0064
- 18091-0065
- 18091-0159

²

This map is contained entirely within 22860, therefore, it is not shown as an exhibit in the Addendum.

Brad Beckworth
March 31, 2004
Page 5

The subject contains a total of 413.58 acres, 195.74 of which are owned in less-than-fee title. Only the 217.84 acres of fee-titled ownership are used to estimate the NLV.

The subject corridor is located in rural north central Indiana and runs through the small towns of LaCrosse and North Judson and through the small communities of Malden, Wellsboro, and Hanna. Within these towns and communities, the subject crosses through mostly single-family residential uses and some industrial and commercial uses. It is predominately level.

Most rural ATF land uses consist of cropland with some rural residential and woods.

At the time of inspection, the subject property was all active; however, the portion of the line between LaCrosse and North Judson, reportedly, had no rail traffic in 2003. Apparently, the only existing customer on the line is located at the westerly end in Malden.

Aerial maps and USGS topographical maps of the subject corridor are included in the Addendum.

INTEREST APPRAISED

This is a NLV estimate of the fee simple interest.

ZONING

Portions of the subject property are zoned by the following entities:

- Porter County
- LaPorte County
- Starke County
- Town of LaCrosse
- Town of North Judson

Its predominant zoning is agricultural; however, portions of the subject are zoned residential and industrial. In classifying the ATF land uses, the current zoning was considered.

HIGHEST AND BEST USE

By definition, the highest and best use of the subject property for a NLV estimate is for the disassemblage of the corridor and sale to adjacent land owners. Accordingly, the valuation assumes that the subject property is hypothetically sold to a single purchaser for such purpose.

Brad Beckworth
March 31, 2004
Page 6

VALUATION

Net liquidation value is the estimate of the present value of disassembling the subject corridor and selling the fee parcels to others, mostly adjoining property owners. This estimate is made by estimating the ATF value of all fee-owned parcels based on their ATF land uses. The corridor is divided into segments based on ATF land use changes on one side of the corridor or the other. Where the land use is different on each side of the corridor, the average unit value for each land use is used. The ATF unit value is then multiplied by the area of the segment. The total ATF value is then discounted, taking into account the time required to sell the individual parcels, the holding costs, the cost of sales, and the yield rate required by a potential purchaser.

The following ATF land uses are found along the subject corridor:

- Cropland
- Rural residential
- Single-family residential
- Commercial
- Industrial

A map showing the locations of all comparable ATF sales is included in the Addendum.

Figure 1 shows the comparable sales used to estimate the cropland ATF unit value.

Brad Beckworth
March 31, 2004
Page 7

Figure 1. Comparable cropland sales

Date #	Grantor	Grantee	Sale Date	Location	Township	County	Sale Price	Size (acres)	Price/Acre
155-540	Mark Binkley	Anthony Kwiatkowski	02/11/2000	7580 S 250 W	Wayne	Starke	\$61,635	28.94	\$2,130
2000-19055	Sharon Hagenow	Sharon Hagenow	10/17/2000	1600 S	Cass	La Porte	\$124,700	43.00	\$2,900
2000-24866	Barbara Patterson & Marcia Devlin	Timothy & Laura Stoner	07/21/2000	500 S	Morgan	Porter	\$138,000	80.00	\$1,725
2000-7937	Patricia Czarnecki	Paul & Joyce Mielock	04/28/2000		Dewey	La Porte	\$440,000	183.73	\$2,395
2000-7942	George, Fred & John Higil	Gerald Brothers	04/27/2000		Dewey	La Porte	\$709,550	285.35	\$2,487
2001-27434		David & Donna Doepfing	12/14/2001	US Hwy 39	Noble	La Porte	\$236,000	79.20	\$2,980
2001-7127	Keith & Phyllis King	William & Kathy Schneg	04/12/2001		Cass	La Porte	\$132,000	60.00	\$2,200
2001-8795	Keith & Phyllis King	Robert & Paul Kutkiewicz	03/20/2001		Cass	La Porte	\$193,600	88.00	\$2,200
2001-8796	Keith & Phyllis King	Michael Kutkiewicz	03/20/2001		Cass	La Porte	\$70,400	32.00	\$2,200
2002-13632	Rachel Hannon & James Brust	Sue Cain	04/11/2002	224 E 400 S	Morgan	Porter	\$240,000	39.91	\$6,013
2002-17581	Rachel Hannon & James Brust	William Griffler	05/15/2002	422 S SR 49	Morgan	Porter	\$60,500	10.00	\$6,050
2002-21727	Richard & Bruce Betterton	Michael Smith & Cathy Savell	06/28/2002	468 S 300 E	Morgan	Porter	\$38,000	9.26	\$4,106
2002-25013	Steven Melec	Terrance & Sharon Inapane	10/23/2002	1800 S & 875 W	Dewey	La Porte	\$37,500	11.37	\$3,298
2003-14350	James Eapenwik	Doug & Peggy Wolf	05/28/2003		Hanna	La Porte	\$106,000	30.00	\$3,600
2003-1724	Steven Melec	Keith & Barbara Hefner	01/10/2003		Dewey	La Porte	\$45,000	13.13	\$3,427
2003-21334	William & Pamela Dankert	Robert & Patricia Nadolski	08/07/2003	900 West	Cass	La Porte	\$62,000	24.13	\$2,570
Subject			10/30/2003					64.00	
							Arithmetic mean	64	\$3,142
							Standard deviation	71	\$1,251
							Coefficient of variance	112.31%	39.81%
							Minimum	9	\$1,725
							Maximum	285	\$6,050
							Median	36	\$2,735

Analysis of these sales shows that quantitative adjustments are indicated for township location and for size. The size adjustment is made by using the average size of the sales for the subject size.

Figure 2 illustrates the sales used for the rural residential land uses.

Figure 2. Comparable rural residential sales

Date #	Grantor	Grantee	Sale Date	Location	Township	County	Sale Price	Size (acres)	Price/Acre
156-634	Richard & Jaudole Wisc	Kenneth & Cherylene Flanner	09/30/2000	450 S	Wayne	Starke	\$22,000	10.00	\$2,200
156-707	David & Margaret Williams	Jerry & Roberta Russell	10/13/2000	Eliza St	Railroad	Starke	\$18,000	4.98	\$3,617
2000-7009	Jeffrey & Heather Brown	Alfreda Payton	04/10/2000		Cass	La Porte	\$48,000	10.13	\$4,640
2000-19177	Mark & Barbara Gritt	David & Julie Johnson	07/26/2000		Noble	La Porte	\$29,500	2.98	\$9,896
2000-13911	Mark & Barbara Gritt	Albert & Carol Smith	07/28/2000		Noble	La Porte	\$42,500	6.39	\$6,655
2000-20045	Keith & Melinda Sweeney	Roger Funk	10/31/2000	225 W	Noble	La Porte	\$50,000	11.14	\$4,490
2001-13478	David & Elaine White	Richard Brooke	06/30/2001	5152 W 1100 S	Noble	La Porte	\$50,000	3.39	\$14,749
2001-14287	Gabriella Dankert	Edward & Bessie Kenworthy	07/16/2001	CR 1475 S	Hanna	La Porte	\$25,000	3.91	\$6,395
2001-1700	George & Marsha Masterson	Douglas & Lisa Adams	01/31/2001		Noble	La Porte	\$15,000	2.00	\$7,500
2001-17390	Gabriella Dankert	Joseph & Melissa Faltak	08/22/2001	CR 1475 S	Hanna	La Porte	\$25,000	3.88	\$6,438
2001-446408	Robert & Cheryl Wilson	James & Marcella Wood	05/08/2001	10695 W San Pierre Rd	Railroad	Starke	\$17,000	5.00	\$3,400
2002-19000	Mark & Barbara Gritt	Damen & Amanda King	08/15/2002	S 600 W	Noble	La Porte	\$36,000	6.38	\$5,658
2002-20377	Rand Schweizer & Alfred Reiman	Jerry & Renee Tomlinson	09/09/2002		Hanna	La Porte	\$34,500	4.98	\$6,928
2002-462996	James Szymanski	Carter Tucker	04/27/2002	SR 10	Railroad	Starke	\$17,000	4.50	\$3,778
2002-463044	James & Marian Amdt	Warren Burke	05/08/2002	400 S	Railroad	Starke	\$16,000	4.01	\$3,988
2003-13389	Joseph & Melissa Faltak	Jeffrey & Palastreen Brown	05/20/2003	CR 1475 S	Hanna	La Porte	\$35,000	3.88	\$9,018
2003-18057	Jerome & Kaye Botsakowski	Jeff & Sandra Banks	07/03/2003		Noble	La Porte	\$34,000	2.85	\$11,917
2003-22727	William & Pamela Dankert	Donald & Judith Shireman	08/15/2003		Cass	La Porte	\$20,000	2.00	\$9,994
2003-461066	Thomas & Elizabeth Wright	Prentis & Sandra Banks	07/24/2003	1100 W & 500 S	Railroad	Starke	\$15,000	10.06	\$1,491
2003-462157	Allen & Marilyn Brown	Darlene Levellay	09/12/2003	Toto Rd	Wayne	Starke	\$8,000	2.00	\$4,000
Subject								5.22	
							Arithmetic mean	5.22	\$6,363
							Standard deviation	2.83	\$3,293
							Coefficient of variance	54.25%	51.76%
							Minimum	2.00	\$1,491
							Maximum	11.14	\$14,749
							Median	4.26	\$5,177

As with the cropland sales, analysis shows that quantitative adjustments are indicated for township location and size. The size adjustment is also made by using the average size of the sales for the subject size.

Brad Beckworth
March 31, 2004
Page 8

Figure 3 illustrates the single-family residential lot sales used to estimate an ATF value.

Figure 3. Comparable single-family residential lot sales

Sale #	Grantor	Grantee	Sale Date	Location	Township	County	Sale Price	Size (acres)	Price/acre
2002-19233	Anthony Wallace	James & Helen Ozbolt	08/22/2002		Hanna	La Porte	\$25,000	2.00	\$12,500
2002-32150	David & Rosemary Riley	Brad Morton	08/29/2002	426 E Oak Breeze Dr	Morgan	Porter	\$56,000	1.36	\$41,176
2002-452499	Brandon & Jennifer Brown	Scott Dusek & Courtney Stalbaum	04/05/2002	400 S	Wayne	Starke	\$14,900	2.00	\$7,450
2002-452586	Gerald & Vicki Cooley	Dennis Russell	04/15/2002	Detroit St	Wayne	Starke	\$4,500	0.28	\$16,335
2002-452886	Gerald & Vicki Cooley	Dennis Russell	04/30/2002	A Street	Wayne	Starke	\$4,500	0.23	\$19,602
2002-453915	Robert & Beth Dawell	Patricia Caudill	07/01/2002	400 S	Wayne	Starke	\$14,500	2.00	\$7,450
2002-454263	Daniel & Sharon Kajer	Sheila Watson	07/22/2002	Minix Rd	Wayne	Starke	\$5,000	0.40	\$14,935
2002-9522	Deane & Phyllis Kennedy	Loren & Barbara Beal	04/14/2002	11320 W Hwy 8	Dewey	La Porte	\$6,000	0.75	\$8,005
2003-23128	James & Wendy Sheely	Kyle & Kellie Kaiser	08/22/2008	19451 S US Hwy 421	Dewey	La Porte	\$120,000	2.00	\$60,000
2000-13777	Mark & Barbara Grot	David & Julie Johnson	07/26/2000		Noble	La Porte	\$29,500	2.98	\$9,896
2001-14287	Gabriella Dankert	Edward & Bessie Kenworthy	07/16/2001	CR 1475 S	Hanna	La Porte	\$25,000	3.91	\$6,396
2001-17390	Gabriella Dankert	Joseph & Melissa Faisak	08/22/2001	CR 1475 S	Hanna	La Porte	\$25,000	3.88	\$6,438
2001-446408	Robert & Cheryl Wilson	James & Marcella Wood	05/06/2001	10695 W. San Pierre Rd	Starke	Starke	\$17,000	5.00	\$3,400
	Subject		08/22/2003						
Arithmetic mean								2.06	\$16,429
Standard deviation								1.46	\$15,648
Coefficient of variance								71%	95%
Minimum								0.23	\$3,400
Maximum								5.00	\$60,000
Median								2.00	\$9,896

In this case, quantitative analysis indicates adjustments for township location and for market conditions.

Only two industrial/commercial sales were found within the subject market area. One was across the road from the industrial use along the subject at its west cut point. This sale indicates a unit value of \$5,800 per acre and was used for similar rural industrial ATF land uses. At the northerly end of the subject corridor in north LaPorte County, a unit value of \$10,000 per acre is used based on the above sale, as well as other industrial sales found in slightly more populated areas in Indiana and Illinois.

The small amount of commercial ATF uses are valued based on general commercial sales in small Indiana communities outside of the subject market area since no comparable sales were found in the market area. The unit value for the commercial ATF land use is estimated at \$2.00 per square foot, or \$87,120 per acre.

Figure 4 shows the ATF unit values used for the subject corridor.

Figure 4. ATF unit values

Reference Number	County	Location	Use	Value
1	Wayne	Starke	Cropland	\$1,800.00
2	Cass	LaPorte	Cropland	\$2,250.00
3	Dewey	LaPorte	Cropland	\$2,725.00
4	Noble	LaPorte	Cropland	\$3,175.00
5	Hanna	LaPorte	Cropland	\$3,650.00
6	Morgan	Porter	Cropland	\$4,100.00
7	Railroad	Starke	Rural residential	\$3,100.00
8	Wayne	Starke	Rural residential	\$4,000.00
9	Cass	LaPorte	Rural residential	\$5,100.00
10	Hanna	LaPorte	Rural residential	\$6,800.00
11	Noble	LaPorte	Rural residential	\$8,500.00
12	Railroad	Starke	SFR Lot	\$9,500.00
13	Hanna	LaPorte	SFR Lot	\$14,500.00
14	Noble	LaPorte	SFR Lot	\$21,000.00
15	Wayne	Starke	SFR Lot	\$32,500.00
16	Dewey	LaPorte	SFR Lot	\$48,000.00
17	Morgan	Porter	SFR Lot	\$70,000.00
18	Dewey		Commercial	\$87,120.00
19	Morgan	Porter	Industrial	\$5,800.00
20	Noble	LaPorte	Industrial	\$10,000.00

These unit values are applied to the subject segments, as shown in Figure 5 on the next page. The reference numbers are used to select the appropriate ATF unit value, based on use and location. While the fee, easement, and total areas are shown in this figure, the ATF unit values are applied only to the fee-owned areas.

Brad Beckworth
March 31, 2004
Page 10

Figure 5. Segment land uses, areas, and NIV Valuation

Segment #	West (north)	Land use East (south)	Township	Vol Map #	Fee area	Reconciled Area Other area	Total area	ATF value reference #	ATF value reference #	Average ATF value per acre	ATF value
1	Cropland	Industrial	Morgan	17379	114,614.70	0.00	114,614.70	6	19	\$4,850.00	\$13,024
2	Cropland	Cropland	Morgan	17379	455,404.28	0.00	455,404.28	6	6	\$4,100.00	\$42,864
Sub totals											
CSX RPI Totals					570,018.98	0.00	570,018.98				
3	Cropland	Cropland	Morgan	17378	420,401.32	109,460.46	529,861.78	6	6	\$4,100.00	\$39,569
Sub totals											
CSX RPI Totals					420,401.32	109,460.46	529,861.78				
4	Cropland	Cropland	Morgan	17377	374,860.49	131,989.83	506,850.32	6	6	\$4,100.00	\$35,264
Sub totals											
CSX RPI Totals					374,860.49	131,989.83	506,850.32				
5	Cropland	Cropland	Morgan	17376	514,478.14	0.00	514,478.14	6	6	\$4,100.00	\$48,424
Sub totals											
CSX RPI Totals					514,478.14	0.00	514,478.14				
6	Cropland	Cropland	Morgan	17375	527,907.86	0.00	527,907.86	6	6	\$4,100.00	\$49,688
Sub totals											
CSX RPI Totals					527,907.86	0.00	527,907.86				
7	Cropland	Cropland	Dewey	17374	449,380.42	69,743.65	519,124.07	3	3	\$2,725.00	\$28,113
Sub totals											
CSX RPI Totals					449,380.42	69,743.65	519,124.07				
8	Cropland	Cropland	Dewey	17373	531,403.73	0.00	531,403.73	3	3	\$2,725.00	\$33,243
Sub totals											
CSX RPI Totals					531,403.73	0.00	531,403.73				
9	Cropland	Cropland	Dewey	17372	513,558.07	0.00	513,558.07	3	3	\$2,725.00	\$32,127
Sub totals											
CSX RPI Totals					513,558.07	0.00	513,558.07				
10	SFR	Cropland	Dewey	17370	61,183.94	0.00	61,183.94	16	3	\$25,362.50	\$35,624
11	SFR	Small Town Commercial	Dewey	17370	47,264.36	0.00	47,264.36	16	16	\$67,560.00	\$73,305
12	SFR	SFR	Dewey	17370	56,272.79	0.00	56,272.79	16	16	\$48,000.00	\$62,000
13	Cropland	SFR	Dewey	17370	22,540.11	0.00	22,540.11	3	16	\$25,362.50	\$13,124
14	SFR	SFR	Dewey	17370	133,320.26	0.00	133,320.26	16	16	\$48,000.00	\$146,909
15	SFR	Cropland	Dewey	17370	89,025.42	0.00	89,025.42	16	3	\$25,362.50	\$51,834
16	Cropland	Cropland	Dewey	17370	74,419.61	0.00	74,419.61	3	3	\$2,725.00	\$4,655
Sub totals											
CSX RPI Totals					484,026.48	0.00	484,026.48				
17	Cropland	Cropland	Dewey	17369	546,359.45	0.00	546,359.45	3	3	\$2,725.00	\$34,179
Sub totals											
CSX RPI Totals					546,359.45	0.00	546,359.45				
18	Cropland	Cropland	Dewey	17368	583,780.32	0.00	583,780.32	3	3	\$2,725.00	\$36,520
Sub totals											
CSX RPI Totals					583,780.32	0.00	583,780.32				
19	Cropland	Cropland	Dewey	17367	575,406.38	0.00	575,406.38	3	3	\$2,725.00	\$35,996
Sub totals											
CSX RPI Totals					575,406.38	0.00	575,406.38				
20	Cropland	Cropland	Dewey	17366	584,950.98	0.00	584,950.98	3	3	\$2,725.00	\$37,219
Sub totals											
CSX RPI Totals					584,950.98	0.00	584,950.98				
21	Cropland	Cropland	Dewey	17365	77,076.09	22,965.79	100,041.88	3	3	\$2,725.00	\$4,822
22	Rural Residential	Cropland	Railroad	17365	0.00	56,376.85	56,376.85	7	1	\$2,450.00	\$0
23	Rural Residential	Rural Residential	Railroad	17365	0.00	72,306.84	72,306.84	7	7	\$3,100.00	\$0
24	Cropland	Rural Residential	Railroad	17365	120,561.44	0.00	120,561.44	1	7	\$2,450.00	\$6,781
25	Cropland	Cropland	Railroad	17365	197,150.89	0.00	197,150.89	1	1	\$1,800.00	\$8,147
Sub totals											
CSX RPI Totals					394,788.22	151,642.63	546,430.85				
26	Cropland	Cropland	Wayne	17964	464,793.71	67,590.99	532,384.70	1	1	\$1,800.00	\$19,204
Sub totals											
CSX RPI Totals					464,793.71	67,590.99	532,384.70				

Brad Beckworth
March 31, 2004
Page 11

Figure 5 (cont.), Segment land uses, areas, and MLV Valuation

Segment #	West (acres)	Land use East (acres)	Township	Map #	Fee area	Recreational Area Other area	Total area	ATF value reference #	ATF value reference #	Average ATF value per acre	ATF value
27	Cropland	Cropland	Wayne	17363	210,106.03	258,875.92	468,981.95	1	1	\$1,800.00	\$8,682
Sub totals											
CSX RPI Totals					210,106.03	258,875.92	468,981.95				
28	Cropland	Cropland	Wayne	17362	561,190.67	27,891.83	589,082.50	1	1	\$1,800.00	\$23,190
Sub totals											
CSX RPI Totals					561,190.67	27,891.83	589,082.50				
29	Cropland	Cropland	Wayne	17361	228,338.38	59,825.07	288,163.45	1	1	\$1,800.00	\$9,435
30	Railroad Industrial	SFR	North Judson	17361	134,844.17	0.00	134,844.17	19	15	\$19,150.00	\$59,281
31	Residential	SFR	North Judson	17361	63,186.03	11,907.76	75,093.79	15	15	\$32,500.00	\$47,143
Sub totals											
CSX RPI Totals					426,368.58	71,732.83	498,101.41				
32	Residential	Multi-family	North Judson	17360	18,782.28	0.00	18,782.28	15	15	\$32,500.00	\$14,013
33	Cropland	Cropland	Wayne	17360	533,777.72	0.00	533,777.72	1	1	\$1,800.00	\$22,057
Sub totals											
CSX RPI Totals					552,560.86	0.00	552,560.86				
34	SFR	SFR	Noble	22865	62,570.20	4,795.83	67,366.03	14	14	\$21,000.00	\$30,165
35	Industrial	SFR	Noble	22865	0.00	91,563.76	91,563.76	20	14	\$15,500.00	\$0
Sub totals											
CSX RPI Totals					62,570.20	96,359.59	158,929.79				
36	Industrial	SFR	Noble	22864	0.00	89,058.50	89,058.50	20	14	\$15,500.00	\$0
37	Industrial	Cropland	Noble	22864	0.00	27,634.87	27,634.87	20	4	\$6,587.50	\$0
38	Cropland	Cropland	Noble	22864	0.00	679,979.26	679,979.26	4	4	\$3,175.00	\$0
Sub totals											
CSX RPI Totals					0.00	796,672.73	796,672.73				
39	Cropland	Cropland	Noble	22863	0.00	791,892.80	791,892.80	4	4	\$3,175.00	\$0
Sub totals											
CSX RPI Totals					0.00	791,892.80	791,892.80				
40	Cropland	Cropland	Noble	22862	0.00	778,471.57	778,471.57	4	4	\$3,175.00	\$0
Sub totals											
CSX RPI Totals					0.00	778,471.57	778,471.57				
41	Cropland	Cropland	Hanna	22861	0.00	449,942.38	449,942.38	5	5	\$3,850.00	\$0
42	Cropland	SFR	Hanna	22861	0.00	105,416.90	105,416.90	5	13	\$9,075.00	\$0
43	SFR	SFR	Hanna	22861	65,838.01	15,768.18	81,606.19	13	13	\$14,500.00	\$21,946
44	SFR	Industrial	Hanna	22861	0.00	24,562.32	24,562.32	13	20	\$12,250.00	\$0
45	SFR	SFR	Hanna	22861	0.00	14,700.56	14,700.56	13	13	\$14,500.00	\$0
46	Cropland	SFR	Hanna	22861	0.00	78,817.30	78,817.30	5	13	\$9,075.00	\$0
Sub totals											
CSX RPI Totals					65,838.01	998,207.84	755,143.85				
47	Cropland	SFR	Hanna	22858	0.00	61,020.40	61,020.40	5	13	\$9,075.00	\$0
48	Cropland	Cropland	Hanna	22858	0.00	713,523.24	713,523.24	5	5	\$3,850.00	\$0
Sub totals											
CSX RPI Totals					0.00	774,543.64	774,543.64				
49	Cropland	Cropland	Hanna	22856	0.00	757,892.38	757,892.38	5	5	\$3,850.00	\$0
Sub totals											
CSX RPI Totals					0.00	757,892.38	757,892.38				
50	Cropland	Cropland	Cass	22855	0.00	767,486.07	767,486.07	2	2	\$2,250.00	\$0
Sub totals											
CSX RPI Totals					0.00	767,486.07	767,486.07				
51	Cropland	Cropland	Cass	22854	0.00	803,301.64	803,301.64	2	2	\$2,250.00	\$0
Sub totals											
CSX RPI Totals					0.00	803,301.64	803,301.64				
52	Cropland	Cropland	Dewey	22853	0.00	777,812.39	777,812.39	3	3	\$2,725.00	\$0
Sub totals											
CSX RPI Totals					0.00	777,812.39	777,812.39				
53	Cropland	Cropland	Dewey	22851	8,222.39	421,779.81	429,838.82	3	3	\$2,725.00	\$514
54	SFR	Cropland	Dewey	22851	56,236.40	16,649.27	73,190.82	16	3	\$25,362.50	\$32,743
55	SFR	SFR	Dewey	22851	0.00	72,086.04	72,086.04	16	16	\$48,000.00	\$0
56	SFR	Industrial	Dewey	22851	0.00	93,373.22	93,373.22	16	20	\$29,000.00	\$0
Sub totals											
CSX RPI Totals					64,458.79	603,888.34	668,347.13				
Grand totals								Total ATF values for fee owned parcels			\$1,361,615

Brad Beckworth
March 31, 2004
Page 12

The total ATF value shown is \$1,161,815.

A review and analysis of aerial photographs reveal that approximately 186 land parcels are located along either side of the fee-owned corridor; that is, the number of adjacent landowners is approximately 186. I have estimated that approximately 85% of the fee-owned corridor could be sold in a reasonable time, which is based on the sale or disassemblage of other corridors. It is also reasonable to assume that a potential purchaser would not base the purchase price of the subject property on being able to sell all the corridor. Based on the number of parcels, the number of adjacent parcels, and the expected percentage to be sold, it is estimated that a reasonable sales period is seven years, which results in an average of slightly less than two parcels sold to adjacent land owners per month.

Based on typical real estate commissions in the area, as well as closing costs, the cost of sales is estimated at 11%. Since selling the disassembled corridor parcels is similar to residential subdivision development, the risk takes on much of the same characteristics. Currently, residential development yield rates range from 18% to 25% for land development only. The best estimate for the subject property is a risk rate toward the lower end, or 18%. At this point, the yield is such that a potential purchaser of the subject could be found.

It is assumed that gross potential sales would be equally distributed over the seven-year sales period and that no appreciation would occur in the ATF value over that period of time. Figure 6 shows the discounted cash flow analysis and the final NLV estimate, as of October 30, 2003, of \$479,000.

Figure 6. Discounted cash flow analysis and net liquidation value

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7
Gross potential sales	\$165,974	\$165,974	\$165,974	\$165,974	\$165,974	\$165,974	\$165,974
Percent sold	85%	85%	85%	85%	85%	85%	85%
Likely sales	\$141,078	\$141,078	\$141,078	\$141,078	\$141,078	\$141,078	\$141,078
Less cost of sales	\$15,519	\$15,519	\$15,519	\$15,519	\$15,519	\$15,519	\$15,519
Net sales	\$125,559	\$125,559	\$125,559	\$125,559	\$125,559	\$125,559	\$125,559
Present value	\$478,572						
Estimate of net liquidation value	\$479,000						

Brad Beckworth
March 31, 2004
Page 13

GENERAL UNDERLYING ASSUMPTIONS

This limited appraisal has been developed based on the following general assumptions:

1. No responsibility is assumed for the legal description or for matters including legal or title considerations. Title to the property is assumed to be good and marketable unless otherwise stated. The legal description is assumed to be correct for the purposes of this report.
2. The property is appraised free and clear of any or all liens or encumbrances unless otherwise stated.
3. The information furnished by others is believed to be reliable; however, no warranty is given for its accuracy.
4. All engineering material is assumed to be correct. The plot plans and any other illustrative material in this report are included only to assist the reader in visualizing the property.
5. It is assumed that there are no hidden or unapparent conditions of the property, subsoil, or structures that render it more or less valuable. No responsibility is assumed for such conditions or for arranging for engineering studies that may be required to discover them.
6. It is assumed that there is full compliance with all applicable federal, state, and local environmental regulations unless noncompliance is stated, defined, and considered in the appraisal report.
7. It is assumed that all applicable zoning and use regulations and restrictions have been complied with, unless a nonconformity has been stated, defined, and considered in the appraisal report.
8. It is assumed that all required licenses, certificates of occupancy, consents, or other legislative or administrative authority from any local, state, or national government or private entity or organization have been or can be obtained or renewed for any use on which the value opinion contained in this report is based.
9. It is assumed that the utilization of the land is within the boundaries of property lines of the property described and that there is no encroachment or trespass unless noted in the report.

LIMITING CONDITIONS

This appraisal report has been made with the following limiting conditions:

1. Possession of this report, or a copy thereof, does not carry with it the right of publication. It may not be used for any purpose by any person other than the party to whom it is addressed without the written consent of the appraiser, and in any event only with proper written qualification and only in its entirety.

Brad Beckworth
March 31, 2004
Page 14

2. The appraiser herein by reason of this appraisal is not required to give further information, consultation, testimony, or be in attendance in court with reference to the property in question unless arrangements have been previously made.
3. Neither all nor any part of the contents of this report (especially any conclusions as to value, the identity of the appraiser, or the firm with which the appraiser is connected) shall be disseminated to the public through advertising, public relations, news, sales, or other media without the prior written consent and approval of the appraiser.
4. The property was not appraised subject to long-term leases on land or improvements which affect the value of the land.
5. Sales data and information regarding land sales were abstracted from public records, from sales services, and from other sources. This information is assumed to be accurate and correct.
6. Unless otherwise stated in this report, the existence of hazardous substances, including without limitation asbestos, polychlorinated biphenyls, petroleum leakage, or agricultural chemicals, which may or may not be present on the property, or other environmental conditions, was not called to the attention of nor did the appraiser become aware of such during the appraiser's inspection. The appraiser has no knowledge of the existence of such materials on or in the property unless otherwise stated. The appraiser, however, is not qualified to test such substances or conditions. If the presence of such substances, such as asbestos, urea formaldehyde foam insulation, or other hazardous substances or environmental conditions may affect the value of the property, the value opinion is predicated on the assumption that there is no such condition on or in the property or in such proximity thereto that it would cause a loss in value. No responsibility is assumed for any such conditions, nor for any expertise of engineering knowledge required to discover them.

CERTIFICATION

The undersigned does hereby certify that, except as otherwise noted in this appraisal report,

1. To the best of my knowledge and belief, the statements of fact contained in this appraisal report are true and correct.
2. The reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions, and are my personal, unbiased professional analyses, opinions, and conclusions.
3. I have no present or prospective interest in the property that is the subject of this report, and I have no personal interest or bias with respect to the parties involved.
4. My compensation is not contingent on an action or event resulting from the analyses, opinions, or conclusions in, or the use of, this report.
5. My analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the Uniform Standards of Professional Appraisal Practice

Brad Beckworth
March 31, 2004
Page 15

- and the requirements of the Indiana Real Estate Appraiser Licensure and Certification Board for state-certified appraisers.
6. The use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives.
 7. I am currently certified under the continuing education program of the Appraisal Institute.
 8. I made an inspection of the property that is the subject of this report.
 9. Susan Motycka Rex edited this report. Cameron R. Rex assisted in the calculation of the segment areas and the analysis of the comparable sales.
 10. My opinion of the estimate of net liquidation value for the subject property, as of October 30, 2003, is \$479,000.



Charles W. (Sandy) Rex III, MAI
Indiana Certified General Appraiser
CG40300403

VERIFICATION

I, Charles W. (Sandy) Rex III, verify under penalty of perjury under the laws of the United States that the foregoing is true and correct. Further, I certify that I am qualified and authorized to file this report.



Charles W. Rex III, MAI

C:\My Documents\03-320 Wabash Sub\03-320 Wabash NLV report 03302004.wpd

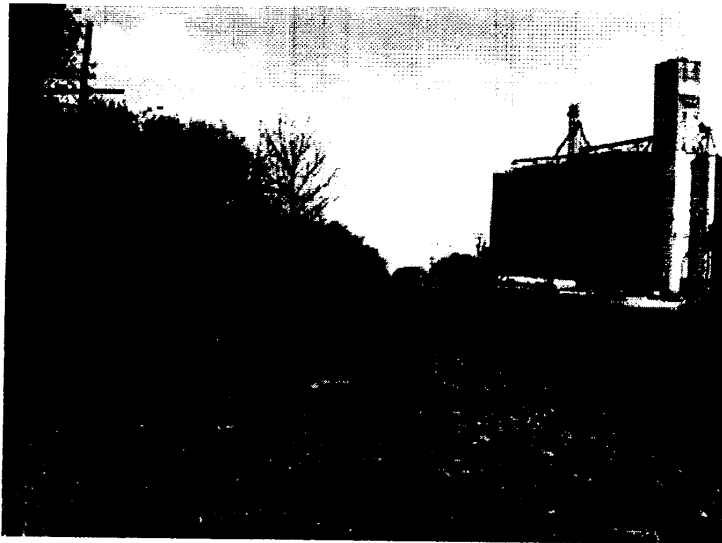
ADDENDUM

- **General map of the subject corridor** **1 page**
- **Subject pictures** **2 pages**
- **SAT10 aeriels** **7 pages**
These aeriels show the subject property. In addition, ATF land use changes are shown by a red line. ATF land use classifications are in blue. The red numbers show the approximate location of the segments as identified in Figure 5. The precise boundaries of the segments are contained on MicroStation maps not included in this report. Segment boundaries occur each time a land use changes on either side of the corridor and at Val Map boundaries. The aeriels are in order from Malden to North Judson and from Wellsboro to LaCrosse. For clarity, the scale varies from one aerial to the next.
- **Comparable sales map** **1 page**
- **Title maps** **30 pages**
These maps are identified by the Val Map GIS file number. They are in order from Malden to North Judson and from Wellsboro to LaCrosse. The several differences in area calculations between the maps and Figure 5 are represented by the excluded non-operating parcels identified in the report.
- **USGS topographical maps, showing location of the subject corridor** **3 pages**
- **Qualifications of the appraiser**

Brad Beckworth
March 31, 2004
Page 17



Looking southwesterly near the northerly cut point, in the community of Wellsboro. Frame 1. 10/9/03.



Looking east from the westerly cut point, in the community of Malden. Frame 27. 10/10/03.

Brad Beckworth
March 31, 2004
Page 18



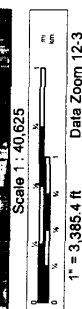
Typical view of the subject property and agricultural ATF land use. Frame 20. 10/10/03.



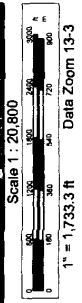
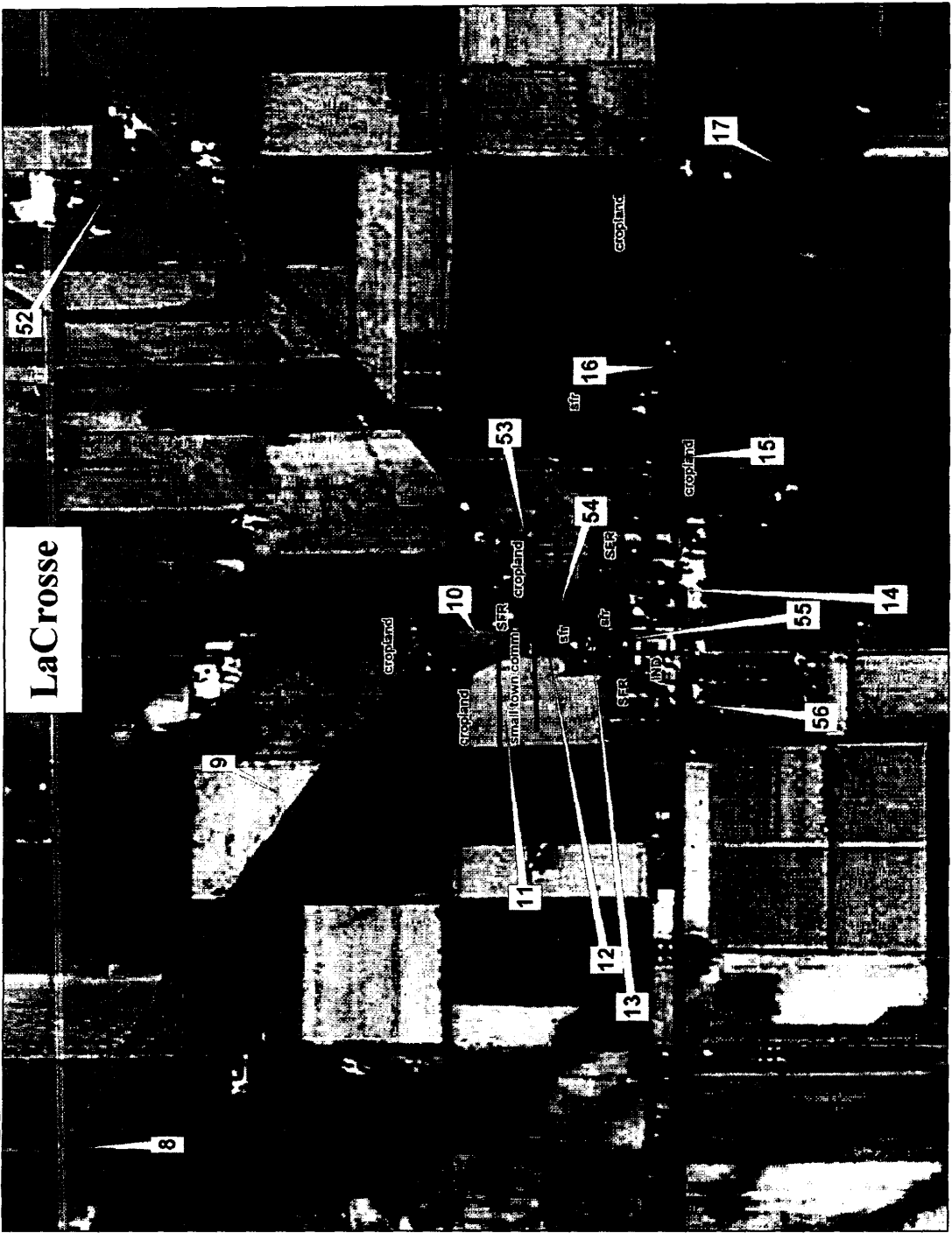
Typical view of the easterly portion of the subject in Starke County. Frame 11. 10/10/03.

DELOIRME

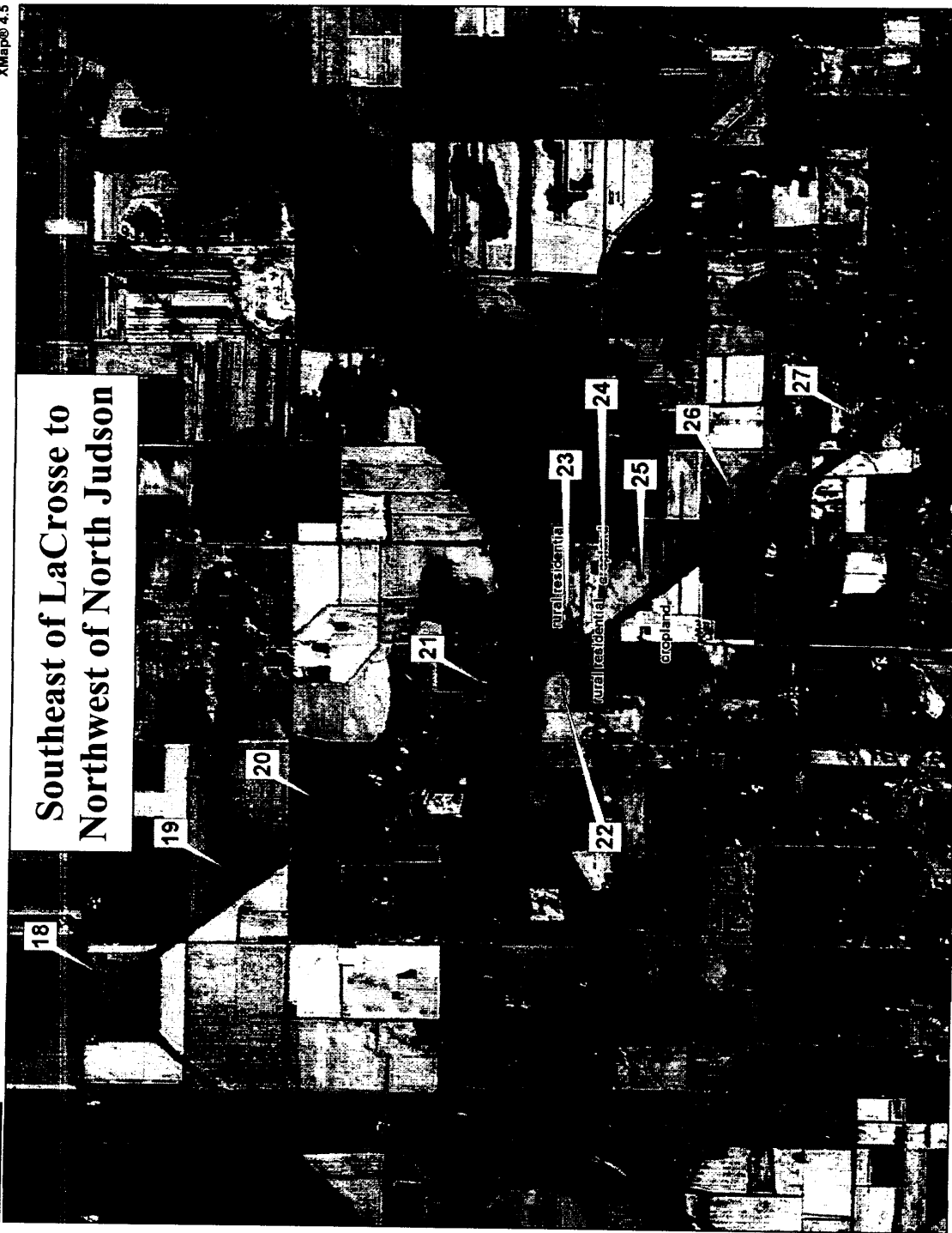
Malden to West of LaCrosse



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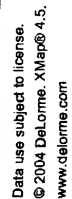


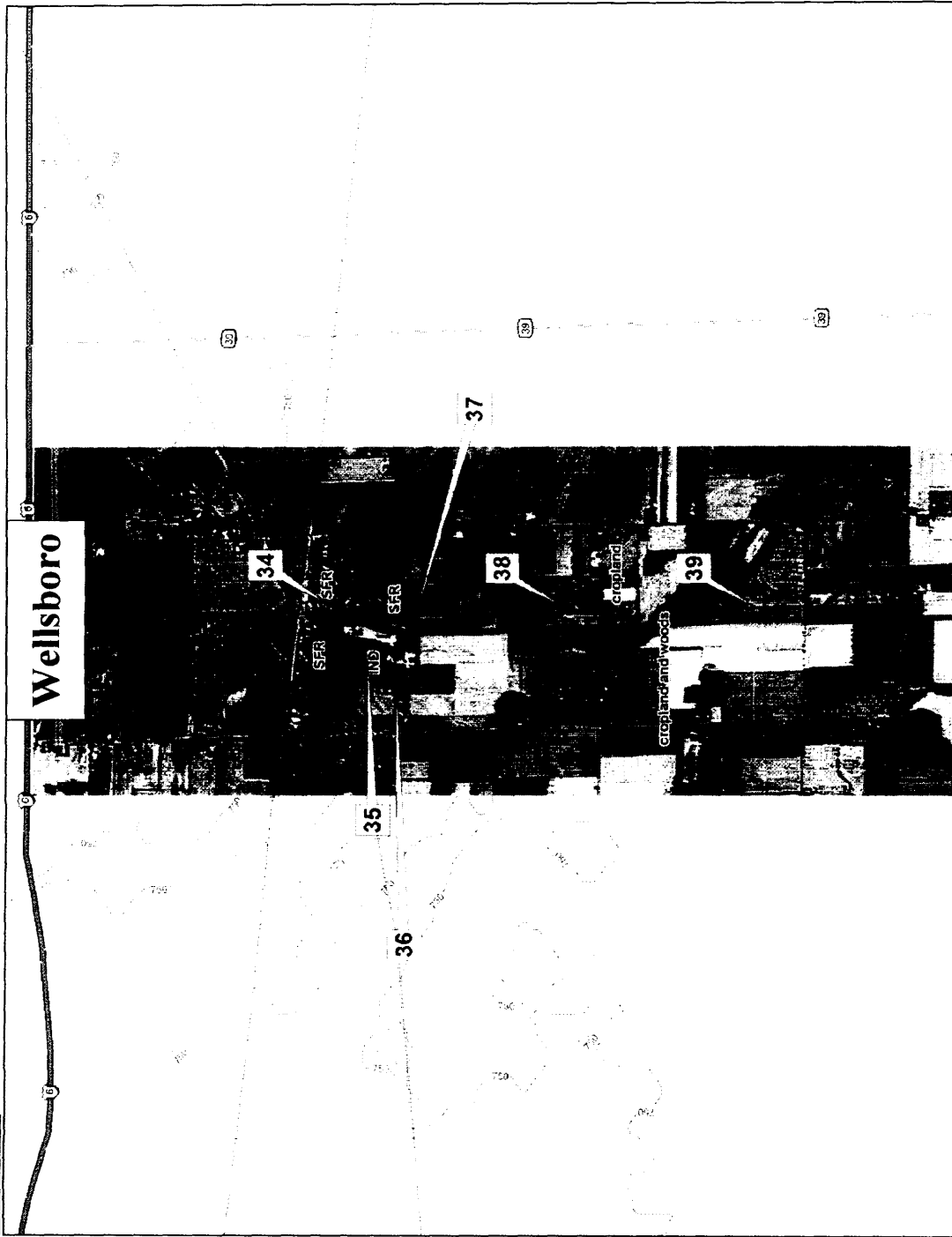
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www.delorme.com



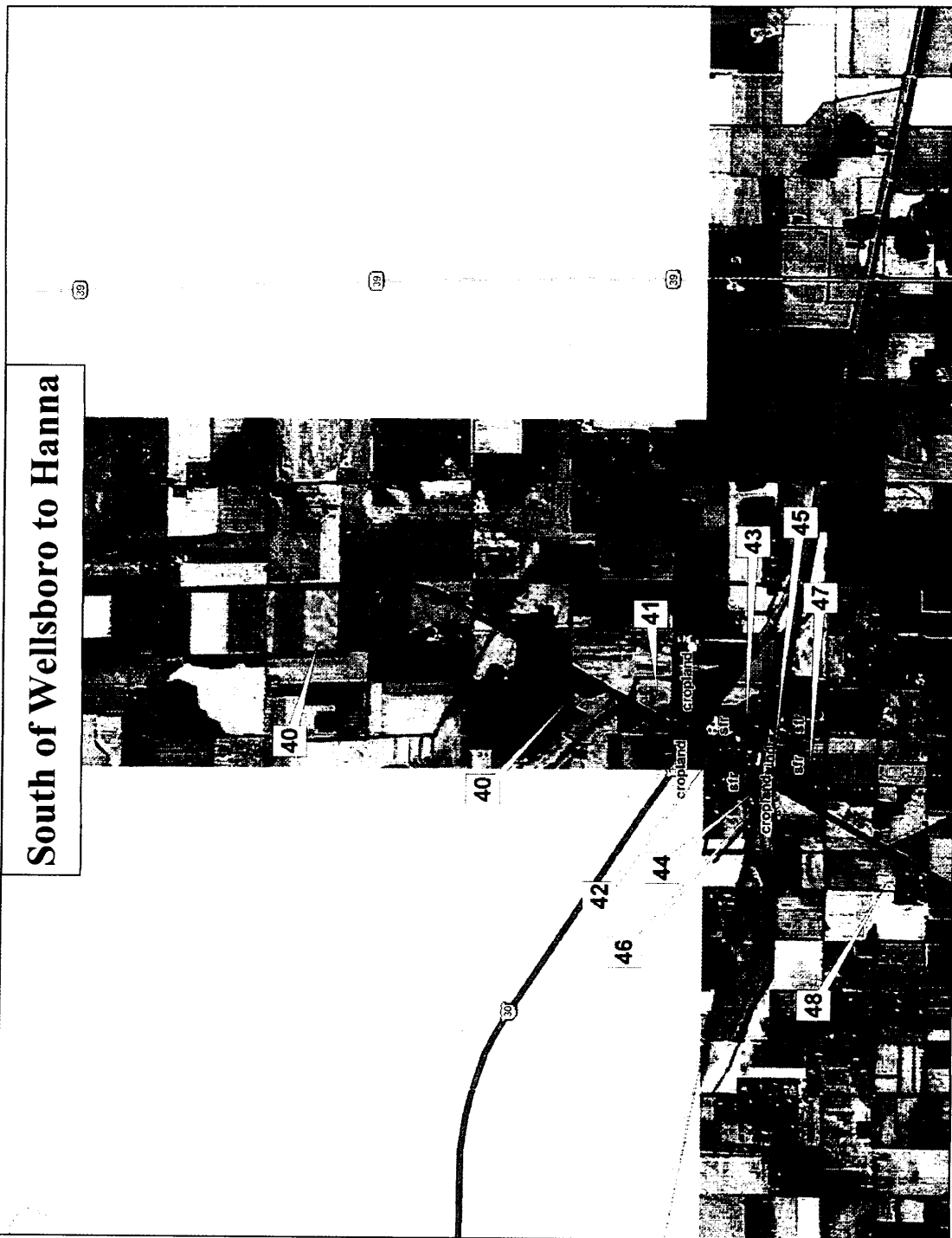




Scale 1 : 40,625
1" = 3,385.4 ft
Data Zoom 12.3

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www.delorme.com

South of Wellsboro to Hanna



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www.delorme.com

Scale 1 : 40,625
1" = 3,385.4 ft Data Zoom 12-3

DELORE

XMap® 4.5

Southwest of Hanna to Northeast of LaCrosse

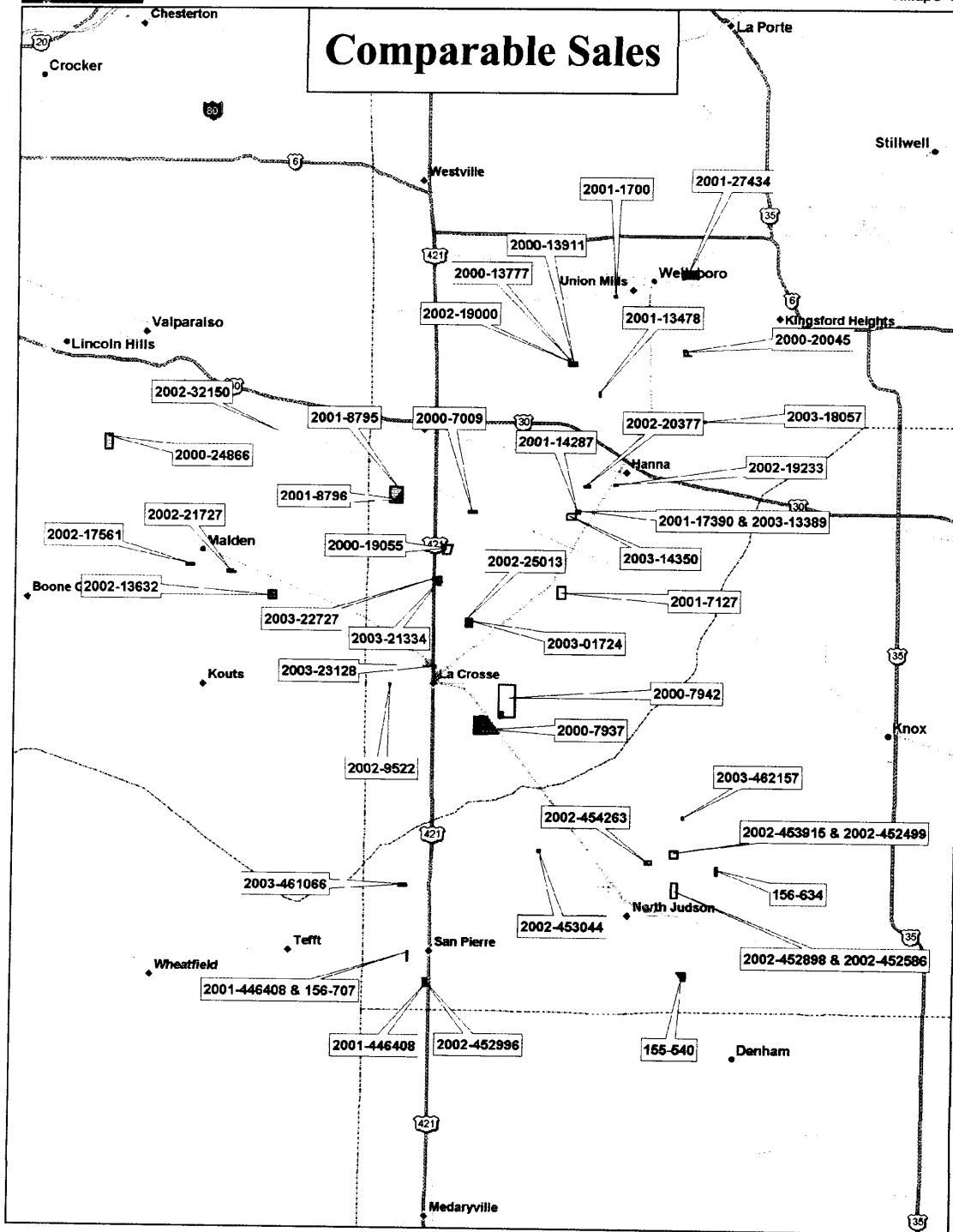


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MM (3.4°W)

Scale 1:40,625
1" = 3,385.4 ft
Data Zoom 12.3

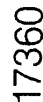
Comparable Sales

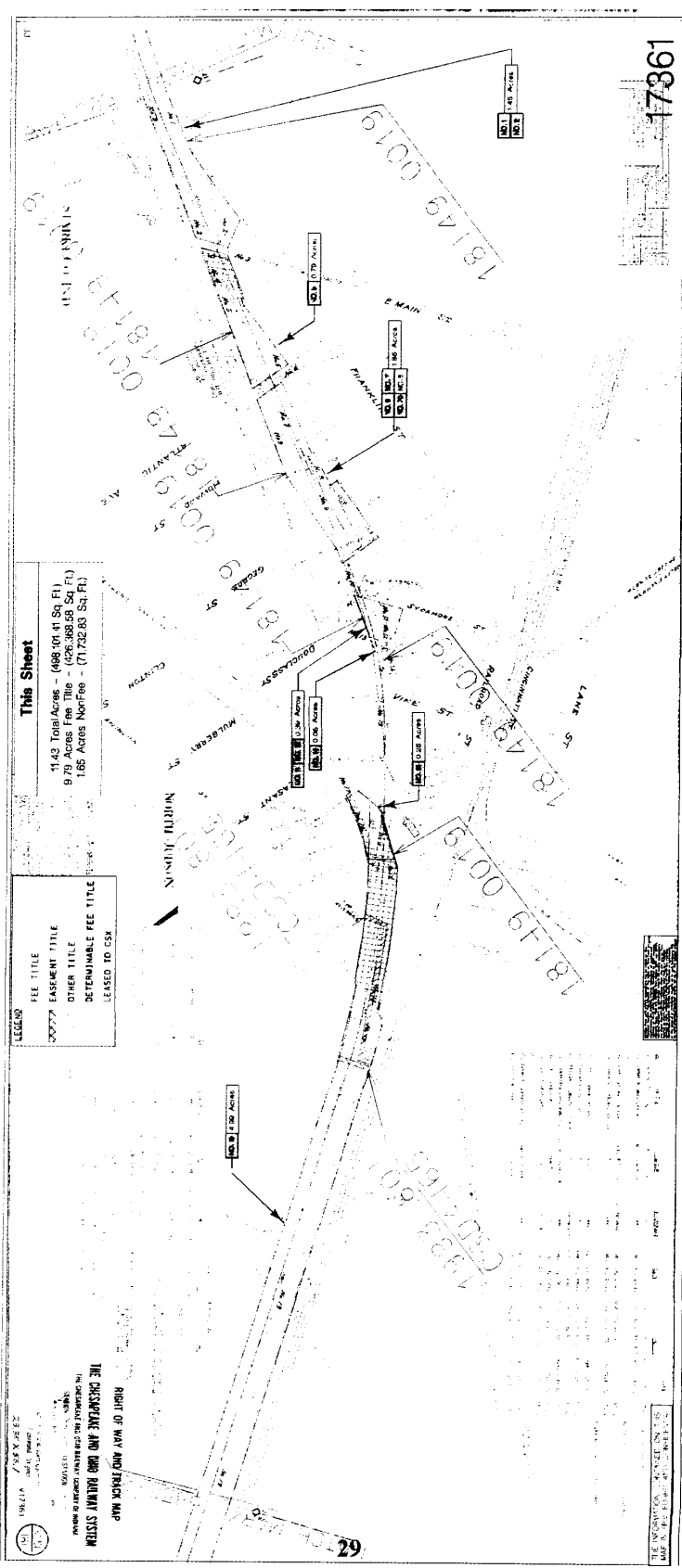


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Scale 1 : 250,000
1" = 3.95 mi
Data Zoom 9-6





This Sheet
11.43 Total Acres - (488,104.41 Sq Ft)
9.77 Acres Fee Title - (426,988.38 Sq Ft)
1.66 Acres Non-Fee - (71,726.03 Sq Ft)

LEGEND
--- FEE TITLE
--- EASEMENT TITLE
--- OTHER TITLE
--- DETERMINABLE FEE TITLE
--- LEASED TO CSX

RIGHT OF WAY AND TRACK MAP
THE CHESAPEAKE AND OHIO RAILWAY SYSTEM
THE CHESAPEAKE AND OHIO RAILWAY SYSTEM
23 3/4" X 35 3/4"
1/4" = 100'

17361

LEGEND

FEES TITLE

COIN TO

OTHER TITLE

DETERMINABLE FEE TITLE

LEASED TO CSX

This Sheet

10.77 Total Acres - (468,981.85 Sq. Ft.)

4.82 Acres - (209,875.34 Sq. Ft.)

5.94 Acres - (258,106.51 Sq. Ft.)

RIGHT OF WAY AND TRACK MAP

THE CHESAPEAKE AND OHIO RAILWAY SYSTEM

THE CHESAPEAKE AND OHIO RAILWAY SYSTEM

THE CHESAPEAKE AND OHIO RAILWAY SYSTEM

27.5X 55.7

08.1714

1/2

10.77 Total Acres - (468,981.85 Sq. Ft.)

4.82 Acres - (209,875.34 Sq. Ft.)

5.94 Acres - (258,106.51 Sq. Ft.)

LEGEND

FEES TITLE

COIN TO

OTHER TITLE

DETERMINABLE FEE TITLE

LEASED TO CSX

This Sheet

10.77 Total Acres - (468,981.85 Sq. Ft.)

4.82 Acres - (209,875.34 Sq. Ft.)

5.94 Acres - (258,106.51 Sq. Ft.)

RIGHT OF WAY AND TRACK MAP

THE CHESAPEAKE AND OHIO RAILWAY SYSTEM

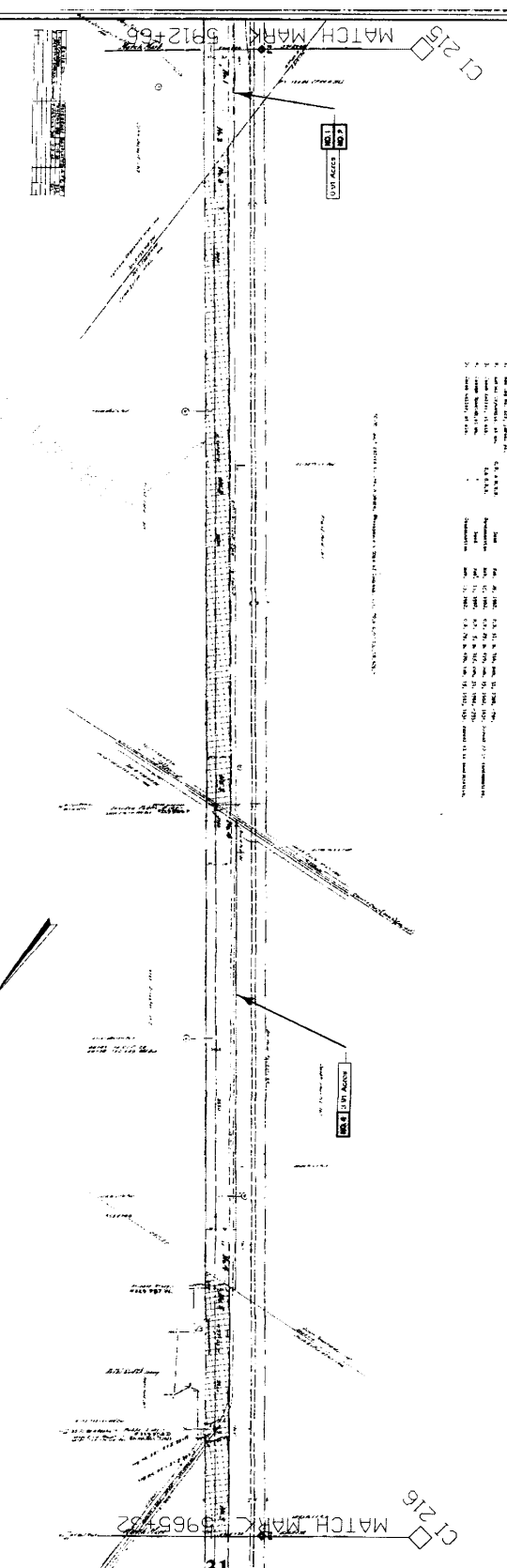
THE CHESAPEAKE AND OHIO RAILWAY SYSTEM

THE CHESAPEAKE AND OHIO RAILWAY SYSTEM

27.5X 55.7

08.1714

1/2



17363

CL 216

MATCH MARK 5912566

10.77 ACRES

MATCH MARK 5965432

CL 216

MATCH MARK 5912566

10.77 ACRES

MATCH MARK 5965432

CL 216



MATCH MARK

MATCH MARK 6124-37

MATCH MARK

MATCH MARK 6177+05

LEGEND

_____	FEE TITLE
XXXXXX	EASEMENT TITLE
.....	OTHER TITLE
.....	DETERMINABLE FEE TITLE
.....	LEASED TO CSX

E. CO., INC.

This Sheet

13.21 Total Acres - (575,406.38 Sq. Ft.)
3.21 Acres Fee Title - (575,406.38 Sq. Ft.)
0.00 Acres NonFee - (0.00 Sq. Ft.)

RIGHT OF WAY AND TRACK MAP

THE CHESAPEAKE AND OHIO RAILWAY SYSTEM

THE CHESAPEAKE AND OHIO RAILWAY COMPANY OF VIRGINIA

STATION 0234.27 TO STATION 0172.02

MADE 1 NOV. 50 BY: R. H. WEA

Office of Technical Cooperation
Richmond, Virginia

W17367

23. X 55.2

187

THE BUCKINGHAM PALACE, LONDON, W.1

LEGEND
 FEE TITLE
 EASEMENT TITLE
 OTHER TITLE
 DETERMINABLE FEE TITLE
 LEASED TO CRK

E CO. INC.
 12.54 Total Acres - (546,359.45 Sq. Ft.)
 12.54 Acres Fee Title - (546,359.45 Sq. Ft.)
 0.00 Acres Non-Fee - (0.00 Sq. Ft.)

THIS SHEET
 23.5" X 35.5"

RIGHT OF WAY AND TRACK MAP
 THE CHESTERFIELD AND OHIO RAILWAY SYSTEM
 THE CHESTERFIELD AND OHIO RAILWAY SYSTEM
 23.5" X 35.5"

68229
 17369

MATCH MARK
 68229+91

MATCH MARK
 330+1829

100' 100' ACRES
 100' 100' ACRES
 100' 100' ACRES

100' 100' ACRES
 100' 100' ACRES
 100' 100' ACRES

100' 100' ACRES
 100' 100' ACRES
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 100' 100' ACRES

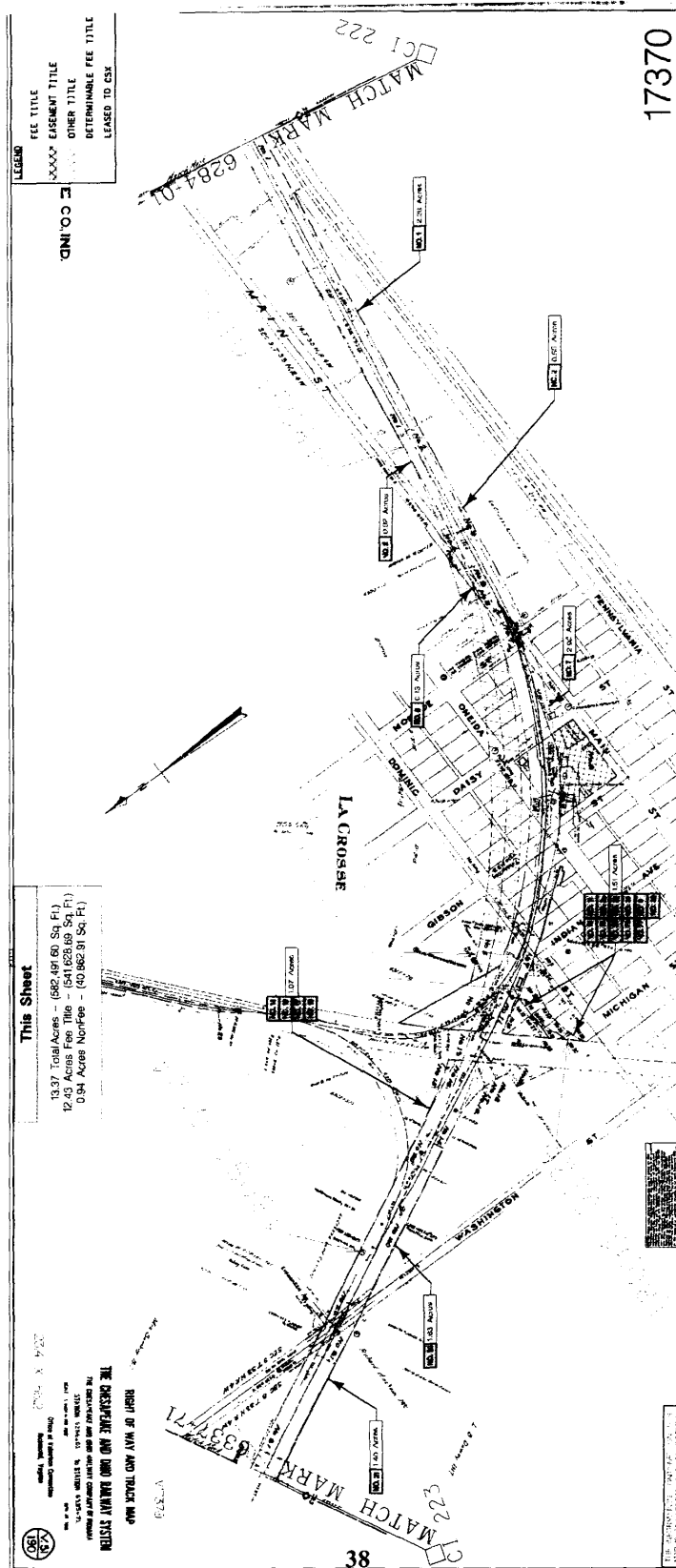
100' 100' ACRES
 100' 100' ACRES
 100' 100' ACRES

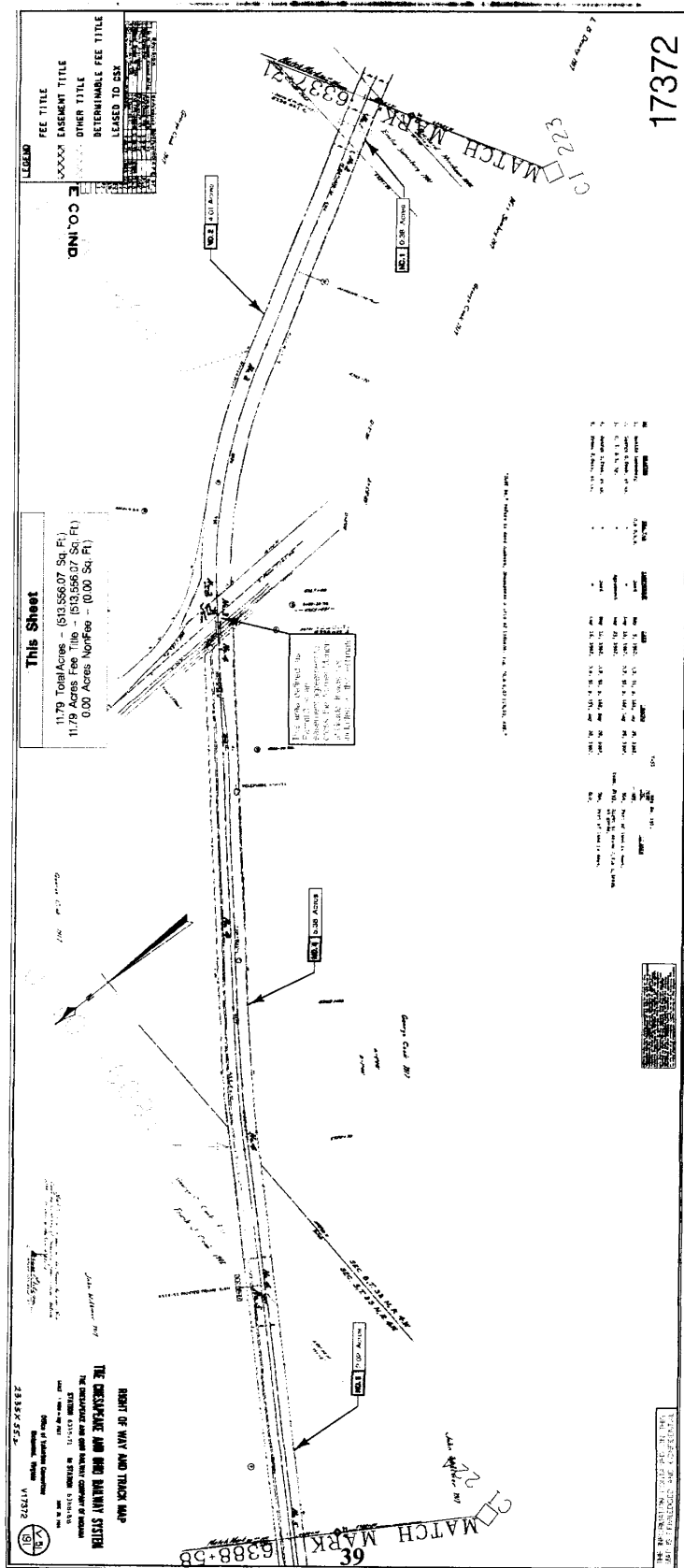
100' 100' ACRES
 100' 100' ACRES
 100' 100' ACRES

100' 100' ACRES
 100' 100' ACRES
 100' 100' ACRES

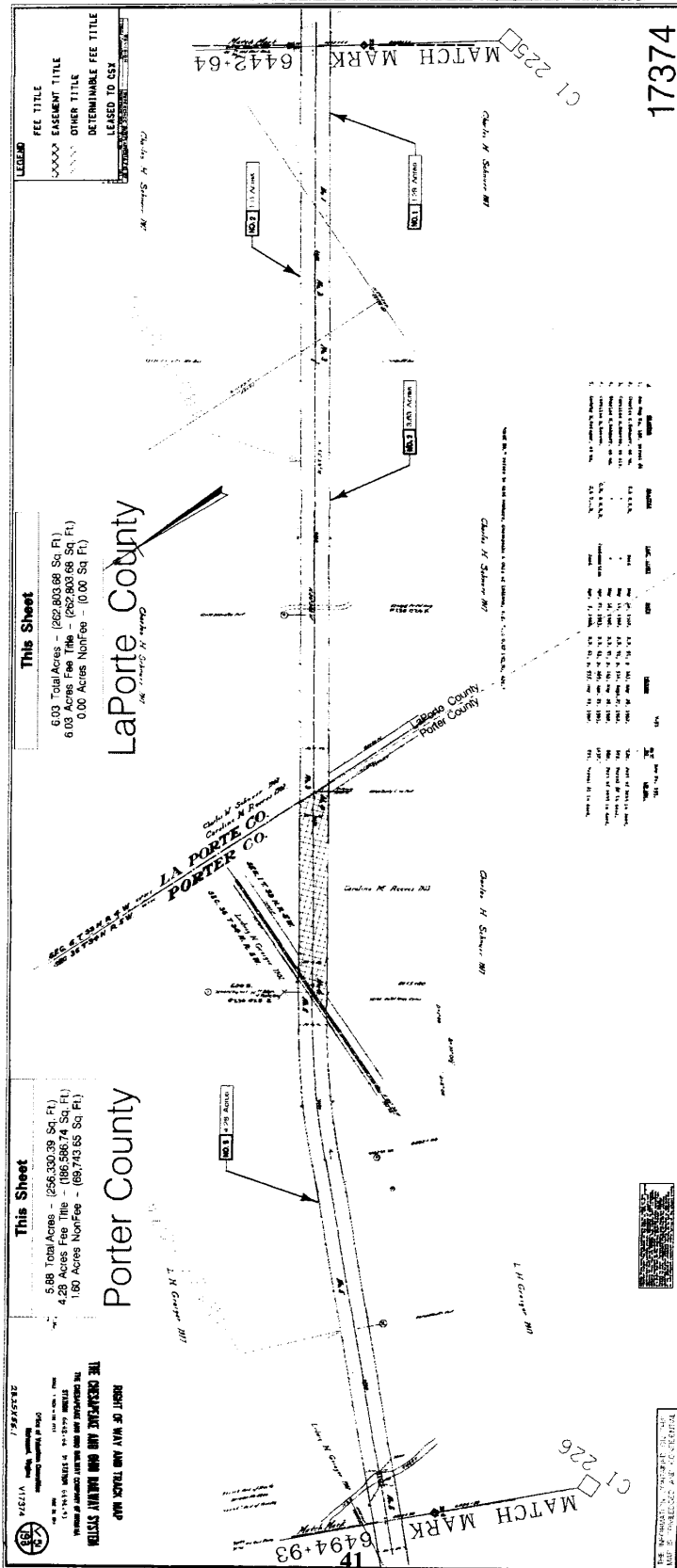
100' 100' ACRES
 100' 100' ACRES
 100' 100' ACRES

100' 100' ACRES
 100' 100' ACRES
 100' 100' ACRES









LEGEND

	FEE TITLE
	EASEMENT TITLE
	OTHER TITLE
	DETERMINABLE FEE TITLE
	LEASED TO CSX

TER CO., IND.

This Sheet

11.63 Total Acres - (\$506,650.32 Sq. Ft.)
 8.60 Acres Fee Title - (\$374,660.49 Sq. Ft.)
 3.03 Acres NonFee - (\$131,989.83 Sq. Ft.)

THE CHESSPANE AND GOND RAILWAY SYSTEM

THE CHESAPEAKE AND GOND RAILWAY COMPANY OF BRITAIN
STATION #02-67 IN STATION NYS-82

Made by hand - one side only each pair

(Price as of Valentine's Convention)

Baltimore, Maryland V17977

28 X 55.1

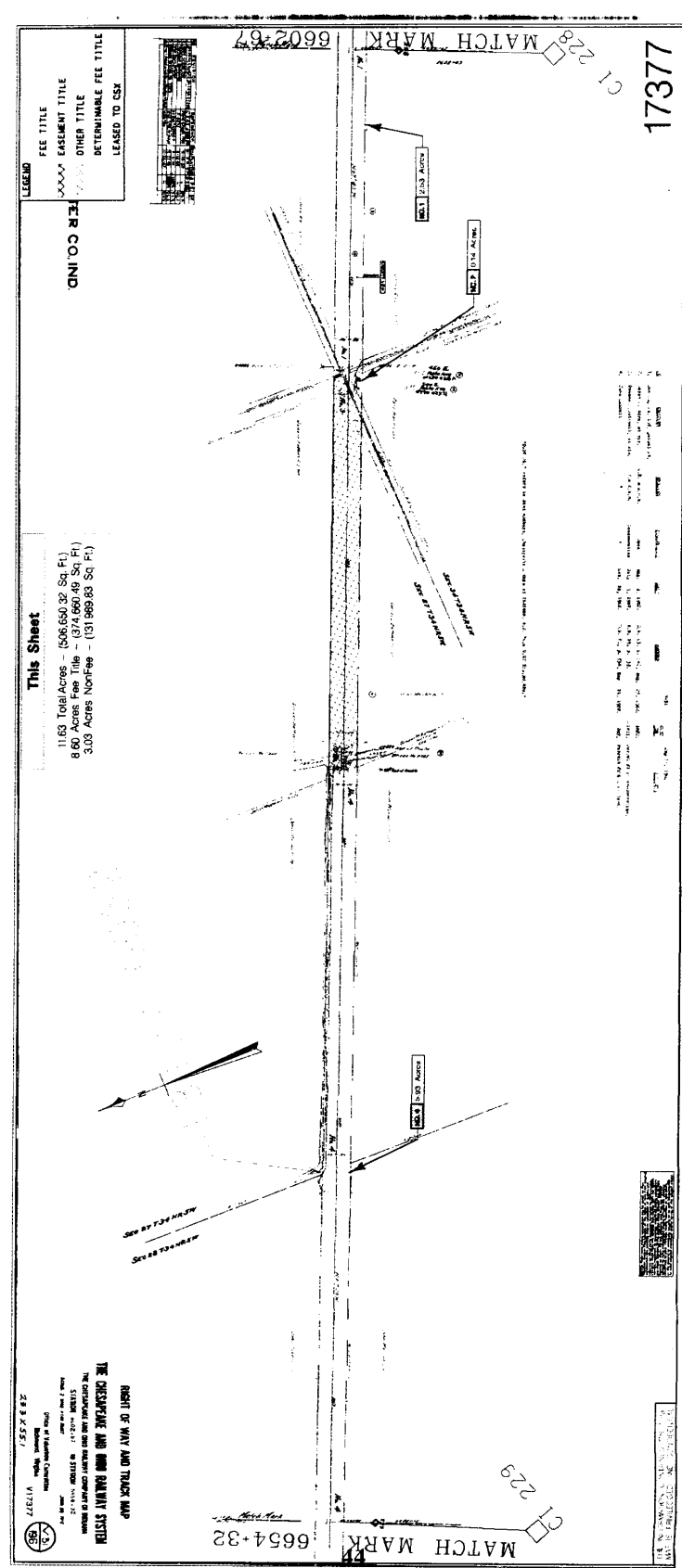


660299	MATCH MARK
--------	------------

6654+32 MATCH MARK

17377

622



LEGEND

----	FEE TITLE
XXXXXX	EASEMENT TITLE
.....	OTHER TITLE
-----	DETERMINABLE FEE TITLE
-----	LEASED TO CSX

TER CO. IND

This Sheet

12.16 Total Acres - (529,861.78 Sq. Ft.)
 2.65 Acres Fee Title - (420,401.32 Sq. Ft.)
 2.51 Acres NonFee - (109,460.46 Sq. Ft.)

23.85 X 55.2



RIGHT OF WAY AND TRACK MAP
THE CHESAPEAKE AND OHIO RAILWAY SYSTEM
THIS CHESAPEAKE AND OHIO RAILWAY COMPANY OF VIRGINIA
STATEMENT 6444-12 IN 2ND CLASS 8/17/85
TOTAL 1 000 x 360000 V 177
and 100 lbs

✓ MATCH MARK 6707-92

MATCH MARK	6654+32
------------	---------

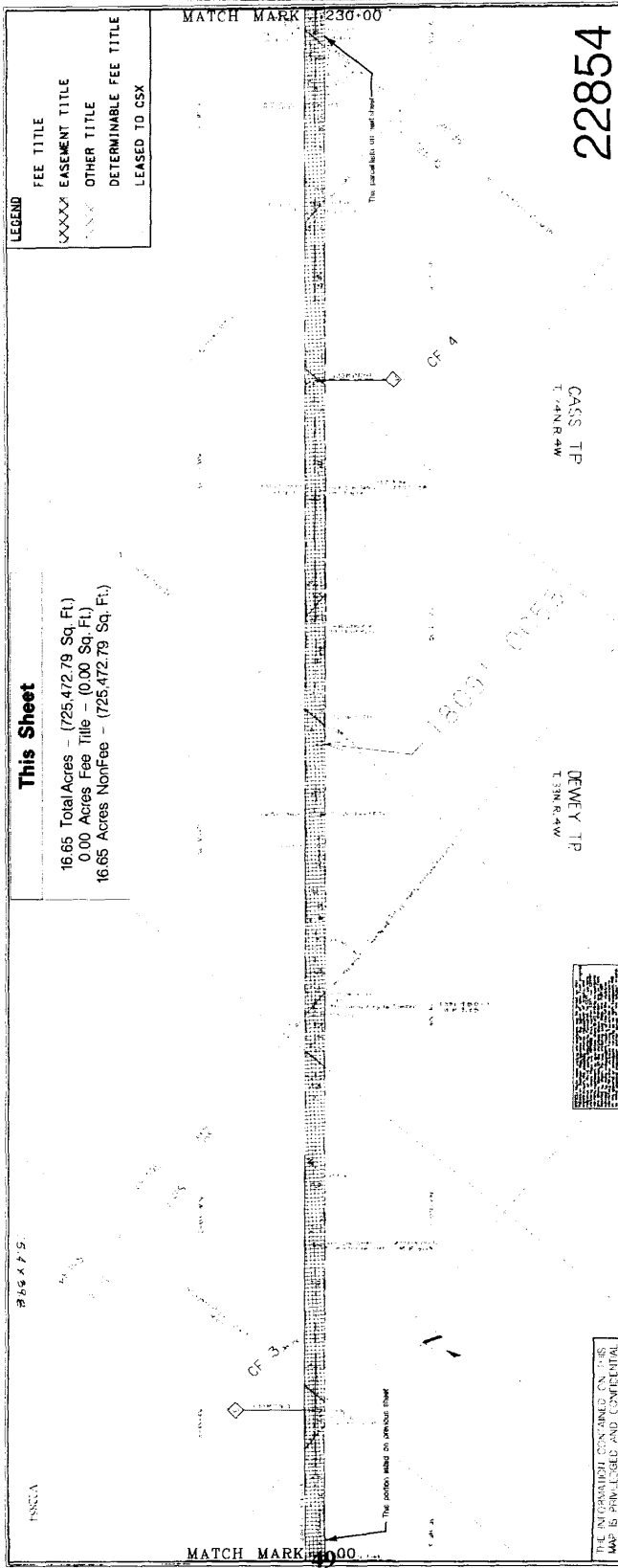
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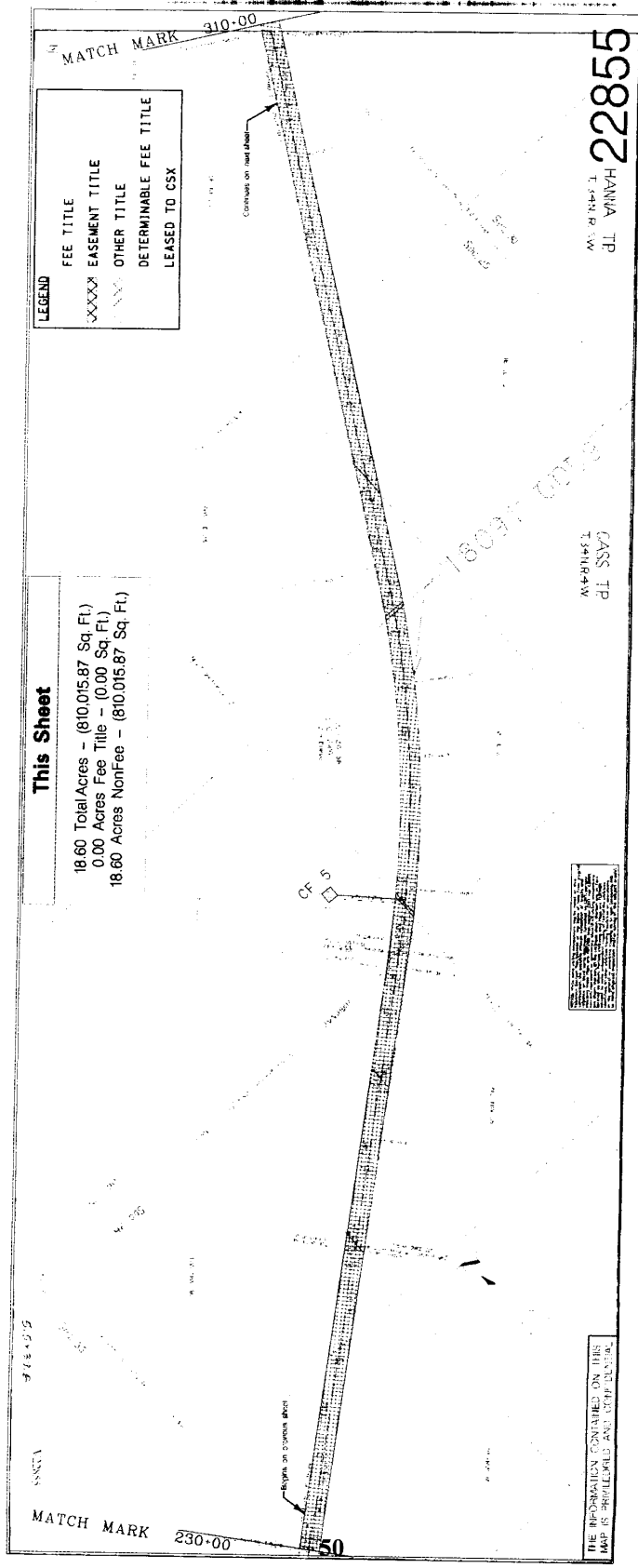
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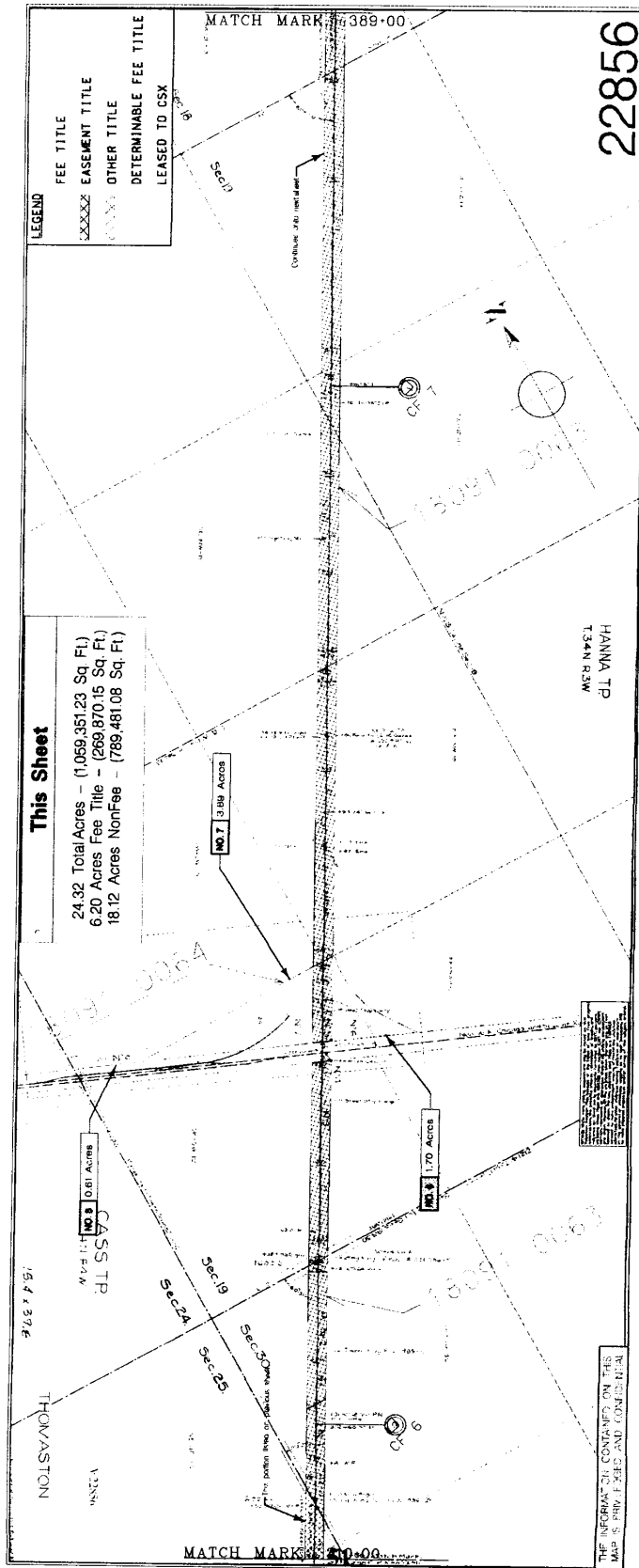
MA 230

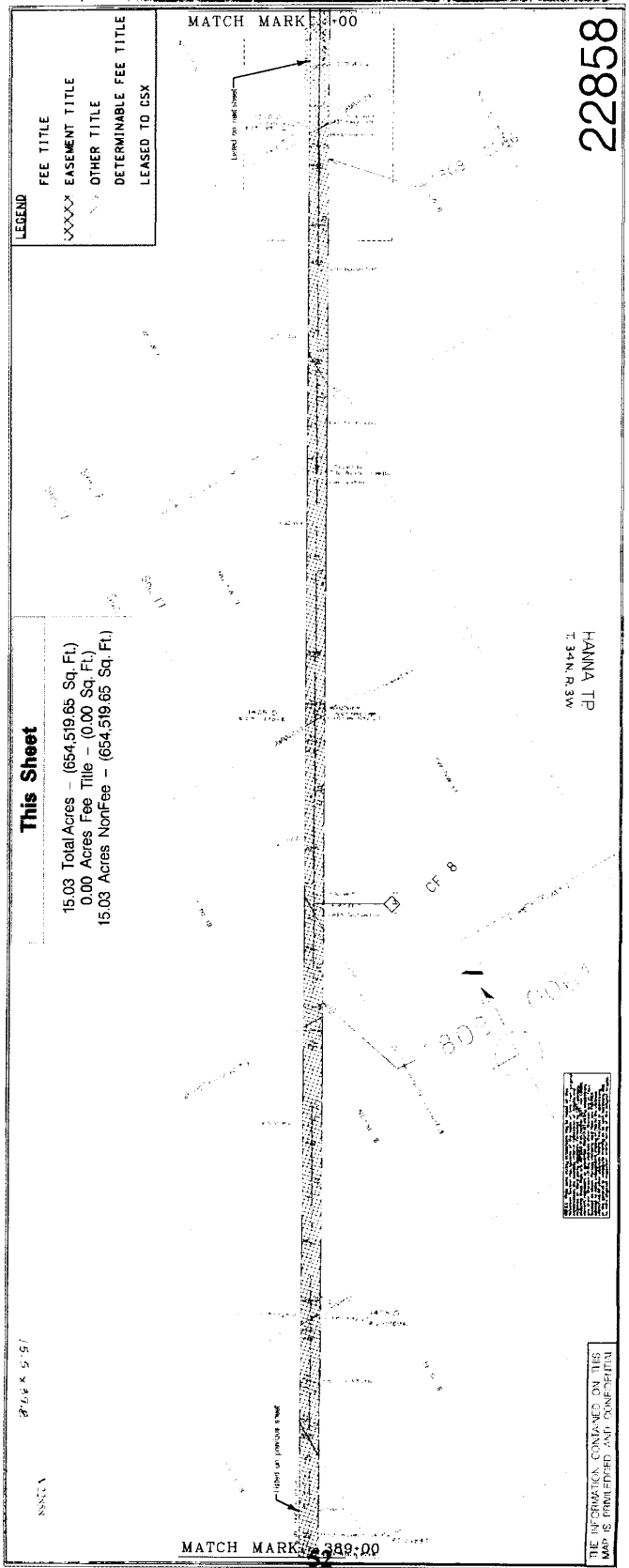
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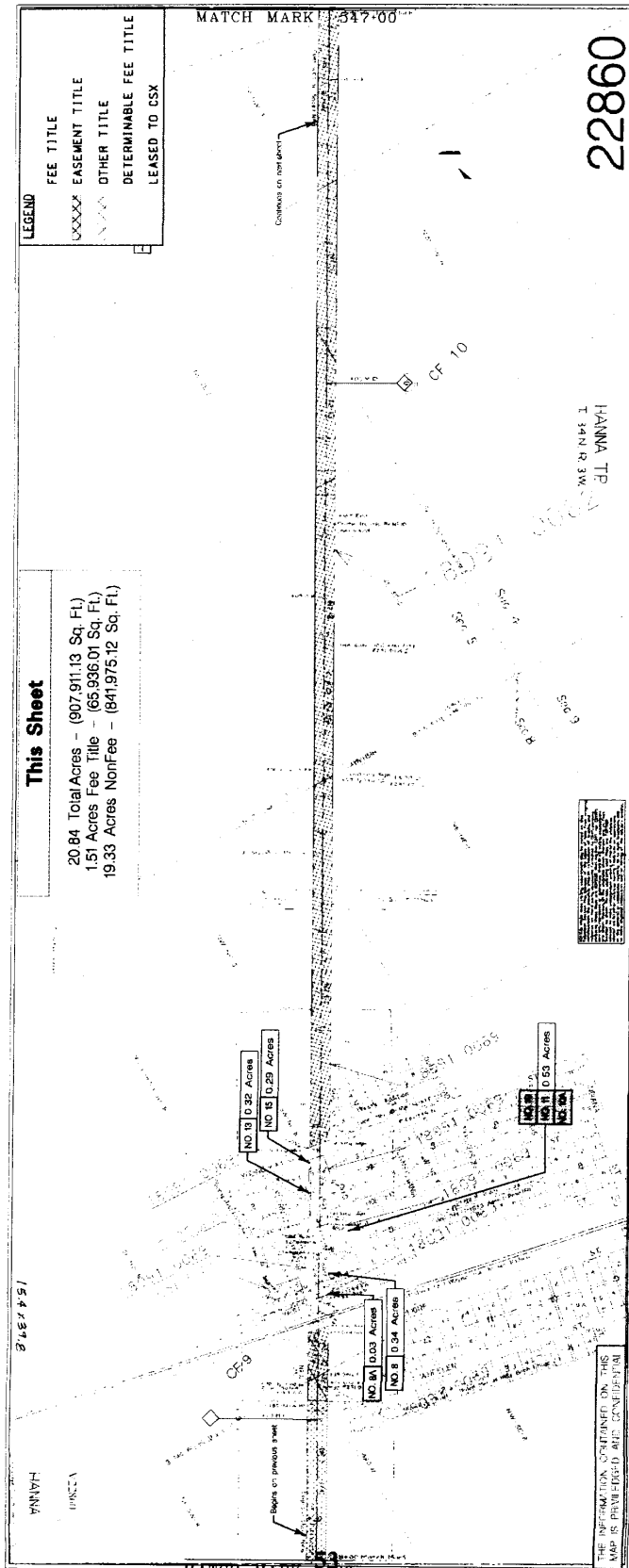
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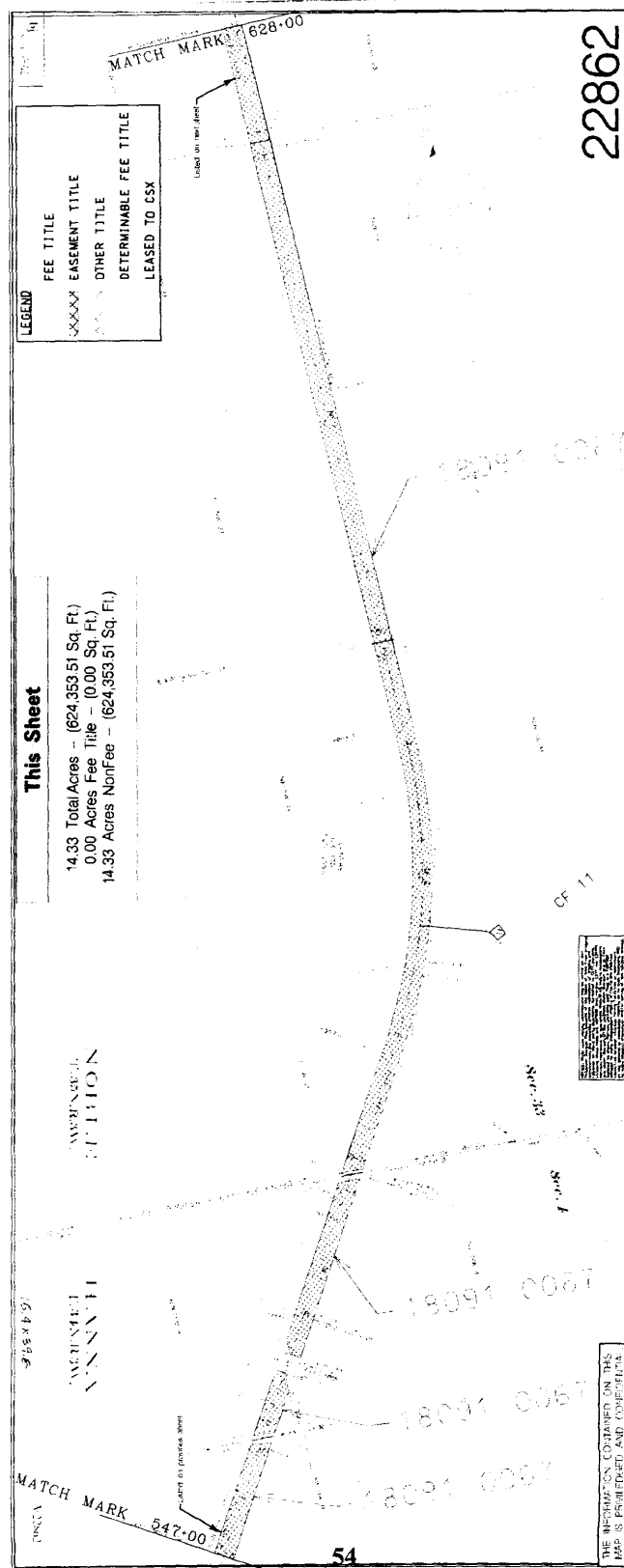


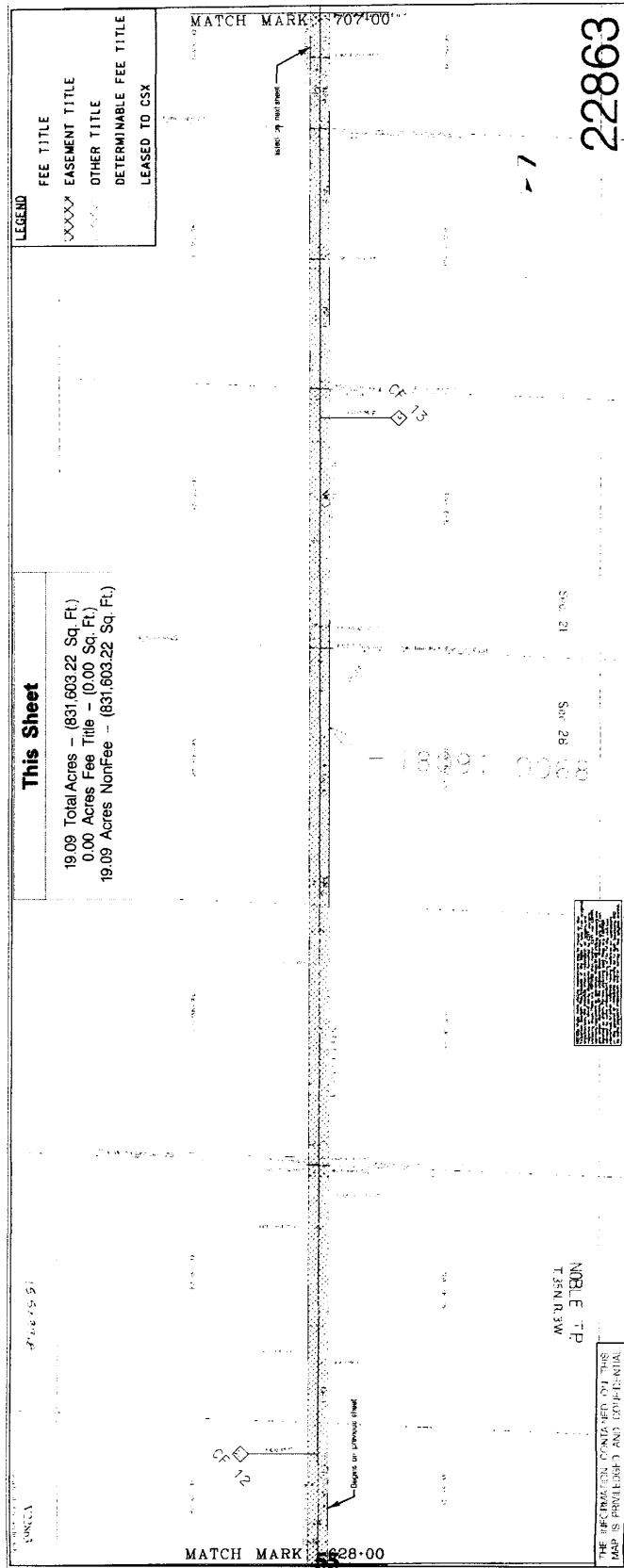




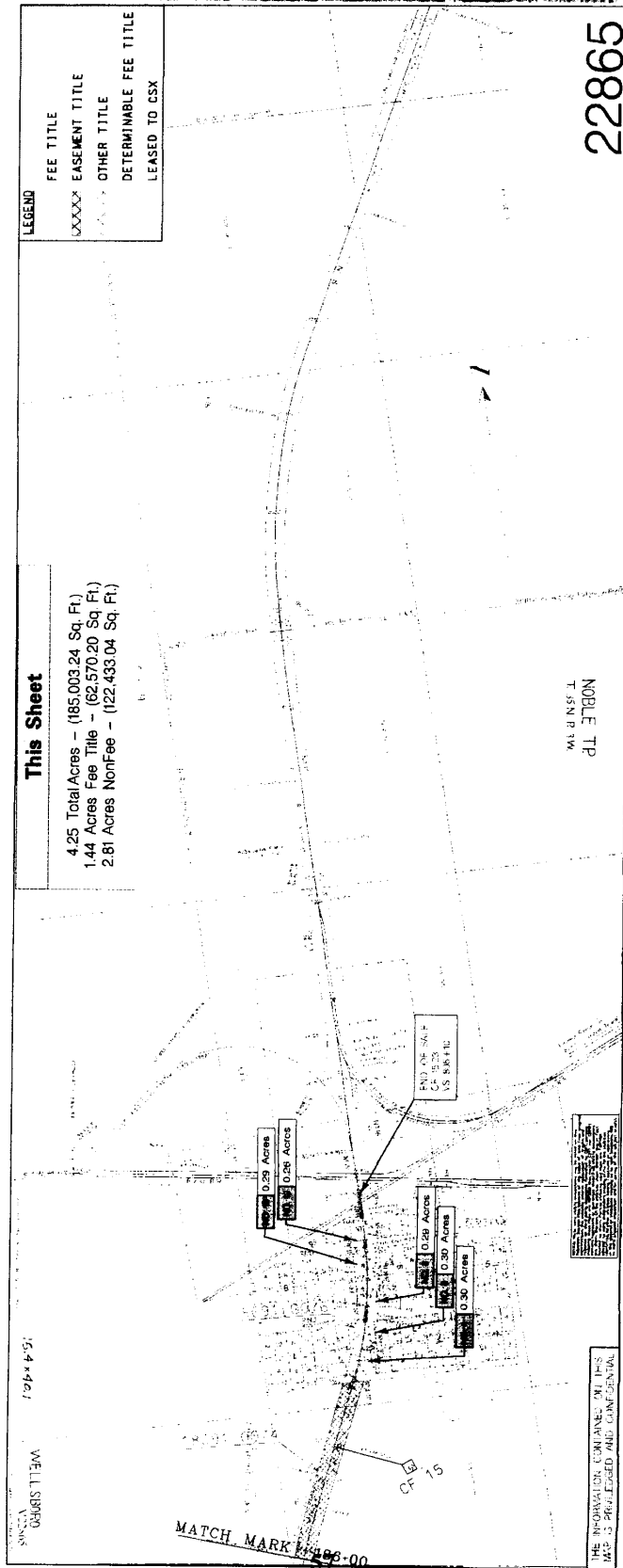


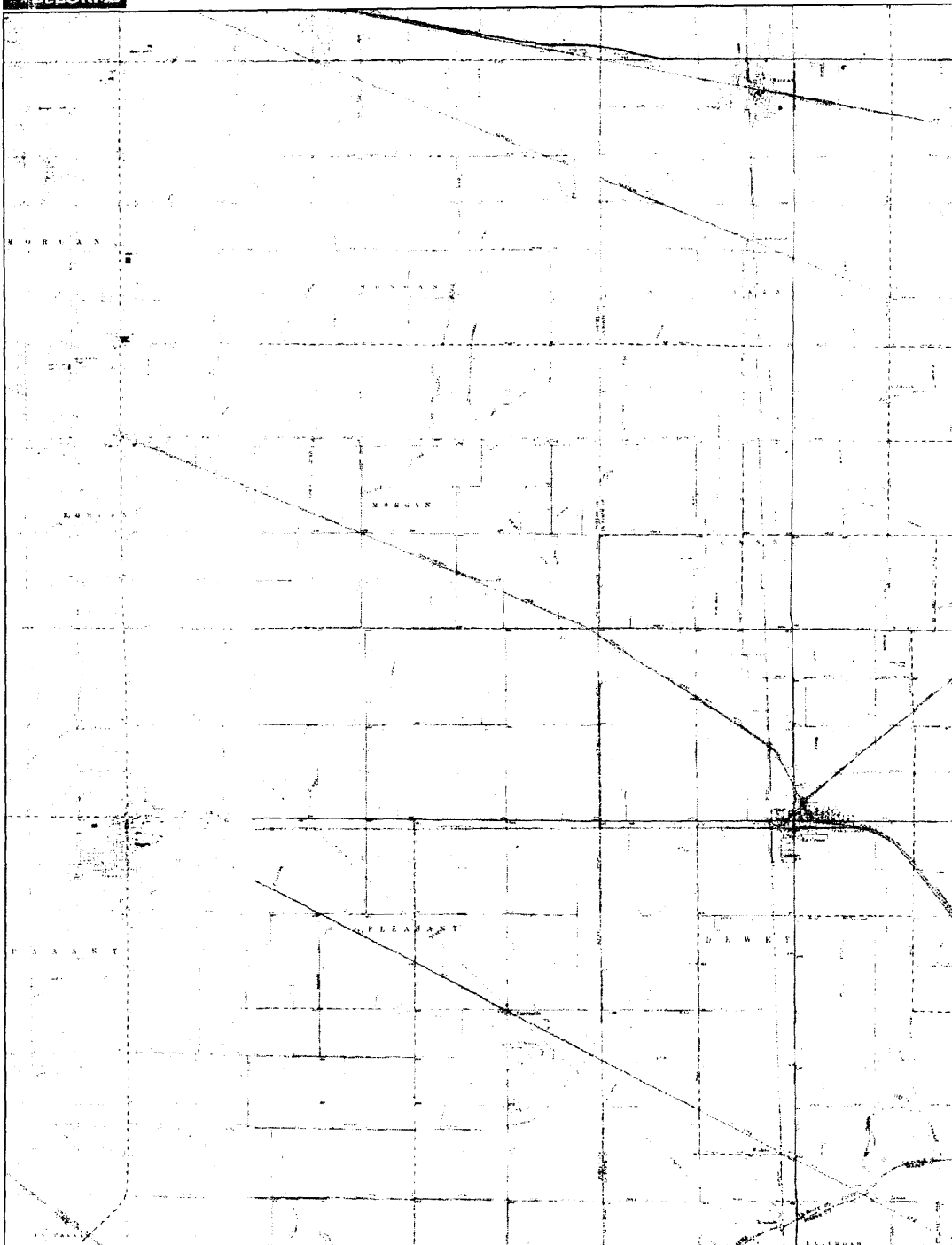






THE INFORMATION CONTAINED ON THIS MAP IS PRIVILEGED AND CONFIDENTIAL

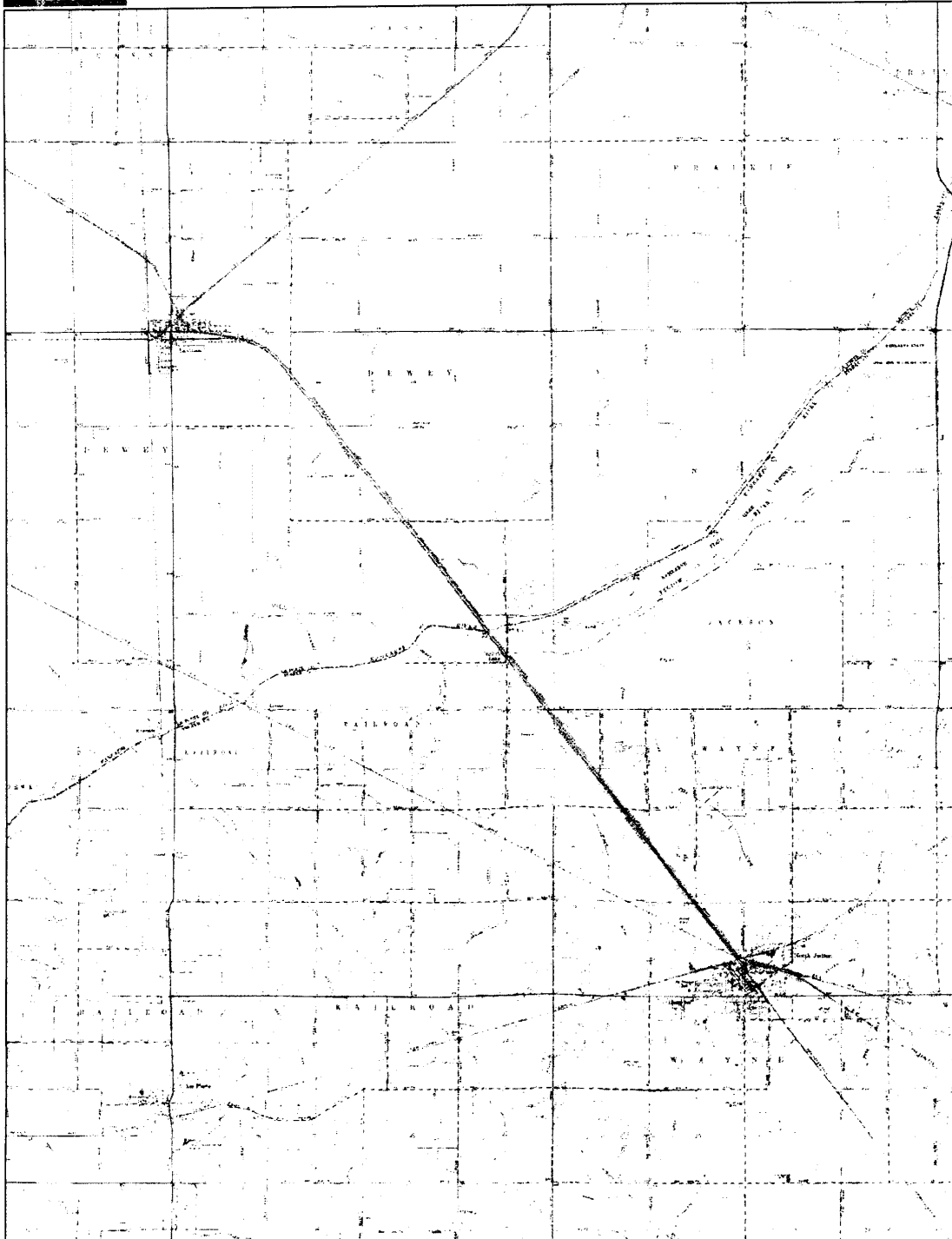




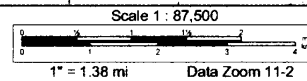
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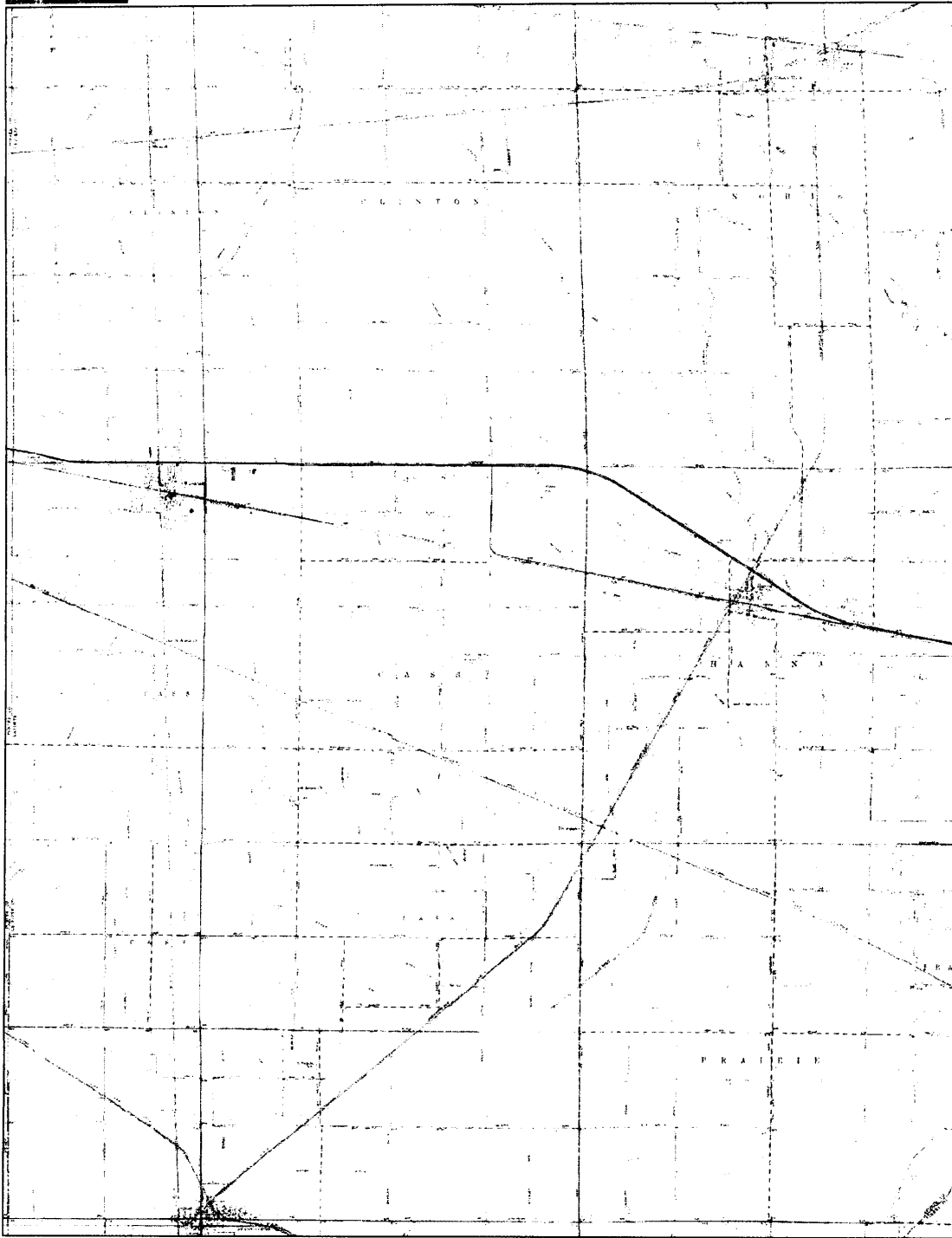


Scale 1 : 87,500
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1" = 1.38 mi Data Zoom 11-2

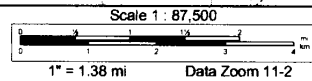


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QUALIFICATIONS

NAME: Charles W. (Sandy) Rex III, MAI

BUSINESS
ADDRESS: RMI Midwest
1200 Central Avenue, Suite 330
Wilmette, Illinois 60091
Telephone: 847/920-9033
Fax: 847/920-9450
e-mail: cwrexiii@ameritech.net

PROFESSIONAL
ORGANIZATIONS: Member of the Appraisal Institute;
MAI designation, Certificate No. 6853

EXPERIENCE: Partner & co-owner of RMI Midwest, 1992-present

Education consultant, Appraisal Institute, 1992-1993

President of Rex-McGill, Inc., 1987-1992

President of Pinel, Rex & Carpenter, Inc., 1986 to 1987

Appraiser with "Rex-McGill," beginning in 1971

Specializing in the valuation of corridors and other railroad properties, as well as the appraising of large land tracts (including development land, agricultural properties, timberlands, multi-use developments, and environmentally sensitive lands) and partial interests.

Valuing partnership interests, conservation easements, lease fee interests, leasehold interests, air rights, transferable development rights, joint ventures, as well as fee simple rights.

Clients include government agencies (federal and state), corporations, pension funds, investment bankers, financial institutions, insurance companies, nonprofit conservancy groups, attorneys, and individuals.

Qualified as an expert witness in the Federal District Courts in Florida and Illinois; US Court of Claims; US Bankruptcy Court; Florida and Illinois Circuit Courts.

Approved appraiser for the Florida Department of Environmental Protection; review appraiser for the Northwest Florida Water Management District

LICENSES &
CERTIFICATION:

Alabama Certified General Real Property Appraiser
No. G00610

Florida Certified General Appraiser, No. 0000143

Illinois Certified General Real Estate Appraiser,
No. 153-000785

Indiana Certified General Appraiser,
No. CG40300403

Massachusetts Certified General Real Estate Appraiser,
No. 5601-257042

Michigan Certified Appraiser,
No. 1201007606

New Jersey Certified General Appraiser, No. 42RG00194200

New York Certified Real Estate General Appraiser,
No. 46000039279

Florida Licensed Real Estate Broker, No. BK-0145436

EDUCATION:

Virginia Military Institute, Bachelor of Arts in Economics, 1972

Completed and passed all courses for the MAI designation under the direction of the former American Institute of Real Estate Appraisers (now the Appraisal Institute).

The Appraisal Institute conducts a voluntary program of continuing education for its designated members. MAIs who meet the minimum standards of this program are awarded periodic educational certification. Charles W. Rex III, MAI, is certified under this program .

PROFESSIONAL
TEACHING:

Approved instructor since 1986 of the following Appraisal Institute Courses: Course 310: Basic Income Capitalization; Course 320: General Applications; Course 510: Advanced Income Capitalization; Course 520: Highest and Best Use and Market Analysis; Course 530: Advanced Sales Comparison and Cost Approach; Course 540: Report Writing and Valuation Analysis; Course 550: Advanced Applications.

Approved Appraisal Institute instructor for the following seminars: *Affordable Housing*; *Appraising Troubled Properties*; *Case Studies in Highest and Best Use*; *Highest and Best Use Applications (nonresidential property)*; *New Industrial Valuation*; *Partial Interest Valuation — Divided*; *Partial Interest Valuation — Undivided*; *Subdivision Analysis*; *Timberland Valuation*.

Appraiser continuing education instructor for the Ohio Association of REALTORS® (since 1995) and for the Wisconsin Association of REALTORS® (since 2000): Market Analysis and Highest and Best Use; Transitional Properties.

Instructor for Reporting the Results of Forestland Appraisals course, Duke University School of the Environment, 1993; co-instructor for Valuation of Timberlands seminar, Duke University School of the Environment, 1987; panel member at the Fourth Timberland Marketplace Conference, Duke University, 1985.

EDUCATIONAL
PROGRAM
DEVELOPMENT:

Developer of Appraisal Institute seminars: *Partial Interest Valuation: Divided*, *Partial Interest Valuation: Undivided* (1999); *Highest and Best Applications* (1995); *Subdivision Analysis*, revision (1993).

Developer of the Appraisal Institute's Report Writing and Valuation Analysis course (1986) and of AIREA's Real Estate Appraisal Applications state-certification module (1989).

Co-developer of the Appraisal Institute's *Timberland Valuation* seminar (1988).

PRESENTATIONS:

Presenter at "Corridors and Rights-of-Way: Valuation & Policy," sponsored by The Centre for Advanced Property Economics and International Right of Way Association, 2002; "Linear Rights of Way: Federal Agency Rent Schedules Reforged," sponsored by the Appraisal Institute for the US Bureau of Land Management and US Forest Service, 2001.

Presenter at Southwest Florida Land Trust's conservation easement seminar, 1997; Coastal Georgia Land Trust, Inc.'s conservation easement seminar, 1994; Red Hills Conservation Association's Conservation Easements and Estate Planning program, 1993.

PROFESSIONAL
SERVICE:

Member, Region III Nominating Committee, Appraisal Institute, 2001.

Chair, Education Committee; Chicago Chapter of the Appraisal Institute, 1997-2000.

Member, General Appraiser Board Education Committee and Body of Knowledge Committee; Appraisal Institute, 1994.

Vice President and President-elect, 1991, Greater Florida Chapter of the Appraisal Institute; Chair, Education Committee, AIREA Florida Chapter 2, 1988-91.

Coordinator, Level II Curriculum Development, 1990-1991; Member, Division of Curriculum, Appraisal Institute, 1985-1991; Chair, Development Subcommittee, Appraisal Institute, 1989-1991; Appraisal Institute.

RECOGNITIONS:

Chicago Chapter of the Appraisal Institute's Distinguished Service Award, 1999.

Appraisal Institute's George L. Schmutz Award in recognition of contributions to the advancement of appraisal knowledge, 1991.